5.1.1.11. COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

(Serial: XI, No: 29)

List concerning communiqué amendments:
1- (The Communiqué Serial: XI, No: 31 was published in the Official Gazette dated March 9, 2011 and numbered 27869.)

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SECTION ONE
Purpose, Scope, Legal Basis, and Definitions

Purpose
ARTICLE 1 - (1) The purpose of this Communiqué is to determine the rules, procedures, and principles regarding the financial reports to be drawn up by enterprises in order to ensure that sufficient and accurate information are disclosed to the public on a timely basis as well as prepared and submitted to the relevant authorities.

Scope
ARTICLE 2 - (1) This Communiqué shall apply in the preparation of the financial reports of the enterprises defined in article 4 and their submission to the relevant authorities.
(2) The enterprises that are subject to the provisions of this Communiqué due to being a subsidiary, an associate, or a joint venture of the parent company shall be exempt from the obligation of announcement of financial reports and sending them to the Board and to the stock exchange which has been introduced with this Communiqué.
(3) Drawing up of financial reports by enterprises within the framework of the forms and principles determined according to their special legislations under article 50/(a) of the Law no 2499 shall be deemed as the fulfilment of the obligation to draw up financial statements stipulated in this Communiqué. The aforementioned enterprises shall be subject to the provisions of this Communiqué with regard to the submission of financial reports to the relevant parties, provided that the provisions of this Communiqué is not in contradiction with their special legislations.

Basis
ARTICLE 3 - (1) This Communiqué has been prepared on the basis of articles 16 and 22/e of the Capital Markets Law no 2499.

Definitions
ARTICLE 4 - (1) The following terms mentioned in this Communiqué shall bear the meanings written next to them below:
a) Financial reports: The reports consisting of financial statements, board of directors’ annual reports, and statements of responsibility,
b) Financial statements: Balance sheets, income statements, cash flow statements, and statements of changes in equity together with their footnotes,
c) Enterprise: Partnerships, that issue securities market instruments which are traded on the stock exchange, financial intermediaries, portfolio management companies, and the subsidiaries, associates and joint ventures of these enterprises, which are defined in the financial reporting standards determined in article 5 of the Communiqué,
d) Law: The Capital Markets Law no 2499, dated July 28, 1981,
e) Board: The Capital Markets Board of Turkey,
f) Statement of Responsibility: The statements defined in article 9 of the Communiqué,
g) Turkish Accounting/Financial Reporting Standards (TAS/TFRS): The Turkish Accounting/Financial Reporting Standards put into force by the Turkish Accounting Standards Board (TASB) as well as any annexes and comments related to them,
h) International Financial Reporting Standards (IAS/IFRS): The International Accounting/Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as well as any annexes and comments related to them,
i) Board of directors’ annual reports: The reports defined in article 8 of the Communiqué.

SECTION TWO
Financial Statements

Standards to be taken as basis in the preparation of financial statements
ARTICLE 5 - (1) Enterprises shall apply the International Accounting/Financial Reporting Standards as they are recognized by the European Union and shall indicate in the footnotes that the financial statements were...
prepared according to IAS/IFRS as they are endorsed by the European Union. Within this context, TAS/TFRS, which are issued by the TASB and which are not contradictory with the adopted EU endorsed standards shall be accepted.

**Board Decisions related to Financial Reporting**

**ARTICLE 6** (1) **Decisions** shall be taken by the Board to determine the practices it deemed necessary to make the financial reporting rules, procedures, and principles clear and understandable or to ensure unity of practice.

(2) Contradiction with these decisions shall be deemed as contradiction with the provisions of this Communiqué.

**Obligation to draw up financial statements**

**ARTICLE 7** (1) Enterprises shall be obliged to draw up the financial statements stipulated for them with this Communiqué by annual and quarterly periods.

**SECTION THREE**

Annual Reports and Statements of Responsibility

**Board of Directors’ annual and interim reports**

**ARTICLE 8** (1) Enterprises shall draw up the board of directors’ annual reports, the scope of which has been specified in this article, together with their annual financial statements.

(2) The board of directors’ annual report must reflect the economic and financial status of enterprises and the progress of their operating activities in a truthful and accurate manner. The financial performance of the enterprise and the general characteristics of its financial situation as well as the basic uncertainties faced by it shall be evaluated and at least the following matters shall be contained in the board of directors’ annual report:

a) The period corresponding to the report, the trade name of the company, names and surnames of the chairman and members as well as managing directors that are assigned in the board of directors and the board of internal auditors within the period, their limits of authority and terms of duty (together with their dates of taking up and leaving duty),

b) Main factors influencing the performance of the enterprise, significant changes that took place in the environment where the enterprise operates, policies implemented by the enterprise against these changes, the investment and dividend policy applied by the enterprise in order to strengthen its performance,

c) Funding sources and risk management policies of the enterprise,

d) Other matters, which are not contained in financial statements however would be beneficial for users,

e) Significant events that took place during the period between the closure of the accounting period until the date of the general assembly meeting where the relevant financial statements are to be discussed,

f) Projections made about the progress of the enterprise,

g) The Report of Compliance with the Corporate Governance Principles,

h) Research and development activities performed,

i) Amendments made to the articles of association during the period and the reasons for such amendments,

j) The nature and amount of capital market instruments issued, if any,

k) Information related to the sector in which the enterprise operates and its place within this sector,

l) Developments in investments, state of benefiting from incentives, if the enterprise has benefited from any incentives, the extent to which they are realized,

m) Characteristics of the production units of the enterprise, their capacity utilization ratios and any developments regarding these ratios, the general capacity utilization ratio, developments in the production of goods and services that constitute the enterprise’s subject of activity, and explanations that contain the comparisons of quantities, qualities, sales, and prices with previous period figures,

n) Prices, sales revenues, and sales conditions of the goods and services that constitute the enterprise’s subject of activity as well as any developments observed in them within the year, developments in yield and productivity coefficients, reasons for any significant changes in them compared to previous years,

o) The financial status calculated by taking the financial statements and information drawn up within the framework of the provisions of this Communiqué, basic ratios concerning profitability and solvency statuses,

p) Measures considered to be taken in order to improve the financial structure of the enterprise,

q) Changes realized in top management within the year and names, surnames, and professional experience of those still on duty,

r) Personnel and labour movements, collective agreement implementations, rights and benefits provided to personnel and workers,

s) Information related to the donations made within the year,

t) Information related to whether or not the enterprise has organizations outside its central office.

(3) Significant events corresponding to the interim period from among the matters mentioned in the above clauses and the impacts of these events on financial statements as well as important risks and uncertainties with regard to these matters for the remaining portion of the accounting period shall be contained in interim reports.

(4) Enterprises that draw up consolidated financial statements shall also include the following matters in their annual reports in addition to the above mentioned matters:

a) Information about the shares of the enterprises within the capital of the parent company that are subject to consolidation (reciprocal shareholding),

b) Explanations regarding the main components of internal audit and risk management systems of the group with regard to the consolidated financial statement preparation process.

(5) The board of directors' annual report may not contain misleading or exaggerated expressions that would
create wrong impressions about the enterprise and its activities.

**Statements of responsibility in financial reports**

**ARTICLE 9**  -  (1) Boards of directors of enterprises shall be responsible for the preparation and submission of annual and interim financial reports in compliance with financial reporting standards and provisions of this Communiqué as well as their truthfulness and accuracy. Boards of directors of enterprises must take a separate resolution regarding the acceptance of the financial statements and annual reports to be prepared within the specified scope.

(2) During the announcement and notification of annual and interim financial statements and annual reports of enterprises, the subject statements and reports must be signed by the general manager of the enterprise, the head of department in charge of the preparation of financial statements and annual reports or the official, who has undertaken this responsibility, and if a division of work is realized by the board of directors, the member of the board of directors, who is responsible for the preparation of financial statements and annual reports and the statements that,

a) The financial statements and the annual report have been reviewed by them,

b) Within the framework of the information possessed by them in their areas of duty and responsibility, such financial statements and annual report do not contain any misrepresentations or any deficiencies that would cause such financial statements and annual report to be misleading as of the date of the statement,

c) Within the framework of the information possessed by them in their areas of duty and responsibility, the financial statements prepared in accordance with the effective financial reporting standards reflect the reality about the assets, liabilities, financial status, profits, and losses of the enterprise – together with those within the scope of consolidation, if any - in a decent manner and that the annual report fairly reflects the development and performance of business and the financial status of the enterprise – together with those within the scope of consolidation, if any - as well as the important risks and uncertainties faced by it, must be included in announcements made to the public.

(3) The board of directors of the enterprise shall be obliged to take the measures that would enable the officials, who are obliged to sign financial statements and annual reports, to access the important information related to the enterprise and subsidiaries, associates, and joint venture covered within the scope of consolidated financial statements. Signatory officials, on the other hand, shall be obliged to submit their criticisms and recommendations related to both the internal control system of the enterprise and the system, which allows them to access information, to the board of directors of the enterprise, the committee in charge of internal audits, and the independent auditing firm that audits the enterprise and to provide information concerning the internal control system used by them during their examination of the report.

**SECTION FOUR**

Submission of Financial reports to the Relevant Authorities

**Submission of annual financial reports to the Board and the stock exchange**

**ARTICLE 10**  -  (1) Enterprises shall submit their annual financial reports and the related independent audit reports to the Board and the stock exchange,

a) Within ten weeks following the end of the accounting period where there is no obligation to prepare consolidated financial statements,

b) Within fourteen weeks following the end of the accounting period where there is an obligation to prepare consolidated financial statements.

**Submission of interim financial reports to the Board and the stock exchange**

**ARTICLE 11**  -  (1) Enterprises shall submit their interim financial reports to the Board and the stock exchange,

a) Within four weeks following the end of the relevant interim period where there is no obligation to prepare consolidated financial statements,

b) Within six weeks following the end of the relevant interim period where there is an obligation to prepare consolidated financial statements.

(2) In situations where interim financial statements are subject to independent audit, two weeks shall be added to the above mentioned periods.

**Procedure for submitting financial reports to the Board and the stock exchange**

**ARTICLE 12**  -  (1) The notifications to the Board and the stock exchange must be made until the end of the working hours on the first day following the date on which;

a) The financial statements, which are subjected to independent audit are received by the enterprise together with the independent audit report attached with a letter bearing the signature of the person authorized to represent and bind the independent auditing firm and a board of directors' resolution is taken on the same day for the financial statements to be submitted to the Board and the stock exchange by the enterprise,

b) A board of directors' resolution is taken for the financial statements to be accepted for the financial statements, which are not subjected to independent audit.
(2) Principles to be determined by the Board shall be adhered to in the submission of financial reports to the Board or the stock exchange over computer networks by using electronic signature.

**Enterprises with their parent companies located abroad**

**ARTICLE 13 - (1)** Subsidiaries, associates,, and joint venture business partnerships subject to consolidation of an enterprise located abroad shall announce their financial reports to the public at the same time with or before the parent company, provided that such periods remain within those specified in this Communiqué.

**Extensions of time in the submission of financial reports to the Board or the stock exchange**

**ARTICLE 14 - (1)** In case of the existence of reasonable grounds to be accepted by the Board, an extension of time may be granted to enterprises with regard to the submission of interim and annual financial reports to the Board and the stock exchange, provided that an application is made by the audit committees defined in the regulations of the Board concerning independent audits.

**Disclosure of financial reports**

**ARTICLE 15 - (1)** Enterprises are obliged to get their annual financial statements, which shall be prepared in compliance with this Communiqué, announced in the Turkish Trade Registry Gazette within 30 days following their ordinary general assembly meetings every year. Regardless of whether or not a general assembly meeting is held, this announcement shall be made no later than the end of the sixth month following the completion of the annual accounting period.

(2) Enterprises, which send their annual financial statements to the Board and the relevant stock exchange before their ordinary general assembly meetings, shall be obliged to provide the necessary explanations concerning any differences that might exist between these financial statements and those discussed at their general assembly meetings. However, this provision may not be implemented in a way to cause the general assembly to take any resolutions contrary to the provisions specified in this Communiqué.

(3) Enterprises shall be obliged to publish their annual and interim reports and financial statements prepared in compliance with this Communiqué as well as their independent audit reports in a way that they can be easily accessed by financial statement users, in their websites after they are disclosed via the stock exchange. These informations must be kept available to public in the relevant website for a period of at least 5 years. In case there are several websites belonging to the enterprise, the website that is most widely known by the public shall be used for disclosure.

**Keeping board of directors’ annual reports available for the examination of shareholders**

**ARTICLE 16 - (1)** Board of directors’ annual reports shall be presented for the examination of shareholders at least fifteen days before general assembly meetings. With this aim, such annual reports must be printed in sufficient numbers of copies and kept available at company central offices and branches or sent to any requesting shareholders. However, enterprises may collect the costs of printing and sending of these annual reports from the shareholders, who request them.

**Disclosure of summary information derived from financial statements**

**ARTICLE 17 - (1)** Provided that financial statements are announced to the public in the manner specified in this Communiqué, enterprises may disclose some summary information derived from financial statements to public. In such a case, information must be provided on how these financial reports taken as basis can be accessed. Such summary information must not be prepared for the purpose of obtaining a predefined result and they must not contain any incorrect information that might mislead financial statement users in taking economic decisions.

**SECTION FIVE**

**Miscellaneous Provisions**

**Financial statements prepared in compliance with other legislation**

**ARTICLE 18 - (1)** Enterprise may prepare financial statements stipulated in other legislation such as tax legislation. However, the financial statements to be disclosed to public pursuant to the Capital Markets Legislation must be prepared in compliance with the principles contained in this Communiqué. In case the financial statement information is kept available to public by the public agency or organization to which such information is provided and in case the financial statements concerning the relevant period were not previously prepared and disclosed to public pursuant to this Communiqué, enterprises must submit this information concurrently with the relevant authorities to the stock exchange, on which their capital market instruments are listed.

**Disclosure of financial statements which does not comply with this Communiqué to public**

**ARTICLE 19 - (1)** No financial statements that are not prepared in compliance with this Communiqué or the data contained in them may be used in any announcements to be made by enterprises to public in any manner whatsoever.

(2) If the financial statements that are not prepared in compliance with this Communiqué or the data contained in them have been used by the enterprises in any announcements or disclosures made to public, such enterprises shall be deemed to have provided untruthful and deficient information concerning important matters


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that would affect the values of capital market instruments in written statements and announcements made to public.

Capital markets book of accounts
ARTICLE 20 - (1) New entries may not be made or existing records may not be changed in the statutory books and documents, which enterprises are obliged to keep pursuant to other legislation, because of the calculations concerning the preparation of financial statements pursuant to this Communiqué.

(2) Enterprises shall keep the “Capital Markets Book of Accounts” during the periods in which financial statements are prepared pursuant to the provisions of this Communiqué in order to establish a correlation between their accounting books and records and the financial statements prepared pursuant to this Communiqué and to ensure that the financial statements of the next year are prepared in a sound manner.

(3) All opening and current period adjustment and classification entries made while reaching the amounts contained in the financial statements prepared pursuant to this Communiqué from the accounting records must be individually entered in the Capital Markets Book of Accounts.

(4) The subject Book of Accounts may be kept in electronic environment or in writing. The Capital Markets Book of Accounts kept in writing shall be arranged in a way that its pages bear a continuous succession of sequence numbers, signed by persons authorized to represent the enterprise, and kept for the period specified in the Turkish Commercial Code for keeping commercial books. If the Capital Markets Book of Accounts is kept in electronic environment, the board of directors of the enterprise are obliged to take the necessary measures to prevent the information from being changed and to ensure that they are maintained for the specified period.

Documents to be kept
ARTICLE 21 - (1) Enterprises shall obtain the documents specified in the Tax Legislation and the Turkish Commercial Code for the validity of the accounting records and keep them for periods specified in the relevant legislation. However, in situations where financial statements are prepared pursuant to this Communiqué, enterprises are obliged to obtain the documents required for the validity of the financial statement items to be prepared pursuant to this Communiqué, even if they are not required according to the relevant legislation and to keep them for periods specified in the legislation together with the “Capital Markets Book of Accounts” by correlating them with the “Capital Market Book of Accounts” in a systematic manner.

Independent auditing of financial statements
ARTICLE 22 - (1) Regulations of the Board concerning independent audits shall be adhered to with regard to the independent auditing of the financial statements to be prepared pursuant to this Communiqué.

(2) The independent audit of consolidated financial statements shall be carried out by the independent audit firm, which has undertaken the independent auditing of the parent company. The parent company shall be responsible to furnish the information and documents that might be needed by the independent auditing firm within the scope of the auditing activity.

Other enterprises subject to the Law
ARTICLE 23 - (1) Other enterprises subject to the Law may apply the financial reporting principles adopted in article 5 of this Communiqué if they wish, provided that a general assembly resolution is taken with regard to the subject. However, unless there is a valid ground approved by the Board, the adopted reporting standards shall not be changed.

Exemption provisions
ARTICLE 23/A - (Addition: with the Communiqué Serial: XI, No: 31) The corporations, the shares of which are included within the List of Developing Enterprises Market under the Istanbul Stock Exchange Developing Enterprises Market Regulation, shall not be obliged to draw up three- and nine-month financial reports within the scope of article 7 and interim reports within the scope of article 8. In addition, in case the trading of the shares of partnerships, the securities market instruments of which are traded on a stock exchange, are suspended for more than 30 business days, such partnerships shall be exempt from the obligation to draw up interim financial statements within the scope of article 7 and interim reports within the scope of article 8 as long as such suspension continues.

SECTION SIX
Execution, Enforcement, and Transitional Provisions

Abrogated Communiqués
ARTICLE 24 - (1) The “Communiqué on the Accounting Principles in Capital Markets” (Serial: XI, No: 25), which was published in the Official Gazette no 25290 and dated November 15, 2003, has been abrogated.

Notification periods and the independent audit obligation in the first year of implementation
PROVISIONAL ARTICLE 1 - (1) In the first year, this Communiqué is implemented all interim financial statements must be examined (limited independent audit) and the annual financial statements must be subjected to independent auditing. However, enterprises that used to carry out financial reporting according to IAS/IFRS

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before the issuance of this Communiqué are not obliged to get their 3 and 9-month financial statements audited in the first year of implementation. (2) If financial statements are drawn up for the first time according to this Communiqué, three additional weeks shall be added to the periods of notification to the Board and the stock exchange.

The financial reporting standard to be applied during the transition period

PROVISIONAL ARTICLE 2 - (1) In the implementation of article 5 of this Communiqué, IAS/IFRS shall apply until the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB are announced by the TASB and it shall be indicated in the footnotes that the financial statements were prepared according to IAS/IFRS. Within this context, TAS/TFRS, which are issued by the TASB and which are not contradictory with the adopted standards shall be taken as basis.

Enforcement

ARTICLE 25 - (1) This Communiqué shall take effect on the date of it is published to be valid from the first interim financial reports corresponding to accounting periods that start on or after January 1, 2008. The effectiveness of the Communiqué for enterprises with special accounting periods shall start with the first interim financial reports following annual accounting periods that end after January 1, 2008.

Execution

ARTICLE 26 - (1) The provisions of this Communiqué shall be executed by the Capital Markets Board of Turkey.