

COMMUNIQUE ON PRINCIPLES REGARDING CONVERTIBLE BONDS

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Purpose and Scope

ARTICLE 1 - Principles required to be complied with the issue of convertible bonds in relation with the practice of the Capital Markets Law numbered 2499 amended by the Law No: 3794, which became effective on the date of 13.May.1992, are regulated by this Communiqué.

ARTICLE 2 – In this Communiqué, the below mentioned terms have the following meanings:

Law : The Capital Market Law numbered 2499 amended by the Law No: 3794,

Board : Capital Markets Board,

CB : Convertible Bond,

TCC : Turkish Commercial Code,

Corporation : Joint stock corporations and state economic enterprises including the ones in the scope of privatization,

Definition and Authority to Issue CB

ARTICLE 3 - CBs are securities which give the right to the issuer corporation in order to convert CBs into shares by increasing capital within the principles determined in the prospectus and circular during the issuance procedure.

Corporations may issue CBs on conditions that there is a provision in their Articles of Association, being within the limits regarding the amount of the issue specified by the TCC and Law and by going public. The authority to issue CBs can be given to the board of directors by the Articles of Association.

The Communiqué on Principles Regarding Registration of Bonds with the Board shall be applied related with CBs issue through public offering.

Any decision preventing CBs owners from using their rights shall not be taken neither by the general assembly nor the board of directors of the corporation.

Maturity of CBs and Beginning of Conversion

ARTICLE 4 - The maturity of CBs cannot be less than 2 years and more than 7 years. The earliest time that a convertible bond can be converted into shares is 2 years following the beginning date of maturity. The interest payments of CBs are made once a year in return of the coupons.

The Price and Rate of Conversion

ARTICLE 5 – Conversion price is the price that will be applied to the shares if CBs owners convert CBs into the shares.

Conversion rate shows the number of shares to be given for nominal value of CBs at the time of conversion.

For corporations whose shares are not traded at the stock exchange, the principles for determining the conversion price shall be stated in prospectus.

If conversion rate is fractional, corporation shall pay the amount in cash and advance that equivalent to the one could not be given as a share during the conversion. Conversion price is taken as a basis for this calculation.

Correction of Conversion Rate

ARTICLE 6 - Principles for correction of conversion rate is determined in prospectus and circular related with the CB issue, if there is a decrease in share price due to using pre-emptive rights in a cash issue at a price lower than the market price and/or issuance of shares by adding internal equity resources to capital during the life of CBs.

Conversion rate is calculated in all capital increases during the life of CBs and new conversion rate is announced under the rules defined in the Article 9 of this Communiqué.

Conversion Due to a Redemption Plan

ARTICLE 7 - CBs can be converted into shares at once at the end of maturity. CBs can also be converted into shares with equal yearly instalments where the first instalment shall be at the end of the second year starting from the due date, the last instalment shall be at the due date of CB maturity. CBs that will be converted into shares with equal yearly instalments under the conversion plan shall be defined through casting lots under a notary public supervision and be announced to CB owners according to the rules defined in the Article 9 of this Communiqué.

Regarding CBs which will be converted into shares all at once at the end of due date or with equal instalments beginning from the end of the second year till due date, the redemption plan shall be written at the back side of CBs as well as in the prospectus and circular.

Corporations shall make a capital increase at the amount which is equal to the amount of shares required to be given in return of CBs and submit shares to CB owners. CB owners within the redemption period exercise their rights either by converting CBs into shares or by receiving the capital with its accrued interest.

At the end of conversion period remaining shares which are not converted into CBs shall be offered to public under the Communiqué on Principles Regarding Registration of Shares with the Board.

Conversion Due to Request of the Corporation

ARTICLE 8 - Due to request of the corporation CBs can be converted into shares at least two years after the second year or at the interest payment dates after that time with the condition that it is stated in prospectus and circular.

Corporation's Call for Conversion and Cancellation of CBs

ARTICLE 9 - At least one month before the conversion date in order to use right to convert CBs into shares an announcement shall be made twice by the company to CB owners through at least two nation wide daily newspapers.

In the announcements, conversion period, the places where the conversion and payment shall be made together with other issues regarding conversion shall be stated. The minimum period between the beginning and ending of conversion is 5 working days while the maximum is 10. Conversion is made through banks at centre/centres where sales has been done. For conversion the price of CBs which have not been converted within the specified time period shall be blocked at a bank account by corporation and the blocked share price of CBs shall be paid by the bank in return of the submission of CBs.

Converted bonds shall be identified and cancelled in the presence of a public notary within 6 working days following the end of conversion period.

CBs which have not been applied for conversion during the conversion period although a call for conversion has been made and CBs whose value has been blocked at a bank, shall also be identified and cancelled in the presence of a public notary. CBs which are cancelled by this way is disclosed to public through at least two nation wide daily newspapers.

Conversion Due to Request of Investors

ARTICLE 10 - At the earliest two years after the second year of issuance or at interest payment dates after that time CBs can be converted into shares due to request of CB owners with the condition that it is stated in prospectus and circular.

Notification of Conversion by Investor

ARTICLE 11 – CB owners who want to use their conversion right, shall inform corporation at least one month before the dates determined in prospectus regarding the CB issue.

Principles of Using Conversion Right

ARTICLE 12 - Conversion shall be made through banks at the centre/centres where the sale took place. The minimum period between the beginning and ending of conversion is 5 working days while the maximum is 10.

CB owners who requested conversion from corporations who adopted the fundamental capital system, shall deposit CBs to a bank and present the blockage document together with the participation commitment to corporation. Within 30 days following the realization of issuance of shares for conversion of CBs the corporation shall present shares to shareholders who have consigned CBs to a bank. In case of corporations who have adopted the registered capital system there is no requirement of blockage and shares are presented to CB owners at the time of conversion.

Corporation shall pay the capital and accrued interest in return of delivery of CB to CB owners who do not want to convert CBs into shares within the conversion period according to the principles and procedures determined in prospectus related to CB issue.

Priority Right in Allocation of Shares

ARTICLE 13 – Shares representing capital which is raised in order to be converted with CB shall be allocated to CB owners prior to every other priority including the pre-emptive rights which are granted to existing shareholders under the Article 394 of the TCC.

Accrued Interest and Expenses

ARTICLE 14 - The accrued interest which is overdue at the time of conversion is paid to CB owners.

All of the expenses resulting from conversion are beared by the corporation.

Forfeiture of Conversion Right

ARTICLE 15 - Conversion right of CB owners who have not used to their rights despite the fact that corporation have performed all of its obligations disappears. Those CB owners can only receive capital and accrued interest in return of delivery of CBs at the time of redemption.

Information Required in Prospectus and Circular

ARTICLE 16 – Inside the CB prospectus, addition to the information for bond prospectus stated in the Communiqué Regarding Registration of Bonds with the Board, following information is also included:

- a) Conversion rate and price,
- b) Principles regarding the correction of conversion rate,
- c) Conversion time,
- d) Date to invitation,
- e) Rights and obligations of bond owners,
- f) Rights and obligations of corporation,
- g) Procedure to be followed in conversion,
- h) Other information requested by the Board.

Information Required in CB

ARTICLE 17 – In CB; in addition to legal information required in bonds following information shall also take place:

On the front side of the CB;

- “Convertible into shares” expression,
- Conversion principles,
- Conversion time,

On the back of the CB;

Summary of the information given in prospectus related to procedures to be followed in conversion together with rights and obligations of CB owners and corporation.

Public Offering of Remaining Securities After Conversion

ARTICLE 18 – At the practice of CB the issuance of shares which takes place as a result of conversion shall be executed according to the Communiqué on Principles Regarding Registration of Shares with the Board. However, durations determined in the mentioned Communiqué shall apply only after the completion of periods related to using conversion rights.

The fee which is stated in the Article 37 of the Communiqué on Principles Regarding Registration of Shares with the Board shall not be taken for the amount which is exchanged with CB.

The condition of re-registration is not required for shares which are issued to be exchanged with CB, if any for the remaining amount of those shares as a result of not being exchanged by way of applying pre-emptive rights or if any, for the remaining amount to be offered to public. However, the Board shall be informed about the results of conversion within 6 working days following the completion of the operation. Following procedures shall be applied according to the Communiqué on Principles Regarding Registration of Shares with the Board.

Other Provisions

ARTICLE 19 - Regarding the matters which have not been regulated under this Communiqué the provisions of the Communiqué on Principles Regarding Registration of Bonds with the Board shall apply.

In case of share issues which are made in order to exchange CBs with shares the second and third paragraph of the Article 10 of the Communiqué On Principles Regarding Registration of Shares with the Board shall not apply.

Overruled Provisions

ARTICLE 20 – The Communiqué Serial: II, No: 3 published in the Official Gazette dated 12 May 1982 numbered 17692 and the Communiqué Serial: II, No:8 published in the Official Gazette dated 20 November 1986 numbered 19287 of the Board have been overruled.)

Entry Into Force

ARTICLE 21 – This Communiqué will enter into force on the date of its publication.