

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

30.09.2019 FINANCIAL RESULTS



AGENDA

- **Prysmian Group & Türk Prysmian Kablo Overview**
- **Macroeconomics & Business Environment**
- **9M 2019 Financial Results**

Prysmian Group & Türk Prysmian Kablo Overview

TURKEY IS ONE OF THE R&D CENTERS OF THE PRYSMIAN GROUP



+50
COUNTRIES



112
PLANTS



25 R&D
CENTERS



ABOUT **30,000**
EMPLOYEES



THE WORLDWIDE LEADER IN ENERGY AND TELECOM CABLE INDUSTRY

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

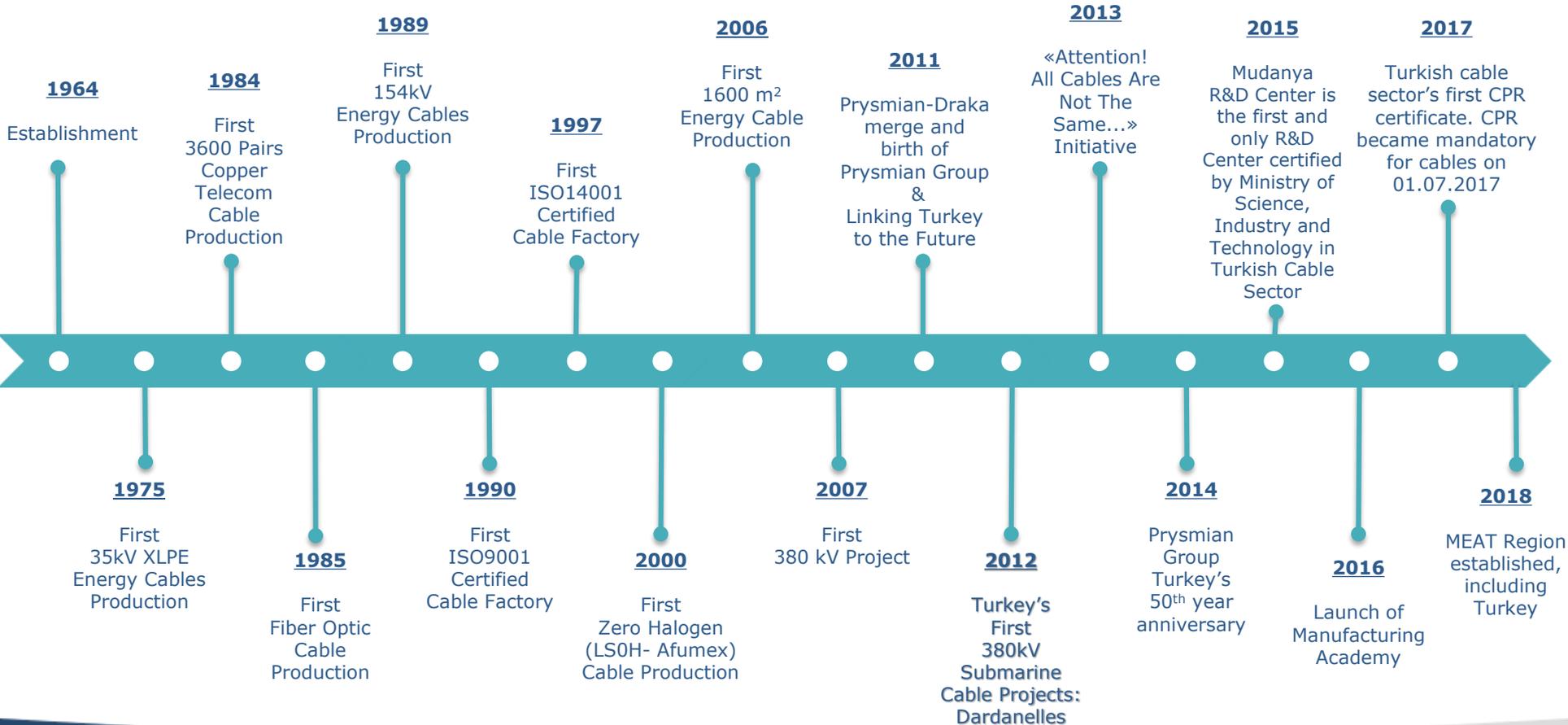


2 R&D
CENTERS



ABOUT **3,000**
EMPLOYEES

TÜRK PRYSMIAN, LINKING TURKEY TO THE FUTURE



PRESTIGIOUS PROJECTS – WORLDWIDE



Baku Olympics Stadium, Azerbaijan



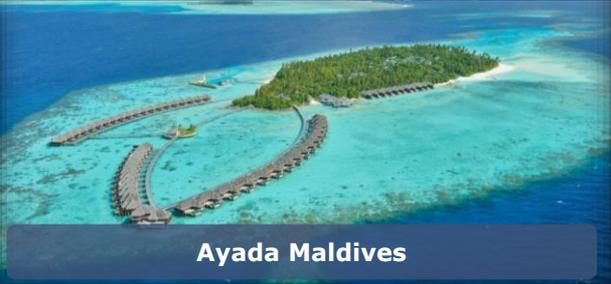
Mercury City Tower, Russia



Ashgabat Airport, Turkmenistan



Dubai Metro



Ayada Maldives



Mecca Clock Tower, Saudi Arabia



Turkmenistan Presidential Palace



Shah Deniz Refinery Project, Azerbaijan



Palazzo Versace Hotel, Dubai

PRESTIGIOUS PROJECTS – IN TURKEY



Istanbul's New Airport



Kayseri OSB Solar Park



Avrasya Tunnel



Socar – Star Refinery



Dardanelles Strait Submarine Cable Projects



Eskişehir City Hospital



Skyland Istanbul



Yavuz Sultan Selim Bridge



Stadiums of Beşiktaş, Fenerbahçe, Galatasaray and Trabzonspor

22,000 CABLE TYPES IN 3 BUSINESS DIVISIONS

BUSINESS DIVISIONS

**Energy
Projects**

**Energy
Products**

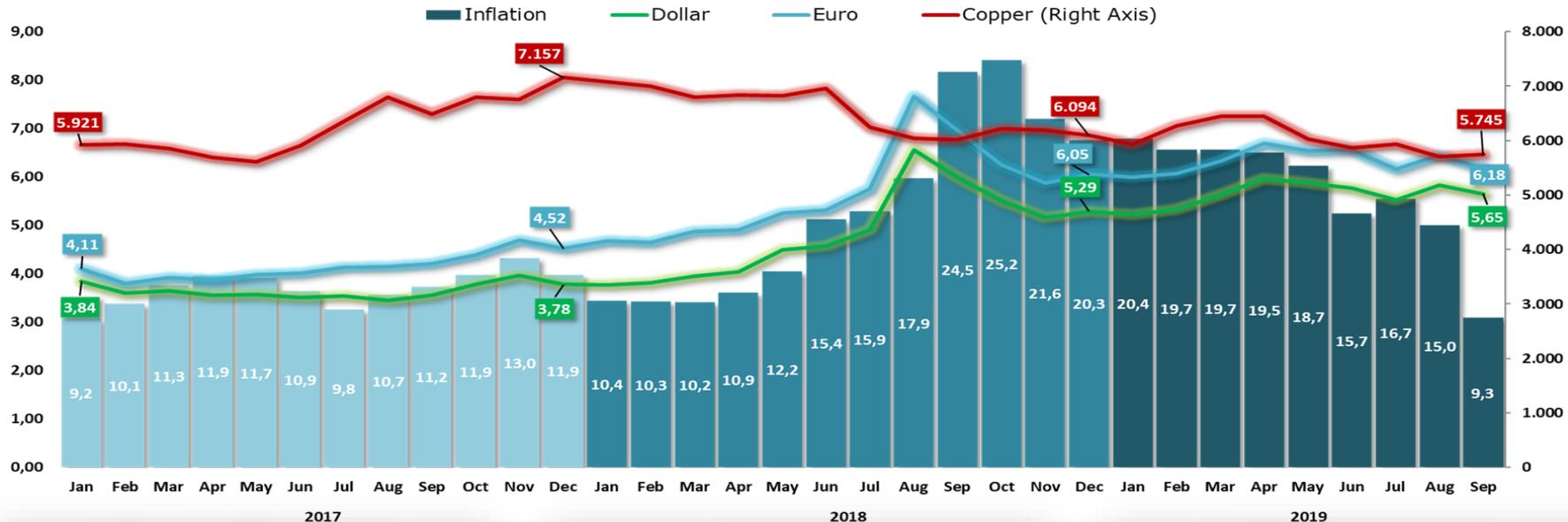
Telecom

PRODUCTS

- ✓ **Energy transmission**
- ✓ **Energy distribution**
- ✓ **Low voltage and building cables**
- ✓ **Specialties & OEM**
 - White & Brown Goods
 - Railways
 - Petrochemical plants
 - Solar
 - Wind
 - Marine
 - Mining
 - Nuclear
 - Other industrial applications
- ✓ **Cable Accessories**
- ✓ **Copper Telecom Solutions**
- ✓ **Fiber Optic Solutions**
- ✓ **MMS Solutions**

Macroeconomics & Business Environment

MACROECONOMICS & CABLE INDUSTRY



Global Markets

- FED and ECB cut rates /growth forecasts for 2020
- US-China trade wars started to be felt globally
- Aramco attack – uncertainty on oil prices
- Brexit is unclear, UK looking for ways to exit EU
- Following IMF and OECD, the World Bank also made a downward revision in 2019 growth forecasts

Turkey

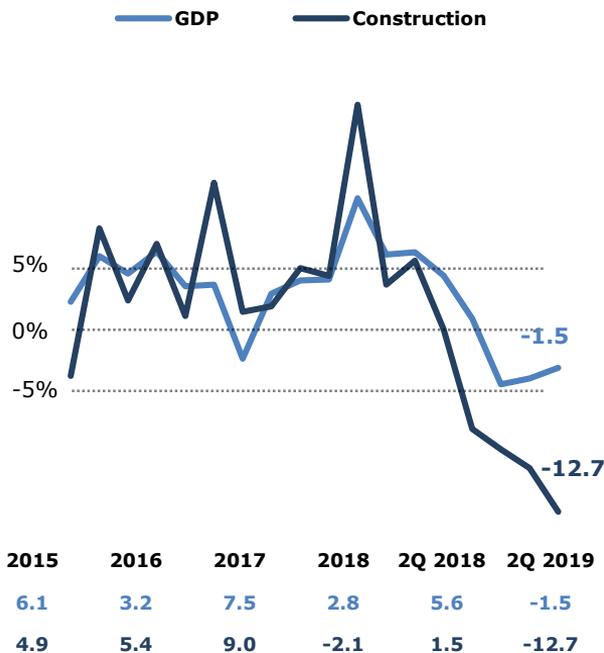
- Peace Spring operation in Syrian border
- Ongoing financial crisis and effects on market
- Price increases in electricity and natural gas
- Downtrend in inflation
- CBRT decisions on interest rate cuts
- Highest unemployment rate since May 2009

Cable Industry

- Shrinking market due to uncertainty and slowdown
- Price pressure due to idle capacity of competitors
- Low prices from Chinese cable and fiber producers
- Long payment term in a risky environment
- Collection issues and high bad debt risk
- Delay on government projects

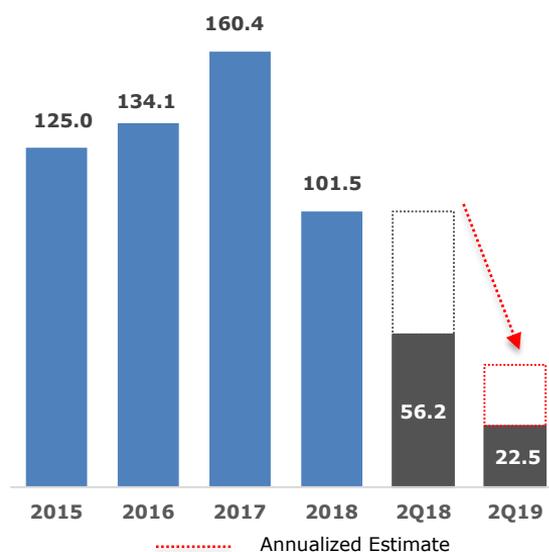
ECONOMIC CRISIS CONTINUES TO TAKE A TOLL ON THE CONSTRUCTION SECTOR

-12.7 CONTRACTION IN CONSTRUCTION



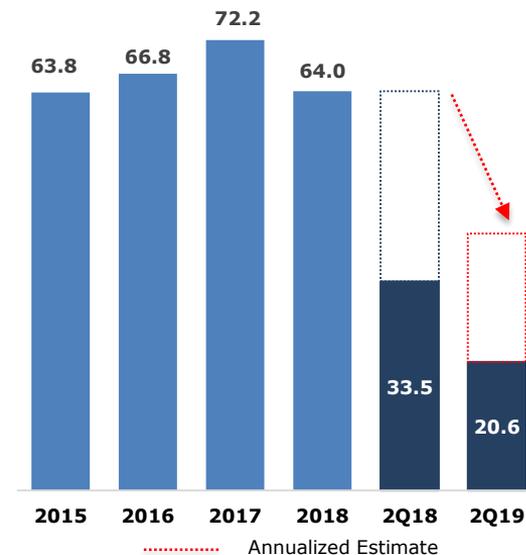
60.0% DECREASE IN CONSTRUCTION PERMITS

Thousand



38.5% DECLINE IN CEMENT SALES IN TURKEY

Tons



GROWING REVENUES AND PROFITABILITY IN A 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

0.8% POINT INCREASE IN MARKET SHARE

Improving Revenues

- Increasing hard currency orders
 - Exports (Algeria)
- Growing IC business
 - New IC flows on energy
 - New project in Europe
 - Ongoing telecom flows

6.1% POINT INCREASE IN THE SHARE OF INTERCOMPANY BUSINESS

Focus on Financial Discipline

- Minimizing credit risk, focusing on low risk profile
- Collection days=64 Days
- Effective NWC management
- Capital increase

ZERO BAD DEBT

CAPITAL INCREASE TO OPTIMIZE FINANCIAL COSTS

- ✓ Decreasing financial costs by reducing the need for forward contracts
- ✓ Increasing the profitability of the company

	2016	2017	2018
Forward Contracts USD (Buy)	42,710,000	61,762,780	33,550,000
Forward Contracts EUR (Buy)	-	2,750,000	2,850,000
Forward Contracts EUR (Sell)	8,800,000	-	6,000,000

	9M 2017	9M 2018	9M 2019
Forward Contracts USD (Buy)	44,678,750	47.900.000	35.091.330
Forward Contracts EUR (Buy)	9,500,000	9.050.000	-
Forward Contracts EUR (Sell)	-	-	3.500.000

(1,000 TRY)	2016	2017	2018
Forward Agreement Costs	18,828	22,472	47,395

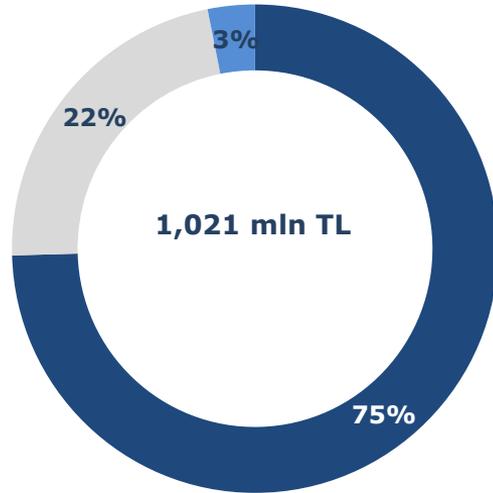
(1,000 TRY)	9M 2017	9M 2018	9M 2019
Forward Agreement Costs	17,969	31,186	39,871

Issued capital increase of 75 mln TL (52.9%) to 216.7 mln TL

9M 2019 Financial Results

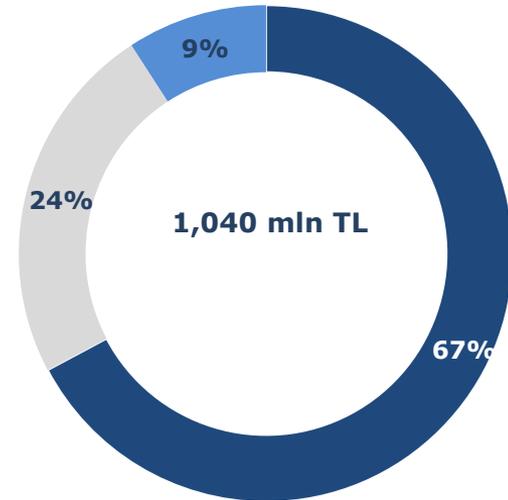
REVENUES BY DISTRIBUTION CHANNEL

9M 2018



■ Domestic ■ Export ■ Prysmian Group

9M 2019

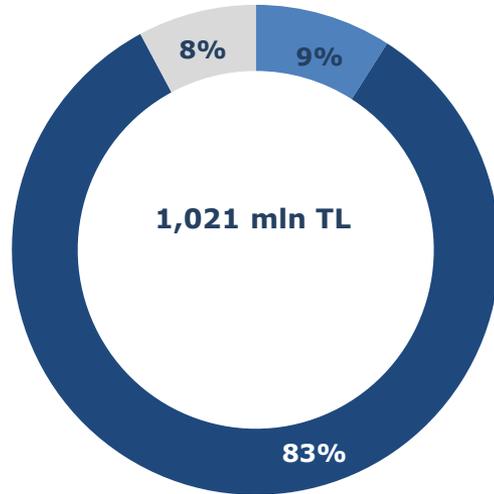


■ Domestic ■ Export ■ Prysmian Group

Domestic volume contraction compensated by exports and IC sales

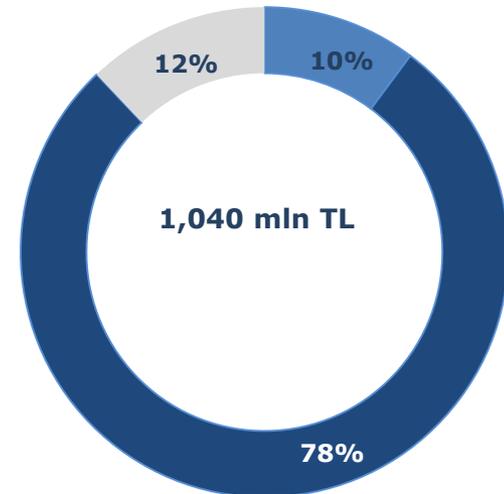
REVENUES BY SEGMENT

9M 2018



■ Energy projects ■ Energy products ■ Telecom

9M 2019

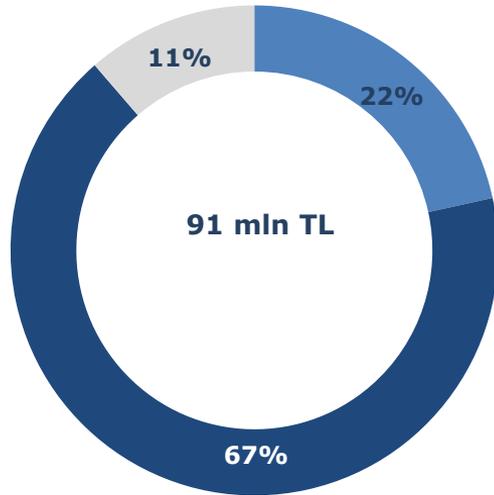


■ Energy projects ■ Energy products ■ Telecom

New business flows on energy projects and telecom through IC channel

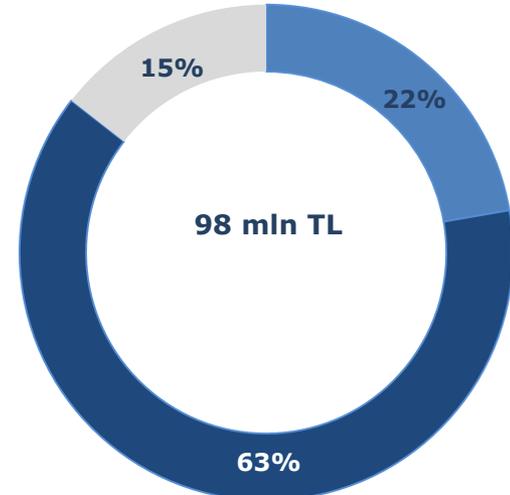
CONTRIBUTION MARGIN BY SEGMENT

9M 2018



■ Energy projects ■ Energy products ■ Telecom

9M 2019

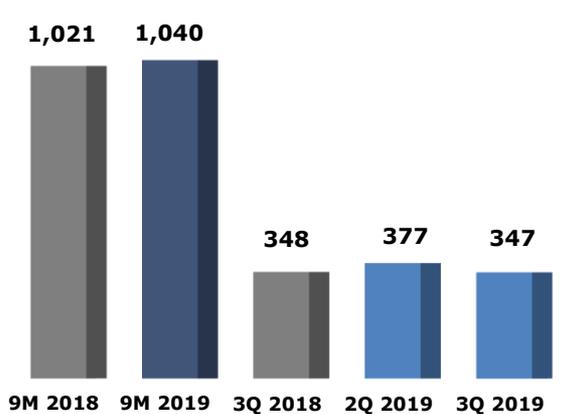


■ Energy projects ■ Energy products ■ Telecom

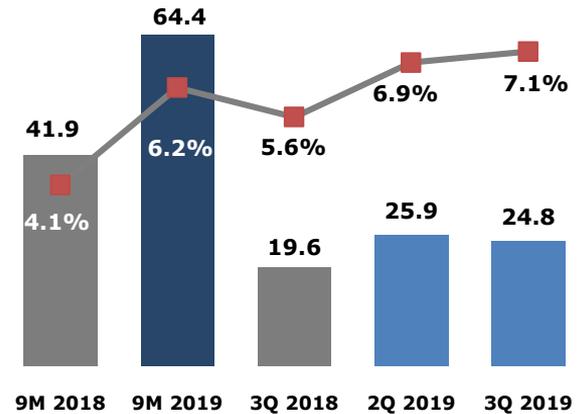
Contribution margin up 0.4 p.p. with value added telecom projects

REVENUE, EBITDA & EBITDA MARGIN AND NET INCOME

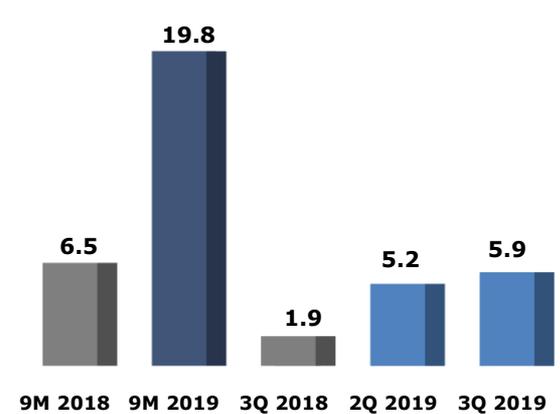
REVENUE (MTL)



EBITDA & EBITDA MARGIN (MTL)



NET INCOME (MTL)



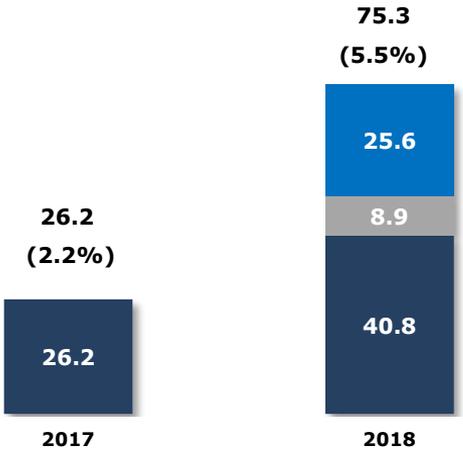
- 1.9% YoY increase in 9M 2019 due to
 - ✓ Increasing intercompany revenues on all business segments

- 53.9% YoY EBITDA increase in 9M 2019 (2.1 p.p. increase in EBITDA margin)
 - ✓ Royalty + service fee waiver (23.5 mln TL)
 - ✓ Value added telecom projects

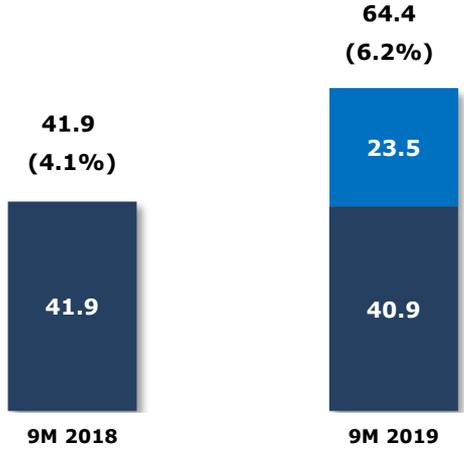
- Net income more than doubled in 9M 2019 despite increasing fx expense of forward contracts
 - ✓ Improved operational performance
 - ✓ Royalty + service fee waiver

PRYSMIAN GROUP SUPPORT DURING FINANCIAL CRISIS

EBITDA & EBITDA MARGIN (MTL & %)



EBITDA & EBITDA MARGIN (MTL & %)



One-time Impact

Royalty + Service Fee Waiver
2018= 25.6 mln TL

Permanent Impact:
2018=8.9 mln TL

One-time Impact

Royalty + Service Fee Waiver
9M 2019=23.5 mln TL

P&L STATEMENT – CMB FORMAT (TL) –

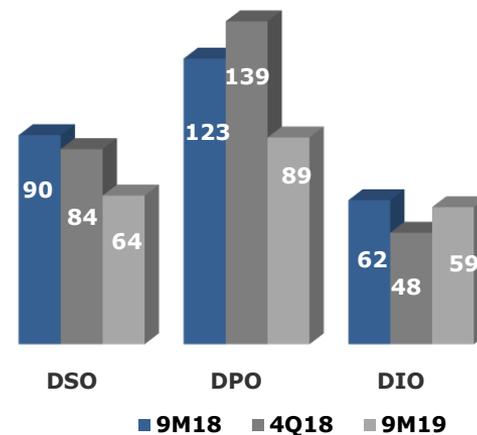
	9M 2018	9M 2019	Diff	3Q 2018	3Q 2019	Diff
Revenues	1.021.153.335	1.040.830.645	1,9%	347.502.632	347.464.065	0,0%
Cost of sales	(913.113.220)	(922.071.081)	1,0%	(305.391.392)	(304.008.893)	-0,5%
GROSS PROFIT	108.040.115	118.759.564	9,9%	42.111.240	43.455.172	3,2%
<i>Gross profit / Revenues</i>	10,6%	11,4%		12,1%	12,51%	
General Administrative Expenses	(32.202.697)	(14.887.664)	-53,8%	(13.187.530)	(4.887.866)	-62,9%
Marketing Expenses	(36.318.556)	(41.925.734)	15,4%	(10.372.310)	(14.830.333)	43,0%
R & D Expenses	(2.401.379)	(3.078.903)	28,2%	(533.193)	(805.302)	51,0%
Operating income/expenses net	(31.800.213)	(37.314.413)	17,3%	(17.714.051)	(17.362.875)	-2,0%
OPERATING GAIN	5.317.270	21.552.850	305,3%	304.156	5.568.796	1730,9%
<i>Operating gain/loss</i>	0,5%	2,1%		0,1%	1,60%	
Revenue from Investments	603.513	5.483	-99,1%	9.000	-	0,0%
Finance Income/Expense (net)	1.019.416	522.613	-48,7%	597.407	132.813	-77,8%
PROFIT BEFORE TAX	6.940.199	22.080.946	218,2%	910.563	5.701.609	526,2%
<i>Profit before tax</i>	0,7%	2,1%		0,3%	1,6%	526,2%
Tax Expense/Income	(456.944)	(2.262.148)	395,1%	962.937	196.214	-79,6%
NET PROFIT	6.483.256	19.818.798	205,7%	1.873.500	5.897.823	214,8%
<i>Net profit / Revenue</i>	0,6%	1,9%		0,5%	1,7%	

BALANCE SHEET

TL (MN)	9M'18	4Q'18	9M'19
Cash & Cash Equivalents	124,699,204	229,542,230	46,013,642
Trade Receivables	395,293,318	344,812,931	269,300,619
Inventories	203,430,233	148,636,363	206,642,664
Non-Current Assets	89,438,243	103,728,738	115,496,221
TOTAL ASSETS	938,681,236	899,297,070	714,375,991
Short Term Loans	60,578,970	49,518,160	1,318,808
Trade Payables	574,835,853	466,262,966	336,576,923
Construction Contracts	4,742,146	8,894,372	656,287
LONG TERM LIABILITIES	8,061,477	8,839,841	17,286,306
Paid in Capital	141,733,652	141,733,652	141,733,652
TOTAL LIABILITIES & EQUITY	938,681,236	899,297,070	714,375,991

NET CASH	64,120,234	180,024,070	44,694,834
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WORKING CAPITAL DAYS



NWC / Annualized Sales

9M18	4Q18	9M19
15.3%	12.7%	17.8%

ACHIEVING HIGHER THAN EXPECTED RESULTS IN 2019

- 2019 continues to be quite a challenging year
 - Government related projects were delayed
 - Construction permits continued to slow down
 - Sluggish demand and price pressure in the domestic cable market
- Opportunities :
 - Higher export volume
 - Intercompany business
 - Higher volume in telecom
- Expectation for 2019 year-end was to achieve similar results to that in 2018
 - High single digit revenue growth
 - A few point increase in EBITDA margin

Thank you

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