Türk Prysmian Kablo ve Sistemleri A.Ş.

Annual Affiliation Report for FY 2022

1. **INFORMATION ABOUT PREPARATION AND APPROVAL OF THE ANNUAL AFFILIATION REPORT**

1.1. Legal Basis of Annual Affiliation Report

1.2. Principles of Preparation of Annual Affiliation Report

1.3. Approval of Annual Affiliation Report

2. **CONTENTS OF THE ANNUAL AFFILIATION REPORT**

2.1. The Relationship between the Holding Company, the Company and Subsidiaries of the Holding Company

2.2. Information about Türk Prysmian Kablo ve Sistemleri A.Ş.

2.3. Information about the Related Companies Subject-matter of the Report

2.3.1. Subsidiaries
2.3.2. Related Parties

2.4. Information about the Conditions and Conformity of the Transactions between the Related Parties to the Market Conditions

2.4.1. Purchases from Related Parties
2.4.2. Sales to Related Parties

2.5. Information about the Conditions and Conformity of the Transactions between the Related Parties to the Market Conditions

2.5.1. Explanations on Purchases

2.5.2. Explanations on Sales

2.6. Actions taken or avoided in favor of the holding company or any of its subsidiaries in the previous fiscal year, and whether or not the action taken or avoided caused any loss to the Company.

3. **CONCLUSION**

1. INFORMATION ABOUT PREPARATION AND APPROVAL OF THE ANNUAL AFFILIATION REPORT

1.1. Legal Basis of Annual Affiliation Report

The Company's Annual Affiliation Report for FY 2022 has been drawn up in accordance with article 199 of the Turkish Commercial Code No. 6102.

1.2. Principles of Preparation of Annual Affiliation Report

(1) The board of directors of the Company (subsidiary) has prepared this report within the first three months of the fiscal year to provide information about the relationship between the Company's holding company and subsidiaries in accordance with article 199 of the Code. The Report includes an explanation on all legal transactions which the company has conducted with the holding company, any subsidiary of the holding company, conducted in favor of the holding company or any of its subsidiaries with the guidance of the holding company and all other measures that have been taken or avoided in favor of the holding company or any of its subsidiaries in FY 2022. The actions and counter actions regarding legal transactions, and the reasons for the measures taken, if any, as well as the benefits and losses to the company have been presented. Where any loss has been offset, information has also been presented about the procedures describing how it has been actually accomplished within the activity year or whether a right of claim has been granted to the company with respect any of the interests..

(2) The report has been prepared in accordance with true and fair accountability principles.

(3) In the ending section of the report, the Board of Directors has explained whether or not a counter action has been taken against each legal transaction according to the circumstances and conditions known to them at such time when the legal transaction was conducted, or measure was taken or avoided, and whether or not the measure taken or avoided caused loss to the Company. If the Company has incurred a loss, the Board of Directors has also stated whether the loss has been offset or not.

1.3. Approval of Annual Affiliation Report

The Company's Annual Affiliation Report for FY 2022 has been approved by the Chairperson of the Company's Board of Directors and the members who have signed the resolution.

2. CONTENTS OF THE ANNUAL AFFILIATION REPORT

2.1. The Relationship between the Holding Company, the Company and Subsidiaries of the Holding Company

The Turkish Commercial Code No. 6102, Article 195 "Group of Companies" defines Holding Company and Subsidiary as follows:

1. a) If a trade company, directly or indirectly,
   - i. Holds the majority of the voting rights, or
   - ii. pursuant to the articles of association of the company, has the ability to elect that number of members who constitute the decision-making majority in the managing body of another trade company; or
   - iii. aside from its own voting rights, constitutes a majority of the voting rights alone or in conjunction with other shareholders or partners based on an agreement;

   If a trade company can control another trade company under a contract or otherwise;

the first company is the holding company, and the other is a subsidiary. If the head office of at least one of these companies is in Turkey, then the provisions of this Code governing group of companies shall apply.

2. Aside from the circumstances stipulated above, the fact that a trade company holds majority of the shares of another trade company, or holds shares sufficient to take decisions to manage the latter means that the former company is the holding company.
3. When a holding company controls another company through one or more subsidiaries, there exists indirect control.
4. Companies directly or indirectly affiliated to the holding company constitute a group of companies. Holding companies are parent companies and the subsidiaries are sister companies.

5. If in a group of companies the holding company is an enterprise that has its head office or residence at home or abroad, articles 195 to 209 of the Code governing “Group of Companies” and other provisions of the Code governing group of companies shall also apply.

A controlling shareholder means a natural person or a legal entity that controls a partnership directly or indirectly, alone or in conjunction with others. The focal point of the definition is the concept of "control". Control is defined owning directly or indirectly the majority of the capital of a legal entity, without seeking the requirement to hold minimum fifty one percent, or holding preferred stock or owning the majority of voting rights of a legal entity based on agreements entered into with other shareholders although such a majority is not held, or otherwise having the power to appoint or dismiss the majority of the members of its board of directors for passing resolutions.

Pursuant to article 199 / first paragraph of the new Turkish Commercial Code No. 6102, it is stipulated that companies shall draft an "affiliation" report in the first three months of the activity year. In this context, the content of an "affiliation report" shall include the following;

- The subsidiary's relationship with the controlling (parent) company,
- The subsidiary's relationship with other subsidiaries,
- Legal transactions conducted by the subsidiary with third parties for the benefit of the group of companies,
- Measures taken or refrained from by the subsidiary in favor of the controlling company and subsidiaries;
- Benefits and losses to the subsidiary as a result of its relationship with other companies of the group.

2.2. Information about Türk Prysmian Kablo ve Sistemleri A.Ş.

Our Company was established in 1964 in Mudanya with the trade name Türk Siemens Kablo ve Sistemleri Anonim Şirketi, and was acquired by Pirelli S.p.A. after a sales agreement executed in 1998 between its controlling shareholder Siemens A.G. of Germany and Pirelli S.p.A. of Italy, and thereafter continued its commercial operations under the trade name Türk Pirelli Kablo ve Sistemleri Anonim Şirketi. In 2005, the Pirelli group decided to exit the cable industry, and in line with its decision, it assigned the shares of its affiliates operating in the cable industry to Goldman Sachs Capital Partners. Following the share transfer referred to above, our Company has been continuing its operations under its parent company Prysmian S.p.A. established on 09.05.2005 by Goldman Sachs Capital.

As a result of acquisition of Prysmian Dutch Holdings N.V., the main shareholder of Prysmian S.p.A. by Draka Holdings B.V. effective from 01.02.2014, Prysmian Dutch Holdings B.V. was wound off, and its successor Draka Holding B.V. became the main shareholder of our Company, and is still the direct controlling shareholder with a shareholding interest of 83.75%. Prysmian S.p.A. which is the controlling shareholder of Draka Holding B.V. and indirect controlling shareholder of our Company merged with General Cable in 2017 and became the world leader in the energy and telecommunication cables industry in 2018. Being a publicly traded company, the remaining 16.25% share of our Company is traded on Borsa Istanbul A.Ş.

2.3. Information about the Related Companies Subject-matter of the Report

2.3.1. Subsidiaries

Türk Prysmian - Prysmian Powerlink Adi Ortaklığı-3 was established in 2021 in line with the opinion received from the Revenue Administration in respect of the taxation of the job covered by DB.KAB.19 İzmit Gulf Project. The ordinary partnership which is engaged in the sales of energy cables has solely been established for the taxation of the project, and is 99.99% owned by Türk Prysmian Kablo ve Sistemleri A.Ş. and 0.01% by our group company Prysmian Powerlink S.r.l.

2.3.2. Related Parties

The trade names of the related parties of our Company are as listed below.

Prysmian Communications Cables
Prysmian Cables & Systems Limited
Prysmian Cables et Systèmes France
Prysmian Cables Spain, S.A.
P.T. Prysmian Cables Indonesia
Prysmian Kabel und Systeme Gmb
Prysmian MKM Magyar Kabel Muvek Kft
Prysmian Cabluri Si Sisteme S.A.
Prysmian Finland Oy
Prysmian Netherlands B.V.

Prysmian Cavi e Sistemi Italia srl
Prysmian Australia Pty Ltd
Prysmian Cavi e Sistemi Srl
Prysmian Spa
Prysmian Power Link Srl
Draka Comteq Germany GmbH
Prysmian Group Baltics AS
Draka Kabely SRO
Draka Compteq Finland OY
Draka Denmark Optical Cable AS
Draka Comteq UK Limited
Prysmian Kablo s.r.o
Sindutch Cable Manufacturer Sdn Bhd
Singapore Cables Manufacturers Pte Ltd
MCI-Draka Cable Co. Ltd
Oman Cables Industry S.A.O.G.
Branch Singapore
Fibre Ottiche Sud - F.O.S. S.r.l
Prysmian Wuxi Cable Company Ltd
Prysmian Electronics S.r.l
Draka Comteq France SAS
Draka Cable Wuppertal Gmbh
Draka Comteq Berlin GmbH & Co. KG
Prysmian Cable Systems PTE LTD
Prysmian Tianjin Cables Co. Lt
Draka Comteq Fibre BV
Prysmian Group Norge AS
Turk Prysmian - Prysmian Powerlik Adi Ortaklığı-3
Prysmian Energia Cables y Sistemas de Argentina SA
Prysmian Cables & Systems Canada
Prysmian Kablo SRO
Draka Belgium N.V.
Prysmian Cables Chile SPA

2.4. Information about the Conditions and Conformity of the Transactions between the Related Parties to the Market Conditions

2.4.1. Purchases from Related Parties

Given the competitive nature of the industry and with a view to satisfying technological competency conditions, the companies submit quotes for the projects along with the group companies, and in addition to the general production and commercial operations of our company, the total amount of the purchase of trade goods and services from our affiliated companies in 2022 are as follows:

Transactions with related parties (TRY)	January 1 - December 31 2022 Purchase of goods
Prysmian Finland Oy	380.595.801
Prysmian Spa	360.407.363
Prysmian Kabel und Systeme GmbH	188.758.985
Silec Cable, S.A.S.	180.836.478
Prysmian Cavi e Sistemi Italia S.R.L	128.275.131
Prysmian Cables et Systemes France SAS	69.076.882
Prysmian MKM Magyar Kabel Muve	41.616.094
Draka Comteq UK Ltd	30.788.646
Oman Aluminium Processing Industrie	27.290.838
Prysmian Netherlands B.V.	22.508.412
Prysmian Cabluri si Sisteme S.A.	14.198.350
Fibre Ottiche Sud - F.O.S. S.r	9.846.753
Draka Kabel Sverige AB	7.809.077
Prysmian Cables & Systems Ltd.	6.179.776
Prysmian Spain, S.A.	3.634.954
Singapore Cables Manufacturers Pte Ltd	2.648.598
Prysmian Group Norge AS	610.707
Diğer	33.379.120
Total	***1.508.461.965***

The total amount of raw materials, trade goods and other purchases from related parties in 2022 is TRY 1.508.461.965.

To achieve supplier diversity by creating alternatives to suppliers in both the domestic and international markets for the supply of metal, fiber and compounds used as raw materials in cable production, the primary subject of activity of our Company, the benefits brought by economies of scale are considered taking into account advantages such as quality control, continuity of supply, and fixed price throughout the year.

The purchases made in this context are classified as follows:

	January 1 - December 31, 2022	**Selling Costs to Sales Ration**
Raw Material-Compound	534,095,563	7.43%
Cables and Accessories	364,306,097	5,07%
Years of Project Cable	575,210,738	8.00%
Total	1,473,612,398	

An assessment of the purchases indicates that the cost of sales has surpassed 10% (TRY7,186,815,354) according to the consolidated financial statements (2022).

2.4.2. Sales to Related Parties

The sales to our related parties in 2022 are listed below on a company basis. The sales all involve trade goods. In cable sales by our Company to Prysmian Group companies, a reasonable mark up determined on a sector and cable basis is added to the variable cost of the cable.

Transactions with related parties	**January 1 - December 31, 2022** **Sales of goods**
Prysmian Cavi e Sistemi Italia S.R.L	190.291.151
Prysmian Group Norge AS	110.688.433
Draka Denmark Optical Cable AS	59.091.313
Prysmian Kabel und Systeme GmbH	37.022.428
Prysmian Cabluri si Sisteme S.A.	30.111.584
LLC Rybinskelektrokabel	20.459.327
Oman Cables Industry SAOG	18.043.824
Prysmian Finland Oy	14.417.172
Prysmian Cables & Systems Ltd.	11.247.249
Draka Comteq UK Ltd	7.264.299
Prysmian Group Baltics AS	6.269.380
Draka Kabel Sverige AB	3.989.735
Prysmian Australia Pty Ltd	3.786.114
Singapore Cables Manufacturers Pte Ltd	2.655.847
Prysmian Spa	2.353.612
Prysmian Cables et Systemes France SAS	1.354.254
Prysmian Spain, S.A.	663.506
Diğer	20.195.029
Total	**539.904.257**

The net sales income for yea 2022 has reached TRY 7,186,815,354. The sales to related parties are presented above on a company basis, and all other sales aside from these are to non-group companies. The sales to related parties account for 7% of the total sales, and accordingly, the sales of trade goods described in an annex to our consolidated financial statements exceed 10% of the revenue generated according to the consolidated financial statements (year 2022).

2.5. Information about the Conditions and Conformity of the Transactions between the Related Parties to the Market Conditions

2.5.1. Explanations on Purchases

Part of the goods that are the subject of sales by our Company are manufactured at our own production facilities, and part of them are supplied as trade goods from group companies abroad in the scope of specialty goods orders. The trade goods and products as well as technical services purchased and sold by our Company are supplied from group companies that satisfy the group's quality and supply conditions in the framework of the group transfer pricing directive.

The price applicable to the sales of goods and project services to related parties in the scope of the Group's Transfer Pricing Directive are determined by adding a Mark Up determined for the entire group on a product basis to the company-specific "variable costs" that occur in the producer's country and under the competitive conditions that the company is exposed to.

For the services purchased from the Group companies, the policy is to determine the "actual cost" of services by distributing the management and information technology expenses incurred by our company at the group's head office in the name of the group to (SAG) group companies and to charge the cost without adding any price markup in the scope of the group's Transfer Pricing Directive. Accordingly, the price of these services are determined by Cost Plus Zero Markup, the most suitable Transfer Pricing Method to use in relation to arm's length transactions.

Our company also uses licenses under license agreements signed with Prysmian s.p.a. to benefit from the brand and know-how, the most important elements in our operations, and the agreement renewed in 2018 stipulates a license fee of 1.25% of the net production sales.

However, subsequent to negative macroeconomic developments triggered by high volatility in foreign exchange rates in August 2018, the financial burden of our Company that heavily relied on foreign-exchange based raw materials and operational expenses increased, resulting in a capital requirement.

Thus, a series of negotiations were held with Prysmian S.p.A., licensor and a company of Prysmian group, and with Prysmian Cavi e Sistemi S.r.l., service provider, with a view to minimizing operational and financing costs of our Company.

As a result of these negotiations, with a view to supporting their affiliate, Türk Prysmian Kablo ve Sistemleri A.Ş.;

Both companies agreed to accept CBRT "1-week repo" interest rate as objective data, considering the macroeconomic developments mentioned above, and to that end, the relevant License Agreement, Information Technology (IT) Services Agreement and SAP Consolidation Program Usage Fee Agreement (shortly the "Agreements") were revised as detailed below and to cover only the years 2018 and 2019. Whereas;

- In respect of year 2018; all claims stemming from the Agreements were waived provided that the annual mean of CBRT 1-week repo interest rate is equal to 15% or above 15%;
- In respect of year 2019; it was agreed that the quarterly mean of CBRT 1-week repo interest rate would be calculated at the end of each 3-month (quarterly) term; and all claims stemming from the Agreements for the relevant quarter would be waived if mean value is equal to 15% or above 15%.

The relevant explanations are given in detail in the below link which is available on the Public Disclosure Platform.

https://www.kap.org.tr/tr/Bildirim/796083
https://www.kap.org.tr/tr/Bildirim/726042
https://www.kap.org.tr/tr/Bildirim/697873

As a consequence, because the mean value of CBRT 1-week repo interest rate was above 15% in 2019 as was the case in 2018, both related parties waived their contractual claims. Therefore, the Company did not make any payment for the licenses and services purchased from group companies either in 2019 as was the case in 2018.

For the year 2020, no payment was made to Prysmian S.p.A., licensor and a company of Prysmian group, and Prysmian Cavi e Sistemi S.r.l., service provider, for the 1st Quarter under the agreement as the interest rates remained above 12%. License and service fees were paid in the 2nd, 3rd and 4th Quarters as weekly repo interest rates of the Central Bank fell.

For the year 2021, license and service fees were paid in the 1st, 2nd, 3rd and 4th Quarters to Prysmian S.p.A., licensor and a company of Prysmian Group, and Prysmian Cavi e Sistemi S.r.l.; service provider.

For the year 2022, license and service fees were paid in the 1st Quarter to Prysmian S.p.A., licensor and a company of Prysmian Group, and Prysmian Cavi e Sistemi S.r.l.; service provider. The details of service are below.

	January 1- December 31, 2022
Prysmian S.p.a.	52.581.606
Prysmian Cavi e Sistemi S.r.l.	28.203.521
	80.785.127

2.5.2. Explanations on Sales

The project progress payments that are invoiced according to the Cost Plus Markup method to Türk Prysmian - Prysmian Powerlink Ordinary Partnership-2 and 3 established solely for taxation purposes by our company in the scope of "“DB.KAB.9 Lapseki 2 – Sütlüce 2 380kV Submarine Cable" and "DB.KAB.19 İzmit Gulf Project are invoiced by the ordinary partnership to TEİAŞ without adding any Markup. Therefore, it is understood that the sale to the related party is in fact a contract price agreed upon with TEİAŞ, an unrelated party, and is charged as is using Cost Plus Zero Markup method. Within the scope of this project, the cost plus markup method was used in our intragroup purchases, and the transactions were conducted at arm's length and in accordance with commercial customs in the scope of the group's transfer pricing policy.

2.6. Actions taken or avoided in favor of the holding company or any of its subsidiaries in the previous fiscal year, and whether or not the action taken or avoided caused any loss to the Company

Since our Company has acted in accordance with the provisions of the legislation on disguised profit distribution through transfer pricing in all its transactions with the holding company and subsidiaries in 2022, it has not been necessary to take or refrain from taking any action for the holding company or its subsidiaries, and no precaution has therefore been required.

3. Conclusion

Pursuant to the Turkish Commercial Code No. 6102 and the Capital Market Legislation, in respect of relations with the holding company and subsidiaries;

- It has been established that the transactions conducted with the related companies were executed with a counter act at arm's length in accordance with the group's transfer pricing directives and the Transfer Pricing Rules without any distinction between countries or companies according to the resolution of our company dated 09.05.2014 and No. 2014/16, and that the transactions were reasonable in the framework of the commercial customs;

- Our Company has acted in accordance with the provisions of the legislation on disguised profit distribution through transfer pricing in all its transactions with the holding company and its subsidiaries in 2022, and no conditions has arisen, calling for an offsetting of loss in 2022 as a result of the transactions explained above.

- As a consequence of the examinations and assessments made; to the best of our knowledge in relation to the Related Party transactions conducted, a counter act was done in each legal transaction with respect to the transactions of our company Türk Prysmian Kablo ve Sistemleri A.Ş. with the holding company and subsidiaries in 2022 as set out in article 199 of the Turkish Commercial Code, and there was no precaution taken or avoided, or the Company did not incur losses due to taking or avoiding any measure.

As no loss was incurred, it has not been necessary to offset losses.