

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

30.06.2018 FINANCIAL RESULTS



WHO ARE WE?

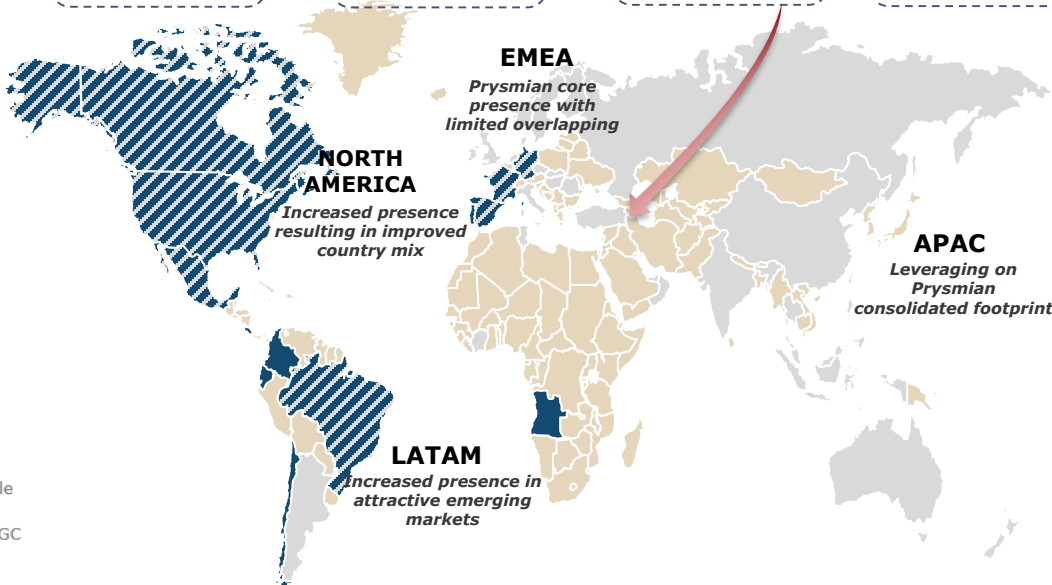
PRYSMIAN GROUP – WORLD LEADER IN ENERGY, TELECOM CABLES & SYSTEMS

**140
Year
Experience**

**~6000
Patents in
50 Countries**

**25 R&D
Center
incl. TURKEY**

**€11.1 bln
Revenue
inc. General Cable**

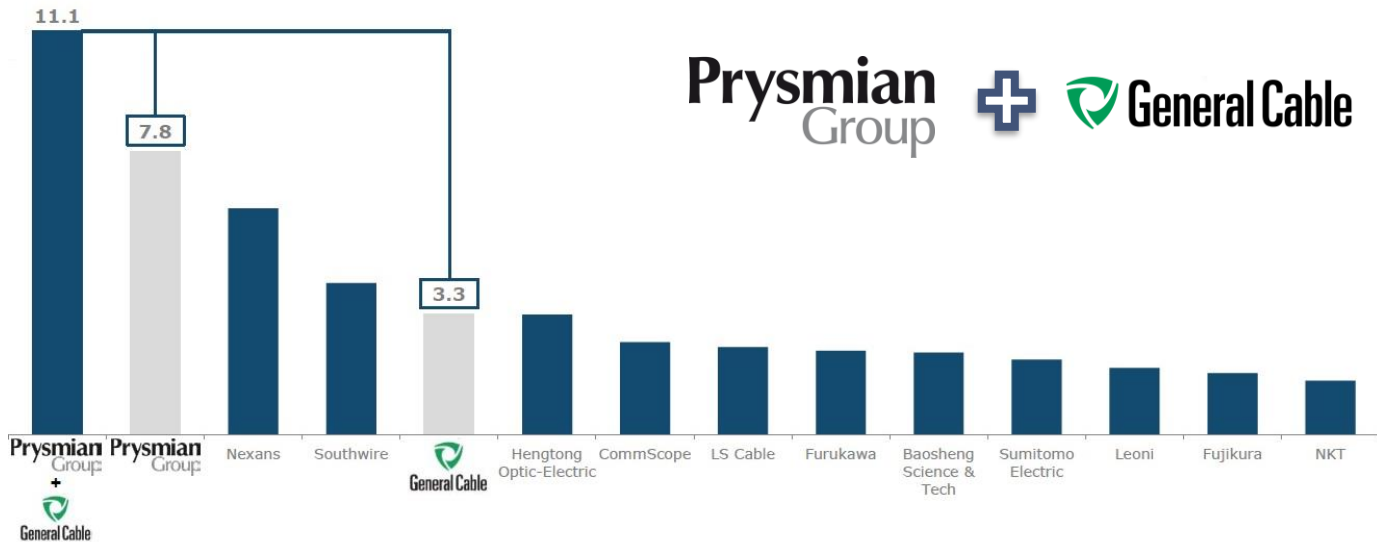


- Prysmian
- General Cable
- Prysmian & GC



ENHANCING PRYSMIAN'S WORLDWIDE LEADERSHIP

Top 12 global cable & systems players by revenue (€bn)



Prysman
Group   **General Cable**

WHILE UNDERSIGNING GLOBALLY PRESTIGIOUS PROJECTS



Burj Khalifa, Dubai

Cable installation to world **fastest** and **highest** elevators



Donbass Arena, Ukraine

EURO 2012 on 3D televisions



Project Borwin2, Germany

Connection between Germany and offshore wind plants



Observation satellites

Our **customised** wires & cables provide data for **climate change** research



Australia

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



Louvre, Abu Dhabi

500 km of fire resistant cables in Arabian Peninsula's biggest museum



Fundy Bay, Nova Scotia, Canada

Our submarine composite cables help fuel tidal energy for **750,000** homes



St. Pancras Station, UK

Our **low smoke zero halogen** cables provide highest possible safety standards



Horns Rev2, Denmark

245 kV high voltage underground cable connection



Quality Certificates

ISO 9001



ISO TS 16949



IRIS



TL9000



Research & Development

- ✓ 25 R&D Centers
- ✓ Innovation, **research**
- ✓ **Expanding product range**
- ✓ **International standards development groups**
- ✓ Cooperation with TUBITAK, Universities etc.

WIDEST PRODUCT PORTFOLIO: 22,000 CABLE TYPES

Energy transmission

- ✓ High voltage underground cables
- ✓ High voltage submarine cables

Energy distribution

- ✓ Medium/Low voltage cables

Cable Accessories

Components, accessories from high voltage to low voltage

Low voltage and building cables

- ✓ Fire resistant
- ✓ Environment friendly
- ✓ Low smoke zero halogen (LS0H)
- ✓ Customised for each application

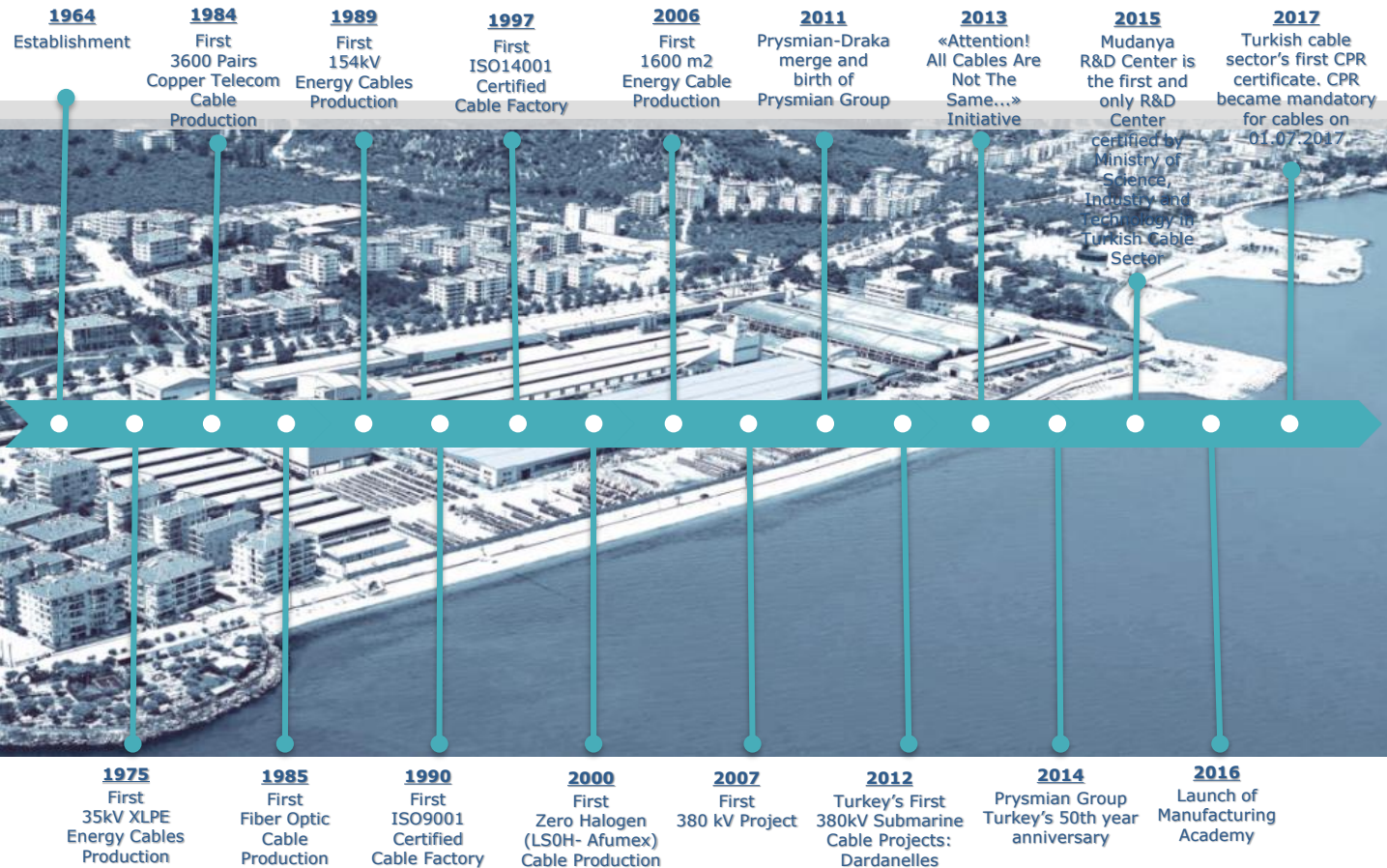
Specialties&OEM

(white goods, railways, nuclear, military industry, crane, mining, vessel, hospital, and others)

- ✓ **Automotive**
- ✓ **Petrochemical plants**
- ✓ **Renewable energy**
- ✓ **Railway**
- ✓ **Other industrial applications**
(plane, runway lighting and others)

Cable solutions to support the development of the world's energy infrastructure

PRYSMIAN LINKS TO THE FUTURE WITH THE «FIRSTS»



LINKING TURKEY TO THE FUTURE!



Star Refinery (SOCAR)
Turkey's First Private Sector Refinery



Skyland, İstanbul
The Tallest Building in Turkey After Completion



Kazan Soda Electric
Europe's Biggest Natural Dense Soda Ash and Sodium Bicarbonate Factory in Europe



Gaziantep Iconova
"Best Architecture Multiple Residence" in Turkey and Europe - European Property Awards



İstanbul's New Airport
Latest technology cables worth 8M Euro



Şanlıurfa Göbeklitepe Museum
UNESCO World Heritage Candidate With Its At Least 11.600 Years History



SASA Polyester
Turkey's Unique Polyester Fiber Manufacturer



Eskişehir City Hospital
Europe's Best Health Project



Dardanelles Strait Submarine Cable Projects
Turkey's 1st and 2nd 380 kV Submarine Cable Projects

2018 1. HALF AT A GLANCE

❖ Foreign trade deficit continued to expand.

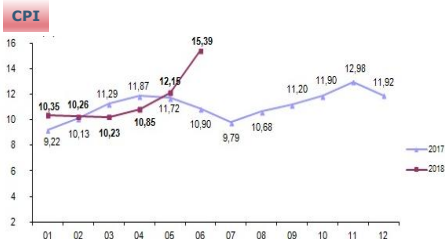
- **Foreign trade deficit** continued to widen on an annual basis and became **57.1 billion USD as total**.
- Exports increased by 6.3% and reached 82.3 billion USD, while import volume surged by 13.5% to 123 billion USD.

Foreign Trade Balance (USD billion)

	June		Δ (%)	Jan.- Jun.		Δ (%)
	2017	2018		2017	2018	
Exports	13.1	13.0	-1.2	77.4	82.3	6.3
Imports	19.2	18.5	-3.6	108.3	123.0	13.5
Foreign Trade Balance	-6.0	-5.5	-8.9	30.9	40.7	31.6
Import Coverage (%)	68.5	70.2	-	71.4	66.9	-

❖ Turkish inflation surges to highest since 2003

- In June, inflation exceeded the expectations. In Annual CPI inflation was 15.39% in June, the highest level of this year. Annual increase in the PPI continued in June and reached 23.71%. Annual inflation has been at its highest level both CPI & PPI since 2003.



❖ Cash shortage & collection risk in the market

- The economic uncertainty in the country, the deterioration of the supply-demand balance, the high cost of borrowing rates in the markets and the increase in the exchange rates slowed down the cash cycle, leading to the problem of collection.

❖ Debt rating downgrade

- On June 13, 2018, the ratings agency Fitch downgraded Turkish sovereign debt a notch to 'BB' with a negative outlook, citing inflation and widening current account deficit.

MARKET TODAY

- Volatility and uncertainty
- Excess capacity
- Aggressive competitors
- Extended payment terms

FINANCIAL SITUATION

- Significant liquidity problems
- Increasing bad debts and bankruptcies
- High financing costs

LOOKING FORWARD

- Intensive market share fight
- Focused on hard currency projects
- Low risk customers preferred

ONGOING STRATEGIC PRIORITIES...



Defend market share in a challenging and aggressive environment



Grow on value added business



Enlarge the diversity of customer range with new customers



Expand differentiation project
«Attention! All cables are not the same...»



Focus on orders with hard currency pricing (\$ and €)



Continue strong Financial discipline

DIFFERENTIATION: ALL CABLES ARE NOT THE SAME INITIATIVE SINCE 2012

DİKKAT!



HER KABLO AYNI DEĞİLDİR...

Prysmian Group, Prysmian Performance Test® (PPT®)'ni sunar: PPT, kabloların güvenilirlik, yüksek performans ve toplam proje maliyetinde sağladığı avantajlar açısından değerlendirilmeden, sadece tek kapsama testidir.

Her ne kadar kablolar, ortalamada, toplam inşaat maliyetinin %1'den azını oluştursa da, doğru kabloyu seçerek, elle tutulur farklar yaratılmak mümkün. PPT sonuçlarına göre, Prysmian Group kablo çözümleri, güvenilirlik ve performans kriterlerine 44 olarak, hiç kazandıran montaj kalitesinde yüksek maliyetinde %50'ye*; toplam kablo tutarında ise %22'ye** varan avantaj sağlıyor. İşte Prysmian Group farkı...



prysmianperformancestest.com



TÜRKİYE'Yİ YARINLARA BAĞLIVORUZ

Prysmian
Group



*%50'ye varan avantaj sağlıyor. **%22'ye varan avantaj sağlıyor. Kaynak: Elektrik Enerjisi Nakil ve Dağıtım Kurumu (ENED)

Training seminars

2 countries, 12 cities
Approx. 3,100 participants

I-phone Application & Social Media

'Prysmian Performance Test' application in Apple Store
Facebook, twitter, youtube, vimeo and daily motion accounts

Launch of KABLOMATİK™

Easy and practical 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

Ongoing Initiatives to Raise Awareness on CPR...

PPT advertisements in many publications
Direct communication with 430 sales points
Window branding activities with A-Team distributors

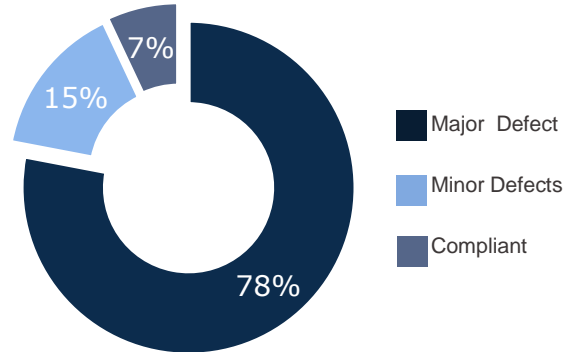
QUALITY: GUIDING THE CABLE MARKET FOR BATTLE AGAINST UNFAIR COMPETITION

- Some cables in the market doesn't meet requirements
- We aim to fight against low quality
- Among the **46** samples taken from mkt.;

✓ **43** of them (%93) below spec

✓ **36** of them (%78) Major

✓ **7** of them (%15) Minor



DESPITE CHALLENGING MARKET CONDITIONS WITH CONTRACTING HOUSE SALES

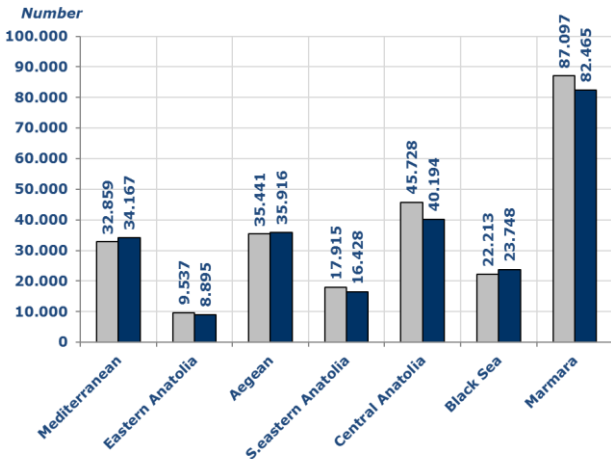
New House Sales

Total Increase: -3,6%

□ 2017 Sales (First 5 Months)

■ 2018 Sales (First 5 Months)

YoY: 4,0% -6,7% 1,3% -8,3% -12,1% 6,9% -5,3%



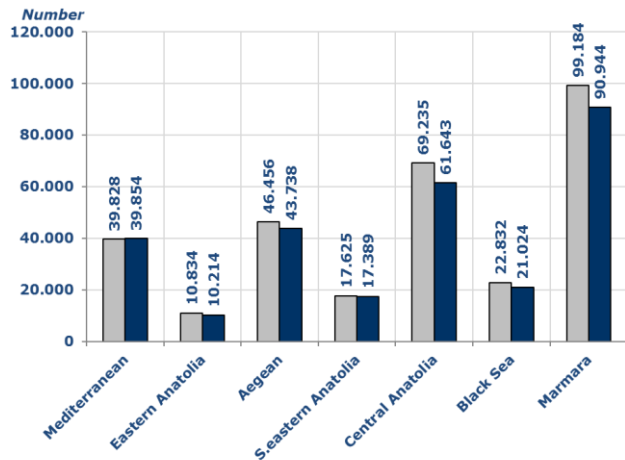
Second Hand House Sales

Total Increase: -6,9%

□ 2017 Sales (First 5 Months)

■ 2018 Sales (First 5 Months)

YoY: 0,1% -5,7% -5,9% -1,3% -11,0% -7,9% -8,3%



- ❖ **Performed a survey covering all Turkey, identified areas to improve.**
- ❖ **Enforce A-Team (existing & new)**
 - ❑ *New A-Team members started to perform*
 - ❑ *Double digit volume growth on stock item sales*
 - ❑ *Protected market share on project sales*
- ❖ **Go beyond A-Team**
 - ❑ *Involving sub-dealers to differentiation activities*
- ❖ **Extended collection with credit card**
 - ❑ *Online system established with multiple bank and payment term options*
- ❖ **Defined new service KPI's to address customer needs.**

Çanakkale I Submarine Project

- 100 % completed
- Final Acceptance → Jan'18

Çanakkale II Submarine Project

- 99% completed
- Operational Acceptance → Aug'17
- Final Acceptance → Aug'19

İzmit Bay Submarine Project

First Tender

- Tender Date → 14.09.2017
- Winner Price → 382,3 mln TL
- Cancellation Date → 24.10.2017

Second Tender

- Tender Date → 27.11.2017
- Winner Price → 429,9 mln TL
- Cancellation Date → 21.12.2017



(2011 – 2018) Signalling Projects & 2018 on..

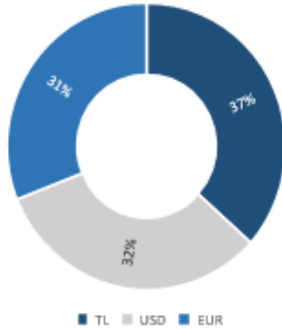


Prysmian
Competitor
2018 projects
2019 Projects

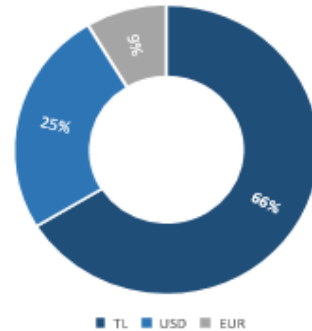
- ❑ **Total currently railway network is 12.532 km**
- ❑ **Target is to reach 25.030 km long railways network by 2023**
- ❑ **High Speed Train to reach 12.915 km from 1.213 km**
- ❑ **Conventional lines to reach 12.115 km from 11.319km**
- ❑ **Additional 6000 km high speed lines btw 2023 – 2025**

INCREASED FOCUS ON HARD CURRENCY ORDERS

Open Order Currency Split Jun'18



Open Order Currency Split Jun'16



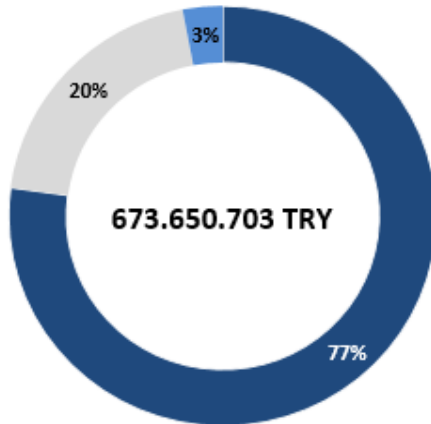
- ✓ *TL devaluation is a high risk in Turkey*
23% devaluation in 2017
20% devaluation up to June 2018
- ✓ *Target is to minimize Exchange rate hit on open orders by **focusing on hard currency orders***
- ✓ *Open order portfolio currency split;*
Orders in TL currency as of Jun 2016 → 66%
Orders in TL currency as of Jun 2018 → 37%
- ✓ *Additional action → Reduced throughput time of TL orders (faster delivery compared to past in order to reduce currency exposure)*

FINANCIAL RESULTS

MAIN FOCUS ON DOMESTIC MARKET

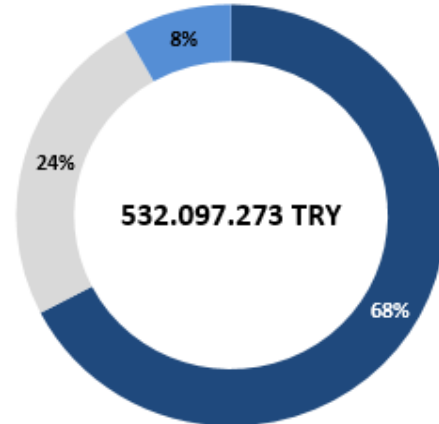
Sales Channels

2018 1. Half



■ Domestic ■ Export ■ Prysman Group

2017 1. Half



■ Domestic ■ Export ■ Prysman Group

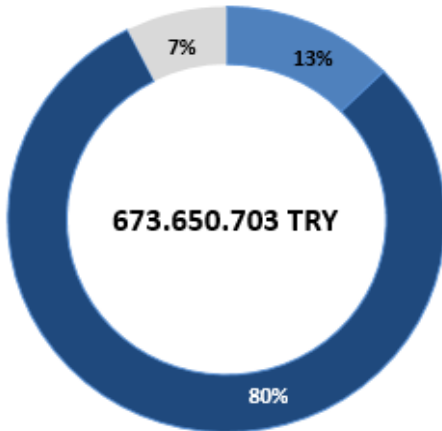
141 m'TL increase in sales (27%)

- Domestic Sales: Strong growth in challenging market conditions
- Export Sales: Technip O&G Project invoiced in 2017
- Group Sales: Prysman Australia Telecom Project has ended

REVENUE INCREASE DRIVEN BY ENERGY PRODUCTS

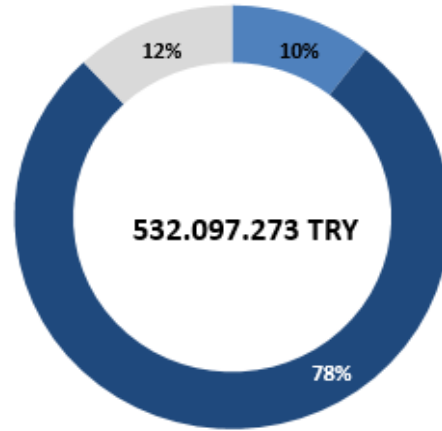
3 Operational Areas

2018 1. Half



■ Energy projects ■ Energy products ■ Telecom

2017 1. Half



■ Energy projects ■ Energy products ■ Telecom

141,6 m'TL increase in sales (26,6%)

- Energy Products: Strong growth in challenging market conditions
- Energy Projects : Fast execution on cable production
- Telecom : Prysmian Australia Telecom Project has ended

EFFECT OF CHANGE IN TECHNICAL ASSISTANCE FEE (TAF) RATIO

Previous Situation:

TAF (Technical Assistance Fee) was **2%** of cable value produced in Mudanya Plant.

Perimeter Change:

- R&D Center starting to be productive with experience over last 2 years.
- Türk Prysmian provided a development plan for the next 3 years and committed a productive R&D function with certain responsibilities
- Prysmian Group accepted commitments and reviewed royalty fees

New Situation:

TAF (Technical Assistance Fee) is **1.25%** of cable value produced in Mudanya Plant effective from January 1, 2018.

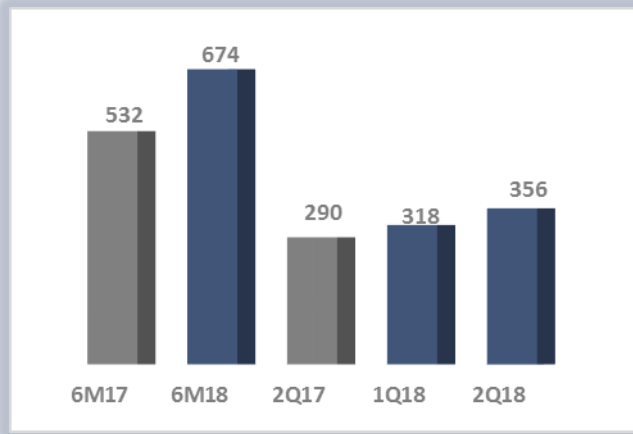
Financial Effect (As of 30 June 2018):

TAF ratio from 2% to 1.25% level

- 4.3 MTL reduction on royalty fee
- 3.4 MTL increase in net profit

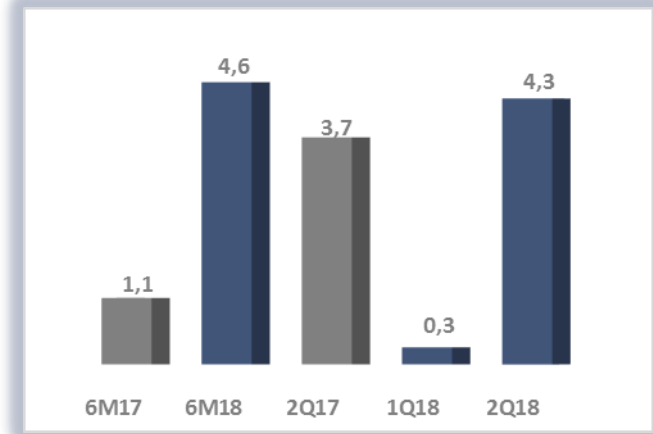
TREND IN REVENUE AND NET INCOME

REVENUE



- vs 6M17 → 27% growth
- vs 2Q17 → 23% growth
- Revenue growth mainly due to;
 - exchange rate
 - Fast progress on Energy projects

NET INCOME



- vs 6M17 → 318% improvement
- vs 2Q17 → 16% improvement
- Net income increase mainly due to;
 - TAF ratio decrease (3,4 m TL)
 - Increase on project execution
 - Negative impact of increasing hedging cost

P/L COMPARISON – 2018 VS 2017

	January 1 - June 30, 2018	January 1 - June 30, 2017	Diff
Revenues	673.650.703	532.097.273	26,6%
Cost of sales	(607.721.828)	(482.720.878)	25,9%
GROSS PROFIT	65.928.875	49.376.395	33,5%
<i>Gross profit / Revenues</i>	<i>9,8%</i>	<i>9,3%</i>	
General Administrative Expenses	(19.015.167)	(18.797.816)	1,2%
Marketing expenses	(25.946.246)	(24.687.173)	5,1%
R & D Expenses	(1.868.186)	(1.231.155)	51,7%
Operating income/expenses net	(14.086.162)	(4.593.517)	206,7%
OPERATING GAIN/LOSS	5.013.114	66.734	7412,1%
<i>Operating gain/loss</i>	<i>0,7%</i>	<i>0,0%</i>	
Revenue from Investments	594.513	287.801	106,6%
Finance Income/Expense (net)	422.009	703.441	-15,5%
PROFIT BEFORE TAX	6.029.636	1.057.976	469,9%
<i>Profit before tax</i>		<i>0,2%</i>	
Tax Expense/Income	(1.419.881)	25.242	-5725,1%
NET PROFIT	4.609.755	1.083.218	325,6%
<i>Net profit / Revenue</i>	<i>0,7%</i>	<i>0,2%</i>	

CMB SUMMARY BALANCE SHEET

	Audited June 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets	768,993,008	730,693,220
Cash and Cash Equivalents	119,588,331	165,315,709
Trade Receivables	363,247,471	336,714,762
Stocks	171,025,859	148,976,251
Other Receivables Current Assets	115,131,347	79,686,498
Non Current Assets	76,020,464	88,574,600
Tangible Assets	48,577,531	48,353,773
Other Non-Current Assets	27,442,933	40,220,827
TOTAL ASSETS	845,013,472	819,267,820
LIABILITIES		
Short Term Liabilities	601,970,136	576,858,393
Short Term Loans	46,273,560	4,523,700
Trade Payables	504,817,808	498,560,763
Deferred Incomes	20,767,762	32,830,770
Short Term Provisions	24,443,988	16,186,320
Other Short Term Liabilities	5,667,018	24,756,840
Long Term Liabilities	7,749,124	7,443,485
EQUITIES	235,294,212	234,965,942
Paid Capital	141,733,652	141,733,652
Reacquired shares	(2,496,301)	(2,496,301)
Other comprehensive income or expenses (Not to be classified in PL)	(1,914,000)	(1,914,000)
Reserves on Retained Earnings	8,940,789	7,718,010
Profits from Previous Years	84,420,317	81,782,760
Net Term Profit (Loss)	4,609,755	8,141,821
TOTAL LIABILITIES	845,013,472	819,267,820

Thank you