

COMMUNIQUE ON PRINCIPLES REGARDING ISSUANCE OF PARTICIPATED DIVIDEND SHARES

(Published in the Official Gazette dated 14.07.1992 numbered 21284)

(“Communiqué on Principles Regarding Issuance of Participated Dividend Shares” Serial: III, No: 1 published in the Official Gazette dated 13.11.1983 numbered 18220 has been overruled.)

1 – “Communiqué Amending the Communiqué on Principles Regarding Issuance of Participated Dividend Shares” Serial: III, No: 30 published in the Official Gazette dated 7.7.2004 numbered 25515.

Serial : III

No : 10

Purpose

ARTICLE 1- On behalf of the Board’s legal duty on making regulations with the purpose of ensuring an efficient functioning of the capital market and widespread participation by the public in the development of the economy through investing savings in the securities market, to meet the need for the diversification of the capital market instruments, depending on the provisions about dividend shares in TCC and the principle of the liberty of contract, the participated dividend shares having the nature of the securities and sold in exchange for cash are regulated by this Communiqué.

Definitions

ARTICLE 2- For the purposes of this communiqué, the following definitions shall apply:

Law : The Capital Market Law numbered 2499 amended by Law numbered 3794,

Board : Capital Markets Board,

Corporation : Joint Stock Corporation,

TCC : Turkish Commercial Code,

PDS : Participated Dividend Share,

Intermediary Institution : Brokerage houses and banks authorized to intermediate in sale of capital market instruments sold either by issuance or public offering.

Scope

ARTICLE 3- The issuance of PDS by corporations is subject to the provisions of this Communiqué.

Issuance of PDS

ARTICLE 4- Corporations can issue PDS, to be sold in exchange for cash and representing no shareholder's rights but right to dividend, right to balance at liquidation, pre-emptive rights and a part of or all of the facilities stated in this Communiqué.

In the case the sale of the PDSs is realized, the PDSs' prospectus becomes a contract arranged between the corporation and the PDS owners.

Provided that relevant provision in the Articles of Association is included and resolution of the general assembly states so, PDSs can be issued without maturity.

PDSs can be arranged as both registered or bearer.

PDS Issuance Limits

ARTICLE 5 – The amount of PDSs that can be issued by corporations cannot be more than the sum of their paid-up capital and reserve funds and less than one sixth of that sum; it is obligatory to show the minimum and maximum rates in the Articles of Association, provided that these amounts are within these limits.

The Board shall determine the issue amount, considering the structure of the corporation's assets, shareholders equity, liabilities and profitability and the demand, provided that these amounts are within these limits.

Upon the approval of the Ministry of Finance for issuing PDSs with the purpose of selling abroad in exchange for foreign currency, the conditions of the issue of such PDSs and the terms of their sales shall be determined by the Board.

The amount obtained against the sale of PDSs shall be indicated separately in the balance sheet under the capital item.

PDS can be issued in various denominations provided that issue amount stays within the defined minimum and maximum limits.

Value of PDS

ARTICLE 6 - PDS shall be issued with nominal value written over.

The nominal value of PDS shall be freely determined in folds of 1000.

PDS can be issued with premium, provided that there is such a provision in the Articles of Association.

All the rights assigned to the PDS and relations between the shares and PDS shall be defined in the prospectus.

Amendments to Articles of Association Regarding Provisions Related to PDS Owners

ARTICLE 7 – Before the application to the Ministry of Trade to include provisions to the Articles of Association on issuing PDS, a document shall be obtained by the corporation from the Board stating that the new provisions to be added is approved.

The corporations to issue PDS shall include provisions in their Articles of Association, which state their preferences on the below listed issues, in terms of protection of the PDS owners and the principals of disclosure:

a) If dividend distribution is made out of the reserve funds of the corporation or the reserve funds are added to the capital, whether to give share out of the reserve funds, accrued after issuance of PDS, under the same conditions with common stocks to PDS following their issue,

b) If the laws allow revaluation, conditions PDS to benefit from accumulated assets following its issue similar to shares,

c) During formation of PDS' capital for the first time, whether to grant the right to purchase priorly PDS to shareholders,,

d) In following PDS or new PDS issues, whether to provide shareholders and PDS holders the right to acquire PDSs proportionally,

e) If the capital and PDS' capital are to be increased at the same time, the pre-emptive right shall be granted to the shareholders to participate only in the capital and PDS holders to participate only in the PDS capital,

f) If the corporation capital and PDS capital is increased alone or more than the other, the pre-emptive rights of the shareholders and the PDS holders shall be arranged as to preserve their ratios.

g) Pre-emptive rights may be granted to PDS in buying bonds or convertible bonds.

Application for Registration with the Board

ARTICLE 8 – The corporations are obliged to apply to the Board with the following documents to register the PDSs that they shall issue.

a) The text of the Articles of Association which is valid on the date of application and covers the authorization to issue PDS,

b) Justification for issuing PDS,

c) Amount of PDS which are issued and shall be issued,

d) Documents introducing the founders of the corporation, the persons forming its management and auditing boards,

e) The final balance sheet, income statement and cash flow statement of the last 3 years and the proformas of the mentioned statements for the next 3 years,

f) Prospectus and Circular,

g) The general assembly resolution on the issue of PDS and resolution of the Board of Directors on application to the Board,

h) Specimen of the PDS to be printed.

Registration with the Board

ARTICLE 9 – The Board shall decide accept the applications by evaluating documents attached to the application whether or not the prospectus and circular contain all the information regarding the corporation and the PDSs. As a result of evaluation, if the explanations are found insufficient, not reflecting the truth and causing public abuse, the Board may refrain from registration of the PDSs which are the subject of the application by stating its justification.

Registration with the Board does not mean that the PDSs to be issued and the issuing corporation are guaranteed by the Board or the State and it cannot be used for advertising purposes.

Public offering for purchasing PDS shall be realized through a circular to be published at least 6 working days prior to the beginning date of the sales, which is defined in the prospectus.

Sale Period, Cancellation of Unsold PDS and Condition for New Issue

ARTICLE 10 –The sale period of PDS is 3 months maximum as of the date to be determined by the Board.

The PDS, which are unsold during the sale period – Unless there is an undertaking agreement or commitment contract - shall be determined and cancelled in the presence of a Public Notary, within maximum 6 working days following the termination of the period.

New PDS cannot be issued unless all of the issued PDSs are sold and unsold ones are cancelled.

Changes in the Issues Disclosed to Public

ARTICLE 10/A – (Added with the Communiqué with Serial: III, No:30) Any changes and new facts regarding the issues disclosed to public through prospectus and circular which appeared prior to completion of the sales shall be informed to the Board at that date via the fastest means of communication by suspending the sales.

After getting the approval of the Board, the changes in the prospectus shall be registered at Trade Registry and announced in TTRG, whereas the changes in the circular shall be published in the newspapers in which the circular had been published.

Announcements and Advertisements

ARTICLE 10/B – (Added with the Communiqué with Serial: III, No:30)
The text of ads and announcements to be published due to public offering of participated dividend shares shall be submitted to the Board at least 2 working days before the date of publication. No information other than the information in the circular and prospectus can be included in the ads, announcements and any kind of releases. The Board may require that any change made in the texts if it deems necessary, and the texts shall not be published unless the changes required by the Board are made.

The places where the prospectus and circular can be obtained shall be stated in the ads and announcements to be made after the registration of the participated dividend shares with the Board.

Before the circular is published, upon the approval of the Board, announcements and ads concerning only the line of operation of the corporation, the sector in which it operates, its position in the sector and its products can be published, and releases to the media limited with this information can be made.

At the date of announcement of the circular, if publicity through newspapers is desired, the ads and announcements should be published in the same newspaper in which the circular had been published. After the announcement of the circular, ads and announcements in the media can continue provided that the date of publication of the newspapers in which the circular was published is clearly indicated.

Obligation to Use Intermediary Institutions and Notification of Sales Results to the Board (*)

ARTICLE 11 - (Amended by the Communiqué with Serial: III, No: 30)
The public offering of participated dividend shares and all payments to their owners must be made by intermediary institutions.

Intermediary institution following the end of the sales period shall submit the following documents to the Board:

a) In case of public offering a copy of TTSG which prospectus published and at least two newspapers in which circular published,

b) The amount of the sold PDS and the document indicating its enumeration according to groups together with, if there is, the document indicating the amount of PDS unsold after the sales period and cancelled by the Public Notary.

* Article 11 is amended by the Communiqué Serial: III, No: 30 together with its title.

Buying Back the PDS for Resale

ARTICLE 12 – If it is stated that the PDS shall be repurchased for resale upon the request of the PDS owners, it shall be stated in the Articles of Association whether the general assembly or the board of directors is authorized to determine its conditions.

In the Articles of Association, the following issues shall be conformed to:

a) PDS may not be repurchased unless 2 years elapse as of their date of issue.

b) The rules and principals of repurchasing shall be determined by the Board upon application. The amount to be repurchased may not exceed 10% of the PDS capital. The repurchased PDS shall be sold as soon as possible.

c) In case of public offering the conditions of repurchase shall be stated in the prospectus and circular.

d) The conditions regarding the repurchase shall be announced to the PDS owners through announcements to be made in the head Office of the corporation within places where PDS is sold and furthermore in places to be determined by the Board during registration.

Reducing the amount of PDS depends on the condition of the reducing capital and is subject to the approval of the Board.

The Dividend Assigned to PDS

ARTICLE 13 – The profit distribution to PDS owners shall be regulated in the Articles of Association provided that the following principals are complied with:

First, the percentage of PDS capital against the total corporation capital shall be determined within the total of the paid-in-capital and paid-in-PDS capital.

After the deduction of the taxes and the first legal reserve fund, the dividend to be paid to PDS owners shall be determined among the distributable profit in accordance with the above stated percentage.

Out of the profit allocated to the PDS holders, PDS dividend shall be paid as the first dividend, in the percentage and amount to be determined by the board in accordance with the article 15 of the Law.

Other benefits to be provided to the PDS holders, in addition to the first dividend, shall be regulated in the Articles of Association.

Approval of the balance sheet by the general assembly shall automatically oblige the corporation to distribute the profit in terms of PDS. The dividend of PDS must be paid at most within 9 months following the accounting period.

Share of PDS in the Liquidation Balance

ARTICLE 14 – It shall be stated in the Articles of Association that PDS can participate in the liquidation balance. The principles and conditions of this participation shall be defined in the prospectus.

General Assembly of PDS Owners

ARTICLE 15 – The owners of each PDS denomination shall compose a separate general assembly.

This general assembly shall be subject to the principles and procedures stated in articles 429 and 432 of TCC.

Notification to PDS Owners

ARTICLE 16 – The information submitted to the shareholders regarding the corporation, must also be submitted to PDS owners, in accordance with article 362 of TCC.

The invitation to the general assembly of the corporation and the agenda of the meeting shall be published in the Turkey editions of the newspapers determined during the sale of PDS to public and in these announcements it is stated that the balance sheet, profit and loss account with board of directors and auditors reports and general assembly decisions are available for the inspection of the PDS owners.

The right of PDS owners for obtaining information shall clearly be stated in the prospectus.

Board Supervision

ARTICLE 17 – According to the provisions of this Communiqué, the corporations issuing PDS are subject to the supervision of the Board.

Fee Paid to the Fund

ARTICLE 18 – Corporations, pursuant to article 28 of the Law, must deposit the three per thousand of the issuance value of the participated dividend shares which will be sold and registered by the Board to the Fund account on behalf of the Board at Ankara Branch of the Central Bank of Republic of Turkey before the permission document is given.(*)

* The number of this account is 350.109.000.

Repealed Provisions

ARTICLE 19 – The Communiqué Serial: III, No: 1 published in the Official Gazette dated 13.11.1983 numbered 18220 of the Board have has overruled.

Entry Into Force

ARTICLE 20 – This communiqué will enter into force on the day of its publication.