

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Declaration of Compliance with Corporate Governance Principles

Corporate Governance Principles Compliance Report for 2012 assessed by the Corporate Governance Committee is attached to this Declaration.

The implementation of Corporate Governance Principles has a decisive and ever-increasing importance for the Company as a result of the developments in Capital Markets and as a dynamic process. The Company continues its efforts to adopt corporate governance as a corporate culture by adopting the Corporate Governance Principles issued by the Capital Markets Board, making the necessary improvements and regulations based on current conditions on areas which require adoption and making the necessary changes. In this context, the Company has further increased the pace of improvements, regulations and changes in 2012 regarding the Corporate Governance principles.

In particular, within the scope of Volume:IV, No:56 "Communiqué on Determination and Implementation of Corporate Governance Principles" issued by CMB on 30.12.2011, necessary steps have been taken to make the changes required by Corporate Governance Principles and the related legislation within the scope of the Communiqué and ongoing regulations and Articles of Association amendments and procedure and policy improvements have been made with maximum efforts to implement Corporate Governance Principles.

Stock Exchange Companies are required to adopt Articles 1.3.1, 1.3.2, 1.3.7, 1.3.10, 4.3.1, 4.3.2, 4.3.3, 4.3.4, 4.3.5, 4.3.6, 4.3.7, 4.3.8, 4.3.9, 4.4.7, 4.5.1, 4.5.2, 4.5.3, 4.5.4, 4.6.2, and 4.6.4 of the Corporate Governance Principles attached to the Communiqué and the Company has fully adopted them.

Corporate Governance rating of the Company for the new rating period and within the frame of Corporate Governance rating process has been 9.03 (90.25) in the Rating Report dated 09.11.2012 by the rating provider Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in line with the efforts and Corporate Governance implementations in 2012. Corporate Governance rating by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. as of 23.11.2011 for the previous period was 8.58 (85.83) and the revised Rating Report dated 09.11.2012 by the same company for the new rating period has once again increased the Company's Corporate Governance rating to 9.03 (90.25).

The new Rating Reports distributes the average rating of 9.03 (90.25) among the main sections as follows: 81.06 for Shareholders section, 91.45 for Public Disclosure and Transparency section, 96.81 for Stakeholders section and 93.84 for Board of Directors section.

As indicated by the Revised Corporate Governance Rating Report, the Company is the only company since the implementation of ISE Corporate Governance Index to have increased its rating six consecutive times, which is the result of a continued commitment to the dynamic process required for successful implementation of CMB Corporate Governance Principles. As of the end of 2012, like in 2011, our Company has achieved the success of being the highest rating automotive company on the ISE Corporate Governance Index.

In addition to this, the Company has been granted with "Highest-Rated Organization in Board of Directors Category" award by Corporate Governance Awards at Corporate Governance Summit VI. This puts Tofaş among three companies with three grants from Corporate Governance Awards granted for three years.

The Company is, as always, striving to further develop its Corporate Governance approach commensurate with Corporate Governance Principles.

As indicated by the reports on meetings held by the Corporate Governance Committee within the year, we will take the necessary steps and continue our efforts with due attention regarding the Corporate Governance process and implementations in the future.

Accordingly, our Company aims to take the action required to apply the Corporate Governance Principles during decision-making and actions related to the Shareholders and their rights, Informing the Public and providing the assurance of Transparency to the Beneficiaries and Board of Directors together with its stakeholders. We treat activities in this field with utmost importance.

In this context, one of the principal goals of our Company is to implement Corporate Governance in connection with the equality of all stakeholders, information responsibility and corporate governance implementations as well as the established Corporate Governance Principles. The activities of our Company are being carried out and followed up within the framework of the legislation which defines the responsibilities regarding these Principles.

This detailed **2012 Corporate Governance Principles Compliance Report** which has been prepared by review of 2012 efforts and is inclusive of information on where compliance to the Principles has and has not provided is submitted for your information below in accordance with the Company's priorities.

Within the scope of Volume:IV, No:56 "Communiqué on Determination and Implementation of Corporate Governance Principles", the format to be used by ISE-quoted companies required to prepare a Corporate Governance Principles Compliance Report is set forth by Capital Markets Board Decision 4/88 dated 01.02.2013 and Corporate Governance Principles Compliance Report should be prepared by this format beginning with the 2012 Activity Reports which will be issued in 2013.

The new Corporate Governance Compliance Report below can be found at the Company website (www.tofas.com.tr) along with previous Compliance Reports.

SECTION I - SHAREHOLDERS:

2. Shareholder Relations Unit

As included in our previous Compliance Reports, a Shareholder Relations Unit has been established within the Company with the purposes of facilitating the exercise of shareholder's rights, managing relationships with the shareholders of the Company and implementing the required arrangements in accordance with the basic principles set forth by Corporate Governance Principles and the unit has been renamed as "Corporate Governance and Shareholder Relations" in 2005 for a more effective follow-up of practices regarding the Corporate Governance Principles.

This Unit carries out Company activities within the framework of the Corporate Governance Principles issued by CMB and Corporate Governance practices of ISE companies in the area of Corporate Governance and also ensures the provision of rights attached to shareholding, shareholder relations and follow up of Capital Markets regulations as well as practices regarding the Company's disclosure policy in the area of Shareholder Relations.

The Unit carries out activities primarily in relation to the organization of the Shareholders' General Assembly Meetings, the exercise of shareholder rights and stock transactions as well as keeping the required records for shareholders and meeting the information requests of investors. It ensures proper representation and contact of the Company with the Capital Markets Board (CMB) and Istanbul Stock Exchange (ISE), Central Registration Agency

(MKK) as well as other relevant entities and institutions in accordance with Communiqué Vol. :IV, No: 41 by CMB and Corporate Governance Principles set forth by Communiqué Vol. :IV, No: 56.

This unit is also responsible for the arrangements for capital increases and dividend payouts, follow up of decisions made by the Board of Directors and Board of Auditors, procedure follow-up and recording activities carried out by the Committees under the Board of Directors as well as providing public information within the scope of Capital Markets Regulations and meeting the information requests of investors including special case explanations via Company website, e-Manage Portal and KAP.

Furthermore, the Corporate Governance and Shareholder Relations Unit is responsible for following up on capital market arrangements and performing the required activities within the Company. They also conduct and follow up on Board Meetings and General Assembly Meetings of Affiliate Companies and Subsidiaries of our Company and maintain the records.

As of the end of period, the authorized person in the Unit is Dr. M. Adil Salepçiođlu, you may contact him for information by e-mail at adil.salepcioglu@tofas.om.tr and borsa@tofas.com.tr or by telephone on (0212 275 33 90 / 5104).

Furthermore, as of the end of period, the “Corporate Investor Relations” unit continued its activities in order to ensure more effective communication with its corporate investors. The authorized person in the said unit is Mr. Emre Ertürk. You may contact him for information by e-mail at emre.erturk@tofas.com.tr or by telephone on (0212 275 33 90 / 5187).

46 shareholders that have been registered in the list of participants of the latest Ordinary General Assembly by the blockage process and visitors willing to attend as viewers were provided with attendance to the General Assembly. Within the period, Corporate Governance and Shareholder Relations Unit and Corporate Investor Relations Unit have provided information for individual and corporate shareholders via phone and in person at the Headquarters and completed 122 physical share transactions regarding the exercise of free-share and dividend rights until 31.12.2012 and responded to 203 e-mails sent to borsa@tofas.com.tr and classified based on subjects.

Moreover, 326 one-on-one meetings, 12 Investor Conferences and 4 Analyst Meetings were carried out locally and abroad over the year. These were particularly for the corporate investors and investment trust and bank experts and included the participation of top management.

The Company is also a corporate member of Turkish Corporate Governance Association (TKYD) and Turkish Investor Relations Association (TÜYİD).

3. Use of Rights to Information by Shareholders

As mentioned above, information requests by shareholders have been classified by subject, responded to and other required information mails have been sent.

Investor Presentations and Analyst Reports issued on this matter are made available on our website for investors and the public. Our Company attaches the utmost importance to this matter and ensures contacts and information flows by making the necessary organizations with regards to both individual shareholders and corporate investors in line with our information policy.

Our Shareholders may access and review the general, managerial and financial data via the relevant links as well as other relevant information under other sub-sections under the “Investor Relations” section on our website. And, in addition to these sections, a new link entitled “Stock Exchange Information” was added to allow them access to ISE records and the link was actively used during 2012. The Company website does not include any

limitations or information and statements which may effect the exercise of shareholder's rights and any information, documentation and statement required for providing accurate and full information in a timely manner and facilitating the exercise of shareholder's rights is provided for the public, shareholders and in a broader sense all stakeholders.

Our Company has started implementing an electronic operating system and using a program and links that enable the sending of Special Case Explanations and other notices to the CMB and ISE. This is within the scope of the KAP (Public Information Platform), technical studies of which are carried out by TÜBİTAK. Furthermore, being an issuer member of Merkezi Kayıt Kuruluşu A.Ş. (MKK) established for registered follow-up of capital markets instruments, the Company has activated and enabled the e-Manage Portal in 2012.

In addition, as of 30.12.2011 and 01.11.2012, an announcement was made to our shareholders that "all of the rights of shareholders who have not dematerialized their shares by 31.12.2012 will be lost." The announcement was put on our website and also published in three daily newspapers. The announcement read as follows: "According to Provisional Article 6 of the Capital Markets Law, which was amended by Article 157 of Law No. 6111, published in the 25 February 2011 issue of Official Gazette, all shares not surrendered to our Company by 31 December 2012 so as to be recorded, will be devolved to our Company and all rights to the Shareholders stemming from these shares will automatically end.

In accordance with the regulations by Merkezi Kayıt Kuruluşu dated 31.12.2006 and within the frame of the new process for registered follow-up of shares that have been subjected to a change of type but not registered, regulations for follow-up of capital markets instruments have been implemented as of 31.12.2007 in accordance with 2007 regulations by CMB, implementations by MKK and the related legislation. The efforts shared between MKK, Investment Trust (Yapı Kredi Yatırım) and the Company have continued in 2012 in accordance with the related legislation as coordinated by the Corporate Governance and Shareholder Relations Unit.

In this context and in accordance with Provisional Article 6 of Capital Markets Law amended by Law 6111 Article 157 issued and made effective on the second issue of the Official Gazette dated 25.02.2011 and MKK General Letter 551 dated 28.04.2011, shareholders are required to apply to the Company and register their physical shares until 31.12.2012. In this sense, shareholders with physical shares have applied to the Company until 31.12.2012 to maintain their shareholder's rights and the process has been completed before the due date. Shareholders who have not registered their physical shares have lost their shareholder's rights as of the mentioned date.

We made the best effort possible to meet the information requests of shareholders within the scope of the Information Policy of our Company and the related implementations this year.

The Articles of Association of the Company do not contain any provision about an individual right to appoint a "special auditor" in case of request. No requests were submitted to our Company this year for appointment of a special auditor. Currently, there is no information on or instance of this matter based on the existing regulations as well as general practices. Our Company addresses the matter within the scope of the new Turkish Commercial Code and Capital Markets Law.

In addition to internal auditing practices, our Company is also subjected to auditing by the two main Shareholders (Koç and Fiat), and also of an Independent External Auditing Company as legally approved by the General Assembly.

4. General Assembly Meetings

This year, the ordinary General Assembly Meeting of the Shareholders was held on 30 March 2012. Invitations to the General Assembly are duly publicized within the necessary legal periods on the Turkish Trade Registry Gazette as well as in two daily newspapers, issued nationwide with all the required information. Moreover, the shareholders registered in

the Shareholders Book were informed by letter. Names of 46 shareholders were registered on the attendance list based on the blocked documents received through Central Registry Agency.

Moreover, participation of any person willing to attend the General Assembly as a viewer has been ensured and attendance of all shareholders, press members and all stakeholders has been pursued. . In this context, representatives of the media and press, authorities of various investment trusts and banks, as well as civil societies and non-governmental organizations attended this General Assembly Meeting.

Procedure of general meeting is made to ensure the utmost presence of the shareholders and the minutes of such meetings shall be accessible in writing or electronically at all times. Any measure aimed at increasing the efficiency of the meeting is taken in accordance with the legislation. All measures necessary to provide the required functionality of the General Assembly are taken.

The rights of our shareholders and the information on how to exercise these rights are presented to our shareholders by means of both regulatory announcements and information documents that can be found at the Company website and MKK e-Manage Portal.

Financial statements and the activity report as well as other information and documents are made available in the Head Office for the review of shareholders and interested persons within the legal period prior to the General Assembly Meeting. Announcements regarding the General Assembly Meetings are made at least 3 weeks in advance of the meetings. Following the issuance and submission of financial tables to the ISE and publication of the Annual Report, any information and reports to be discussed at the General Assembly Meeting are sent to the addresses of those requesting it by post, facsimile or e-mail, in a manner ensuring the quickest receipt. The records shall be maintained at the locations, including electronic media, where shareholders have the easiest access.

The most natural rights of our shareholders in the General Assembly Meetings are asking questions and raising their opinions, which are shown the utmost respect. Therefore, the right of the Shareholders to ask questions in the General Assembly or make suggestions about the Agenda items, or to deliver speeches regarding their suggestions and current matters is provided by the Board and the required records are kept as per the requirements. In this context, written and oral suggestions made by the shareholders to the Board about various issues in the General Assembly are added to the Minutes of the General Assembly Meeting posted on the Internet. Additionally, records showing that any shareholder votes against certain matters are also recorded in the Minutes of the Meeting and can be observed by reviewing the latest General Assembly documents at (www.tofas.com.tr).

Annual reports, financial statements, independent auditors' reports and profit distribution proposals, forms for voting by proxy and other information and documents related to the General Assembly agenda are easily accessible. The required documents issued in line with Capital Market regulations, the most current text of the Articles of Association and any amendment texts, records that include the most recent information, Special Case Explanations submitted to the Stock Market, information contained in the Annual Report, arrangements pursuant to Corporate Governance Principles, distribution of capital among the shareholders, company policies and any other information, from the Report of the Board of Directors to the Corporate Governance Compliance Report can be accessed electronically and followed up with the necessary updates.

In the light of the said proposals, the requests of shareholders for working and information from our Company are approved by the top management of the Company and the shareholders are allowed to make the desired reviews accordingly. Our Shareholders that have submitted such a request within the term were asked to provide evaluation and information based on their reviews and the required matters are taken into account.

Company activities are specified by the Articles of Association. Article 3 titled "Objective and Subject" of the Articles of Association covers the activities that might be performed to realize the objects and subjects of the company and unless any resolution to amend them is taken by the General Meeting, the Company is not entitled to perform the activities it wishes. Matters such as a merger with other companies or the takeover of another company or separation shall be resolved by the General Assembly upon the suggestion of the Board of Directors. In addition, the Company may purchase, construct, sell, rent, mortgage or receive a mortgage on any type of real estate and bestow real rights on them as an amendment to the Articles of Association in the form approved by the Board of Directors. The Articles of Association of the company are accessible at our Company website (www.tofas.com.tr).

As indicated by the Corporate Governance Principles Article 1.3.7, majority shareholders, Board Members, top level managers and their spouses and up-to-second-degree relatives will be allowed to do business in a manner to be in conflict of interests or compete with the company or its affiliates as per the approval of the General Assembly and such issues will be notified to the General Assembly. In accordance with the General Assembly agenda, information has been provided on the donations and grants made within the period and added to the minutes of the General Assembly Meeting.

All the Minutes of Ordinary and Extraordinary General Assembly Meetings and Lists of Participants for previous years can be accessed from the Company Headquarters, as well as from the archives of the Turkish Trade Registry Gazette retained at the Istanbul Trade Registry Office. Furthermore, the Minutes of General Assembly Meetings and other relevant documents for the last 5 years can be accessed and reviewed from the stated Website of our Company in "pdf" format.

5. Voting Rights and Minority Rights

Each share entitles the holder to one voting right and there is no voting preference (Article 20 of the Articles of Association). The Board of Directors and Auditor should be selected from the candidates nominated by the shareholders of Issue A and Issue D Preferred Shares (Articles 9 and 15). Voting rights are exercised as per the provisions contained under the Articles of Association (Articles 21 and 22). The regulations of the Capital Markets Board on voting by proxy are observed.

In case of mutual participation, sovereign shareholder is not possible. The Articles of Association do not contain any provision for the representation of minority shares in the management or cumulative voting method. Due to voluntary application matter and non-planning for sovereign shareholding by the major shareholders as per the capital Markets legislation, provision on quorum was not applied for the existing General Assembly (Article 19 of the Articles of Association).

Transactions related to shareholders are based strictly on the principles of equality in transactions in accordance with the regulations, and our Company pays the utmost attention to this by providing the necessary arrangements.

6. Dividend Rights

There is no privilege regarding participation in Company profit or allocation of dividends. Dividends are distributed equally regardless of the whole current shares or their dates of issuance and acquisition.

The Dividend Policy of our Company is included in the Compliance Report on Corporate Governance Principles and the Minutes of the General Assembly Meeting. It is determined in accordance with the relevant articles of the legislation, regulations and practices of the Capital Markets Board; as well as mid- and long-term strategies, investment and financial plans of our Company.

In this context, our Profit Allocation Policy is presented for the understanding of shareholders and public opinion at our website, (www.tofas.com.tr) as well as in the Activity Report of the Company for 2012 and previous years and during the Shareholders' General Assembly Meeting.

The Dividend Distribution Policy of our Company is included in the Adoption Report on Corporate Governance Principles and the related Minutes of General Assembly Meeting and is determined in accordance with the relevant articles of Turkish Commercial Code and Capital Market Law, the relevant regulations and Communiqués of the Capital Market Board as well as mid-and long-term strategies and investment and financial plans of our Company. As per the principles set forth in Communiqué Vol:IV, No:27 of the Capital Market Board, Our Company adopts the principle of distributing the maximum amount of dividends to our shareholders based on strategic plans and financial structure. Our Dividend Distribution Policy determined in this way is submitted to the information of the shareholders and the public as of 2012 in accordance with the relevant Articles of Association of our Company.

Dividends may be distributed among our shareholders in cash or free of charge by way of adding dividends in the capital or partly in cash and partly in the form of free shares pursuant to decisions of our General Assembly.

The dividend distribution amounts determined in accordance with the relevant legal regulations and Article 29 of the Company Articles of Association related to distribution of dividends are distributed among our shareholders on the date to be determined by our General Assembly upon approval thereof within the legal periods.

In addition to this, it is also possible to distribute an advance dividend to our shareholders upon decision of the Board of Directors if authorized to do so by the General Assembly pursuant to article 29 of our Articles of Association.

7. Transfer of Shares

Article 8 of the Articles of Association "Sales of the Shares Registered to Title" stipulates the provisions to be applied regarding the sale and transfer of registered shares of Issues A and B and there are restrictions on transfer of shares subject to the said rules and arrangements. This features the protection of the existing rights of the dominant shareholders and the limitation of the transfer of shares to any automobile manufacturer or to companies that are controlled indirectly.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY:

8. Disclosure Policy

"Disclosure Policy" of our Company is implemented in accordance with the legal regulations, Capital Market Regulations and rules defined by the issued notifications as well as the Corporate Governance Principles. The Disclosure Policy is included within the Annual Report and on the Company's website. If the Policy is amended within the year, shareholders are informed at the General Assembly.

Within the scope of the new Corporate Governance Principles, the public information and transparency criteria of our Company are intended to ensure the required information flow is provided in a timely, accurate, complete and understandable as well as accessible and easy to analyze manner with low costs and maximum efforts are shown for this. Any request for information will be taken into consideration and disclosed to the public in this manner unless the information requested is a trade secret.

The Information Policy covers dealings with all stakeholders including conducting public meetings, dealing with both investor and shareholder relationships and informing customers. It is implemented and coordinated in line with the activities of the relevant Units.

Our Board of Directors is responsible for the implementation and development of the Company Information Policy whereas the CEO of our Company is responsible for the oversight of the processes in place on behalf of the Board of Directors. Company's CEO and Board Member Mr. Kamil Bařaran, Chief Financial Officer Mr. Cengiz Eroldu and Corporate Relations Director Ms. Arzu olakoęlu are responsible for enforcement of Disclosure Policy.

Furthermore, we also comply with the disclosure policies of our local and foreign partners. Our Company considers as a whole, the practices related to our main partners as well as both the individual and corporate investors and shareholders.

In addition to monitoring capital market regulations and dealing with Capital Markets bodies for our Company in accordance with the Corporate Governance Principles, the fundamentals of our Disclosure Policy include satisfying information requests of shareholders and investors, and enabling shareholders to exercise their shareholding rights. Other responsibilities range from ensuring the coordination of General Assembly related arrangements to the provision of information flow, including the website.

The General Assembly Meeting, Annual Report, periodic Financial Statements and Reports, Disclosure of Material Information, the website and all processes regarding disclosure to stakeholders are conducted in accordance with the legal processes as defined in the Capital Markets Regulations, Turkish Commercial Code and Capital Markets Board regulations.

General Assembly is held within the required legal period every year and all activities regarding the participation of our shareholders in the General Assembly are recorded and implemented. Our Annual Reports are accessible in printed and online formats in accordance with the legal regulations. Financial results related to the periodic financial statements and financial reports are prepared in accordance with the CMB communiqués and IFRS, submitted to the CMB and ISE and released accordingly. They are presented to any entities, institutions or persons upon request.

Furthermore, information related to Disclosure of Material Information as of 2011 as covered by the CMB communiqué series: VIII, No. 56 are made to the ISE in a written form or in electronic format in the form of a Public Disclosure Platform notice. All means of communication are utilized to meet information requests from our shareholders and for exercising shareholding rights. Moreover, periodic plant visits are conducted for the shareholders.

Our Company ensures information flow by means of the website (www.tofas.com.tr) and shows the utmost care to the matters that must be presented on the website. The information needed about the company is provided in details on the website. The "Investor Relations" section on the said website provides all the information as stipulated by the CMB. This ranges from the Corporate Governance implementations, commercial matters and the Company Articles of Association to our annual reports, periodic financial statements, General Assembly minutes and analyst and investor presentations. In addition an information desk exists, from which our shareholders and investors as well as analysts can access ISE data. Activity reports, financial tables and their annexes, interim financial outcomes and interim activity reports, periodic investor and analyst presentations, monthly and model-based manufacturing and sales figures, quarterly export figures, annual capacity and capacity utilization, investments and employment data are issued on the company website to provide information on company's activities for the investors.

Our Company implements the Information Policy in accordance with the Corporate Governance Principles by establishing the required connection between the concerning units and departments. Board of Directors is responsible for the implementation and development of Company Disclosure Policy in accordance with the recommendations of Corporate

Governance Policy whereas the Company CEO and Directors are responsible for control of the process. Preparation of all kinds of presentations, conduction of meetings and exercising of press declarations in line with public information and transparency criteria are followed up at CEO and Directors level in our Company. The said information activities are arranged with the participation of Company senior management, as of regular periods and upon direct requests. Company CEO is authorized to postpone public disclosure of internal information to keep the legitimate interests of the company from being harmed.

Our Company vision is revised based on the stakeholder concept. The said interest holders are informed regarding the matters concerning them and organizations, briefings, planned studies and arrangements regarding explanations are all held by the Company in accordance with the regulations. Provisioning and communication of all rights and interests of our stakeholders are followed up and recorded by the relevant directorates, units and departments.

In addition to this, our website contains data from our Disclosure of Material Information sent to ISE to Company capital structure, and we have an e-mail (borsa@tofas.com.tr) address that includes an investor registration form for establishing contact and for replying to information requests submitted electronically. In this context, it is ensured to implement the required arrangements for systematically continuing relations with investors, ensuring easy access to corporate governance, shareholder relations and stock market information and making sure that financial data is accurate, complete and analyzable in accordance with the social responsibility and ethical rules.

Commercial and non-commercial businesses and transactions between the members of the Board of Directors, managers and shareholders holding more than 5% of the shares of the Company directly or indirectly are carried out in accordance with the capital markets regulations.

Tofaş carries out the activities in the field of "corporate governance" together with its shareholders, investors and stakeholders by combining the "governance" and "communications" concepts within the scope of Information Policy.

As stated above, the text of the new arrangement on the Company Information Policy made in 2009 and 2012 was republished and reviewed every year. Detailed Company Disclosure Policy is accessible at www.tofas.com.tr. The text containing new regulations on Company Disclosure Policy is available at Company website.

Special case explanations and notifications will be disclosed within due period as specified by the legislation in detail. Within the period, the Company has sent Special Case Explanations, Financial Tables and State of Responsibility explanations and/or notifications to ISE and these are issued on Public Disclosure Platform (KAP) (www.kap.gov.tr) as of 2010. Those for 2009 or earlier are available at ISE website "Company News" section. Company website also has links to the related pages.

There was no additional information or document submitted to foreign stock markets in addition to those submitted to the ISE. Furthermore, our Company was not subjected to any warnings from the CMB in relation to the Disclosure of Material Information during the reporting period.

In addition, what is considered a trade secret includes information, documents, electronic records and data about the internal structure and organization, financial, economic, credit and cash status, research and development activities, activity strategies, raw material resources, production technical specifications, pricing policies, marketing tactics and costs, market shares, wholesaler and retail customer potential and customer networks, and contractual contacts subject to or not subject to permission, all of which are essential for the success and effectiveness of the company in business and economic life and that should not be disclosed to rivals, third parties and public and can be known only by a limited number of persons and officials of the company with regards to a commercial enterprise or a field of

activity of the company. Trade secrets are subject to provisions and limitations under the Capital Markets Law, as well as other laws, and cannot be divulged, used or provided.

Considering the fact that these trade secrets and cases subject to insider information are the information and strategic decisions that are available to the senior management of the company, Company Top-Level Management will take all measures to prevent the use of such information. Our Senior Management, members of the Board of Directors and Company Directors are able to access the insider information which may affect the capital market instruments of the company. Publicly disclosed "List of Senior Management" notified to MKK is updated in case of a change, notified again to MKK and made accessible on the Company website.

9. Company Web Site and Its Content

As previously mentioned in earlier sections, the Company has an active and up-to-date website.

Website is at www.tofas.com.tr, also with English versions of the information and sections. In 2012, our website was revised in order to improve its visual effectiveness. This website includes detailed information on topics included in Corporate Governance Principles and a sub-section titled Corporate Governance is also available at the bottom of Investor Relations page.

The information needed about the company is provided in details on the website. This also includes various information including, among others, presentations, news, human resources, R&D projects. Our regularly updated website also has an "Investor Relations" section under www.tofas.com.tr address, which includes the minimum matters introduced by the CMB as defined above. The sub-sections available here provide the required records and information. These subsections include "Share and Stock Market Information," "Shareholding Structure and the Board of Directors," "Corporate Governance," "Activity Reports," "Presentations," "Financial Results," "Dividend Policy/Remuneration Policy/Company Disclosure Policy," "Special Case Explanations," "Announcements," "Archive," "General Assembly Meetings," "Subsidiaries," "Links and Information for Investors" and "Information on the Main Shareholders and Shareholding Structures" and also "Analysts," "Survey Data Form," and "Investor Feedbacks." Since 2010, surveys and electronic mail systems have been provided for shareholders, investors and analysts through the "Survey and Information Form" section and an "Investor Feedback" system has been added later.

The "Stock Market Information" subsection which had been enabled previously was activated in 2012 as an information line where our shareholders, investors and analysts could find ISE data. In addition, our Company's Annual Report can be examined on our website site as both current and archived information as well as being available in print. As it is stated, it is always possible to access to the periodic financial tables and reports at our Website and General Assembly meeting minutes and analyst lists are also provided. Responds to surveys coming from these links on the Investor Relations section of the website are followed, recorded and the information requests are responded as necessary.

Issues set forth by Corporate Governance Principles Article 2.2 are shown proper attention. However, the following is complied with regarding the Disclosure of Real Person Controlling Shareholder(s) explained in Paragraph 2.2.3.

Except for major Shareholders, Koç Holding A.Ş. and Fiat Auto S.p.A., shareholders having more than 5% of the shares are listed on ISE bulletins as per the legislation. Information on shareholding structures of our major shareholders, Koç Holding and Fiat Auto, can be obtained by clicking on the appropriate links on their websites. Publicly available information for both these companies is listed on their respective stock markets. Board members, senior managers and shareholders who hold directly or indirectly more than 5% of the shares, the Company's capital markets instruments and transactions made regarding stocks and the results there from are announced to the public.

In this context, the required notices regarding share trade are published on the Public Disclosure Platform (KAP) upon submission to ISE. In 2012, like previous years, issues regarding the share transactions related with the Company were included in ISE statements and ISE statements and notifications were followed and necessary issues were recorded.

The Company shows ultimate attention to Capital Markets regulations and the related legislations.

10. Activity Report

Board of Directors prepares the annual and interim Activity Reports with the details to fully and accurately inform the public on company activities. Information listed by Corporate Governance Principles are included.

Previous-period Activity Report prepared in accordance with the Communiqué issued by CMB on 30.12.2011 is accessible and reviewable in printed form and online from the website as a accurate and secure source of information.

The following Activity Reports will be extended in accordance with "Regulations on Minimum Contents of Company Annual Activity Reports" issued on the Official Gazette dated 28.08.2012.

The main topics of the current Company Activity Report are divided in 4 sections. Sub-sections of section one are Shareholders General Assembly Meeting Agenda, Board of Directors Report, CEO's Assessments, Management and Auditing Boards and Members of Management and Auditing Boards. Sub-sections of section two are Company's Capital Structure and Information of Partnership, Automotive Industry and Position of Tofaş, Affiliates, Social Responsibility Activities, Current Period Activities and Achievements, Administrative Activities and Results. Sub-sections of section three are Profit Distribution Table, Audit Board Report, Independent Audit Report and Financial Tables. Sub-sections of section four are Statements of Corporate Governance Principles, Corporate Governance Principles Compliance Report, Profit Distribution Policy, Remuneration Policy and Disclosure Policy.

Issues set forth by "Communiqué Vol. IV, No: 56 on Designation and Implementation of Corporate Governance Principles" issued by Capital Markets Board dated 30.12.2011 Article 2.3 Activity Report Section are provided with the details for informing the public fully and accurately.

SECTION III - STAKEHOLDERS:

11. Disclosure of Information to Stakeholders

The stakeholders are employees, suppliers, customers and basically third persons in direct relationship with the company and policies regarding each of these groups are developed by the Company.

All rightful parties and stakeholders are entitled to the same practices, implementations and effective communications. The Company's vision has been revised on the basis of the stakeholder concept and "millions of vehicles" and all stakeholders are kept informed of relevant matters within the scope of our Disclosure Policy and procedures via effective communication channels and necessary organizations, information meetings, planned studies and required notifications are being carried out by our Company. Our corporate governance practices ensure the protection our stakeholders' rights, which are both defined by relevant regulations and also those which are not defined yet.

Communication channels have been provided for informing all stakeholders regarding the issues related with them. The process for notification of illegal and unethical transactions to the Committee Responsible for Auditing through Internal Audit has been established by the Company.

Furthermore, in accordance with Corporate Governance implementations of the Company and as a result of 2012 activities, the rating of the related "Stakeholders" sub-section was increased.

12. Participation of Stakeholders in Management

Procedures allowing the participation of the stakeholders in the improvement of administrative matters and expressing their ideas actively in this respect are in place in our company. The process and mechanisms to ensure that stakeholders participate in Company Management regarding the issues related with them are supported by the Company.

These implementations are developed and maintained with the objective of WCM (World Class Manufacturing) and "World Class Company". Systematic meetings and training programs are organized based on the total quality philosophy such as Kaizen studies, open door meetings. Our employees, suppliers and customers can submit their requests in this system, which is implemented in line with our human resource policies. In addition to our company website, there is also an Intranet and printed company magazine (Tofaş Gazete) in order to improve internal communication within the organization.

In addition to dealership council and dealership organization meetings, there is a system through which customer demands and satisfaction level are analyzed. The company management evaluates this information, takes necessary actions and provides feedback accordingly. Moreover, activities regarding "Customer Relations Principles" and similar practices ensure effectiveness and maximization of customer relations and implementation of policies towards improvement of the service quality. In connection with these practices, we have planned and implemented studies covering current events within the reporting period.

Within the frame of relations with customers and clients, any and all actions to ensure customer satisfaction during marketing, sale and post-sale of the goods and services of the company have been taken and put into practice. A prompt response is made to customer queries and demands regarding our products and the customers are provided with the required feedback. Maximum efforts and resources are used for proactive solutions to company complaints. Improvement studies are organized systematically and high quality is assured by means of ISO quality certifications and quality standards. The principles and policies for suppliers as well as satisfaction criteria in customer centered product and services are regularly measured and followed up by the related units of the company. Furthermore, we attach importance to arrangements related to customers and suppliers based on the market developments.

Furthermore, in 2010, A Customer Relations Management department was set up to increase customer satisfaction concerning marketing and sales of the Company's products and services. Coordinated efforts to make the department more effective continued in 2012.

Our Company attaches great importance to quality, effectiveness and governance practices. Based on the feedbacks from the stakeholders, "governance" methods to ensure participation of stakeholders in management are developed and implemented.

13. Human Resources Policy

"Human Resources Policy" of the Company has been prepared in accordance with the company strategies and policies and they are accurately implemented as per the new implementations. In this context, recruitment, career planning and rotation, individual development, wage and performance management issues are handled. Work-related issues and main duties and responsibilities of employees are also outlined in the Personnel

Guidelines which are prepared in line with the relevant law and collective bargaining. Various committees have been established to coordinate employee relations and employees also have representatives in each of these committees. However, no representative has been selected and/or assigned to coordinate relations directly with the employees except for the employee union relationships.

The rights and work conditions of both the white collar and blue collar personnel are ensured both in our plant and headquarters without any discrimination or abuse. No employee complaints were made during the reporting period. Due care is taken for participation of Company employees in management at all levels through feedbacks, periodic meetings and other efforts.

Furthermore, in 2006, a process named "Investment in People" (IIP) was started with the purpose of improving the company performance by developing the employees. In 2007, our Company received the Investors in People certificate and award, the one and only Human Resources Development and Management Certificate of the world. Our Company continued comprehensive practices on this matter during 2012 as it had in 2011 and previous years.

In addition, the Company's culture-related work is open to all employees and is carried out to promote employee development. In 2012, cultural exchange clubs and development programs were continued as they were in 2011. Performance evaluations, behavioral activities and career management are taken due care of.

A mechanism regarding the development processes has been established in 2010 under the name of Tofaş Academy and same efforts have been actively maintained in 2012. Our Company attaches the utmost importance to social rights and professional training of its employees. It closely monitors and adopts developments in HR practices.

14. Ethics and Social Responsibility

Social activities for the neighborhood where the plant is located and the society in general are organized according to corporate social responsibility and impact area criteria. Social responsibility activities of our company in the reporting period are explained in the Annual Report. Furthermore, the periodically published Tofaş Newspaper, which is also posted on tofasweb Intranet, provides various news and information on social activities.

There were no complaints regarding environmental issues during the reporting period and we have records including environmental assessment reports. We have been implementing effective practices and inform our stakeholders within the scope of environmental sensitivity policies with the existing ISO certificates related to meeting quality and effectiveness standards. Furthermore, our Company continues its extensive activities related to Social Responsibility projects and environmental protection and presents them to the knowledge of the public.

Corporate Social Responsibility Sustainability Policy was previously revised in 2008 and announced to stakeholders at the Company website. Sponsorship activities and events focused on sports, culture & art and education continued in 2012 as they had in the previous years.

Awareness activities and sustainability perspective is of great importance regarding the social responsibility works and sponsorship activities.

The Company has conducted studies regarding observance of ethical rules and applications as per them in general. The members of the company comply with the generally accepted ethical rules forming a part of the regulations and arrangements. In addition, in the context of Principles of Corporate Governance, our ethical rules are formalized in a written document and announced as "Tofaş Business Ethics Principles" in our Personnel Manual. These ethical rules covers issues regarding our shareholders, disclosure of information, employee

activities, stakeholders and the Board of Directors. If and when there are revisions in these rules, the updates will be disclosed to all our stakeholders in line with our disclosure policy.

The said “Tofaş Business Ethical Principles” are published in our website under the ethical rules section. In 2009, an Ethics Board was also established within the scope of Company’s Corporate Policies. In 2011, revised Ethics Rules and Implementation Principles were issued and information was provided by distribution to Tofaş employees at all levels. Works regarding this issue were continued in 2012 with due care.

The Company is also a corporate member of Ethics and Reputation Association (TEİD).

SECTION IV - BOARD OF DIRECTORS:

15. Structure of the Board of Directors and Establishment

The Board of Directors of the Company has been composed as per provisions of the related law and the Articles of Association. Vol:IV, No:56 Determination and Application of Corporate Governance Principles by CMB dated 30.12.2011 has a decisive role in the functions and structure of the Board of Directors. Excluding the CEO, none of the Board Members including the Chairman have a direct executive role in the company. The CEO is also a member of the Board of Directors.

Also 2 independent members are included in accordance with Corporate Governance Principles.

Articles of Association of the Company have been amended as per the Corporate Governance Principles set forth by this Communiqué and important implementations have been made especially regarding the Board of Directors. The most important improvement is the process regarding the election of 2 independent Board Members. Furthermore, steps of high priority have been taken to ensure compliance with the revised Turkish Commercial Code made effective as of 01.07.2012.

The Chairman and members of the Board shall be formed in a manner ensuring authority and effectiveness at the highest level. The Board of Directors is composed by the members who possess these qualifications and who have also competency in managerial issues in line with the Principles of Corporate Governance. The persons to be appointed as board members should possess the foregoing qualifications and a relevant background as of the appointment date.

Members of the Board of Directors are selected among effective, competent and prominent persons who will be able satisfy the shareholders and stakeholders regarding company activities on the highest level. Corporate Governance Committee has launched improvements regarding the implementation of Corporate Governance Committee and designation and offering of Board Member candidates.

In accordance with the Corporate Governance Principles, Corporate Governance Committee has replaced the Nomination Committee to manage the process for designation of independent Board Member candidates in accordance with these principles and application was made to CMB in accordance with the following Board Decision for independent candidates.

Communiqué Vol. IV, No: 56 on Designation and Implementation of Corporate Governance Principles Article 5.5 regulates that Principle 4.3.4 will not be applicable for partnerships in which management control is equally shared among two real or legal persons who are not in any sort of engagement in terms of capital, management or auditing whether directly or indirectly for minimum 51% of the capital and in a manner which requires approval of both parties in major decisions and decisions on partnership and provided that the application is confirmed by Capital Markets Board and two independent members shall be sufficient; our

Company, qualified for these criteria, has submitted to Capital Markets Board for approval with the application document no 0465 dated 19.01.2012. In this context, Capital Markets Board letter 326-1965 dated 23.02.2012 informs that our request has been accepted and the number of candidates for independent members has been set as two.

In this context, it is hereby decided that, as recommended in the Independency of Candidates Report dated 05.03.2012 by Corporate Governance Committee and within the scope of Communiqué Vol. IV, No: 56 on Designation and Implementation of Corporate Governance Principles and Communiqué Vol. IV, No: 57 on Amendment of the Communiqué, Mr. Gökçe Bahadır and Mr. Libero Milone will be submitted for approval of the General Assembly as "Candidates for Independent Members of the Board of Directors", the application required by principle 4.3.8. will be made to the Capital Market Board and the resumes of the candidates will be made available in the Company web site in case of no adverse opinions from the Capital Market Board. These members for submitted to the approval of the Ordinary General Assembly on 30.03.2012 and these Independent Board Memberships were approved.

The independency statement of these persons are as follows;

"I declare that I apply for "independent membership" at Tofaş Türk Otomobil Fabrikası A.Ş. (Company) Board of Directors in accordance with the criteria set forth by Corporate Governance Principles issued by Capital Markets Board, the legislation and articles of association and I declare the following;

- a) Absence of any relations between himself/herself or his/her spouse or up-to-third-degree relatives and the Company or its associated parties or real or legal persons directly or indirectly associated in terms of capital or management with shareholders of the company having possession of 5% or more of its shares in the last five years,
- b) Not being employed at or appointed to the board of companies which have been engaged in complete or partial operations or organization of the company within the scope of contracted agreements in the last five years, including the auditing, grading or consultancy services,
- c) Not being the shareholder, employee or board member of a company which has provided major services or products for the company in the last five years,
- d) My shares of the Company capital are less than 1% and these are not preferred shares,
- e) As indicated in the attached resume, having the education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned as an independent board member,
- f) Not full-time employed by public organizations and institutions as of now,
- g) Resident in Turkey as per the Tax Law (Mr. Gökçe Bayındır and Mr. Libero Milone meet the criteria imposed by Corporate Governance Principles and Mr. Libero Milone resides abroad and therefore has been noted to be incompliant with the criterion of "being resident in Turkey as defined by Income Tax Law" defined by principle 4.3.7 paragraph (g); however, Article 1 of Communiqué Serial IV, No: 57 states that "the criterion set forth by principle 4.3.7 paragraph (g) will be sufficient if met at least by half of the independent members" and therefore the person is suitable.)
- h) I can make contributions to the Company, maintain my objectivity regarding any conflicts between the shareholders and make unbiased decisions considering the interests of the beneficiaries.

As of the activity term, no situation which removes independency has been observed.

As of 31.12.2012 Board of Directors consists of Mr. Mustafa Vehbi Koç (Chairman), Mr. Sergio Marchionne (Vice-Chairman), Mr. Kamil Başaran (Member & CEO), Mr. Temel Kamil Atay (Member), Mr. Osman Turgay Durak (Member), Mr. Kudret Önen (Member), Mr. İsmail Cenk Çimen (Member - Corporate Governance Committee & Risk Management Committee), Mr. Alfredo Altavilla (Member - Corporate Governance Committee), Mr. Gianni Coda (Member), Mr. Ali Aydın Pandır (Member - Risk Management Committee) and M. Gökçe Bayındır (Independent Member - Audit Committee & Corporate Governance Committee &

Risk Management Committee) and Mr. Libero Milone (Independent Member - Audit Committee & Corporate Governance Committee & Risk Management Committee).

There is no restriction on the members of the Board in terms of holding professional positions in other companies besides the rules determined annually by the General Assembly of Shareholders. The relevant provisions of the Turkish Commercial Code are implemented regarding all matters concerning the members of the Board of Director including holding positions in other group companies. The members of the Board of Directors are banned from conduct of business and competition with the company and in case of such actions that might cause conflict of interest; required actions shall be applied subject to the legislation in effect. The related issues are submitted to the information of the shareholders at the General Assembly.

Board Members and their roles are Mr. Mustafa Koç, also Koç Holding A.Ş. Board Chairman, Mr. Sergio Marchionne, Fiat S.p.A. CEO and Chrysler Group CEO & Board Member. Mr. Temel Kamil Atay, Koç Holding A.Ş. Board Vice-Chairman, Mr. Osman Tungay Durak Koç Holding A.Ş. CEO, Mr. Alfredo Altavilla, Fiat S.p.A. Business Development Director and Iveco Fiat CEO, Mr. İsmail Cenk Çimen Koç Holding A.Ş. Automotive Group Chairman, Mr. Kudret Önen Koç Holding A.Ş. Defense Industry, Other Automotive and Information Group Chairman, Mr. Gianni Coda, Fiat Chrysler EMEA COO, Mr. Ali Aydın Pandır, Fiat Turkey President. Kamil Başaran, CEO of the Company, also has Board Chairmanship roles in the Company's affiliates and subsidiaries. Mr. Gökçe Bayındır and Mr. Libero Milone, independent members, work as per the independence criteria.

16. Functioning of the Board of Directors

Titles or agenda items regarding Resolutions of the Board of directors are prepared and issued periodically and as necessary. The number of the meetings of the Board may vary depending on emerging needs.

In 2010, 18 decisions were recorded by the Board of Directors, the number in 2011 is also 18. The Board of Directors has made 28 decisions in 2012 and the minutes of meetings regarding the decisions are registered.

Board of Director meetings are called and convened whenever Company business requires it. In 2009, a secretariat was established under the Financial Directorship for the purpose of communication and coordination. This was reviewed in 2010. The relevant unit coordinates the meeting agenda, minutes, and board resolution records. When there is a dispute regarding a board resolution, the relevant case, along with its justifications, is recorded. Board resolutions also should contain relevant inquiries and responses in this regard. Board decisions are made by attendance and positive vote of absolute majority of members. In accordance with TCC, there is no cast vote or veto right. Furthermore, Articles 9 and 10 of the Articles of Association determine the structure and office period for the board members, while Articles 11 and 12 regulate duties, quorum and functioning of the board. All Board decisions are made by attendance and positive vote of absolute majority of members. Insofar; attendance and positive votes of minimum 2 non-independent members representing Group A shares and minimum 2 non-independent members representing Group D shares are required for quorum. Articles of Association Article 35 is applicable for the decisions which require attendance and positive vote of independent members.

Associated party transactions submitted to the approval of independent Board Members within the period have been approved and implemented by Board Decision.

Article 11 of the Articles of Association stipulates the powers and authorities of the "Board of Directors". In addition, other items the Articles of Association also cover the required issues. The Company management is specified pursuant to Turkish Trade Code and the relevant regulations mainly based on representation and binding of the company, and the authorities are exercised pursuant to legal requirements. Duties and responsibilities of members of the

Board of Directors and the executives of the Company are included in the legal regulations, capital market regulations and the Articles of Association.

In 2009, board member nomination procedures, as well as selection and assignment issues were formalized as a written policy. In 2012, revisions and additions were made in respect of the Corporate Governance Committee's implementation procedures and processes as in 2011. This has been revised as per the amendments of legislation and Corporate Governance Principles and handled by the Corporate Governance Policy. Corporate Governance Committee has reviewed the activities in 2012 like the previous years.

17. Number, Structure and Independency of Committees Formed under the Board of Directors

Pursuant to the Article 12 of the Articles of Association, an Executive Committee consisting of 4 persons -2 Group A and 2 from Group D shareholders – can be established if and when deemed necessary. The Committee can be established among the members of the Board of Directors in order to carry out the necessary actions between two Board meetings.

As per the communiqué by CMB, an Audit Committee has been established in 2003 for follow-up of financial issues, review of periodic financial tables and footnotes, other works required as per the Corporate Governance Principles and review of Independent Auditor Report, submittal of the offer on financial results based on the current information and control of internal audit process; this committee has been formed of independent board members Mr. Gökçe Bayındır (Chairman - Independent Board Member) and Mr. Libero Milone (Member - Independent Board Member) as of 2012 as required by the new Corporate Governance Principles issued on 30.12.2011. In 2012, working principles of the Audit Committee have been reestablished and disclosed.

Furthermore, Corporate Governance Committee under Corporate Governance Principles been established in 2008. Corporate Governance Committee has started its activities in accordance with the Corporate Governance Principles, regulations issued by CMB as per the related legislation and the activities of the Company regarding Corporate Governance Principles. The said Committee carried out its activities effectively in 2012, as it has since its establishment. Compliance of the Company with Corporate Governance Principles is followed up by the Board of Directors, rules of procedures of Corporate Governance Committee have been revised in 2012 and disclosed. As per the new Corporate Governance Principles issued on 30.12.2011, Corporate Governance Committee consists of Mr. Libero Milone (Chairman - Independent Board Member), Mr. Gökçe Bayındır (Member - Independent Board Member), Mr. İsmail Cenk Çimen (Member - Board Member) and Mr. Alfredo Altavilla (Member - Board Member) as of 2012.

As per the related provisions of new Turkish Commercial Code effective as of 01.07.2012, Early Detection of Risk and Risk Management Committee has been established with the purposes of efficiency of Committees established under the Board of Directors, early detection of risks which may jeopardize the Company's existence, improvement and progression, implementation of measures related with such risks and risk management and implementation and follow-up of Company's internal control, internal audit and risk management activities and its rules of procedures have been set as of 2012. This Early Detection of Risk and Risk Management Committee consists of Mr. Gökçe Bayındır (Chairman - Independent Board Member), Mr. Libero Milone (Member - Independent Board Member), Mr. İsmail Cenk Çimen (Member - Board Member) and Mr. Ali Aydın Pandır (Member - Board Member) as of 2012.

The Chairmen of these Committees should be selected among Independent Board Members as per the Communiqué on Corporate Governance Principles. Both Independent Board Members are members of each committee. Audit Committee has 2 members (current Independent Board Members), Corporate Governance Committee and Early Detection of Risk and Risk Management Committee have 4 members (2 of which are Independent Board Members) and Mr.. İsmail Cenk Çimen, member of Corporate Governance Committee is also

a member of Early Detection of Risk and Risk Management Committee. Board Member is a member of both Committees for their coordination.

In 2012, rules of procedures of the Board and the Committees formed have been revised, recording mechanisms for follow-up by the related Units have been established and implementation procedures and processes have been revised in accordance with the new Principles as they have in the previous year.

Audit Committee, Corporate Governance Committee and Early Detection of Risk and Risk Management Committee hold periodic and other meetings as required by the legislation. In accordance with the rules of procedures, meetings with a certain agenda can be held other than periodic meetings. In this context, Audit Committee has held 6 meetings and Corporate Governance Committee has held 7 meetings in 2012. Early Detection of Risk and Risk Management Committee has held 2 times after establishment.

Board of Directors is informed about the committee roles, its activities and the reports. When required, experts and other managers who are not Committee members but related with the agenda can be invited to the Committee. Furthermore, task groups consisting of people with required experience and information can be formed. The committees act in line with their responsibilities and submit their comments and recommendations to the Board. Final decisions are made by the Board.

18. Risk Management and Internal Control Mechanism

A risk management is envisaged and internal control organization is established depending on financial and administrative activities of the company and the functioning and effectiveness of the internal auditing shall be followed up according to capital market regulations and rules.

Board of Directors is responsible for proper functioning of internal control system and internal audit and CEO will make the coordination on behalf of the Board of Directors. Early Detection of Risk and Risk Management Committee will follow-up proper functioning of internal control system, internal audit and risk management and submit the results to the Board of Directors.

As of the end of 2012, it has been assessed that proactive measures are taken against financial and operational risks and predictable potential risks through the Company's internal control system, internal audit activities and corporate risk management and that the Company meets the legislative requirements regarding internal control, internal audit and risk management. Also positive opinions were disclosed on the effectiveness of internal controls for providing effective, secure and uninterrupted provision of Company's activities and services; integrity, consistency, timely availability and reliability of data provided by the Company's accounting and financial reporting system; effectiveness, efficiency and adequateness of internal controls aimed at providing security and the running of internal control, internal audit and risk management system regarding the preparation of consolidated financial tables and it has also been stated that no problems were observed, corporate risk and internal control system was functioning well and the related records are kept.

In addition, Internal Auditing carries out work related to controlling the accuracy and reliability of financial statements and in order to achieve compliance of operations with laws and regulations, continues to increase the effectiveness and efficiency of its aforementioned responsibilities. The unit responsible for Internal Audit reports to the Company's CEO who at the same time is a Member of the Board of Directors. This unit examines processes and prepares reports regarding current and potential risks and proposes solutions. Predictable risks attached to the activities will be evaluated, information flow will be followed-up by the Board Member and CEO and the results will be evaluated by the related Committee and submitted to the Board of Directors.

19. Strategic Objectives of the Company

As per the strategic priorities and objectives, the mission, vision and values of the Company have been formulated and published and renewed upon revisions in line with the improvements.

Vision, mission and values along with designation and implementation of Company's strategic objectives will be completed by the Company top-level management, submitted to the Board of Directors and followed-up. Strategic decisions of our Company were implemented in 2012 according to their priorities. Based on the strategic targets, the Board of Directors reviews and evaluates previous year's performance, compares the results with targets and determines the upcoming year objectives proposed by the senior management.

Board of Directors will coordinate the Company Top-Level Management in designation of Company's strategic objectives, actively participate in approval and implementation processes, periodically review the level of achievement of objectives, activities and performance of the Company and evaluate the functioning, efficiency and outcomes of the related system.

In accordance with the methods offered by the Board of Directors and the legislation, Company Top-Level Management will use its maximum efforts to ensure effective management of the Company and periodically inform the Board of Directors and the related Board Committees as per the regulations and the legislation based on Directorates on behalf of the CEO and all stakeholders.

20. Financial Rights

In addition to the wages set forth by the General Assembly, all additional benefits provided for the Board Chairman and Board Members other than independent members and top-level managers in accordance with the Company Remuneration Policy and based on the opinion of Corporate Governance Policy will be disclosed to the General Assembly.

Criteria used for designation of the wages and other benefits provided for Top-Level Managers and Board Members in accordance with the Remuneration Policy and remuneration rules have been disclosed to the General Assembly and issued on the website for public disclosure.

Annual fixed wages payable to Board Members are designated by the Ordinary General Assembly as per the offers of the shareholders.

Executive Board Members are paid in accordance with the policy applicable for top-level managers. Performance-based payments will not be used for remuneration of independent members of the Board. Remuneration for Top-Managers will be composed of fixed and performance-based components. These notifications will be classified based on the Board of Directors and top-level managers.

In the reporting period, no loans were granted to the members of the Board or to the senior managers and no credit was utilized by them; none of them received benefits through third-persons and moreover, no indemnities or similar were provided in their favor.