

MEMORANDUM

05 May 2009

RE: Issuance of Convertible Bonds

This memorandum is to summarize the issuance of convertible bonds (“CBs”) under new Turkish legislation. The principles of registration and sale of CBs are regulated by the Communiqué on the Principles of Registration and Sale of Debt Instruments Serial II, No. 22 (the “**Communiqué**”) issued by the Capital Markets Board (the “**CMB**”) and published in the Official Gazette dated 21 January 2009.

Issuance of CBs in General

CBs are securities that can be converted into shares of the issuer company within the principles specified in the prospectus and circular, a short form of offering circular.

A Turkish company may issue CBs if there is a provision in its articles of association and if there is a general assembly resolution on such issuance, provided that such authority may be granted to the board of directors by the articles of association.

Under the Communiqué, CBs have to be registered with the CMB. Subsequent to the resolution of authorized body, the issuer shall apply for the registration to the CMB with a number of documents listed in the Annex-1 of the Communiqué. The application for registration must be realized within one year beginning from the date of the resolution. The CMB examines and evaluates the application in accordance with the relevant legislation and issues a registration certificate which has to be received within 15 days at latest, and issuance and sale procedure cannot be commenced without such certificate.

Sale of CBs through Public Offering

CBs registered with the CMB may be sold through public offering. The shares of the issuer must have been traded in a stock exchange or in other organized markets in case CBs are sold via public offering. Additionally, offering must be through an intermediary institution. Finally, financial statements of the issuer for last three years must be audited independently.

For the sale of CBs via public offering, the issuer must prepare an offering circular and a prospectus in order to specify the principles of the sale procedure. Offering circular and prospectus shall include, inter alia, information on the issuer, its financial status, risks and assumptions about redemption of CBs, information on the class of CBs and other information which will affect the investments decisions of investors. In case CBs are guaranteed, material information on guarantors shall also be included in offering circular and



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prospectus. Offering circular and prospectus must be signed by the intermediary institution conducting sale procedure and the issuer. The issuer is responsible for the accuracy and correctness of all information included in such documents. If the intermediary institution, on the other hand, has not used its utmost attention, such institution shall also be liable for losses which are not to be recovered by the issuer.

Subsequent to registration of CBs to be sold via public offering with the CMB, the offering circular shall be registered with the relevant Trade Registry and published in the Turkish Trade Registry Gazette within 15 days from the date of registration of CBs.

Prospectus must be announced at least in two dailies distributed throughout Turkey or website of the issuer within 15 days from the registration of the offering circular and minimum 1 and maximum 5 days prior to commencement of the sale. Following the announcement of the prospectus, CBs shall be sold in accordance with the principles specified in the offering documents. The term of sale cannot be less than 2 business days and more than 5 business days.

The maturity of CBs cannot be less than 1 year, and the last day of the sale is recognized as the commencement date of the maturity of CBs.

Sale of CBs through Private Placement

CBs may also be sold via private placement. Save for qualified investors, the number of real persons and legal entities participating in a private placement must not exceed 100. There is no limitation in case the CBs are sold to qualified investors. Unlike in public offerings, in private placements there is no specific provision on the qualification of the issuer in the Communiqué. The performance of the transactions via an intermediary institution is not required in terms of private placement. Additionally, a special audit of financial statements of the issuer for last three years is satisfactory in private placement procedure.

In case of sales through private placement, there is no need to prepare an offering circular. Subsequent to the registration of CBs with the CMB, the issuer realizes the sale transactions and informs the CMB of the sale results. The sale transactions, on the other hand, have to be commenced within 15 days as of the date of registration with the CMB.

Sale of CBs to abroad

Pursuant to the Communiqué, in order for the sale of CBs to abroad, the issuer is required to register CBs, which are subject to overseas sales, with the CMB. Without any registration with the CMB, no sale transactions can be commenced. The documents required are listed in Annex-4 of the Communiqué, including but not limited to, information on issuer and its structure, its articles of association, the resolution of authorized body regarding issuance of CBs, financial statements, annual reports and audit reports for last 3 years, documents regarding principles on issuance of CBs and other documents that may be required by the CMB.

Conversion Principles

The earliest time that CBs can be converted into shares is one year. The conversion of CBs may be realized under a redemption plan, upon request of the issuer or the investors. If CBs are sold via public offering, conversion principles must be included in the offering materials. Conversion upon request of the issuer or investors is required to be performed through an intermediary institution.

In case CBs are converted under a redemption plan, the issuer shall increase its share capital and issue new shares according to the redemption plan. At the end of the conversion period, the new shares which are corresponding to non-converted CBs shall be sold via public offer in accordance with the legislation regarding the principles on registration and sale of equity securities. Alternatively, the issuer can make a



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call for conversion of CBs and makes a capital increase corresponding CBs declared to be converted. At the end of the conversion period, all rights of the investors that have not applied for conversion shall remain.

Due to the request of the issuer, CBs can be converted into shares partially or wholly. The issuer makes a call for conversion of CBs and makes a capital increase corresponding CBs declared to be converted. Unlike in conversion under a redemption plan, in conversion due to the request of the issuer, the investors that have not applied for conversion of CBs shall receive principle and interest amount in cash at the end of the conversion period.

Due to the request of the investors, CBs can be also converted into shares partially or wholly. The investors requesting to exercise their conversion right shall inform the issuer at least one month before the dates specified in the offering materials. The issuer shall make a capital increase for new shares at the amount of request.

Besides, the issuer may not increase the share capital and issue new shares if the total number of shares to be submitted to the investors upon conversion is less than 20% of the total number of shares of the issuer. In such case, the issuer shall include in the offering materials how the shares to be submitted to the investors upon conversion are to be procured.

CBs' holders shall have priority over any other rights, including the pre-emptive rights of existing shareholders in case of issuance of new shares. No decision preventing CBs' holders from exercising their rights shall be taken neither by the general assembly nor the board of directors of the issuer.

Conversion right of CBs' holders who have not exercised their rights although the issuer has performed all of its obligations, shall diminish. Such CBs' holders can only receive principal amount and accrued interest at the redemption time.