

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

21.02.2020 FINANCIAL RESULTS



AGENDA



Introduction

Tamer Yavuztürk – Marketing Director



Strategy & Growth Drivers

Cinzia Farisè – CEO



2019 Financial Results

Ercan Gökdağ – CFO



2020 Expectations

Cinzia Farisè – CEO



Introduction

Tamer Yavuztürk
Marketing Director

WORLDWIDE LEADER IN ENERGY AND TELECOM CABLES INDUSTRY

An history that began in **1879**,
in **Italy-Milan** and evolved into
a **global leader** with one
corporate and three commercial
brands.

Prysmian
Group

 **PRYSMIAN**

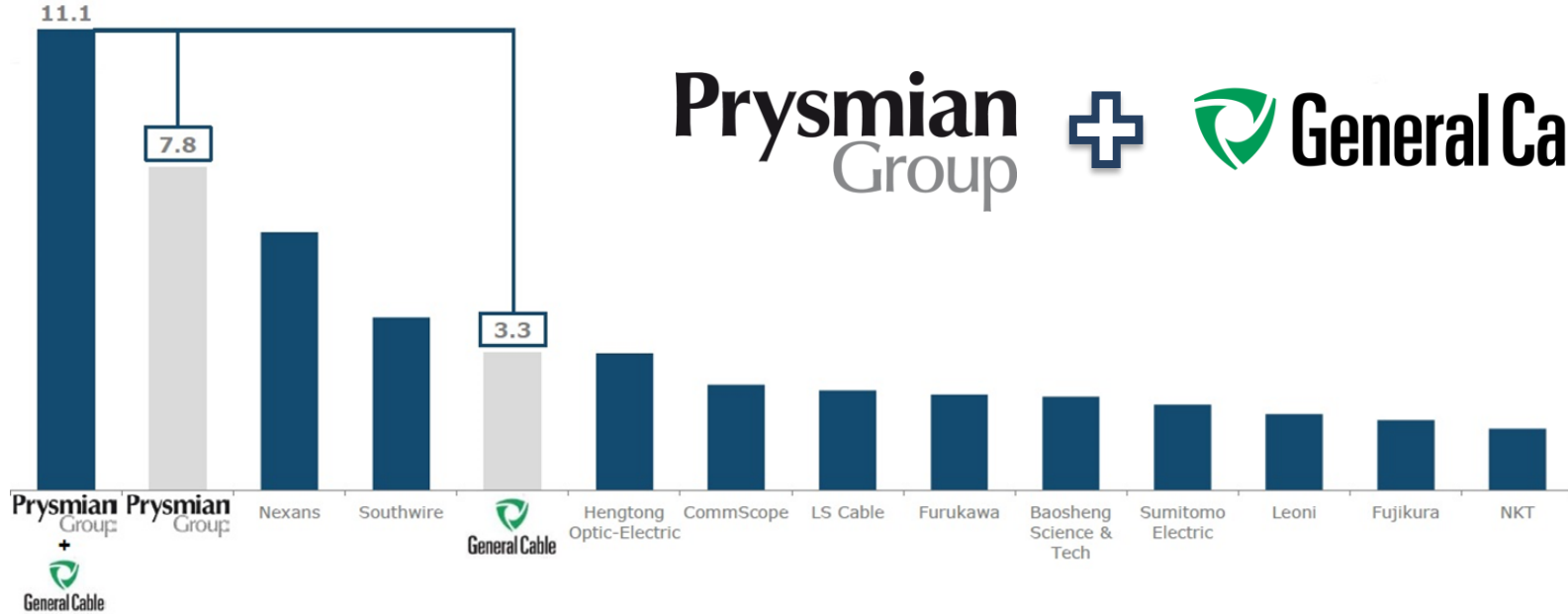
 **Draka**

 **General Cable**



TWO GIANT COMPANIES ARE NOW UNDER ONE ROOF

2018 revenues (€bn)



Prysman Group +  **General Cable**

Leader of Global Cable Industry

GLOBAL PRESENCE OF PRYSMIAN GROUP

 **+50**
COUNTRIES

 **112**
PLANTS

 **25**
R&D CENTERS

 ABOUT **30,000**
EMPLOYEES

 OVER **11**
BILLION ANNUAL
SALES



NORTH AMERICA

 **23**
PLANTS

 **6 R&D**
CENTERS

 OVER **5,800**
EMPLOYEES

LATAM

 **15**
PLANTS

 **3 R&D**
CENTERS

 OVER **4,200**
EMPLOYEES

EMEA

 **56**
PLANTS

 **14 R&D**
CENTERS

 OVER **16,000**
EMPLOYEES

APAC

 **18**
PLANTS

 **2 R&D**
CENTERS

 ABOUT **3,000**
EMPLOYEES

PRYSMIAN UNDERSIGNS GLOBALLY PRESTIGIOUS PROJECTS



Burj Khalifa, Dubai

Cable installation world fastest and highest elevators



Westernlink Submarine Project, UK

HVDC electrical link between Scotland and Wales



Project Borwin2, Germany

Connection between Germany and offshore wind plants



Observation satellites

Customised wires & cables for climate change research



Australia

High speed communication cables bringing fiber to 93% of Australia's residential and business premises



Hudson River Project, New Jersey

Interconnection that can take power for 660 MW to the heart of Manhattan



Cauchari Solar Park Project, Shanghai

Solar cables and accessories for OBOR project



HVAC High Voltage Project, Singapore

High voltage cables & systems and PRY-CAM monitoring system



Airbus Project, France

Airbus Industrial Excellence Award 2017

PRYSMIAN GROUP TURKEY



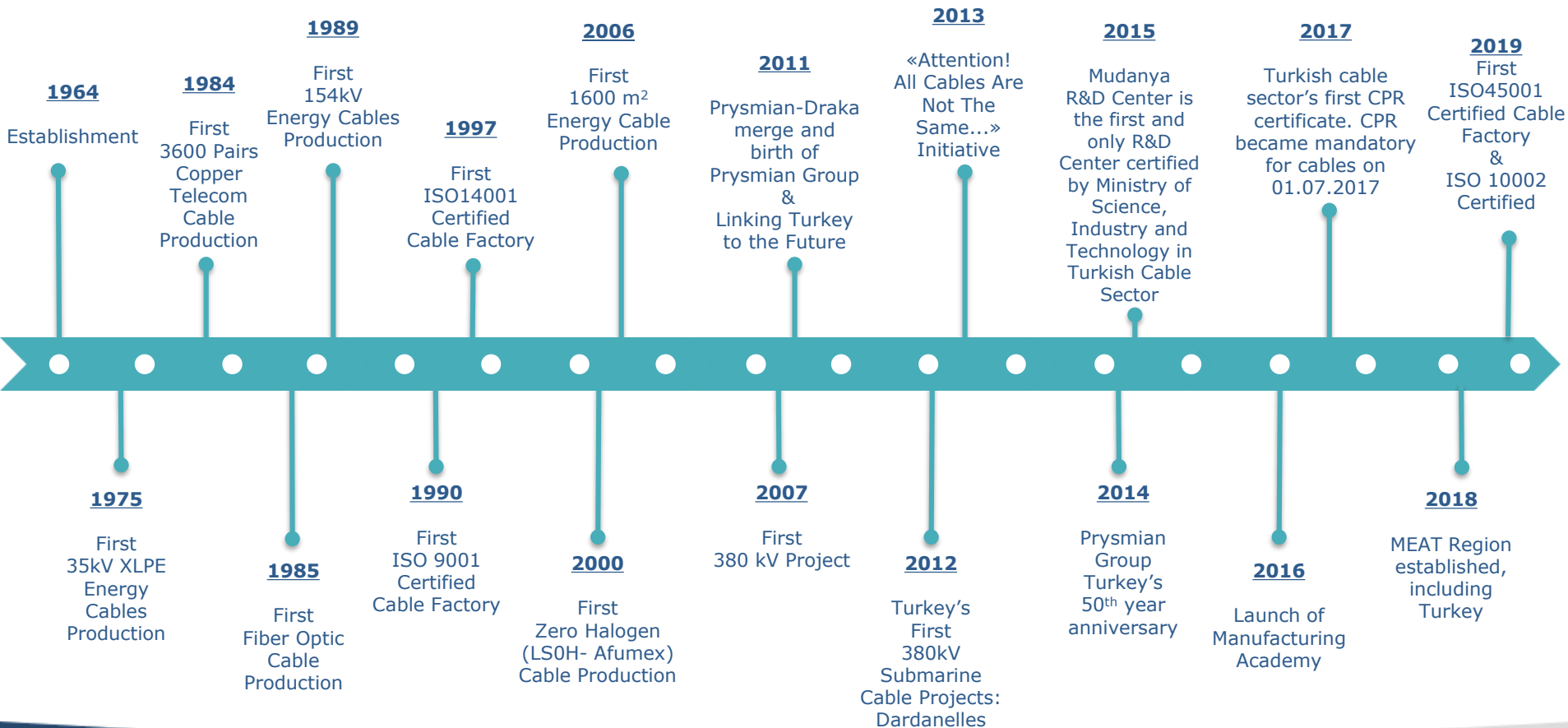
56 YEARS IN TURKISH CABLE SECTOR

Established in Mudanya in **1964**, Prysmian Group Turkey is today's **technology leader**, '**Linking Turkey to the Future**' with prestigious projects

- ✓ In 2014, we left behind 50 years, but are more ***excited for the future.***
- ✓ With the projects and the '***firsts***' we have realized, we are Turkish cable sector's leader.



PRYSMIAN GROUP TURKEY, LINKING TURKEY TO THE FUTURE



PRESTIGIOUS PROJECTS – DOMESTIC



Istanbul's New Airport



OSB Solar Park, Kayseri



Avrasya Tunnel, Istanbul



Socar – Star Refinery



Dardanelles Strait Submarine Cable Proj.



Iconovia, Gaziantep



Hospitals of Bursa, Eskişehir, Adana, Mersin, Isparta, Yozgat, Elazığ Cities

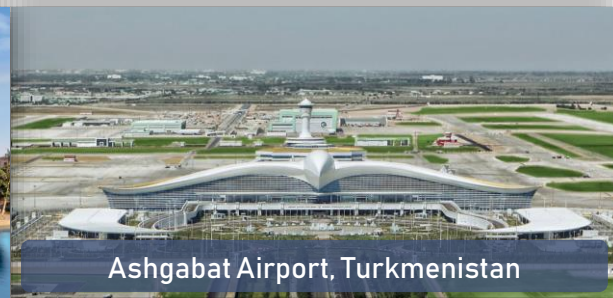


Yavuz Sultan Selim Bridge, Istanbul



Stadiums of Beşiktaş, Fenerbahçe, Galatasaray, Trabzonspor & Bursaspor

PRESTIGIOUS PROJECTS – EXPORT



SAFETY IN EXTREME CONDITIONS IS IMPORTANT

22,546 fires reported in Istanbul in 2019,
of which:

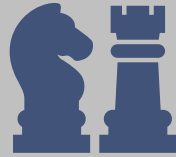
- **53%** take place in buildings
- **21%** caused by electricity
- most of the casualties occur in buildings

Source: Istanbul Department of Fire Brigade Statistics 2019



Türk Prysmian Kablo has sustained its leadership regarding to “*innovation*”, “*quality*” and “*safety*” in Turkey and international markets.

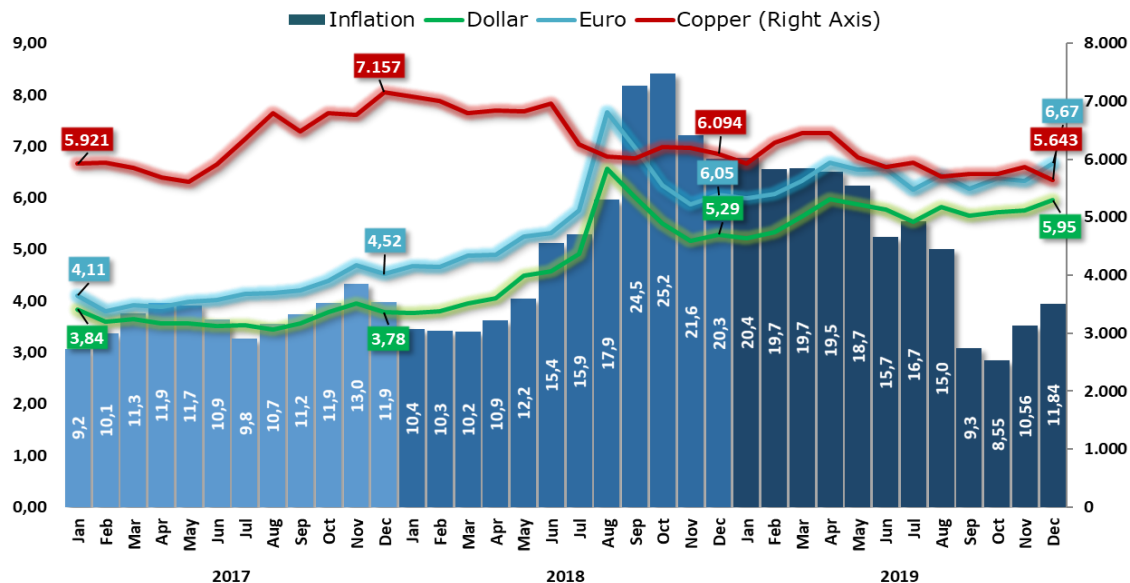




Strategy & Growth Drivers

Cinzia Farisè
CEO

2019 : MACROECONOMICS & CABLE INDUSTRY



Global Markets

- FED and ECB cut rates & growth forecasts for 2020
- China's global epidemic: Coronavirus
- Uncertainty on oil prices
- Unclear Brexit transition process
- Following IMF and OECD, the World Bank also made a downward revision in 2020 growth forecast

Turkey

- Geopolitical tension in the region
- Financial crisis effects still on the market
- Price increases in electricity and labor cost
- Downturn trend in inflation
- CBRT decisions on interest rate cuts

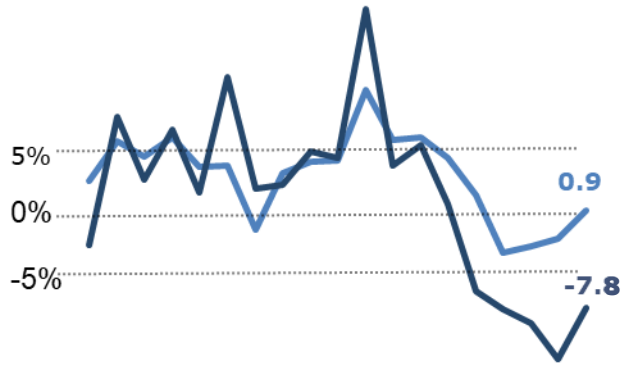
Cable Industry

- **Low demand** in infrastructure & construction projects.
- **Price pressure** due to **low saturation** in the market.
- **Deterioration in quality** because of the high competition.
- **Longer payment terms** in a risky environment.
- **Strong competition** from outside markets.
- Focus on **export markets**.

2019 : EFFECTS OF ECONOMIC CRISIS CONTINUED IN 2019

-7.8% CONTRACTION IN CONSTRUCTION

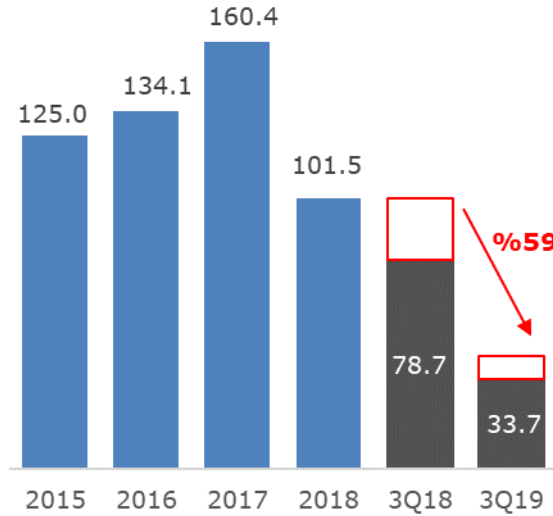
— GDP — Construction



2015	2016	2017	2018	3Q18	3Q19
6.1	3.2	7.5	2.8	2.3	0.9
4.9	5.4	9.0	-2.1	-6.3	-7.8

59% DECREASE IN CONSTRUCTION PERMITS

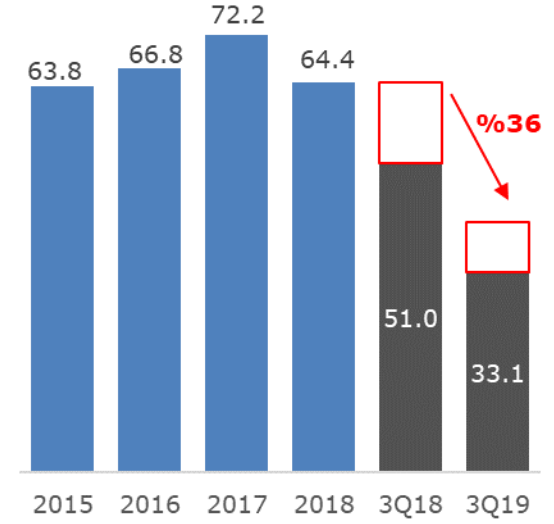
Thousand



— Annualized Estimate

36% DECLINE IN CEMENT SALES IN TURKEY

Tons



— Annualized Estimate

THE RECOVERY WILL TAKE TIME

2019 : HOW WE SUCCEEDED IN CONTRACTING MARKET

Defending Market Share

- Enlarging customer portfolio
- Becoming more aggressive in a selective way
- Enhancing regional coverage
- Higher number of sales points throughout Turkey



MARKET SHARE SECURED

Sustaining Revenues

- Increasing hard currency orders
- Improving share of export
- Emphasizing value added products
- Growing I/C business
 - New I/C flows on energy
 - New project in Europe
 - Ongoing telecom flows



I/C BUSINESS TRIPLED

Focus on Financial Discipline

- Minimizing credit risk
- Focusing on low risk profile
- Collection days = from 84 to 69
- Effective NWC management
- Capital increase



ZERO BAD DEBT

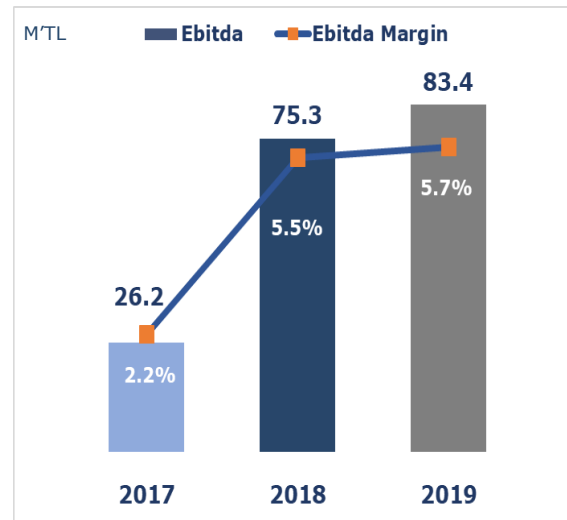
Good performance in a challenging environment by boosting TEAM motivation

2019 : STRONG RESULTS IN A TOUGH ENVIRONMENT

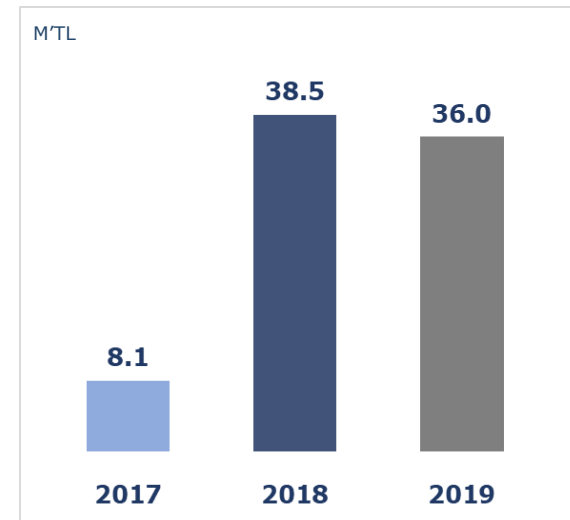
REVENUE



IMPROVED EBITDA MARGIN



STRONG NET INCOME DESPITE HEDGING COSTS



Prysmian Group support during critical market conditions

OUR STRATEGY

OUR MAIN FOCUS

OUR COMPETITIVE EDGES

OUR NEW JOURNEY

OUR STRATEGY

- ❖ **Budget sales and profits conservatively:** domestic demand will be steady.
- ❖ **Focus on market share.** Medium and long-term commitment to the market is crucial.
- ❖ Managing affordability, **strictly protect prices and payment terms.**
- ❖ Push products other than those in the premium segment in E&I, focusing on new customers and intensifying Export.
- ❖ Candidate **Mudanya as an excellence center for the Group** (railway, marine, tlc copper).
- ❖ Push sales to **strong exporters with low forex debts** (hard currency).
- ❖ **Rethink the marketing mix**, from product portfolio to pricing.
- ❖ **Maintain local presence and relationships**, but **cut non-essential costs** and renegotiate other costs.
- ❖ **Focus on financial discipline.** Watch receivables more than usual and constantly check our customers health.

To keep the business vibrant

WORLDWIDE HV AND SUBMARINE TURNKEY PROJECT LEADER



- **Turkey's installed capacity** has reached **90.000 MW**, therefore infrastructure projects are crucial
- **TEİAŞ's upcoming projects** will guarantee an environmental friendly, uninterrupted and reliable transmission of energy
- **Prysmian Turkey is a fundamental actor** in this area (Çan1 & Çan2 submarine cable projects were completed recently)

Türk Prysmian is undisputed leader for future transmission projects

RECOGNIZED EXPERTISE IN NUCLEAR CABLES



- **Two nuclear power plants** are planned for Turkey
- The first one (Akkuyu) will **start producing electricity in 2023**
- Each power plant requires **100 mio € nuclear cables**
- Prysmian Group has **recognized expertise** for the entire range of nuclear cables and a **strong reference list**

Mudanya is certified to produce 60% of the total cable need of a NPP

CENTER OF EXCELLENCE FOR RAILWAY



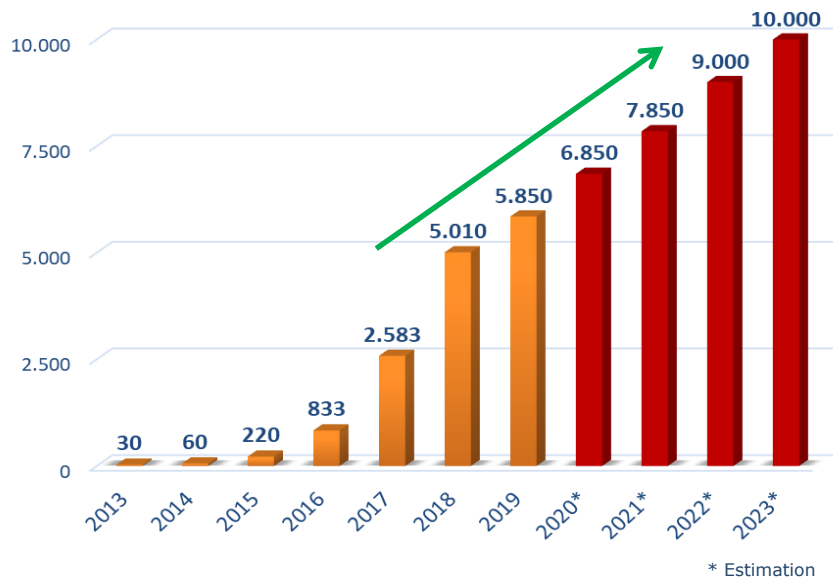
Installed projects — New projects —

- TCDD is expected to **double** the rail infrastructure network **by 2025** :
 - **25,000 km in total**, of which
 - **3,100 km is high speed railway**
- The existing conventional lines to be renewed with **new signalling system**
- Mudanya has full **know-how to support domestic and export demand**
- We are becoming **a hub for the Group**

Railway business is a promising growth driver

SOLAR CABLE TECHNOLOGY TRANSFER TO TURKEY

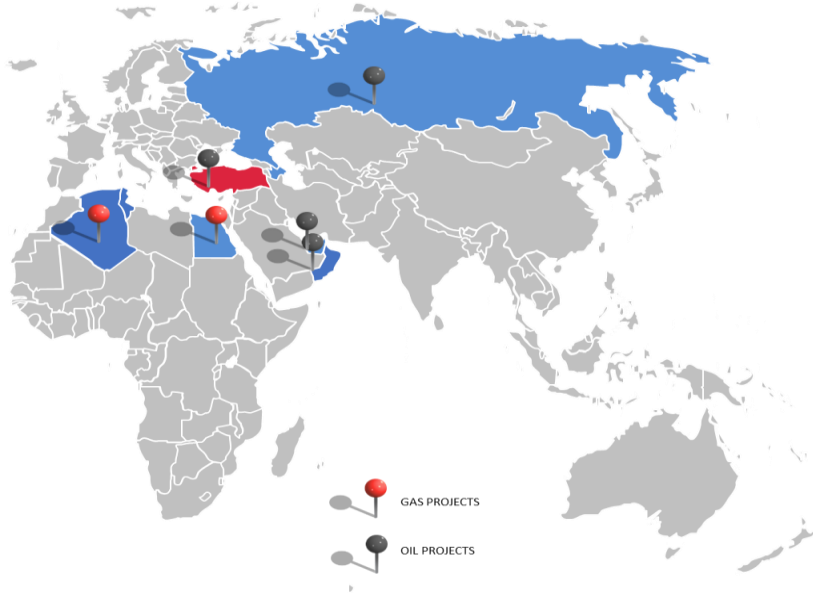
Turkey Solar Energy Installed Capacity (MW)



- By 2026, **20% of Turkish electricity** will be generated **by wind & solar**
- In 3 years, the installed capacity will increase **more than 50%** (from 6 GW to 10 GW)
- **1 GW** was already tendered (**YEKA Project**) corresponding to **10-15 mil €** of cables
- **Second YEKA Project (1GW)** is expected to be tendered in short term
- Mudanya provides **superior quality PV solar cables**, with 30 years of life time above international requirements (25 years)

Mudanya is ready to capitalize on solar cable projects

OIL & GAS PROJECTS ONGOING



- Turkey is in the heart of Oil & Gas Resources
- Because of its positioning, Prysmian **Turkey is the ideal production center for Oil & Gas** in CIS countries, Russia and North Africa
- **Prysmian Turkey is the ideal partner** for many Prysmian affiliates all around the world, thanks to its competitive cost structure (Amur Gas Processing Plant-Russia, Talara Refinery-Peru)
- **Strong order portfolio** compared to 2019:
 - Ain Tsila Gas Field Project (Petrofac, Algeria)
 - South West Gas Field Project (L&T, Algeria)
 - Salalah LPG Project (SNC Lavalin, Oman)

Prysmian Turkey is the preferred and reliable partner in Oil & Gas business, thanks to its reputation and experience

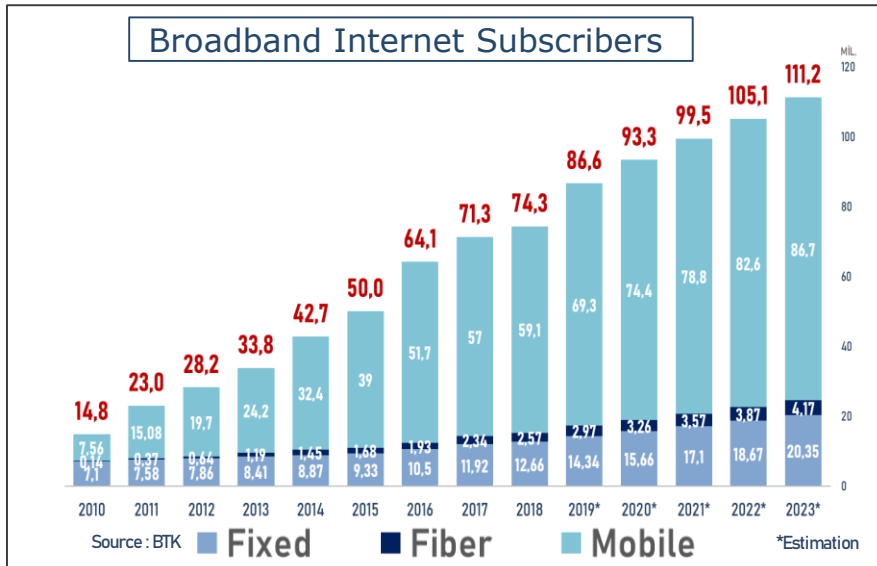
MARINE CABLES EXCELLENCE CENTER : TURKEY



- Prysmian Group positioned Mudanya as the **excellence center of marine cables** as a proof of the confidence in **our knowledge, productivity** and **manufacturing performance**
- We are proud to supply cables for the **biggest submarine cable laying vessel** Leonardo da Vinci, commissioned by Prysmian Group to Fincantieri.

Enhancing our portfolio in 'niche' markets

BEST SOLUTION PARTNER IN TELECOM BUSINESS



- The footprint of **Turkish fiber network is increasing**, in order to get prepared for the fixed infrastructure of 5G technology
- As one of the top fiber producers in the world, **we lead innovation in the Turkish market** with a full range of high value added solutions
- **Copper Telecom Excellence Center** in the Group

Effectively contributing to digital infrastructure roll-out

WIDEST PRODUCT PORTFOLIO : 22,000 TYPE CABLES

ENERGY TRANSMISSION AND DISTRIBUTION

- Energy transmission
 - High voltage underground cables
 - High voltage submarine cables
- Energy distribution
 - Medium/Low voltage cables
- Components and Accessories
 - Low/High voltage cables

BUILDING CABLES

- Low voltage and building cables
- Fire resistant
- Environment friendly
- Low smoke zero halogen (LSOH)
- Customized solutions for each application

SPECIALTIES & OEM

- White goods, railways, rolling stocks, nuclear, military industry, crane, mining, marine, hospitals and others
- Automotive
- Petrochemical plants
- Renewable energy
- Other ind. applications (plane, runway lighting and others)

TELECOM

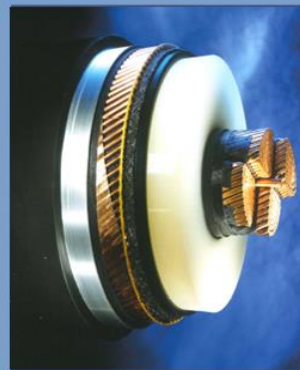
- Copper Telecom Cables
- Fiber Optic Cables
- OPGW
- Multimedia Solutions



**55,000 tons
Energy
Cables**



**1,200,000 Lkm
Copper
Cables**



**500,000 Fkm
Fiber Optic
Cables**

INNOVATION LEADER : FIRST R&D CENTER IN TURKEY CABLE INDUSTRY



- One of the **25 R&D Center** of Prysmian Group
- Ahead of Prysmian Group in terms of share of new product in total
- **First R&D Center** accredited by Ministry in Turkey
- Most comprehensive infrastructure with **TRY 15 mio** investment
- Highly qualified professional team
- **6** separate R&D units on **5,000 m²**
 - **4** R&D Laboratories running tests:
 - Material Technologies
 - Fire tests
 - Energy tests
 - Telecom and Fiber Tests
 - **2** R&D Offices developing products:
 - Design and Innovation
 - Process and Prototype development
- Cooperation on the Group level for most prestigious projects
- Cooperation with **TUBITAK**, Universities, and other institutions
- National and International standardization studies:



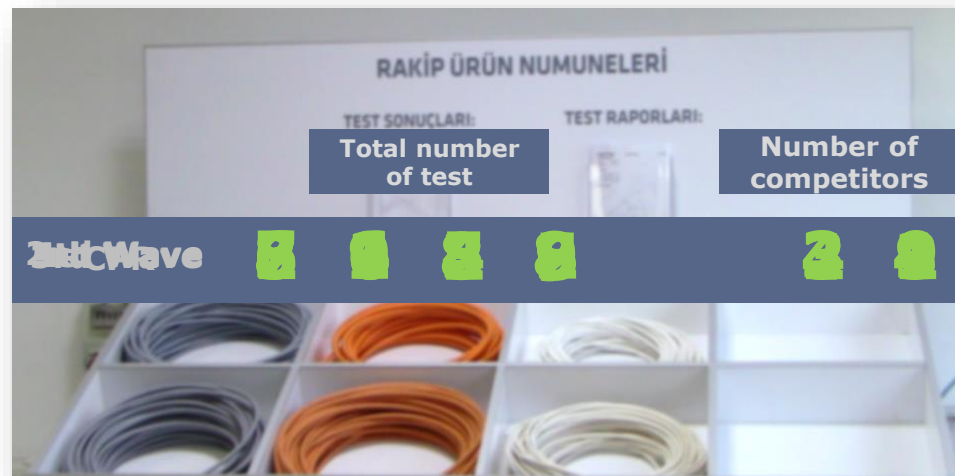
SUPERIOR QUALITY: ASSURED BY PERFORMANCE TESTS & 95 CERTIFICATES



- **CPR** performance tests are carried out by our **R&D center**.
- **95** products & system certificates; the **highest in Turkey**
- The **chemical**, **physical** and **mechanical** tests are performed at the material technologies laboratory.
- Reliability and international validity of tests are approved by **TURKAK's TS EN ISO/IEC 17025** certificate.

• Different quality tests are performed in our laboratory:

- Geometrical Tests
- Electrical Tests
- Mechanical Tests
- Performance Tests
- Functionality Tests
- Tests on competitor products



BEST SERVICE: SUSTAINING LOYALTY OF OUR CUSTOMERS GLOBALLY

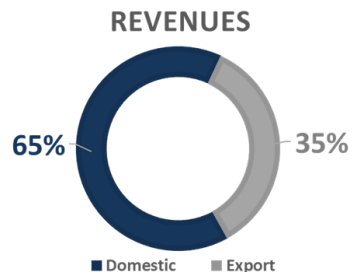
HIGH AVAILABILITY

DOMESTIC SALES CHANNEL

- Tenders
- **27** main distributors
- Sub-dealers throughout Turkey

INTERNATIONAL SALES CHANNEL

- **Exports** through local contractors
- Technology transfer among Prysmian Group Projects



CUSTOMED SOLUTIONS

TECHNICAL SUPPORT FOR BUSINESS PARTNERS

- Increasing productivity in their manufacturing processes
- Raising performance of their products
- Defining tender specifications

SPECIAL CABLES FOR WORLD LEADERS

- Zapsib Project
- Australia NBN Project
- Çanakkale Projects

TURNKEY PROJECTS

- Continuous support from design to implementation
- Rapid post-project repairment solutions

CUSTOMER CARE

CUSTOMER COORDINATION CENTER

- There is a representative assigned for each Prysmian dealer
- One on one solutions for requests
- Effective use of database
- **444 8757 (444 TPKS)** support line
- Online requests
- **120** requests/day on average



AWARENESS: ALL CABLES ARE NOT THE SAME INITIATIVE SINCE 2012

1. SAFETY

- Protection from fire
- Compliance with Standards

2. PERFORMANCE

- Flame retardant
- Smoke density
- Corrosive and harmful gas
- Circuit integrity under flame

3. EASE OF USE

- Stripability
- Optimum implementation area
- Easy glide

4. ECONOMIC ADVANTAGES

- 3 times easier to strip
- 50% saving on labor cost
- 12% on total labor cost

ATTENTION!



**ALL CABLES
ARE NOT THE SAME...**

TRAINING SEMINARS

- 2 countries, 14 cities
- App. 3,100 participants

IPHONE APPLICATION & SOCIAL MEDIA

- 'Prysmian Performance Test' application on Apple Store
- Facebook, Twitter, Youtube, Vimeo and Daily motion accounts

CABLEAPP LAUNCH

- Practical and easy solution for cable calculations
- Smart phone application (i-phone, Blackberry, Samsung)

ONLINE CABLE TRAINING

- 7 training modules & 1 final test
- 1,350 registered users since January 2016

AND MORE...

- Advertorial on industry magazines
- Direct contact with 430 sales points
- Window dressing at A-Team authorized dealers

SAFETY: TURKEY'S FIRST CABLE COMPANY BEING GRANTED CPR CERTIFICATE

- Cables make up only **1%** of the construction costs
- However, **21%** of the fires caused by electricity
- CPR is the biggest step towards eliminating risks and loss during fire
- CPR became mandatory for cables in **EU** and **Turkey** as of **July 1, 2017**
- CPR aims to prevent the use of low quality cables and **unfair competition** by raising awareness
- Cables shall have **CE labels & DOP** declarations and be classified according to their fire performances
- Prysmian carries out awareness roadshows in Turkey:
 - 10 factory visits, 17 seminars, 1200+ people
 - Internal training to our employees
 - Chamber of electrical engineers and technicians
 - Distributors, sub-dealers, key account customers
 - Specifiers, contractors
 - Ministries, TSE, universities

CPR Simulator (Class-B2 vs Class-D)



RESPONSIBILITY: WE CARE ABOUT PEOPLE & ENVIRONMENT



EMPLOYEES

- Social activities
- Sports and accommodation facilities
- International rotation opportunities
- Music and art activities
- Informative tours for kids
- Regular scholarships for education
- Graduate Program for carrier opportunities



MANUFACTURING ACADEMY

- 50 lecturers
- 20,000 hour training
- Participants from:
 - 29 countries
 - 200 plants
- Trainings designed for varying experience
 - Basics of Manufacturing
 - Advanced Manufacturing
 - Excellence in Manufacturing



ENVIRONMENT

- Leader in transition of renewables
- Investment in renewable energy solutions
- Environment management systems
- Environment-friendly products
- Use of recyclable products
- Use of less harmful waste



CSR

- Donations to schools
- Cable infrastructure support for various institutions in Turkey
- Cable support for ITU's solar car
- Cash donation for various institutions in Mudanya
- Art Workshop sponsorship
- School renovation

SIGN IT. FOR A BETTER TOMORROW



FINANCIAL RESPONSIBILITY

- Healthy growing company
- Business Ethics and Integrity
- Our Investors and Stakeholders
- Customer Centricity
- Product Innovation
- Sustainable Supply Chain



ENVIRONMENTAL RESPONSIBILITY

- Sustainable solutions for the environment
- Sustainable Manufacturing
- HSE Strategy
- Carbon Footprints Actions
- Material Technologies Laboratory
- Energy Consumption & Waste Recycling
- Our Certifications



SOCIAL RESPONSIBILITY

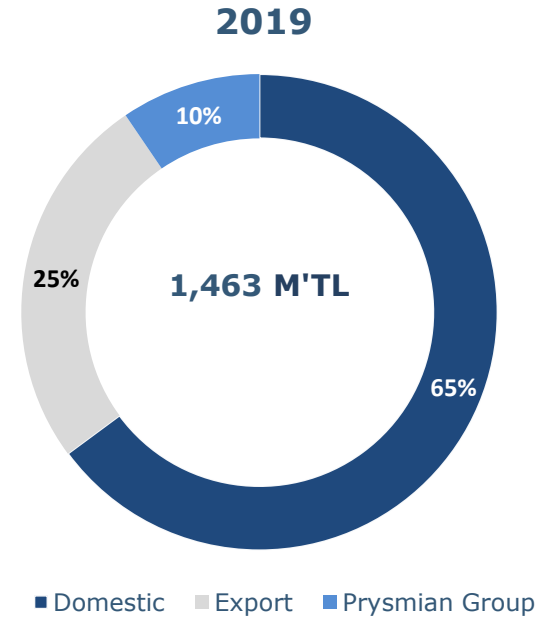
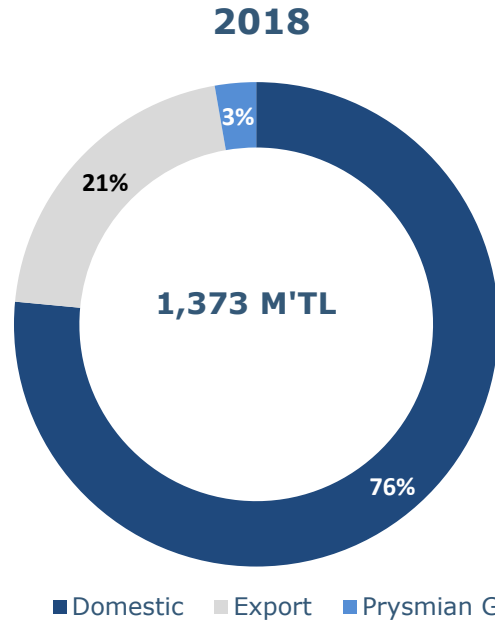
- People are at the heart of our business
- Our people: Employees, Customers, Vendors, Shareholders
- CSR Activities
- All Cables Are Not The Same Initiative
- Digital Projects: Online Cable Training, CableApp
- Mentorships
- Donations & Voluntary Activities



2019 Financial Results

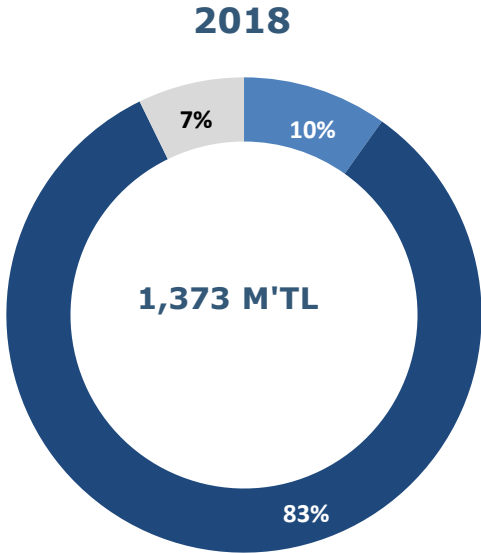
Ercan GÖKDAĞ
CFO

REVENUES BY DISTRIBUTION CHANNEL

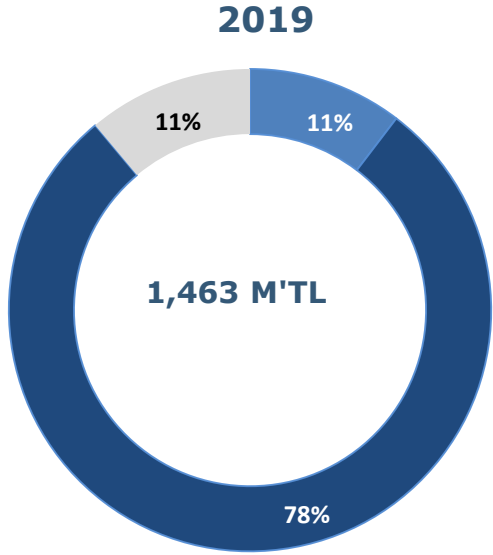


Domestic volume contraction compensated by exports and IC sales

REVENUES BY SEGMENT



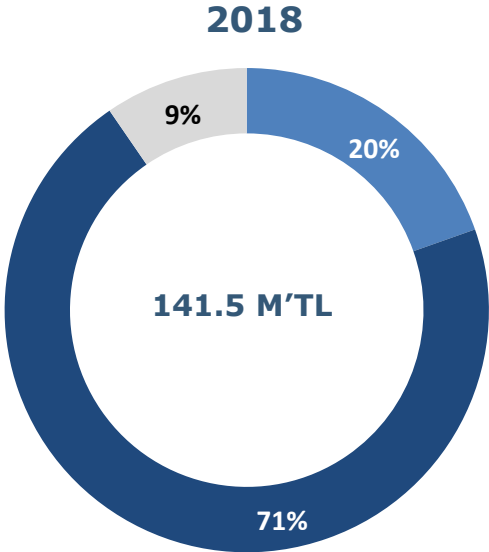
■ Energy projects ■ Energy products ■ Telecom



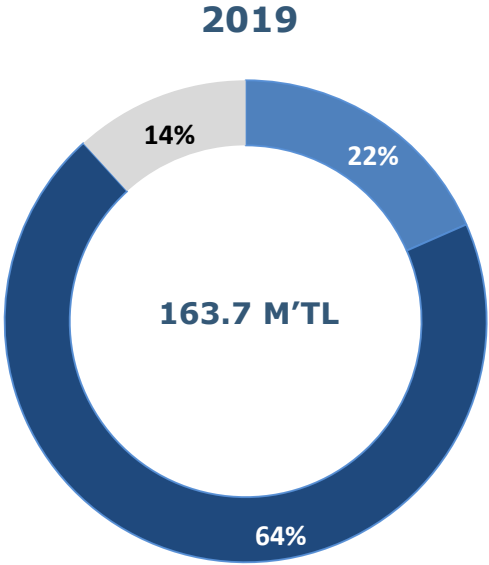
■ Energy projects ■ Energy products ■ Telecom

New business flows on energy projects and telecom through IC channel

GROSS PROFIT BY SEGMENT



■ Energy projects ■ Energy products ■ Telecom

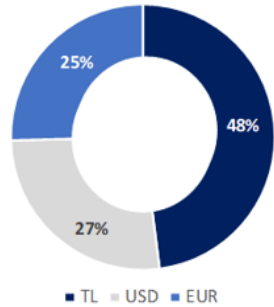


■ Energy projects ■ Energy products ■ Telecom

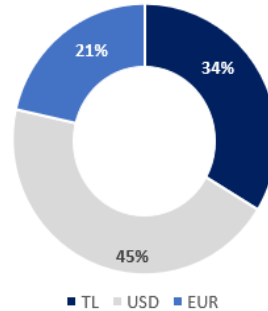
Gross profit improved despite difficult market conditions

ORDER PORTFOLIO CURRENCY SPLIT

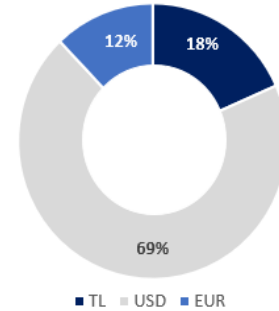
Open Order Currency Split Dec'17



Open Order Currency Split Dec'18



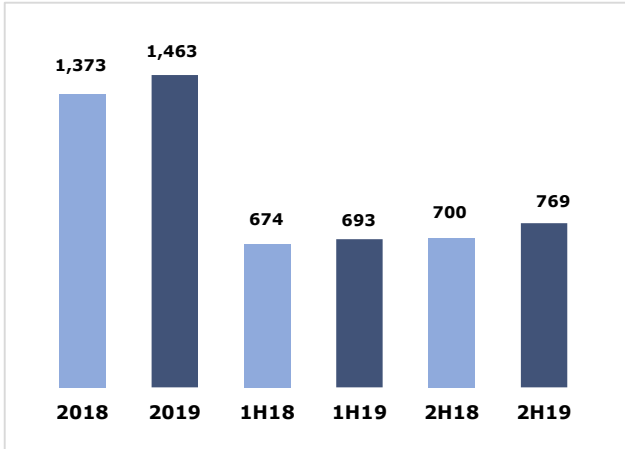
Open Order Currency Split Dec'19



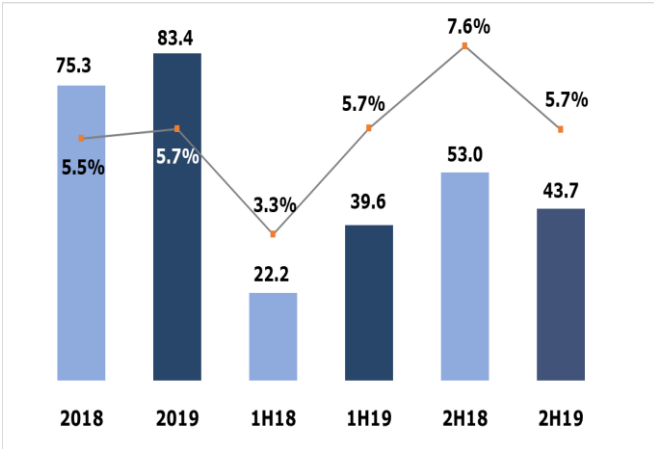
- ✓ As Turk Prysmian's raw materials are FX denominated, in times of devaluation, **profitability of TL orders is subject to erosion.**
- ✓ In order to maintain our profitability;
 - We focused on **hard currency orders** (weight of TL orders in order portfolio reduced to 18%)
 - We **reduced throughput time of TL orders** (faster delivery to minimize currency exposure)

REVENUE, EBITDA & EBITDA MARGIN AND NET INCOME

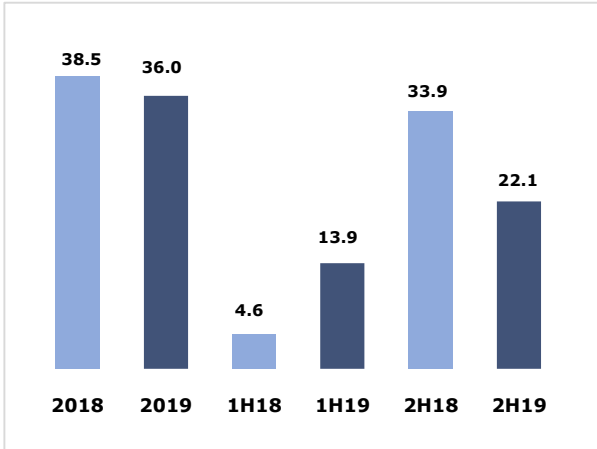
REVENUE (M'TL)



EBITDA & EBITDA MARGIN (M'TL)



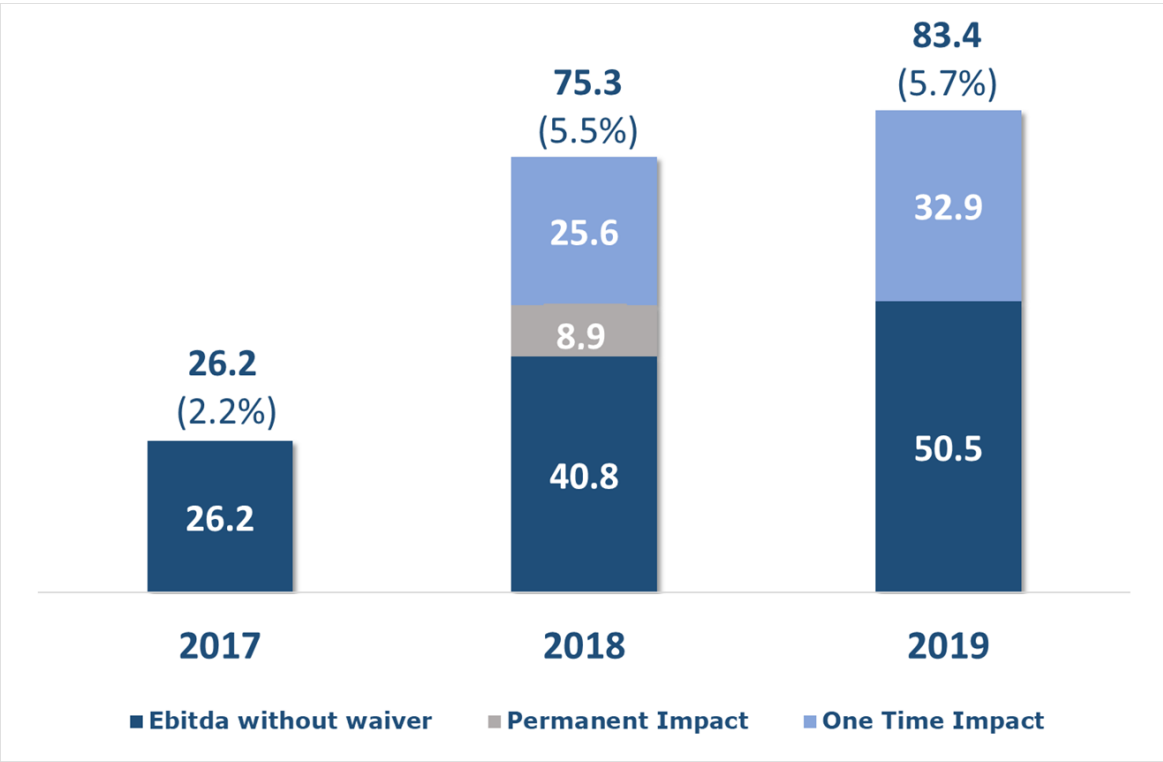
NET INCOME (M'TL)



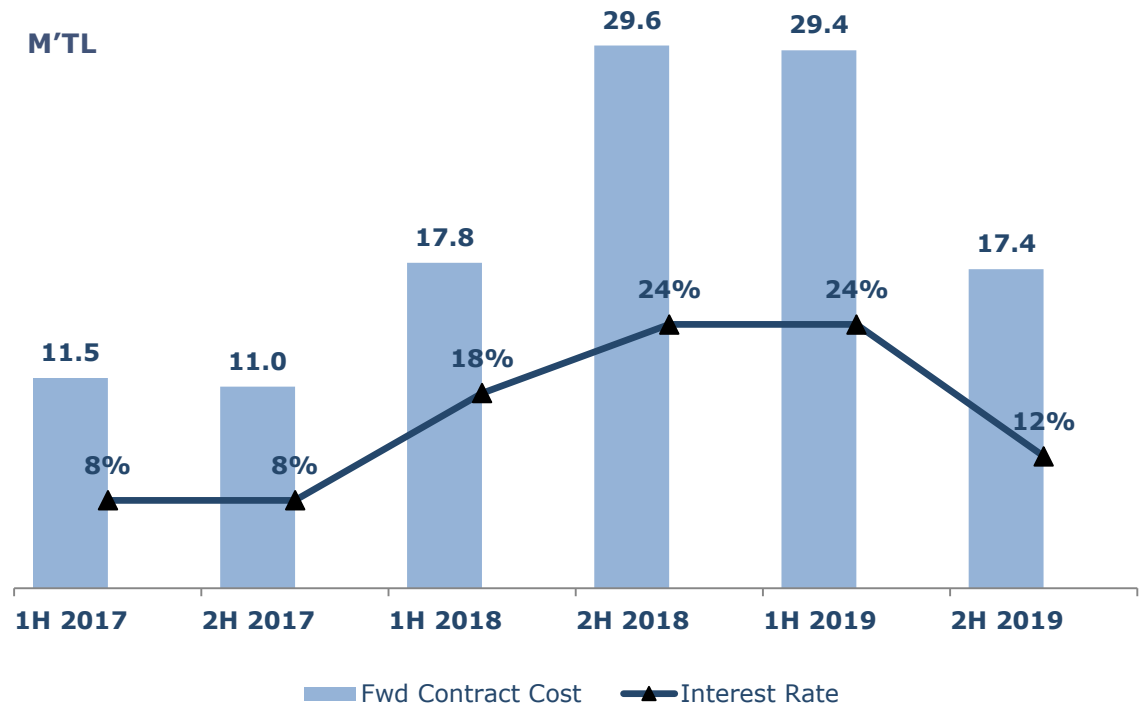
- 6.5% YoY increase in 2019 due to
 - ✓ Increasing intercompany revenues on all business segments
- 9.7% YoY EBITDA increase in 2019 (0.2 p.p. increase in EBITDA margin)
 - ✓ Royalty + service fee waiver (32.9 M'TL)
 - ✓ Value added projects
- Net income slightly deteriorated due to
 - ✓ Increase in other operating expenses
 - ✓ Increasing tax expenses (7.2 M'TL vs 3.5 M'TL)

PRYSMIAN GROUP SUPPORT DURING FINANCIAL CRISIS

EBITDA & EBITDA MARGIN (M'TL & %)



HIGH INTEREST RATES RESULTED IN INCREASED FORWARD CONTRACT COSTS

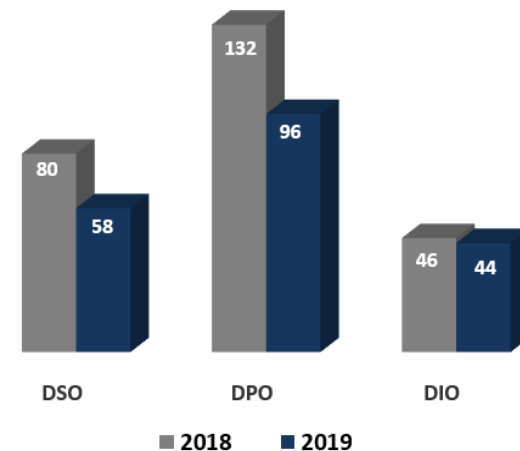


2019 net income negatively affected by forward contract costs

SIGNIFICANT IMPROVEMENT IN DSO DESPITE TOUGH MARKET CONDITIONS

	December 31, 2018	December 31, 2019
Cash & Cash Equivalents	229,542,230	210,505,611
Trade Receivables	344,812,931	284,743,560
Construction Contracts	-	12,061,605
Inventories	148,636,363	174,711,178
Other Current Assets	72,576,808	83,679,850
Non-Current Assets	103,728,738	122,130,217
TOTAL ASSETS	899,297,070	887,832,021
Short Term Loans	49,518,160	1,274,934
Trade Payables	466,262,966	447,965,240
Construction Contracts	8,894,372	-
Other Short Term Liabilities	96,542,731	50,975,439
SHORT TERM LIABILITIES	621,218,229	500,215,613
LONG TERM LIABILITIES	8,839,841	17,278,501
Paid in Capital	141,733,652	216,733,652
Net result of the period	38,538,543	35,971,002
Other	88,966,805	117,633,253
TOTAL LIABILITIES & EQUITY	899,297,070	887,832,021
NET CASH	180,024,070	209,230,677

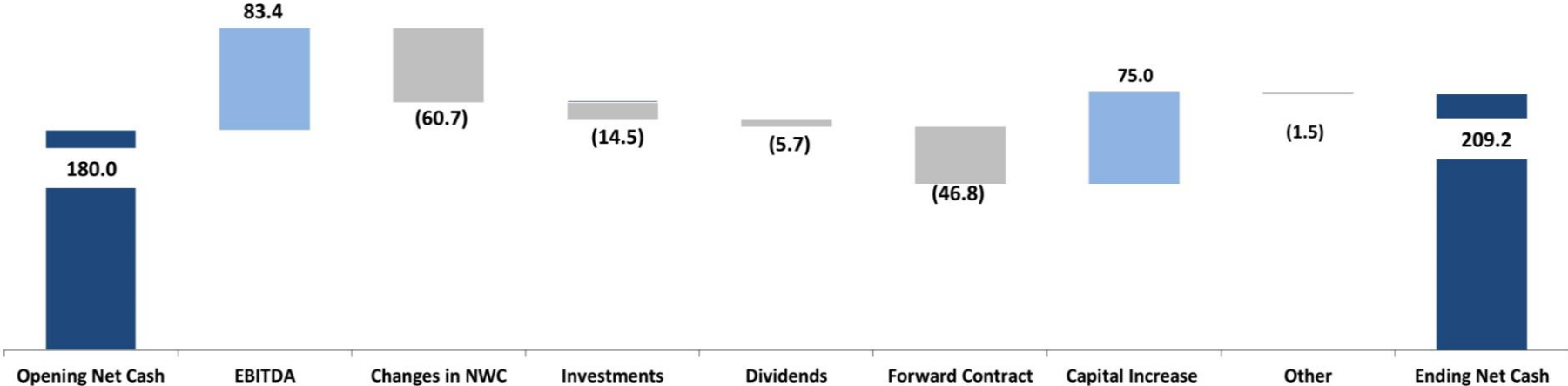
WORKING CAPITAL DAYS



NWC / Annualized Sales

2018	2019
12.7%	18.2%

CAPITAL INCREASE TO OPTIMIZE FINANCIAL COSTS





2020 Expectations

Cinzia Farisè
CEO

CHALLENGES WILL CONTINUE IN 2020



Current status

- Slow recovery on the construction sector
- Increasing competition, war in prices
- Market is expected to be slightly better compared to Q1.2019

- Export sales
- Intercompany business
- Excellence center for the Group
- Potential Projects
 - Transmission
 - Rail
 - Renewable
 - Telecommunication

Opportunities



Targets

- Keeping results in line with the previous year
- Linking Turkey to the Future
- Enabling the transition to sustainable energy

Q & A