

**COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL  
REPORTING IN CAPITAL MARKETS  
(II-14.1)**

**(Promulgated in the Official Gazette edition 28676 on 13/6/2013)**

**FIRST PART**

**Purpose, Scope, Grounds and Definitions**

**Purpose:**

**ARTICLE 1 – (1)** The purpose of this Communiqué is to set down the principles and procedures pertaining to financial reports to be prepared by entities as defined in subparagraph (c) of first paragraph of article 4 hereof, and preparation and submission of them, with a view to assuring timely, adequate and accurate information of public.

**Scope:**

**ARTICLE 2 – (1)** This Communiqué is applicable on preparation and submission of financial reports of entities as defined in subparagraph (c) of first paragraph of article 4 hereof.

**(2)** The entities as defined in subparagraph (c) of first paragraph of article 4 hereof the banks and insurance companies as per article 136 of the Capital Markets Law no. 6362 dated 6/12/2012, and the financial leasing, factoring and finance companies as per the Law on Financial Leasing, Factoring and Finance Companies no. 6361 dated 21/11/2012- by issuing their financial reports in accordance with the formats and principles set forth in their special legislation, will be deemed to have fulfilled their obligation to prepare financial reports as stipulated in this Communiqué. In submission of financial reports to the relevant parties, these entities are governed by and subject to the provisions of this Communiqué, providing that they are not in conflict with their own special legislation.

**Grounds:**

**ARTICLE 3 – (1)** This Communiqué has been issued and enacted in reliance upon articles 14 and 36 and subparagraph (ğ) of first paragraph of article 128 of the Capital Markets Law no. 6362 dated 6/12/2012.

**Definitions and Abbreviations:**

**ARTICLE 4 – (1)** For the purposes and in the context of this Communiqué:

**(a)** “Financial reports” refers to reports consisting of financial statements, **board of directors’ reports** and responsibility statements; and

- (b) “Financial statements” refers to statement of financial position, comprehensive income statement, cash flow statement and statement of changes in equity, together with footnotes thereof; and
- (c) “Entities” refers to issuers and capital market institutions other than investment funds and housing finance and asset finance funds;
- (ç) “Law” refers to the Capital Markets Law no. 6362 dated 6/12/2012; and
- (d) “KGK” refers to and stands for Public Oversight, Accounting and Auditing Standards Authority; and
- (e) “Board” refers to the Capital Markets Board; and
- (f) “Responsibility statements” refers to the statement described in article 9 hereof; and
- (g) “TMS / TFRS” refers to and stands for the Turkish Accounting Standards / Turkish Financial Reporting Standards put into force by KGK, and exhibits and interpretations associated thereto; and
- (ğ) “TTK” refers to and stands for the Turkish Commercial Code no. 6102 dated 13/1/2011; and
- (h) “Board of directors’ reports” refers to reports described in article 8 hereof.

## **SECOND PART**

### **Financial Reports**

#### **Standards Applicable on Preparation of Financial Statements:**

**ARTICLE 5 – (1)** Entities will prepare their financial statements on the basis of TMS/TFRS issued and published by KGK.

**(2)** With a view to ensuring that the financial reporting principles and procedures are clear and understandable, or for the sake of unity in implementation thereof, if and when deemed necessary, the Board takes decisions pursuant to article 14 of the Law in order to regulate the implementation rules. Entities are under obligation to comply with these decisions.

#### **Obligation to Prepare Annual Financial Reports:**

**ARTICLE 6 – (1)** Entities are under obligation to prepare and publish their annual financial reports in accordance with the principles set forth in this Communiqué.

(2) Investment companies liable to prepare consolidated financial statements are under obligation to prepare as well as their annual individual financial statements together with their annual consolidated financial statements.

**Obligation to Prepare Interim Financial Reports:**

**ARTICLE 7 – (1)** Corporations the securities of which are traded in an exchange and/or in other organized marketplaces, investment firms, investment companies, portfolio management companies, mortgage finance institutions and asset lease companies are under obligation to prepare interim financial reports quarterly, semi-annually and every 9 months in accordance with the principles set forth in this Communiqué.

(2) Investment companies liable to prepare consolidated financial statements are under obligation to prepare as well as their interim individual financial statements together with their interim consolidated financial statements.

**Board of Directors' Annual and Interim Reports:**

**ARTICLE 8 – (1)** Entities prepare their annual reports in accordance with the provisions of the Regulation on Determination of Minimum Content of Annual Report of Companies promulgated in the Official Gazette edition 28395 dated 28/8/2012. However, the pertinent provisions of this Communiqué are applied on durations pertaining to preparation and public disclosure of said reports.

(2) The following information is given in the relevant sections of annual reports to be issued pursuant to the first paragraph hereinabove:

**a)** Limits of authorization and terms of office (together with starting and ending dates) of directors and top echelon managers, and collective bargaining agreement practices, and rights and benefits provided to personnel and workers; and

**b)** Information about sector of the entity and its position in the sector, and general explanations on characteristics, and total sales, and sales prices of production units of the entity, and sales conditions and developments observed therein during the year, and efficiency ratios and reasons of material changes therein as regards past years; and

**c)** Developments in investments, and use of investment incentives, and if used, to which extent the investments are realized; and

**ç)** Financial resources of the entity, and nature and amount of securities issued by the entity, if any; and

**d)** Amendments made in the articles of association during the period, and reasons thereof; and

- e) In the case of an obligation to prepare a Corporate Governance Compliance Report as a requirement of laws, or if such a report is prepared optionally, said Report; and
  - f) Mandatory information required to be submitted to shareholders with respect to related party transactions and their balances pursuant to the applicable laws; and
  - g) Other information which is not included in financial statements, but may be useful for users.
- (3) Interim reports contain the material events occurring in the interim period with respect to the contents of annual reports as specified in this article, and their effects on financial statements, as well as the material risks and uncertainties relating thereto for the remaining portion of the accounting period.
- (4) Any kind of information required to be disclosed in the board of directors' reports may, if they are trade secrets, not be disclosed in the board of directors' reports as long as they remain as trade secrets, and they are disclosed in the first board of directors' report prepared after the date they are no more trade secrets.
- (5) The provisions contained in regulations pertaining to Corporate Governance Principles are, however, reserved.

#### **Responsibility Statements in Financial Reports:**

**ARTICLE 9 – (1)** Entity and depending upon their faults and in the nature of things, directors of the entity are held responsible for preparation and submission of annual and interim financial reports in accordance with provisions of this Communiqué, and for truth and accuracy thereof. Board of directors of the entity is required to take a separate decision of acceptance of financial statements and board of directors' reports to be prepared pursuant to and under this Communiqué.

(2) Board of directors of the entity appoints the audit committee to be elected pursuant to the Corporate Governance Principles, or in absence of an audit committee, at least one of its own members, as responsible for financial reporting. However, such appointment does not relieve the board of directors from its liability relating to preparation and submission of financial reports and truth of them.

(3) Annual and interim financial reports to be disclosed to public are accompanied by not only financial statements and board of directors' reports, but statements containing the following points of the directors responsible for financial reporting and the general manager of entity or its manager in charge of financial reporting:

- a) That financial statements and board of directors' report are examined by them; and

**b)** That, within the frame of information held by them in their fields of duty and responsibility in the entity, the financial statements and board of directors' report do not contain any untrue statement on material events or any deficiency which may make them misleading as of the date of statement; and

**c)** That within the frame of information held by them in their fields of duty and responsibility in the entity, the financial statements prepared pursuant to this Communiqué – together with those covered by consolidation, if any – fairly reflect the truth relating to assets, liabilities, financial statements, profits and losses of the entity, and the board of directors' report fairly reflects the progress and performance of business and – together with those covered by consolidation, if any – the financial situation of the entity, together with material risks and uncertainties exposed by the entity.

**(4)** Board of directors of the entity is under obligation to take all actions and measures in order to ensure that the officers in charge of preparation of financial statements and board of directors' reports have access to material information with respect to the entity and to its affiliates, subsidiaries and joint ventures covered by consolidated financial statements. Authorized signatory officers are liable to report their criticisms and suggestions relating to both the internal control system of entity and the system of access of them to information to the board of directors and audit committee of the entity, and to the independent audit firm in charge of audit of the entity, and to give information to them about the internal control system used during review of the report.

**(5)** The provisions of special legislation pertaining to responsibility statements are, however, reserved.

### **THIRD PART**

#### **Submission of Financial Reports to Relevant Parties**

#### **Disclosure of Annual Financial Reports to Public:**

**ARTICLE 10 – (1)** Entities the securities of which are traded in an exchange and/or in other organized marketplaces are required to disclose to public their annual financial reports and their independent audit reports relating thereto, as specified in the regulations of the Board pertaining to independent audit:

**a)** within 60 days following the end of their accounting periods, in absence of the obligation to prepare consolidated financial statements; or

**b)** within 70 days following the end of their accounting periods, in presence of the obligation to prepare consolidated financial statements.

(2) Entities other than those covered by the first paragraph hereof are required to disclose to public their annual financial reports and their independent audit reports relating thereto, as specified in the regulations of the Board pertaining to independent audit, 3 weeks prior to the date of meeting of the general assembly of shareholders where the said financial reports will be discussed, and in any case, by the end of the 3<sup>rd</sup> month following the end of the relevant accounting period.

(3) If and when the last day of disclosure of financial reports coincides with an official holiday, then the first business day immediately after that official holiday will be applied as the last date of disclosure.

(4) Investment companies under obligation to prepare consolidated financial statements are liable to disclose to public their annual individual financial statements together with their annual consolidated financial statements.

(5) Entities covered by second paragraph of article 2 hereinabove are, in disclosure of their annual financial reports to public, under obligation to abide by the periods of time, if any, specified in their special legislation, which are shorter than the periods of time mentioned in this article, or otherwise, by the periods of time mentioned in this article.

#### **Disclosure of Interim Financial Reports to Public:**

**ARTICLE 11 – (1)** Entities are required to disclose to public their interim financial reports:

a) within 30 days following the end of the relevant interim period, in absence of the obligation to prepare consolidated financial statements; or

b) within 40 days following the end of the relevant interim period, in presence of the obligation to prepare consolidated financial statements.

(2) Where interim financial statements are subject to independent audit, the periods of time referred to in the first paragraph hereinabove are increased by 10 days for entities the securities of which are traded in an exchange and/or in other organized marketplaces, and by 15 days for other entities.

(3) If and when the last day of disclosure of financial reports coincides with an official holiday, then the first business day immediately after that official holiday will be applied as the last date of disclosure.

(4) Investment companies under obligation to prepare consolidated financial statements are liable to disclose to public their interim individual financial statements together with their interim consolidated financial statements.

(5) Entities covered by second paragraph of article 2 hereinabove are, in disclosure of their interim financial reports to public, under obligation to abide by the periods of time, if any, specified in their special legislation, which are shorter than the periods of time mentioned in this article, or otherwise, by the periods of time mentioned in this article.

### **Procedures of Disclosure of Financial Reports to Public:**

**ARTICLE 12 – (1)** The disclosures to be made to public as per this Communiqué are required to be made by the end of the first business day immediately after:

a) [as for the financial reports audited by independent audit firm] the date of receipt by the entity of the financial reports audited by independent audit firm, together with the independent audit report, in attachment to a cover letter signed by the authorized signatory of independent audit firm, and the date of decision taken by the board of directors in the same day for disclosure of them to public; or

b) [as for the financial reports audited by independent audit firm] the date of decision taken by the board of directors of entity for acceptance of financial reports.

(2) Entities the securities of which are traded in an exchange and/or in other organized marketplaces are required to disclose their public disclosures covered by this Communiqué after closing of last session of the relevant day.

(3) Providing that the periods of time mentioned in articles 10 and 11 hereinabove are abided by, financial statements may be disclosed to public before the board of directors' report. In this case, separate decisions of the board of directors are required to be taken, and separate responsibility statements are required to be prepared under article 9 hereof, both for financial statements and for the board of directors' report.

(4) Entities which are by nature a subsidiary, joint venture or affiliated company are required to disclose their financial reports to public at the same time with or prior to their parent company, joint venture or investor company, providing that the periods of time referred to in this Communiqué are abided by.

(5) Entities the securities of which are traded in an exchange and/or in other organized marketplaces, and investment companies and investment firms whether the securities of which are traded in an exchange and/or in other organized marketplaces or not, are required to disclose their financial reports to public by submitting the same to the Public Disclosure Platform in accordance with the principles set forth by the Board. Financial reports of other entities are submitted to the Board within the framework of regulations of the Board pertaining to public disclosure of material events, and such submission is disclosed by the Board to public.

### **Additional Time for Public Disclosure of Financial Reports:**

**ARTICLE 13 – (1)** In presence of reasonable causes and reasons acceptable by the Board, an additional time may be granted to entities for public disclosure of interim and annual financial reports, upon application of audit committee, if any, of the entity appointed pursuant to the Corporate Governance Principles, or if not, upon application of the director in charge of financial reporting or the general manager of entity.

### **Publishing of Financial Reports:**

**ARTICLE 14 – (1)** Entities are under obligation to publish their annual and interim financial reports in their own internet websites after they are disclosed to public, in such manner to allow easy access by the financial report users thereto. Such information is required to be kept open to public in the relevant internet website for a minimum period of 5 years. In the case of more than one internet website owned by the entity, the disclosure is made in the most known internet website of the entity.

**(2)** Entities which disclose their annual financial reports to public prior to the date of annual ordinary meeting of their general assembly of shareholders are – in the case of a difference between their financial statements contained in such reports and their financial statements approved by the general assembly of shareholders – required to republish their financial statements approved by the general assembly of shareholders pursuant to the first paragraph hereof. However, this provision cannot be applied so as to allow the general assembly of shareholders to take decisions in conflict with provisions of this Communiqué.

### **Annual Financial Reports and Relevant Independent Audit Report Held Open For Inspection by Shareholders:**

**ARTICLE 15 – (1)** Annual financial reports and the relevant independent audit report are held open for inspection by shareholders at least three weeks before the annual ordinary meeting of the general assembly of shareholders. To this end, annual financial reports and the relevant independent audit report must be printed in an adequate number of copies, and made available in the head offices and branches of the entity, and sent to the shareholders upon demand. In this case, the entity may in its sole discretion charge the printing and delivery costs on the shareholders demanding a copy of the said reports.

### **Disclosure of Summary Information Derived Out of Financial Reports:**

**ARTICLE 16 – (1)** Providing that financial reports are already disclosed to public as stipulated in this Communiqué, entities may also disclose to public the summary information derived out of financial reports. In this case, the summary information should describe how to access the relevant financial reports. Such summary information should not be prepared so as to achieve a predetermined result, and should not contain misleading or untrue information that may negatively affect the financial report users in their economic decisions.

**FORTH PART**  
**Miscellaneous Provisions**

**Financial Statements Prepared Pursuant to Other Legislation:**

**ARTICLE 17 – (1)** Entities may prepare financial statements stipulated in other legislation such as Tax Legislation. However, financial statements to be disclosed to public pursuant to Capital Markets Legislation are required to be prepared in accordance with the principles set down in this Communiqué. Information given in the financial statements is required to be kept open to public by the recipient public administration and entity, and if financial statements are not previously prepared and disclosed to public with regard to the relevant period pursuant to this Communiqué, the entity is required to disclose such information to public concurrently with the recipient public administration and entity.

**Public Disclosure of Financial Reports That Are Not Conforming to This Communiqué:**

**ARTICLE 18 – (1)** In disclosures to be made by entities to public by any way or in any manner whatsoever, financial reports not prepared in conformity to this Communiqué or data included in such financial reports cannot be used. If used, it is deemed that untrue or deficient information is given about material events which may affect the value of securities.

**Capital Markets Ledger:**

**ARTICLE 19 – (1)** Due to calculations made for preparation of financial statements in accordance with this Communiqué, new records cannot be entered into the legal books and documents required to be kept by entities pursuant to other legislation, or the records contained in such books and documents cannot be changed.

**(2)** In periods the financial statements of which are prepared in accordance with this Communiqué, entities keep a Capital Markets Ledger in order to establish the relation between accounting books and records on one side and financial statements prepared in accordance with this Communiqué on the other side, and to make sure that financial statements of the next year are prepared healthily.

**(3)** All opening and current period correction and classification records made in the course of derivation of the amounts in financial statements prepared in accordance with this Communiqué out of the accounting records are required to be recorded separately in the Capital Markets Ledger.

(4) This ledger may be kept electronically or in writing. A Capital Markets Ledger kept in writing in printed form is arranged with its pages serially numbered, and is signed by the authorized signatories of the entity, and is kept for the period specified in the Turkish Commercial Code for keeping of commercial books. If the Capital Markets Ledger is kept electronically, the board of directors of the entity is under obligation to take necessary actions to ensure that the information contained therein is not changed and is kept for the specified period of time.

#### **Storage of Documents and Time of Storage:**

**ARTICLE 20 – (1)** For the sake of validity of accounting records, the entities obtain the documents specified in the Tax Legislation and TCC, and keep them for the periods envisaged in the said legislation. However, where the financial statements are prepared in accordance with this Communiqué, even if not specifically required by the relevant legislation, entities are under obligation to obtain the documents required for validity of items of financial statements to be prepared pursuant to this Communiqué, and systematically associate them to the Capital Markets Ledger, and keep the same together with the Capital Markets Ledger for the period specified in TCC.

#### **Independent Audit of Financial Reports:**

**ARTICLE 21 – (1)** Independent audit of financial reports to be prepared as per the provisions of this Communiqué is governed by regulations of the Board pertaining to independent audit.

(2) It is the responsibility of the parent company to provide the information and documents to be needed by the independent audit firm for independent audit of consolidated financial reports.

(3) Independent audit of annual and interim board of directors' report covers whether the financial data and information given in the board of directors' reports are consistent with the audited financial statements or not and whether they reflect the truth or not.

#### **Exemptions:**

**ARTICLE 22 – (1)** The entities listed below are exempted from the obligation to prepare interim financial reports under this Communiqué:

- a) Entities the trading sequence of which is suspended for a period of more than 30 business days; and
- b) Entities that are permanently delisted from the exchange list; and
- c) Capital market institutions the activities of which are temporarily suspended; and
- ç) Entities in liquidation phase; and
- d) Entities that issue securities other than stocks without public offering.

(2) Entities the stocks of which are included in the Emerging Companies Market List as per the regulations of the Istanbul Stock Exchange Corporation, and entities the stocks of which are traded in the Free Trading Platform pursuant to the Communiqué on Principles Relating to Publicly Held Corporations Stocks of Which Will Be Traded in Free Trading Platform (Serial IV, No. 58) promulgated in the Official Gazette edition 28201 on 11/2/2012 are exempted from the obligation to prepare first and third quarter interim financial reports.

(3) Entities the stocks of which are included in the Emerging Companies Market List as per the regulations of the Istanbul Stock Exchange Corporation, and entities the stocks of which are traded in the Free Trading Platform pursuant to the Communiqué on Principles Relating to Publicly Held Corporations Stocks of Which Will Be Traded in Free Trading Platform (Serial IV, No. 58), and asset lease companies, and investment firms the securities of which are not traded in an exchange and/or in other organized marketplaces, are exempted from the obligation to prepare interim board of directors' reports.

## **FIFTH PART**

### **Miscellaneous and Final Provisions**

#### **Repealed Communiqués:**

**ARTICLE 23 – (1)** The Communiqué on Principles and Rules Relating to Interim Financial Statements in Capital Markets (Serial XI, No. 3) promulgated in the Official Gazette edition 20233 on 26/7/1989, the Supplementary Communiqué of the Communiqué on Principles and Rules Relating to Financial Statements and Reports in Capital Markets (Serial XI, No. 5) promulgated in the Official Gazette edition 20387 on 29/12/1989, the Communiqué on Principles and Rules Relating to Accounting of Futures and Option Contracts (Serial XI, No. 19) promulgated in the Official Gazette edition 24506 on 27/8/2001, the Communiqué on Principles and Rules Relating to Consolidated Financial Statements and Accounting of Subsidiaries in Capital Markets (Serial XI, No. 21) promulgated in the Official Gazette edition 24582 on 13/11/2001, the Communiqué on Principles Relating to Financial Reporting in Capital Markets (Serial XI, No. 29) promulgated in the Official Gazette edition 26842 on 9/4/2008 and the General Disclosure Communiqué on Determination of Obligations of Issuance, Public Disclosure and Independent Audit of Financial Statements and Reports by Corporations and Entities Governed by Capital Markets Law (Serial XII, No. 1) promulgated in the Official Gazette edition 21146 on 18/2/1992, are hereby repealed and superseded.

#### **Transitory Period For Periods of Public Disclosure of Financial Reports:**

**TEMPORARY ARTICLE 1 – (1)** If and when the consolidated financial reports relating to the interim period ending prior to 31/12/2013 are subject to independent audit, a time of 5 days is added to the period mentioned in article 11 hereof.

(2) Provisions of article 14 are applicable also on publishment of financial reports of the accounting period ending prior to 31/12/2013.

**Standards Applicable in Preparation of Financial Statements of Publicly Held Corporations the Stocks of Which Are Not Traded in the Exchange:**

**TEMPORARY ARTICLE 2 – (1)** Corporations the stocks of which are not traded in the exchange, but which are deemed to be publicly held pursuant to first paragraph of article 16 of the Law, if and to the extent they remain below the limits stated in article 5 of the List no. II attached to the Decree on Determination of Companies To Be Subject To Independent Audit, put into force by the Decree of the Council of Ministers no. 2012/4213 dated 19/12/2012, are not subject to and governed by the provisions of this Communiqué until the time of their application to be filed for trading of their stocks in the exchange within two years.

**(2)** Corporations mentioned in the first paragraph may, if they wish so, prepare financial reports in accordance with provisions of this Communiqué.

**Effective Date:**

**ARTICLE 24 – (1)** This Communiqué becomes effective as of the date it is published, with effect from the financial reports of interim period ending after 1/4/2013.

**(2)** Second paragraph of article 6 and second paragraph of article 7 of this Communiqué become effective with effect from the financial reports of the first interim period belonging to the accounting periods starting after 1/1/2014.

**Enforcement:**

**ARTICLE 25 – (1)** The provisions of this Communiqué are enforced by the Capital Markets Board.