

## **BORUSAN BİRLEŞİK BORU FABRİKALARI SANAYİ VE TİCARET A.Ş. DIVIDEND POLICY**

The Dividend Policy of Borusan Pipe has been prepared based on the CMB Communiqué Serial: II No: 19.1 on Dividends that entered into force upon its publication in the Official Gazette dated January 23, 2014, No: 28891.

A look at the company's profit and dividend performance in previous periods reveals that our company has booked profits even through the most distressed times of the economy and that we have distributed 50% or more of our net profit as dividends to our shareholders since we went public in 1994. This understanding is targeted to be sustained in the future within the framework of the Turkish Commercial Code, Capital Market legislation and CMB's practices and resolutions. Our company's profit distribution policy for 2014 and years to come is to distribute 50% or more of the distributable profit as dividends. Notwithstanding, the distribution ratio will be reviewed every year in view of the developments in domestic and overseas economic circumstances and the company's investment opportunities and financing facilities.

The Board of Director's proposal for profit distribution, along with the profit distribution table in the format and content determined by the CMB, are publicly disclosed as per CMB's guidelines concerning public disclosure of material events.

Matters pertaining to profit distribution are set forth in Article 23 of our Articles of Association as follows. The net profit, which remains after deducting the company's general expenses and depreciation as well as the statutory taxes payable by the company in its capacity as a legal entity from the amounts calculated at the end of the fiscal year and which is shown on the annual balance-sheet less losses of the previous year, if any, shall be distributed as follows in the order shown below:

First Legal Reserves:

- a) 5% thereof is set aside as legal reserve,

First Dividend:

- b) Out of the remaining amount, the first dividend is set aside at such rate and amount as determined by the CMB.

Without prejudice to the first dividends, the following profit items are set aside from out of the remaining net distributable profit:

- c) 10% share is reserved for holders of dividend shares.
- d) Maximum 5% of the amount remaining after payment of items specified in clauses (a) and (c) above may be, allocated as gain margin, to members of the Board of Directors and company's directors and officers upon discretion of the General Assembly. The General Assembly shall determine the distribution of profit shares to the members of the Board of Directors, taking into account the relevant Capital Markets legislation.
- e) Maximum 5% of the sum may be allocated for the foundations that are established or participated by the company or such individuals and/or institutions related to the same.

Second Dividend:

- f) The portion remaining after deduction of sums specified in clauses a, b, c, d and e from the net profit may be, partially or fully, distributed by General Assembly to the shareholders pro rata to their shareholding as the second dividend share and it may be, partially or fully, set aside as extraordinary legal reserve.

Secondary Legal Reserves:

- g) One tenth of the amount that remains after a profit share equal to 5% of the paid-in capital is deducted from the portion decided to be distributed to shareholders and other individuals with a

share in profit is set aside as secondary legal reserve pursuant to the 3rd clause, 2nd paragraph of Article 466 of the Turkish Commercial Code.

- h) Unless mandatory legal reserves are set aside and the first dividend stipulated in the articles of association for the shareholders is distributed in cash and/or in stocks; a decision cannot be made to set aside further legal reserves, to carry profits forward to the next year and to distribute dividends to preferred stockholders, holders of participating, founder's and common dividend shares, members of the board of directors, janitors and workers, foundations established for various purposes and such persons and/or other organizations.

Advance Dividend may be distributed pursuant to provisions of Capital Markets Law and in accordance with principles contained in Capital Markets legislation. The deduction of the advance payment is also made according to the provisions of the relevant legislation.

If it is decided to distribute dividends, the dividend will be paid in cash to those who are entitled, and the distribution time is determined by the Board of Directors at the latest as the end of the accounting period in which the General Assembly meeting where the distribution decision is made.