



**GERSAN ELEKTRİK TİC. VE SAN. A.Ş (GERSAN ELECTRIC TRADE AND INDUSTRY INCORPORATED COMPANY) AND ASSOCIATED PARTNERS (SUBSIDIARIES)**

**ACTIVITY REPORT OF THE BOARD OF DIRECTORS**

**January 1st – March 31st Period**

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## **CHIRMAN OF THE BOARD'S ASSESSMENT**

As we look at last year's global economic reflections, the deflation experienced in developed countries negatively effecting the unemployment and economic growth draws our attention. After the 2008 financial crises, the increase of global liquids has led to a positive process in the financial markets but this image reversed in 2014 and with the decision of the FED, it caused a decrease in liquids and increase in the interest expectations. The international embargos and the drop in oil process have negatively affected the developing country, Turkey, along with it is own economic dynamics.

As we take a look at our company's specifics, it has especially conducted the necessary works on becoming a global brand and by being backed by the advantages of its product quality, which has proven its maturity in our country as well as around the world, and with its predictions to turn the crises into an opportunity, our company has completed its investment and began productions in Caycuma, Zonguldak. In addition, it has also increased its marketing activities by establishing a company in Russia and in Qatar. As of end of 2014, all the investments on our on-going production factory in Russia have been completed and the necessary documents and certificates have been accepted by the government. While fulfilling all of these, we never compromised on our product quality, R & D work, our innovative nature and customer service principles, and stayed true to these principles.

As a company, we are now at a position of a technology company. Having the international patent; the construction period on the Automation System and the Smart Bus-Bar System, which enable communications via the energy lines, have ended and their manufacturing has begun. The R &D process of the LED lighting fixtures have completed and their sales have begun. The system that provides 45% energy savings in industrial fixtures and 75% in street armatures have also been activated.

As Turkey's first and only manufacturer of electrical vehicle charger, we started supplying products to the public and private sector projects and as the only approved brand within ISPAK (Istanbul Parking Operations), we placed vehicle charging units at 10 different parking areas. In addition, ISPAK decided to place vehicle charge stations, which are 2% of vehicle's capacity, within the existing and newly made parking areas in the next 10 years.

As the Management and Employees of Gersan A.S., we will show our efforts, as we always have, on the matters of growing more than the previous year, increasing our profitability ratio, accelerating institutionalization, developing marketing techniques and overcoming bottlenecks by realizing new investments. As we leave behind our 36<sup>th</sup> year anniversary, I sincerely thank you, our shareholders, customers, sub-industry suppliers, dealers, business partners and employees who have always been with us.

Best regards,

**Yuksel KARDES**

**Chairman of the Board of Directors**

## **1- GENERAL INFORMATION**

Trade title : GERSAN ELEKTRIK TICARET VE SANAYI A.S.  
Trade registry number : 217505/165058  
Headquarters : Istanbul Anadolu Yakasi, Organize Sanayi Bolgesi Gazi Bulvari,  
No:39-41 Tuzla/ISTANBUL  
Contact Information :  
Telephone : (0216) 593 00 50  
Fax : (0216) 593 00 60  
E-mail address : [info@gersan.com.tr](mailto:info@gersan.com.tr)  
Web address : [www.gersan.com.tr](http://www.gersan.com.tr)

Being one of the pioneer companies of the electric industry, GERSAN A.S. manufactures the systems and the materials that protect and combine and carry the conductors/transmissions via the lines from power plants to household outlets. It started in this sector in 1980 as Gersan Ticaret (Gersan Trading). Continuing to operate as GERSAN A.S. since 1985, it gained a 36-year experience. As of 31.03.2015, the group has been providing services with an average of 415 employees.

Since the day it began manufacturing, the company has provided all types of technical services and solutions to its customers with its expert technical and academic staff.

In compliance with the IEC/TS EN 60439/1 and 2 standards; tests are being conducted to verify the temperature increases, electrical characteristics, structural resistance, resistance against crushes, resistance against unusual heat, resistance against the spread of flames, and fire barrier and EMC tests at the modern testing laboratory located within the company.

Its production, based on the international documents along with the GOST, IEC, BS, TSE, EN, ISO and CE certificates, reaches to various countries from Vietnam to Chile, from Argentina to Sri Lanka, From Algeria to Russia, from Morocco to Turkish Republics, from Albania to Dubai and all the way to Qatar.

Its quality policy is to provide quality products and services, in the most economical way, in order to meet the demands of its customers, to deliver on time and to ensure the continuity of service and quality. Its mission is to consistently produce/manufacture high quality and best materials. Its main objective is to become a global brand in business.

Acquisition of the shares that represent the 90% of its capital during its establishment, Gersan-R Zao ("Subsidiary") began its operations in St. Petersburg, Russia on August 11, 2009. As of 29.09.2011, our partnership continues its operations at the 236008 Russia, Kaliningrad, Leningradskaya Ulitsa 4 Deutsches address.

In order to develop its brand in the Golf countries and to increase sales, it opened up its contact office in the State of Qatar and operates its showroom at the Ibn Abd Street Zone: 56 Aln Khalid Area Salwa Road Doha address.

The company also has a representative office in Sharjah, Dubai.

66.2598% of the company's shares are public and they are listed on the IMKB (Istanbul Stock Exchange).

## A- COMPANY'S ORGANIZATION, CAPITAL AND PARTNERSHIP STRUCTURE

	<b>SHARE AMOUNT (TL)</b>	<b>SHARE RATIO (%)</b>
Yuksel Kardes*	12,464,936.97	31.1623
Kamuran Kardes	173,250.00	0.4331
Gulfem Oktay	346,500.00	0.8662
Irfan Sahin	361,875.00	0.9047
Ulvi Adalmis	149,532.72	0.3738
Open to the Public	26,503,905.30	66.2598
	<b>40,000,000.00</b>	<b>100.00</b>

(\*) The total share amount in the capital is 19,581,170.31 TL including the 7,116,233 shares, from the publicly traded shares of the company capital as of 31.03.2015, of Yuksel Kardes, who is one of the shareholders of the company and the total share ratio is 48.9529%. In addition, the total share amount in the capital is 3,895,333.23 TL including the 3,895,333.23 shares under the Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.S. (Verusaturk Enterprise Capital Investment Partnership Inc.) that are open to the public and the total share ratio is 9.96%.

## B- INFORMATION ON PRIVILEGED SHARES

NONE

## C- COMPANY'S MANAGING BODY. UPPER LEVEL MANAGEMENT AND EMPLOYEE INFORMATION

### a)- Board Members

<b>Name Last Name</b>	<b>Position</b>	<b>Term</b>
Yuksel Kardes	Chairman of the Board of Directors	21.04.2014 – 21.04.2017
Ulvi Adalmis	Deputy Chairman of the Board	21.04.2014 – 21.04.2017
Irfan Sahin	Board Member	21.04.2014 – 21.04.2017
Gulfem Oktay	Board Member	21.04.2014 – 21.04.2017
Afife Sebnem Tinik	Board Member	21.04.2014 – 21.04.2017
Menduha Ozturk	Independent Board Member	21.04.2014 – 21.04.2017
Kazim Baydilli	Independent Board Member	21.04.2014 – 21.04.2017

## **b)- Company's Upper Level Management**

### **Yuksel KARDES**

#### **Chairman of the Board of Directors**

He was born in 1953 in Adana. He graduated in 1975 from the Ankara University, Department of Faculty of Science Certified Chemical Engineering. He started his business life as a site manager at the Adana, Kozan, Feke, Saimbeyli and Tufanbeyli Power Transmission lines. He also worked at the power transmission lines in Adana, Mersin, Ovacik, Aydincik and Gezen. He served as a Factory Manager at the GALDEM A.S. between the years of 1979 and 1987 with company shares. As one of the founding shareholders, he continues to work as the general manager at the Gersan Elektrik Tic. ve San. A.S. since 1987.

### **Ulvi ADALMIS**

#### **Board Member**

He was born in 1957 in Diyarbakir. He graduated in 1980 from the Ankara University, Academy of Economics and Administrative Sciences and Public Relations, Radio and TV Department. He started his business life in the accounting department of Ye-Pa Elektrik Tic. San. A.S. (Ye-Pa Electric Trade and Industry, Inc.) in 1983. He continues to work as the Director of Finance at the Gersan Elektrik Tic. San. ve Tic. A.S. which he started in 1997.

### **Irfan SAHIN**

#### **Board Member**

He was born in 1949 in Erzincan. He started his business life in 1968 at the Esas Elektrik Transformator Fabrikasi (Esas Electril Transformer Factory). Between the years of 1970 and 1972, he worked at the AEG Telefunken factory in Germany. As a co-founder, he worked at the Sahinler Metal Ltd. Sti. (Sahinler Metal Limited Company) between the years 1978 and 1997. He continues to work in our company as the Busbar Production Manager which he started in 1997.

### **Gulfem OKTAY**

#### **Board Member**

She graduated in 1997 from the Istanbul University, Department of Economics. While continuing her education, she was an intern in the foreign trade department at Eczacibasi, Garanti Bankasi and Gersan Elektrik Ticaret ve Sanayi A.S. She continues to work at the company as the Export Manager which she started in 2002.

## **Afife Sebnem Tinik**

### **Board Member**

Born in 1982 in Istanbul, Afife Sebnem Kardes completed her primary and high school education at the Private Dogus Prep School. She graduated from the Marmara University, Communication Faculty of Journalism. She worked in the Foreign News Department, under Fatih Altayli, at the "Kanal D" Prime News center during her university years and later on. She wrote news at the other magazines and establishments. She has a dual degree in fashion design and mold design departments from the El Centro Collage, Dallas, USA. She continues to work at the GERSAN A.S., in the export department, since 2009. She has good level of English and has participated in courses such as Photography, Computers, Italian, French and Istanbul Technical University English Translation.

## **Kazim Baydilli**

### **Independent Board Member – Audit Committee Member – Chairman of the Corporate Governance Committee**

Born in 1968 in Kigi, Kazim Baydilli completed his primary and secondary education in Istanbul. After completing his high school education at the Kartal Technical High School, Electrical Department, he enrolled at the Istanbul University after his exams in 1985. After his post graduate, in the same university, in Money and Banking, he completed his doctorate with his Incentive Systems in Turkey and World Comparison Thesis at the Social Sciences Institute, Department of Economics in Istanbul University. After his education, working (5) years as a branch risk-measurement expert at the General Directorate of T. Garanti Bankasi, A.S. and five (5) years at the Investment Incentive and Resource Support Premium department at the Istanbul branch of Turkiye Kalkinma Bankasi A.S., he has a total of 10 years of banking experience. After his banking experience, he established his own consultancy and marble company and began in our company as an Independent Board Member.

## **Memduha OZTURK**

### **Independent Board Member – Audit Committee Director – Early Detection of Risk Committee Director**

She was born in 1966 in Ankara. In 2006, she started her post graduate at the Yeditepe University, Marketing Department and still continues. She completed her degree in the Faculty of Economics and Administrative Sciences, Department of Business within the 1988-1994 academic year. Between the years 2004 and 2010, he worked as a Commercial Portfolio Manager at the Karakoy Branch of the Yapi Kredi Bankasi. Between the years of 2002 and 2004, he worked as a Foreign Currency Loans Unit Manager at the General Directorate of Kocbank. Between the years of 2001 and 2002, he worked as an Assistant Manager at the Training Department of the General Directorate of Yapi Kredi. Between the years 1993 and 2001, he worked as an Assistant Manager at the Foreign Trade department of Yapi Kredi. Between the years 1990 and 1993, he worked as a Retail Customer Service Manager of Yapi Kredi Bankasi. He speaks fluent English.

c)- Number of Personnel : An average number of employees working in the group is 415.

## **D. SUBJECT OF ACTIVITY**

Partnership Electrical Equipment, Electrical Distribution and the Manufacturing of the Control Equipment falls under the 52<sup>nd</sup> Occupational Group of 27.12.00 (Nace Code) and produces the following product types:

- Cable Transportation Systems (Suspension System)
- Cable Ducting and Ladder Carriers
- Bus-Bar Channel Systems
- Earthing/grounding and Connection Equipment
- Under Floor Duct and Junction Systems
- Power Distribution Panels
- Fedder Pillar Distribution Panels
- Hot Dip Galvanizing
- Vehicle Charging Systems
- G-Bus Automation System
- Led-Bus Lighting System



Under Floor Cable Channels  
Network Distribution Panels  
Earthing/Grounding Systems  
Electrical Vehicle Charge Systems

Busbar Systems  
Cable Ducting and Ladders  
Led-Bus Systems  
G-Bus Automation

#### DÖŞEME ALTI KABLO KANALLARI



#### BUSBAR SİSTEMLERİ



#### AĞ DAĞITIM PANELLERİ



#### KABLO KANAL VE MERDİVENLERİ



#### TOPRAKLAMA SİSTEMLERİ



#### LED-BUS SİSTEMLERİ



#### ELEKTRİKLİ ARAÇ ŞARJ SİSTEMLERİ



#### G-BUS OTOMASYON



## **2- FINANCIAL RIGHTS GRANTED TO THE MEMBERS OF THE MANAGING BODY AND TO THE UPPER LEVEL MANAGERS**

All types of rights, benefits and fees granted to the members of the Board of Directors: for the 01.01.2015 and 31.03.2015 period, gross payment of 196,548 TL daily allowance/per diem was paid to the members of the Board of Directors. There is no set criteria related to these and the charges are proportional to their authorities and duties. There are no rewards that reflect the members' performance of financial rights.

## **3- COMPANY'S RESEARCH AND DEVELOPMENT WORKS**

With an increase each year, the production of the Bus-Bar Channels still continues in our production facility. In order to perform automation on the Bus-Bar systems, we applied, to the Directorate of Tubitak (Scientific and Technological Research Council of Turkey) Technology and Innovation Support Program on 23.11.2011, with the 3100623 project number, under the name of Data Transfer and Automation by Using Energy Transmission. Our project was completed on 31.07.2011. Thanks to the G-Bus Automation system, significant savings will be realized and these savings will have tangible returns in a very short time due the low installation costs. Socially, foreign-dependence will decrease with the reduction of energy consumption. And with the export of these products, there will be a contribution to the economy. Thanks to the automation systems with patent applications, the country will also have gained a unique technology.

Charging stations for the electrical vehicles being one of the future technologies; we applied, to the Directorate of Tubitak Technology and Innovation Support Program with the 27.02.2011 dated and 3100089 numbered project, under the name of Designing and Manufacturing the Stationary and Mobile Charging Stations and our project was accepted. The project was completed on 31.01.2011. Turkey's first stationary and mobile charging stations will be installed by the company and with the production of electrical automobiles, this project will function and create turnover contribution for the company.

The R & D process has been completed for the Smart Bolt and IP-68 cover seal and our projects have been accepted by the Directorate of Tubitak Technology and Innovation and Support Programs.

Our R & D department continues with projects titled "Designing and Manufacturing of Air Continuous and Compact Medium Voltage Bus-Bar Applications" and "Hardware and Software Development for Energy Efficiency Tracking Efficiency Systems" which are supported by the Directorate of Tubitak Technology and Innovation Support Programs.

Looking forward, our R & D department started their new projects on the medium voltage and vehicle charging.

Continuously increasing the R & D studies, in terms of production marketing and product diversity, and with capacity expansion and modernization investments, our company have become a company which exports more than 50% of its products to the international markets within this period by receiving the TIP tests of its products from international laboratories.

As per the sub-clause (a) of the 1<sup>st</sup> paragraph of the 10<sup>th</sup> Clause of the 5520 numbered Corporate Tax Law; 100% of the expenses realized only within the framework of the research and development activities towards new technology and information research are taken into account as an R & D discount during the determination of the relevant companies' corporate income.

#### **4- COMPANY'S ACTIVITIES AND IMPORTANT DEVELOPMENTS REGARDING THESE ACTIVITIES**

**a) Information related to the investments made by the company during relevant account periods:**

Within the scope of investment incentives, our company completed 100% of the investments it started in Caycuma/Zonguldak and began production. Within the scope of the incentive legislation, it began to benefit from the SGK (Social Security Institution) Employer Share incentive as of January 2014. Again for the Caycuma investment, we applied at the General Directorate of the T. R. Economy Ministry Incentive Practices and Foreign Capital and its incentive certification, as an investment extension, was approved on 31.12.2013. As of 31.03.2015, an average number of employees working in Caycuma is 270. Total land area in Caycuma is approximately 57,000 m<sup>2</sup> and the closed are is 33,000 m<sup>2</sup>.

Our Facility – Machinery investments have been completed within the context of investment incentives. The production bottleneck of cable channels and hot-dip coating unit have been activated.

As a result of our research in Russia, we moved our subsidiary to an area that is an investment area and we continue this investment at the 236008 Russia, Kaliningrad, Leningradskaya Ulitsa 4 Deutsches address. Our production started in the beginning of 2013 and we will continue producing in an area we have a contract with until 2023. By means of 30% productivity with the materials from Turkey, we will sell our products primarily to the Russian Federation, Kazakhstan and Belarus without paying Customs charges. In addition, aside from our tax-exemption for the first six (6) years, we also have the advantage of paying 50% of the second 6-years.

As a result of these investments, we began the works on a new software investment in order to ensure integration between regions and to minimize risks.

**b) Information on company's internal control system and internal audit activities, and the views of the managing body on these matters:**

Whether or not the activities of Gersan are carried out in accordance with the laws, main contract and internal procures are checked periodically by the financial and administrative affairs and auditors within our company.

**c) Information on direct or indirect subsidiaries of the company and their share rate:**

	<b>Area of Activity</b>	<b>Participation Rate</b>
<b>Subsidiary</b>		
Gersan Elektromekanik ve Insaat Sanayi Ticaret A.S.	Electromechanics	70.0%
Gersan-R Zao / Russia	Manufacturing of Electrical Equipment	90.0%

## 5 – FINANCIAL STATUS

### BALANCE SHEET AND INCOME STATEMENT MAIN ITEMS

<b>INCOME STATEMENT</b>	<b>31.03.2015</b>	<b>Variance</b>	<b>31.03.2014</b>
Net Sales	34.704.200	27,15%	27.294.096
Gross Income	10.708.221	79,48%	5.966.387
Operating Profit	5.671.589	258,34%	1.582.727
Net Period Profit	4.120.966	-580,06%	605.970

  

<b>BALANCE SHEET</b>	<b>31.03.2015</b>	<b>Variance</b>	<b>31.12.2014</b>
Floating/Liquid Assets	78.098.226	27,91%	61.057.626
Fixed Assets	72.224.892	-1,17%	73.081.981
Short-term Obligations	66.559.584	8,01%	61.621.740
Long-term Obligations	20.010.093	-22,75%	25.903.470
Equity Capital	63.753.441	36,77%	46.614.397

## COMPERATIVE BALANCE SHEETS HORIZONTAL ANALYSIS

ASSETS	31.03.2015	VARIANCE	31.12.2014
<b>Floating/Liquid Assets</b>	<b>78.098.226</b>	<b>27,91%</b>	<b>61.057.626</b>
Cash and Cash Equivalents	2.810.622	114,00%	1.313.379
Trade Receivables			
- Accounts Receivables from Irrelevant Parties	26.940.599	23,06%	21.891.894
Other Receivables			
- Other Receivables from Irrelevant Parties	1.357.243	13,78%	1.192.827
Stock	38.927.698	19,32%	32.624.105
Prepaid Expenses	5.452.000	186,68%	1.901.804
Assets Related to the Current Period Tax	51.842	0,00%	51.842
Other Floating Assets	2.558.222	22,89%	2.081.775
<b>Fixed Assets</b>	<b>72.224.892</b>	<b>-1,17%</b>	<b>73.081.981</b>
Other Receivables	37.661	8,64%	34.666
Tangible Fixed Assets	62.998.617	-0,61%	63.385.510
Intangible Fixed Assets			
- Other Intangible Fixed Assets	432.289	-71,44%	1.513.732
Deferred Tax Assets	2.317.975	-29,95%	3.308.904
Prepaid Expenses	6.438.350	33,05%	4.839.169
<b>TOTAL ASSETS</b>	<b>150.323.118</b>	<b>12,06%</b>	<b>134.139.607</b>
<b>RESOURCES</b>	<b>31.03.2015</b>		<b>31.12.2014</b>
<b>Short-Term Obligations</b>	<b>66.559.584</b>	<b>8,01%</b>	<b>61.621.740</b>
Short-term Loans	39.201.651	34,15%	29.221.232
Short-term parts of the Long-term Loans	5.307.938	-13,59%	6.142.883
Trade Liabilities			
- Trade Liabilities to Irrelevant Parties	18.001.493	17,43%	15.330.109
Liabilities as a part of the Employee Benefits	552.210	100,00%	522.664
Other Debt			
- Other Liabilities to Irrelevant Parties	485.246	-32,09%	714.501
- Other Liabilities to Relevant Parties	624.060	100,00%	5.504.294
Deferred Income	2.385.864	-43,00%	4.186.057
Period Profits Tax Obligations	1.122	100,00%	-
Other Short-term Obligations	-	0,00%	-
<b>Long-Term Obligations</b>	<b>20.010.093</b>	<b>-22,75%</b>	<b>25.903.470</b>
Long-term Loans	11.273.801	-33,38%	16.923.434
Long-term Reserves			
- Long-term Reserves related to the Employee Benefits	371.079	15,37%	321.646
Deferred Tax Obligations	6.371.325	-3,42%	6.596.955
Other Long-term Obligations	1.993.888	3,28%	2.061.435
<b>EQUITY CAPITAL</b>	<b>63.753.441</b>	<b>36,77%</b>	<b>46.614.397</b>
<b>Equity Capital of the Main Partnership</b>	<b>64.268.566</b>	<b>36,60%</b>	<b>47.049.567</b>
Paid Capital	40.000.000	33,33%	30.000.000
Differences of Capital Adjustment	1.865.909	0,00%	1.865.909
Premiums Related to Shares	95.949	640,29%	12.961
Incomes or Expenses			
- Reevaluation and Measurement Income/Loss	22.964.545	0,00%	22.964.545
- Actuarial Loss / (Income) Funds	(10.239)	13,34%	(9.034)
Other Accumulated Comprehensive Income or Expense Recategorized with Income or Loss			
- Foreign Exchange Differences	(1.294.846)	-69,40%	(4.231.141)
Limited Reserves Allocated from Profits	379.054	0,00%	379.054
Previous Years' Profits / (Losses)	(3.932.727)	-61,64%	(10.251.440)
Net Profit / (Loss) for the Year	4.200.921	33,52%	6.318.713
<b>Non-Controlling Interest</b>	<b>(515.125)</b>	<b>18,37%</b>	<b>(435.170)</b>
<b>TOTAL RESOURCES</b>	<b>150.323.118</b>	<b>12,06%</b>	<b>134.139.607</b>

## INCOME STATEMENT HORIZONTAL ANALYSIS

(All the amounts have been demonstrated in Turkish Lira ("TL"))

	01.01.-31.03.2015	VARIANCE	01.01.-31.03.2014
Revenue	34.704.200	27,15%	27.294.096
Cost of Sales (-)	(23.995.979)	12,51%	(21.327.709)
<b>GROSS INCOME (LOSS)</b>	<b>10.708.221</b>	<b>79,48%</b>	<b>5.966.387</b>
General Administrative Expenses (-)	(2.008.092)	51,10%	(1.328.940)
Marketing, Sales and Distribution Expenses (-)	(2.968.809)	-2,55%	(3.046.373)
Research and Development Expenses (-)	-	0,00%	-
Other Real Operating Income	371.670	-28,74%	521.599
Other Real Operating Expenses (-)	(431.401)	-18,60%	(529.946)
<b>REAL OPERATING PROFIT /LOSS)</b>	<b>5.671.589</b>	<b>258,34%</b>	<b>1.582.727</b>
Income from Investing Activities	0	0,00%	0
<b>REAL OPERATING PROFIT/(LOSS) BEFORE FINANCIAL EXPENSES</b>	<b>5.671.589</b>	<b>258,34%</b>	<b>1.582.727</b>
Financial Income	(6.600.758)	<b>145,74%</b>	(2.686.077)
Financial Expenses (-)	<b>4.886.972</b>	<b>1097,16%</b>	<b>408.215</b>
<b>PRE-TAX PROFIT/(LOSS) FOR CONTINUING OPERATIONS</b>	<b>4.886.972</b>		<b>408.215</b>
<b>Continuing Operations Tax Income/(Loss)</b>			
-Period Tax Income/(Loss)	(1.122)	-100,00%	-
-Deferred Tax Income/(Loss)	(764.884)	-486,78%	197.755
<b>CONTINUING OPERATIONS PERIOD PROFIT/(LOSS)</b>	<b>4.120.966</b>	<b>580,06%</b>	<b>605.970</b>
<b>DISCONTINUED OPERATIONS PERIOD PROFIT/(LOSS)</b>	-	-	-
<b>PERIOD PROFIT/(LOSS)</b>	<b>4.120.966</b>	<b>580,06%</b>	<b>605.970</b>
<b>Distribution of Period Profit/(Loss)</b>			
Non-Controlling Interest	(79.955)	14,95%	(69.557)
Main Partnership Shares	<b>4.200.921</b>	521,87%	<b>675.527</b>
<b>Earnings per Share</b>	0,105	366,40%	0,023
<b>Earnings per Share from Continuing Operations</b>	0,105	366,40%	0,023
<b>CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD ENDING ON MARCH 31, 2015</b>			
<b>PERIOD PROFIT/(LOSS)</b>	<b>4.120.966</b>	<b>580,06%</b>	<b>605.970</b>
<b>Other Comprehensive Profit:</b>			
<b>Not Reclassified with Profit or Loss</b>	<b>(964)</b>	54,55%	<b>(2.121)</b>
Reassessment Increase/Decrease of Tangible Fixed Assets	-	100,00%	(2.652)
Defined Benefit Pension Plan Remeasurement Income/Loss	(1.205)	100,00%	-
- Expenses (-) Income	241	-54,61%	531
<b>Reclassified as Profit or Loss</b>	<b>2.936.295</b>	2435,11%	<b>115.825</b>
Foreign Exchange Differences	2.936.295	2435,11%	115.825
<b>OTHER COMPREHENSIVE INCOME</b>	<b>2.935.331</b>	2481,55%	<b>113.704</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>7.056.297</b>	880,49%	<b>719.674</b>
Distribution of the Total Comprehensive Income:			
- Non-controlling Interest	(79.955)	14,95%	(69.557)
- Main Partnership Shares	7.136.252	804,20%	789.231

## **6- RISKS AND THE EVALUATION OF THE MANAGING BODY**

### **a) Information on risk management policy that the company will apply towards projected risks:**

Risk management is carried out by the finance department. In order to increase the internal control mechanism, a software program has been used as of 01.01.2006 for the processes from ordering to delivery. Development works of the internal control system were carried out within the 2012 period and risk management still continues.

### **b) Activities and Financial Status Ratios**

<b>ACTIVITY RATIIONS</b>	<b>31.03.2015</b>	<b>31.03.2014</b>
Gross Profit Margin	30.86%	21.86%
Operating Profit Margin	16.34%	5.80%
Net Profit Margin	11.87%	2.22%

<b>FINANCIAL STRUCTURE RATIIONS</b>	<b>31.03.2015</b>	<b>31.12.2014</b>
Revenue/Turnover Ratio	117.34%	99.08%
Leverage Ratio	57.59%	65.25%
Corporate Tax Debt / Total financial debt	76.89%	70.40%
Total Financial Debt / Equity Capital	135.79%	187.76%

## **7- PROFIT DISTRIBUTION POLICY**

The profit distribution policy of the company is determined within the framework of the Capital Markets Regulations and the Main Contract, and in accordance with the Corporate Governance Principles, a balanced and consistent policy is followed between the shareholders and the company beneficiaries during profit distribution.

As of the distribution date, the dividend shares are equally distributed, to all the shares, in proportion to their shares regardless of their issue and acquisition dates. No privilege is applied during profit distribution.

Within the framework of our Corporate Governance Principles compliance works, it was decided that this policy shall be approached as a written policy as of 2007.

As per the decision made at the 30.04.2007 dated Board of Directors meeting; distribution is based on the policy that specifies the dividend distribution in a way that it is distributed, to the Gersan shareholders, in the form of cash and/or non-par shares provided that they are not less than the shares permitted in the other relevant regulations and as stipulated by the Capital Market Regulations. Due to this reason and by taking into consideration the performances, investment needs along with sectorial, national and international conditions, the company determined its policy as: distributing the profits, which are calculated in accordance with the specified policies of the Corporate Market Board, in a way that it allows for financial structure optimization and that the investments, which are necessary for growth, and as the extraordinary developments in economic conditions permit it.

Except for the necessary investments for the continuous growth of the company and other funding needs along with the special conditions that require extraordinary developments in economic conditions, the sustainability of the profit distribution policy herein is among the main goals of the company.

The dividends that are decided to be distributed can be paid at one time or in installments provided that they are decided at the general meeting.

Upon the request of the board, the time of the dividend payments are decided on by the general assembly.

The General Assembly can authorize the Board to decide on the time and installments of profit distribution at the meeting where the profit distribution is discussed.

In accordance with the relevant regulation and the provisions of the main contract, the Board can decide to distribute dividends in advance. The relevant provisions of the regulation are followed on the payments of advance dividends.



## **8- CAPITAL INCREASE DURING THE PERIOD AND THE AMENDMENTS MADE TO THE MAIN CONTRACT**

Within the 01.01 – 31.03.2015 period, there are no capital increases or changes to the main contract.

## **9 – SUBSIDIARIES WITHING THE GROWING STRUCTURE**

The company has an office at the Bastepe Mahallesi, Martebe Sokak, No:26/2, Ankara address, a representative office in Dubai and a contact office in Qatar. The company is waiting for an appropriate land, being allocated by the Qatar Emirates, within the Organized Industrial Zone for the 1,000,000 USD capital and Gersan Elektrik Qatar W.L.L. titled company of which the establishment operations were completed on 14.03.2011. As required by the regulations of the relevant country, the capital in question must be paid, within one and a half years, from the date of the land allocation. There are no activities carried out so far by the company in question. After this date, there are predictions to establish a production facility and to operate in relation to the allocation of land for the factory building. Therefore, the company in Qatar has no effect on the financial statements for now and Gersan shall participate, in 90%, to the company in question. The address is: Ibn ABD Street Zone, 56 Aln Khalid Area Salwa Road, Doha, The State of Qatar.

Acquiring the 90% of the shares that represent its capital, Gersan-R Zao started operations on August 11, 2009 in St. Petersburg, Russia and moved to the city of Kaliningrad. Total size of the facility in Russia is 34,708 m<sup>2</sup>. Total closed area right now is 5,960 m<sup>2</sup> and its construction is completed. Investment amount was \$5,000,000 but \$5,200,000 has been spent on investments so far. The company shall ship the products made in Turkey as semi-finished and complete their installation, labor and packaging in Russia.

Companies included in the consolidation:

	<u>Participation Rate</u>
Gersan Elektromekanik ve Insaat Sanayi Ticaret A.S.	70.0
Gersan-R Zao	90.0

**10 - NOTIFYING THE PUBLIC OF THE PEOPLE WHO HAVE INTERNAL STATUS**

Insider trading policy is determined taking into consideration the Capital Market Legislation and CMB regulations.

The company pays great importance for all their company employees to pay attention to the rules related to the use of insider information when keeping the balance between transparency and the protection of the company's interests.

In this regard, for the Chairman of the Board and its members, all the employees of the Directorate of Financial Affairs and those who are able to obtain information during their assignments due to their profession to use this information in order to benefit themselves or third parties are prohibited.

The list of those who have access to insider information, as of the date of this report, are as follows:

**GERSAN ELEKTRİK**

Yüksel KARDES

Chairman of the Board

Ulvi ADALMIS

Deputy Chairman of the Board

Irfan SAHİN

Board Member

Gulfem OKTAY

Board Member

Afife Sebnem TINIK

Board Member

Kazim BAYDILLI

Independent Board Member

Menduha OZTURK

Independent Board Member

Bulent YILDIRIM

Certified Public Accountant

Selahattin BORU

Independent Accountant

Yeliz OZTUFENK

Accounting Manager

Ensar TEMUR

Investment Coordinator

Mertkan GUNDUZ

International Sales Manager

Nesat SAHIN

Factory Manager

Barbaros CELIK

Domestic Sales Manager

Mustafa Serdar SALCI

Product Development Manager

## **11 – GENERAL ASSEMBLY INFORMATION**

**The Ordinary General Assembly Meeting of Gersan Elektrik Ticaret ve Sanayi Anonim Sirketi for the year 2013 was held on 21.04.2014 at 14:00 at the company's headquarters located at the Tuzla, Istanbul Anadolu Yakasi, Organize Sanayi Bolgesi, Gazi Bulvari No:39-41 Tuzla/ISTANBUL address. The summary of the decisions are listed below:**

1. Having the responsibility to prepare a consolidated financial statements in accordance with the regulations of the Capital Markets Board (CMB), the 2013 financial statements of our company and the report summary of the Independent External Auditing organization are deemed to have read in line with the regulations. The reports were discussed and were unanimously accepted as a result of voting.
2. As per the regulations of Tax and CMB, the prepared balance sheet summary and profit-loss statements were read, discussed and as a result of voting, the balance sheet and profit-loss statements the year 2013 were unanimously approved.
3. As per the Corporate Governance Principles, the Capital Market Legislation of the company's existing "Share Distribution Policy" were informed to the shareholders within the framework of the Turkish Commercial Code.
4. The election of the HLB Saygin Sworn Certified Accounting and Independent Audit Inc. (member of the HLB International), who was recommended by the audit committee and chosen by the Board of Directors in 2014 to assess the operating accounts within the framework of the Capital Market Legislation and the regulations of the Capital Markets Board, was put to a vote. In response to the 0.000007 rejection votes of the participants who attended via the electronic environment, all the participants attended physically used an affirmative vote and the independent audit firm was approved by a majority vote.
5. As per the Capital Markets Board legislation and its relevant provisions, information on the subject of donations and assistance made within a year, for the purposes of social assistance, being in the amount of 9.900 TL was informed to the partners.
6. Within the scope of the 09.09.2009 dated and 28/780 numbered decision of the Capital Markets Board, the partners were informed that there were no pledges, guarantees and mortgages given for the purposes of obtaining the debt of 3<sup>rd</sup> parties.
7. As per the Corporate Governance Principles of the Capital Market Law, information was given to the partners on the "Company Disclosure Policy" which was publically disclosed on the company's corporate website.
8. On the matter of our members of the Board being able to carry out transactions within the framework of the 1<sup>st</sup> paragraph of the 395<sup>th</sup> clause of the Turkish Historical Society titled "Transactions with Companies, Owing to the Companies Prohibition" and the 396<sup>th</sup> clauses titled "Prohibition of Competition", and being given authorization as per the 395<sup>th</sup> and 396<sup>th</sup> clauses of the Turkish Historical Society and 1<sup>st</sup>, 3<sup>rd</sup> and 7<sup>th</sup> clauses of the Corporate Governance Principles of the Capital Markets Board were unanimously accepted by those present.
9. As per the Corporate Governance Principles of the Capital Market Bond, information was given to the partners on the matter of "Pricing Policy" which was determined as fixed fees at the annual Ordinary General Assembly Meeting for all the members of the Board.

## **12 - OTHER CONDITIONS NOT STATED IN THE FINANCIAL TABLES BUT SHALL BE BENEFICIAL TO THE USERS**

31.03.2015

The group has decided, on 28.04.2015, to have the year 2014 as an ordinary general assembly.

### **13- STATEMENT AND REPORT OF COMPLYING WITH THE CORPORATE GOVERNANCE POLICIES**

Gersan acts with the knowledge of importance and benefits of the Corporate Governance Principles in terms of capital markets and public companies. Together with the increase of its export share in international activities and sales, complying with international standards carries a great importance in sustainable and stable growth. Thus, corporate governance also contributes to an increase in companies' management quality, to better management by reducing risks and an increase in reliability and respectability in financial and capital markets.

As Gersan, best efforts are put forth to ensure compliance to the 'Corporate Governance Principles', within the framework of published notifications by the Capital Markets Board.

Within the framework of the relevant laws and the CMB Corporate Governance Principles, Gersan ensures that the shareholders holders are notified on time, accurately, in full and in an understandable, analyzable and accessible manner so that the company's rights and benefits are protected provided that information that are in the form of trade secrets and confidential are excluded.

Our company's Corporate Governance Committee continues its efforts towards improving corporate governance practices. We are still working on the principles that have not been implemented and plan to implement them following the completion of the legal and administrative works. There have been conflicts of interest due to the non-implementation of those corporate governance principles.

Covering the 31.03.2015 activity period, our Corporate Governance Principles Compliance Report, grouped under four main topics, titled "Shareholder", "Public Disclosure and Transparency", "Stakeholders" and "Board of Directors" are presented below in a way that they include applicable and non-applicable matters of the principles in question.

Sincerely.

## SECTION I: SHAREHOLDERS

### 2. Shareholder Relations Unit

Concerning the use of shareholders' rights, we act in compliance with the legislation, main contract and other internal regulations. In this context, a "shareholders relations unit" was created which also includes a member of the Board.

Head of the Unit	: Ulvi ADALMIS	ulvi@gersan.com.tr
Unit Member	: Yeliz OZTUFENK	yeliz@gersan.com.tr
Tel	: 0216-593 0050 pbx	
Fax	: 0216-593 0047	

Duties and authorities of the shareholders relations unit are as follows:

- 1.1- To ensure that the company's shareholders' are in compliance with the legislation, main contract and other internal regulations when they are using their share ownership rights and to take the necessary measures that ensure the use of these rights,
- 1.2- To operate in coordination with the Corporate Governance Committee for the use of shareholders rights and to ensure communication between the shareholders and the Board of Directors,
- 1.3- To ensure that the records related to the shareholders are kept, in a healthy, safe and up to date manner,
- 1.4- To ensure that the General Assembly meetings are held in accordance with the main contract, internal regulations and with the legislation in effect,
- 1.5- To prepare the documents being used at the General Assembly meetings and to deliver these documents, to the company's management, on time,
- 1.6- To carry out the necessary works so that the General Assembly meeting minutes are duly recorded,
- 1.7- To ensure that the voting results are recorded and that the decisions of the General Assembly meetings are sent, on time, to the shareholders and to the relevant government agencies as required by the legislation,
- 1.8- To monitor and follow all types of matters related to public disclosure that includes company's Disclosure Policy and legislation, and to work as a source of communication with the investors, financial analysts, mass communications and similar groups on the subject of public disclosure,

1.9- To fulfill the shareholders' and investors information requests within the framework of the legislation, main contract, corporate governance principles and the disclosure policy, and to answer the written information-requests of the shareholders that are related to the company, provided that the information in the form of trade secrets and confidential are excluded and has not been disclosed to the relevant public,

1.10- To organize periodic investor briefing meetings domestically and internationally or to participate in these organized exhibitions and meetings within the framework of the legislation, main contract, corporate governance principles and the disclosure policy,

1.11- To carry out the necessary works in order to make the company's website an active communication platform for the shareholders and the existing and potential investors, to ensure that the financial tables that will be prepared in accordance with the national and international financial reporting standards are published within the statutory period,

1.12- To ensure that the information that can affect the decisions of the shareholders and the existing and/or potential investors are included in the activity report in a way that was requested by the legislation and the Capital Markets Bond Corporate Governance Principles and to ensure the on-time updates on the company's website,

1.13- To synchronize company's Disclosure Policy with the requirements of the legislation,

1.14- To pay attention to ensure that the annual activity report is prepared within the framework of the relevant legislation and the Capital Market Board Corporate Governance Principles,

1.15- To present the summary of the General Assembly reports and the investor requests to the General Manager and to the Board of Directors.

Main activities that the unit carried out during the period, applications made to the unit during the period and the number of responses given to the investors: There are no written applications from the investors during this period. Although the exact number of applications are not confirmed, through the 15 telephone application calls, investors were given information to enlighten them.

## **2. Use of the Shareholders' Right to Acquire Information**

For the situation of our company and in accordance with the legal regulations and requirements, three committees have been formed in order to fulfill the duties and responsibilities of the Board of Directors. These committees are: The Audit Committee, the Corporate Governance Committee and the Early Detection of Risks Committee.

The request in the main contract to appoint a special auditor is not prepared as an individual right. The investors do not have any written applications during this period. Through the unspecified number of application phone calls, information was given to the investors in order to enlighten them.

During the 31.03.2015 period, the information requests received, either directly from the shareholders or indirectly through intermediary companies, have all been met in a timely matter.

#### **4. General Assembly Meetings**

General Assembly held during the period is as follows:

A General Assembly Meeting was held on 21/04/2014 for the year 2013.

#### **5. Voting Rights and Provision Rights**

5.1. Our company avoids complicating and difficult implementations on the usage of right to vote and provides the opportunity, to each owner, to use their voting rights in the easiest and the most appropriate manner,

5.2. There are no "privileges" on any of the company shares,

5.3. In our company, every share has one voting right,

5.4. There is no regulation that foresees the usage of the voting right after a certain period of time from the date of acquisition,

5.5. There is no provision in our main contract that prevents the person without any shares to vote as a representative by proxy,

5.6. Our shareholders have not made any demands in terms of representation of their minority rights,

5.7. Because there are no companies with mutual participation relationship among the shareholders, General Assembly has not voted towards this,

5.8. The minority rights were granted to those shareholders who have one-twentieth (5%) of the capital,

5.9. There are no implementations in our main contract with regards to cumulative voting method.

#### **6. Dividend Rights**

The company carries out the dividend distribution process inclusive of the provisions of the Turkish Commercial Code, Capital Market Regulations, regulations of the Capital Markets Board, the Main Contract and the Profit Sharing Policy determined by the Board of Directors.

The relevant clause of the Main Contract, within the 2013 period, related to the profit distribution of the company is as follows:

Determination and Distribution of Profits

Clause 28:

As it is with the general expenses of the company and various depreciations, the essential amount that must be separated and paid by the company along with the mandatory taxes that must be paid by the company legal entities and all the financial obligations shall be respectively allocated as below after the deduction of losses from the previous year if there is a remaining amount and a net profit in the annual balance sheet following the deduction from the determined profits at the end of the accounting year.

- a) 5% of legal reserve funds are allocated as per the provisions of the Turkish Commercial Code,
- b) The first dividend is separated from the remaining amount in the rates and portions determined by the Capital Markets Board,
- c) The General Assembly is authorized to partly or fully distribute the remaining amount or to separate it as a reserve fund. After a 5% profit share deduction of the paid capital from the portion that is decided to be distributed to the shareholders and to the other parties with profit-sharing, the second distribution of legal reserve funds are allocated as one-tenth of the remaining amount as per the 3<sup>rd</sup> sub-paragraph of the 2<sup>nd</sup> paragraph of the 466<sup>th</sup> Clause of the Turkish Commercial Code. Unless the necessary reserve funds are allocated with the statutory provision and unless the first dividend specified in the main agreement is distributed to the shareholders in the form of cash and/or in shares; a decision cannot be made to allocate other reserve funds, transfer profits to next year, distribute dividends and distribute profit shares to the members of the board, employees, personnel, workers, foundations established for various purposes and to the similar people and/or establishments,
- d) The dividends are evenly distributed, as of the accounting period, to all the existing shares regardless of their issue or acquisition dates,

On the condition that the Board of Directors obtains authorization from the General Assembly, it can decide to distribute advance dividends, in accordance with the regulation, during the interim financial statement periods.

The company does not provide any privileges towards the shareholders on the matter of profit sharing.

Within the framework of our Corporate Governance Principles compliance works, it was decided that this policy shall be approached as a written policy.

As per the decision made at the 30.04.2007 dated Board of Directors meeting; distribution is based on the policy that specifies the dividend distribution in a way that it is distributed, to the Gersan shareholders, in the form of cash and/or non-par shares provided that they are not less than the shares permitted in the other relevant regulations and as stipulated by the Capital Market Regulations.

Due to this reason and by taking into consideration the performances, investment needs along with sectorial, national and international conditions, the company determined its policy as: distributing the profits, which are calculated in accordance with the specified policies of the Corporate Market Board, in a way that it allows for financial structure optimization and that the investments, which are necessary for growth, and as the extraordinary developments in economic conditions permit it and distributing profits by taking into consideration the profit distribution rate specified by again the Capital Market Board.

Except for the necessary investments for the continuous growth of the company and other funding needs along with the special conditions that require extraordinary developments in economic conditions, the sustainability of the profit distribution policy herein is among the main goals of the company.

## **7. Transfer of Shares**

There are no provisions in the company's main contract that restricts share transfers.



## SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Disclosure Policy

The purpose of the Disclosure Policy is to equally share information with the relevant authorities, existing and potential investors and shareholders on our past performance, future expectations, strategies within the framework of the Turkish Commercial Code and the provisions of the Capital Market Legislation, in an accurate, timely, detailed and comprehensively manner except for the information in the form of trade secrets of our company.

Our company's "Disclosure Policy" is available in our corporate website at the [www.gersan.com.tr](http://www.gersan.com.tr) address.

Within the framework of the provisions of the Capital Markets Legislation, Borsa Istanbul Regulations and the Turkish Commercial Code, the public disclosure policy is carried out through the following tools and methods:

**a) Disclosure of Special Conditions:** The disclosure of special conditions are prepared in accordance with the II - 15.1 numbered "Special Conditions Notification" of the Capital Markets Board. It is signed by managers with signing authority and made public with the Public Disclosure Platform (PDP). In addition, special conditions disclosures are published on the company's website and stored for five (5) years.

**b) Interviews and Press Releases:** All the written and visual press releases and interviews related to the company's commercial activities, expectation and current issues are made by the General Manager. In order to inform the public, any statements made in the form of a press release, aside from these, are prepared by the Manager of our Investor Relations department and the distributed in accordance with the principles of the disclosure policy.

**c) Corporate Website:** Detailed and open information is available on our company website at the [www.gersan.com.tr](http://www.gersan.com.tr) address.

**d) Public Disclosure of Financial Statements:** The financial statements and footnotes of our company are prepared in accordance with the provisions specified by the Capital Markets Board and go through an independent audit. The financial statements and footnotes along with the independent audit report are presented to the Board of Directors with the approval of the Audit Committee. After their authorized signatures, the financial statements, footnotes, independent audit report and the responsibility statement that are approved by the Board of Directors are reported, by the Directorate of Financial Affairs, to an electrical environment, in line with the regulations of the CBM and the Borsa Istanbul, via the Public Disclosure Platform (PDP) at the CMB and the Borsa Istanbul. The financial statements and the footnotes are also published on our website.

**e) The Trade Registry Gazette and Other Newspapers:** As per the Capital Market Legislation and Turkish Commercial Code, announcements such as the general assembly invitations, capital increase, dividend payments, prospectus, circulars and etc. are made via the Trade Registry Gazette and other newspapers.

**f) Informing the Investors:** The statements, presentations and reports made at the presentation meetings, informing meetings or press meetings held with a specific group of

investors or brokerage analysts are also published on the website and kept open for everyone to access.

**g) Written and Oral Requests:** Investor Relations Department has been appointed to oversee all types of matters related to public disclosure and to answer questions directed at the company. All the written and oral question directed at the company throughout the year are answered by this unit and the Board of Directors is informed of these questions and answers.

## **9. Company Website and Content**

Detailed and open information on our company is available on our company website at the [www.gersan.com.tr](http://www.gersan.com.tr) address. Information can be accessed through the links located on the "Investor Relations" page.

Important highlights that can be viewed from the website are as follows:

- Codes of Conduct
- Shareholding Structure
- Members of the Board of Directors
- Main contract of the company
- Activity reports
- Disclosure of special conditions
- Corporate Governance practices and compliance report
- General Assembly meeting date, agenda, explanations of the agenda topics
- Detailed financial tables for at least the last five (5) years
- List of those who have Access to insider information
- General Assembly meeting minutes

## **10. Activity Report**

The activity reports are prepared in accordance with the Capital Market Legislation, Turkish Commercial Code and Corporate Governance Principles and carried out with the approval of the Board. The annual activity reports of our company are prepared in Turkish and after a reasonable guarantee is ensured on whether or not there is an important error related to the consistency between the financial information in the annual activity of the independent audit and the financial statements audited independently, they are then made available to the investors at the company headquarters and at the website. For those who cannot come to the company headquarters, the documents are transmitted electronically or by mail when requested.

## SECTION III : STAKEHOLDERS

### **11. Informing the Stakeholders**

**11.1.** Informing the shareholders and investors are carried out in accordance with the Capital Market Legislation, Law, CMB regulations/decisions and the Company's Disclosure Policy and through specified means.

**11.2.** In accordance with the Capital Market Legislation, Law, CMB regulations/decisions and the Company's Disclosure Policy, our shareholders consisting of stakeholders, investors, financial institutions and suppliers are able to access company info through held meetings and the news shared with the written and visual media and via our Corporate Website.

Whether or not the relevant stakeholders of the company were informed on the matters related to them and the methods if they were (attending meetings, etc.) are informed through the Special Conditions Notification sent to the Public Disclosure Platform. Aside from these, workers, suppliers and customers are informed on the matters related to them at the meetings held.

### **12. Stakeholders Participation in Management**

Participation of the employees in management is done though the annual target setting and performance evaluation meetings and periodic meetings held within the company. With these approaches, the necessary participation and contribution of the employees are highly considered by the Board of Directors for the effective management of the company.

### **13. Human Resources Policy**

Human Resources Policy of our company is stated below:

We aim to select the most suitable qualified workforce to will protect the GERSAN's values and carry our company into the future and to employ them. Our goals to fulfill this purpose:

To be the employer that the qualified workforce prefers to work with, to contribute to the development of our employees in order to create a competent and successful workforce and leading candidates, to train the employees in different positions for the development of our company and our employees and to increase rotation practices, to ensure the development and widespread of a participating, sharing, impartial and transparent culture that values diversity and creativity, to develop them in the meantime so they do not ignore the company's privacy policy, to take into account the suggestions and expectations of our employees, to continuously improve approaches that strengthen commitment and to ensure a safe and healthy work environment where the ethical values are kept alive and the balance between work and private life is taken into account. Acting with this purpose and goals, the potential employees that will be working in the company are personally chosen by the employees and their views on the development of our company's mission, vision and strategies are taken into account.

#### **14. Codes of Conduct and Social Responsibility**

Our company's "Code of Ethics" was announced to the public by publishing it in our corporate website.

Code of ethics policy of our company is as follows:

GERSAN employees:

- are chosen from among the reliable people who are highly ethical, hardworking, dedicated, honest and have specific accumulations,
- work towards increasing the value of the company,
- always represent the company everywhere in the best way,
- are respectful towards laws and internal regulations
- are honest, disciplined, dedicated and hardworking,
- have the awareness to ensure customer satisfaction,
- give great importance to education/training and make an effort to become more efficient and to improve their professional skills within their line of work,
- don't speak about matters related to their duties outside the company, don't argue and cause any negative comments,
- pursue the benefit of the company when working, avoid and refrain from all types of actions and behaviors that might mean providing an advantage to themselves or to their acquaintances,
- comply with the procedures of the company on insider trading,
- pay great attention to the effective and proper use of company resources, avoid unnecessary spending, do not use company assets and resources towards their personal interests and hinder the use,
- monitor compliance to company's ethical rules and in the event of non-compliance, apply to the competent authorities to implement the necessary actions,
- pay attention to customer relations, make efforts to provide the best service to customers,
- all the employees act responsibly and respectful amount themselves.

During the process of performing the operations of its own and the subsidiaries', our company pursues to fulfill its obligations on the prevention of pollution and the conservation of natural resources. In this context, a "No EIA is Needed Certificate" was given to our company as a result of the EIA report application of the Ministry of Environment. We also provide assistance and training support for natural events in Turkey and in the world.

## SECTION IV – BOARD OF DIRECTORS

### **15. Structure and Formation of the Board of Directors**

The Board of Directors consists of seven (7) members, including four (4) executive, one (1) non-executive and two (2) independent officers. When creating and appointing the Board of Directors, Turkish Commercial Code, Capital Markets Legislation, Law, CMB Regulations and Decisions are followed. The guidelines related to the subject are stated in the Main Contract of the company.

The percentage or number of Board of Directors members specified by the CMB are elected among the independent candidates who are qualified as an independent member. When determining and nominating the Independent Board Member candidates along with their numbers, qualifications and dismissals and/or resignations, the relevant legislation provisions in force and the Law, Capital Markets Board Regulations/Decisions are followed.

The Board of Directors are also elected among people who are experts in company management, manufacturing, sales, marketing and finance processes and among the partners who coordinate these activities. There are sub-staff experts who support these people.

There are independent members in the Board and Kazim Baydilli and Menduha Ozturk were appointed as Independent Board of Directors Member.

There are no such limits set because the members of the board devote and will devote a significant portion of their time to the company.

### **16. Operating Principles of the Board of Directors**

Due to the board meetings being held together and within the company, the agenda is determined without prior meetings.

The number of board meetings in a period is four (4). Because the board members are always in the building, there are no special methods used in order to call them to the meeting.

A secretariat was formed in order to inform the board members and to establish communication. The documentation and records lay outs are available.

### **17. The Number, Structure and Independence of the Committees Established by the Board of Directors**

For the 31.03.2015 Accounting Period, our Board of Directors have decided to appoint Menduha Ozturk as the Director Responsible for the Audit Committee and Kazim Baydilli as a member until the Ordinary General Assembly.

Audit Committee:

Name Last Name	Position
Menduha Ozturk	Committee Director, Independent Board Member
Kazim Baydilli	Committee Member, Independent Board Member

The members of the Audit committee are the people that have the qualifications that their position requires and that they were elected among the independent members who do not have the role of an executive director and not have any executive functionalities.

The Audit Committee carries out its activities on regular basis and in accordance with the Capital Markets Legislation and CMP Regulations. In this context, in 2014:

The interim financial statements and footnotes along with the independent audit reports were examined before disclosing them to the public and meetings were held with the independent audit firm.

During the selection of the independent audit firm that the company will receive services from, the views and opinions were stated and the audit contract was reviewed.

The Audit Committee gathers at least four (4) times a year and the decisions of the meeting are submitted to the Board of Directors in writing.

Elected to serve until the Ordinary General Assembly Meeting which is held on 31.03.2013 accounting period to discuss activities, The Corporate Governance Committee Members and their duties are as follows:

Corporate Governance Committee:

Name Last Name	Position
Kazim Baydilli	Committee Director, Independent Board Member
Ulvi Adalmis	Committee Member, Board Member (not independent)

The Corporate Governance Committee carries out its activities on regular basis and in accordance with the Capital Markets Legislation and CMP Regulations and Decisions. In this context, in 2014:

The financial statements and corporate governance compliance reports were examined before disclosing them to the public.

Discussing the company's activities for the 31.03.2015 period, it was ensured that the Ordinary General Assembly meetings will be held in accordance with the relevant regulations.

Whether or not the company's corporate website is kept up to date and its improvements have been monitored.

When necessary, the Audit Committee and Corporate Governance Committee relay the problems related to the internal control mechanism and solution suggestions to the Board of Directors.

### **18. Risk Management and Internal Control Mechanism**

Acting with the idea that every risk also carries opportunities with it at the same time; our company expects to achieve "sustainable growth" provided that the risks are identified, measured and managed effectively.

It is being worked on to spread the risk culture throughout Gersan and security is provided in order to achieve the right job by taking the right amount of risk. Therefore, attempts have been made for new investments at home and abroad.

Within the framework of the existing Audit Committee and with the formation of the Auditing Committee, the Internal Control Mechanism effectively fulfills the duties given by the Board of Directors.

## **19. Company's Strategic Targets**

**19.1.** The vision of our company: is to become a global company in the energy sector who offers value-added solution with advanced technology domestically and internationally, adapts quickly to technological developments, directs changes, keeps the customer satisfaction at the highest levels and is primarily preferred by the domestic and international customers. Its mission: is to draw effective routes within the domestic and international markets, to manufacture products and services within international quality standards and at reasonable prices for the purposes of our customers' success and to achieve this success together with our customers and employees.

**19.2.** Our vision and mission are disclosed to the public on our website and in the annual activity report.

**19.3.** In line with our company's plans, the strategic targets established by our managers are submitted to the Board for their assessment and approval.

**19.4.** The performance of our company is monitored, in specific periods, with the meetings held with the department managers and the necessary measures are being taken.

**19.5.** Our Board of Directors and management constantly monitor the status of our company in relation the strategic goals. Our company's status is reviewed and the new goals and strategies are developed at the periodically and frequently held board meetings.

## **20. Financial Rights**

The basis of the Board Members' and upper-level managements' fees are disclosed to the public though the company website and public disclosure platform.

In accordance with the General Assembly decisions, the daily allowance/honorarium is provided to the members of the Board. Providing benefits to the members and management in ways of giving loans, credits, etc. is out of the question.

Disclosed to the public on the company's corporate website and created in relation to the financial rights being provided to the members of the board and to the upper-level managers with administrative responsibilities, the "wage policy" is submitted to the shareholders, as a separate agenda item, at the general assembly.

Total of the financial rights such as daily allowances/honorariums, wages, premiums and bonuses provided to the upper-level managers and to the members of the board consisting of seven (7) members (5 full, 2 independent) during the 31.03.2015 period is 196,548 TL in gross and the managers are not given any share of the profits (dividends).

There are no rewards being applied to reflect the performance of the financial rights of the board members. The Board of Directors members use company cars.