Loan Agreement

(Additional Loan for Gas Sector Development Project)

between

BORU HATLARI İLE PETROL TAŞIMA A.Ş.

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated OCTOBER 2, 2014
LOAN AGREEMENT

Agreement dated October 2, 2014, between the BORU HATLARI İLE PETROL TAŞIMA A.Ş. ("Borrower" or "BOTAŞ") a joint stock company established and operating in the Republic of Turkey and further defined in the Appendix to this Agreement, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, four hundred million Dollars ($400,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are March 1 and September 1 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower, the Guarantor and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its General Manager.

5.02. The Borrower's Address is:

Boru Hatları ile Petrol Taşıma A.Ş.
Bilkent Plaza, 4. Cadde
A-2 Blok
Bilkent 06800
Ankara
Republic of Turkey

Facsimile:

(90-312) 266-0733
266-0734

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Ankara, Turkey, as of the day and year first above written.

BORU HATLARI İLE PETROL TAŞIMA A.Ş.

By

Authorized Representative

Name: Mehmet KONUK
Title: Acting General Manager

By

Authorized Representative

Name: İbrahim Sait ARING
Title: Deputy General Manager

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Martin Rais
Title: Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to increase the reliability and stability of gas supply in the Republic of Turkey by implementing critically needed gas storage and network infrastructure, and support the Borrower in strengthening its operations as a financially stable and commercially managed corporation.

The Project consists of the Original Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall maintain the PMT under the coordination of its Natural Gas Underground Storage Department until the completion of the Project, and ensure that the PMT functions at all times in a manner and with staffing, budgetary resources and authority necessary and appropriate for Project implementation and acceptable to the Bank.

2. The Borrower shall, not later than May 31, 2015, submit to EMRA a proposal for the regulation of: (a) approach for setting tariffs for the storage business, including an acceptable rate of return on the regulated asset base; and (b) determination of the regulated asset base for transmission and storage on a depreciated replacement cost basis which adequately compensates for domestic and international inflation.

3. The Borrower shall:

   (a) implement the EMP and LAP and shall include in the quarterly progress reports to the Bank specific environmental reports and land acquisition reports, as required, providing results of any monitoring programs undertaken as part of the EMP and of the status of land acquisition under the Project;

   (b) without limitation to sub-paragraph (a) above, prior to commencing any works under the Project that requires land to be acquired under the LAP, implement the provisions of the LAP in a manner satisfactory to the Bank;

   (c) except on land included in the LAP, not to carry out the following when implementing the Project: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person;

   (d) provide to the Bank for its prior review any revision proposed to be introduced into the EMP or LAP and thereafter, introduce such revision into the EMP or LAP (as the case may be) as shall have been agreed with the Bank; and

   (e) hold regular meetings with DSI on the progress in implementation of the Hirfanli Dam Safety Monitoring Protocol and the Hirfanli Dam Operations and Maintenance Manual (both documents included in the EMP) and include the outcome of the meetings in the relevant quarterly progress report referred to in sub-paragraph (a) above.
4. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements, as well as its entity financial statements, audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements and entity financial statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements and entity financial statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be:

(a) Procured in accordance with the requirements set forth or referred to in Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) and with the provisions of this Section if the Initiation of the Procurement Process occurred on or after March 18, 2013.

(b) Procured in accordance with the requirements set forth or referred to in Section I of the the “Guidelines for Procurement under IBRD Loans and IDA Credits”, dated May 2004 (“2004 Procurement Guidelines”), and with the provisions of the Original Loan Agreement if the Initiation of the Procurement Process occurred before March 18, 2013.
2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be:

(a) Procured in accordance with the requirements set forth or referred to in Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) and with the provisions of this Section if the Initiation of the Procurement Process occurred on or after March 18, 2013.

(b) Procured in accordance with the requirements set forth or referred to in Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrower” dated May 2004 (“2004 Consultant Guidelines”) and with the provisions of the Original Loan Agreement if the Initiation of the Procurement Process occurred before March 18, 2013.

3. **Definitions.**

(a) The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(b) For purposes of this Section V of this Schedule, “Initiation of Procurement Process” means, in connection with the procurement of goods, non-consulting services or consultants’ services, the date on which the invitation to bid or the quote requested for such good or the request for proposals for such service is issued.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: Single-source Selection of consulting firms.

D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of Value Added Tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (including supply and installation) and non-consulting services</td>
<td>391,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' services</td>
<td>7,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>1,000,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>400,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed (eighty million Dollars ($80,000,000) equivalent may be made for payments prior to this date but on or after August 1, 2013, for Eligible Expenditures under Categories (1) and (2).

2. The Closing Date is December 31, 2020.
Section V. Other Undertakings

A. Financial Ratios

1. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, unless the net revenues of the Borrower for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.2 times the estimated maximum debt service requirements of the Borrower for any succeeding fiscal year on all debt of the Borrower, including the debt to be incurred.

(b) For the purposes of this paragraph 2 of this Section:

(i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations adjusted to take account of the Borrower's rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on debt.
(vi) Whenever for the purposes of this paragraph 2 of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.
SCHEDULE 3

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 1 and September 1</td>
<td>6.25%</td>
</tr>
<tr>
<td>Beginning September 1, 2022 through March 1, 2030</td>
<td></td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011, which are applicable to all IBRD loans and IDA credits and grants.

2. “BOTAŞ” means Boru Hatlari ile Petrol Taşıma A.Ş., a joint stock company established as a state economic enterprise and operating pursuant to Articles of Association published in the Official Gazette dated April 17, 1995.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “DSI” means Devlet Su İşleri, the State Hydraulic Works of the Guarantor.

6. “EMP” means the Environment Impact Assessment dated July 8, 2005, as amended by an Addendum disclosed by the Borrower locally on March 30, 2013, and disclosed in Infoshop on April 25, 2013, and which includes:
   (a) the Environment Management Plan dated July 8, 2005, describing the environmental issues, mitigation, monitoring and institutional measures to be carried out for the Project;
   (b) the Hirfanlı Dam Safety Monitoring Protocol set out in and agreed by EUAS, General Directorate of Electricity Generation Corporation in its letter dated September 2, 2005, and the Ministry of Energy and Natural Resources, General Directorate of State Hydraulic Works, Department of Hydroelectric Plants in its letter dated September 5, 2005; and
   (c) the Hirfanlı Dam Operations and Maintenance Manual, as amended from time to time with the agreement of the Bank.


8. “EÜAŞ” means Elektrik Üretim A.Ş., a joint stock company established and operating pursuant to the Council of Minister’s Decree dated March 2, 2001.

10. "LAP" means the land acquisition plan disclosed by the Borrower locally on February 22, 2013, and disclosed in Infoshop on March 5, 2013, which describes the principles and procedures for the acquisition of land required for investments under the Project and which replaces the land acquisition plan dated September 29, 2005, and referred to in the original Loan Agreement, as such document may be amended from time to time with the agreement of the Bank.

11. "Original Loan Agreement" means the loan agreement for the Project between the Borrower and the Bank, dated February 2, 2006, as amended to the date of this Agreement (Loan No. 7342 TU), including the amendment letter dated June 4, 2010, which provided, inter alia, for application of the cross debarment regime to contracts.

12. "Original Project" means the Project described in the Original Loan Agreement.

13. "PMT" means the Project Management Team established under the Natural Gas Underground Storage Department of the Borrower;


15. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 13, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.