

# Türk Prysmian Kablo ve Sistemleri A.Ş.

## 2019 ANNUAL REPORT



## **Energizing Göbeklitepe**

Türk Prysmian Kablo gives life with its energy and telecommunication cable solutions to Turkey's biggest, important and prestigious projects, since the first day of its establishment.

In line with its company mission "Linking Turkey to the Future", Türk Prysmian Kablo is proud of providing fast and secure energy communication with its new generation and fire-proof cables to Göbeklitepe (Şanlıurfa).

Göbeklitepe is the world's oldest temple and was added to UNESCO World Heritage list in 2018. In Turkey, 2019 is declared as "Year of Göbeklitepe" and this world heritage is known as zero point in history.

# Türk Prysmian Kablo ve Sistemleri A.Ş.

2019 ANNUAL REPORT

**Prysmian**  
Group





# Türk Prysmian Kablo ve Sistemleri A.Ş.

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## Dear Shareholders,

Since our establishment in 1964, our production activities have contributed to the Turkish economy as a successful company leading the cable industry. Inspired by our mission "Linking the Future", our innovative products and investments promote all major industries and industrialization process in Turkey.

Turkey has managed to grow in 2019 despite global economic fluctuation. We, as Türk Prysmian Kablo, continued to work at full steam in 2019 as well, with the strength we have taken from the solid and decisive steps taken by our country on the road to development.

We were pleased to carry out activities and projects that would contribute to our industry and our national economy in 2019. Türk Prysmian Kablo, which is the Turkish operation of Prysmian Group, a global leader in energy and telecommunication cables, operating in more than 50 countries with 106 plants, has successfully completed the 2019 FY, achieving similar results compared to previous years.

### "We develop products that would improve our country's competitive edge"

With our experience and competence of over half a century, our cables and solutions are "Linking Turkey to Future". We brought life to the mega projects in construction and healthcare industries with our cables and solutions accordingly. These include Istanbul Airport, Yavuz Sultan Selim Bridge, Osmangazi Bridge, Marmaray, Ilgaz Tunnel, and Eurasia Tunnel. Our cables were used in Eskişehir City Hospital, Ankara Bilkent City Hospital, which is the third hospital in the world in terms of bed capacity, Tekirdağ City Hospital and Bursa City Hospital. We donated Gaziantep Panorama Museum with cables that comply with the CPR (Construction Products Regulation). Moreover, we supplied cables to Göbeklitepe in Şanlıurfa, listed in UNESCO World Heritage List with its history of 12 thousand years, to ensure fast and safe power transmission.

Increasing our investments in technology and innovation with R&D, we aim at introducing high performance products and technologic innovations to users while improving our country's competitive edge. In this view, we continued working on solar power cables, special railway cables, instrumentation cables for OGP industry, mini tube fiber optic cables in 2019. Within the scope of our initiative undertaken since 2012 and entitled "**Attention! All Cables Are Not the Same...**", we continued to demonstrate our expertise in CPR, which is one of the most important phases in our journey to quality and safe products. In our Mudanya R&D Center, encouraged by our leader position in the industry, we will work responsibly, pursuing our strategy to raise awareness in our industry on quality and performance.

### "We relentlessly continue our training activities"

The importance we attached to training lies at the root of our leading role and our achievements in the industry. We relentlessly worked on our training activities in 2019 as well. In order to train future production and plant managers of Prysmian Group, we offered training to 423 people from 32 countries in 2019 within our Production Academy established in our Mudanya plant, which is one of the 4 Excellence Centers in Academy, together with the centers in Italy, USA and the Philippines. Encouraged by Prysmian Group's confidence in Turkey, we maintain our training activities, recognizing the importance of training across the organizations and the industry.

Beside these activities, our online cable training program has reached over 2.000 people, launched in 2015. With this free online training program, which is the first one in the industry, Türk Prysmian Kablo is aiming at reaching a wider audience.



Moreover, we introduced another online program this year: the CableApp application developed by the Prysmian Group was offered with Turkish language option. Also used on a web browser, CableApp helps all users from on-site assembly personnel to engineers working at the office, to choose the best cabling solution in conformity with your project and installation management. CableApp is a free application that can be used on computers, tablets or mobile devices.

#### **“We touched hearts with our social responsibility activities”**

Within the scope of our sustainability vision, we care deeply about our social responsibility activities. We took a step further than making donations by including our people in the process in 2019.

Under our CSR project that we call the “Happiness Bank”, we collaborated with the selected schools in Şanlıurfa in 2019 to make the less privileged children’s wishes come true. Also in 2019, we attended afforestation activities in Çağrıışan, Bursa which burned to ashes in a fire; we cleaned the shore in front of our plant with the participation of our employees; we donated blood to the Turkish Red Crescent with the participation of our employees, and we devoted a total of 1034 hours into social responsibility projects. We will keep on executing different projects on this very important area.

#### **“We will keep on linking Turkey to Future”**

As Turkey continues to develop in the fields of industry, technology and communication, Türk Prysmian Kablo will produce new generation cables and systems based on ever-growing needs and demands. We are extremely pleased to contribute to the development of many industries in Turkey and to add value to our country’s local and value-added production potential and strong economy thanks to the shared synergy we created.

As the “Company spending the most on R&D in Turkey” within the cable industry, we lead in innovation and development while investing in new environmentally friendly products and systems. Based on our “Linking Turkey to Future” mission, we mainly aim at boosting our contribution to domestic production.

Prysmian Group, a global leader of the cable industry, far achieved its 2020 sustainability goals by 2018. Türk Prysmian Kablo, sharing the same goals and values, also focuses on developing innovative products promoting sustainability in telecommunication and energy infrastructures, increasing the sales of “green” products, contributing to making energy and telecommunication accessible to everyone, and promoting the production of sustainable technology production. We will continue investing and working in 2020 towards this direction.

We are mostly motivated by your support. We started 2020 with great hopes, setting great goals. I firmly believe that we will go ahead and succeed in new projects to come.

I kindly extend you my warmest salutations and thanks on my account and on behalf of Türk Prysmian Kablo.

Yours respectfully,

**Cinzia Farisè**  
CEO



**Ercan Gökdağ**  
Board Member  
& CFO

**Cinzia Farisè**  
Vice Chairman  
& CEO

**Halil İbrahim Kongur**  
Chairman  
& Factory Director

## TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

## GENERAL INFORMATION

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

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

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

Our annual report includes the period of 01.01.2019 and 31.12.2019.

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

**Headquarters:**

Ömerbey Mah. Bursa Asfaltı Cad. No:51 Mudanya / BURSA  
Tel: +90 224 270 3000 Fax: +90 224 270 3024

**Branch:**

Ömer Avni Mah. İnebolu Sok. Haktan İş Merkezi No:39 K:2  
Setüstü Kabataş Beyoğlu/İSTANBUL  
Tel: +90 212 393 7700 Fax: +90 212 393 7762

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

**Mersis No:** 0876005137400023

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

There hasn't been any amendment to the articles of association that has been registered during the 01.01.2019 - 31.12.2019 financial. However, after the finalization of the capital increase performed within the capital ceiling in the last quarter of 2019; Article 6 titled "Registered Capital" of the Articles of Association has been amended to reflect the change on the increased capital amount of 216.733.652,00. TL; this amendment was registered on 01.21.2020 and announced Turkish Trade Registry Gazette with 24.01.2020 date and 10001 number.

The final version of our articles of association is available on <https://tr.prysmiangroup.com/tr/kurumsal-yonetim> and

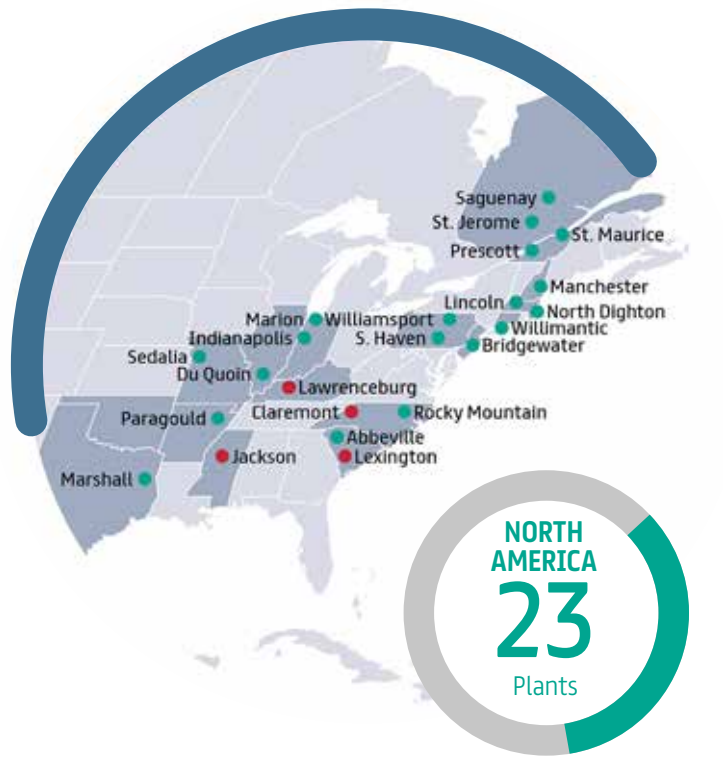
<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1108-turk-prysmian-kablo-ve-sistemleri-a-s>

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

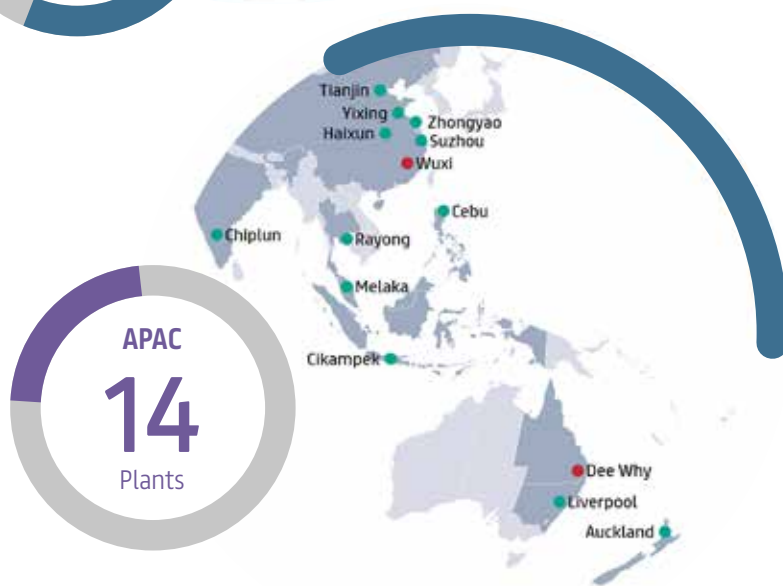
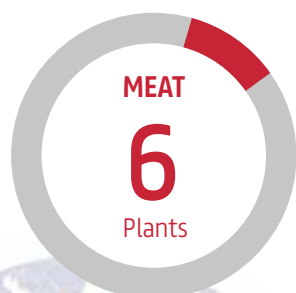
Türk Prysmian Kablo ve Sistemleri A.Ş. is Turkish operation of Prysmian Group, worldwide leading company in energy and telecommunication cables' industry with its approximately 29.000 employees and 106 factories in more than 50 countries following the merge realized globally with General Cable.

The company stands out in Prysmian Group as one of the 16 plants that can simultaneously produce energy and telecom cables with Prysmian and Draka brands. All the energy cables up to 220 kV, copper conductor communication cables up to 3.600 pairs, optical fiber cables, railway-signaling cables, studio broadcast cables and special cables are in the company's product range. Today Mudanya factory can produce 22.000 different cables. Besides all these, Türk Prysmian performs "turn key" projects for cables and systems, and provides all its customers unique and superior services.

The installed capacity of Türk Prysmian is also at a level to compete in the international markets. Türk Prysmian, with its 68% capacity saturation in 2019 and which continues to be a privileged export center within the Prysmian Group exported approximately 35% of its TL1,462,576,746





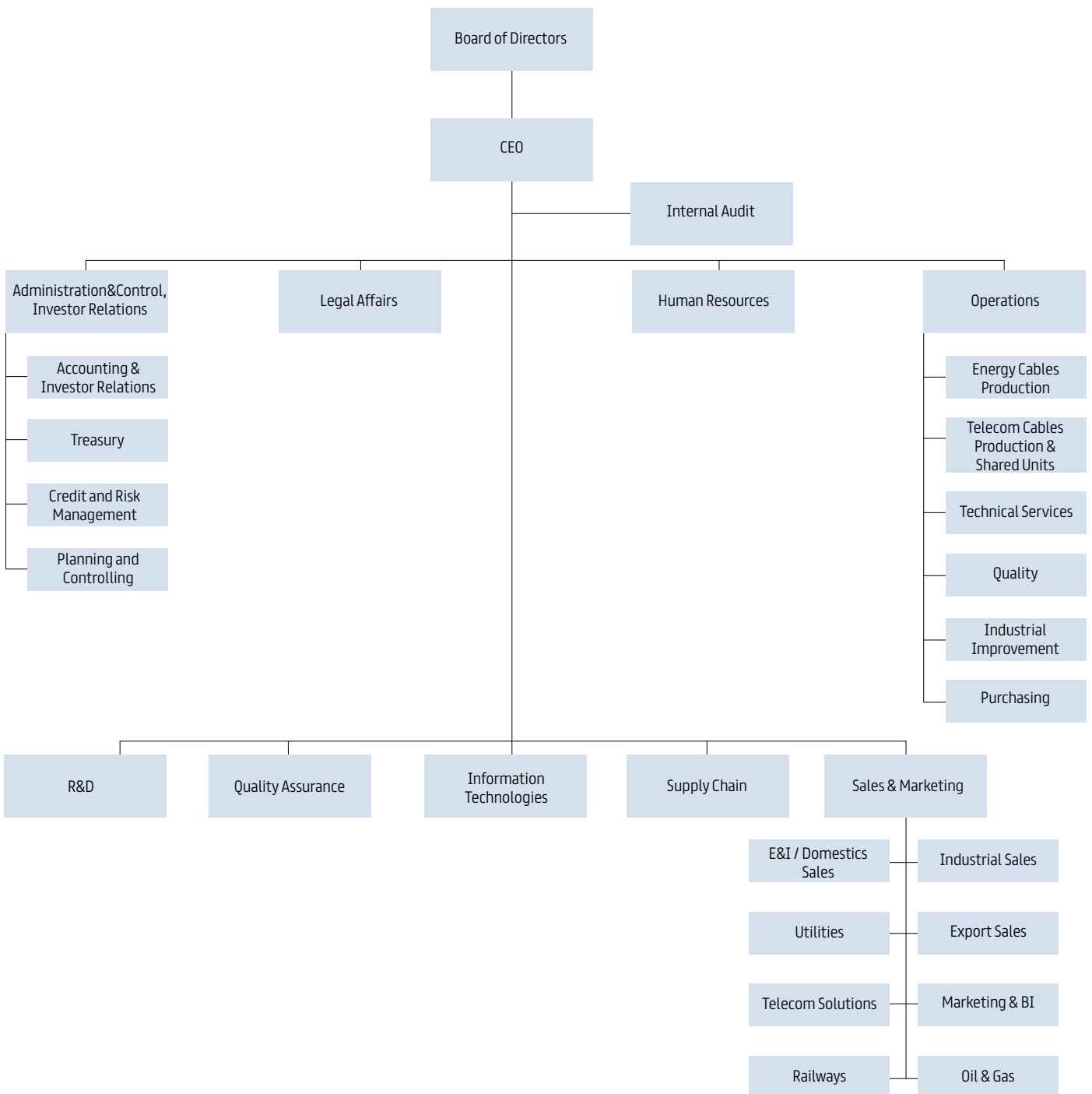


turnover in 2019. Türk Prysmian has sustained its leadership regarding to innovation, technology, quality and customer satisfaction in Turkey and in the international markets. Today, the company exports to more than 40 countries covering a wide geography, including but not limited to the Turkic Republics and the Middle East countries.

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

Türk Prysmian Kablo ve Sistemleri A.Ş., listed on the Istanbul Stock Exchange, which increases the effectiveness of its products and services everyday not only in Turkey, but also in global markets has proven the value it gives to human being and to the environment by obtaining ISO/DQS 9001, and ISO 14000 certifications in its sector.

# ORGANIZATIONAL STRUCTURE



## COMPANY BOARDS

**The Board of Directors**

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

**Audit Committee**

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

**Corporate Governance Committee**

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

**Early Risk Assessment and Risk Management Committee**

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





## BOARD MEMBERS



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

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



**Cinzia Farisè**  
**Vice Chairman & CEO**

Manager with 30 years of experience in national and multinational companies, both in products and in services, in the public and the private sector, she is graduated from University of Brescia (Italy), department of Business Economics. She started her career in Prysmian Group as Sales & Marketing Director of Prysmian Italy and Switzerland, becoming later CEO of Prysmian India and then Global Vice President Energy & Infrastructure at worldwide level. From September 2019 she is CEO of Türk Prysmian Kablo. She was for 4 years CEO of Trenord, the second Italian rail company, President of TILO - a Swiss company co-owned by Trenord and the Swiss Federal Railways -, Board Member and Chairman of the Nomination and Remuneration Committee of Italgas, a listed company leader in Italy and third in Europe in the distribution of gas, and Board Member of CAL Concessioni Autostradali Lombarde, a company co-owned by ANAS and Infrastrutture Lombarde for the construction of the main motorways in the north of Italy. She was co-founder of the Italian Angels for Women Association and angel partner of Doorway, the equity crowdfunding platform for business angels and investors. She is board member of 'Operazione Vivere', the Italian foundation supporting innovative oncological surgery.



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

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



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

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





## BOARD MEMBERS



**Andrea Pirondini**  
**Board Member**

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



**Ayşe Canan Ediboğlu**  
**Independent Board Member**

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



**İsmet Su**  
**Independent Member of the Board**

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



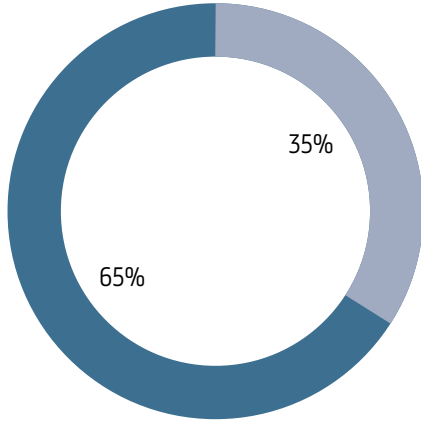
**Banu Uzgur**  
**Independent Member of the Board**

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

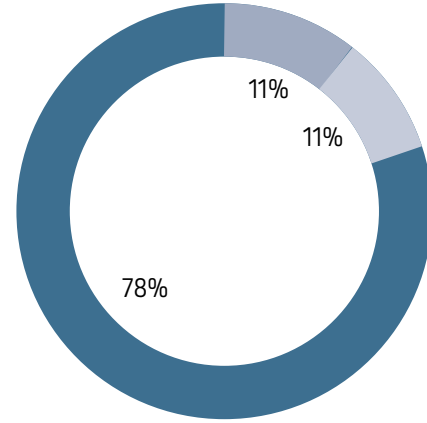


## SALES STRUCTURE

Our company's sales structure in 2019 is as below:



Domestic Market:	TL949,260,306 (65%)
Export:	TL513,316,440 (35%)
Total:	TL1.462.576.746



Energy-Cables:	TL1,145,508,543 (78%)
Energy-Projects:	TL153,239,611 (11%)
Telecom:	TL163,828,592 (11%)

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

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

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

Gerilim Kablo  
Güzel Ufuk Elektrik  
Karadeniz Elektromarket  
Kıraç Elektrik  
Mefa Elektrik  
Oskar Elektrik  
Özta Elektrik

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



## PRESTIGIOUS PROJECT REFERENCES

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

### REFERENCE PROJECTS FROM 2019

<b>Ankara-Konya High Speed Train:</b>	Turkey's Longest High Speed Railway Line
<b>Bursa City Hospital:</b>	Turkey's 10 <sup>th</sup> City Hospital With Turkey's Largest Physical Therapy and Rehabilitation Hospital
<b>Cıngıllı Solar Power Plant:</b>	Turkey's Largest Licensed Solar Power Plant
<b>Göbeklitepe, Şanlıurfa:</b>	UNESCO World Heritage Site With a History of 12 Thousand Years
<b>Leonardo Da Vinci Ship:</b>	Most Advanced Submarine Cable Laying Ship With Its 170 m. Length and 34 m. Width

### REFERENCE PROJECTS FROM 2018

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

### REFERENCE PROJECTS FROM 2017

<b>Gaziantep Iconova:</b>	"Best Architecture Multiple Residence" in Turkey and Europe - European Property Awards
<b>Kazan Soda Elektrik:</b>	Europe's Biggest Natural Dense Soda Ash and Sodium Bicarbonate Factory in Europe
<b>SASA Polyester:</b>	Turkey's Unique Polyester Fiber Manufacturer
<b>Skyland İstanbul:</b>	The Tallest Building in Turkey After Completion
<b>Star Refinery (SOCAR):</b>	Turkey's First Private Sector Refinery

### REFERENCE PROJECTS FROM 2016

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

### REFERENCE PROJECTS FROM 2015

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

### REFERENCE PROJECTS FROM 2014

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

### REFERENCE PROJECTS FROM 2013

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

### REFERENCE PROJECTS FROM 2012

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



**4<sup>th</sup> Quarter of 2019**

The positive developments towards the settlement of the trade tension between the USA and China, largely eliminated uncertainties regarding the Brexit process, significantly reduced production cuts in the Euro Zone industrial sector thanks to the new regulations in place, growth-supporting global monetary policies in the last quarter of the year point to a positive outlook for global economic activity in a long while. Accordingly, growth outlook in developed countries is expected to turn somewhat positive in the coming period, while various risk factors exist in developing countries. The positive effects of growth-supporting monetary policies in developed countries on developing countries could continue in the coming period.

Turkey's country risk premium continued to decline in the last quarter of the year, with the 5-year CDS premium closing December with the lowest value of the last 1.5 years at 277 basis points. Since the second quarter of the year, softened domestic funding conditions as a result of the improvement in the inflation outlook and the discounts in policy rates reflected in a significant decrease in commercial and consumer loan rates. Loan growth recovery continued in the third quarter of the year in response to the decline in loan interest rates and the recovery in domestic demand. Increased risk appetite for Turkey brought purchases in the stock market during this period, and the BIST 100 index recorded a 25.4% increase in 2019, with a 7% rise in December.

Consumer price inflation, which was down to a single digit in September and October increased slightly in the last two months of the year in part due to the low-base effect in the same period of the previous year. Thus, consumer price inflation increased by 2.58 points in the last quarter compared to the end of the previous quarter, finishing 2019 at 11.84%.

The interest rate cut process, which started in July 2019, continued in the last quarter. In line with the improvement in the inflation outlook, the Turkish Central Bank cut policy rates by 1200 basis points with strong reductions in the July-December period. In addition to the policy rate cuts, the Turkish Lira yield curves also declined in part due to reduced inflation expectations and country risk premium, with the 10-year benchmark bond compound interest rate coming down to 12% at the end of December.

In 2019, export volume stood at USD 171.5 billion and the import volume at USD 202.7 billion. As a result, foreign trade deficit decreased by 43.5% compared to 2018, down to USD 31.2 billion. The ratio of exports to imports, which was 75.3% in 2018, rose to 84.6% in 2019.

In the last quarter of 2019, commodity prices rose by an average of 1.4% compared to the previous quarter due to the fact that monetary policies continued to support growth and reduced global uncertainty compared to the previous period. In this period, energy, industrial metal, agriculture and precious metal prices increased by an average of 0.5%, 0.2%, 3.4% and 0.4%, respectively, compared to the previous quarter.

USD/TL increased by 11.9% throughout the year, with 3.6% of this increase occurring in December due to geopolitical developments and USD/TL closed the year at 5,951. The EUR/TL exchange rate, which followed a similar trend, closed December at 6.68, with a monthly increase of 5.5% in December and an annual increase of 9.8%.

According to BRSA data, the increase in deposit volume accelerated in the last few weeks of the year. The share of FX deposits in total deposits, which increased rapidly due to the increase in individual foreign exchange demand and reached the peak of the last 16 years at 55.5% in May, declined in recent months, with the share of FX deposits in total deposits at the end of December standing approximately at 51%.

The downward effect of weak global economic activity on crude oil prices balanced OPEC's decision to cut production and the upward pressure of geopolitical problems on prices in the last quarter of the year. Accordingly, crude oil prices hovered around USD 62 per barrel.

Gold prices closed the year at USD 1.517/oz, increasing by 18.3% compared to the end of 2018. The weak trend of the US dollar, geopolitical developments and the deterioration in global risk perceptions from time to time and the additional demand created by the central banks put pressure on the prices.





## 2020 ECONOMIC EXPECTATIONS

### 1<sup>st</sup> Quarter of 2020

Although there are no clear road maps regarding global economic activity, the US economy performed well in the last quarter of the year, while the economic activity in the Euro zone and in the Far East region continues to paint a relatively fragile outlook.

In this regard, it can be assumed that the decisions of leading central banks to support the economy will continue in 2020 just as was the case in 2019. In addition, the coronavirus epidemic, which has spread in early 2020, is expected to have negative effects on economic activity.

The Turkish Central Bank kept the 2020 year-end inflation forecast at 8.2%, while maintaining the 2021 inflation forecast at 5.4%. The Bank announced that the downward inflation trend will continue with continued cautious monetary policy and improvement in expectations. In the last days of the year, the Turkish Central Bank continued to introduce regulations based on real loan growth, increasing the reserve requirements for foreign-exchange deposits. As part of the decision, the Turkish Central Bank increased the ratio of reserve requirements for foreign-exchange deposits by 200 basis points in all maturity segments, making sure that banks, which satisfy the TL real loan growth conditions that set the basis for reserve requirements, are not affected by this increase. We can expect the Turkish Central Bank's direct or indirect practices to improve market conditions in the coming period, too.



## OVERVIEW OF TURKISH CABLE INDUSTRY IN 2019

Recent developments in energy, industry, software and information technologies both at home and abroad have introduced major changes in cable business, as well as in many other industries. Increasing the level of industrialization due to the needs of population growth, construction industry evolving towards higher housing levels, rapidly changing infrastructure and transport needs, efforts made for transition to renewable energy, ever-increasing amounts of data transmission along with digital revolutions including "Industry 4.0" and "Internet of Things" have all enabled "Energy and Communications" an indispensable part of the modern world.

New technologies, while increasing productivity in industrial manufacturing, lead to reduction in medium term production costs. Therefore, technological transformation may offer an opportunity in periods with positive growth outlook. In cable industry, we observe that the fall in demand for external copper telecom cables continues due to the preference of high-tech fiber optic cables while the demand for fiber optic cables is rising significantly. The demand for energy cables continues to increase, albeit slightly. Further, increases in oil and metal prices have led a slight monetary growth in overall cable market. With increasing competition, majority of the global cable production has continued to shift towards the developing countries.

Apart from recent economic slowdown in Turkey, the problems in the construction industry, one of the sectors making the most important contribution to economic growth both directly and indirectly, the downtrend in demand for housing as well as in cement sales, have all closely affected the cable industry, leading manufacturers to prefer export markets. According to the figures of Turkish Statistical Institute, total export volume reaches to US\$2 bln in 2019. Nearly 200 manufacturers operating in the industry continue to produce in different product categories ranging from energy, communication cables, fiber optic cables, low voltage cables, and enameled wires, while offering employment to thousands of people.

Another development indicator of the Turkish cable industry is Turkey's installed power. According to the Turkish Electricity Transmission Company data, installed electric power in Turkey reached over 8.600 power plants and 91.000 MW level as of the end of 2019. Solar energy, hydroelectric power plants, and wind power investments account for the most in this increase. Despite recession both in Turkey and abroad, as the use of renewable energy sources in Turkey continues to increase, and as a result, as Turkey is becoming one of the major actors in energy within the region, the cable industry's development has been promoted positively.

The most significant factor in becoming the internet use more widespread in recent years has been the ability to enable fast internet access, nourished by mobile technologies. Based on the statistics of Information and Communications Technologies Authority, internet subscriptions have reached 77.1 million, of which 14.1 million land line subscribers and 63 million mobile line subscribers, marking a year-on-year increase of 4,4 percent in internet subscribers. One of the major factors in this increase is "Fiber to the Home" application. Increase in fiber optic infrastructure enables users to prefer this technology. The length of fiber optic infrastructure of 345 thousand km in the previous year increased by 7.5% in the third quarter of 2019, reaching 371 thousand km.

Total mobile traffic in the third quarter of 2019 reached 70.2 billion minutes while fixed traffic was at the level of 1,5 billion minutes. Mobile-to-mobile traffic accounted for the majority of the traffic volume (94,1%). In the third quarter of 2019, average monthly mobile phone usage time was 480 minutes, becoming the country which made the most mobile phone calls compared to other reviewed European countries.

The Turkish cable industry, which has demonstrated a growth in parallel with the developments in the construction, energy and communication, has become a competitive market and a global exporter thanks to mainly its production technologies conforming to international standards, qualified and





trained manpower, R&D efforts, and ever-increasing awareness in quality. Based on recent research and statistics of TÜİK and TİM, total size of the Turkish cable industry is around US\$ 3-4 bln (including domestic and international sales) with the top 20 cable manufacturers in Turkey accounted for 80-90 percent of total production and turnover. Due to the problems in Turkish economy and especially in construction industry in 2019, just like in the previous year, a large number of cable manufacturers in Turkey headed for the export markets, which enabled the export figures of Turkish cable industry in 2019 to reach US\$2,07 bln. The fact that more than half of the total production of cable manufacturers operating in Turkey is being exported is the most significant indicator of the importance of our cable industry thanks to Turkey's geographical proximity to European, African and Middle Eastern countries. Moreover, increase in incentives promoting R&D, using more local products in domestic projects, and the importance attached to naturalizing have all contributed to domestic market.

The most required characteristics of cables include ensuring safety of human life and property and having an advanced fire safety performance, while with information transmission and communication cables, it is required that cables are designed to transmit data faster and with less footprint. However, buildings with higher risk of fire due to increased urbanization and overpopulation levels necessitate using fire-resistant installation cables so that they prevent loss of life and property in case of fire. These cables embody fire safety characteristics including low smoke density, halogen-free, flame retardant, and circuit integrity under fire. Turkish cable industry is keeping up with the changing regulations and working relentlessly on R&D for safer fire safety cable production while tapping into new generation cable applications by means of the advancing technology in order to string along with this transformation.

Substandard products appearing across the market have been one of the major problems in cable industry have caused significant damages especially in export markets. Due to offering substandard products to the market, the measures to be taken in order to prevent the occurring results and unfair competition have become increasingly important. Moreover, leading cable manufacturers, manufacturer associations, and relevant official bodies and authorities have launched a real battle against substandard cables. In order to live in a safer and more productive world, informative activities continue for choosing the best solutions with high performance and advantageous overall costs, raising awareness across the industry about using the right cable, conducting market surveillance and inspection activities to ensure that the cables used in the market comply with the standards, and raising awareness about quality inconsistencies of the cables marketed in Turkey.

With the newly enacted "**CPR-Construction Products Regulation**" that became mandatory for cable manufacturers on July 1st, 2017 aiming to make not only cables but also all building materials fire safe, manufacturers that are able to comply with these standards started to more focus on product diversification and more value-added products as well as increasing their chances in the export markets. Further, quality level and standards have been improved in all processes from the manufacturer to the end user while imposing severe responsibilities on persons and authorities for using and inspecting CPR-compatible products. In 2018 and 2019, prestigious domestic projects started to use premium CPR-compatible products of Cca and B2ca class, which has marked the increased importance attached to quality and human life.

Putting into practice the EN 50575 standard regulating classification of the cables according to their performance of reaction to fire within the scope of the Construction Products Regulation is essential for our industry. Using cables that conform with this regulation in all housing projects carrying fire risk, performing inspections on marketed cables for CPR compliance by the teams of Market Surveillance and Control operating under the R.T. Ministry of Environment and Urbanism, increasing inspections performed by R.T. Ministry of Industry and Technology, including cables within the scope of focused inspection will all play a critical role to improve the level of quality and safety across the Turkish cable industry.



Combining research and development in energy and telecommunications cables industry, Türk Prysmian Kablo aims at boosting its competitive edge while working on effective, efficient, superior and environmental-friendly products and system solutions. Research&Development (R&D) Center in Mudanya is one of the 25 centers within Prysmian Group R&D family, which has been an international leading group in cable production and materials technologies. Mudanya R&D Center is leading the Turkish Cable Industry with its extensive infrastructure and pioneering activities.

Consisting of 6 sections built on an area of 5.000 m<sup>2</sup> within the Mudanya plant, the R&D Center is home to Material Technologies Laboratory, Fire Testing Laboratory, Energy Cables Testing Laboratory, Telecommunications and Fiber Cables Testing Laboratory, Design & Innovation Office, Process Design & Prototype Development Office. Laboratories within the R&D Center are certified with the TS EN ISO/IEC 17025 "General Requirements for Competence of Testing and Calibration Laboratories" and has an infrastructure of "CPR - Construction Products Regulation" in its Specific Industrial Fire Testing Laboratory which was accredited by the Turkish Accreditation Agency (TÜRKAK), first time in Turkey.

Aiming at raising awareness and training users on low-performance products that do not comply with the standards, which have been one of the most critical issues of the Turkish Cable Industry, "Attention! All Cables Are Not the Same..." initiative, one of the most sophisticated one within the industry, as well as the Prysmian Performance Test project, examining the cables for compliance, performance, ease of use, and affordability were developed in 2012 and introduced with an extensive mass communication program, which continued also in 2013. Upon positive feedback from the market and users, the 3<sup>rd</sup> phase of the "Attention! All Cables Are Not the Same..." initiative began in 2014, introducing our research on the market products and our solutions for making our existing products different. In 2015, we examined solar cables and continued to raise awareness in the industry on the fact that "all cables are not the same". We introduced, through seminars and simulators, all the performance characters used in selecting solar cables within the 4<sup>th</sup> phase of the initiative. Türk Prysmian Kablo has completed 5 phases of the "Attention! All Cables Are Not the Same..." initiative and today, is still working on its activities related with this initiative.

Also tackled within the scope of "Attention! All Cables Are Not the Same..." initiative by Türk Prysmian Kablo, the CPR (Construction Products Regulation (EU) No: 305/2011) was first published in 2011 by the R.T. Ministry of Environment and Urbanism and became mandatory for cables as of July 1<sup>st</sup>, 2017. The CPR determines the declarations of performance related to technical characteristics of materials used in buildings and the rules of attaching CE mark to materials while the CPR Certificate authenticates compliance of cables to the regulation by registering their reaction-to-fire performances. The EN 50575 standard which regulates compliance of the CPR within the cable industry, determines the requirements of reaction-to-fire performances of power, control and communication cables used in any structure, including buildings and infrastructures, as well as the tests related to such requirements and the criteria related to the compliance assessments.

As a result of research and product development activities, Türk Prysmian Kablo has been the first company to ever receive the CPR certificate in the Turkish Cable Industry and has launched its activities to raise awareness on the CPR among the industry representatives through 8 seminars in May 2017. In this scope, the company accommodated the representatives of project, contracting and undertaking companies, A-Team authorized dealers, sub-dealers and the Chambers of Electricians in its plant in Mudanya in order to inform them on the matter. Having offered specialized seminars to over 650 sector representatives, Türk Prysmian Kablo launched its briefing seminars as of July 1<sup>st</sup>, 2017 when the CPR became mandatory in Turkey and it achieved to reach a wide audience by accommodating 300 people during these meetings.

With its R&D Center in Mudanya, Türk Prysmian Kablo has been increasing its investments in technology and innovation, and aims at introducing high performance products and technologic innovations to users while improving our country's competitive edge. In line with this vision, the first R&D Center accredited by the R.T. Ministry of Science and Technology in the cable industry was launched in 2016. In addition to its activities based on innovation and product development, Türk Prysmian Kablo has completed 3 TÜBİTAK projects by the end of 2019 while currently working on 4 others. These projects enable close collaboration between Türk Prysmian Kablo, TÜBİTAK and universities. Türk Prysmian Kablo has also made 2 international patent applications for the special cables developed in 2019.

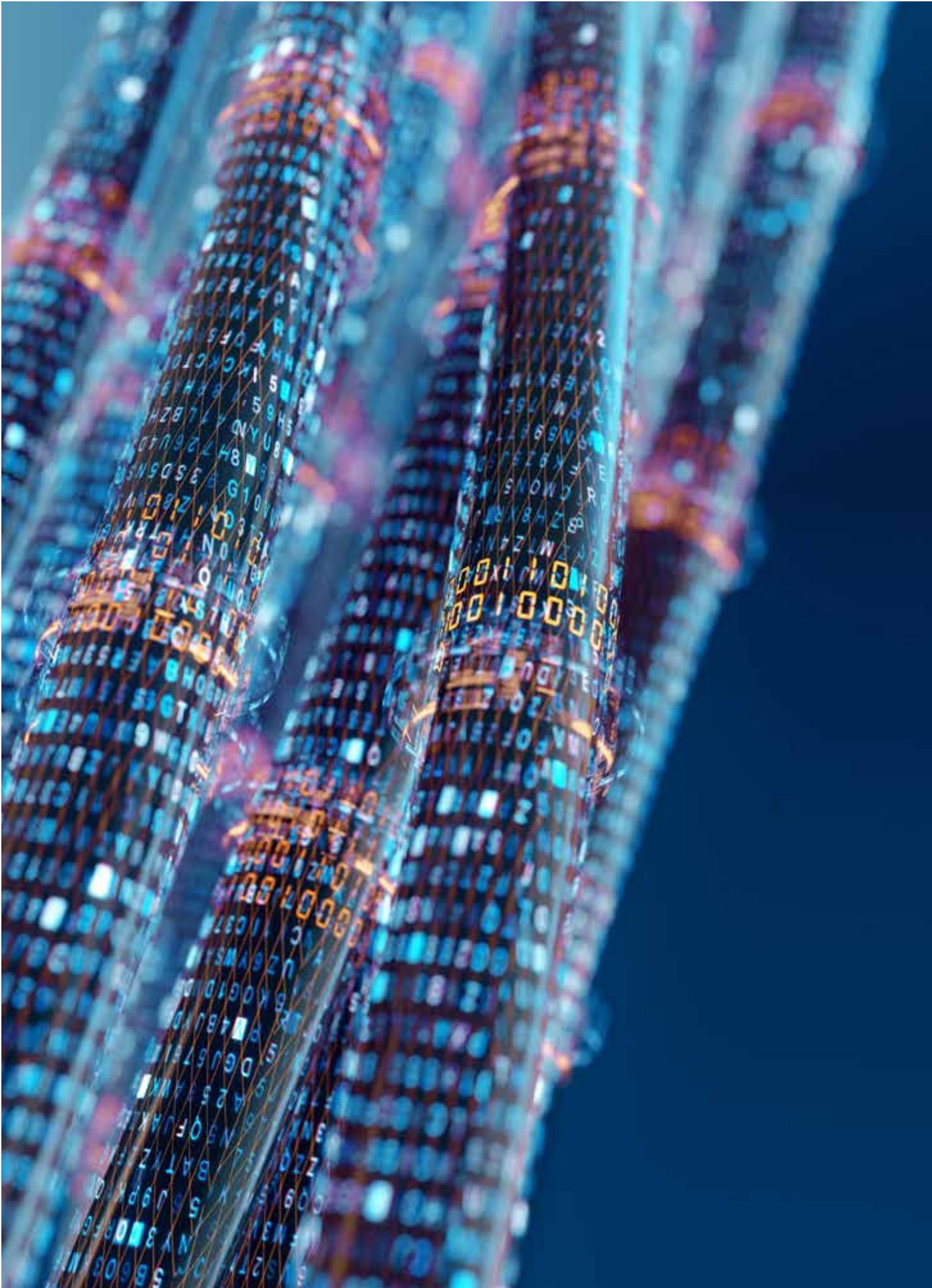
Türk Prysmian Kablo has maintained its vision to offer innovative solutions which present high performance, productivity, and high level of safety. In energy, fiber and communication cables, high performance, innovative, state-of-the-art and user friendly solutions that meet the requirements of different and challenging environmental conditions are developed according to the needs of users and of the industry. These solutions include railway signalization cables, LV and fiber optic cables for petrochemistry industry, fiberoptic cables with mini-tube, cables for defense industry and railway cars, fire-resistant specific cables intended for railway, fiber optics, and petrochemistry industries. In addition, as a result of the importance attached to product and testing safety by Türk Prysmian Kablo, 25 of its national and international tests have been accredited by the Turkish Accreditation Agency (TÜRKAK).

As Türk Prysmian Kablo R&D Center, drawing on our "Linking Turkey to Future" mission, our activities and investments will continue to drive the Turkish Cable Industry.

## Forecast on the company's development

Türk Prysmian Kablo, one of the most strategic companies of Prysmian Group, strives to develop and introduce products which comply with the most current standards and regulations by consolidating its technologic leader position. Working on compliance to standards, offering high performing products and creating solutions giving affordable advantages to the end users, our R&D center located in Mudanya plant will continue its activities in the future. Tapping into the Prysmian Group R&D capabilities, the R&D Center in Mudanya and other R&D Centers collaborate with the aim to develop the product range by focusing on the high value-added products used in special applications. Within the scope of the "Attention! All Cables Are Not the Same..." initiative, our activities will drive new actions and events in the future. The "ISO 27001 Information Safety Management System" certificate, granted with zero non-compliance, along side the implementation of the "Customer Coordination Center", the first "TÜRKAK Accreditation" in the industry, and the "CPR-Construction Products Regulation" fire testing laboratory with its extended scope account for the technologic investments implemented so far.





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

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

Despite an increasing number of fires (in Istanbul, +32% only in '11 vs '10), more and more multi-storey buildings (+30% between '07-'11) and a general inconsistency in terms of quality, performance, safety and ease-of-use of the cable the market research showed that the general perception is that all cables are the same in the Turkish market. This was the starting point for two years' development of this comprehensive project of Türk Prysmian Kablo that is realized in 2012 and heavily involved local and HQ R&D, marketing and sales teams.

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

The project started by an in-depth investigating the current market situation and to understand in detail the work of the electricians, project companies and installers. After this, R&D team developed a comprehensive number of cable tests that do not only cover geometrical tests, electrical tests, mechanical tests and performance tests but also "usability" test that calculates the economical impact of ease and speed of installation. Throughout the period R&D team did many tests on different brands and cables and continuously improved the performance of the Prysmian Group solutions.

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

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

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

Türk Prysmian Kablo, is proud of realizing a "first project" in Turkish cable sector with its project developed in the context of this initiative "Prysmian Performance Test" (PPT) project that keeps the same speed since 2012.

#### PRYSMIAN PERFORMANCE TEST

PPT results show that the Prysmian Group solutions, not only ensures you safe and higher performance but also allows you to work faster reducing the labour cost by up to 50%\* and reducing the total cable cost by up to 12%\*. The main advantages of the right cable decision are safety, performance and economic advantage.

**SAFETY:** Throughout the lifecycle of the cables, they are required to ensure that the transmission function; is one-to-one associated with the quality of the materials used, the design and production technologies. By use of a cable is not correctly selected or manufactured outside the standards, such as losing its function in a short period of time, can cause electrical leakage and fire. Projects that increase the value and safety of cables are used in this context is an essential element.

**PERFORMANCE:** In case of, flame retardant cables, with the spread of flame around for cables is critical to keep to a minimum. However, low toxic smoke gas extracting feature prevents poisoning. Low smoke density and increasing the visibility of vital importance in order to facilitate the evacuation process. In addition, during a fire, fire alarm, emergency exit lighting, ventilation fan, fire, water pump, fire systems, such as lift cables used to carry on the function saves lives. According to research, the main cause of fire deaths (70%), smoke and gases resulting from the combustion of materials. On the effects of the spread of fire and smoke the best-known example of a fatal, resulting in the death of 17 people in 1996, Düsseldorf Airport fire disaster. cable installed in the trays burned and as a result of the combustion of electric cables, passengers have been exposed to the deadly toxic smoke. Therefore, in order to ensure the safety of life and property in case of fire high performance cables should be preferred.

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

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



## CORPORATE SOCIAL RESPONSIBILITY

Türk Prysmian Kablo has been conducting corporate social responsibility projects since its foundation. The company is leading special projects notably in education, environment, and art while also working on different projects to meet social needs.

Over the years, Türk Prysmian Kablo has supported a number of schools in Istanbul and Bursa supplying them materials and equipment; donated the cable infrastructure for the "Special Education Center for Hearing Impaired Children of the Age of 0-6 and Families" located in Kadıköy, Istanbul and for the Solar Car driven by the team of Istanbul Technical University that was awarded as the "Best Newcomer Team" in the World Solar Challenge, one of the most recognized challenges in the world in this field. Moreover, together with Mimar Sinan Fine Arts University, the company organized the "Cable in My Life" Art Workshop in 2008 and 2010, contributing to students' works of art meeting the art enthusiasts.

Donating the cable infrastructure to "Sahne Hal" founded by a private theater crew named "Tiyatro Hal", Türk Prysmian Kablo has implemented many different projects over the years, based on its sense of social responsibility and support for art. Within the scope of "Ulubat Lake Management Plan, Stork Friendly Villages Project" in 2008, the electricity system of Eskikaraağaç Village in Karacabey provincial district was renovated to prevent the storks hitting the village's power lines from injuries. Within the scope of "Fire Prevention Week", Türk Prysmian Kablo organized a visit to Bursa Fire Department with the children of Mudanya plant employees and the students of Hatice İsmail Hakkı Kayan Elementary School. The event offered children fun times while training them on fire prevention and fire department. Türk Prysmian Kablo joined Bursa Marathon to offer education support for the children in Bursa Education Unit to TEGV in 2015, with its Türk Prysmian Kablo corporate running team.

In 2018, Türk Prysmian Kablo continued to support different organizations. Having donated a total of TL 120,900 to organizations including Mudanya Sports Club and Turkish Education Foundation; a total of TL 118.567 to Zeytinbağı Middle School, within the scope of Cable in My Life Art Workshop, Ömer Tunca, Mudanya Sami Evkuran Anatolian High School, Fethiye Şehit Öğretmen Şekip Akın Elementary School, Gemlik Military Veterinary School, Bursa Provincial Police Department, Mudanya Mehmet Akif Ersoy Mosque, Mudanya Police Department and Mudanya Municipality.

Türk Prysmian Kablo, within the scope of a volunteering project initiated in 2018 and continued in 2019, named "Happiness Bank", donated coats, boots, books and stationary goods to 400 students at Köselier Elementary and Middle School in Gaziantep in 2018 and 168 students at Çalıncağ Elementary School in Viranşehir, Şanlıurfa in 2019. In 2019, within the scope of the "A-Team Distributors Meeting", personal needs of 258 students at Yukarı Sarpın Elementary School located in Viranşehir, Şanlıurfa were met while making up for the several deficiencies.

CSR activities went ahead at full speed and 2019 was no exception. For The Hope Foundation for Children with Cancer, Türk Prysmian Kablo supplied fire-proof cables for the 2. Family Home which serves as an accommodation option for children who are treated for cancer and their families in need. Within the scope of March 21-26 Forestry Week and Tree Festival, the company planted trees on a 10 acres of land with the volunteer work of its employees in order to draw attention to the importance of nature and forests in our life. Within the scope of global volunteering strategy, Türk Prysmian Kablo organized blood donation event at the factory, bringing hope to those who need urgent blood need with its employees wishing to make voluntary blood donation using the blood donation of Turkish Red Crescent. In 2019, Türk Prysmian Kablo organized an event under the motto of "Blue is what matches the sea the most" to clean the coast on which the Mudanya plant is located with voluntary participation of 78 volunteers, raising awareness for cleaner seas and shores after having collected a total of 320 kg garbage including plastics, stubs, paper, glass in one day.

Türk Prysmian Kablo, in addition to all activities carried out in 2019, supplied cables valued at TL5.358 to Mudanya District Governorship Office of Mufti, Mudanya Harbor Directorate, and Mudanya Coast Guard Command; and made donation in cash which is a total of TL274.672 to multiple organizations including Mudanya Sports Club, Turkish Education Foundation, Uludağ University Support Foundation.

Awarding scholarship to children of its employees, Türk Prysmian Kablo made donations in cash for 23 children in the academic year of 2014-2015 (valued at TL39.600), 25 children in the academic year of 2015-2016 (valued at TL51.480), 25 children in the academic year of 2016-2017 (valued at TL49.995), 22 children in the academic year of 2017-2018 (valued at TL44.055), 20 children in the academic year of 2018-2019 (valued at TL31.950) and 22 children in the academic year of 2019-2020 (valued at TL45.000).





## FINANCIAL ANALYSIS

FINANCIAL FIGURES		
Financial Figures	2019	2018
Total Liabilities	887,832,021	899,297,070
Equities	370,337,907	269,239,000
Revenue	1,462,576,746	1,373,378,408
Gross Profit	163,680,055	141,504,522
Net Profit	35,971,002	38,538,543
EBITDA	83,377,722	75,262,544
Net Working Capital	265,486,191	174,350,101
Financial Ratios	2019	2018
Current Assets/Current Liabilities	1.53	1.28
Equities/Total Liabilities	0.42	0.30
Financial Liabilities/Equities	0.003	0.18
Financial Liabilities/Total Liabilities	0.001	0.06
ROE	9.71%	14.31%
EBITDA marg.	5.7%	5.5%
Gross Profit/Revenue	11.19%	10.30%

## OVERVIEW

Another year has come and gone in which we broke important ground both in Turkey and internationally. Despite, particularly, the domestic currency fluctuations, we have successfully completed the 2019 fiscal year thanks to effective corporate policies and strategies.

**Remarkable financial highlights** are as follows:

- **Cash and Cash Equivalents** stood at TL210.51 Million (TL229.54 Million in the previous year).
- **Total Assets** stood at TL887.83 Million (TL899.30 Million in the previous year).
- **Equities** stood at TL370.34 Million (TL269.24 Million in the previous year).

## ASSETS

Total cash and cash equivalents are TL210,505,611 of which TL107,501,682 is in foreign currency.

Short term trade receivables reached TL284,743,560. The average collection period of our receivables was 69 days.

Our inventories is amounted 174,711,178. The total of raw materials and supplies existing in the inventories amounted to TL51,226,363, semi-finished goods to TL40,364,765, commercial goods to TL5,439,889, and finished goods to TL84,982,947. Inventory provisions totaled TL7,302,786.

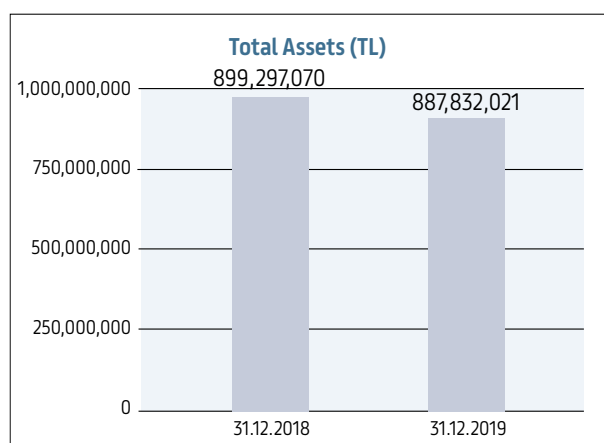
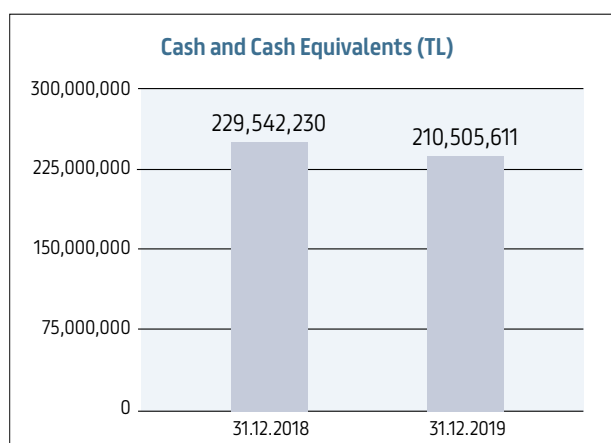
- **Revenues** stood at TL1,462.58 Million (TL1,373.38 Million in the previous year).

2019 was a particularly challenging year for financial markets. Financing costs have gone up considerably, with increased collection risks. Despite the adverse circumstances, the company managed to be minimally affected, keeping the risks at the optimum level, thanks to its experience in financial management.

All such risks and the detailed balance sheet and income statement are covered in the Independent Auditors' Report for FY 2019, with the disclosures about the balance sheet and income statement summarized below.

Other current assets totaled TL63,596,439, of which TL23,471.447 is our VAT receivables from the Tax Department, TL38,605,539 is VAT carried over, and the remainder is various current assets.

The total amount of tangible fixed assets is TL60,622,561, net, after making additions to the net values of fixed tangible assets at the beginning of the year and deducting disposals and accumulated depreciation. The total amount of intangible fixed assets is TL399,557.





### LIABILITIES

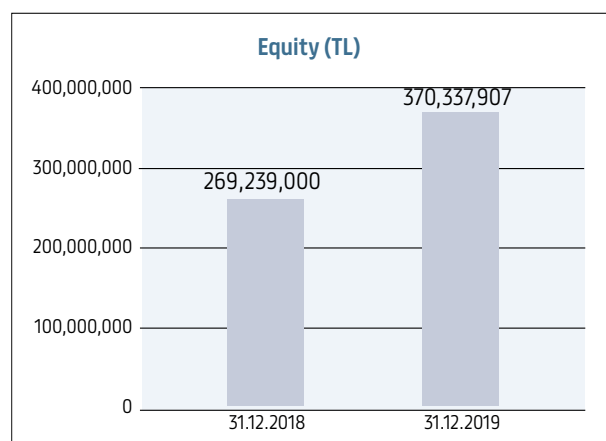
The primary financial instruments used by the Company include operating capital and bank loans.

Trade payables stood at TL447,965,240. TL408,296,066 of this amount is payables to non-affiliated domestic vendors, and TL39,669,174 is the TL amount of payables to affiliated foreign vendors.

The provision for severance pay as required under the Labor Law has been calculated at TL12,579,572 and at the highest amount at TL6,379.86 as of end of 2019 for the relevant tax year.

As regards legal reserves, first legal reserve is kept aside in proportion of 5% every year until it reaches 20% of the paid-in capital. Within this framework, the legal reserves stood at TL10,432,153 at the end of the year.

Our paid-in capital for is up from TL141,733,652 to TL216,733,652 through rights issue in 2019 and our equities became stronger at TL370,337,907.



In 2019 fiscal year, our consolidated net profit for the period has been TL35,971,002.

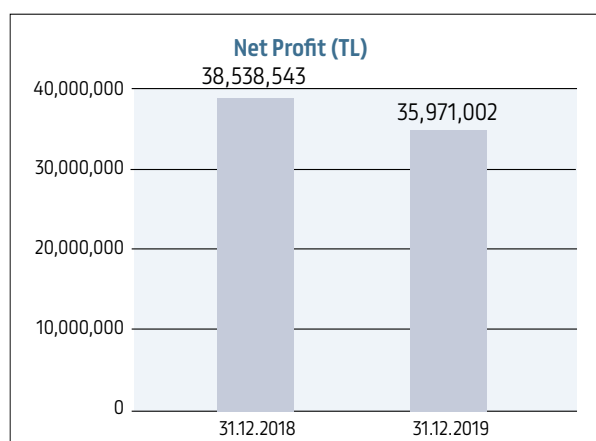
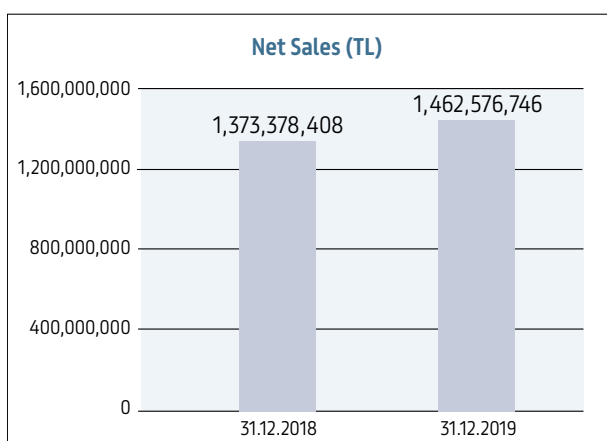
### INCOME STATEMENT

Gross sales totaled TL1,462,576,746 due to the increase in currency rates and commodity prices. Domestic sales totaled TL949,260,306, and foreign sales stood at TL513,316,440.

The cost of the goods sold totaled TL1,298,896,691 which corresponded to 89% of our net sales. The cost of the goods sold included the cost of raw materials and auxiliary materials, direct labor, expenditures for general production, overheads and depreciation, and changes in the inventories of semi-finished and finished goods.

In 2019, we have seen a high increase in the period's net profit and core operating profit. The main reason for this increase is due to the non-payment of license and service fees. This waiver by license and service providers in order to minimize the operational and financial costs of our company was the main reason for the improvement of our profitability (Licensing and service expenses were included in "general administrative expenses" within the core operating expenses item).

As a result of these actions, our consolidated period's net profit for 2019 stood at TL35,971,002.



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

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

**BOARD RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS**

**DATE OF RESOLUTION : 20.02.2020**  
**NUMBER OF RESOLUTION : 2020/02**

We hereby declare that

- a)** We have audited the Company's consolidated financial statements and their footnotes issued for the period between 01.01.2019 – 31.12.2019, in comparison with the previous period,
- b)** Based on our duties and liabilities in the Company and the information available to us, the financial statements do not contain any misstatements on important issues or any incompleteness that may be misleading as of the date when such disclosure was made,
- c)** Based on our duties and liabilities in the Company and the information available to us, the financial statement, which have been prepared in line with current financial reporting standards accurately reflect the assets, liabilities, financial status and profits and losses of the company together with potential risks and uncertainties which the company may be exposed to.

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

**DATE OF RESOLUTION : March 06, 2020**  
**NUMBER OF RESOLUTION : 2020/06**

Please be advised that the Annual Report (Financial Statements) which has been prepared in harmony with the formats set out by the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAC/TFRS) and the CMB and audited by an independent audit company and CMB's Corporate Management Communiqué no II-17.1 for the fiscal year ending December 31, 2019 as well as the "Corporate Governance Compliance Report" (CRF) prepared in harmony with the formats set out by the CMB and the Corporate Governance Information Form (CGIF) pursuant to the Communiqué on Principles of Financial Reporting in Capital Markets, Series II-14.1 issued by the Capital Market Board (CMB) regarding our Company's fiscal year ending December 31, 2019

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

and we declare that we will be liable for the statements here.

**TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.**  
**BOARD RESOLUTION**

**DIVIDEND DISTRIBUTION PROPOSAL**

**DATE OF RESOLUTION : 20.02.2020**

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

- The generated net profit of the fiscal year has been 35,971,002.-TRY according to the financial statements for the fiscal year 01.01.2019 – 31.12.2019, the submission principles of which have been defined as per the relevant decisions of the CMB and which has been subject to independent auditing and drawn up in accordance with the provisions of the "Communiqué of the Principles of Financial Reporting in the Capital Market" (II-14.1) of the CMB;
- The statutory net profit of the same fiscal year as per Turkish Commercial Code and Tax Procedural Law, has been 17,256,668.-TRY (the net profit for a fiscal year calculated in accordance with the present paragraph is hereinafter referred to as the "Statutory Net Profit").
- It has been defined within Dividend Guideline published in the Weekly Bulletin dated 27.01.2014 and no. 2014/2 of the CMB that;
- i. The total amount of the dividend to be distributed is limited with the Statutory Net Profit. Accordingly, the upper limit for the distributable dividend for the fiscal year 01.01.2019 – 31.12.2019 is 17,256,668.-TRY.
- ii. The previous year's losses and general (primary) legal reserve should be subtracted, and then an amount equal to the donations granted during the fiscal year in question should be added to calculate net distributable profit.

Accordingly, from the distributable dividend of 17,256,668.-TRY, 862,833.-TL is allocated to the general legal reserves and 331.266,00.-TL is added to the distributable dividend, to find the net distributable profit which is 16,725,101.-TRY

Therefore, it has been unanimously resolved by the undersigned members to distribute the dividend of 6,669,020.-TRY from the net distributable profit of 16,725,101.-TRY which is also equal to 4,71 % of the issued capital of the Company, to our shareholders in cash, as of 20 April 2020; thus distributing net 0,026154992.-TRY per share with a nominal value of TRY 1.-, following of deduction of 15% tax to be calculated over gross 0,030770579.-TRY and to retain all the outstanding balance as the "Extra-Ordinary Reserve" after deducting 41.466.TRY as secondary legal reserve,

To submit above dividend distribution proposal to the approval of the General Assembly regarding the fiscal year 2019 and notify the shareholders.



## ORDINARY GENERAL ASSEMBLY AGENDA

1. Opening of the Meeting and formation of the Meeting Council,
2. Authorization of the Meeting Council to sign the Minutes of the General Assembly Meeting,
3. Review of the Reports issued by the Board of Directors and Independent Auditing Company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Financial Tables of the Company for the Fiscal Period between 01.01.2019 – 31.12.2019,
4. Discussion and approval of all the financial tables, reports and accounts of the Fiscal Period between 01.01.2019 – 31.12.2019 which are prepared by the Board of Directors and Independent Auditing Company pursuant to the CMB, TCC, TPL and all other related legislation,
5. Approval of the appointments to the Board of Directors by the members of the Board as per TCC article 363,
6. Release of each member of the Board of Directors,
7. Discussion and voting of the Board of Directors proposal for distribution of the profit made in the Fiscal Period between 01.01.2019 - 31.12.2019,
8. Due to the expiry of the mandate of the Board Members, Election of the New Board Members and determination of their term of office and compensation,
9. Furnishing information to the General Assembly on the donations made during the year 2019 and obtaining approval in this respect, determining the upper limit of the donations for 2020,
10. Furnishing information to the General Assembly pursuant the CMB legislation, on the guarantees, liens and mortgages given to the third parties,
11. Approval of the Independent Auditing Company to audit the activities and accounts of 2020 in frame of Capital Market Board Regulations and 6102 numbered Turkish Commercial Code which is selected by the Board of Directors based on the suggestion of Audit Committee,
12. Authorization to the controlling shareholders, the members of the Board, the senior officers, and their spouses, consanguinities and affinities up to second degree, to perform the transactions mentioned with the Corporate Governance Principle 1.3.6 and 1.3.7 under the CMB communique Serial No:171 and authorization of relevant persons for such transactions and their allowance to compete; furnishing information to shareholders if such transactions have already been performed during this period,
13. In accordance with the provision of Article 12 of the Company's Articles of Association, the approval of the transactions made until the date of the General Assembly and discussing the prior approval of the transactions to be made after this date, especially, for increasing the commercial activities of the company outside Turkey, depending on the legal and commercial conditions in the relevant country, through partnerships with third parties or establishing subsidiaries,
14. Recommendation and Adjournment.



**INDEPENDENT AUDITOR'S REPORT  
ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS****To the Shareholders of Türk Prysmian Kablo ve Sistemleri Anonim Şirketi****1) Opinion**

We have audited the annual report of Türk Prysmian Kablo ve Sistemleri Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2019 - 31/12/2019.

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

**2) Basis for Opinion**

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

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

We have expressed an unqualified opinion in our auditor's report dated February 20, 2020 on the full set consolidated financial statements of the Group for the period of 1/1/2019-31/12/2019.

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

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

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

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

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

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

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

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

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

**Ferzan Ülgen, SMMM**  
**Partner**

**March 6, 2020**  
**İstanbul, Türkiye**

# INDEPENDENT AUDITOR'S REPORT

## CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2019

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries

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

### A) Independent Audit of Consolidated Financial Statements

#### 1) Opinion

We have audited the accompanying consolidated financial statements of Türk Prysmian Kablo ve Sistemleri Anonim Şirketi (the "Company") and its Subsidiaries (the "Group"), which comprise the statement of financial position as of December 31, 2019 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for Opinion

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

#### 3) Key Audit Matters

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

Key audit matters	How the key audit matters are addressed in our audit
<p><i>Provision for Trade receivables impairment</i></p> <p>Since the trade receivables constitute 32% of total assets in the consolidated statement of financial position, it is considered to be an important balance sheet item. Collectability of trade receivables is one of the important elements for the management of the Group's credit risk and operating capital.</p> <p>As of December 31, 2018, there is a total of 65.356.129 provision for impairment over trade receivables totaling TL284,743,560 carried over the consolidated statement of financial position</p> <p>Determining whether or not a trade receivable is collectible requires an important managerial judgment. The Group's management considers all information thereon including the aging of trade receivables, risks of pending cases based on letters obtained from corporate attorneys, guarantees received under credit risk management and the nature of such guarantees, and collection performances for the current period and in the period after the balance sheet date.</p> <p>As judgment is required when determining the amount and collectability of trade receivables, the existence and collectability of trade receivables is considered as a key audit matter.</p> <p>Details relating to the trade receivables are given in Footnote 4.</p>	<p>The following audit procedures related to the recoverability of trade receivables were applied during our audit:</p> <ul style="list-style-type: none"> <li>- Understanding and evaluating the follow-up process for customer and dealer receivables conducted by the Finance Department,</li> <li>- Making an analytical review of the accounts receivables aging reports and making a comparative analysis of the collection turnover rate with the previous year,</li> <li>- Inquiring into any disputes or litigation regarding collection of receivables and getting confirmation letter from legal counsels about pending cases in relation to the trade receivables,</li> <li>- Testing trade receivables by sending confirmation letters, on sample basis,</li> <li>- Testing, on sample basis, the collections made in the subsequent period,</li> <li>- Testing, on sample basis, the guarantees/collaterals received in relation to trade receivables and the ability to convert them into cash,</li> <li>- Evaluating, within the scope of the standard "TFRS 9 Financial Instruments, whether the key judgments and assumptions of the management, and the methods and data sources used to calculate the impairment are reasonable and relevant,</li> <li>- Questioning of the assumptions taken as basis in calculating the amount of impairment of trade receivables,</li> <li>- Evaluating the adequacy of the disclosures in the consolidated financial statements related to the recoverability of trade receivables.</li> </ul>

#### 4) Responsibilities of the Senior Management for the Consolidated Financial Statements

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

As independent auditors our responsibilities in an independent audit are as follows:

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

As part of an independent audit conducted in accordance with independent auditing standards issued by the Capital Markets Board and IAS, we exercise professional judgment and maintain professional skepticism through the audit. We also:

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

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

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

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

**B) Other Responsibilities Arising from Regulatory Requirements**

- 1) Pursuant to the subparagraph four of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on February 20, 2020.
- 2) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code and that causes us to believe that Group's bookkeeping activities and consolidated financial statements concerning the period from 1 January to 31 December 2019 are not in compliance with TCC and the provisions of the Group's articles of association with respect to financial reporting.
- 3) In accordance with subparagraph four of Article 402 of the TCC; the Board of Directors submitted the necessary explanations to us and the documents required within the context of our audit.

Ferzan Ülgen is the responsible auditor who conducted and finalized this independent audit.

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

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

**February 20, 2020**  
**Istanbul, Turkey**

## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2019**

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

Assets	Footnote References	Current Period	Previous Period
		Audited December 31 2019	Audited December 31 2018
<b>Current assets</b>		<b>765,701,804</b>	<b>795,568,332</b>
Cash and cash equivalents	30	210,505,611	229,542,230
Trade Receivables		284,743,560	344,812,931
<i>related parties</i>	3.4	33,524,425	16,976,840
<i>third parties</i>	26	251,219,135	327,836,091
Receivables from construction contracts	16	12,061,605	-
Other receivables		22,639	10,659
<i>third parties</i>	5	22,639	10,659
Inventory	6	174,711,178	148,636,363
Prepaid expenses	7	14,665,353	16,108,594
Assets related to current period tax	23	5,395,419	12,292,713
Other current assets	13	63,596,439	44,164,842
<b>Non-current assets</b>		<b>122,130,217</b>	<b>103,728,738</b>
Tangible non-current assets	8	60,622,561	52,428,386
Right-of-use asset	9	3,307,298	-
Intangible non-current assets	9	399,557	362,716
Deferred tax asset	23	14,048,161	20,232,214
Prepaid expenses		210,600	-
Other non-current assets	13	43,542,040	30,705,422
<b>Total assets</b>		<b>887,832,021</b>	<b>899,297,070</b>

Attached footnotes are an integral parts of these consolidated financial statements.

## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2019**

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

	Footnote References	Current Period	Previous Period
		Audited	Audited
Liabilities		December 31 2019	December 31 2018
<b>Short-term liabilities</b>		<b>500,215,613</b>	<b>621,218,229</b>
Short-term loans	22	1,274,934	49,518,160
Trade payables		447,965,240	466,262,966
<i>related parties</i>	3.4	39,669,174	10,028,413
<i>third parties</i>		408,296,066	456,234,553
Payables from ongoing construction contracts	16	-	8,894,372
Payables under employee benefits	12	3,376,272	3,098,402
Other payables		7,930	44,023
<i>third parties</i>	5	7,930	44,023
Derivative instruments	25	932,764	31,314,035
Deferred income	7	18,563,696	23,747,933
Period profit tax liability	23	-	16,590,475
Short-term provisions		26,776,587	20,706,328
<i>Short-term provisions for employee benefits</i>	12	15,761,555	11,017,462
<i>Other short-term provisions</i>	10	11,015,032	9,688,866
Other short-term liabilities	13	1,318,190	1,041,535
<b>Long-term liabilities</b>		<b>17,278,501</b>	<b>8,839,841</b>
Long-term borrowings	22	2,180,847	-
Long-term provisions		15,097,654	8,839,841
<i>Long-term provisions for employee benefits</i>	12	12,579,572	6,847,001
<i>Other long-term provisions</i>	10	2,518,082	1,992,840
<b>Equities</b>		<b>370,337,907</b>	<b>269,239,000</b>
Paid-in capital	14	216,733,652	141,733,652
Reacquired shares (-)		(2,496,301)	(2,496,301)
Premiums on shares		40,654,618	40,871,090
Other comprehensive income or expenses not to be re-classified to profits or losses		(5,873,200)	(1,898,000)
<i>Defined benefit plans revaluation and measurement gains/losses</i>		(5,873,200)	(1,898,000)
Reserved on retained earnings	14	10,432,153	8,940,789
Profits from previous years		74,915,983	43,549,227
Net period profit		35,971,002	38,538,543
<b>Total liabilities</b>		<b>887,832,021</b>	<b>899,297,070</b>

Attached footnotes are an integral parts of these consolidated financial statements.



Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED ON DECEMBER 31, 2019**

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

Profit or loss	Footnote References	Current Period	Previous Period
		Audited	Audited
		January 1 - Tuesday, December 31, 2019	January 1 - Monday, December 31, 2018
Revenue	15	1,462,576,746	1,373,378,408
Costs of sales	15	(1,298,896,691)	(1,231,873,886)
<b>Gross profit</b>		<b>163,680,055</b>	<b>141,504,522</b>
General administrative expenses	17	(21,588,143)	(18,380,765)
Marketing expenses	17	(61,913,603)	(50,396,849)
Research and development expenses	17	(4,067,179)	(3,776,981)
Other income from main activities	19	50,700,170	160,992,642
Other expenses from main activities	19	(84,626,991)	(191,040,413)
<b>Operating profit</b>		<b>42,184,309</b>	<b>38,902,156</b>
Income from investment activities	20	5,483	603,530
<b>Operating profit before financing income</b>		<b>42,189,792</b>	<b>39,505,686</b>
Financing income	21	3,993,768	4,236,006
Financing expenses	21	(3,034,705)	(1,736,074)
<b>Profit before tax</b>		<b>43,148,855</b>	<b>42,005,618</b>
<b>Tax (income)/expense</b>	23	<b>(7,177,853)</b>	<b>(3,467,075)</b>
Current period tax (expense)	23	-	(16,590,475)
Deferred tax (income)/expense	23	(7,177,853)	13,123,400
<b>Profit for the period</b>		<b>35,971,002</b>	<b>38,538,543</b>
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss</b>		<b>(3,975,200)</b>	<b>16,000</b>
Gains/(losses) on remeasurements of defined benefit plans	12	(4,969,000)	20,000
Gains/(losses) on remeasurements of identified benefit plans	23	993,800	(4,000)
<b>Total comprehensive income</b>		<b>31,995,802</b>	<b>38,554,543</b>
<b>Earnings per share</b>	24	<b>0.2502</b>	<b>0.2720</b>

Attached footnotes are an integral parts of these consolidated financial statements.

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON DECEMBER 31, 2019**  
 [(All amounts are expressed in Turkish Liras (TL))]

**Other comprehensive income  
or expenses not to be re-  
classified to profits or losses**

	Paid-in Capital	Reacquired shares	Share issue premiums	Gains/losses on remeasurements of identified benefit plans	Reserved on retained earnings	Profits from previous years	Net period profit	Total equities
<b>Balances as of January 1, 2018</b>	<b>141,733,652</b>	<b>(2,496,301)</b>	<b>40,871,090</b>	<b>(1,914,000)</b>	<b>7,718,010</b>	<b>40,911,670</b>	<b>8,141,821</b>	<b>234,965,942</b>
Transfers	-	-	-	-	1,222,779	6,919,042	(8,141,821)	-
Dividends (Footnote 14)	-	-	-	-	-	(4,281,485)	-	(4,281,485)
- <i>Net period profit</i>	-	-	-	-	-	-	38,538,543	38,538,543
- <i>Other comprehensive income</i>	-	-	-	16,000	-	-	-	16,000
Total comprehensive income	-	-	-	16,000	-	-	38,538,543	38,554,543
<b>Balances as of Monday, December 31, 2018</b>	<b>141,733,652</b>	<b>(2,496,301)</b>	<b>40,871,090</b>	<b>(1,898,000)</b>	<b>8,940,789</b>	<b>43,549,227</b>	<b>38,538,543</b>	<b>269,239,000</b>
Transfers	-	-	-	-	1,491,364	37,047,179	(38,538,543)	-
Capital Increase (Footnote 14)	75,000,000	-	(216,472)	-	-	-	-	74,783,528
Dividends (Footnote 14)	-	-	-	-	-	(5,680,423)	-	(5,680,423)
- <i>Net period profit</i>	-	-	-	-	-	-	35,971,002	35,971,002
- <i>Other comprehensive income/(expense)</i>	-	-	-	(3,975,200)	-	-	-	(3,975,200)
Total comprehensive income	-	-	-	(3,975,200)	-	-	35,971,002	31,995,802
<b>Balances as of Tuesday, December 31, 2019</b>	<b>216,733,652</b>	<b>(2,496,301)</b>	<b>40,654,618</b>	<b>(5,873,200)</b>	<b>10,432,153</b>	<b>74,915,983</b>	<b>35,971,002</b>	<b>370,337,907</b>

Attached footnotes are an integral parts of these consolidated financial statements.

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2019**

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

	Footnote References	Current Period	Previous Period (audited)
		(audited) January 1 - 31 December 2019	(Re-classified Note 2.6) January 1 - 31 December 2018
<b>A. OPERATING CASH FLOW</b>		<b>(20,141,338)</b>	<b>34,768,301</b>
Period Profit (Loss)		35,971,002	38,538,543
<b>Adjustments on Period Net Profit (Loss) Reconciliation</b>		<b>(6,816,855)</b>	<b>60,876,304</b>
Adjustments for Depreciation and Amortization Expenses	8.9	7,266,591	6,312,618
Adjustments for Impairment Loss/(Reversal of Impairment Loss)	4	6,979,148	15,376,754
Adjustments for Inventory Impairment Loss/(Reversal of Impairment Loss)	6	(5,257,251)	1,717,916
Adjustments for Employee Benefit Provisions/(Reversal)		4,890,306	4,870,882
Adjustments for Claims and/or Penalty Provisions/(Reversal)	10	424,066	(301,709)
Adjustments for Warranty Provisions/(Reversal)	10	101,176	701,231
Adjustments for Other Provisions/(Reversal)		3,048,953	861,126
Adjustments for Interest (Income) and Expenses		(1,060,943)	(2,599,756)
Adjustments for Fair Value Losses (Gains) on Derivative Financial Instruments	19	(30,381,271)	31,073,697
Adjustments for Tax (Income) Expense		7,177,853	3,467,075
Adjustments for Losses (Gains) on disposal of non-current assets	20	(5,483)	(603,530)
<b>Changes in Working Capital</b>		<b>(42,592,523)</b>	<b>(70,891,569)</b>
Adjustments for decrease (increase) in trade receivables	4	53,090,223	(23,474,923)
Adjustments related to decrease (increase) in trade receivables under ongoing construction contracts		(20,955,977)	3,240,569
Adjustments for decrease (increase) in inventories	6	(20,817,564)	(1,378,028)
Adjustments for decrease/increase in other receivables related to activities		(30,945,674)	(3,434,177)
Increase/(decrease) in trade payables		(18,297,726)	(32,297,797)
Adjustments for decrease/increase in other payables related to activities		(4,665,805)	(13,547,213)
<b>Cash Flow From Operating Activities</b>		<b>(13,438,376)</b>	<b>28,523,278</b>
Tax returns (Payments)		(9,693,181)	2,398,653
Payments made under Provisions relating to Employee Benefits	12	(1,105,429)	(195,166)
Interest Received		4,095,648	4,041,536
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(15,343,641)</b>	<b>(9,912,798)</b>
Cash inflow from sale of tangible and intangible non-current assets	8.9	65,031	857,765
Cash outflow from purchasing of tangible and intangible non-current assets	8.9	(15,408,672)	(10,770,563)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>16,550,240</b>	<b>39,271,194</b>
Capital increase		74,783,528	-
Cash inflows from loans		-	44,994,460
Cash outflows from loans		(48,243,226)	-
Dividend paid	14	(5,680,423)	(4,281,486)
Interest paid		(3,034,705)	(1,441,780)
Cash outflow arising from payables under rental contracts		(1,274,934)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(18,934,739)</b>	<b>64,126,697</b>
<b>Cash and cash equivalents at the beginning of the period</b>	30	<b>229,247,936</b>	<b>165,121,239</b>
<b>Cash and cash equivalents at the end of the period</b>	30	<b>210,313,197</b>	<b>229,247,936</b>

Attached footnotes are an integral parts of these consolidated financial statements.



Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2019**

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

## 1. Group's Organization and Line of Business

Türk Prysmian Kablo ve Sistemleri A.Ş. ("Company") and its subsidiaries (hereinafter collectively referred as "Group") established and operating in Turkey since 1964 is specialized in manufacturing, export, import and trading of all kinds of cables, conductors, machines, apparatuses, tools and equipment as well as their spare parts and accessories. The Company currently operates as a joint-stock company under the parent company Draka Holding B.V. (83.75%) as part of the Prysmian S.P.A.. The Group shares are listed in Borsa Istanbul A.Ş. since 1986.

Türk Prysmian - Prysmian Powerlink Ordinary Partnership-1, one of the subsidiaries of the Group, was established in 2013 in the direction of the opinion presented by Revenue Administration regarding the taxation of the work within the scope of DB.KAB.7 Lapseki - Sütlüce 380 kV Submarine Cable Project. Türk Prysmian Kablo ve Sistemleri A.Ş. holds 99.99% and Prysmian Powerlink S.r.l. holds 0.01% shares of the ordinary partnership established.

The other subsidiary of the Group, Türk Prysmian - Prysmian Powerlink Ordinary Partnership-2 was established in 2014 in the direction of the opinion presented by Revenue Administration regarding the taxation of the work within the scope of DB.KAB.9 Lapseki - Sütlüce 380 kV Submarine Cable Project. Türk Prysmian Kablo ve Sistemleri A.Ş. holds 99.99% and Prysmian Powerlink S.r.l. holds 0.01% of the ordinary partnership.

The Group is publicly traded and operates in a single business line (cable manufacturing and sales) and in one geographical region. The Group's product range includes all power cables up to 220 kV, copper-conductive communication cables up to 3,600 pairs and fiber optic cables. The Group's factory is located in Mudanya, Bursa, including a thermal, mechanical, chemical and electrical scientific research and testing laboratory with high level technology and holds TSE certificates.

The Group's registered address is Ömerbey Mahallesi, Bursa Asfaltı Caddesi, No:51, 16941, Mudanya, Bursa with an Istanbul branch registered on December 20, 2012 and located the address of Ömer Avni Mah. İnebolu Sok. Haktan İş Merkezi No:39 K:2 Setüstü Kabataş Beyoğlu Istanbul. As of December 31, 2019 the Group employs on average 510 personnel in a year (December 31, 2018: 479).

The Group's subsidiaries are detailed below:

Subsidiaries	Activity	Core activity
Türk Prysmian-Prysmian Powerlink Ordinary Partnership-1 (*)	Sales	Sale of Power Cables
Türk Prysmian-Prysmian Powerlink Ordinary Partnership-2	Sales	Sale of Power Cables

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

## 2. Basis of Presentation of the Consolidated Financial Statements

### 2.1 Basis of presentation

#### Statement of Compliance with TFRS

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

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

The consolidated statements and footnotes have been presented in accordance with 2019 TFRS Taxonomy announced by POA on April 15, 2019.

The consolidated financial statements have been prepared on the basis of historical costs except for the derivative financial instruments presented at fair values. The historical cost is typically determined on the basis of the actual value of amounts paid for assets.

#### Applicable and reporting currency

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

#### Comparative Information

The Group's financial statements are prepared to include comparisons with the previous period in order to enable determining the financial status and performance trends. The Company issued the financial statement of position prepared as of December 31, 2019 comparatively with the financial statement of position prepared as of December 31, 2018, and the profit and loss statement, other comprehensive statement of income, cash flow statement and statement of change in equities for the period from January 1 to December 31, 2019 comparatively with the loss and profit statements, other comprehensive statement of income, cash flow statement and statement of change in equities for the period January 1 to December 31, 2018.

**Going concern**

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

**Ratification of consolidated statements:**

The Board of Directors ratified the consolidated financial statements on February 20, 2020 and granted authorization for its publication. The General Assembly and some other regulatory agencies and authorities are authorized to amend the financial statements.

**Guidelines on consolidation**

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries. Control is achieved when the Group meets the following conditions:

- **Has power over the group invested in;**
- **The group invested in is open or entitled to variable return that will be generated;**
- **Has the ability to exercise its power in a way to have an effect on returns.**

In the event that a situation or event arises which may cause any change in at least one of the criteria listed here above, it shall be reevaluated whether the Group has controlling power over its investment or not.

In cases where the Company does not hold the majority votes over the company invested in, it shall be considered as having controlling power over the company invested in if it has sufficient voting rights to direct/manage the activities of said investments on its own. The Group shall take into account all relevant events and conditions regarding the matter, including the ones listed below, when evaluating whether the vote majority on said investment is sufficient for the Group to exercise controlling power over the party invested in:

- **Comparison of the voting rights of the Group with the voting rights of other shareholders;**
- **Potential voting rights of the Group and other shareholders;**
- **Rights arising from other agreements in connection with the Agreement;**
- **Other events and conditions which may demonstrate whether the Company currently has power to manage the relevant activities in cases where a decision needs to be made (including votings taken in general assembly meetings in previous periods).**

A subsidiary is included within the scope of consolidation when the Group obtains control of the subsidiary and ends on the date the Group loses control of the subsidiary. Income and expenses of subsidiaries acquired or disposed within the year shall be included under the consolidated profit and loss and other comprehensive income statement starting from the date acquired until the subsidiary is disposed. Profit or loss item and each component of other comprehensive income are attributed to parent company shareholders and non-controlling shares. Even if non-controlling shares were to result in a deficit balance, total comprehensive income of subsidiaries will be attributed to parent company shareholders and non-controlling shares. All intra-group assets and liabilities, equities, incomes and losses and cash flow relating to transactions between Group companies shall be eliminated in consolidation.

**2.2 Amendments in accounting policies**

The accounting policies applied in preparation of the consolidated financial statements for the period 1 January - 31 December 2019 are consistent with those applied in preparation of the consolidated financial statements as of December 31, 2018, except for the TFRS 16 Standards valid as of January 1, 2019 and summarized below.

**Summary of new accounting policies**

Below is the new accounting policies adopted by the Group upon taking effect of TFRS 16 Standards.

**Right-of-use assets**

The Group recognizes right-of-use assets at the start date of the lease (e.g. as of the date the related asset is ready for use). Right-of-use assets are measured at cost less the accumulated depreciation and impairment losses. The carrying value is adjusted for any re-measurement of the lease liability.

The cost of right-of-use asset is comprised of the following components:

- (a) *Initial lease liability,*
- (b) *Amount calculated by deducting all lease incentives received from the payments made on or before the commencement date of the lease and*
- (c) *All initial direct costs incurred by the Company/Group.*

Unless it becomes final that the ownership of the underlying asset shall be reasonably transferred to the Group at the end of the lease period, the Group depreciates the right-of-use asset from the commencement date of the lease until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment testing.

**Lease liability**

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date.

At the commencement date, the lease payments included in the measurement of the lease liability are comprised of the following payments to be made for the right-to-use the underlying asset during the lease term and that have not been paid at the commencement date of the lease:

- (a) Fixed payments,
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- (c) Amounts Group is expected to pay under its residual value guarantee.
- (d) The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expense in the period when the event or situation that triggers the payment occurs.

The Group determines the revised discount rate for the remainder of the lease term as the implicit interest rate if it is possible to easily determine it; otherwise the rate is determined as the Group's alternative borrowing rate at the date of reassessment.

After the commencement date, the Group measures the lease liability by;

- (a) Increasing the carrying amount to reflect interest on the lease liability; and
- (b) Reducing the carrying amount to reflect the lease payments made.

Along with this, the lease liability shall be reassessed to reflect any change in the lease period, any change in substance in the fixed lease payments or a change in assessment made in relation to option to purchase the underlying asset.

#### **Short-term leases and leases where the underlying asset has low value**

The Group applies the short-term lease recognition exemption to its short-term machinery and equipment lease contracts (i.e., leases that have a lease term of 12 months or less from the commencement date and do not have a purchase option). Also exemption for recognition of low-value assets is applied by the Group to office equipment leases considered as of low value.

#### **Important assumptions and predictions with respect to lease extension or termination options:**

None.

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

Changes in accounting estimates that are related to only one period shall be applied in the period when changes are applied; however if changes are related to future periods, they shall be applied both in the period where the change is made, and in future periods prospectively. Within the current year, there have not been any substantial changes in accounting estimates of the Group.

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

Accounting policies implemented while preparing consolidated financial statements for the year that ended as of December 31, 2019 are consistent with those applied in the previous years, except for the adoption of the new and amended TFRS standards and interpretations effective as of January 1, 2019. Effects of these standards and interpretations on the Group's financial status and performance are disclosed in the relevant paragraphs.

#### **i) New standards, amendments and interpretations effective as of January 1, 2019**

##### **TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS16 'Leases'. The new standard requires most leases to be recognized in the balance sheet under a single model, eliminating the requirement to make a distinction between operating leases and finance leases. However for lessors, accounting remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and TAS 17-related interpretations and is effective for periods beginning on or after January 1, 2019.

An exemption is included for Lessees for short-term leases (leases with a lease period of 12 months or less) or leases where the underlying asset is of low value (e.g. personal computers, some office equipment, etc.). At the date when the lease is actually started, the Lessee measures the lease liability at the present value of the lease payments that are not paid at that date (lease liability) and depreciates the right of use asset for the lease period by recognizing its existence as of that date. Lease payments are discounted using the interest rate implicit in the lease if that rate can be easily determined. If that rate cannot be easily determined, the lessee shall use the lessee's alternative borrowing interest rate. Lessees are required to recognize separately the interest expense on the lease liability and the depreciation expense in the right-of-use asset.

Lessees are required to re-measure the lease liability upon occurrence of certain events (e.g. changes in the lease term, changes in future lease payments resulting from a change in an index or rate, etc.). Under these circumstances, the lessee shall recognize the amount of the re-measurement as an adjustment on the right-of-use asset.

##### **Transition to TFRS 16;**

The Group adopted TFRS 16 using the simplified retrospective approach. In the past the Group elected to apply this standard to the contracts that it had classified as "lease" by applying TAS 17 Leases and TFRS Interpretation 4 "Determining Whether an Arrangement Contains a Lease". Therefore the Group did apply this standard to the contracts that were not classified as "lease" before according to TAS 17 and TFRS Interpretation 4.

The Group elected to use the exemptions applicable on lease contracts for which the lease terms ends within 12 months as of the transition date and lease contracts for which the underlying asset is of low value.



The effect of implementation of TFRS 16 on the statement of financial position dated December 31, 2019 and profit and loss statement for the period ending on the same date is given below:

Assets	Footnote References	Excluding effects December 31, 2019	TFRS 16 Effects	December 31, 2019
Right-of-use assets	9	-	3,307,298	3,307,298
Deferred tax asset		14,015,495	32,666	14,048,161
<b>Total assets</b>		<b>14,015,495</b>	<b>3,339,964</b>	<b>17,355,459</b>

Supplies	Footnote References	Excluding effects December 31, 2019	TFRS 16 Effects	December 31, 2019
Short-term loans	22	-	1,274,934	1,274,934
third parties	3, 4	408,183,930	112,136	408,296,066
Long-term borrowings		-	2,180,847	2,180,847
Net period profit		36,198,955	(227,953)	35,971,002
<b>Total liabilities</b>		<b>444,382,885</b>	<b>3,339,964</b>	<b>447,722,849</b>

Profit or loss	Footnote References	Excluding effects January 1 - December 31, 2019	TFRS 16 Effect	January 1 - December 31, 2019
Costs of sales	15	(1,298,026,630)	(870,061)	(1,298,896,691)
General administrative expenses (-)	17	(22,812,855)	1,224,712	(21,588,143)
Net financing income/(expense)		1,574,332	(615,269)	959,063
Deferred tax (expense)/income		(7,210,519)	32,666	(7,177,853)
<b>Net period profit</b>		<b>(1,326,475,671)</b>	<b>(227,953)</b>	<b>(1,326,703,624)</b>

The standards is applied for the periods beginning on January 1, 2019.

Impact on statement of financial position (increase/(decrease)) dated January 1, 2019:

#### Assets (TL)

Right-of use asset  
3,463,117

#### Assets (TL)

Lease liability  
3,463,117

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

#### TFRIC Uncertainty over income tax treatments

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

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

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

The interpretations shall be applied for annual periods beginning on or after 1 January 2019. The interpretation in question did not have a significant impact on the financial position or performance of the Group.

## Annual Improvements - 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- **TFRS 3 Business Combinations and TFRS 11 Joint Arrangements** — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it needs to re-measure any previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.
- **TAS12 Income Taxes** — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- **TAS 23 Borrowing Costs** — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

### Amendment of the Plan, Curtailment or Settlement (Amendment to TAS 19)

In January 2019, POA published TAS 19 “Plan Amendment, Curtailment or Settlement”. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement takes place.

The amendments are applied for annual periods beginning on or after 1 January 2019. The amendment is not applicable for the Group and did not have any impact on financial position or performance of the Group.

### Payment Features with Negative Compensation (TFRS 9 Amendment)

Minor amendments are made in TFRS 9 Financial Instruments in order to enable companies to measure some prepayable financial assets at amortized cost.

Entity applying TFRS 9 would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortized cost some prepayable financial assets with so-called negative compensation. The amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the balance sheet and equity of the Group.

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

The standards, interpretations and amendments issued but not yet effective up to the date the consolidated financial statements are ratified are as follows. The Group will make the necessary changes that will impact its consolidated financial statements and footnotes when the new standards and interpretations become effective.

### TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment

In December 2017, POA postponed the effective date of the amendments to TFRS 10 and TAS 28 indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

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

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

### Definition of a Business (TFRS 3 Amendment)

On May 2019, POA published amendments to the definition of a business in TFRS 3 “Business Combinations”. The purpose of this amendment is to help determine whether an entity is recognized as a business combination or as an asset acquisition.

The amendments are as follows:

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

The amendment shall be implemented for annual periods beginning on or after 1 January 2019. Early implementation of the standards is permitted. The amendment is not applicable to the Group and shall have no impact on the Group's financial position or performance.

### Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, POA issued amendments to "TAS 1 Presentation of Financial Statements" and "TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" standards to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements. The amendments clarify that materiality of an information will depend on the nature or significance of information, or both. Companies are required to assess whether the information, used either individually or in combination with other information, is material in the context of the financial statements.

The amendment shall be applied for annual periods beginning on or after 1 January 2020. Early implementation of the amendment is permitted. The amendment is not applicable to the Group and shall have no impact on the Group's financial position or performance.

### Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest Rate Benchmark Reform

Effective from annual periods beginning on or after 1 January 2020, TFRS 9 and TAS 39 interest rate benchmark reform provide certain reliefs on four main areas. These reliefs relate to hedge accounting and are summarized below:

- Provisions regarding high probability of a transactions,
- Prospective assessments,
- Retrospective assessments and
- Risk components that are separately identifiable.

The aim is to clarify the exemptions with respect to amendments to TFRS 9 and TAS 39 under the financial statements as set forth under TFRS 7. The Group is assessing the impact of the amendment on its financial status and performance.

### iii) The new and amended standards and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

#### Amendments to IAS 1 - Classifying liabilities as short and long-term liabilities

On January 23, 2020 IASB has amended "IAS 1 Presentation of Financial Statements". These amendments effective from annual periods beginning on or after January 1, 2020 clarify criteria with respect to classifying liabilities as short-term and long-term liabilities. Amendments made should be implemented retrospectively for IAS 8 "Accounting Policies, changes in accounting estimates and errors". Early implementation of the amendment is permitted. The impact of the amendment on Group's financial status and performance is being assessed.

## 2.5 Summary of significant accounting policies

### Related parties

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

#### a) Person or a member of a person's immediate family shall be deemed as related to the reporting entity in the following situations: In the event that said person,

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

#### (b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an affiliate or joint venture of the other entity (or an affiliate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an affiliate of the third entity.
- (v) The entity has a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

#### (c) An entity is related to a reporting entity if any of the following conditions applies:

If the reporting entity itself has such a plan, the sponsoring employers are also related to the reporting entity. The entity is controlled or jointly controlled by a person identified in (a). A person identified in (a) subclause (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

### Income and expenses

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



**Sale of goods and services**

The Group has started to use the following five-stage model in recognizing revenues in accordance with TFRS 15 effective as of January 1, 2019.

- **Identification of contracts with customers**
- **Identification of contractual performance obligations**
- **Determining the transaction fee under contracts**
- **Distribution of transaction fee to performance obligations**
- **Recognition of revenue**

According to this model, the goods or services for which commitment is made to the customers in each contract are evaluated and each commitment made for the transfer goods or services is regarded as a separate performance obligation. This is followed by determining whether the performance obligations will be fulfilled in time or within a certain period of time. If the Group transfers the control of a good or service over time and accordingly fulfills its performance obligations related to the related sales over time, then it measures the progress of the fulfillment of the performance obligations in full and reflects the revenues into the consolidated financial statements over time. Revenue related to performance obligations in the form of goods or services transfer commitments, is recognized when the control of the goods or services is fully transferred to the customers.

The Group recognizes a contract with a customer as revenue when all of the following conditions are met:

- a) *The parties to the contract have ratified the contract (in writing, orally or as per other customary business practices) and are committed to perform their respective obligations,*
- b) *Group can identify each party's rights regarding the goods or services to be transferred,*
- c) *Group can identify the payment terms for the goods or services to be transferred,*
- d) *The contract has commercial substance,*
- e) *It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.*

Within the scope of TFRS 15, if, at the commencement of the contracts concluded with the customer, the Company expects the period between the transfer of goods or services and the customer's payment thereof to be one year or less, the Company has the option not to make adjustments in the transaction price on the assumption that there isn't any significant financing component that has effect on the transaction price. In the event that there is an important financing element in the revenue from forward sale contracts, the transaction price is determined by discounting the future collections with the interest rate in the financing component. If there is any interest income arising from the forward sale transactions these are recognized as "other operating income from core activities" in the relevant periods.

**Interest Income**

Interest income is recorded on accrual basis using the effective interest rate. In case unpaid interest is accrued on a security carrying interest before acquisition thereof; the collected interest is divided into two parts as pre-acquisition and post-acquisition interest and only the portion of the interest income for the period after its acquisition is recognized as income in the financial statements.

**Construction contracts**

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

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

In cases where it is possible for total contract costs to exceed the total contract revenue, expected loss is immediately recognized as cost.

The Group applies "percentage of completion" method to determine the portion of the total contract revenue to be recognized in the relevant period. For each contract, the stage of completion of the contract is measured according to contract expenses which may arise until the balance sheet date, as a percentage of estimated total expenses. Expenditures arising within the term relating to a future activity within the scope of the contract are entered under contract expenses when determining the completion phase. Progress amounts not paid by customers and amounts held as security with regards to progress are added to the "trade receivables".

The Group shall submit gross amounts due from customers for ongoing contractual works as liability in case the progress amount exceeds the sum calculated by adding to the costs, the profit (deducting losses) reflected on operating accounts.

**Inventories**

Inventories are valued at lower of cost or net realizable value. Process costing is used to determine the production cost and the first in first out (FIFO) cost method is applied except for valuable metal inventory (copper, aluminum). Precious metals inventory is valued by weighted average cost method. Finished and semi-finished goods' costs include costs of raw materials, direct labor, other direct costs and relevant general production costs, but does not include costs of borrowing. Net realizable value is the expected selling price of an asset in the ordinary course of business less the costs of completion and a reasonable estimate of the costs associated with the eventual sale of the asset. When an inventory's cost exceeds its net realizable value, the balance of inventory is adjusted downward to its net realizable value and is recorded as loss in the income statement of the period of impairment. In the event that conditions which cause the inventory to be adjusted downward to its net realizable value ceases or because of the changing economic conditions it is proved that net realizable value has improved, the impairment reserves shall be reversed. Reversed amounts are limited to impairment amount reserved.

## Tangible non-current assets

Tangible non-current assets are shown in net value calculated as the difference between its acquisition cost and accumulated depreciation value.

### Cost method

Tangible non-current assets are shown as the amount calculated by deducting from the costs the accumulated depreciation and accrued impairment value. Lands and parcels are not depreciated and shall be recognized as costs less accrued impairment value.

Assets under construction for administrative purposes or other purposes not yet determined, are shown in the accounts as cost less impairment loss, if any. Legal fees shall also be included in the cost. These assets shall be classified under relevant tangible non-current assets after construction is completed and they are ready for use. Such assets, as it is with the depreciation method used for other fixed assets, shall be depreciated when they are ready for use.

Except for lands and ongoing investments, costs of tangible non-current assets shall be depreciated using straight-line method of depreciation according to the expected useful life assets. Expected useful life, residual value and depreciation methods are reviewed every year to monitor possible effects of changes in predictions, and if there is any change in predictions, shall be recognized prospectively.

Carrying amount of a tangible non-current asset is derecognized from statement of financial position on disposal or when no future economic benefits are expected from the use or disposal of the asset. The gain or loss that arises when a tangible non-current asset is disposed or decommissioned is the difference between sales proceeds and carrying value of the asset and is included in statement of income.

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

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

## Intangible non-current assets

### Acquired intangible non-current assets

Acquired intangible non-current assets with limited life are carried at cost less accumulated depreciation and impairment. These assets are amortized using straight-line method of depreciation based on their expected useful life assets. Expected useful life and amortization methods are reviewed every year to determine any possible effects of changes in the estimates, and the changes in estimates are accounted for prospectively. Acquired intangible non-current assets with indefinite life are stated at their cost net of impairment losses.

### Computer software

Costs associated with purchased computer software are recognized as costs incurred to acquire and to make the software ready for use. These costs are amortized over their useful life.

Amortization periods for intangible non-current assets are as below:

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

## Impairment of tangible non-current assets and intangible assets excluding goodwill

At each financial statement date, the Group analyzes the reported values of tangible and intangible non-current assets to determine if there is any indication that these assets have decreased in value. If so, the asset's recoverable amount is calculated in order to determine the value of any impairment. Where it is not possible to calculate the recoverable amount of an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset relates. If a reasonable and consistent principle for allocation is determined, Group assets shall be distributed among cash-generating units. Where this is not possible, Group assets shall be distributed among smallest cash-generating units in order to determine a reasonable and consistent principle of allocation.

The recoverable amount is the higher of fair value of an asset or a cash-generating unit less cost of sale and value in use. Fair value is the current value of future cash flow expected to be received from an asset or a cash generating unit. When calculating the value in use, discount rate before tax reflecting current market assessment of the money's time value, and the risks associated with the asset is used, which are not taken into consideration for future cash flow estimations.

If the recoverable amount of an asset (or cash-generating unit) is determined at a lower value than the carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to the recoverable amount. When the amount of an asset is not determined with the re-valued amount, the impairment loss is recognized immediately in the profit/loss. In such cases impairment losses are taken into account as re-valuation depreciation.

When impairment losses are to be reversed at a later period, the asset's (or the relevant cash generating units) carrying amount shall be increased to correspond to approximate value re-updated for the recoverable amount. The increased carrying amount must not exceed the carrying amount that would be determined if no impairment of the asset (cash-generating unit) has been made in previous years. Unless the asset is carried at a re-valuated amount, reversal of an impairment loss is reported directly under profit/loss. Reversal of a re-valuated asset's impairment loss is taken into account as a re-valuation increase.

## Financial Instruments

### Financial assets

#### Classification

The Group recognizes its financial assets in two classes: "financial assets recognized using the depreciated cost amount" and "financial assets at fair value through profit or loss". The classification is based on the business model the enterprise uses for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Group classifies its financial assets at the date of their purchase. Financial assets are not reclassified after initial recognition, except where the business model that the Group uses in the management of financial assets has changed; in case of a change in business model, the financial assets are reclassified on the first day of the subsequent reporting period.

#### Recognition and Measurement

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

"Financial assets at fair value through other comprehensive income" are financial assets, which are non-derivative instruments and are held within the scope of a business model intending to collect contractual cash flows, where the contractual terms include only the cash flows resulting from the principal and principal balance on certain dates. Gains or losses arising from the related financial assets are recognized in other comprehensive income excluding impairment losses or gains and exchange difference gains or losses. For investments in equity-based financial assets, the Group may, at the first time when entering the investment in the financial statements, irrevocably elect to use the method of reflecting the subsequent changes in the fair value to other comprehensive income. If so elected, dividends received from related investments are recognized in the consolidated statement of profit or loss. "Financial assets at fair value through profit or loss" include financial assets other than the financial assets measured over their depreciated cost and at fair value through other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the consolidated statement of profit or loss.

#### Derecognition of Financial Assets

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

#### Impairment

Impairment on financial assets and contractual assets is calculated by using a method called Expected Loan Loss (ELL). This impairment model is applied to amortized cost financial assets and contractual assets.

Provisions for losses were measured on the following basis;

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

Measurement of lifetime ECL is applicable in the event that at the reporting date, the credit risk relating to a financial asset significantly increase after its initial recognition. In all other cases where no increase is observed, 12-month ECL calculation shall be applied.

The Group may determine that the credit risk of the financial asset did not increase significantly if the credit risk of the financial asset is low-risk at the reporting date. Nevertheless although it is not a significant financing element, lifetime ECL measurement (simplified approach) is always applicable to trade receivables and contractual assets.

#### Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, as well as other short-term liquid investments with a term of 3 months or shorter, that can easily be converted into cash and does not bear a significant impairment risk.

#### Trade Receivables

Trade receivables include current accounts receivables, forward notes and checks. Trade receivables are entered at carrying amount deducting impairment according to ECL from the invoiced amount, and when the impact is significant, at amortized cost using the effective interest method.



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

Following the provision for impairment, in case the impaired receivable is collected in full or in part, the amount collected is deducted from provision for impairment and is recognized under "the other income (expenses) from core activities" items (Footnote 22).

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

It is assumed that the amortized cost values of the trade receivables after the provision for impairment are close to the fair value of the assets.

### **Financial liabilities**

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

#### **Trade payables**

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7, 29).

#### **Derivative financial instruments**

The entity is basically exposed to financial risks based on changes in foreign exchange and interest rate due to Group's activities. To protect itself against financial risks associated with foreign currency exchange rate fluctuations in connection to certain binding undertakings and future transactions projected, the Group uses derivative financial instruments (mainly foreign currency exchange rate forward contracts).

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

Derivative financial instruments shall be calculated based on fair value on the date of agreement, and in subsequent reporting periods, recalculation shall be made based on fair value.

#### **Effective interest method**

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

### **Effects of change in foreign currency**

#### **Foreign currency transactions and balances**

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

During preparation of financial statements of each business, transactions made in foreign currency (any currency except TL) are recorded based on the exchange rates on the date of transaction. Foreign exchange indexed monetary assets and liabilities recorded in the financial statement of position shall be exchanged into Turkish Lira by using the rates valid on date of balance sheet. Out of non-monetary items accounted at fair value, the ones recorded in foreign currency shall be converted into TL based on the exchange rates on the date when the fair value was determined. Non-monetary items in foreign currency carried at historical cost shall not be subject to re-conversion.

### **Earnings per share**

Earnings per share stated in the consolidated statement of profit and loss is determined by dividing the net profit to the weighted average number of shares outstanding in the market during the related period.

In Turkey, companies are able to increase their capitals through a pro-rata distribution of "bonus shares" to their existing shareholders from retained earnings. When calculating earnings per share, "bonus shares" to be distributed are valued like issued shares. Accordingly, the weighted average number of shares used in these calculations were found by taking into account retroactive effects of said share distributions.

### **Events after reporting period**

Events after reporting, even if they emerge after any announcement is made regarding profit or other selected financial information is disclosed to public, shall include all events that emerge between the balance sheet date and the authorization date for the issue of the statement of financial position.

In case any event arises which require adjustment after the balance sheet date, the Group adjusts the amounts recorded in consolidated financial statements based on the new status.

**Provisions, contingent assets and liabilities**

Provisions shall be allocated in financial statements when there is a present obligation resulting from a past event, and it is probable that the obligation will be settled and a reliable estimate of the obligation amount can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties related with the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

If a part or the all of the economic benefit required to settle a provision are expected to be recovered from a third party, the amount to be collected is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Onerous contracts**

Liabilities arising from onerous (loss-making) contracts shall be recognized with a corresponding provision. A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it are considered as onerous contracts.

**Warranties**

Provisions for warranty costs are recognized according to costs estimated by the management to meet the obligations of the Group, on the date of said products are sold.

**Government incentives and grants**

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

Government incentives are recognized as profits or losses in the relevant period where the costs to be covered with these incentives are recognized. As a financing instrument government incentives should be recognized as deferred revenue in the financial statement of position and transferred to profit or loss on a systematic basis over the useful lives of related assets instead of being recognized in statement of profit or losses to clarify the expense item they finance.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, are recognized in profit or loss in the period in which they become receivable.

**Taxes calculated on the basis of the Company's earnings**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. Otherwise tax, together with the related transaction, will be recognized in equities.

**Current corporate tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are non-deductible or taxable. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Corporate tax rate in Turkey is 20%. However pursuant to the provisional article 10 incorporated into the Corporate Tax Law, the corporate tax rate of 22% shall be applied as 22% for the profit of the company for 2018, 2019 and 2020 fiscal years (for corporate defined accounting years, in account periods starting within the relevant years). This corporate tax rate is applicable to the net corporation profit derived upon adding non-deductible expenses to the commercial revenue of the companies less exemptions and deductions stated in the tax legislation.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14<sup>th</sup> day of the second month following each quarter and corresponding tax is payable by the 17<sup>th</sup> day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends paid by resident corporations domiciled in Turkey to real persons who are not liable and held exempt to pay income and corporation tax, and to real persons who are residents and non-residents, and to non-resident corporations.

Dividends paid by resident corporations, which have a place of business in Turkey to resident corporations are not subject to withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis included within the scope of consolidation. Taxes payable

under financial statement of position dated December 31, 2019 and December 31, 2018, have been offset for each Subsidiary but such amounts have been classified in gross basis in the consolidated financial statements.

#### **Deferred tax**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from value reported in its financial statements and value reported for its statutory tax financial statements according to balance sheet method by taking into account legalized tax rates of tax effects. While deferred tax liabilities are calculated for all taxable temporary differences, deferred taxes comprising of deductible temporary differences are calculated on the condition that it is highly likely to benefit from said differences in the future by earning taxable profits. Said asset and liabilities shall not be recognized if the temporary difference regarding the transaction that does not affect trade or financial profit/loss, originates from goodwill or initial recognition of other asset and liabilities (except for business combinations).

Since the tax rate applicable for 3 years has been changed to 22% starting from January 1, 2018, when calculating deferred tax as of December 31, 2018, a tax rate of 22% has been used in calculation of deferred taxes for the temporary differences expected to be realized / reversed within 3 years (in the years 2018, 2019 and 2020). However, since the applicable corporate tax rate for the period after 2020 is 20%, 20% tax rate will be used for the differences expected to be realized/reversed after 2020.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable to benefit from said differences through future taxable profits and that such difference shall be reversed in the future.

Carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (tax regulation) that have been enacted or substantively enacted at the balance sheet date. While calculating deferred tax assets and liabilities, tax results of the methods predicted by the Group in order to recover book value of its assets or undertake its liabilities as of the balance sheet date are taken into account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off the recognized amounts or such assets and liabilities are associated with the income tax collected by the same tax authority or the Group intends to settle its current tax assets and liabilities on a net basis.

#### **Current and deferred tax for the period**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group and investments valued by equity method operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot be offset retrospectively against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 22% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of June 30, 2019 and 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares and founder's shares, redeemed shares and preferential rights and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

#### **Employee benefits**

##### ***Severance payments:***

Under Turkish law and union agreements, severance payment are made in the case of retirement or dismissal of the employee. Such payments are considered as defined retirement benefit as per updated TAS 19 **Employee Benefits** Standard ("TAS 19").

The severance payment obligations recognized in the financial statement of position is calculated and stated in the financial statements as per the current net present value of the future liabilities expected to accrue due to the retirement of all employees. All actuarial gains and losses calculated are recognized under other comprehensive income.

##### ***Provision for accumulated leaves:***

The liabilities arising from unused leave rights provided to employees, identified as the long-term provisions, were accrued and recognized in relevant periods employee is entitled to such rights.

**Cash flow statement**

In statement of cash flow, cash flows are classified as from operating, investment and finance activities.

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

The cash flows relating to investment activities indicate the cash flows attained and used by the Group in investment activities (tangible and intangible non-current assets).

The cash flows relating to financing activities indicate the resources used by the Group for financing activities and reimbursement thereof.

**Share capital and dividends**

Ordinary shares are classified as equity. Dividends distributed on ordinary shares are recognized less any retained earnings in the period in which they are announced.

**Reacquired shares**

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

**Share issue premiums**

Share issue premium represents the difference between the nominal values and actual values of shares issued by the Group.

Critical judgments made by the Group in applying accounting policies

The process of preparing the consolidated financial statements requires making estimates and assumptions that affect amounts of assets and liabilities, contingent assets and liabilities as of the financial statement of position date and income and expense amounts through the account period. Although these estimations and assumptions are based on the best knowledge of the Group's management regarding current events and transactions, actual results differ from these estimates.

- a) The Group applies the percentage completion rate method in accounting of the construction contracts. According to this method, the ratio between agreement expenses up to a certain date and estimated total cost of the contract shall be calculated. For the recognition of fixed price contracts entered into in order for the purpose of providing project services, the Group uses the "Percentage of completion" method. Percentage completion method requires the prediction of the service rendered by comparing it to the total services to be provided. (Footnote 16)
- b) The Group recognizes deferred tax asset and liability for temporary timing differences arising of differences between taxable legal consolidated financial statements and consolidated financial statements prepared in accordance with TFRS. The Group has unused financial losses which may be deducted from future profits, and deferred tax assets consisting of other deductible temporary differences. Partial or complete recoverable amount of deferred tax assets were estimated under current conditions. The main factors which are considered include future earnings potential, losses in current terms, expiration dates of loss-carry forwards and other tax assets and tax planning strategies that would, if necessary, be implemented. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be sufficient to utilize all of these deferred tax assets, then provision is set for some portion of or all of the deferred tax asset (Footnote 23).
- c) The Group's severance pay liabilities are determined through actuarial calculations based on certain estimations that involve discount rates, future salary increases and employee turnover rate. As these are long-term plans, said estimations carry significant uncertainties. Details on provisions regarding employee benefits are given in Footnote 12.
- d) The Group management has made significant assumptions on useful lives of tangible and intangible assets in line with the experience of its technical team (Footnote 8 and 9).
- e) Impairment loss of trade receivables are measured with ECL model following the simplified approach. According to this model the Group follows-up its customers based on their payment performance history and aging of accounts receivables. Net risk is calculated to determine impairment loss, taking into consideration the collaterals received on customers basis in relevant groups and uses expected credit loss rates determined according to experiences in past period (Footnote 4).
- f) In every reporting period the Group management reviews the expected credit loss rates and fair value of guarantees under portfolios taken into account in credit risk calculations. Explanations made by the Group regarding impairment loss for trade receivables as of December 31, 2019 are stated in Footnote 4.
- g) In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group, it considers its consequences based on the assessments of legal advisors. The Group management makes its best estimates using the available data and explanations regarding provisions are provided in Note 10.
- h) With respect to inventory impairment losses, inventories are checked physically, their availability is determined taking opinions from technical personnel and provisions are allocated for items that will probably not be used. Provision is allocated for inventory the net realizable value of which is less than its cost.

**2.6 Comparative Information and restatement of prior period consolidated statements**

In order to determine the financial position and performance trends, the Group's consolidated financial statements are presented comparatively with



the previous period. For the purpose of having consistency with the current term's presentation of consolidated financial statements, comparative information is reclassified and significant differences are explained if necessary.

### Classifications in statement of profit and loss and consolidated statement of cash flow for the year that ended as of December 31, 2018:

In consolidated financial statements dated 31 December 2018, TL 5.376.123 recorded for the item "Provisions related with Employees" included in other short-term provisions under Short-term provisions is classified as Short term Provisions related with Employees.

Cash inflows from derivative financial instruments of TL 36,703,604 and cash outflows from derivative financial instruments of TL 142,457,856 included in cash flows from investment activities are classified in adjustments for decrease/increase in other receivables related to main activities.

### 3. Related Party Disclosures

Draka Holding B.V. holds 83,75% of shares of Türk Prysmian Cable and Systems Inc.. Prysmian Cavi e S.R.L. owns 100% of the shares of Draka Holding B.V., which is completely owned by Prysmian S.P.A. (principal holding).

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

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

	31 December 2019		31 December 2018	
	Receivables	Payables	Receivables	Payables
	Short-term	Short-term	Short-term	Short-term
	Trading	Trading	Trading	Trading
<b>Balances with related parties</b>				
Prysmian Cables & Systems Ltd.	-	-	509,086	185,833
Prysmian Cavi e Sistemi S.r.l.	271,699	-	4,254,830	-
Prysmian Cables et Systemes France SAS	-	-	330,322	-
Singapore Cables Manufacturers Pte	98,489	-	50,245	-
Prysmian Kabel und Systeme GmbH	175,315	265,914	-	-
Prysmian Cavi e Sistemi Italia S.r.l.	13,283,170	7,514,009	117,375	6,548,394
Prysmian Cables & Systems Limited	3,260,155	-	-	-
Prysmian S.p.A.	995,733	9,984,011	7,676,197	172,530
Prysmian Cables y Sistemas S.A.	2,505,760	576,519	156,614	2,674,579
Prysmian MKM Magyar Kabel	66,506	-	175,952	-
Prysmian Australia Pty Ltd	91,349	-	98,242	-
Draka Comteq Germany GmbH & Co KG	140,146	-	92,654	55,908
Pt. Prysmian Cables Indonesia	-	-	5,078	-
Prysmian Cables and Systems B.V.	-	-	570,096	25,267
Prysmian Kablo s.r.o.	-	-	64,301	-
Draka Kabel Sverige AB	126,150	88,345	-	-
Prysmian Electronics S.r.l.	19,016	-	-	-
Draka Comteq UK Limited	749,484	648,275	678,125	4,734
Prysmian Communication Cables	48,267	-	64,746	-
Prysmian Power Link Srl	54,393	-	44,791	-
Prysmian Group Baltics AS	97,828	-	121,848	-
Draka Denmark Optical cable AS	-	-	28,198	-
Branch Singapore	1,848,682	-	27,479	-
Prysmian Wuxi Cable	-	-	-	61,189
Draka Cable Wuppertal GmbH	-	-	-	118,988
Prysmian Hong Kong Holding Ltd	3,985,394	-	-	-
Prysmian Group Norge AS	2,718,479	-	-	-
Draka Kabely SRO	18,838	18,872	-	-
P.O.R. Prysmian Ocean Racing	1,496,172	-	-	-
General Cable Celcat, Energia	246,480	-	-	-
Oman Cables Industry (SAOG)	-	19,863,040	-	-
Prysmian Netherlands B.V.	-	281,690	-	-
Other related companies	1,226,920	428,499	1,910,661	180,991
<b>Total</b>	<b>33,524,425</b>	<b>39,669,174</b>	<b>16,976,840</b>	<b>10,028,413</b>

(\*) Enterprises controlled by principal holding

	January 1 - 31 December 2019	January 1 - 31 December 2018
<b>Transactions with related parties</b>	<b>Sales of goods</b>	<b>Sales of goods</b>
Prysmian Cavi e Sistemi Italia S.r.l.	60,492,690	932,512
Prysmian Cables & Systems Ltd.	24,257,920	4,380,912
Prysmian Group Norge AS	15,194,474	-
Prysmian Cabluri si Sisteme S.A.	8,879,526	11,354,953
Prysmian Spain, S.A.	7,430,123	2,854,708
Prysmian Hong Kong Holding Ltd	6,227,134	-
Prysmian Cables et Systemes France SAS	3,693,107	8,118,217
Draka Comteq UK Limited	3,390,326	2,422,486
General Cable Celcat, Energia	1,864,704	-
Branch Singapore	1,781,850	-
Oman Cables Industry S.A.O.G.	1,407,545	110,393
Prysmian Netherlands B.V.	1,244,997	5,702,806
Prysmian Cables and Systems OY/FINLAND	1,058,361	-
Singapore Cables Manufacturers Pte Ltd	363,239	667,190
Draka Kabel Sverige AB	544,297	-
Prysmian Cavi e Sistemi Srl	536,545	-
Prysmian Power Link Srl	192,368	-
Draka Denmark Optical Cable AS	278,812	31,476
Prysmian Group Baltics AS	273,204	143,594
Prysmian Australia Pty Ltd	267,386	73,916
Prysmian MKM Magyar Kabel Muve	94,549	59,674
Prysmian Kabel und Systeme GmbH	65,706	-
Prysmian Kablo S.R.O.	240,060	287,921
Draka Comteq Germany GmbH & Co	201,878	140,890
Draka Comteq France SAS	160,204	-
Draka Comteq Berlin GmbH & Co. KG	112,077	-
LLC Rybinskelektrokabel	45,634	-
Draka Kabely S.R.O.	18,204	-
Prysmian Wuxi Cable Company Ltd	10,836	-
Prysmian Cables Chile SPA	-	310,573
MCI-Draka Cable Co. Ltd	-	124,507
Prysmian Energia Cables y Sist	-	22,726
Draka Belgium N.V.	-	19,943
P.T. Prysmian Cables Indonesia	-	18,699
	<b>140,327,756</b>	<b>37,778,096</b>

(\*) Enterprises controlled by principal holding

Transactions with related parties (*)	January 1 - 31 December 2019	January 1 - 31 December 2018
	Purchase of goods	Purchase of goods
Prysmian Cavi e Sistemi Italia S.r.l.	31,404,008	41,111,485
Prysmian S.p.A.	29,941,302	453,205
Oman Cables Industry (SAOG)	19,164,656	-
Prysmian Kabel und System GmbH	18,400,750	12,476,093
Draka Comteq Fibre BV	10,481,998	1,010,016
Draka Comteq UK Limited	8,844,874	4,763,120
Prysmian Cabluri Si Sisteme S.	6,553,695	456,501
Draka Comteq Germany GmbH	6,103,429	2,280,627
Fibre Ottiche Sud - F.O.S. S.r.l.	4,551,509	11,468,266
Prysmian Cables and Systems OY/FINLAND	4,033,730	261,184
Prysmian Spain, S.A.	1,609,592	12,118,559
Draka Cable Wuppertal GmbH	1,498,611	1,970,645
Prysmian MKM Magyar Kabel	986,197	2,442,697
Prysmian Wuxi Cable Company Lt	922,910	117,892
Prysmian Netherlands B.V.	814,350	-
Prysmian Communications Cables	479,366	-
Draka Kabel Sverige AB	221,498	-
Prysmian Cables & Systems Ltd.	179,970	263,238
Draka Kabely SRO	156,217	110,090
SG Singapore Cables Manufacturers Pte Ltd	128,366	1,636,599
Grupo General Cable Sistemas,	120,103	-
Sindutch Cable Manufacturer Sd	53,839	459,923
LLC Rybinskelektrokabel	47,409	-
Draka Comteq Berlin GmbH & Co. KG	708	4,186,221
Prysmian Tianjin Cables Co. Lt	-	838,484
Prysmian Cables & Systems B.V.	-	614,537
Prysmian Cavi e Sistemi S.r.l.	-	499,089
Draka Comteq France SAS	-	2,300
Turk Prysmian - Prysmian Power	-	1,133
Turk Prysmian-Prysmian Powerli	-	356
Prysmian Group Norge AS	-	145
Others	7,163	58,197
	<b>146,706,250</b>	<b>99,600,602</b>

(\*) Enterprises controlled by principal holding

Total of license and contract expenses related to Group companies:

	January 1 - 31 December 2019	January 1 - 31 December 2018
Prysmian Cavi e Sistemi S.r.l.	-	-
Prysmian S.p.a.	-	-
	-	-

Service fees for group companies are recognized under the general administrative expenses and cover three types of service fees. These are: These are;

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

License fees are calculated as 2% in total, and invoiced by relevant companies; 1% for trademark and 1% for knowhow.

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

Share of expenses for all group companies in Prysmian Group Holding headquarters are invoiced based on various expense sharing criteria on company basis such as legal, sales support, R&D and consultancy.

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

All information technologies expenses made on behalf of group companies are calculated by the Prysmian Group Holding headquarters. Every group company's share of expenses is determined according to certain expense-sharing criteria and are invoiced accordingly.

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

The Group has announced to the stakeholders on 26 July 2019 that Prysmian Group central management reached the decision that on condition the promised three-year targets set as part of Prysmian Turkey R&D activities are achieved, the license rate of 2% would be revised as 1.25% (to be effective as from 1 January 2018). Afterwards another announcement has been made on December 24, 2019 and thereby it was announced that due to macroeconomic developments in Turkey in August Prysmian Group companies licensor Prysmian SpA, a Prysmian Group subsidiary, and service provider Prysmian Cavi e Sistemi Srl. have reached a set of decision in an effort to keep the costs relating to the above mentioned contracts at minimum.

- **For the year 2019:** At the end of each quarter, the quarterly average of the Turkish Central Bank "1 week repurchase" interest rate for the period ending will be taken and in the event that the average is 15% or above, all rights to receivables resulting from the relevant contracts will be waived.
- **For the year 2020:** At the end of each quarter, the quarterly average of the Turkish Central Bank "1 week repurchase" interest rate for the period ending will be taken and in the event that the average is 12% or above, all rights to receivables resulting from the relevant contracts will be waived.

**Benefits to senior management:**

Benefits provided to senior management during the term are as follows:

	January 1 - 31 December 2019	January 1 - 31 December 2018
Wages and other short term benefits	3,367,939	2,233,924
Other long-term benefits	26,982	60,771
	<b>3,394,921</b>	<b>2,294,695</b>

**Chargeout income**

	31 December 2019	31 December 2018
Prysmian S.p.A.	917,925	809,359
Prysmian Cavi e Sistemi S.r.l.	536,545	4,206,948
Prysmian Cables Spain, S.A	320,974	183,441
Singapore Cables Manufacturers Pte Ltd.	270,091	75,402
Oman Cables Industry (SAOG)	199,569	-
Prysmian Communications Cables	194,977	182,837
Prysmian Kabel und System GmbH	181,026	107,610
Prysmian Mkm Magyar Kábel Művek	159,691	262,322
Prysmian Romania Cabluri Si Sisteme	107,755	206,835
Prysmian Power Link Srl	100,413	-
Prysmian Finland OY	88,600	107,630
Prysmian Australia Pty. Ltd.	-	48,918
Draka Comteq Germany GmbH	-	27,334
Other related companies	97,476	122,316
	<b>3,175,042</b>	<b>6,340,952</b>

The Group continues to pay Social Security premiums and other expenses of those in the Company who are designated as senior executives to foreign related companies to avoid forfeiture of their legal rights. Such payments made are then charged to relevant group companies. Accordingly no net effect arises on the Group's profit or loss or other comprehensive income statement.



## 4. Trade receivables and payables

### a) Trade receivables:

Short-term trade receivables	31 December 2019	31 December 2018
Trade receivables and accrued income	212,620,434	271,171,234
Related parties	33,524,425	16,976,840
Notes receivable	103,954,830	115,041,838
Provision for doubtful trade receivables (-)	(65,356,129)	(58,376,981)
	<b>284,743,560</b>	<b>344,812,931</b>

Standard deferral period applied by the Group to trade receivables is between 30 to 90 days (December 31, 2018: 30 to 90 days). The effective annual interest rate applied to the Group's trade receivables in TL, Euro and US Dollars are 24%, 12% and 12%, respectively.

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

	2019	2018
Opening balance, January 1	(58,376,981)	(43,000,227)
Current period income/ (expense), net	(6,979,148)	(15,376,754)
Closing balance, December 31	<b>(65,356,129)</b>	<b>(58,376,981)</b>

### b) Trade payables

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

Short-term trade payables	31 December 2019	31 December 2018
Trade payables	404,498,088	448,435,820
Related parties	39,669,174	10,028,413
Expense accruals	3,797,978	7,798,733
	<b>447,965,240</b>	<b>466,262,966</b>

Average payment term for the Group's trade payables are 125 days (December 31, 2018: 139 days). The effective annual interest rate applied to the Group's trade payables is 4% as of December 31, 2019).

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

## 5. Other receivables and payables

### a) Other receivables

Other short-term receivables	31 December 2019	31 December 2018
Deposits and guarantees given	22,639	10,659
Other doubtful receivables	28,195	28,195
Provision for other doubtful receivables (-)	(28,195)	(28,195)
	<b>22,639</b>	<b>10,659</b>

### b) Other payables

Other short-term payables	31 December 2019	31 December 2018
Other payables	7,930	44,023
	<b>7,930</b>	<b>44,023</b>

## 6. Inventory

	31 December 2019	31 December 2018
Raw materials and supplies	51,226,363	42,507,426
Semi-finished goods	40,364,765	25,191,369
Finished Goods	84,982,947	83,573,817
Commercial goods	5,439,889	9,923,788
Provisions for inventory impairment (-)	(7,302,786)	(12,560,037)
	<b>174,711,178</b>	<b>148,636,363</b>

Inventory impairment movements of the Group are as follows:

	2019	2018
Opening balance, January 1	(12,560,037)	(10,842,121)
Provisions for the period, net	5,257,251	(1,717,916)
<b>Closing balance, December 31</b>	<b>(7,302,786)</b>	<b>(12,560,037)</b>

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

## 7. Pre-paid expenses and deferred income

	31 December 2019	31 December 2018
Order advances given for projects	12,755,748	14,698,048
Pre-paid expenses	1,909,605	1,410,546
	<b>14,665,353</b>	<b>16,108,594</b>

	31 December 2019	31 December 2018
Deferred income		
Order advances received	18,563,696	23,747,933
	<b>18,563,696</b>	<b>23,747,933</b>

## 8. Tangible non-current assets

	1 January 2019			31 December 2019
Cost	Opening Balance	Additions	Disposals	Closing Balance
Land and plots	3,164,360	-	-	3,164,360
Buildings	53,219,984	8,257,660	-	61,477,644
Facilities, machinery and equipment	227,350,612	4,844,474	-	232,195,086
Vehicles, furnishing and fixtures	28,329,512	1,419,960	(229,572)	29,519,900
Special costs	77,543	-	-	77,543
On-going investments	53,604	-	-	53,604
	<b>312,195,615</b>	<b>14,522,094</b>	<b>(229,572)</b>	<b>326,488,137</b>
<b>Accumulated depreciation</b>				
Buildings	(29,723,076)	(1,060,492)	-	(30,783,568)
Facilities, machinery and equipment	(205,030,672)	(4,053,000)	-	(209,083,672)
Vehicles, furnishing and fixtures	(24,935,966)	(1,154,879)	170,024	(25,920,821)
Special costs	(77,515)	-	-	(77,515)
	<b>(259,767,229)</b>	<b>(6,268,371)</b>	<b>170,024</b>	<b>(265,865,576)</b>
	<b>52,428,386</b>			<b>60,622,561</b>

As of December 31, 2019, the Group has amortization expenses in the amount of total TL7,266,591 comprised of; TL6,268,371 for tangible non-current assets and TL128,159 for intangible non-current assets and TL870,061 for right-of-use assets. Out of said current term amortization expenses, a portion of TL5,700,856 was reflected on production costs, TL1,240,757 on general administrative expenses, TL251,802 on marketing expenses and TL73,176 on research and development expenses.

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

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

## 9. Intangible non-current assets and right-of-use assets

Cost	1 January 2019			31 December 2019
	Opening Balance	Additions	Disposals	Closing Balance
Rights	1,709,814	165,000	-	1,874,814
	<b>1,709,814</b>	<b>165,000</b>	<b>-</b>	<b>1,874,814</b>
<b>Accumulated depreciation</b>				
Rights	(1,347,098)	(128,159)	-	(1,475,257)
	<b>(1,347,098)</b>	<b>(128,159)</b>	<b>-</b>	<b>(1,475,257)</b>
	<b>362,716</b>			<b>399,557</b>
Cost	1 January 2018			31 December 2018
	Opening Balance	Additions	Disposals	Closing Balance
Rights	1,463,968	245,846	-	1,709,814
	<b>1,463,968</b>	<b>245,846</b>	<b>-</b>	<b>1,709,814</b>
<b>Accumulated depreciation</b>				
Rights	(1,230,349)	(116,749)	-	(1,347,098)
	<b>(1,230,349)</b>	<b>(116,749)</b>	<b>-</b>	<b>(1,347,098)</b>
	<b>233,619</b>			<b>362,716</b>

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

## Right-of-use Assets

	1 January 2019			31 December 2019	
	Opening Balance	Effect of change in accounting policies	Additions	Disposals	Closing Balance
<b>Cost</b>					
Buildings	-	3,556,097	71,963	-	3,628,060
Vehicles, furnishing and fixtures	-	434,709	114,590	-	549,299
	-	<b>3,990,806</b>	<b>186,553</b>	-	<b>4,177,359</b>
<b>Accumulated depreciation</b>					
Buildings	-	-	(690,260)	-	(690,260)
Vehicles, furnishing and fixtures	-	-	(179,801)	-	(179,801)
	-	-	<b>(870,061)</b>	-	<b>(870,061)</b>
<b>Net book value</b>	-				<b>3,307,298</b>

## 10. Provisions, contingent assets and liabilities

## Other short-term provisions

Short-term provisions	31 December 2019	31 December 2018
Miscellaneous provisions for projects (**)	6,759,890	3,574,410
Provisions arising from purchase contracts (*)	1,108,272	3,004,712
Expense accruals regarding overseas service agreements	-	1,800,373
Others	3,146,870	1,309,371
	<b>11,015,032</b>	<b>9,688,866</b>

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

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

Statements of short-term provisions as of December 31, 2019 and 2018 are as follows:

	Misc. provisions related to projects	Provisions arising from purchase contracts	Expense accruals regarding overseas service agreements	Others	Total
<b>1 January 2019</b>	3,574,410	3,004,712	1,800,373	1,309,370	9,688,865
Change, net	3,185,480	(1,896,440)	(1,800,373)	1,837,500	1,326,167
<b>31 December 2019</b>	<b>6,759,890</b>	<b>1,108,272</b>	-	<b>3,146,870</b>	<b>11,015,032</b>

	Misc. provisions related to projects	Provisions arising from purchase contracts	Expense accruals regarding overseas service agreements	Others	Total
1 January 2018	3,837,031	1,222,085	2,066,024	1,477,454	8,602,594
Change, net	(262,621)	1,782,627	(265,651)	(168,083)	1,086,272
<b>31 December 2018</b>	<b>3,574,410</b>	<b>3,004,712</b>	<b>1,800,373</b>	<b>1,309,371</b>	<b>9,688,866</b>



## Long-term provisions

	31 December 2019	31 December 2018
Provision for litigations (*)	1,330,368	906,302
Warranty provisions	1,187,714	1,086,538
	<b>2,518,082</b>	<b>1,992,840</b>

(\*) The aforementioned amount means provisions allocated for lawsuits filed against the Group by various parties. Provisions are recognized as a general administrative expense in the statement of profit or loss. It is not expected for the balance dated December 31, 2019 to be used within one year. Administration is in the opinion that, after having obtained proper legal opinion, said lawsuits will not result in a major loss aside from the provisions allocated as of December 31, 2019.

Statements of warranty and litigation provisions as of December 31, 2019 and 2018 are as follows:

Provisions for warranty	2019	2018
Opening balance, January 1	1,086,538	385,307
Additions	101,176	701,231
<b>Closing balance, December 31</b>	<b>1,187,714</b>	<b>1,086,538</b>

Provisions for litigation	2019	2018
Opening balance, January 1	906,302	1,208,011
Charge for the period, net	424,066	(301,709)
<b>Closing balance, December 31</b>	<b>1,330,368</b>	<b>906,302</b>

## 11. Undertakings

### Guarantees-Pledges-Mortgages("TRI")

As of December 31, 2019 and December 31, 2018, the Group's position on guarantees/pledges/mortgages (GPM) position is given in the below table.

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

As of the date of December 31, 2019, the Group has no outstanding export loan commitment debts. (December 31, 2018: None).

	December 31 2019	December 31 2018
<b>A. Total amount of guarantees given on behalf of the legal entity:</b>	124,435,793	115,501,484
<b>B. Total amount of GPM given on behalf of the subsidiaries included in full consolidation:</b>	-	20,294,421
-Euro	-	3,360,671
<b>C. Total amount of GPM given to maintain ordinary operations and collect payables from third parties:</b>	-	-
<b>D. Total amount of other GPM given</b>	-	-
<b>i. Total amount of GPM given on behalf of the principal partner</b>	-	-
<b>ii. Total amount of GPM given on behalf of other group companies that do not cover B and C (Euro)</b>	-	-
	<b>124,435,793</b>	<b>135,795,905</b>

Ratio of other GMLs given by the Company to the Company's equities is 0% as of the date of December 31, 2019.

## 12. Employee Benefits

### Payables within the scope of employee benefits

	31 December 2019	31 December 2018
Social security premiums payable	1,368,276	1,138,657
Dues to personnel	1,075,893	957,437
Taxes and funds payable	932,103	1,002,308
	<b>3,376,272</b>	<b>3,098,402</b>

### Short-term provisions for employee benefits

	31 December 2019	31 December 2018
Provision for personnel bonuses	7,148,177	5,142,905
Provision personnel wages	1,930,572	-
Provision for unused leaves	3,561,621	2,545,587
Provision for personnel	3,121,185	3,328,970
	<b>15,761,555</b>	<b>11,017,462</b>

Statements regarding personnel bonus and provisions for leaves as of December 31, 2019 and 2018 are as follows:

Provision for personnel bonuses:

	2019	2018
Opening balance, January 1	5,142,905	2,655,469
Paid/reversed provision, net	2,005,272	2,487,436
<b>Closing balance, December 31</b>	<b>7,148,177</b>	<b>5,142,905</b>

Provision for unused leaves;

	2019	2018
Opening balance, January 1	2,545,587	1,374,141
Paid/reversed provision, net	1,016,034	1,171,446
<b>Closing balance, December 31</b>	<b>3,561,621</b>	<b>2,545,587</b>

Provisions for personnel;

	2019	2018
Opening balance, January 1	3,328,970	3,554,116
Paid/reversed provision, net	(207,785)	(225,146)
<b>Closing balance, December 31</b>	<b>3,121,185</b>	<b>3,328,970</b>

### Long-term provisions for employee benefits

	31 December 2019	31 December 2018
Provision for severance pay	12,579,572	6,847,001
	<b>12,579,572</b>	<b>6,847,001</b>

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

No funding is stipulated under laws for severance pay liability. Provisions for severance pay are calculated by predicting the current value of Group's future liability amount arising from retirement of its employees. TAS 19 *Employee Benefits* stipulates that Group's liabilities within the scope of described benefit plans should be developed through actuarial valuation methods. In this respect actuarial assumptions used in calculation of total liabilities are specified below:

The main assumption is that for each service year, the maximum liability amount shall increase parallel to inflation. Accordingly, applied discount rate represents the expected real rate after future effects of inflation are adjusted. Therefore, as of the date of December 31, 2019, provisions in the attached consolidated financial statements are calculated for the future by estimating the current value of potential liabilities arising of employee's retirement. Provisions on the relevant balance sheet dates were calculated according to predictions of 8% inflation and 12,25% interest rates, reaching the real discount rate approximately as 3,94% (December 31, 2018: 5,83%). Estimated rates of severance pays which shall not be paid and maintained by Group because of employees who voluntarily leave the Group is accepted as 98% (December 31, 2018: 98%). Severance pay cap is revised every six months and cap taken into consideration when calculating the Group's provisions for severance pay was TL6,379.86 that is valid as of January 1, 2019. (1 January 2018: TL5,001.76)

Significant assumptions used in calculation of severance pay liabilities are discount rates and voluntary leave potential.

Provision for severance pay	2019	2018
Provision as of January 1	6,847,001	5,850,167
Service cost	644,000	575,000
Interest cost	1,225,000	637,000
Severance pays paid	(1,105,429)	(195,166)
Actuarial (gains)/losses	4,969,000	(20,000)
<b>Closing balance, December 31</b>	<b>12,579,572</b>	<b>6,847,001</b>

### 13. Other assets and liabilities

Other current assets	31 December 2019	31 December 2018
VAT carried forward	38,605,539	39,335,492
Receivables from Tax Office (**)	23,471,447	4,322,737
Other miscellaneous current assets	1,519,453	506,613
	<b>63,596,439</b>	<b>44,164,842</b>

Other non-current assets	31 December 2019	31 December 2018
VAT carried forward (*)	43,542,040	30,705,422
	<b>43,542,040</b>	<b>30,705,422</b>

(\*) Comprised of long-term portion of the value added taxes that could not be offset due to amendment of the communiqué on export-listed sales, the return process has started.

(\*\*) SCT and other VAT receivables from tax office.

Other short-term liabilities	31 December 2019	31 December 2018
Tax, fees and other deductions payable	1,050,355	773,700
Other miscellaneous payables and liabilities	267,835	267,835
	<b>1,318,190</b>	<b>1,041,535</b>

### 14. Capital, reserves and other equity items

#### a) Capital

Paid-in capital structure of the Group as of December 31, 2019 and 2018 is as follows:

Shareholders	%	31 December 2019	%	31 December 2018
Draka Holding B.V.	83.75	181,506,654	83.75	118,696,851
Publicly held	16.25	35,226,998	16.25	23,036,801
<b>Capital</b>	<b>100</b>	<b>216,733,652</b>	<b>100</b>	<b>141,733,652</b>

As of December 31, 2019, the Group's capital comprises of 216,733,652 shares (December 31, 2018: 141,733,652 shares). Nominal value of shares are TL 1 per share (December 31, 2018: TL 1 per share). All shares issued were paid in cash.

**b) Reserves on retained earnings**

	31 December 2019	31 December 2018
Legal reserves	10,432,153	8,940,789
	<b>10,432,153</b>	<b>8,940,789</b>

As per Turkish Commercial Code ("TCC"), legal reserves will be generated by 5% of income until it reaches 20% of paid-in share capital. After the 5% of the dividend is paid to shareholders, 10% of the total amount to be distributed is set aside as other legal reserve. Under the TCC, the legal reserves can be used only to offset losses, for the going concern of the company or to take measures to prevent or minimize consequences of unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

**Profit Distribution:**

Publicly traded companies perform dividend distribution in accordance with Capital Markets Board's Communiqué Serial II No: 19.1 "Share of Profit", effective as of 1 February 2018.

Partnerships, distribute dividend with general assembly decision, within the context of profit distribution policies set by general assembly and related regulations. As part of the communiqué, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

On 18 April 2019, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to pay out dividends. The amount of dividend TL5,680,423 (2018: TL4,281,485) paid out in 2019 per share is gross TLO.04036 TL (2018: TLO.0304) and net TLO.0343 TL (2018: TLO.0258).

**Reacquired shares**

When shares recorded as paid capital are reacquired, the amount paid shall be deducted from equities in a way to cover the amount net of tax effect of costs attributable to reacquisition. When shares are reacquired this is recognized in equities as decrease.

Within the frame of "Repurchase Program" agreed in Türk Prysmian Cable and Systems Co. Inc. Board of Directors meeting dated 03 August 2016, the company has reacquired 1,000,000 Türk Prysmian Cable and Systems Co. Inc. shares at a value of TL2,496,301.

**Capital Increase**

In 2019, a resolution has been reached to increase capital of the company by 52.92%- TL 75,000,000, from TL 141,733,652 to TL216,733,652, all paid up in cash, remaining within the upper limit of Company registered capital of 300,000,000. It was decided to issue all of the 75,000,000 shares with a nominal value of TL1 representing the total TL75,000,000 capital increase paid up in cash, without concessions and as shares to the bearer; since the Company's asset value is above the nominal value of the issued capital and because the company's shares are being traded in the exchange on its nominal value, it has been resolved that the shares be issued with premiums over their nominal values and that the shareholders use their rights to acquire new shares over the premium price, and that existing shareholders can exercise their right of acquiring new shares provided that nominal value is not less than TL1.

**15. Sales and cost of sales**

	January 1 - 31 December 2019	January 1 - 31 December 2018
Domestic sales	1,492,023,655	1,661,012,740
Overseas sales	513,316,440	322,917,151
Return on sales (-)	(4,629,205)	(6,942,286)
Sales discounts (-)	(538,134,144)	(603,609,197)
	<b>1,462,576,746</b>	<b>1,373,378,408</b>

	January 1 - 31 December 2019	January 1 - 31 December 2018
Raw material and supply expenses	(1,066,591,709)	(1,064,452,149)
Direct labor cost	(32,325,357)	(28,606,325)
Production overheads	(59,899,923)	(53,153,742)
Depreciation expenses (Footnote 8)	(5,700,856)	(5,464,157)
Cost of commercial goods sold	(91,206,131)	(52,972,852)
Cost of services sold	(43,172,715)	(27,224,661)
	<b>(1,298,896,691)</b>	<b>(1,231,873,886)</b>



## 16. Construction contracts

The Group records income and expenses from said construction works in financial statements following the percentage completion method. Contracts signed by the Group / related to works completed or ongoing are as follows;

	31 December 2019	31 December 2018
Costs related with ongoing works	652,267,292	571,296,885
Recognized profits less losses (net)	133,009,583	116,702,378
	<b>785,276,875</b>	<b>687,999,263</b>
Less: Progress payments realized (-)	(773,215,270)	(696,893,635)
Receivables/(payables) from construction contracts	<b>12,061,605</b>	<b>(8,894,372)</b>

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

The Company has signed the contracts for the related construction works on September 19, 2012. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

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

The Company has signed the contracts for the related construction works on December 4, 2014. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

### c) TKABY.35 Akköprü S/S- Balgat S/S 154 kV Cable and Axis Project:

The Company has signed the contracts for the related construction works on May 18, 2016. The new code for the ongoing construction works of referred project is TKABY 30 Akköprü S/S- Balgat S/S 154 kV Cable and Accessories (Percentage of completion is stated in g).

### d) Oskar - ITM.180 Dudullu Subway GIS S/S Construction Work

The Company has signed the contracts for the related construction works on Wednesday, July 27, 2016. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 96%.

### e) Yakuplu - Ambarlı 154 kV Underground Power Cable Project

The Company has signed the contracts for the related construction works on Friday, August 28, 2015. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

### f) TKABÇ4 Ataşehir Project

The Company has signed the contracts for the related construction works on Tuesday, August 2, 2016. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

### g) TKABY 30 Akköprü S/S- Balgat S/S 154 kV Cable and Accesories

The Company has signed the contracts for the related construction works on February 26, 2015. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

### h) TKABY 38 (Alibeyköy-Şişli) Branch N - Çağlayan GIS S/S 154 kV Project

The Company has signed the contracts for the related construction works on Wednesday, March 8, 2017. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

### i) TKABY 39 BAĞCILAR GIS S/S- SULTANMURAT GIS S/S 154 KV Power Cable Project

The Company has signed the contracts for the related construction works on Thursday, March 30, 2017. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

### j) TEİAŞ - TKABY.47 Ref. Ambarlı S/S- Sultanmurat GIS S/S 154 kV Project

The Company has signed the contracts for the related construction works on Wednesday, August 16, 2017. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100% as of the current period.

### k) Siemens - DB.ATT.19 - Hadımköy GIS Project

The Company has signed the contracts for the related construction works on Friday, September 29, 2017. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

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

The Company has signed the contracts for the related construction works on Wednesday, November 1, 2017. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

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

The Company has signed the contracts for the related construction works on Tuesday, July 10, 2018. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

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

The Company has signed the contracts for the related construction works on Friday, July 13, 2018. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

**o) Güngör Elektrik Aliğa S/S 2 Completion Project**

The Company has signed the contracts for the related construction works on Friday, November 30, 2018. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

**p) İTM 214 Akköprü GIS Project**

The Company has signed the contracts for the related construction works on Tuesday, February 13, 2018. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

**r) ITM 199 Bursa DGKÇS Project**

The Company has signed the contracts for the related construction works on Tuesday, February 13, 2018. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 100%.

**s) Taşoluk New Airport**

The Company has signed the contracts for the related construction works on Monday, July 22, 2019. Income and expenses for the referred construction works calculated on basis of percentage completion rate were recorded in financial statements at a completion rate of 47%.

**17. Marketing expenses, general administrative expenses and research and development expenses**

General administrative expenses, marketing expenses and research and development expenses for the years ending on 31 December 2019 and 2018 are as follows:

**a) General administrative expenses**

	January 1 - 31 December 2019	January 1 - 31 December 2018
Personnel expenses	(13,309,099)	(7,919,251)
Depreciation expenses (Footnote 8.9)	(1,240,757)	(442,792)
Memberships and grants	(750,794)	(549,009)
Consultancy expenses	(508,218)	(624,352)
Insurance expenses	(420,724)	(493,310)
Outsourced service expenses	(41,580)	(2,368,282)
Other general administrative expenses	(5,316,971)	(5,983,769)
	<b>(21,588,143)</b>	<b>(18,380,765)</b>

**b) Marketing expenses**

	January 1 - 31 December 2019	January 1 - 31 December 2018
Logistics expenses commissions of sales and letter of guarantees	(44,127,718)	(34,746,758)
Personnel expenses	(13,314,270)	(8,469,101)
Outsourced service expenses	(320,536)	(2,179,443)
Amortization expenses (Footnote 8.9)	(251,802)	(317,432)
Other sales and distribution expenses	(3,899,277)	(4,684,115)
	<b>(61,913,603)</b>	<b>(50,396,849)</b>

## c) Research and development expenses

	January 1 - 31 December 2019	January 1 - 31 December 2018
Personnel expenses	(2,062,303)	(2,076,113)
Depreciation expenses (Footnote 8.9)	(73,176)	(88,237)
Other expenses	(1,931,700)	(1,612,631)
	<b>(4,067,179)</b>	<b>(3,776,981)</b>

## 18. Expenses by nature

	January 1 - 31 December 2019	January 1 - 31 December 2018
Raw material and supply expenses	(1,066,591,709)	(1,064,452,149)
Cost of commercial goods sold	(91,206,131)	(52,972,852)
Logistics expenses commissions of sales and letter of guarantees	(44,127,718)	(34,746,758)
Products costs	(59,899,923)	(53,153,742)
Direct labor cost	(32,325,357)	(28,606,325)
Personnel expenses	(27,689,951)	(17,788,236)
Depreciation expenses (Footnote 8.9)	(7,266,591)	(6,312,618)
Outsourced service expenses	(305,588)	(5,223,954)
Other expenses	(57,052,648)	(41,171,847)
	<b>(1,386,465,616)</b>	<b>(1,304,428,481)</b>

## 19. Other operating income and expenses

Details of other operating income for the years that have ended on the dates of December 31, 2019 and 2018 are as follows:

	January 1 - 31 December 2019	January 1 - 31 December 2018
Other operating income		
Derivative financial instruments valuation income	30,381,271	-
Delay interest income of trade receivables	5,466,144	5,404,205
Chargeout income (Footnote 3)	3,175,043	6,340,952
Derivative financial instruments realized income	1,773,886	142,457,856
Other income	9,903,826	6,789,629
	<b>50,700,170</b>	<b>160,992,642</b>

	January 1 - 31 December 2019	January 1 - 31 December 2018
Other operating expenses		
Exchange rate expenses from trade activities, net	(20,211,715)	(105,940,858)
Expenses realized from marketable derivative financial instruments	(55,513,894)	(36,703,604)
Marketable derivative financial instruments valuation expenses	-	(31,073,697)
Allowance for doubtful receivables (Footnote 4)	(6,979,148)	(15,376,754)
Other expenses	(1,922,234)	(1,945,500)
	<b>(84,626,991)</b>	<b>(191,040,413)</b>

## 20. Other income from investment activities

Details of other income from investment activities for the years that have ended on the dates of December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Fixed asset sale income	5,483	603,530
	<b>5,483</b>	<b>603,530</b>

## 21. Financing income / (expense)

Details of financing income/(expenses) for the years that have ended on the dates of December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Interest income	3,993,768	4,236,006
	<b>3,993,768</b>	<b>4,236,006</b>

	31 December 2019	31 December 2018
Financing expenses	(3,034,705)	(1,736,074)
	<b>(3,034,705)</b>	<b>(1,736,074)</b>

## 22. Short and long term loans

	31 December 2019	31 December 2018
<b>Short-term</b>		
Short term bank loans	-	49,518,160
Leasing payables	1,274,934	-
<b>Total short-term loans</b>	<b>1,274,934</b>	<b>49,518,160</b>

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

	31 December 2018		
	Interest rate	Original Currency	TL equivalent
<b>Short-term</b>			
Euro loans	-	8,200,000	49,518,160
<b>Total short term bank loans</b>			<b>49,518,160</b>

	31 December 2019	31 December 2018
<b>Long-term</b>		
Leasing payables	2,180,847	-
<b>Total long-term loans</b>	<b>2,180,847</b>	<b>-</b>

## 23. Tax assets and liabilities (inc. deferred tax assets and liabilities)

### Assets related to current period tax

	31 December 2019	31 December 2018
Withholding paid for construction repair works extending to years	4,727,430	11,665,504
Bank withholdings	667,989	627,209
	<b>5,395,419</b>	<b>12,292,713</b>

### Period profit tax liability

	31 December 2019	31 December 2018
Provisions for current corporate tax	-	16,590,475
	<b>-</b>	<b>16,590,475</b>

Tax expense	January 1 - 31 December 2019	January 1 - 31 December 2018
Current tax expense	-	(16,590,475)
Deferred tax (income)/expense	(7,177,853)	13,123,400
<b>Total tax (income)/expense</b>	<b>(7,177,853)</b>	<b>(3,467,075)</b>

	Total temp. differences 31 December 2019	Deferred tax (asset) / liability 31 December 2019	Total temp. differences 31 December 2018	Deferred tax (asset) / liability 31 December 2018
Tangible and intangible non-current assets	19,435,863	(3,925,026)	12,384,565	(2,514,766)
Provisions for severance pay	12,579,571	(2,515,914)	6,847,000	(1,369,400)
Construction projects spread over years	(25,300,851)	5,566,187	(7,440,177)	1,636,839
Inventories	1,512,020	(332,644)	9,924,350	(2,183,357)
Trade Receivables	22,105,544	(5,440,932)	9,264,925	(3,056,406)
Trade payables	4,486,853	(987,108)	8,387,085	(1,845,159)
Provision for litigations	1,330,368	(292,681)	906,302	(199,386)
Provisions for leaves	3,561,621	(783,557)	2,545,587	(560,029)
Derivative instruments	932,764	(205,208)	31,314,035	(6,889,088)
Provisions	12,771,791	(2,809,794)	14,836,397	(3,264,007)
Financial loss	10,822,968	(2,381,053)	-	-
Others	(270,765)	59,569	(57,018)	12,545
	<b>63,967,747</b>	<b>(14,048,161)</b>	<b>88,913,051</b>	<b>(20,232,214)</b>

Activity of deferred tax (assets)/liabilities as of the year ended on December 31, 2019 is shown below:

Deferred tax (asset)/liability movement	January 1 - 31 December 2019	January 1 - 31 December 2018
Opening balance as of January 1	(20,232,214)	(7,112,814)
Recognized in statement of profit and loss	7,177,853	(13,123,400)
Recognized in equities	(993,800)	4,000
<b>Closing balance as of January 31</b>	<b>(14,048,161)</b>	<b>(20,232,214)</b>

*Reconciliation of tax expense and profit of the period.*

Tax provision reconciliation	January 1 - 31 December 2019	January 1 - 31 December 2018
Profit before tax from operations	43,148,855	42,005,618
Income tax rate 22% (2018:22%)	(9,492,748)	(9,241,236)
<b>Tax effect:</b>		
Non-deductible expenses	(329,015)	(1,498,540)
R&D rebate	2,336,548	1,214,774
Capital Increase rebate	585,074	1,316,172
Tax benefits under investment incentive	-	4,616,114
Rebates and other	(277,712)	125,641
<b>Tax provision expense on statement of profit or loss</b>	<b>(7,177,853)</b>	<b>(3,467,075)</b>



## 24. Earnings per share

Earnings/loss per share is calculated by dividing net profit of the period as of the end of year to weighted average of shares.

There is no ordinary share issued to be issued as of the date of preparation of financial statements and prior to completion of these consolidated financial statements.

	31 December 2019	31 December 2018
Average number of current shares throughout the period (full value)	143,788,447	141,733,652
Net period profit of parent company shareholders	35,971,002	38,538,543
<b>Earnings per share</b>	<b>0.2502</b>	<b>0.2720</b>

## 25. Derivative instruments

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Short-term foreign currency transactions	-	(932,764)	-	(31,314,035)
	-	<b>(932,764)</b>	-	<b>(31,314,035)</b>

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

Below are the total nominal value of forward exchange contracts undue and which the Group is obligated to realize, as of the date of balance sheet :

	31 December 2019	31 December 2018
Forward exchange contracts	168,656,424	189,416,340
	<b>168,656,424</b>	<b>189,416,340</b>

Referred agreements are related to foreign currency risks in 2019 and are renewed when necessary.

Changes in fair value of foreign exchange derivative transactions with no hedging purposes is recorded during the period in the statement of income.

All Forward Foreign Exchange transactions detailed above are forward contracts. As of the date of December 31, 2019, the Group has a forward purchase contract in the amounts of USD 27,780,000 and EURO 504,550 and forward sale contract in the amount of EUR 500,000 (2018: USD: 33,550,000 and EUR: 3,150,000).

## 26. Nature and Level of Risks Related to Financial Instruments

### a) Capital risk management

The Group manages its capital risk to ensure going concern of its activities while maximizing the return through the optimization of debt and equity.

The Group may change the amount of dividend paid to shareholders, return capital to shareholders, issue new shares and sell-off its assets to decrease its borrowing with the aim to preserve or restructure its capital.

To ensure consistency with the other companies in the industry, the Group analyzes its capital based on leverage ratio. Leverage ratio is the proportion of net debts to equity. Net debt is the total loans (including current and non-current loans as shown in the financial statement of position) less cash and cash equivalents. Total capital is calculates as the sum of "equity" and net debt item in the consolidated statement of position.

As of the dates of December 31, 2019 and 2018, the ratio of equity to debts is as follows:

	31 December 2019	31 December 2018
Total liabilities (*)	447,973,170	475,201,361
Less: Cash and cash equivalents	210,505,611	229,542,230
Net debt	237,467,559	245,659,131
Total equity	370,337,907	269,239,000
<b>Equity/debt ratio</b>	<b>156%</b>	<b>110%</b>

(\*) Includes trade payables, payables from construction contracts and other liabilities.

## b) Financial risk factors

The Group has exposure to the market risk (foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative instruments in order to be protected from various financial risks.

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

### Credit risk management

Credit risks exposed to based on types of financial instruments

31 December 2019	Trade Receivables		Other receivables		Bank Deposits
	Related Parties	Third Party	Related Parties	Third Party	
<b>Maximum credit risk as of the reporting date (*)</b>	<b>33,524,425</b>	<b>251,219,135</b>	-	<b>22,639</b>	<b>187,422,752</b>
- The part of maximum risk under guarantee with collateral etc. (**)	-	107,448,727	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	29,314,486	247,247,690	-	-	-
B. Net book value of assets, conditions of which have been renegotiated, which would otherwise be overdue or impaired	-	-	-	-	-
C. Net book value of financial assets that are neither past due but not impaired	4,209,939	1,020,849	-	-	-
- The part of net value under guarantee with collateral	4,209,939	484,546	-	-	-
D. Net book value of impaired assets	-	2,950,596	-	-	-
- Overdue (gross carrying amount)	-	68,306,725	-	-	-
- Impairment (-)	-	(65,356,129)	-	-	-
- The part of net value under guarantee with collateral etc.	-	2,950,596	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Factors that include off balance sheet credit risk	-	-	-	-	-

(\*) While determining the amount, components which increase credit reliability, like guarantees received, are not taken into consideration.

(\*\*) The guarantees consist of DBS?, collaterals, checks received from customers and mortgages.

Credit risks exposed to based on types of financial instruments

31 December 2018	Trade Receivables		Other receivables		Bank Deposits
	Related Parties	Third Party	Related Parties	Third Party	
<b>Maximum credit risk as of the reporting date (*)</b>	<b>16,976,840</b>	<b>327,836,091</b>	-	<b>10,659</b>	<b>229,520,360</b>
- The part of maximum risk under guarantee with collateral etc. (**)	-	128,096,284	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15,243,588	292,394,428	-	-	-
B. Net book value of assets, conditions of which have been renegotiated, which would otherwise be overdue or impaired	-	-	-	-	-
C. Net book value of financial assets that are neither past due but not impaired	1,733,252	19,057,907	-	-	-
- The part of net value under guarantee with collateral	-	18,529,173	-	-	-
D. Net book value of impaired assets	-	16,383,756	-	-	-
- Overdue (gross carrying amount)	-	74,760,737	-	-	-
- Impairment (-)	-	(58,376,981)	-	-	-
- The part of net value under guarantee with collateral etc.	-	11,376,430	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Factors that include off balance sheet credit risk	-	-	-	-	-

(\*) While determining the amount, components which increase credit reliability, like guarantees received, are not taken into consideration.

(\*\*) The guarantees consist of collaterals, checks received from customers and mortgages.

Credit risk refers to the risk that counterparty of the financial instrument will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the credit risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee monthly.

Trade receivables are due from multiple customers in different sectors and geographical areas. Credit rating of customers are continuously monitored over their trade receivable balances receivables are insured when deemed necessary.

The aging of the overdue receivables is as follows:

	31 December 2019	31 December 2018
Overdue by 1-30 days	5,874,085	26,386,614
Overdue by 1-3 months	2,057,885	16,005,898
Overdue by 3-12 months	578,511	4,841,699
Overdue by 12 months	65,027,032	48,317,685
<b>Total overdue receivables</b>	<b>73,537,513</b>	<b>95,551,896</b>
<b>- Amount guaranteed with collaterals etc.</b>	<b>7,645,081</b>	<b>29,905,603</b>

As of balance sheet date, guarantees obtained regarding overdue trade receivables for which provision is allocated are as follows:

	31 December 2019	31 December 2018
Guarantees received	2,950,596	11,376,430
	<b>2,950,596</b>	<b>11,376,430</b>

#### Liquidity risk management

Liquidity risk is the probability of the Group's inability to fulfill its net funding liabilities. The Group management manages the liquidity risk by distributing fund resources and maintaining adequate cash and cash equivalents enough to fulfill its current and potential liabilities.

## Liquidity risk statement:

31 December 2019						
Contractual maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3 -12 months (II)	1-5 years (II)	more than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Trade payables	447,965,240	447,965,240	288,936,394	159,028,846	-	-
Other liabilities (Footnote 5)	7,930	7,930	7,930	-	-	-
<b>Total liabilities</b>	<b>447,973,170</b>	<b>447,973,170</b>	<b>288,944,324</b>	<b>159,028,846</b>		

Since expected maturity are similar to contractual maturities, a separate statement is not prepared for expected maturities.

Contractual maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3 -12 months (II)	1-5 years (II)	more than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash flows, net	(932,764)	(932,764)	594,653	338,141	-	-

31 December 2018

Contractual maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3 -12 months (II)	1-5 years (II)	more than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Trade payables	466,262,966	466,262,966	322,265,195	143,997,771	-	-
Other liabilities (Footnote 5)	44,023	44,023	44,023	-	-	-
<b>Total liabilities</b>	<b>466,306,989</b>	<b>466,306,989</b>	<b>322,309,218</b>	<b>143,997,771</b>		

Since expected maturity are similar to contractual maturities, a separate statement is not prepared for expected maturities.

Contractual maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3 -12 months (II)	1-5 years (II)	more than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash flows, net	31,314,035	31,314,035	30,216,364	1,097,701	-	-

**Market risk management**

The Group's activities, as detailed below, are exposed primarily to the financial risks from changes in foreign currency exchange rates and interest rates. In order to keep risks associated to foreign currency exchange rate and interest rate and to be protected from foreign currency exchange rate risks arising of exports, the Group enters into forward exchange purchase/sale contracts.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the current year compared to prior year.

*Foreign currency risk management*

Foreign currency denominated transactions arises foreign currency risk. Exchange rate risk is managed through forward foreign currency purchase/sale contracts entered into according to approved policies.

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

31 December 2019	TL equivalent	US Dollars	EURO	GBP
1. Trade Receivables	203,503,605	21,759,277	11,164,278	-
2a. Monetary financial assets (including cash, bank)	107,412,040	10,789,183	6,514,019	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	1,486,834	955	222,711	-
<b>4. Current assets (1+2+3)</b>	<b>312,402,479</b>	<b>32,549,415</b>	<b>17,901,008</b>	-
5. Trade Receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Long-term assets (5+6+7)</b>	-	-	-	-
<b>9. Total assets (5+8)</b>	<b>312,402,479</b>	<b>32,549,415</b>	<b>17,901,008</b>	-
10. Trade payables	413,028,397	53,687,264	14,148,828	2,201
11. Financial liabilities	-	-	-	-
12a. Other monetary financial liabilities	-	-	-	-
12b. Other non-monetary financial liabilities	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>413,028,397</b>	<b>53,687,264</b>	<b>14,148,828</b>	<b>2,201</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16 a. Other monetary financial liabilities	38,681,195	3,169,527	2,985,230	-
16 b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Long-term liabilities (14+15+16)</b>	<b>38,681,195</b>	<b>3,169,527</b>	<b>2,985,230</b>	-
<b>18. Total liabilities (13+17)</b>	<b>451,709,592</b>	<b>56,856,791</b>	<b>17,134,058</b>	<b>2,201</b>
<b>19. Net asset / (liability) position of off-balance sheet derivative financial instruments in foreign currency (19a-19b)</b>	<b>165,049,016</b>	<b>27,780,000</b>	<b>4,550</b>	-
19a. Asset position of off balance sheet derivative instruments denominated in foreign currency	165,018,756	27,780,000	-	-
19b. Liability position of off balance sheet derivative instruments denominated in foreign currency	(30,260)	-	(4,550)	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>25,741,903</b>	<b>3,472,624</b>	<b>771,500</b>	<b>(2,201)</b>
<b>21. Monetary items net foreign currency asset/(liabilities) (UFRS 7.B23) (=1+2a+5+6a+10+11+12a+14+15+16a)*</b>	<b>(140,793,948)</b>	<b>(24,308,331)</b>	<b>544,239</b>	<b>(2,201)</b>
<b>22. Fair value of the financial instruments used in foreign currency hedging</b>	<b>165,049,016</b>	<b>55,560,000</b>	<b>4,550</b>	-
<b>23. Hedged part of foreign currency assets**</b>	<b>165,018,756</b>	<b>27,780,000</b>	-	-
<b>24. Hedged part of foreign currency liabilities***</b>	<b>(30,260)</b>	<b>(27,780,000)</b>	<b>(4,550)</b>	-
<b>25. Total export</b>	<b>513,316,440</b>	-	-	-
<b>26. Total import</b>	<b>402,309,903</b>	-	-	-



## 31 December 2018

	TL equivalent	US Dollars	EURO	GBP
1. Trade Receivables	222,979,701	15,679,979	23,306,055	-
2a. Monetary financial assets (including cash, bank)	167,771,548	20,128,900	10,264,090	524
2b. Non-monetary financial assets	-	-	-	-
3. Other	2,379,479	22,833	374,811	-
<b>4. Current assets (1+2+3)</b>	<b>393,130,728</b>	<b>35,831,712</b>	<b>33,944,956</b>	<b>524</b>
5. Trade Receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Long-term assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (5+8)</b>	<b>393,130,728</b>	<b>35,831,712</b>	<b>33,944,956</b>	<b>524</b>
10. Trade payables	420,458,062	62,146,017	15,473,826	35,753
11. Financial liabilities	-	-	-	-
12a. Other monetary financial liabilities	-	-	-	-
12b. Other non-monetary financial liabilities	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>420,458,062</b>	<b>62,146,017</b>	<b>15,473,826</b>	<b>35,753</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16 a. Other monetary financial liabilities	73,647,864	3,805,862	8,895,982	94
16 b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Long-term liabilities (14+15+16)</b>	<b>73,647,864</b>	<b>3,805,862</b>	<b>8,895,982</b>	<b>94</b>
<b>18. Total liabilities (13+17)</b>	<b>494,105,926</b>	<b>65,951,879</b>	<b>24,369,808</b>	<b>35,847</b>
<b>19. Net asset / (liability) position of off-balance sheet derivative financial instruments in foreign currency (19a-19b)</b>	<b>157,514,995</b>	<b>33,550,000</b>	<b>(3,150,000)</b>	<b>-</b>
19a. Asset position of off balance sheet derivative instruments denominated in foreign currency	176,503,195	33,550,000	-	-
19b. Liability position of off balance sheet derivative instruments denominated in foreign currency	18,988,200	-	3,150,000	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>56,539,797</b>	<b>3,429,833</b>	<b>6,425,148</b>	<b>(35,323)</b>
<b>21. Monetary items net foreign currency asset/(liabilities) (UFRS 7.B23) (=1+2a+5+6a+10+11+12a+14+15+16a)*</b>	<b>(103,354,677)</b>	<b>(30,143,000)</b>	<b>9,200,337</b>	<b>(35,323)</b>
<b>22. Fair value of the financial instruments used in foreign currency hedging</b>	<b>157,514,995</b>	<b>33,550,000</b>	<b>(3,150,000)</b>	<b>-</b>
<b>23. Hedged part of foreign currency assets**</b>	<b>176,503,195</b>	<b>33,550,000</b>	<b>-</b>	<b>-</b>
<b>24. Hedged part of foreign currency liabilities***</b>	<b>18,988,200</b>	<b>-</b>	<b>3,150,000</b>	<b>-</b>
<b>25. Total export</b>	<b>264,651,857</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26. Total import</b>	<b>571,630,082</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Foreign currency sensitivity

The Group is exposed to foreign currency risk with respect to mainly USD and EURO.

As of 31 December 2019 and 31 December 2018, under the condition that all other variables remain stable against 10% increase or decrease in foreign exchange rates, profit and equities before tax shall change in the rates shown below.

31 December 2019				
	Profit/Loss		Equities	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>If US Dollars exchange rate changes by 10%:</b>				
US Dollar net asset/liability	(14,439,067)	14,439,067	-	-
2- Amount protected against US Dollar risk (-)	16,501,875	(16,501,875)	-	-
<b>3 - US Dollar net effect</b>	<b>2,062,808</b>	<b>(2,062,808)</b>	-	-
<b>If EURO exchange rate changes by 10%:</b>				
4- Euro net asset/liability	510,068	(510,068)	-	-
5- Amount protected against Euro (-)	3,026	(3,026)	-	-
<b>6 - Euro net effect</b>	<b>513,094</b>	<b>(513,094)</b>	-	-
<b>If other currencies change by 10% in average:</b>				
7- Other foreign currency net asset/liability	(1,712)	1,712	-	-
8- Amount protected against other currency risk (-)	-	-	-	-
<b>9- Other currency net effect (7+8)</b>	<b>(1,712)</b>	<b>1,712</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>2,574,190</b>	<b>(2,574,190)</b>	-	-

The Group values foreign currency assets using the "buying" rate and foreign currency liabilities using the "selling" rate.

31 December 2018				
	Profit/Loss		Equities	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>If US Dollars exchange rate changes by 10%:</b>				
US Dollar net asset/liability	(15,845,919)	15,845,919	-	-
2- Amount protected against US Dollar risk (-)	17,650,320	(17,650,320)	-	-
<b>3 - US Dollar net effect</b>	<b>1,804,401</b>	<b>(1,804,401)</b>	-	-
<b>If EURO exchange rate changes by 10%:</b>				
4- Euro net asset/liability	5,771,899	(5,771,899)	-	-
5- Amount protected against Euro (-)	(1,898,820)	1,898,820	-	-
<b>6 - Euro net effect</b>	<b>3,873,079</b>	<b>(3,873,079)</b>	-	-
<b>If other currencies change by 10% in average:</b>				
7- Other foreign currency net asset/liability	(23,500)	23,500	-	-
8- Amount protected against other currency risk (-)	-	-	-	-
<b>9- Other currency net effect (7+8)</b>	<b>(23,500)</b>	<b>23,500</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>5,653,980</b>	<b>(5,653,980)</b>	-	-

Forward foreign exchange purchase/sale contracts

The following table gives details forward foreign exchange purchase/sale contracts not entered into force yet as of the date of report:

Non-executed purchase/sale contracts:	Average exchange rate		Foreign currency		Contract value		Fair value asset / (liability)	
	2019	2018	2019	2018	2019	2018	2019	2018
	TL	TL	TL	TL	TL	TL	TL	TL
<b>US Dollars Purchase</b>								
Less than 3 months	6.0747	6.5454	159,078,556	163,350,945	162,680,755	190,143,505	(1,123,391)	(26,624,388)
3-6 months	5.9793	5.8938	5,940,200	18,413,150	5,979,300	20,628,125	160,160	(1,097,701)
<b>US Dollars Sales</b>								
Less than 3 months	-	5.2750	-	(5,260,900)	-	(5,275,000)	-	(23,394)
<b>EURO sales</b>								
Less than 3 months	6.6506	6.1551	(3,325,300)	(36,168,000)	(3,325,300)	(36,930,500)	(23,641)	(121,812)
<b>EURO Purchase</b>								
3-6 months	6.5834	7.3159	3,355,560	17,179,800	3,321,669	20,850,210	54,078	(3,446,740)
			<b>165,049,016</b>	<b>157,514,995</b>	<b>168,656,424</b>	<b>189,416,340</b>	<b>(932,794)</b>	<b>(31,314,035)</b>

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

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate balance between fixed and floating rate borrowings through interest rate swap agreements and forward rate agreements. Hedging strategies are constantly being monitored to ensure consistency with interest rate expectation and the defined risk. Accordingly the objective is to create an optimal hedging strategy, and to both review the financial status position and to keep interest expenditures under control with different interest rates.

**27. Financial instruments araçlar (fair value disclosures and explanations on hedge accounting)****Categories and fair value of financial instruments (\*)**

31 December 2019	Loan and receivables (inc. cash and cash equivalents)	Financial assets at fair value	Financial assets at amortized cost	Carrying value	Footnote
<b>Financial assets</b>					
Cash and Cash Equivalents	210,505,611	-	-	210,505,611	29
Trade Receivables	284,743,560	-	-	284,743,560	4
<b>Financial liabilities</b>					
Trade Payables	-	-	447,965,240	447,965,240	4
Derivative Instruments	-	932,764	-	932,764	24
Financial Liabilities	1,274,934	-	-	1,274,934	6

31 December 2018	Loans and receivables (including cash and cash equivalents)	Financial assets at fair value	Financial assets at amortized cost	Carrying value	Footnote
<b>Financial assets</b>					
Cash and cash equivalents	229,542,230	-	-	229,542,230	29
Trade Receivables	344,812,931	-	-	344,812,931	4
<b>Financial liabilities</b>					
Trade payables	-	-	466,262,966	466,262,966	4
Derivative instruments	-	31,314,035	-	31,314,035	24
Financial Liabilities	49,518,160	-	-	49,518,160	22

(\*) Group management is in the opinion that carrying value reflects the fair value of financial instruments.

Fair value of financial instruments:

The fair values of financial assets and financial liabilities are determined as follows:

· Level two: The fair value of financial assets and financial liabilities are determined in accordance with data which can be observed by directly or indirectly in the market and which excludes the registered prices described in Level 1.

Fair value hierarchy of financial assets that are measured at fair value:

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

Financial assets/ Financial liabilities	Fair value		Level of authenticity	Valuation technique	Significant input not based on observable data	Correlation between input not based on observation and fair value
	31 December 2019	31 December 2018				
Foreign exchange forward contracts	(932,764)	(31,314,035)	Level 2	Future cash flows predicted by using forward exchange rates (forward exchange rates observable at the end of reporting period) and contract rates are discounted by using a rate which reflects credit risk of various parties.	-	-

## 28. Events after reporting period

None.

## 29. Other matters that significantly effect financial statements and that needs to be disclosed to ensure financial statements are clear, comprehensible or interpretable

None. (31 December 2018: None).

### 30. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash - TL	651	2,902
Cash - Foreign currency	18,801	18,968
Bank - Demand account	177,487	378,036
Bank - TL - Saving account	79,762,384	34,048,000
Bank - Foreign currency exchange accounts	2,271,408	931,085
Bank - US Dollars - savings account	62,069,557	105,218,000
Bank - Euro - Saving account	43,141,916	61,997,146
Checks received	2,751,194	10,166,461
Credit card receivables	20,312,213	16,781,632
	<b>210,505,611</b>	<b>229,542,230</b>

Credit card receivables have less than 3 month terms.

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

	31 December 2019		31 December 2018	
	Term	Interest rate (%)	Term	Interest rate (%)
Savings account - TL	Overnight	10.75	Overnight	23.50
Savings account TL	Monthly	12	-	-
FC savings account US Dollars	Overnight	1.85	Overnight	4.10
FC savings account US Dollars	Monthly	2.20	Monthly	4.75
FC savings account EURO	Overnight	0.10	Overnight	1.75
FC savings account EURO	Monthly	-	Monthly	3.25

Nature and level of risks on cash and cash equivalents are explained under Footnote 25.

Cash and cash equivalent values shown in the consolidated cash flow statements as of the dates of December 31, 2019 and 2018 are shown below:

	31 December 2019	31 December 2018
Cash and cash equivalents	210,505,611	229,542,230
Interest accrued (-)	(192,414)	(294,294)
	<b>210,313,197</b>	<b>229,247,936</b>



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

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

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

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

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

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

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

4.2. ACTIVITIES OF THE BOARD OF DIRECTORS	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer (general manager) are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively and the board works closely therewith when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				Although there are no written internal regulations issued by the Board of Directors, 3 out of 8 members of the Board are women and accordingly the 37.5% minimal target is fulfilled.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS</b>						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				Board Members residing abroad participate the meetings on electronic environment ("teleconference").
4.4.2 - The board has formally approved a minimum time by which information and documents pertaining to the items on the agenda should be supplied to all board members.		X				No minimum time is determined. However required information and documents are provided to all members in sufficient time prior to the meeting.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the Board has one vote.	X					
4.4.5 - The board has written internal rules setting forth the operating principles of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.		X				No board resolution is issued as no member of the Board cast a dissenting vote.
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				No limit was set in respect to external commitments of independent board members. Other members of the Board apart from independent members can take other duties in affiliated companies outside the group. Information on shareholders is presented in the Annual Report.

4.5. COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5.5 - Board members serve in only one of the Board's committees.			X			Independent members serve in more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - The independence of any person/firm the company seeks consultancy services from, is stated in the annual report.		X				The committee received no important consultancy services except for the independent audit service.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES</b>						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.		X				The evaluation in question is conducted by the Chairman and Vice Chairman of the Board of Directors and stated under the annual report, no performance evaluation is included in the board of directors' minutes.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or improved conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report, on individual basis.			X			The total amount is disclosed by categories rather than by any specific identity pursuant to the Law No 6698 on Personal Data Protection.



## CORPORATE GOVERNANCE FACT SHEET

1. SHAREHOLDERS	
<b>1.1. Facilitating the Exercise of Shareholder Rights</b>	
Number of investor meetings and conferences organized by the company during the year	Three webcasts and one physical meeting were held in 2019, where end-of-year 2018 financial results and the financial results of first three quarters of 2019 were shared.
<b>1.2. Right To Obtain And Review Information</b>	
Number of request(s) for appointment of special auditors	No request was received during the period for the appointment of special auditors.
Number of special auditor requests that were accepted in the General Shareholders Meeting	No special auditor is requested in the General Shareholders Assembly meeting.
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/744715">https://www.kap.org.tr/tr/Bildirim/744715</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Materials for General Shareholders' Meeting are not also provided in English.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no transaction made within the context of Principle 1.3.9
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	All related party transactions carried out during the year 2019, and principles in respect thereof are presented to the Board of Directors. There was no related party transaction or any significant transaction in the year 2019 that needed to be submitted to the approval of the General Assembly as disapproved by independent members earlier.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	<a href="https://www.kap.org.tr/tr/Bildirim/750590">https://www.kap.org.tr/tr/Bildirim/750590</a>
The name of the section on the corporate website that demonstrates the donation policy of the company	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/750792">https://www.kap.org.tr/tr/Bildirim/750792</a>
The number of the provisions of the articles of incorporation that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 11
Information on stakeholders that participated in the General Shareholders' Meeting, if any	Company employees, representatives, shareholders and independent auditors are invited to General Assembly meetings. The link to the list of attendants of the General Assembly: <a href="https://www.kap.org.tr/tr/Bildirim/750792">https://www.kap.org.tr/tr/Bildirim/750792</a>
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	None.
The percentage of ownership of the largest shareholder	83.75%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights are broadened (in terms of content or the ratio) in the articles of incorporation	No
If yes, specify the relevant provision of the articles of incorporation.	None.
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to the use of the dividend	Board of Directors did not propose not to distribute dividends.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	Board of Directors did not propose not to distribute dividends.

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Name of the page of the corporate website that contains all questions asked in the general assembly meeting and all Responses given to them	The number of the relevant item or paragraph of GSM minutes in relation to related party	The number of declarations by insiders received by the board of directors (list of insiders)	The link to the related PDP general shareholder meeting notification
29/03/2019	0	84.26%	84.26%	84.26%	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "General Assembly".	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "General Assembly".	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "General Assembly".	27	<a href="https://www.kap.org.tr/tr/Bildirim/750792">https://www.kap.org.tr/tr/Bildirim/750792</a>

2. PUBLIC DISCLOSURE AND TRANSPARENCY	
<b>2.1. Corporate Website</b>	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Consistently updated under section "Investor Relations" on our corporate website at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> as stipulated by CMB Corporate Governance Principles, for the purpose of maintaining the relationship of our Company with its stakeholders in a much more efficient manner and to be in contact with our shareholders at all times.
If applicable, specify the name of the sections of the website providing the list of shareholders who directly or indirectly own more than 5% of the shares.	Based on the most recent list of shareholders submitted by Central Securities Depository, it is seen that there is no natural person shareholder holding more than 5% of the shares.
List of languages for which the website is available	Turkish, English
<b>2.2. Annual Report</b>	
<b>The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.</b>	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Footnote no. 2 under the Independent Auditors Report
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Footnote no. 10 under the Independent Auditors Report

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid these conflicts of interest	None.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	None.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Explained under "Corporate Social Responsibility" section of the Annual Report.

3. STAKEHOLDERS	
<b>3.1. Corporation's Policy on Stakeholders</b>	
The name of the section on the corporate website that demonstrates the employee severance policy	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Whistleblowing mechanism initiated by our internal audit department is in force.
The contact detail of the company alert mechanism	<a href="https://www.prysmiangroup.com/en/about-us/ethics-integrity/whistleblowing">https://www.prysmiangroup.com/en/about-us/ethics-integrity/whistleblowing</a>
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation's Management</b>	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Not available
Corporate bodies where employees are actually represented	The fundamental approach adopted here was to keep open all communication channels, and to eliminate all obstacles that may arise, in order for the employees to participate in the management of the Company. Our workers are a member of United Metal Workers Union. We have a suggestion box where we collect from workers their suggestion about company activities and convey these to the top management, without making any distinction between blue collar and white collar workers.
<b>3.3. Human Resources Policy Of The Company</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Board of Directors develops required succession plans.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles or summary of relevant parts of the human resource policy	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
Whether the company provides an employee stock ownership program	There is an employee stock ownership program
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them or summary of relevant provisions of the human resource policy	Not available.
The number of definitive convictions the company is subject to in relation to health and safety measures	There has been 1 finalized court order in 2019. The impact of the case on the financial statements was limited only to the release of the relevant provision, since the payment was made pursuant to the contract made between our Company and the other defendant, which was also responsible for the outcome of this court order.
<b>3.5. Ethical Rules And Social Responsibility</b>	
The name of the section on the corporate website that demonstrates the code of ethics	It is under the heading "Ethical Values & Integrity" in the "About Us" menu item of our company's corporate website at <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> .
The name of the section on the corporate website where the corporate social responsibility report of the company is presented. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Corporate Governance" and the heading "Corporate Social Responsibility Report".
Any measures combating any kind of corruption including embezzlement and bribery	The link to the measures: <a href="https://tr.prysmiangroup.com/tr/etik-degerler">https://tr.prysmiangroup.com/tr/etik-degerler</a>

## 4. BOARD OF DIRECTORS-I

4.2. Activities Of The Board Of Directors	
Date of the last board evaluation conducted	Not available.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	The Board of Directors transferred unlimited individual powers to Ms. Cinzia Farisè, Vice Chairman, and unlimited joint powers to Mr. Halil İbrahim Kongur, Chairman, and Mr. Ercan Gökdağ, Board Member.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Name of the Chairman	Halil İbrahim Kongur
Name of the CEO	Cinzia Farisè
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	No, they are separate individuals
Link to the PDP notification stating that the company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital	Our Company has taken out a "Directors and Officers Liability Insurance" for any damages that may be caused by the members of the Board of Directors and senior executives during the discharge of their duties. However no PDF notification has been made in this respect.
The name of the section on the corporate website that demonstrates current diversity policy aiming to increase participation of women directors	Not available.
Number of women board members is two and its ratio is 25%.	3 - 37.5%

## Composition of Board of Directors

Name-Surname	Whether Executive Director or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
Halil İbrahim Kongur	Executive	Not independent director	30/03/2012	-	-	-	Yes
Cinzia Farisè	Executive	Not independent director	02/09/2019	-	-	-	Yes
Ercan Gökdağ	Executive	Not independent director	31/03/2017	-	-	-	Yes
Pier Francesco Facchini	Non-executive	Not independent director	15/10/2018	-	-	-	Yes
Ayşe Canan Ediboğlu	Non-executive	Independent director	28/03/2014	<a href="https://www.kap.org.tr/tr/Bildirim/747086">https://www.kap.org.tr/tr/Bildirim/747086</a>	Considered	No	Yes
Banu Uzgur	Non-executive	Independent director	30/03/2018	<a href="https://www.kap.org.tr/tr/Bildirim/747086">https://www.kap.org.tr/tr/Bildirim/747086</a>	Considered	No	Yes
İsmet Su	Non-executive	Independent director	30/03/2018	<a href="https://www.kap.org.tr/tr/Bildirim/747086">https://www.kap.org.tr/tr/Bildirim/747086</a>	Considered	No	No
Andrea Pirondini	Non-executive	Not independent director	03/03/2016				Yes

4. BOARD OF DIRECTORS-II	
<b>4.4. Board Meeting Procedures</b>	
Number of board meetings convened in person during the reporting period	4
Directors' average attendance rate at board meetings	72%
Whether the board uses an electronic portal to support its work or not	Yes.
Number of minimum days in advance of the board meeting the information and documents are provided to the directors, as per the board charter	Information and documents about the items on the agenda of the Board meeting are provided to the Boards members for their review, in sufficient time prior to the meeting, ensuring balanced flow of information. No definite time is indicated.
The name of the section on the corporate website that demonstrates information about the board charter that regulates the meeting procedures of the board	Specified under article 8 and 9 of "Articles of Incorporation" posted on <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Corporate Governance".
Number of maximum external commitments for board members determined as per the policy covering the number of external duties held by directors	Not available.
<b>4.5. Committees Formed Under The Board Of Directors</b>	
Page numbers or section names of the annual report where information about the board committees are presented	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/258320">https://www.kap.org.tr/tr/Bildirim/258320</a>

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



4. BOARD OF DIRECTORS-III	
<b>4.5. Committees Formed Under The Board Of Directors-II</b>	
Specify where the activities of the audit committee are presented in your annual report or corporate website (Page number or section name)	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name)	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name)	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name)	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the remuneration committee are presented in your annual report or corporate website (Page number or section name)	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
<b>4.6. Financial Rights Provided To Members Of The Board Of Directors And Senior Executives Financial Rights</b>	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name)	Stated under the "CEO Message" section of the Annual Report.
Specify the section of website where remuneration policy for executive and non-executive directors are presented	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name)	Presented in the "benefits and services provided to senior executives" section of the Annual Report and Footnote 3 under the Independent Auditor's Report with the remark "Related Party".

Board Committees-II					
Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Of Independent Directors Members In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	4	4
Corporate Governance Committee	-	100%	66.66%	4	4
Committee of Early Detection of Risk	-	66.66%	66.66%	6	6

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

### 1. PURPOSE

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

### 2. AUTHORITIES AND SCOPE

Early Risk Assessment Committee shall;

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

### 3. STRUCTURE OF THE COMMITTEE

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

### 4. COMMITTEE MEETINGS AND REPORTING

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

### 5. DUTIES AND RESPONSIBILITIES

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

## DUTIES AND WORK PRINCIPLES OF CORPORATE GOVERNANCE COMMITTEE

### 1. PURPOSE

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

### 2. AUTHORITIES AND SCOPE

The Corporate Management Committee shall,

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

### 3. STRUCTURE OF THE COMMITTEE

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

### 4. COMMITTEE MEETINGS AND REPORTING

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

### 5. DUTIES AND RESPONSIBILITIES

a. Compliance with the Corporate Management Principles

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

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

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

#### c. Public Announcements

The Committee shall review the public announcements report.

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

#### d. Investor Relations

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

The Shareholders Relations Department,

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

#### e. Reporting Responsibility

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

## DUTIES AND WORK PRINCIPLES OF AUDIT COMMITTEE

### 1. PURPOSE

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

### 2. AUTHORITIES AND SCOPE

Audit committee;

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

### 3. STRUCTURE OF THE COMMITTEE

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

### 4. COMMITTEE MEETINGS AND REPORTING

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



## 5. RESPONSIBILITIES

### a) Financial Tables and Announcements

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

### b) Independent Audit Corporation

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

### c) Internal Audit and Internal Control

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

### d) Conformity with The Current Legislation

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

## CORPORATE GOVERNANCE (ADDITIONAL INFORMATION)

## 1. Statement of Compliance to Institutional Management Principles

With half a century of experience in Turkey, Türk Prysmian Kablo ve Sistemleri A.Ş., is one of the leading and most experienced companies within its sector. Since its foundation, the Board of Directors and Executive Management have adopted basic institutional structure and management principles for the relations with the Company shareholders and all the relevant stakeholders. The established structure and management style is tried to be fashioned after the outline of the Institutional Management Principles of the Capital Market Board. Furthermore, since Türk Prysmian Kablo ve Sistemleri A.Ş. is a part of the Prysmian Group with a worldwide network system and company activities, Türk Prysmian is subject to the company governance principles of Prysmian Group.

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

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

Istanbul Stock Exchange Institutional Management Score		
Main Sections	Weight	Score (%)
Shareholders:	25%	95.36%
Public Disclosure and Transparency:	25%	94.79%
Stakeholders:	15%	92.40%
Board of Directors:	35%	91.12%
<b>Total:</b>	<b>100%</b>	<b>93.29%</b>

In 2019 Türk Prysmian Kablo has documented that the company corresponds to and is adequate with related values, by getting 9.33 points out of 10 (93.29%) by achieving 1.53 point increase according to the results of the evaluation done by SAHA Corporate Management and Credit Rating Services INC. who operates in the field of corporate management rating with the Capital Market Board license, in accordance with notice about the changes which may be done in Serial NO: IV No: 63 numbered Notification About Determination and Execution of Corporate Management Principles that is published on 22.02.2013 dated 28567 numbered Official Gazette of Capital Market Board, under the main titles of "Allotments, Disclosure and Transparency, Stakeholders and Board of Management" whose summary is presented above. While this evaluation is taking place, related evaluation company has operated within the context of the methodology that is determined by Capital Market Board and is changed in accordance with the new regulations. While the ceiling point of fulfilling the elements, which are necessary to comply with in management principles was 100 before, within the new methodology this ceiling point is limited to 85 points. In accordance with this change, the companies who fulfill the necessary elements and also achieve some developments could get scores higher than 85. Türk Prysmian Kablo Sistemleri A.Ş. (Turkish Prysmian Cable Systems INC.) maintained its ongoing increase trend since 2009 with the 93.29 points it gets from the evaluation while living the justified proud of being one of these companies.

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

In the activity period ending on 31<sup>st</sup> of December 2019, the company is complying to and implementing the Institutional Management Principles issued by SPK in addition to the items indicated herewith below:

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

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

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

## CHAPTER I – SHAREHOLDERS

### 2. Department of Shareholders Relations

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

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

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

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

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

During 2019, there is no written/verbal complaint transmitted to our Company related to the utilization of shareholder rights or any administrative/legal proceeding filed against our Company in this regard.

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

During the period, information requests were received from the shareholders related to attendance to the general assembly, dividend payment and other miscellaneous matters. Since most of these requests were received by phone, the information request and response numbers could not be followed statistically. Utmost effort was shown in meeting the information requests received by our company in 2019 from the shareholders in accordance with SPK Regulations and Rules.

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

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

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

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

### 4. General Assembly Information

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

Within 2019, one ordinary general assembly meeting (March 29, 2019) and one extraordinary general assembly meeting were held at the company headquarters. Shareholders representing over 84.26% of the shares attended this meeting.

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

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

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

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

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

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

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

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

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

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

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

## 5. Voting Rights and Minority Rights

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

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

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

## 6. Dividend Distribution Policy and Period of Distribution

There are no privileges regarding participation in the Company's profit and the **Dividend Policy** of the Company approved in the Ordinary General Assembly dated 29.03.2019 is given below.

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

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

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

## 7. Transfer of Shares

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

## CHAPTER II – PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Information Policy

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

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

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

### 9. Special Situation Disclosures

The number of Special Situation Disclosures in 2019: **30**

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

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

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

### 10. Company Web Site and Content

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

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

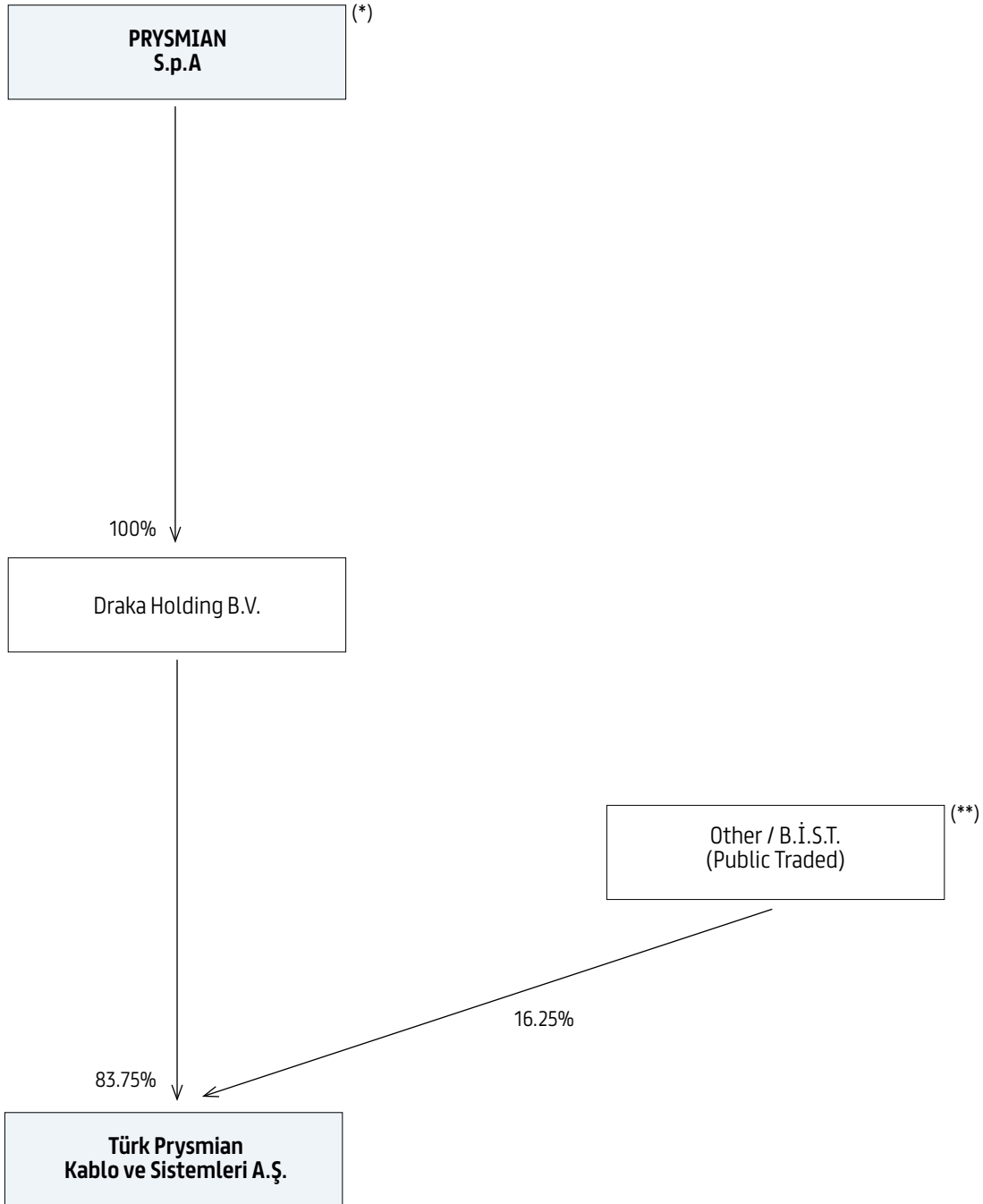
- Trade registry information, current final partnership structure,
- The most recent members of the Board of Directors and top level managers,
- The date and numbers of the trade registry gazettes where the amendments have been published and the final form of the Company Articles of Association,
- Decisions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



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

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

**Final Partnership Structure of Türk Prysmian Kablo ve Sistemleri A.Ş.  
as of 31<sup>st</sup> of December 2019**



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

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

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

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

## CHAPTER III - STAKEHOLDERS

### 13. Informing the Stakeholders

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

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

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

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

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

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

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

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

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

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

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

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

### 15. Human Resources Policy

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

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

### 16. Information on Customer and Supplier Relations

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

## 17. Social Responsibility

Türk Prysmian Kablo ve Sistemleri A.Ş. holds an ISO 14001 Environmental Management System certificate since 1997. In the framework of ISO 14001 Environmental Management System, the environmental impacts of all the services received and activities conducted by our Company are identified and continuous studies are undertaken to eliminate or minimize these impacts. All these studies are undertaken in line with the Environmental and Work Safety Policy of Türk Prysmian Kablo ve Sistemleri A.Ş. determined by the top management and with a continuous improvement philosophy.

Legal obligations related to the environment are closely monitored and fulfilled. Türk Prysmian Kablo ve Sistemleri A.Ş. holds all the legal permits related to the environment. These permits are Emission Permit, Wastewater Quality Control License, Opening License for 1<sup>st</sup> Class Non-Sanitary Enterprises and Temporary Storage Permit for hazardous wastes. The activities being performed by Türk Prysmian Kablo ve Sistemleri A.Ş. are not within the scope of the Environmental Impact Assessment (EIA) Regulation. There is an official letter, affirming the fact that our Company is not subject to EIA preliminary investigation, received from the Provincial Environment and Forestry Directorate of Bursa Governorship being the authorized body on this matter. Our company has "0" adjustments after the audit process of ISO 27001: 2013 Information Security Management System Certification in 2015.

There is no lawsuit filed against our Company due to environmental pollution. Our Company ensures that all its wastes are recycled when possible or disposed of properly when recycling is not applicable as per the related regulations of the Environmental Legislation.

Our Company fulfills its duties in the framework of social responsibility by supporting social, cultural and certain sports activities in the scope of Prysmian Group principles and also by providing occasional in kind and in cash donations and contributions to public institutions and establishments.

**Please see.** Article 13 – Informing the Stakeholders / Social Responsibility

**Please see.** Prysmian Group Values and Code of Ethics / Article 5 – Society and Article 7 - Environment

## CHAPTER IV - BOARD OF DIRECTORS

### 18. Structure, Formation and Independent Members of the Board of Directors

At the Company Articles of Association, it has been stated that the duties and responsibilities of the Board of Directors are subject to the basic provisions determined as per the Turkish Code of Commerce and the arrangements at the Articles of Association. The assignment, re-election, evaluation and dismissal of the members of the Board of Directors are performed as per the Company Articles of Association and the provisions of the Turkish Code of Commerce.

#### Structure of the Board of Directors

POSITION	MEMBERS	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT
Chairman	Halil İbrahim Kongur	X		
Vice Chairman	Cinzia Farisè	X		
Member	Ercan Gökdağ	X		
Member	Pier Francesco Facchini		X	
Member	Andrea Pirondini		X	
Member	Ayşe Canan Ediboğlu			X
Member	İsmet Su			X
Member	Banu Uzgur			X

### 19. External Commitments of Board of Directors

Name-Surname	Position	Current Positions held outside the company
Halil İbrahim Kongur	Chairman of the Board	Türk Prysmian Kablo ("TPK") Factory Director and TPK Chairman of the Board
Cinzia Farisè	Vice Chairman of the Board	TPK CEO & Vice President of the Board, Prysmian Group as Sales & Marketing Director of Prysmian Italy and Switzerland, CEO of Prysmian India, Global Vice President Energy & Infrastructure
Ercan Gökdağ	Member of the Board	MEAT Region CFO & TPK Chief Operating and Administrative Officer (CFO) and Member of the Board, Planning and Controlling Chief, and Prysmian Denmark Chief Financial Officer & TPK Planning and Controlling Chief
Pier Francesco Facchini	Member of the Board	Prysmian S.p.A Member of the Board Prysmian S.p.A Group Chief Operating Officer (CFO)
Andrea Pirondini	Member of the Board	Prysmian Group Chief Operating Officer (COO) & Pirelli Tyre S.p.A Chief Commercial Officer
Ayşe Canan Ediboğlu	Independent Member of the Board	ING Bank Member of the Board. AYGAZ Independent Member of the Board
Banu Uzgur	Independent Member of the Board	Strategic Consultant
İsmet Su	Independent Member of the Board	Spokesperson of the Constitutional Commission and Deputy President of the Disciplinary Committee of the AK Party Group

The Board of Directors is comprised of members possessing the knowledge and abilities to interpret and analyze financial statements, legal knowledge required to execute the day-to-day businesses and long-term activities of the company, and the knowledge and abilities to give opinion on different areas of expertise related to company management. The members of the Board of Directors are well-informed regarding the field of activity and management of the Company, experienced in working at private sector and have graduated from higher education.

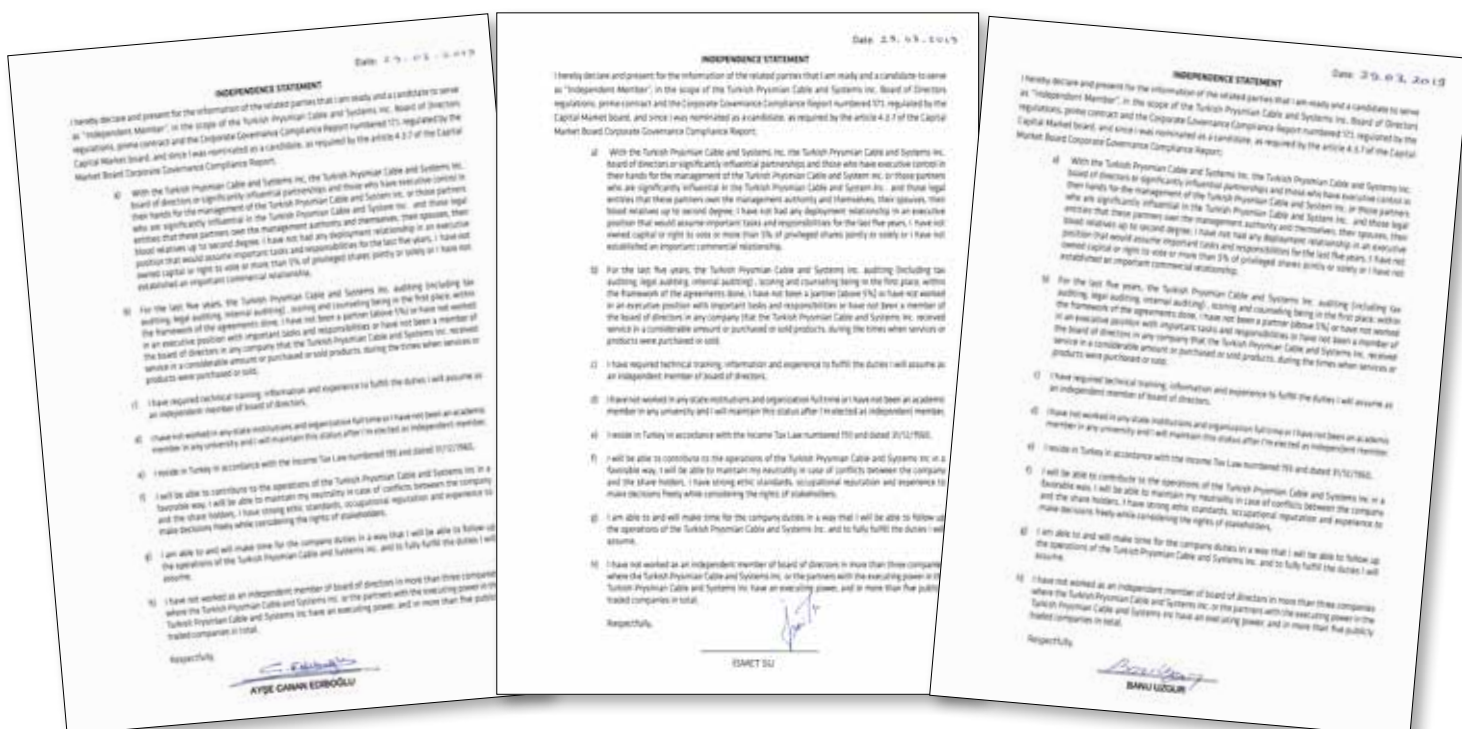
The number and properties of the independent members to take charge in the Board of Directors have been determined as per the regulations of the Capital Market Board related to institutional management. The members of the Board of Directors are elected by the company General Assembly as per the provisions of the Capital Market Legislation, Turkish Code of Commerce and Company Articles of Association. All of the independent members of the Board of Directors are comprised of persons residing in Turkey in accordance with the Income Tax Law.

Moreover, the declaration of the independent members of the Board of Directors related to their independency is as follows:

**Declaration of Independence**

Due to my election as an **"Independent Member"** to the Board of Directors of Türk Prysmian Kablo ve Sistemleri A.Ş., as per the Institutional Management Principles of the Capital Market Board, I hereby certify the following for the information of the relevant parties:

- There has not been any direct or indirect, employment-related, capital-related or material commercial relationship established within the last five years between me, my wife and my blood and marriage relatives up to third degree AND Türk Prysmian Kablo ve Sistemleri A.Ş., any affiliate of Türk Prysmian Kablo ve Sistemleri A.Ş. or judicial entities with whom the shareholders (with a direct or indirect share in Türk Prysmian Kablo ve Sistemleri A.Ş. at 5% and above) are associated in terms of management or capital,
- Within the last five years, I have not been employed in companies that conduct all or a part of the activities and organization of Türk Prysmian Kablo ve Sistemleri A.Ş. in the framework of the concluded agreements, especially the companies that perform the auditing, rating and consultancy of Türk Prysmian Kablo ve Sistemleri A.Ş.; and I have not taken charge as a member of the Board of Directors,
- Within the last five years, I have not acted as a partner, employee or a member of the Board of Directors in any of the firms that significantly provide service and products to Türk Prysmian Kablo ve Sistemleri A.Ş.,
- I do not hold a share at the capital of Türk Prysmian Kablo ve Sistemleri A.Ş. above 1% and these shares are not privileged,
- I possess the occupational education / training, knowledge and experience to duly fulfill the duties I will undertake owing to my position as an independent member of the Board of Directors,
- I am not employed full-time at public institutions and agencies,
- I reside in Turkey as per the Income Tax Law,
- I have sound ethical standards, occupational dignity and experience to provide positive contribution to the activities of Türk Prysmian Kablo ve Sistemleri A.Ş., preserve my impartiality in the disputes that may arise among the partners and to freely make decisions duly considering the rights of the stakeholders.



**Ayşe Canan Ediboğlu**  
Independent Board Member

**İsmet Sü**  
Independent Board Member

**Banu Uzgur**  
Independent Board Member

## 20. Company Mission, Vision and Strategic Goals

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

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

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

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

## 21. Risk Management and Internal Control Mechanism

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

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

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

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

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

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

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

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

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

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

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

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

### 23. The Activity Fundamentals of the Board of Directors

The Board of Directors meeting is held at least quarterly. Save for exceptional situations, the members of the Board of Directors are equipped with the necessary documents and information a reasonable time in advance to enable them to state an informed opinion regarding the inspected matters.

There is a Board of Directors secretariat formed to enable notification and communication of the members of the Board of Directors. If a differing opinion is expressed at the meeting and/or there is opposition to a decision taken by the Board of Directors, reasonable and detailed vote justifications in this regard need to be recorded at the decision minutes, forwarded to the company auditors in writing and notified to the public. Although our Company does not have any reservations in this regard, such an application has not been made up to this date since such a situation has not yet been encountered.

Due attention is paid to ensure active participation to the Board of Directors meetings related to the matters taking place at Part IV article 2.17.4 of SPK Institutional Management Principles. The questions asked by the members of the Board of Directors during the meeting are recorded on the minutes of the meeting. No member of the Board of Directors has been granted a weighted vote right and/or negative veto right to ensure equality among the members.

Within 2019 activity period, 4 times physical meetings have been convened by the Board of Directors. 72% of Board of Directors physical attended the meetings.

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

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

### 25. Code of Ethics

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

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

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

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

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

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

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

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

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

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

**Members of the Auditing Committee:** Ayşe Canan Ediboğlu, Banu Uzgur

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

**Members of the Early Risk Assessment and Risk Management Committee:** Ayşe Canan Ediboğlu, Ercan Gökdağ, Banu Uzgur

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Corporate Governance Committee	4	3	2

**Members of the Corporate Governance Committee:** Banu Uzgur, İsmet Su, Nevin Kocabaş

**Investor Relations:** Department manager informed about the activity of investor relations and prepare a report related to the Corporate Governance Communique item 11 and presented this report to the Board of Directors.



As per Article 4.5.1 of the Communiqué of the Capital Market Board Serial IV no. 56 regarding the Determination and Implementation of Institutional Management Principles, the duties of the Institutional Management Committee comprise the establishment of **Nomination and Charging Committees**; however it has been decided for the duties of such committees to be executed by the Institutional Management Committee again as per the same article, and thus the Working Principles of the Institutional Management Committee has been determined as to cover the fields of duty and working principles of that former committees as well.

All committees are properly working according to the working principles and according to the legislations.

Detailed information related to the working principles of all the committees have been disclosed to the public under the “Investor Relations” section at the Company web site.

#### Assessment of the Functioning of Internal Audit, Internal Control and Risk Management Systems during 2018 Activity Period

Working in the cable sector, Prysmian Group has established adequate Internal Control, Internal Audit and Risk Management systems (internal systems), suitable to its activity and business branches. In the formation of the internal systems, both the local legislation and the requirements of Prysmian Group have been taken as basis for monitoring and managing risks integrated with the activities. The internal systems are in compliance to independency, objectivity, effectiveness, adequacy and division of powers within the organization. All our activities and business processes target customer satisfaction, sustainable income generation and risk-sensitive capital management and elevating the economical values of the shareholders. Prysmian Group Board of Directors is responsible to ensure that the internal systems are established and administered in compliance with the legislation, and the activities of this responsibility related to financial control and audit is conducted by the hand of the Committee responsible from Audit. In performance of this function, the Auditing Committee reviews, evaluates in detail the reports received by the Audit Department founded to review, audit and report on the effectiveness of our processes on financial terms; give the necessary instructions to the Company management and submits to the information and approval to the Board of Directors as necessary. The Board of Directors conducts its activities under the structure and coordination of the Auditing Committee. The Auditing Directorate reviews the financial effectiveness of all the business processes of the Company, tests the suitability, efficiency and implementation level of the relevant audit mechanisms, identifies the measures to be taken to eliminate the deficiencies if any together with the operational departments and reports the results thereof to the Auditing Committee.

#### 27. Financial Rights Granted to the Board of Directors

The rights granted to the members of the Board of Directors are decided at the General Assembly and there is no rewarding mechanism reflecting the Company performance of that is based on the performance of the members of the Board of Directors in determining the financial rights thereof.

During 2019, TL370,000 before-tax attendance fee was paid to the independent members of the Board of Directors. Other than this, there is no payment that has accrued for 2019 and paid to the members of the Board of Directors and to the other executive management. Furthermore, no loan was given to any member of the Board of Directors or Senior Manager of the Company within the period, no credit was made utilized, benefit was not obtained under the title of a credit through the mediation of a third party and securities were not given on their behalf such as baills.

#### 28. Miscellaneous

##### **The Report's conclusion covering the company's relationship with the parent company and subsidiaries as per the provisions of the Turkish Commercial Code no 6102 and the Capital Markets legislation;**

- It was understood that our Company's long-term and continuous purchase of commercial good and services from its affiliates was not more than 10% of the cost of sales in the publicly disclosed 2019 financial statements, and that the selling transactions was not more than 10% of the total revenues in the publicly disclosed 2019 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 2019, with no taken or avoided measures or the Company suffered no losses because a certain measure was aken or avoided.

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

##### **Legal Basis of the Annual Report:**

The Annual Report for the Group's Fiscal Year 01.01.2019 - 31.12.2019 was drafted as per paragraph three of article 516 of the Turkish Commercial Code, and article 518 based on the provisions of the “Regulations Covering the Determination of the Minimal Contents of Annual Corporate Reports” of the Ministry of Customs and Trade and “Directives on Financial Reports in the Capital Markets” of the Capital Markets Board.

##### **Principles for the Drafting of Annual Report:**

The annual report correctly, completely, honestly and accurately reflects the flow of businesses and transactions of the company for the related fiscal year, its financial situation in all aspects, in a manner also protecting the company's rights and interests. The annual report contains no misleading, exaggerated and misunderstandable, and incorrect statements. Pains were taken to make sure the annual report would completely and accurately detail all information about the company's activities accessible to corporate shareholders.

##### **Endorsement of the Annual Report:**

The Group's annual report for the 01.01.2019 - 31.12.2019 fiscal year was signed and endorsed by the Board Members on March 06, 2020.

##### **Chairman of the Board of Directors**

Halil İbrahim KONGUR

## TÜRK PRYSMIAN ETHICAL CODE

### Türk Prysmian Kablo ve Sistemleri A.Ş. ETHICAL CODE

Ethical business conduct is critical to our business and a shared responsibility of all members of the Prysmian Group. Each employee is responsible for protecting our most valuable asset: our reputation.

This Code of Ethics (the "Code") applies to anyone conducting business on behalf of Prysmian or any of its subsidiaries, including all managers, officers, employees, agents, representatives, lobbyists, interns, contractors, suppliers, and consultants ("Covered Parties"), and seeks to guide our legal and ethical responsibilities, to deter wrongdoing, and to promote:

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

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

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

#### ARTICLE 1: INTRODUCTION

The Prysmian Group structures its own internal and external activities according to the principles set forth in this Code, with the conviction that ethics in the conduct of business activities must be pursued at the same time and with equal emphasis as the economic success of the business.

The Prysmian Group is committed to conducting its business in accordance with the highest ethical standards, complying with all applicable legislation and regulations, so as to prevent all unethical or illegal conduct.

The Prysmian Group, in the conduct of its business, stands up for the respect and protection of human rights, safeguarding the dignity, freedom and equality of human beings. The Prysmian Group repudiates all forms of discrimination and illegal conduct and activities, such as corruption, forced or child labor.

In this respect, the Prysmian Group operates within the general reference framework of the United Nations Universal Declaration of Human Rights and of the Fundamental Conventions of the International Labor Organization (ILO)

#### ARTICLE 2: OBJECTIVES AND VALUES

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

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

- as active and responsible members of the communities in which we operate, we must take on the commitment of respecting all applicable laws wherever we do business, and to following all commonly accepted principles of business ethics, such as transparency, honesty and loyalty;
- we refuse to engage in any illegitimate, unfair, or in any way questionable behavior (vis-à-vis the community, public authorities, customers, employees, investors and competitors) to achieve economic targets, which we pursue only through excellent performance, quality, competitive products and services, based on experience, customer care and innovation;
- we establish organizational controls designed to prevent Covered Parties from violating these requirements of lawfulness, transparency, honesty and loyalty, and supervise their observance and actual implementation;
- we impose sanctions for any violations of these policies and principles;
- we maintain accurate books and records, and assure the investors and the community as a whole total transparency about our activities;
- we promote integrity and fair competition between parties in the pursuit of challenging goals and new objectives;
- we openly oppose any corrupt practices aimed at obtaining improper advantages both in our relations with the Public Administration and Public Stakeholders in general, as well as with Private Stakeholders;
- we strive after customer satisfaction both in terms of product quality and excellence of our services;
- we protect and reinforce the intrinsic value of all our employees;
- we respect the environment and use natural resources responsibly, with the goal of advancing sustainable development and protecting the rights of future generations.

### ARTICLE 3: SHAREHOLDERS

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

### ARTICLE 4: CUSTOMERS

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

### ARTICLE 5: COMMUNITIES

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

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

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

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

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

### ARTICLE 6: SUPPLIERS

The Prysmian Group recognizes the key role of suppliers in improving its ability to satisfy customers' needs.

The Prysmian Group promotes the development of durable relations with suppliers, in a reciprocal approach of lawfulness, transparency, honesty and collaboration, as commonly accepted principles of business ethics.

In order to ensure that purchasing processes comply with the ethical principles adopted, Prysmian Group can introduce, for certain supplies, social, health and safety or environmental prerequisites, whose violation can trigger disciplinary actions, including possible termination of business relations.

In particular, agreements with suppliers whose operations are located in certain countries - categorized as being "at risk" by recognized organizations - can include clauses with reference to specific requirements or the possibility for Prysmian Group to hold inspections at the offices or plants of the supplier in order to verify that such requirements are being met.

### ARTICLE 7: HUMAN RESOURCES

The Prysmian Group recognizes the central role of human resources as an essential factor for success in its business activities. The professional contribution of employees, in a framework of mutual loyalty and trust, is therefore considered as a crucial element for the development of Group's activities.

Group Companies safeguard safety and health in working environments and consider the respect of worker rights fundamental to the carrying out of business activities. The Prysmian Group promotes equal opportunities and enhances the professional development of individuals, forbidding any sort of violence or harassment, either sexual or based on personal, political and cultural diversity.

### ARTICLE 8: ENVIRONMENT

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

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

**ARTICLE 9: ANTI-BRIBERY POLICY**

Bribery of public officials is prohibited.

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

Commercial bribery is prohibited.

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

The Anti-Bribery regulations require adherence to other Group policies and procedures promulgated from time to time concerning:

- Offering, paying, or accepting gifts or courtesies; offers of entertainment or free trips to, from, or on behalf of a public official or any supplier, customer, or competitor, and;
- Engaging consultants, agents, lobbyists, joint venture partners or other third parties.

**ARTICLE 10: INFORMATION - BOOKS AND RECORDS**

The Prysmian Group is aware of the importance of correct information on its own activities for the investors and the community at large.

Consequently, to the extent compatible with the confidentiality requirements inherent in conducting a business, Group Companies strive for transparency in their relations with all stakeholders. In particular, Group Companies communicate with the investors according to principles of honesty, clarity and equal access to information.

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

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

No false or artificial entries shall be made in the books and records of the Prysmian Group. No undisclosed or unrecorded funds may be established.

"Off the books" payments are prohibited.

No individual shall ever engage in any arrangement that results in a prohibited act.

**ARTICLE 11: EXPORT CONTROLS AND ECONOMIC SANCTIONS**

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

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

**ARTICLE 12: PREVENTION OF MONEY-LAUNDERING, HANDLING OF STOLEN GOODS AND USE OF ILLEGAL PROCEEDS AS WELL AS OF SELF-LAUNDERING**

All Group Companies are aware of the key role that they play in the fight against money-laundering, handling of stolen goods and self-laundering.

Therefore, Group companies are committed to implementing measures to combat money-laundering. In addition to other duties and responsibilities, it is strictly forbidden to:

- buy, replace or transfer money, goods or other assets if there is knowledge of their criminal origin, or perform any other operations that might lead to concealing their illegal origin;
- replace or transfer money, goods or other assets having criminal origin, or perform any other operations that might lead to concealing their criminal origin;
- use money, goods or other assets for economic or financial activities if there is knowledge of their criminal origin.

#### ARTICLE 13: CONFLICT OF INTEREST

With a view to safeguarding the interests of the Group Companies, the Covered Parties must avoid (and, in any case, must report) any situations and/or activities that might lead to a conflict of interest or interfere with their ability to make impartial decisions.

More generally, in their relations with third parties, the Covered Parties must act ethically and transparently and they are strictly forbidden from engaging in any improper favouritism, collusive practices and solicitation of personal advantages for themselves or anyone else.

#### ARTICLE 14: OBSERVANCE OF CODE AND CODE REVIEW; MANAGING REPORTS OF ALLEGED VIOLATIONS

All Group Companies, Corporate bodies, and Covered Parties must strictly adhere to this Code, to all applicable legislation and regulations, and to all regulations and procedures that the Prysmian Group may adopt from time to time to implement this code.

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

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

As part of its commitment to ethical and legal behavior, the Prysmian Group requires Covered Parties to report any actual or alleged violations of law, of this Code or of ethical standards, so that they can be investigated and dealt with appropriately. This obligation extends to any instance where there is reasonable suspicion, without certitude, that a violation is taking place. For information on how to report any violations, please refer to the "Whistleblowing Policy".

Failure to comply with the duty to report any wrongdoing is itself a violation of this Code and could result in serious disciplinary action, including possible termination of employment and/or termination of business relations. The Prysmian Group will investigate all reports made and will not tolerate any kind of retaliation for reports or complaints made in good faith.

All persons subject to this Code have a duty not only to report violations, but also to cooperate fully in the investigation of any alleged violation. Failure to cooperate or deliberately giving false or misleading information during investigations is punishable with sanctions that could even include dismissal in the case of an employee or termination of business relations for customers, suppliers or other third parties.

The Code of Ethics lives and evolves with the development of the business in the competitive world in which we operate.

The review of the Code must be approved by the Board of Directors of Prysmian S.p.A., further to the positive opinion of the Control and Risk Committee and having heard the opinion of the Director in charge of the internal control and risk management system.

All Covered Parties must promote the values of the Code of Ethics. Consequently, anyone who becomes aware of a possible violation of the principles outlined in the Code of Ethics is bound to report it, as envisaged under the Whistleblowing Policy.

Regardless of the way the episode is reported, Prysmian will protect the anonymity of the whistleblower and make sure that he/she will not be subjected to any form of retaliation.

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