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**Subject:**

**A REGULATION HAS BEEN PUBLISHED ON DETERMINATION OF MINIMUM CONTENT OF ANNUAL REPORTS OF COMPANIES**

"Regulation on Determination of Minimum Content of Annual Reports of Companies" was published on the Official Gazette numbered 28395 and dated 28.08.2012.

This regulation has been arranged to determine minimum content of annual reports of **joint stock companies, limited companies and limited partnerships divided into shares** and the **parent company in group companies**, established and operating as per the provisions of the Turkish Commercial Code numbered 6102. Furthermore, companies subject to special law are required to arrange an annual report in accordance with the provisions of this Regulation besides the special provisions.

The regulation was put in effect on 28.08.2012. **The annual report shall be arranged within two months following the end of the related fiscal period.** The managing body of the company's annual report shall be signed and approved by the president and members. The Turkish Commercial Code sets forth that the fiscal period cannot exceed 12 months. In this case, the aforementioned companies and parent companies in group companies that take a calendar year as basis for the fiscal period are required to arrange 2012 report and to have it approved by the managing body members latest on the the first day of March of 2013. As is known, the new Turkish Commercial Code was enforced on 01.07.2012 and the Regulation on 28.08.2012. For this reason, we would like to remind that the companies and parent companies in group companies, fiscal period of which ends between 28.08.2012 – 31.12.2012 among the aforementioned companies are required to arrange their report and get it approved by the administration board members within two months following the end of the special fiscal period.

The Regulation defines the **annual report** as follows: "*The report which is arranged by the managing body as per the law and as per this regulation, in which the flow of operations and the financial condition of the company at all points for the concerned year are reflected in an accurate, complete, clear, true and decent manner and in which company development and possible risks are stated*".

The Regulation defines the "**managing body**" in charge of arranging the report as: "*Administrative board in joint stock companies, the manager or the managers in limited partnerships divided into shares and the directors or the board of directors in limited companies*".

### **General Principles for Arranging the Report:**

- (1) The annual report shall reflect the flow of operations and transactions of the company for the related period and its financial condition at all points in an accurate, complete, clear, true and decent manner considering the rights and benefits of the company. Deceptive, exaggerated and misguided statement contrary to facts shall not take place in the annual report.
- (2) The managing body shall arrange the annual report in detail to enable shareholders to access any kind of information about the activities of the company completely and correctly. The simplest concepts and terms possible shall be used in the annual report, unclear statements that may cause hesitations shall be avoided. When it is required to use technical terms, explanations shall be made for clear understanding by everybody.
- (3) The financial performance and general characteristics of the financial condition and fundamental risks of the company shall be evaluated in the annual report. These evaluations on the financial condition of the company shall be based on financial statements. Non-financial risks shall also take place in the report.
- (4) Explanations shall take place in the annual report about execution of company activities and services in an efficient, accountable and continuous manner and efficiency, sufficiency and concurrence of internal audits executed to ensure integrity, consistency, accountability, timely accessibility and safety of information provided from the accounting and fiscal reporting system.
- (5) Statistical information and graphics can be included in the report when required.

### **Prospective estimates in the annual report:**

- (1) Developments of the company and the possible risks that the company may face shall be addressed in the annual report / and managing body evaluation in this respect shall take place in the annual report.

It is obligatory to address statistical information and associated justifications when prospective information is provided or estimations are included in the annual report.

- (2) Prospective information and estimates included in the annual report should be in cohesion with the financial condition and results of the company.

### **Additional information that can be included in the annual report:**

It is required to address the minimum content in this Regulation and other information that should be known by the shareholders to exercise their rights in terms of qualification and position of the company. Additional information can take place in the annual reports when approved by the managing body, providing that such inclusion is not in violation against the provisions of this Regulation.

### **Annual report chapters:**

The annual report shall be comprised of the following chapters:

- a) General information
- b) Financial rights vested in the members of the managing body and senior managers
- c) Research and development operations of the company
- d) Company activities and related important developments
- e) Financial status
- f) Evaluation of risks and the managing body
- g) Other conditions.

### **General information:**

(1) It is obligatory to include the following subjects in the general information chapter of the annual report:

- a) The fiscal period concerned with the report
- b) Company commercial titles, trade registry number, contact information for the head office and branches, if any, and web site address, if any
- c) The organization, capital and partnership structures of the company with the changes occurred in respect of these status within associated fiscal period
- d) Explanations about preferred shares and voting rights for the shares, if any
- e) Information about the managing body, senior management and personnel number
- f) Information about transactions executed by the managing body members with the company on their own behalf or on behalf of others, within the permission given by the general assembly of the company and its activities under prohibition of competition, if any

### **Financial rights vested in the members of the managing body and senior managers**

The following subjects are required to take place in the financial rights vested in the members of the managing body and senior managers chapter:

- a) Total amounts of attendance fees, wages, premiums, bonuses, profit shares and other financial benefits
- b) Information about the total amount of grants, travel, accommodation and representation expenses and real and monetary benefits, insurances and similar indemnities.

### **Research and development operations of the company**

Research and development operations of the company and associated results shall take place in this chapter.

### **Company activities and related important developments**

(1) It is obligatory to include the following subjects in the company activities and related important developments chapter of the annual report:

- a) Information about the investments of the company made in the concerned fiscal period
- b) Information about the **internal control system and internal audit activities** of the company and the opinion of the managing body in this respect,
- c) Information about direct and indirect associates of the company and share rates,
- d) Information about the own acquired shares of the company
- e) Explanations about the private audits and state audits within the concerned fiscal period
- f) Information about the law suits filed against the company that can effect the financial condition and activities of the company and possible results
- g) Explanations about administrative or legal sanctions against the company and managing body members due to operations in violation against the legislation provisions
- h) Information and evaluations about whether the predefined targets have been achieved, the general assembly decisions have been fulfilled and if the targets or the decisions have not been met, associated justifications
- i) If an extra ordinary general assembly meeting was held during the year, information about the date of the meeting, decisions taken at the meeting and all kinds of associated operations
- j) Information about the grants and donations of the company and expenditures under social responsibility projects during the year
- k) If it is affiliated to a group company, legal transactions executed with the parent company or one of its affiliates with direction from the parent company for the benefit of the parent company or one of its affiliates and all other measures taken or avoided for the benefit of the parent company or one of its affiliates in the previous year
- l) If it is affiliated to a group company, according to terms and conditions known by them when the legal transaction was executed or the measure was taken or it was avoided as defined in clause (1), whether a proper counter action was provided in any legal transaction and whether the taken or the avoided decision has loss to the company, if it has, whether such loss has been compensated or not.

### **Financial condition**

The financial statements to take place in the annual report shall be **arranged as per the Turkish Accounting Standards**. However, we would like to underline that the **financial information** to take place in the **annual report of 2012** fiscal period are required to be based on the **financial statements arranged as per the Turkish Commercial Code numbered 6762 and dated 29/6/1956**. In summary, the financial statements to take place in the 2012 report shall be arranged as per the provisions of the Tax Procedural Law, in contrary, the financial statements to take place in annual reports to be arranged for the following years shall be arranged as per the Turkish Accounting Standards.

In arrangement of annual reports, this rule shall be applicable for **all joint stock companies, limited companies, limited partnerships divided into shares and parent companies of group companies** established and operating according to the Turkish Commercial Code numbered 6102.

(1) It is obligatory to include the following subjects in the financial condition chapter of the annual report:

- a) Analysis and evaluation of the managing body about the financial condition and results, realization level of the planned activities, the condition of the company against the defined strategic targets,
- b) **In comparison with previous years**, sales, productivity, income generating capacity, profitability, debt/equity ratio and information and prospective expectations about other conditions that can advise about the results of the company activities,
- c) Determinations and managing body evaluations about whether the company capital is unreturned or it is in debt,
- d) Measures planned to be taken to improve the financial condition of the company, if any
- e) Information about profit share distribution policy and suggestion about the use of the undistributed profit with justification, if the profit will not be distributed.

#### **Evaluation of risks and the managing body**

It is obligatory to include the following subjects in the evaluation of risks and the managing body chapter of the annual report:

- a) Information about the **risk management policy** to be implemented for the expected risks of the company, if any
- b) Information about the operations and reports of the **committee for early determination and management of the risk**, if created
- c) Prospective risks about sales, productivity, income generating capacity, profitability, debt/equity ratio and similar issues.

#### **Other conditions**

In other conditions chapter of the annual report, it is required to include explanations about specifically important incidents that occur within the company **after the year has ended** and that can affect the rights of the shareholders, creditors and other related individuals and organizations.

In this chapter, additional information can take place as required by the managing body on condition that it does not violate the provisions of this Regulation.

#### **Reports of the parent company in group companies**

**Group company** is defined in Article 195 of the Law numbered 6102 as follows: If a commercial company directly or indirectly holds the majority of the voting rights of another commercial company or as per the company contract, it has the right to elect a certain number of members in enough majority to take decisions in the managing body or besides its own voting rights, basing on an agreement, it holds the majority of voting rights on its own or along with other shareholders or partners or holds under its own control any commercial company as per an agreement or in another way, **the initial company shall be deemed the parent company and the other the affiliated company.**

If the head office of at least one of the companies is located in Turkey, provisions of Articles from 195 and 209 of the Law numbered 6102 shall be applicable for this group companies.

Furthermore, apart from the aforementioned conditions, if a commercial company holds the majority of another commercial company or holds a certain amount of its shares enough to manage its operations, such condition is an indication of prevalence of the initial company. In this case, the prevailing companies are the main companies and its affiliates are subsidiary companies.

It is required to include the following conditions **in addition to other provisions** of this Regulation in the annual report of the parent company in group companies:

- a) If an equity company holds directly or indirectly a certain amounts of shares that represent five, ten, twenty five, thirty three, fifty, sixty seven or one hundred percent of total shares or its shares are under these percentages, such condition and its justifications,
- b) Information about the shares of the group companies in the parent company capital,
- c) **Explanations about the internal audit and risk management systems with regard to the process of arrangement of consolidated financial statements,**
- d) When requested by one of the managing body members, the conclusion section of the report identified in the fourth clause of Article 199 of the Law.

**Presentation of the annual report:**

**The annual report shall be arranged within two months following the end of the related fiscal period.** The managing body of the company's annual report shall be signed and approved by the president and members. If at least one of the managing body members is of the opinion contrary to information provided in the annual report, the objected conditions as well their justifications shall be explained in the annual report.

Sincerely,

**DENGE DENETİM YEMİNLİ  
MALİ MÜŞAVİRLİK A.Ş.**

**ANNEX:**

Regulation on Determination of Minimum Content of Annual Reports of Companies

(\*). Explanations in our circular note are for only information purposes. We recommend consulting to a specialist for support and consultancy before establishing a final decisions on indistinct conditions; our consultancy cannot be responsible for damages to occur due to transactions executed only based on the explanations in our circular note.

(\*\*) You can contact our specialists identified below for your opinions, feedback and questions about our circular note.

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## REGULATION

From the Ministry of Customs and Trade:

**REGULATION ON DETERMINATION OF MINIMUM CONTENT OF  
ANNUAL REPORTS OF COMPANIES**

**CHAPTER ONE**

**Purpose, Scope, Reference and Definitions**

**Purpose and scope**

**ARTICLE 1** – (1) The purpose of this Regulation is to identify the minimum content of the annual report to be arranged by the managing body.

(2) This regulation includes the annual reports of joint stock companies, limited companies and limited partnerships divided into shares and the parent company in group companies, established and operating as per the provisions of the Turkish Commercial Code numbered 6102 and dated 13/1/2011.

(3) Provisions of this Regulation apart from special provisions are applicable for companies subject to special laws.

**Reference**

**ARTICLE 2** - (1) This Regulation has been arranged basing on the third clause of Article 516, Article 518, the second clause of Article 565 and Article 610 of the Law numbered 6102.

**Definitions**

**ARTICLE 3** – (1) In execution of this Regulation, the following terms shall have the following meanings:

- a) Ministry: Ministry of Customs and Trade
- b) Financial statements: Financial statements set forth in the Turkish Accounting Standards,
- c) Law: Turkish Commercial Code numbered 6102 and dated 13/1/2011
- ç) Partner: Shareholders in joint stock companies, partners in limited companies and limited partnerships divided into shares,
- d) Contract: The main contract in joint stock companies and limited partnerships divided into shares and the company contract in limited companies
- e) Company: Joint stock companies, limited companies and limited partnerships divided into shares,
- f) Senior manager: Apart from the managing body members of the company, individuals vested with the right and authority to directly or indirectly plan, administer and control the company activities by the managing body
- g) Annual report: The report which is arranged by the managing body as per the law and as per this Regulation, in which the flow and the financial condition of the company at all points for the concerned year are reflected in an accurate, complete, clear, true and decent manner and in which company development and possible risks are stated
- ğ) Managing body: Board of directors in joint stock companies, the manager or the managers in limited partnerships divided into shares and the directors or the board of directors in limited companies

**CHAPTER TWO**

**Arrangement of Annual Report**

**General principles**

**ARTICLE 4** - (1) The annual report shall reflect the flow of operations and transactions of the company for the related period and its financial condition at all points in an accurate, complete, clear, true and decent manner considering the rights and benefits of the company. Deceptive, exaggerated and misguided statement contrary to facts cannot take place in the annual report.

(2) The managing body shall arrange the annual report in detail to enable shareholders to access any kind of information about the activities of the company completely and correctly. The simplest concepts and terms possible shall be used in the annual report, unclear statements that may cause hesitations shall be avoided. When it is required to use technical terms, explanations shall be made for clear understanding by everybody.

(3) The financial performance and general characteristics of the financial condition and fundamental risks of the company shall be evaluated in the annual report. These evaluations on the financial condition of the company shall be based on financial charts. Non-financial risks shall also take place in the report.

(4) Explanations shall take place in the annual report about execution of company activities and services in an efficient, accountable and continuous manner and efficiency, sufficiency and concurrence of internal audits executed to ensure integrity, consistency, accountability, timely accessibility and safety of information provided from the accounting and fiscal reporting system.

(5) Statistical information and graphics can be included in the report when required.

**Prospective estimates in the annual report:**

**ARTICLE 5 -** (1) The possible risks associated with development of the company shall be clearly addressed and managing body evaluation in this respect shall take place in the annual report. It is obligatory to address statistical information and associated justifications when prospective information is provided or estimations are included in the annual report.

(2) Prospective information and estimates included in the annual report should be in cohesion with the financial condition and results of the company.

**Additional information that can be included in the annual report:**

**ARTICLE 6 –** (1) It is required to address the minimum content in this Regulation and other information that should be known by the shareholders to exercise their rights in terms of qualification and position of the company. Additional information can take place in the annual reports when approved by the managing body, providing that such inclusion is not in violation against the provisions of this Regulation.

**CHAPTER THREE**

**Content of Annual Report**

**Annual report chapters**

**ARTICLE 7 –** (1) The annual report shall be comprised of the following chapters:

- a) General information
- b) Financial rights vested in the members of the managing body and senior managers
- c) Research and development operations of the company
- ç) Company activities and related important developments
- d) Financial status
- e) Evaluation of risks and the managing body
- f) Other conditions.

**General information:**

**ARTICLE 8 -** (1) It is obligatory to include the following subjects in the general information chapter of the annual report:

- a) The fiscal period concerned with the report
- b) Company commercial titles, trade registry number, contact information for the head office and branches, if any, and web site address, if any
- c) Changes in the company organization, capital and partnership structures and associated fiscal period
- ç) Explanations about preferred shares, if any, and voting rights for the shares
- d) Information about the managing body, senior management and personnel number
- e) Information about transactions executed by the managing body members with the company on their own behalf or on behalf of others, if any, within the permission given by the general board of the company and its activities under prohibition of competition

**Financial rights vested in the members of the managing body and senior managers**

**ARTICLE 9 –** (1) The following subjects are required to take place in the financial rights vested in the members of the managing body and senior managers chapter:

- a) Total amounts of attendance fees, wages, premiums, bonuses, profit shares and other financial benefits
- b) Information about the total amount of grants, travel, accommodation and representation expenses and real and monetary benefits, insurances and similar indemnities.

**Research and development operations of the company**

**ARTICLE 10 -** (1) Research and development operations of the company and associated results shall take place in this chapter.

**Company activities and related important developments**

**ARTICLE 11 -** (1) It is obligatory to include the following subjects in the company activities and related important developments chapter of the annual report:

- a) Information about the investments of the company made in the concerned fiscal period
- b) Information about the internal control system and internal audit activities of the company and the opinion of the managing body in this respect,
- c) Information about direct and indirect associates of the company and share rates,
- ç) Information about the own acquired shares of the company
- d) Explanations about the private audits and state audits within the concerned fiscal period
- e) Information about the law suits filed against the company that can effect the financial condition and activities of the company and possible results
- f) Explanations about administrative or legal sanctions against the company and managing body members due to operations in violation against the legislation provisions

g) Information and evaluations about whether the predefined targets have been achieved, the general board decisions have been fulfilled and if the targets or the decisions have not been met, associated justifications

ğ) If an extra ordinary general board was gathered during the year, information about the date of the meeting, decisions taken at the meeting and all kinds of associated operations

h) Information about the grants and donations of the company and expenditures under social responsibility projects during the year

i) If it is affiliated to a group company, legal transactions executed with the parent company or one of its affiliates with direction from the parent company for the benefit of the parent company or one of its affiliates and all other measures taken or avoided for the benefit of the parent company or one of its affiliates in the previous year

i) If it is affiliated to a group company, according to terms and conditions known by them when the legal transaction was executed or the measure was taken or it was avoided as defined in clause (i), whether a proper counter action was provided in any legal transaction and whether the taken or the avoided decision has loss to the company, if it has, whether such loss has been compensated or not.

#### **Financial condition**

**ARTICLE 12** - (1) It is obligatory to include the following subjects in the financial condition chapter of the annual report:

a) Analysis and evaluation of the managing body about the financial condition and results, realization level of the planned activities, the condition of the company against the defined strategic targets,

b) In comparison with previous years, sales, productivity, income generating capacity, profitability, debt/equity ratio and information and prospective expectations about other conditions that can advise about the results of the company activities,

c) Determinations and managing body evaluations about whether the company capital is unreturned or it is in debt,

ç) Measures planned to be taken to improve the financial condition of the company, if any

d) Information about profit share distribution policy and suggestion about the use of the undistributed profit with justification, if the profit will not be distributed.

#### **Evaluation of risks and the managing body**

**ARTICLE 13** – (1) It is obligatory to include the following subjects in the evaluation of risks and the managing body chapter of the annual report:

a) Information about the risk management policy to be implemented for the expected risks of the company, if any

b) Information about the operations and reports of the committee for early determination and management of the risk, if created

c) Prospective risks about sales, productivity, income generating capacity, profitability, debt/equity ratio and similar issues.

#### **Other conditions**

**ARTICLE 14** – (1) In other conditions chapter of the annual report, it is required to include explanations about specifically important incidents that occur within the company after the year has ended and that can affect the rights of the shareholders, creditors and other related individuals and organizations.

(2) In this chapter, additional information can take place as required by the managing body on condition that it does not violate the provisions of this Regulation.

#### **Reports of the parent company in group companies**

**ARTICLE 15** – (1) It is required to include the following conditions in addition to other provisions of this Regulation in the report of the parent company in group companies:

a) If an equity company holds directly or indirectly a certain amounts of shares that represent five, ten, twenty five, thirty three, fifty, sixty seven or one hundred percent of total shares or its shares are under these percentages, such condition and its justifications,

b) Information about the shares of the group companies in the parent company capital,

c) Explanations about the internal audit and risk management systems with regard to the process of arrangement of consolidated financial statements,

ç) When requested by one of the managing body members, the conclusion section of the report identified in the fourth clause of Article 199 of the Law.

#### **Presentation of the annual report:**

**ARTICLE 16** - (1) The annual report shall be arranged within two months following the end of the related fiscal period. The managing body of the company shall be signed and approved by the president and members. If at least one of the managing body members is of the opinion contrary to information provided in the annual report, the objected conditions as well their justifications shall be explained in the annual report.

**CHAPTER FOUR**  
**Miscellaneous and Final Provisions**

**Transfer clause**

**TEMPORARY ARTICLE 1** – (1) The financial information to take place in the annual report of 2012 fiscal period are required to be based on the financial statements arranged as per the Turkish Commercial Code numbered 6762 and dated 29/6/1956.

**Enforcement**

**ARTICLE 17** – (1) This Regulation shall be enforced on its issue date.

**Execution**

**ARTICLE 18** – (1) This Regulation is executed by the Minister of Customs and Trade.