



**GERSAN ELEKTRİK TİC. VE SAN. A.Ş**  
**BOARD OF DIRECTORS ACTIVITY REPORT**  
**FOR THE PERIOD JANUARY 01, AND DECEMBER 31, 2016**

Candidate Independent Audit ve S.M.M.M. A.Ş.

**INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL ACTIVITY REPORT  
OF THE BOARD OF DIRECTORS**

**To the Board of Directors  
Gersan Electricity Trade and Industry Inc,**

**Report on the Audit of the Annual Activity Report of the Board of Directors on the BDS Framework**

We have audited the annual activity report of Gersan Electricity Trade and Industry Inc. for the fiscal year ending on December 31, 2016.

**Responsibility of the Board of Directors for Annual Activity Report**

The Company management is responsible for the internal control required to prepare the annual activity report in accordance with Article 514 of the Turkish Commercial Code (TTK) numbered 6102, which will be consistent with the financial statements and to reflect the facts and prepare an activity report of this nature.

**Responsibility of the Independent Auditor**

Our responsibility is to express an opinion on whether the financial information contained in this annual report is consistent with the Company's financial statements and whether it reflects the facts, based on the independent audit we conducted within the framework of Article 397 of the Turkish Commercial Code for the Company's annual report.

The independent audit we conducted was conducted in accordance with the Independent Auditing Standards which are part of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Institution. These standards require that compliance with ethical provisions and independent audit should be planned and carried out to obtain reasonable assurance as to whether the financial information presented in the annual report is consistent with the financial statements and reflects the facts.

An independent audit involves the application of audit procedures to obtain evidence of audit evidence of historical financial information. The choice of these procedures is based on the professional judgment of the independent auditor.

We believe that the independent audit evidence we obtain during the independent audit is a sufficient and appropriate basis for the establishment of our opinion.



Tel+90 212 426 00 93 • Fax+90 212 426 84 44 • [Emailinfo@pkfistanbul.com](mailto:Emailinfo@pkfistanbul.com)

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2.

**Opinion**

According to the audit opinion, the financial information included in the annual report of the board of directors is consistent with the audited financial statements in all material respects and reflects the facts.

**Report on Other Liabilities Arising from the Legislation**

Pursuant to the third paragraph of Article 402 of the Turkish Commercial Code (TCC), there is no evidence that the entity will not be able to continue its operations in the foreseeable future, in accordance with BDS 570 "Continuity of Business".

İstanbul, March 13, 2017

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Barış ÖZKURT  
Sorumlu Denetçi

Tel+90 212 426 00 93 • Fax+90 212 426 84 44 • [Emailinfo@pkfistanbul.com](mailto:Emailinfo@pkfistanbul.com)

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**EVALUATION OF THE PRESIDENT OF THE BOARD OF DIRECTORS**

The economic picture of the world in 2017 shows that it will be a very troubled year. Elections made in the United States; It is clear that the decision of the new administration to make domestic production, the high determination against Etta countries and China is clearly going to raise the commodity prices considerably. Petroleum prices around 60 USD indicate that oil producing countries can invest. By the end of 2016, with the FED starting to increase interest rates, the emerging countries will have a higher output of funds. The election in the European countries is another period of distress. Political troubles continue in the world together with the uncertainty in the global economic outlook.

When we looked at our company specially we made the necessary studies especially on the way to become a world brand and started to produce and complete the investment in Zonguldak Çaycuma with the anticipation that the crisis could be turned into a flurry by taking advantage of the product quality which proved to be rush in our country and also in the world. In addition, by establishing companies in Russia and Oman, marketing activities have been increased. At the beginning of 2015, all investments of our factory in Russia, which has been continuing production, were accepted by the completed state and approvals of necessary documents and certificates were obtained. Especially by creating new markets in Southwest African countries and establishing a new company with 19% partnership in Oman in 2016, we increase our share in the international market. The crisis with Russia has begun to recover from the beginning of 2017, and our work has begun to gain momentum.

We, as a company, became a technology firm. The production times of the Automation System, Intelligent Plug System, Intelligent Bus-Bar System that enable communication from the energy lines belonging to our international patron company have been completed and production started. Led lighting fixtures are finished and the product sales are started. The system providing 45% energy saving for industrial luminaries and 75% for street luminaries entered the circuit. In addition, the co-branding agreement with Osram GmbH / Germany was signed and the product was approved by international transfer.

As the first and only electric vehicle charger manufacturer in Turkey, it has started to supply products to public and private sector projects. In the scope of ISPARK, a car charger unit has been installed in 10 parking lots as the only approved brand.

We, Gersan A.Ş. We will continue to demonstrate our commitment to growth and profitability, to speed up institutionalization efforts, to improve marketing techniques, and to overcome the bottleneck of a new investment with the passing of the past, as is always the case with Management and Employees. I would like to express our sincere appreciation to you, our shareholders, our suppliers, suppliers, our dealers, our business partners and our employees, who are always with us when we leave behind our 31st year.

Best regards,

**Yüksel KARDEŞ / Chairman of the Board of Directors**

## 1- COMPANY DETAILS

Trade Title : Gersan Elektrik Ticaret Ve Sanayi A.S.  
Trade Registry Number : 217505  
Head Office Address : Istanbul Anadolu Yakası Organize Sanayi Bölgesi Gazi Bulvarı No:39 Tuzla/Istanbul  
Contact Details :  
Phone : (0216) 593 00 50  
Fax : (0216) 593 00 60  
e-mail : [info@gersan.com.tr](mailto:info@gersan.com.tr)  
Web site : [www.gersan.com.tr](http://www.gersan.com.tr)

GERSAN A.Ş., one of the leading companies of the electricity sector. Combines and protects the conductors from power plants to the prize in the house. Gersan Ticaret started its production in this sector in 1980. Since 1985 GERSAN A.Ş. As a result of 36 years of experience. As of 31.12.2016, the Group has been serving with approximately 441 personnel.

Since its inception, the company has been offering all kinds of technical services and solutions to its customers from the production of the products to the use of the technical and academic personnel.

In the modern test laboratory in the company, according to IEC / TS EN 61439; Temperature increase, electrical characteristics, structural resistance, resistance to crushing, insulation resistance against unusual heat, and EMC tests.

The productions based on international documentary, GOST, IEC, BS, TSE, EN, ISO, CE certifications and from Vietnam to Chile, from Argentina to Sri Lanka, from Algeria to Russia, from Morocco to Turkish Republics, Tan to Dubai and Qatar.

Quality policy is to provide quality products and services that meet customers' requests in the most economical way, to deliver on time, to ensure continuity of service and quality. Mission; Quality and good materials continuously. The main objective is to be a world brand in position.

Gersan-R Zao ("Subsidiary"), which acquired 90% of the shares representing its capital, commenced operation on August 11, 2009 in Saint Petersburg, Russia. As of 29.09.2011, our Subsidiary Continues his activities at address 238440, Russia, Kaliningradskaya obl., Bagrationovskii rn., Pos.Razdolnoe, Popenburgskaya ul. 2.

On 10.02.2010, we started to operate our liaison office and showroom in the State of Qatar in Ibn Abd Street Zone: 56 Aln Khalid Area Salwa Road Doha in order to improve the branding and increase sales in the Gulf countries and we closed this unit in 2016.

The company also has a representative in Dubai Sharjah.

**A- COMPANY CAPITAL, ORGANIZATION AND PARTNERSHIP STRUCTURE**

Full Name of Shareholders (Title)	Share Amount (TL)	Share Percentage (%)
Yuksel Kardes	17,667,902	35.34
Part Open to Public and Other Real Persons	32,332,098	64.66
	<b>50,000,000</b>	<b>100.00</b>

**B- INFORMATION REGARDING PREFERRED SHARES**

None.

**C- COMPANY MANAGEMENT ORGANIZATION, HIGH-LEVEL ADMINISTRATOR AND**
**PERSONNEL INFORMATION**
**a) - Board members**

Full Name	Görevi	Görev Süresi
Yuksel Kardes	Chairman of Board of Directors	28.04.2015 - 28.04.2018
Ulvi Adalmis	Vice Chairman of the Board of Directors	28.04.2015 - 28.04.2018
Nesat Sahin	Member of Board of Directors	28.04.2015 - 28.04.2018
Gülfem Oktay	Member of Board of Directors	28.04.2015 - 28.04.2018
Afife Şebnem Tinik	Member of Board of Directors	28.04.2015 - 28.04.2018
Menduha Öztürk	Independent Member of Board of Directors	28.04.2015 - 28.04.2018
Emin Şimşek	Independent Member of Board of Directors	28.04.2015 - 28.04.2018

**b) Senior Managers of the Company**
**Yüksel KARDES**
**Chairman of the Board of Directors**

He was born in Adana in 1953. Ankara University He graduated from the Faculty of Science, Department of Chemical Engineering, Department of Chemistry in 1975. He started his career as a construction supervisor in Adana, Kozan, Feke, Saimbeyli and Tufanbeyli Energy transmission lines. Adana, Mersin, Ovacık, Aydıncık and Gezen'de served on the energy transmission line. He worked as a factory manager in GALDEM AS as a company shareholder between 1979-1987. As a founding shareholder since 1987, Gersan Elektrik Tic. And San. He is still the Chairman of the Board of Directors and General Manager.

**Ulvi ADALMIS**
**Member of Board of Directors**

Born in Diyarbakir in 1957. He graduated from Istanbul Technical University (ITU) Journalism and Public Relations High School Radio TV Department in 1980. In 1983, Ye-Pa Elektrik Tic. Singing. He started his business life in accounting department in.

In 1997, Gersan Elektrik Tic. San. And Tic. A.Ş., as the Financial Affairs Director, and continues to serve as Vice Chairman of the Board of Directors.

**Nesat SAHIN****Member of Board of Directors**

He was born in Istanbul in 1978. Graduated from Sakarya University, Sakarya Vocational High School, Machine Image Construction Department. He started his career in technical project design department at Famer A.Ş between 1998 and 2000. He has been working as the factory manager of our company since 2000..

**Gülfem OKTAY****Member of Board of Directors**

She was born in Istanbul in 1979. Graduated from Istanbul University - Department of Economics in 1997. While continuing his university education, she fulfilled her internship at Eczacıbaşı, Garanti Bank, and International Trading department of Gersan Elektrik Ticaret ve Sanayi A.Ş,. She completed her education in Foreign Trade Department of Istanbul Commerce University in 2002 and she is still working as Export Manager at Gersan Elektrik Ticaret ve Sanayi A.S.

**Afife Sebnem Tinik****Member of Board of Directors**

She was born in 1982 in Istanbul and studied at Afife Şebnem Tinik Elementary School and Private Dogus College. Graduated from Faculty of Communication, Department of Journalism of Marmara University. She worked at the Department of International News together with Fatih Altaylı's staff at the Main News Center "Kanal D", and later has produced news articles in other journals and organizations. She completed fashion design and mold design departments with double diploma at El Centro College in Dallas, USA. She is quite fluent in English and also participated in courses such as Photography, Computer, Italian language, French language, ITU English translation during her education.

**Menduha ÖZTÜRK****Independent Member of the Board of Directors - Chairman of the Audit Committee - President of the Early Detection of the Risks Committee - Chairman of the Corporate Governance Committee**

She was born in 1966 in Ankara. Started Graduate studies of Marketing Department at Yeditepe University in 2006. She is graduated from Business Administration Department of Faculty of Economics and Administrative Sciences of Anadolu University.

She started her career at Yapı Kredi Bank in 1990 and worked as a manager in Foreign Trade Department and Education Department of the same bank. She gave trainings on foreign trade. In the following years, she worked as Foreign Currency Credits Unit Manager and, worked in Commercial Banking Sales Department of Yapı Kredi Bank until 2010. Menduha Öztürk, who studied Business English in 2006 at Cambridge Bell Scholl, is fluent in English.



**Emin Şimşek****Independent Member of the Board of Directors - Member of the Audit Committee - Member of the Corporate Governance Committee**

Emin Şimşek was born in 1971 and completed his high school education at Tarhan College and then studied at Istanbul Technical University, Department of Management Engineering between 1987 and 1992. He completed his master's degree at The ISCA London Collage of English-Exeter / UK in 1993. He has been serving as manager at Migros TAŞ., Bosch / Siemens, Philips A.Ş. in years and he continues to work as General Manager at AGD Tesis Yön. Tem. TAŞ. The foreign languages he speaks are English, Macedonian, Serbian, Azerbaijani and Bulgarian.

**D- ACTIVITIES**

Partnership Electrical Equipment, Electricity Distribution and Control Equipment Manufacture is located in 27.12.00 (Nace Code) of 52nd Profession Group and produces the following product varieties.

- Cable Transport Systems (Suspension System)
- Cable Channels and Ladder Carriers
- Bus-Bar Channel Systems
- Grounding and Connecting Elements
- Underfloor Canal and Buat Systems
- Electricity Distribution Panels
- Hot Dipped Galvanized Coating
- G-Charge Car Charging Systems
- G-Bus Automation System
- Led-Bus Lighting System
- Medium Voltage Bus-Bar Systems
- Intelligent Torque Bolt

**BUSBAR SİSTEMLERİ**



AĞ DAĞITIM PANNELERİ



TOPRAKLAMA SİSTEMLERİ



LED-BUS SİSTEMLERİ



ELEKTRİKLİ ARAÇ ŞARJ SİSTEMLERİ



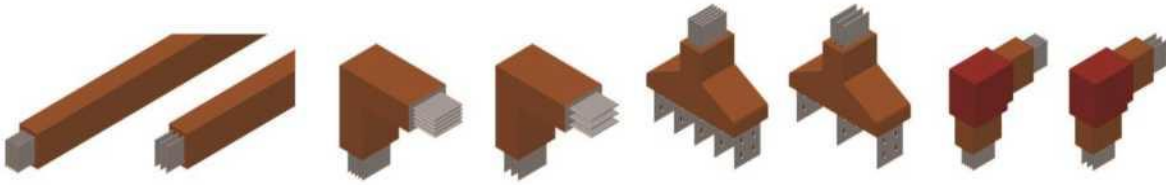
G-BUS OTOMASYON

## 2- FINANCIAL RIGHTS PROVIDING SUPERIOR MANAGEMENT WITH MANAGEMENT ORGANIZERS

All rights, benefits and remuneration provided to the members of the Board of Directors: The members of the Board of Directors have paid a gross attendance fee of TL 1,110,672 for the period of 01.01.2016 - 31.12.2016. There are no defined criteria for these, but they are subject to proportional remuneration according to their authority and duties. No reward is applied to reflect the financial performance of board members.

## 3- COMPANY RESEARCH AND DEVELOPMENT WORKS

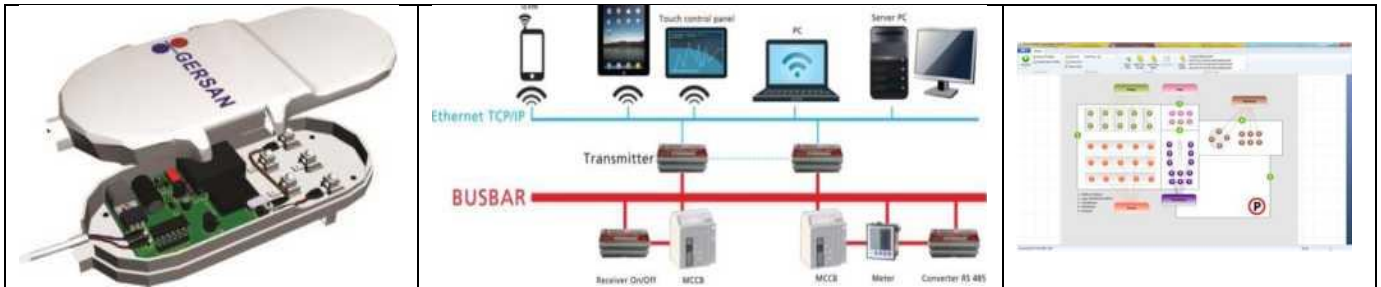
Within the scope of Tübitak project, which is carried out for manufacturing of the first and only Medium Voltage 36kV Busbar system of Turkey, resin IP68 36kV medium voltage busbar design was realized with the project "Design and manufacture of airless and compact medium voltage busbar applications" completed on 25.03.2015. At the same time, the IP68 can be used as a low-voltage busbar, and has been among the few manufacturers operating on this field worldwide. Registration applications have been made for the properties that are subject to patent within the product production technique and raw material properties.



In addition, "Machine design and production of low-voltage and medium-voltage busbar with IP68 sealing class" project was developed and the machine infrastructure used in the special manufacturing techniques of the product was also created.

The project of "Design and production of tension-sensitive bolts (intelligent bolts)" of the company has been completed and the production of an important accessory used in busbar systems has been provided and with the project "Designing and manufacturing of liquid packaging systems which are used in intelligent bolts and change color according to torque and tension" The machine infrastructure used in the manufacturing techniques of the product was established.

In order to make automation application in Bus-Bar systems as the first and only in the world, application was made to Presidency of Tübitak Technology and Innovation Support Programs under the name of "Data Transfer and Automation Using Energy Transmission Lines" on 23.11.2010 with project number 3100623. Our project was completed on 31.07.2011 and was subsequently filed for patent registration. The relevant patent application has been affirmatively finalized and registered in late 2015. In this context, G-Bus branding is established and thanks to G-Bus automation system, automation can be done without additional cable in both methods either via power lines or with RF radio waves and air and the opening-closing-dimming-fault detection-automatic scenario Energy saving and maintenance costs will be ensured, energy saving will be obtained with energy monitoring and control systems and installation costs will be low so that these savings will be reflected in financial terms in a very short time. With a reduction in energy consumption, societal outsourcing will decrease. As the product is exported abroad, it will contribute to the economy.



The intelligent installation project titled "Development of Hardware and Software for Energy Efficiency Monitoring Efficiency Systems" is still going on at R & D Department. With the project to be completed in a short time, each of the power outlets in the house can be controlled and monitored via the electricity network and a technological infrastructure without any other examples will be created in accordance with the smart house concept. In this context, patent applications will be made for product and system features.

In addition, a new project application was made under the name of "Development of energy automation systems" in order to expand the automation infrastructure and to be constructed in accordance with the SCADA concept.

G-Charge has been established as the first domestic fixed and mobile charging station brand in Turkey and the project "Design and manufacture of fixed and mobile charging stations for electric vehicles" with the project number 3100089 dated 27.02.2010 for the charging station related to electric vehicles which is one of the future technologies Under the name of Tübitak Technology and Innovation Support Programs was applied to the Presidency, the project was accepted. The project was completed on 31.01.2011 and the brand has been approved in important projects before the works. In the new car park investments to be made in Ispark, the inclusion of the charging station infrastructure has also been pioneered to spread. It has been provided to take place in the electricity projects in order to use the projects in the closed parking lots, especially in the housing and shopping centers.



Vehicle charging systems that our R & D studies are continuing at a fast pace have been approved by Tubitak for our project titled "Busbar System, AC / DC Conversion, Development and Application of Charging Unit with DC Fast Charge (MOD 4) , The development of a fixed electric charging station with alternating AC / DC is aimed.

Prospectively, new projects have begun to work in the field of LED lighting and system integrations.

In this period, the company has increased its R & D activities in terms of production, marketing and product variety. During this period, the company increased its capacity and modernization investments by exporting more than 50% of its products to international markets by taking TYPE tests from international laboratories.

Within the scope of research and development activities exclusively for new technology and information seeking, in the article (a) of the first paragraph of Article 10 of the Article No: 5520 on Corporate Income Tax Law, 100% of the expenditures made by the enterprises within the scope of the research and development activities for new technology and information, It is considered as a discount.

**4- IMPORTANT DEVELOPMENTS RELATED TO COMPANY ACTIVITIES AND ACTIVITIES**

**a) Information related to investments made in the related accounting period:**

Company has started production at Çaycuma/Zonguldak as part of our investment incentives and has completed 100% of the investment. Within the scope of the incentive legislation, Sgk started to benefit from the Employer's Fees promotion as of January / 2014. Again, for the Çaycuma investment, the General Directorate of Incentive Implementation and Foreign Investments of the Ministry of Economy was consulted and the investment incentive certificate approved as an expense investment dated 31.12.2013 and numbered A-113293 was approved. The total land in Çaycuma is about 57.000 m2 and the covered area is 33.000 m2.

Facility - Investments in our machinery investments have been completed within the scope of incentive. For the production bottleneck, cable channel and hot dip coating unit has been introduced.

Former St. Our Gersan Russia company in Peterburg moved to Kaliningrad free zone incentives (Institutions tax exemption, customs exemption, VAT exemption etc) by the end of 2011 to benefit until 2032. The company, 90% of it, Gersan Turkey participates in, also has the authority to operate in 17 different sectors outside its own field of activity. It is the only Turkish company in the Kaliningrad region that has completed the investment commitments we have undertaken, amounting to \$ 5,500,000.00 and approved by the competent authorities. Our company is a company that works with about 30 people with electricity, water, natural gas connection consisting of approximately 32 acres of open space, 6 acres of closed space, 3 warehouses, 1 guesthouse and 1 administrative building.

Our administrative building, which we built in front of our Tuzla factory, is 1.138 sqm, completed by the end of 2015 and we serve in our new administrative building since 2016.

**b) Information on the company's internal control system and internal audit activities and the management body's opinion on this issue:**

The main contract and in-house procedures are checked periodically by the Riskin Early Detection Committee as well as the existing departments within Gersan in order to understand if our company's activities are carried out in accordance with the law.

**c) Information on direct and indirect associates and shareholding percentages of the Company:**

<b>Linked Partnership</b>	<b>Activity Area</b>	<b>Participation Rate</b>
Gersan Elektromekanik ve İnfaat Sanayi Ticaret A.S.	Electromechanic	70%
Gersan-R Zao / Russia	Production of Electricity Materials	90%
Gersan Elektrik Oman LLC/ Sultanate of Oman	Production of Electricity Materials	19%
Gersan-Alan Ordinary Partnership	Electricity, Building and Construction	50%

**5-FINANCIAL STATUS**

<b>Main Items for Balance Sheet and Income Statements</b>			
<b>Income Statement</b>	<b>31.12.2016</b>	<b>Change</b>	<b>31.12.2015</b>
Net Sales	166,525,978	%23.57	134,767,907
Gross Profit	27,704,208	-%25.76	37,318,998
Activity Profit	(6,483,749)	-%137.66	17,215,312
Net Term Profit	3,607,974	-%89.68	34,967,348
<b>Balance Sheet</b>	<b>31.12.2016</b>	<b>Change</b>	<b>31.12.2015</b>
Current Assets	119,101,008	6,03%	112,324,261
Fixed Assets	68,830,714	24,30%	55,373,924
Short Term Liabilities	64,140,400	66,70%	38,475,512
Long Term Liabilities	23,616,991	-25,57%	31,730,566
Equities	100,174,331	2,75%	97,492,107

**5- RISKS AND EVALUATION OF MANAGEMENT ORGANIZATION**
**a) Information on the Applicable Risk Management Policy of the Company against the Predicted Risks**

The Committee for Early Detection of Risks is taking the opinions of the members of the Board of Directors and establishing risk management and processes that can reduce the risks of the Company in the best interest of its interests.

The committee consists of two members, one is president Menduha ÖZTÜRK and the other is member Ulvi ADALMIS, and continuously monitors the functioning and effectiveness of the activities and, if necessary, transfers the problems and suggestions for solution management and internal control mechanisms to the Board of Directors.

The Committee for Early Detection of Risks met six times during the 2016 accounting period and reported and reported these meetings.

**b) Ratio of Activity and Financial Structure**

<b>ACTIVITY RATIOS</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Gross profit margin	16,64%	27,69%
Operating profit margin	-3,89%	12,77%
Net profit margin	2,17%	25,95%
<b>RATIO FOR FINANCIAL STRUCTURES</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Current ratio	185,69%	291,94%
Leverage ratio	46,70%	41,86%
KV financial liability / Total financial liability	73,09%	54,80%
Total financial liability / Equities	87,60%	72,01%

## **7- PROFIT DISTRIBUTION POLICY**

The Company's profit distribution policy is determined within the framework of the Capital Market Legislation and Articles of Association and a balanced and consistent policy is followed between shareholders and Company interests in accordance with the Corporate Governance Principles.

Dividend is distributed equally to all existing shares at the date of distribution, regardless of their issuance and acquisition dates. There is no privilege applied to profit distribution.

In accordance with the decision approved by the Board of Directors of our Company, Gersan is based on a policy of distributing dividends to shareholders in the form of cash and / or bonus shares, not less than the amount prescribed by the Capital Markets Legislation and other relevant legislation. The company, therefore, performance and industry with the need to invest, through the distributable profit calculated according to national and to allow its financial structure optimization taking into account international conditions and growth should be the extent permitted by the extraordinary developments in investment or economic conditions of the Capital Markets Board determined basis, profit making deployment has set as a policy.

Except for special cases present with profits investments, sustaining will require long-term growth of the Company's distribution policy and other funding needs will require extraordinary developments in economic conditions are among the main objectives of our company.

Profit share, at the general meeting decided to distribute at once adjudicated or condition that may be paid in installments.

Payment time of the dividend is determined by the management committee of the General Assembly upon the proposal.

The authority to decide the time of dividend distribution for General Assembly and installments can be given to the Board of Directors at the discussion meeting for the distribution of profits

The Board of Directors may decide to distribute dividends in advance in accordance with the relevant legislation and provisions of the Articles of Association. Dividend payments can be handled within the framework of relevant legislation.

## **8- CHANGES MADE IN THE PERIOD**

Due to the completion of the administrative building of our company, our company is moved to Anatolian side of Istanbul, Organized Industrial Area, Gazi Boulevard No: 39 Tuzla, Istanbul where our own administrative building centers located.

Annual General Meeting of Gersan Electricity Trade and Industry Joint Stock Company for the year 2015 was held on 04.21.2016.

1. Passed to the Voting phase to elect President of the General Assembly. Yuksel KARDES was elected as Chairman of the Meeting unanimously. It was decided to appoint Ulvi ADALMIS as vote collector, and Önder AKPINAR as Recording Secretariat. President of the meeting invited participants to a minute of silence for Mustafa Kemal Ataturk and all the martyrs.

2. With the second item of the agenda, Presidency of the meeting authorized unanimously to sign the minutes of the meetings.
  3. Third item of the agenda discussed. In the direction of the proposal, Annual Report prepared by the Board of Directors for the activities of the year 2015, and were approved unanimity, and Ercan Korkmaz opened negotiations about capital increases made during the year 2015, land sales, the decline in profitability in the last decade, about the status of operations in Russia and was answered by Board Chairman Yüksel Kardes with the annual.
  4. Fourth item of the agenda discussed. Capital Markets Board (CMB) in the consolidated financial statements are required to prepare in accordance with the regulations, and the 2015 consolidated financial statements of our company were discussed and accepted with the present consensus held on voting results, which are prepared by HLB prestigious Independent Auditing Inc.
  5. Fifth item of the agenda discussed. Summarized balance sheet and profit and loss accounts, prepared in accordance with SPK regulations, have been read, opened negotiations, no one mentioned anything, and balance sheet and profit / loss accounts for the year 2015 were approved unanimously by those present.
  6. Sixth item of the agenda discussed. Accordingly, as per the principles of the Dividends Notification of the Capital Markets Board (CMB) and the Company's Articles of Association and the provisions of profit distribution policies publicly disclosed by the Company; it was approved unanimously by those present in the meeting that net profit of 2015 financial statements prepared according to the Tax Law and SPK regulations to be deducted from previous year's losses and no dividend distribution to be made. Dividend distribution is opened to negotiation, and Ercan Korkmaz asked the question of why the dividend payment not made and his question was answered by our Chairman.
  7. Seventh item of the agenda discussed. Member of the Board of Directors were acquitted by a unanimous vote and voting results achieved by not using the voting rights arising from the shares they own. Yet, the auditor was acquitted unanimously as a result of the voting.
  8. Eighth item of the agenda discussed. It was decided unanimously by those present that the Board of Directors, to be total of 7 (seven), including two independent members in this period, and following persons to serve for a period of 3 years: Yüksel Kardeş , ID No 19327064978, Ulvi Adalımış, ID No: 15524387858 Gülfem Oktay, ID NO 19267066940, Neşat Şahin, 54925071676, and Afife Şebnem Tinik, ID No 19264067094. It was also decided unanimously by those present that Menduh Ozturk , ID No 46708888076 and Emin Simsek, 20687275232, to be elected as an independent member of the board of directors for a term of 3 years.
- It was decided unanimously by those present that Chairman's net wage is 26,950.00 TL per month, other Board Members' net wage is 7,150.00 TL per month, and Independent Board members' net wage is 3,330.00 TL per month.
9. Ninth item of the agenda discussed. Recommended by the audit committee in accordance with the Capital Markets legislation and Capital Markets Board regulations, it was decided unanimously by those present that Board of Directors elected to examine the operating accounts of the 2016 candidates to the approval of Independent Auditor and Certified Public Accountant Inc.
  10. Tenth item of the agenda discussed. It was decided unanimously by those present that the donation and aid amount made during the year is 8,500.00 TL pursuant to the Capital Markets Board regulations and relevant provisions. It is offered that donation upper limit to be 500,000.00 TL in 2016.



**11.** Eleventh item of the agenda discussed. Within the framework of the Capital Markets Board regulations, our company have gave information to 3<sup>rd</sup> parties that no pledges, guarantees, and mortgages exist.

**12.** Twelfth item of the agenda discussed. Capital increase was carried out twice during the 2015 accounting period.

The first capital increase, in accordance with decisions taken at the meeting of the Company's Board of Directors dated 10.2.2014, number 19/2014, to be 50,000,000 TL in the Company's registered capital ceiling, and all of the cash in issued share capital, 000 TL, and increased to 40,000,000 TL by increasing 10,000,000 TL with the proportion of shareholding of 33.33% cash interest rate; and registration procedures have been completed within this period.

With the decision of the Capital Markets Board meeting No. 31/1398, dated 13.11.2015, according to the issued document dated 17.11.2015, numbered 58/SA-1398; because of the issued capital our company in 50,000,000 TL registered capital increased from 40,000,000 TL within registered capital ceiling limit of 50,000,000 TL, issued a total of 10,000,000 TL nominal value of the share, by restricting the preferential rights of shareholders, and sales of 1 TL nominal value shares of 2.64 TL have been performed by Verusaturk Venture Capital Investment Trust Inc. through Gedik Investment Securities Inc., and The sales process has been held on 25.11.2015 at Wholesale Market (TSP); and swap transaction was completed on 04.12.2015. The capital increase was given in respect of information to shareholders.

**13.** Thirteenth item of the agenda discussed. It was decided unanimously by those present that transactions can be done according to the Article 395, first paragraph of "the Company Trading Company Borrowing" Law and article 396 of "Non-Competition" Law, and Article 1.3.7 of the Corporate Governance Principles of Capital Market.

**14.** Fourteenth item of the agenda discussed. In accordance with the Corporate Governance Principles of Capital Markets Law, partners are informed about the "Remuneration Policy" and 10% wage increase to Board members and the independent board members and it is defined as a constant in the Ordinary General Meeting each year.

**15.** Fifteenth item of the agenda discussed. It was decided unanimously by those present that share repurchase program prepared by the Board of Directors to be deemed to have read and approved the following manner.

**Withdrawal Objectives:**

As a result of fluctuations in the capital markets, in order to contribute possibility that reflect the actual performance of our operations, which occurs in exchange of our Company's shares and to therefore protect our investors and the resulting price fair value of Capital Markets, prepared by the Board II.22.1 Retrieved Shares notification will occur in the stock market in the coming period when conditions require monitoring of price movements and our company aims to purchase its own shares. This policy will be revised in light of new regulations to be made by the Capital Markets Board.

**Length of Repurchase Program to be implemented:**

Retaining period for the company's share buyback is set at a maximum of three years in accordance with this program, and the shares not be disposed of within this period will be canceled by making capital reduction.

**Maximum Number of Shares Subject to Withdrawal:**

The maximum number of shares of the Company's shares is intended to be taken back considering the maximum rate permitted by the legislation. A retrieved nominal value of shares issued including previous purchases can not exceed 10% of capital.

Accordingly, the total paid-up capital of 50,000,000 shares, corresponding to 5% to 2,500,000 million to repurchase can be disposed of within three years.

Buy-back shares are monitored as a deduction under equity in the consolidated balance sheet and the necessary disclosures to be inserted in the footnotes of the financial statements. Capital increases made within the specified time may vary with different ratios programs or may occur in the Board's decision. This situation can be handled in accordance with legal regulations.

The total value of the retrieved share may not exceed the total amount of resources that may be subject to profit distribution.

The program is terminated when reaching the maximum number of shares specified in the repurchase program.

**Lower and upper limits for the Redemption Price:**

Repurchase of Shares will be applied in the lower price limit of 1,00 TL, and the upper limit is set at 4,00 TL. To require the correction of the stock market price of our shares in case of realization of the process, the same adjustment to the upper and lower price limits set for the repurchase of shares shall also apply. In this way the upper and lower price limits subject to correction will be announced in KAP.

**Sales Principles of Buy-Back Shares:**

Sales of buy-back shares can be sold at dates to be determined by the decision of the Board of Directors within the program period. Our Board of Directors is authorized to terminate the sale without removing all of the share buy-back is obtained.

**Allocated to the Fund Redemption Amount and Total Source:**

A maximum funds amounting is set to 10,000,000 TL which is earned from company resources and activities.

**Authorization to Buy-Back:**

Board of Directors is authorized to 36 months. In this context, our company authorized the Chairman Mr. Yüksel KARDES for company purchases.

Throughout 36 months after authorization date, he is responsible for buyback and shall take the necessary action in accordance with the legislation. With this power, our Board of Directors may perform one or more shorter term buy-back programs in this period.

**Share Price Information:**

Highest Annual Rate	:3,47
Lowest Annual Rate	:1,27
Annual Weighted Rate	:2,35
Highest Rate in Last Quarter	:3,47
Lowest Rate in Last Quarter	:2,76
Weighted Rate for Last Quarter	:3,04

**Date of Buy-Back Program to be submitted to the approval of the General Assembly:**

Prepared Buy Back Program will be presented to the first Ordinary General Assembly approval of the General Meeting to be held.

**16.** President Mr. Yüksel Kardeş closed the General Assembly since no other items to be discussed in the meeting agenda; and ended by saying "Turkey and our company has become increasingly a global company awareness in the world and has completed the infrastructure and technological investments esteemed in the productivity and profitability in the coming years in this case, I believe it will return to our investors. " at 15:10.

**9- SUBSIDIARIES, SHARES AND OFFICES IN GROWING STRUCTURE****Gersan R-Zao**

Our company was operating at St. Gersan Peterburg, Russia firstly, and then our company has been moved to this city, declared a free zone, in order to benefit from the incentives by the end of 2011. The company, 90% participated by Gersan Turkey, has the authority to engage in activities outside the scope of their activities in 17 different sectors. Company is the only Turkish company in Kaliningrad whose investment obligations have been completed, and approval was taken from of the competent authorities. Our company has about 32 acres of open space, 6 acres covered area store 3, 1 guest and 1 administrative building consisting of electric, water and gas connections and it means that a company is employing 30 people.

Our company in Russia will benefit from incentives by the year 2032, and the tax incentives are as follows. The first six years of tax-exempt, the second 6 years, 50% of the tax is to be paid, third 6-year 6.74% of the turnover.

Countries benefiting from incentives are Belarus, Russia, Kazakhstan, and Vietnam. Works still underway to include new participating countries including Armenia, Tajikistan, and Kyrgyzstan. Uzbekistan, Turkmenistan, and Azerbaijan. VAT exemption is available in the Crimea and Belarus. Other countries will participate in the future.

**Gersan Electric Oman LLC**

Due to the un-completed allocation of land required for the plant projects that intend to set up in the State of Qatar by our Company, the inception works of the company named "Gersan electric Oman LLC" was started and finished on 11/29/2016 for the same market appeal, which also covers the Sultanate of Oman.

**Gersan Elektromekanik İnsaat Sanayi Ticaret A.S.**

Company has acquired 70% shares of "Gersan Electromechanical Construction Industry And Trade Co." ("Subsidiary") on 17.09.2008. Because of this hare, the right to vote in the General Assembly is 70%.

Gersan Electromechanical and Construction Industry and Trade Inc. operates in the electromechanical and civil contracting sectors.

Subsidiaries operates in address of Anatolian Side Organized Industrial Zone, Gazi Boulevard, No. 39, Ground Floor Tuzla, Istanbul.

Consolidated active share rate for parent company and subsidiaries as of 31.12.2016 is shown below.

<b>Company Title</b>	<b>Capital</b>	<b>Amount for Nominal Business Associates</b>	<b>Participation Ratio</b>
Gersan Elektromekanik ve İnsaat Sanayi Ticaret A.S.	1,000,000.00	700,000.00	70%

**Gersan - Alan Joint Venture**

Gersan-Areas Joint Venture, was established in the Anatolian side of Istanbul Organized Industrial Zone, Gazi Boulevard No: 39 Tuzla, Istanbul ordinary partnership agreement dated 20.9.2016 with Gersan Elektrik Tic. ve San. A.Ş. and Alan Engineering İnşaat Elektromekanik Sanayi ve Ticaret A.Ş.with a capital of 10,000.00 TL and % 50 - 50% equal share.

Gersan-Alan ordinary partnership has been operating in the construction works with electrical and mechanical works.

**Office and Representative**

The Group also has a representative office in Dubai and an office at Beştepe Mahallesi, Mertebe Sokak No:26/2 Ankara.

## 10- ANNOUNCEMENT OF PUBLIC INFORMATION IN CASE OF THOSE WHO MISCONDUCT

Info abuse are determined in consideration of Capital Markets Legislation and CMB regulations.

The right balance between transparency and the protection of company interest for all company employees are very important to pay attention to the rules regarding the use of insider information.

The Company's Chairman of the Board in this regard, and Members and Financial Affairs Directorate is forbidden to all the staff and because of their profession outside their duties will have knowledge of the time users who may use in order to provide stakeholders that information for themselves or third parties.

The list of persons who have access to insider information as of the report date are listed below.

Full Name	Role
Yüksel KARDEŞ	Chairman of Board of Directors
Ulvi ADALMIŞ	Vice Chairman of Board of Directors
Neşat ŞAHİN	Member of Board of Directors
Gülfem OKTAY	Member of Board of Directors
Afife Şebnem TİNİK	Member of Board of Directors
Emin ŞİMŞEK	Independent Member of Board of Directors
Menduha ÖZTÜRK	Independent Member of Board of Directors
Selahattin BÖRÜ	Financial Counselor
Önder AKPINAR	Accounting Manager
Ensar TEMUR	Investment Coordinator
Mustafa Serdar Şalcı	Product Development Manager

## 11- ABOUT ONGOING IMPORTANT SUITCASES

Compensation demand that has been made against our Company by Graziadio CSPA and Know How License Agreement canceled based on the lawsuit, International Chamber of Commerce (ICC) Arbitration Court of 03.08.2010 dated arbitration decision and award the enforcement community 17.06.2015 dated local court decisions of the Company's appeal be on the Supreme Court 11, dated 06.10.2016. following the approval of the local court decision has resulted against us.

In this context, our company is obliged to pay EUR 621,815 32 and other legal expenses of 32,606 EUR, total of EUR 654,421 to the Graziadio CSPA company and this details is given in previous financial tables of the company. The exchange differences and interest calculations also composed for this amount has been reflected in these consolidated financial statements. On the other hand, the amount of 123,250 USD as determined by MTO International Court of Arbitration the arbitration will be paid by our Company. In addition to the current period related to the outcome of litigation and court costs has been carried out taking into account the interest rate is determined by the court and the money is divided.

In this context, total provisions for consolidated financial statements, dated 31/12/2016, is 3,970,986 TL.

## **12- CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT AND REPORT**

Gersan acts with the awareness of the benefits and importance of Corporate Governance Principles for capital markets and public companies. It made clear that overseas sales efforts and compliance with international standards in conjunction with the increase of the export share, is of crucial importance for sustainable and stable growth. Thus, corporate governance, improve the quality of company management, the risk of reduced and better managed, finance and capital markets also contribute to improving the reliability and respectability.

As Gersan, best efforts is shown in the framework of the notifications issued by the Capital Markets Board 'Corporate Governance'.

In accordance with the relevant laws and the SPK Corporate Governance Principles, Gersan provides his shareholders to receive timely, accurate, complete, understandable, analyzable information provided that the company's rights and benefits are kept secure except for the confidential information and trade secrets.

The Corporate Governance Committee continues its efforts to improve our corporate governance practices. The principles that have not yet been tried for implementation will be put into practice after the completion of administrative and legal study. There has not been a conflict of interest due to corporate governance principles implemented yet.

Our Compliance Report, for Corporate Governance Principles, under four main topics, namely "Shareholders", "Public Disclosure and Transparency", "Stakeholders" and "Board of Directors", is provided herein below including the activity report for 31.12.2016.

### **PART I: SHAREHOLDERS**

#### **1. Shareholder Relations Unit**

Legislation concerning the exercise of shareholder rights, articles of association and other internal regulations are appropriate course of action. In this context, "Shareholder Relations Unit" has been established where members of the board of our company are well located.

Unit Member : Ulvi ADALMIŞ [ulvi@gersan.com.tr](mailto:ulvi@gersan.com.tr)


Unit Member : Önder AKPINAR [onder@gersan.com.tr](mailto:onder@gersan.com.tr)

Unit Manager : Alper AVCI [alper@gersan.com.tr](mailto:alper@gersan.com.tr)

Tel : 0216-593 00 50 pbx

Fax : 0216-593 00 47

The duties and powers of the relationship unit with shareholders are as follows.

- 
- 1.1- To ensure compliance with the articles of association and other internal regulations and to take the necessary measures in ensuring our company legislation concerning the exercise of shareholder rights of shareholders.
  - 1.2- In a coordinated manner with Corporate Governance Committee, to operate in order to use of shareholders' rights and maintain communication between shareholders and the Board.
  - 1.3- To keep records of the shareholders healthy, reliable, and up to date.
  - 1.4- To conduct the General Assembly meeting in accordance with internal regulations, current regulations, Articles of Association.
  - 1.5- Preparation of documents to be used in the General Assembly meeting, and to provide on-time delivery of these documents to the Company's management.
  - 1.6- To conduct the necessary transactions in order to duly keep meeting minutes of The General Assembly.
  - 1.7- To ensure the formalization of voting results and ensuring timely sent to the relevant official bodies, as required by the General Assembly meeting of shareholders and regulatory decisions.
  - 1.8- The Company's Disclosure Policy and legislation including the supervision of all matters relating to public disclosure and monitoring and public disclosure investors regarding financial analysts, mass communication and to work as a source of communication together with similar groups.
  - 1.9- Shareholders and investors' requests for information, legislation, articles of association, to fulfill its corporate governance and disclosure policy. disclosed to the public regarding the Company, except for confidential information and trade secrets, replying to written information requests of shareholders regarding the Company,
  - 1.10- Regulations, contracts, corporate governance and disclosure policy domestically and abroad within the framework of periodic meetings to inform investors edit or edited, etc. in the exhibition. To participate in the meeting.
  - 1.11- To bring Our company website an active communication platform for current and potential investors to do the necessary works for shareholders. According to national and international financial reporting standards, will be prepared within the legal time of publication to ensure the financial statements.
  - 1.12- Available to the shareholders and / or potential investors of information that could have an impact on decisions, legislation and Capital Markets Board Corporate take place in the requested form of annual reports by the Policy Board and ensure updated in time on the Company's website.
  - 1.13- Make the disclosure policy of the Company consistent with the requirements of the legislation
  - 1.14- To pay attention and care for the preparation of the Principles and the annual report as per the relevant legislation and Capital Markets Board Corporate Governance.
  - 1.15- To submit summary of the minutes of the General Assembly and the investor wishes to Board of Directors and General Manager.

The main activities of the unit during the period, the number of responses to applications made through the period and investors: Investors are no written application in this period. While the count not certain, about 28 applications made by telephone, and investors are given information in order to be get informed well.

## **2. Use of the Rights of Shareholders to get informed**

As per the situation of our company, in accordance with legal regulations and requirements, three committee are formed in order to fulfill the duties and responsibilities of the Board in a healthy way. These committees; The Audit Committee, Corporate Governance Committee and the Risk Committee and Early Detection.

The request for appointment of a special auditor as an individual right in the main contract is not regulated. Investors are no written application in this period. While the count not certain in the application made by phone, investors are given information in order to be get informed well.

all of the information coming directly or indirectly through intermediaries request shareholders to our company during the period 31.12.2016 was met on time.

## **3. General Assembly Meetings**

Ordinary General Assembly Meeting for 2015 was held on 21.04.2016.

## **4. Non-Controlling Shares and Voting Rights**

- 4.1. Our company avoids complicating the application in using right to vote; All shareholders are recognized the opportunity to use the right to vote in a easiest way.
- 4.2. No “concession” exists over company shares.
- 4.3. In our company, each share has one vote.
- 4.4. From the date of acquisition of the voting rights in our company, there is no regulation that requires companies to use after a certain period of time.
- 4.5. In the Articles of Association, there is no provision that prevents voting as the representative for people who are not shareholders.
- 4.6. The shareholders made no request in the direction for the representation of non-controlling interests.
- 4.7. In the General Assembly, vote was not used in this direction since the Company's shares among the owners are no cross-shareholdings.
- 4.8. The rights of non-controlling share are granted to shareholders owning capital of one-twentieth (5%).
- 4.9. The Articles of Association does not have an application on the cumulative voting method.

## **5. Dividend Rights**

The Company performs dividend distribution within the Profit Distribution Policy as determined by the Articles of Association and Board of Directors as per the provisions of the Turkish Commercial Law, Capital Markets Law, the Capital Markets Board regulations.

Related articles regarding the dividend distribution of the Company's Articles of Association are as follows for the period 12.31.2016.



## **Profit Detection and Distribution**

### **Article 28:**

Such as various amortizations public expenses of the Company, after payment and separating essential that sums the company deducted from income as determined by mandatory taxes, financial obligations, and totally paid by the entity at the end of the accounting year, net remaining will be shown below in the balance sheet (net) profit, after deduction of the loss of the prior year.

- a) 5% legal divided reserves according to the provisions of Turkish Commercial Code.
- b) Of the remainder, if any, to be found by adding the amount of donations made during the year the amount of first profit share is reserved in accordance with the Company's dividend policy as per the provisions of the Turkish Commercial Code and Capital Market Legislation.
- c) Net term profit (a) and (b) after deducting the amounts specified in paragraphs can be partially or completely distributed by the General Assembly as per the provisions of the Turkish Commercial Code in accordance with 521 agents authorized to release the reserve fund set aside by his own request.

### **General Legal Reserves:**

From the portion decided to be distributed to other persons participating in land with shareholders, after the deduction of the dividend of 5% per cent of the amount found it generally is added to the statutory reserve fund under paragraph 2 of Article 519 of the Turkish Commercial Code.

According to the articles of incorporation with the reserves required to be allocated according to the Turkish Trade Law, determined profit share or dividend policy for shareholders are allocated; other reserves allocated, the following year profits to be transferred and board members, partnership working and to persons other than shareholders can be taken and to receive dividends, paid by cash designated dividend to shareholders may not be distributed dividend payment to these people.

- d) Dividend distribution date, all of the existing shares, regardless of their date of issuance and acquisition evenly distributed.

In this regard, time and distribution method of the profit shall be decided on a proposal by the General Assembly.

The dividend decided by the General Assembly in accordance with the articles of incorporation of this contract can not be undone in accordance with the provisions.

No privilege granted to shareholders regarding the company's profit contribution.

Corporate Governance Principles as a written policy harmonization efforts within the framework of this policy.

Gersan, in accordance with decisions of the Company's Board of Directors approved, is based on a policy direction to deploy shareholders of the Capital Market, as stipulated by the legislation and other relevant legislation in order not to be less than the extent permitted, cash and / or dividends in the form distributed in the form of bonus shares. The company, therefore, performance and industry with the need for investment, taking into account national and international conditions to allow its financial structure optimization and growth should be investment or economic conditions in the extraordinary development of the permit to the extent that the Capital Markets Board determined mainly still out of distributable profits calculated according to the Capital taking into account the dividend distribution rate determined by the Board of the market, has set a policy to make dividend distribution.

Sustaining except for special cases present with profits investments will require long-term growth of the Company's distribution policy and other funding needs will require extraordinary developments in economic conditions are among the main objectives of our company.

### **6. Transfer of Shares**

The company's articles of incorporation are no provisions restricting the transfer of shares.

## **PART II: PUBLIC DISCLOSURE AND TRANSPARENCY**

### **1. Disclosure Policy**

Purpose of the Disclosure Policy, except for the information on the commercial secrets of our company, to share past performance, prospects, strategies, Turkish Commercial Code and Capital Market Legislation provisions with a accurate, complete, timely, detailed and understandable way, with the relevant authorities, existing and potential investors and shareholders on an equal basis.

Company's "Disclosure Policy" is located on the corporate website at [www.gersan.com.tr](http://www.gersan.com.tr).

Within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, and Istanbul Stock Exchange Legislation public disclosure policy is accomplished through the following tools and methods.

**a) Explanations for Private Special Status:** Exception description of the Capital Markets Board II - 15.1 No. "Exceptions" Notification framework is prepared, the Public Disclosure Platform was signed by the administrator with signing authority (KAP) is disclosed to the public. Also disclosures published on the Company's web site are stored for 5 years.

**b) Interviews and Press Releases:** The company's commercial activities, expectations and with all the written and visual press releases on topics of current interviews are done by the Director General. Other than that disclosures to be made in the form of press releases are prepared by the manager of Investor Relations section of our company in order to inform the public and to the principles of disclosure policy is made in accordance with the distribution.

**c) Corporate Web Site:** Our company's current web site, [www.gersan.com.tr](http://www.gersan.com.tr), gives clear and detailed information about our company.

**d) Publicly Announcement of Financial Statements:** our Company's financial statements and footnotes are prepared in accordance with the provisions of the Capital Market Board and determined by independently audited. The financial statements and footnotes and independent audit report, with the approval of the Board of the Audit Committee and presented to the Board for approval. Financial statements approved by the Board of Directors, footnotes, independent audit report and responsibility statement after the authorized signature of the SPK by Investor Relations Department Manager in accordance with the regulations of SPK and BIST and bister the Public Disclosure Platform (KAP) is transmitted through electronic media. Financial statements and notes are also published on our website.

**e) Trade Registry Gazette and Other Newspapers:** In accordance with the Capital Market Legislation and the Turkish Commercial Code, the general assembly, capital increases, dividend payments, prospectuses and circulars. announcements are made through the Trade Registry Gazette and other newspapers.

**f) Disclosure to Investors:** A specific group of investors or brokerage analysts made with introductory meetings, explanations made informational meetings or press meetings, presentations and reports are also kept open to the public transport published on the website.

**g) Written and Oral Requests:** Public overseeing all matters relating to lighting and Investor Relations Department has been appointed to answer questions posed to the Company in order to get inform the public. Written and oral questions directed to the Company during the year are answered by this unit, asked questions and answers about the Management Board is informed.

### 2. Company Website and Content

Clear and detailed information about our company given at our company's web site [www.gersan.com.tr](http://www.gersan.com.tr). From web site, information about "Investor Relations" can be reached via links located into the web site.

From website, following highlights can be viewed:

- Ethical rules
- Partnership structure
- Member of board of directors
- Company main agreement
- Activity reports
- Disclosures for special cases
- Corporate Governance practices and compliance report
- The General Assembly's meeting date, agenda, explanations on the agenda
- Detailed financial statements for at least the last 5 years,
- The list of people with access to insider information,
- General Assembly meeting minutes

### 3. Activity report

Annual reports are prepared in accordance with the Turkish Commercial Code and Corporate Governance Principles and Capital Markets Law, and Management Board's approval is passed through. After providing reasonable assurance about whether our company is prepared Turkish annual reports and independent audit of the annual independent audit of the financial information contained in the report history is a significant error regarding the consistency with the financial statements it is made available to investors on or website company headquarters. Companies who can not come to the center, if they wish, such documents are transmitted electronically or by postal services.

## **PART III: STAKEHOLDERS**

### **1. Informing the Stakeholders**

**1.1.** Shareholders and investors are informing through designated tools as per the provisions of Capital Market Legislation Law, SPK regulations / and decisions are made in accordance with the Company's Disclosure Policy.

**1.2.** Shareholders constitutes stakeholders of our Company, investors, financial institutions and our suppliers meetings held to information about our company, in writing and through shared news with visual media and corporate Internet through our site in accordance with Capital Markets Legislation Law, SPK regulations / and decisions are taken as per the Company's Disclosure Policy.

Supplier has not informed the relevant stakeholders informed on issues that concern them, they informed methods (participation in meetings, etc.) sent to the container are informed through Disclosures. Apart from that, employees, suppliers and customers are informed in a meeting held with the issues that concern them.

### **2. Participation in Management Stakeholders**

Employee participation in management are held through periodic meetings within the Company and the annual goal setting and performance evaluation are done by meetings. This approach with employees of the Company necessary to ensure the effective participation and contribution of management are considered by the Board.

### **3. Human Resources Policy**

Our company's human resources policy is as follows:

Our company will move into the future, with GERSAN value, hired labor in selecting the most appropriate qualifications and we intend to carry out the recruitment. Our goals for this purpose;

Being the employer of choice for working in skilled labor. Competent and successful workforce and contribute to the development of our employees in order to create the leading candidates, our company and our employees to train employees for different tasks for the development and increased their rotation practices, participatory, collaborative, impartial, transparent, diversity and creativity a culture that values the creation and dissemination ensure that, in the meantime not to develop ignore the company's privacy policy, our employees, to consider the recommendations and expectations; reinforcing commitment to continuously improve approaches, safe, healthy, ethical values which, taking into account the balance between work and private life is to provide a business environment. These goals and objectives of the employee representatives are elected by the workers themselves in motion within our company and our company's mission, vision and strategy in forming their opinions are taken into account.

#### 4. Ethics and Social Responsibility

Company's "Code of Ethics" published on our corporate web site has been publicly disclosed. The following is our company's ethics policy:

GERSAN employees;

- with high ethical values, hardworking, dedicated, honest, reliable person is selected from the possession of specific knowledge.
- They work in order to increase the Company's value.
- Always, everywhere represent the company in the best way.
- Respectful to the law and company regulations.
- Honest, disciplined, hardworking and self-sacrificing.
- Conscious of ensuring customer satisfaction.
- Give importance to education and training, improve their professional skills in the businesses they work and effort to be more efficient.
- Do not talk about issues with tasks outside the company, does not discuss and do not give rise to any negative comments.
- Mindful of the benefits of the Company during their tasks, which mean they refrain from actions and behaviors producing interest for their close relatives.
- Abide to the company's procedures regarding abuse of information.
- Pay maximum attention to the effective and proper use of company resources and they avoid unnecessary spending. They do not use company assets and resources in line with personal interests.
- The company oversees compliance with ethical rules shall apply to the competent authorities to implement the necessary sanctions if it is not complied difference.
- Customer pays attention to the relationship, they make an effort to provide the best service to its customers.
- All employees act as themselves restrained and respectful.

Our company is overseeing the fulfillment of the responsibilities for execution of the activities of subsidiaries, in order to prevent the pollution and conservation of natural resources. In this context, the Ministry of Environment as a result of the application of the CED report, our company 'CED Not Required Certificate "is given. Assistance and training aids are conducted despite the natural events occurred in the world and Turkey.

## **PART IV: THE BOARD OF DIRECTORS**

### **1. Structure and Composition of the Board**

The Board of Directors consists of seven members, a non-executive and four executive, including two independent. TTK Capital Markets Legislation, SPK Regulations and Decisions are considered in the formation of the Board of Directors and election. Main issues were organized according to the Company's Articles of Association.

Independent members and the number of members elected from among the candidates who meet the qualifications at the rate determined by the Board of Directors of SPK. The Capital Markets Board Regulations / Decisions and other relevant legislation in force are considered in determining the independent Board member candidates, the nominations, the number and qualifications, the selection, dismissal issues.

The company's board of management also handles the tasks including manufacturing, sales, marketing and finance jobs and skilled people are selected among the partners who coordinate these activities. These people are experts who support the lower staff is available.

There are two independent members on the board, and appointed independent members of the Board are Emin Ozturk and Menduha Öztürk.

Since the board members of the Company's management devotes a significant portion of their time to company's affairs, no limit is put.

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

The agenda of the board meeting is determined without prior negotiations since they stay together.

Total meeting number of Board is 21 in the period. No special method called for the meeting when Board members are ready in the company.

For the purpose of informing and communicating with the board members a permanent secretariat was established. Registration and document layout are available.

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

Until the Ordinary General Meeting held for the period 31.12.2016, Our Board of Directors elected Menduh Ozturk as Audit Committee Chairman, and Emin Simsek as a Member of Audit Committee.

Audit Committee:

Full Name	Task
Menduha Öztürk	Head of the Comitte, Member of Board of Directors., Independent
Emin Şimşek	Member of the Comitte, Member of Board of Directors., Independent

Member of the Audit Committee have the qualifications required of for completion of their duties, and elected among independent members in our Board of Directors who have no executive functions and who are not in executive committee.

The activities of the Audit Committee in accordance with the Capital Market Legislation and SPK regulations engages on a regular basis. In this context, in 2016;

The Company's interim financial statements and footnotes and independent audit reports were examined before they were publicly disclosed, and meetings were held with the independent auditing company.

The company's services will have opinion on the choice of independent auditors and the audit contract was revised.

The Audit Committee holds meetings at least four times a year and a decisions taken in meetings are presented in writing to the Board of Directors.

Details of the members, to discuss the activities related to the accounting period 31.12.2016, who are elected to serve until the Ordinary General Meeting of the Members of the Corporate Governance Committee and their duties are as follows;

Corporate Governance Committee:

Full Name	Role
Menduha Öztürk	Head of the Committee, Member of Board of Directors, Independent
Emin Şimşek	Member of the Committee, Member of Board of Directors, Independent
Alper Avcı	Head of the Committee

Corporate Governance Committee engages with the activities on a regular basis in accordance with the Capital Market Legislation and SPK Regulations and Decisions. In this context, in 2016;

The company's annual report and corporate governance compliance reports were examined before it is disclosed to the public.

Ordinary General Meeting was held to discuss the activities of the period 12/31/2016 in accordance with relevant regulations.

Web site has been followed up and learned if the company's web site is updated and developed or not.



Audit Committee and Corporate Governance Committee also report to the Board when internal control mechanisms related to the problems and their solutions required.

#### **4. Strategic Goals of the Company**

**4.1.** Our company's vision; Both domestic and international markets, providing value-added solutions with advanced technologies in the energy sector, to adapt quickly to technological developments, giving direction to the changes, keeping customer satisfaction on the highest level, chosen at first level by local and international customers, a world leader in its sector, and The mission is to having effective routes in domestic and international markets, providing value for customer successes, providing world quality products and services at a reasonable price, and get such successes both with customers and employees.

4.2. Our vision and mission are publicly disclosed on website and in annual reports.

4.3. The strategic objectives established by our managers in accordance with the plans of our company, are submitted to the approval of our Board of Directors for evaluation.

4.4. Our company's performance, are kept under observation with meetings with department managers in a specific period and the necessary measures are taken.

4.5. Our Board of Directors and the senior management of our company is to keep the situation under constant surveillance against its strategic goals. And are revised periodically and frequently in accordance with the Company's situation at board meetings and new goals and strategies are developed.

#### **5. Financial Benefits**

Board members and senior executives of the remuneration principles, have been publicly disclosed on the Company's website and public disclosure platform.

The remuneration is recognized in accordance with General Assembly decision to the Board members. Members and administrators are not allowed debt to benefit in the form of lending, credit, loan, or other means.

"wage policy" is presented to the shareholders at the general meeting as a separate agenda item with the Board of Directors members and will be provided to senior managers with administrative responsibility created regarding financial rights and publicly disclosed on the Company's corporate website.

For 31.12.2016 period, total financial benefits, such as bonuses, premiums, wages, are gross 1,110,672 TL, the Board of Directors and executive managers consisting of 7 (5 original and 2 independent) and no share of the profits given to the managers.

A reward policy is applied to reflect the performance of the financial rights of Board members. Board members use their company car.

**Address Information**

**Head Office**

İstanbul Anadolu Yakası Organize Sanayi Bölgesi Gazi Bulvarı No:39-41 P.K. 57 34953 Tuzla / İstanbul

Tel: +90 (216) 593 00 50 (10)

Fax: +90 (216) 593 00 60 - 593 00 47 E-Posta : [info@gersan.com.tr](mailto:info@gersan.com.tr)

**Factory**

Çaycuma Organize Sanayi Bölgesi 1 Nolu OSB Meydanı 6 - 7 Sk. Çaycuma / Zonguldak -

Tel: +90 (372) 638 55 88 (PBX)

Fax: +90 (372) 638 55 99

**Subsidiaries Factory (Russia)**

238440, Russia, Kaliningradskaya obl., Bagrationovskii r-n., pos. Razdolnoe, Papenburgskaya ul. 2.

Tel: +7 (4015) 666 358 Fax: +7 (4012) 341 242 E-mail: [gersan-r@gersan.com.tr](mailto:gersan-r@gersan.com.tr)

**Ankara Branch Office**

Mertebe Sok, No: 26/2 Beştepe / Ankara - TR

Tel : +90 (312) 222 62 94

Fax: +90 (312) 222 62 95

E-mail: [huseyin@gersan.com.tr](mailto:huseyin@gersan.com.tr)

**UAE**

P6-093 SAIF Zone P.O. Box 9677 Sharjah - BAE

Tel: +971 6 557 4060

Fax: +971 6 557 4020

E-mail: [infomiddleeast@gersan.com.tr](mailto:infomiddleeast@gersan.com.tr)