

THIRD CHAPTER

Publicly-Held Corporations

Gaining the status of publicly-held corporation

ARTICLE 16 – (1) Corporations the shares of which are traded on exchange and the shares of joint stock corporations with a shareholder number exceeding five hundred shall be deemed to be publicly-held. These joint stock corporations shall also be subject to the provisions regarding publicly-held corporations.

(2) Joint stock corporations the shares of which are not traded on exchange are obliged to apply to the exchange within two years at the latest after gaining the status of publicly-held corporation in order to have their shares traded on the exchange. Otherwise, without seeking the demand of the corporation the Board shall take the necessary decisions in order to have these shares traded on the exchange or for removing corporation from the publicly-held corporation status.

Corporate governance principles

ARTICLE 17 – (1) In publicly-held corporations, the procedures and the principles regarding corporate governance principles, the content and publication of corporate governance compliance reports, the rating of compliance of corporations with corporate governance principles and the independent memberships of board of directors shall be determined by the Board. The Board shall use this authority in a manner that would not result in unfair competition among publicly-held corporations and by considering the principle of applying equal rules to equivalent corporations.

(2) Considering their qualifications, the Board is authorised to require publicly held corporations the shares of which are traded on the exchange to comply with corporate governance principles partially or completely, to establish the principles and procedures regarding these, to take decisions providing the fulfillment of the compliance obligation in a given time period and to take actions ex officio in this regard in cases where the compliance requirement is not fulfilled, even where a time period is not given to request cautionary injunction for the determination of activities inconsistent with the compliance obligations or their cancellation being exempt from all kinds of guarantee, to file a lawsuit, to request for a court decision that will result in the way that lead to the fulfillment of the compliance obligation, to establish the procedures and principles regarding the execution of those operations.

(3) Before starting a transaction with their related parties, principles of which shall be determined by the Board, publicly-held corporations are obliged to take a board of directors' decision, determining the principles of the transaction to be made. The approval of the majority of independent members of the board of directors is required for the implementation of the relevant board of directors decisions. In cases where the majority of the independent members of the board of directors does not approve the relevant transaction, this situation shall be disclosed to public according to the public disclosure regulations in a manner containing adequate information about the transaction and the transaction shall be submitted to the approval of the general assembly. During these general assembly meetings, the decision shall be taken by a voting where the parties of the transaction and the persons related with them shall not vote. During the negotiation of this agenda item in the general assembly, meeting quorum shall not be required, the decision shall be taken with the simple majority of those having a voting right. Board of directors and general assembly decisions which have not been taken in accordance with the principles indicated in this paragraph shall not be valid.

(4) Publicly-held corporations may fulfill their obligations established in both this article and the first paragraph of Article 1524 of the Law numbered 6102 via the electronic environment provided by the CRA.

(5) The principles and procedures regarding the implementation of this Article to publicly-held banks shall be determined by taking the assent of the Banking Regulation and Supervision Agency.

Authorised capital system

ARTICLE 18 – (1) Publicly-held corporations and corporations having applied to the Board in order to offer their shares to the public may adopt the authorised capital system, provided that they obtain the authorisation of the Board. In so far, a separate Board authorisation shall not be required for the corporations which have adopted this system according to the Law numbered 6102.

(2) In the authorised capital system, the board of directors is authorised to raise the capital until the upper limit of

the authorised capital determined in the articles of association, without being subject to the provisions of the Law numbered 6102 regarding raising the equity capital. In so far, this authority can be given by the general assembly for a maximum period of five years. The duration of this authority may be extended with the decision of the general assembly for periods of maximum five years.

(3) In the authorised capital system, as long as the issued shares are not fully sold and paid for or the shares that could not be sold are not cancelled, new shares cannot be issued.

(4) In cases where privileged shares exist, general assembly decisions related to amendments to be made in the articles of association in the context of this Article, shall be approved by the private assembly of privileged shareholders according to the principles laid down in Article 454 of the Law numbered 6102. In so far, the decision of the private assembly of privileged shareholders shall not be required for raising capital within the upper limit of the authorised capital of corporations.

(5) In order to be able to take decisions about the issuance of privileged shares or shares below or above nominal value, restriction of preemptive rights of shareholders or decisions restricting the rights of privileged shareholders, it is necessary that the board of directors be authorised by the articles of association. The authority to restrict the preemptive rights shall not be exercised in a manner leading to inequality among shareholders. The provisions of the second and third paragraphs of Article 461 of the Law numbered 6102 shall not be applicable to publicly-held corporations.

(6) In the framework of the provisions of the Law numbered 6102 regarding the annulment of general assembly decisions, members of board of directors or shareholders the rights of whom have been violated may file a suit of nullity against the decisions taken by the board of directors in the context of the principles laid down in this Article at the commercial court of the place where the headquarter of the corporation is based, within thirty days starting from the announcement of the decision.

(7) After the completion of the capital increase in accordance with the provisions of this Article, the new form of the article showing the issued capital in the articles of association shall be registered and announced by the board of directors.

(8) Decisions taken by the board of directors in the framework of the authority granted according to this Article shall be disclosed to the public following the procedure to be determined by the Board.

(9) In cases where publicly-held corporations which are in the authorised capital system issue a convertible bond or a derivative instrument convertible to share, sum of the shares to be assigned as a result of the conversion and the issued capital of the corporation shall not exceed the authorised capital.

(10) Procedures and principles regarding the inclusion and exit of publicly-held corporations in the authorised capital system or removal by the Board from the system and the conditional capital increase shall be determined by the Board. Corporations which had previously made the transition to this system according to the Law numbered 6102 and then have become publicly-held are also subject to the provision of this sub-paragraph.

Distribution of dividend and gratis share and donations

ARTICLE 19 – (1) Publicly-held corporations shall distribute their profits in the framework of the profit distribution policies to be determined by their general assembly and in accordance with the provisions of the related legislation. The Board may determine different principles regarding the profit distribution policies of publicly-held corporations on the basis of similar corporations.

(2) Unless the legal reserves and the dividends determined for shareholders in the articles of association are allocated, no decision shall be taken for allocating other reserves, transferring profits to the following year or distributing a share out of profit to the dividend shareholders, members of the board of directors and the employees of the corporation, and as long as the determined dividend is not paid, no share out of profit may be distributed to these persons.

(3) In publicly-held corporations, dividends shall be distributed equally to all existing shares as of the date of distribution without taking into account the issue or acquisition dates of such shares.

(4) In the capital increases of publicly-held corporations, gratis shares shall be distributed to the shares existing as of the date of increase.

(5) In publicly-held corporations, a provision must exist in the articles of association for making donations or for distributing shares out of profit to persons other than shareholders. The limit of the donation to be made shall be determined by the general assembly of the publicly-held corporation. The Board is authorised to set an upper limit to the amount of the donation. The donations made by corporations within the related fiscal year shall be added to the distributable profit base.

Dividend advance

ARTICLE 20 – (1) The total dividend advance to be given in an accounting period shall not exceed one half of the profit of the previous year. No decision shall be taken regarding giving additional dividend advances or distributing dividends before offsetting the dividend advances paid during the previous period.

(2) According to their faults and to the necessities of the situation to the extent the damage can be attributed individually to them the members of the board of directors and being limited with the reports they have prepared the independent auditors shall be responsible to the corporation, the shareholders, the company creditors and furthermore directly to the persons who have acquired shares within the accounting period in which a dividend advance has been decided to be paid or has been paid, for the damages arising from the interim financial statements that are not reflecting the truth fairly or not being prepared in accordance with the legislation and the accounting principles and rules. In case of the existence of conditions where civil liability arises, a suit of nullity may be filed by the shareholders and the members of the board of directors within thirty days starting from the announcement of the decision as provided in the sixth paragraph of Article 18.

(3) Principles and procedures regarding the application of this article shall be established by the Board.

Prohibition of illegal transfer pricing activities

ARTICLE 21 – (1) It is forbidden that publicly-held corporations and collective investment schemes and their subsidiaries and associates to transfer income to real persons or legal entities with whom they have a direct or indirect relationship in terms of management, audit or capital by decreasing their profits or their assets or by preventing the increase of their profits or their assets via performing transactions such as making contracts or commercial practices containing different prices, fees, costs or conditions or producing a trading volume in violation of the conformity with market practices and comparability to similar transactions, prudence and honesty principles of commercial life.

(2) Cases where publicly-held corporations and collective investment schemes as well as their subsidiaries and associates do not perform the activities expected from them as prudent and honest merchants in the framework of their articles of association or their fund rules or if they do not perform activities in order to conserve or increase their profits or assets in accordance with market practices, providing the increase of the profits or assets of real persons and legal entities with whom they are related shall also be deemed as illegal transfer pricing activities.

(3) Publicly-held corporations and collective investment schemes are obliged to document that the related party transactions have been performed under conditions in conformity to similar transactions, market practices, prudence and honesty principles of commercial life and to keep the documents and information certifying this situation for at least eight years. The principles and procedures to be followed in case where an inconsistency with the rules indicated in the first paragraph is discovered, shall be determined by the Board.

(4) In the event that the income transfer is discovered by the Board, publicly-held corporations, collective investment schemes as well as their subsidiaries and associates shall request from the parties to which income transfer has been made, to return, the amount transferred and its legal interest to the corporation or collective investment scheme the assets or profit of which have been decreased, within the duration to be determined by the Board. Parties which have received an income transfer are obliged to return the transferred amount with its legal interest within the period to be determined by the Board. Articles 94 and 110 regarding the violation of the prohibition of illegal transfer pricing and the civil, penal and administrative sanctions foreseen in the related legislation shall be reserved.

Acquisition of a Corporation's own shares and taking its own shares in pledge

ARTICLE 22 – (1) Publicly-held corporations may acquire their own shares and take them in pledge in the framework of the conditions to be determined by the Board. The Board establishes the principles and procedures regarding conditions regarding the acquisition and taking in pledge of the shares of publicly-held corporations by themselves, the limits of transactions, the disposal and amortisation of shares which have been acquired and the disclosure of these issues to the public.

(2) The acquisition of shares of publicly-held corporations by corporations which have been included in the consolidated balance sheet of the related corporation shall also be subject to the provisions of this Article.

Significant transactions of corporations

ARTICLE 23 – (1) Matters such as the following that involve publicly-held corporations to;

- a) be party to merger, division transactions, take the decision to change their type or to terminate,
- b) transfer the whole or an important part of their assets or that they establish a real right on them or rent them,
- c) change their field of activity totally or to a significant extent,
- c) create privileges or change the content or subject of existing privileges,
- d) be delisted

shall be considered as significant transactions in the implementation of this Law. The Board is authorised to determine significant transactions and the procedures and principles that have to be followed in order to perform such transactions or decide about them, including significance criteria.

(2) In the event that the situation prior to the transaction cannot exactly be assured within thirty days starting from the date of notification of the Board decision regarding the removal of the transactions performed in violation with the obligations established in the framework of the first paragraph, the Board may impose administrative fines and may file suit for the annulment of these transactions according to the provisions of the Law numbered 6102 regarding the annulment of the general assembly decisions.

Retirement right

ARTICLE 24 – (1) Shareholders who have attended the general assembly meeting regarding the significant transactions mentioned in Article 23 and who had a negative vote and had their dissention recorded in the minutes shall have retirement right by selling their shares to the publicly-held corporation. The publicly-held corporation is obliged to purchase these shares upon the demand of the shareholder from the average of the weighted average prices formed on exchange within thirty days starting from the date when the related significant transaction has been disclosed to the public.

(2) In the event that the shareholder has been unfairly prevented from attending the general assembly meeting regarding the significant transactions mentioned in Article 23, that an invitation to the general assembly meeting has not been made in due form or that the agenda has not been announced in due form, the provision of the first paragraph shall be applicable, without requiring the condition of being opposed to the general meeting decisions and having their dissention recorded in the minutes.

(3) The item that shareholders who would have an opposing vote regarding these decisions shall have a retirement right and the price to be paid to these shares by the corporation in case when this right is used shall be included on the agenda of the general assembly meeting where the issues mentioned in the first paragraph would be discussed.

(4) The cases where the retirement right does not arise as well as the principles and procedures regarding the use of this right and the calculation of the sale price in corporations the shares of which are not traded on exchange shall be determined by the Board.

Takeover bid

ARTICLE 25 – (1) In publicly-held corporations, procedures and principles related to making voluntary takeover bid and mandatory takeover bid arising from significant transactions shall be determined by the Board.

(2) In cases where a takeover bid is prohibited by the Board, the transactions conducted on the basis of the prohibited bid shall be null and void.

Obligation regarding takeover bid

ARTICLE 26 – (1) In the event that shares or voting rights entitling the control of management have been acquired in publicly-held corporations, it is mandatory to make an offer in order to purchase the shares of other shareholders. The procedures and principles regarding the execution of takeover bids and the exemption from the obligation of making takeover bid shall be determined by the Board.

(2) Holding directly or indirectly more than fifty percent of the voting rights of the corporation alone or together with persons acting in concert, holding privileged shares which give the right to elect the absolute majority of the members of the board of directors or the right to nominate in the general assembly for the same number of members shall be deemed as gaining control of management. However cases where control of the management cannot be obtained due to the existence of privileged shares shall not be considered in the context of this article.

(3) Even though no change occurs in the shareholding of the corporation, gaining of control of the management by some shareholders through special contracts they would conclude between themselves without complying with the procedures and principles foreseen to be designated by the Board in the first paragraph of Article 23 and the procedures and principles mentioned in the sixth paragraph of Article 29 shall also be considered in the context of this Article.

(4) In order to protect shareholders of publicly-held corporations which had a field of activity regarding the conduct of a privileged business and lost this privilege, or which lost their permission for activity according to the Banking Law dated 19/10/2005 and numbered 5411 or those the equity rights except dividend as well as the management and inspection of which have been transferred to the Saving Deposit Insurance Fund; the Board may bring an obligation regarding take over bids to real persons and legal entities in the position of controlling shareholders which have been determined to cause the withdrawal of the privilege or the implementation of the provisions of the Law numbered 5411.

(5) The Board may bring an obligation regarding takeover bid for approving the amendments in the articles of association which would lead to a change or loss in the investment company qualifications of investment companies.

(6), The voting rights of real persons and legal entities which become obliged to make takeover bids and of those who act in concert with them shall be frozen automatically, in the event that this obligation is not fulfilled within the duration to be determined by the Board. The related shares shall not be considered in the quorum of the general assembly meeting.

Squeeze out and sell-out rights

ARTICLE 27 – (1) In the event that shares acquired as a result of takeover bid or in a different way, including acting in concert with others reach or surpass a ratio of the voting rights of the publicly-held corporation which is determined by the Board, the persons holding these shares shall gain the right to squeeze out the shareholders who have become a minority. These persons may request, within the period to be determined by the Board, the cancellation of the shares of shareholders who became a minority and the sale of the new shares to be issued corresponding to these shares to themselves. The sale price shall be determined according to Article 24.

(2) In cases where squeeze out right arises in the context of the conditions mentioned in the first paragraph, sellout right arises for shareholders who have become a minority. These shareholders may request that their shares be purchased at a fair price within the period to be determined by the Board from real persons or legal entities who hold a ratio to be determined by the Board or more of the voting rights or from those who act in concert with them.

(3) Article 208 of the Law numbered 6102 shall not apply to publicly-held corporations.

(4) Procedures and principles regarding the implementation of this Article shall be determined by the Board.

Privileged shares

ARTICLE 28 – (1) It is obligatory that at the initial public offer of the capital market instruments of corporations, all the privileges be disclosed to the public in a transparent and clear detail.

(2) Without prejudice to the circumstances where their activities render it reasonable and compulsory, in the

framework of the principles determined by the Board, privileges concerning voting right and representation in the board of directors shall be removed by a decision of the Board in publicly-held corporations which have had losses consecutively for five years according to financial statements prepared in accordance with the legislation. In cases where the related privileged shares belong to public institutions and organisations, this provision shall not be applicable.

Principles regarding general assembly meetings

ARTICLE 29 – (1) Publicly-held corporations are obliged to invite their general assemblies to the meeting as indicated in the articles of association, with an announcement published in the website of the corporation, in the Public Disclosure Platform and in other places determined by the Board. This invitation shall be made at least three weeks prior to the date of the meeting, excluding the announcement and meeting days. The procedures and principles regarding this paragraph shall be determined by the Board.

(2) The first paragraph of Article 414 of the Law numbered 6102 shall not be applicable to the registered shares traded on the exchange.

(3) To the general assembly meetings of publicly-held corporations, Article 418 of the Law numbered 6102 shall be applicable, unless higher quorums are foreseen in this Law or in their articles of association by clearly indicating a ratio, except decisions regarding the transfer of the headquarter abroad and imposing an obligation or a secondary obligation for settling the balance sheet losses. That the articles of association only makes a reference to the Law numbered 6102 or to the related article number without writing its content shall not be considered as a contrary provision. The provision of the sixth paragraph shall be reserved.

(4) In the general assemblies of publicly-held corporations, it is obligatory to include in the general assembly agenda the matters that the Board requires to be discussed or disclosed to shareholders, without complying with the principle of adherence to the agenda.

(5) The right of adding an agenda item accorded to the minority in Article 411 of the Law numbered 6102 shall also include in publicly-held corporations the opening up of discussions on the draft decisions regarding agenda items.

(6) As long as higher quorums are not foreseen in their articles of association by explicitly indicating a ratio, the affirmative votes of the two-thirds of shares with voting rights participating in the general assembly of the corporation without any requirement of meeting quorum shall be required in publicly-held corporations for the acceptance by the general assembly of decisions concerning the restriction of the preemptive rights, the authorization of the board of directors to restrict preemptive rights in authorized capital system, reduction of capital and the significant transactions determined according to the first paragraph of Article 23. However, as long as higher quorums are not foreseen in the articles of association, if at least half of the voting rights representing the share capital are present at the meeting, decision shall be taken with the majority of the shares participating in the meeting and holding a voting right. In these transactions, shareholders who are a party according to the first paragraph of Article 436 of the Law numbered 6102 cannot vote in general assembly meetings where these transactions would be voted. The articles of association provisions diminishing the quorums mentioned in this paragraph shall be invalid.

Participation in the general assembly meeting and voting

ARTICLE 30 – (1) The rights to participate and to vote in the general assembly of publicly-held corporations can not be made conditional upon depositing of the shares of shareholders at any institution.

(2) The shareholders whose names take place in the list of attendees prepared by considering the shareholders list that the board of directors has provided from CRA can participate in general assembly meetings of publicly-held corporations the shares of which are dematerialised. The right holders whose names are in this list shall participate in the general assembly by showing an identity card. The Board is authorised to determine the maximum number of days prior to the date of the general assembly meeting should be considered in the determination of the shareholders list and/or the principles, when necessary, regarding the notification that shareholders and their representatives would make to the CRA on the electronic environment indicated in the fifth paragraph of this article about their participation to the meeting.

(3) Provisions of the Law numbered 6102 shall be applicable in the determination of the shareholders who have

the right to participate in the general assembly meetings of publicly-held corporations the shares of which are not dematerialised.

(4) Those holding a voting right in the general assembly of publicly-held corporations may also use their rights through the persons they have appointed as proxy holder. However, it is also possible to vote according to general provisions in publicly-held corporations the shares of which are not dematerialised by transferring the actual possession of bearer shares or by transferring the documents showing that they are possessed. The provision of this paragraph shall also be applied when those who provide custody services use the voting rights as proxy holder related to the shares to which they provide custody services. Procedures and principles regarding the proxy solicitation and proxy voting shall be determined by the Board. Article 428 of the Law numbered 6102 shall not be applicable in the context of this Law.

(5) The participation in the electronic environment to the general assemblies of joint-stock corporations the shares of which are dematerialised shall be realised through the electronic environment provided by the CRA.

Issue limit and authority regarding capital market instruments qualified as debt instruments

ARTICLE 31 – (1) The total amount of the capital market instruments qualifying as debt instruments that may be issued by issuers shall not exceed the limit to be determined by the Board. The Board may determine different limits according to the nature of the issue, issued debt instrument, and the issuers.

(2) Issue limits indicated in other laws shall not be applicable, without prejudice to the provisions of the Decree Having the Force of Law on State Economic Enterprises dated 8/6/1984 and numbered 233 and except the limits indicated in article 51 of the Special Provincial Administration Law dated 22/2/2005 and numbered 5302 as well as article 68 of the Municipality Law dated 3/7/2005 and numbered 5393.

(3) The authority to issue capital market instruments qualifying as debt instruments may be transferred to the board of directors by the articles of association temporarily or permanently.

Responsibility arising from public disclosure documents

ARTICLE 32 – (1) In the framework of Article 10, the persons who are indicated as being responsible in the same article as well as those who sign or legal entities on behalf of which miscellaneous public disclosure documents that are foreseen by the Board pursuant to the legislation to be prepared with the purpose of public disclosure such as prospectus, information form prepared in takeover bids, material events disclosure, announcement texts to be prepared in merger and division proceedings, disclosure of the admission to trading on the exchange and financial reports are signed shall be jointly liable for the damages resulting from inaccurate, misleading or incomplete information contained in these documents.

(2) Persons and institutions such as independent audit, rating and appraisal firms who prepare reports to be included or used as basis in public disclosure documents shall also be responsible in the framework of the provisions of this Law.

(3) Persons who prove that they were not informed about the inaccurate, misleading or incomplete information included in public disclosure documents and that this information deficiency does not arise from their intention or gross negligence shall not be responsible.

(4) During the validity period of the prospectus containing inaccurate, misleading or incomplete information and immediately after the disclosure of the other public disclosure documents to public, in the event that a loss arises in the assets of investors upon the sale or purchase on the exchange of capital market instruments, purchased at the initial public offer or purchased or sold on exchange immediately after the date when the information consistent with the reality has arisen, a casual link shall be deemed as established between the public disclosure documents and the loss, in regards of the compensation requests to be asserted according to this Article.

(5) Compensation requests arising from inaccurate, misleading or incomplete public disclosure documents may be rejected in the event that;

- a) The purchase or sale of capital market instruments is not based on the public disclosure document,
- b) The purchase or sale of capital market instruments has been realised although it was known that the

information contained in the public disclosure document was inaccurate, misleading or incomplete,

c) The correction regarding the inaccurate, misleading or incomplete information contained in public disclosure documents has been disclosed before the investment decision has been taken or before the transaction based on this document has been made,

ç) The investors would have incurred a loss even though the information contained in the public disclosure documents was not inaccurate, misleading or incomplete.

(6) The compensation requests arising from public disclosure documents shall lapse within six months starting from the date when the loss mentioned in the fourth paragraph has occurred.

(7) Agreements, provisions or expressions mitigating or removing the responsibility arising from public disclosure documents shall be invalid.

Other common provisions

ARTICLE 33 – (1) Corporations shall notify the Board within ten business days starting from the date when they become aware that their capital market instruments have been sold to public in any way or that the status of publicly-held corporation has been gained.

(2) It is obligatory to take the assent of the Board in order to amend the articles of association of publicly-held corporations.

(3) The Board may exempt fully or partially, the issues entering into the scope of this Law, from obligations arising from this Law by considering nature and conditions such as the volume of the issue, investors it is addressed to, guarantees provided, information submitted about the issue or issuer, trading of the related capital market instruments on the exchange or sale method to be utilised during the issue.

(4) Among corporations which are deemed to be publicly-held because of the number of shareholders, those which do not prefer that their shares be traded on the exchange according to Article 16, may be excluded from the scope of this Law with a general assembly decision to be taken with affirmative votes of at least two-thirds of the total number shareholders or with three fourths of the total votes. In this case, shareholders who did not use an affirmative vote to the decision of exclusion from the scope of the Law shall be entitled to retirement right according to Article 24. The controlling shareholders of corporations which would be rejected ex officio by the Board from the publicly-held corporation status according to the second paragraph of Article 16 may be obliged to make a takeover bid for other shares. The principles and procedures regarding this matter shall be determined by the Board.

(5) Even though issuers and publicly-held corporations possess a higher number of shareholders than the number mentioned in Article 16, they may be exempted fully or partially from the obligations arising from this Law or may be excluded from the scope of this Law ex officio or upon request, in the event of the presence of conditions such as the size of the balance sheet and of the share capital, the continuity of activities, the fact that the partnership is limited with persons having certain characteristics, the distribution of the capital among partners.