

CORPORATE GOVERNANCE COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

Akfen Holding A.Ş. ("Company") makes the utmost effort to comply with "Corporate Governance Principles" ("Principles"), published by the Capital Markets Board ("CMB") in July 2003, and republished complete with revisions and additions in February 2005. Besides, in accordance with the Communiqué on Corporate Governance Principles, which came into effect on December 30, 2011, the Company expends efforts to revise its Articles of Association and to comply with Corporate Governance Principles. The Company constantly takes the necessary steps to reach the highest standards in the field of corporate governance, and also continues its activities uninterruptedly to enforce various advisory provisions included in the Principles. Akfen Holding considers ethical rules, transparency, equity, responsibility and accountability as components of its corporate culture.

Due to the importance of complying with CMB's Corporate Governance Principles, the Company revised its Articles of Incorporation and brought them into conformity with the Principles.

The following amendments were made to the Articles of Incorporation:

- The Board of Directors shall include two independent members in line with the advisory provisions included in the Principles;
- A statement on independent Board Members shall be published in the annual activity report of the Board of Directors;
- Public authorities must be notified of General Assembly meetings at least 15 days prior to the meeting day, and a Commissioner from the Ministry of Industry and Commerce must be invited to the meetings;
- The announcement of the General Assembly must be published in newspapers and at the Company website at least 15 days in advance;
- Establishment of committees in the Board of Directors, determination of their duties, responsibilities and operating principles, and the election of their members;
- Provisions concerning the Audit Committee;
- Provisions concerning the Corporate Governance Committee.

The Company's public disclosure policy prepared as per CMB's Corporate Governance Principles was discussed and approved at the Board meeting on 04.04.2011. The public disclosure policy was put into written form and published at the Company website at www.akfen.com.tr.

Upon a Board resolution dated 17.05.2010, an Audit Committee and a Corporate Governance Committee were established pursuant to the Articles of Incorporation, their members were elected, and the committees commenced operations.

Investor Relations are reported directly to the CEO and Executive Director, the most senior executive managers in the Company.

In the activity period ending on December 31, 2011, the Company complied with and applied the Principles except certain provisions specified in Article 18.3.4 ("Use of the cumulative voting system in the election of the Board Members") and Article 26.5.2 ("The number, structure and independence of committees established at the Board" - "Committee chairmen are elected among independent Board Members") of the Report. It is assumed that non-compliance with these provisions will not cause critical conflicts of interest. Although minority rights can be used via the two independent members of the Board of Directors, the advantages and disadvantages of employing the cumulative voting system in the election of the Board member has yet to be assessed by the Company. The independent Board Member Mr. Şaban Erdikler serves as Chairman of the Audit Committee, and Mr. Mümtaz Khan as Member of the Corporate Governance Committee.

The Board of Directors, provides full support to Senior Management and the employees of Akfen Holding A.Ş. in the implementation of the Corporate Governance Principles across Company. Upon the adoption of the Corporate Governance Principles by the Company, the Corporate Governance Principles Compliance Report was issued to declare that the Company's operations shall be in line with the principles of equity, transparency, accountability and responsibility.

Even though the CMB made various revisions to its Capital Governance Principles with the Communiqué Series: IV, No: 56 on Determination and Application of the Corporate Governance Principles, the current report was prepared along the lines of the CMB Corporate Governance Principles in force in 2011.

CHAPTER I - SHAREHOLDERS

2. Investor Relations

The use of the shareholders' rights complies with the legislation, the Articles of Incorporation and other in-house regulations, and every measure is taken to ensure the use of these rights.

In January 2010, "Investor Relations" were established in the Company before the public offering of May 2010, in order to monitor all relations between the shareholders and the Company, and to ensure healthy communication. Investor Relations strives to provide current and prospective customers correct, timely and consistent information about Akfen Holding; to increase the recognition and credibility of the Company, to reduce the Company's capital costs with the implementation of Corporate Governance Principles, and to ensure the communication between the Board of Directors and capital markets participants. In parallel with these objectives, the Company attaches utmost importance to communication with shareholders and investors, and runs an active investor relations program. In the organization chart, Investor Relations are reported to the CEO.

Investor Relations, serves as a connection between the Board of Directors, and the finance world, and carries out the following functions:

- To ensure that records of the shareholders are kept in a healthy, safe and up-to-date fashion;
- To respond to written or verbal information requests by shareholders, prospective investors, stock analysts, public agencies (CMB, ISE, CRA, etc.), and the finance media - except confidential, secret information and/or commercial secrets not disclosed to the public - to ensure accurate and simultaneous access to information, and to update current information;
- To issue material disclosure statements to the Public Disclosure Platform, to translate them into English and share these with investors via the Company's official website;
- To review all Company announcements, and to prepare Turkish and English announcements on the Company's financial results;
- To update the Investor Relations Section of the website and use all electronic communication means in order to keep shareholders and prospective investors informed;
- To build a database of domestic and international corporate investors, as well as stock and sector analysts;
- To ensure the Company's representation in domestic or overseas investor relations meetings attended by current and prospective investors and analysts;
- To review and analyze reports by analysts, and to monitor critical developments and statistics concerning the Company;
- To take the necessary measures to ensure that General Assembly Meetings are held in line with legislation, Articles of Incorporation and other in-house regulations;
- To prepare all documents that the shareholders will need in the General Assembly Meeting;
- To ensure the delivery of meeting minutes to shareholders;
- To supervise all public disclosure actions and ensure their compliance with the legislation.

Investor Relations strives to use all electronic communication means and the corporate website in its activities.

Contact information for Investor Relations can be found at the website (<http://www.akfen.com.tr>) and in the annual activity reports of the Company. Investor Relations can be contacted at yatirimci@akfen.com.tr for any requests and questions.

Ms. Aylin Çorman, who holds an advanced level capital market activities license, is the officer in charge of Investor Relations and her contact information is as follows:

Aylin Çorman, Investors Relations Manager
Levent Loft - Büyükdere Cad. No:201
K.11 34394 Levent, İstanbul - TURKEY
Tel: +90 (212) 319 8700
Fax: +90 (212) 319 8730
acorman@akfen.com.tr
yatirimci@akfen.com.tr

As of April 24, 2012, 28.26% of the Company's shares were floated publicly, and about 78.49% was held by foreign investors. In 2011, the Company participated in ten roadshows, and various domestic and overseas investment conferences to provide information to shareholders and investors. The Company conducted face-to-face meetings with over 60 current and potential investors. Numerous meetings were held with investors, shareholders and analysts as regards the Company's operational results, performance and other developments.

Furthermore, pursuant to the Capital Markets Law, 64 material disclosures were issued and also published at the Company's website in 2011. Queries from investors and analysts were answered by phone and email, and detailed financial statements were issued in financial reporting periods.

3. Use of Shareholders' Right to Information

It is essential to treat all shareholders, prospective investors and analysts equally with regards to the right to information and analysis, and to simultaneously deliver all statements to everyone, with the same content. Within the scope of public disclosure policy, all information concerning shareholders and market players are announced via material disclosures, the English version of these announcements is also transmitted electronically to any persons/institutions who convey their email addresses, and the Turkish and English versions of all past material disclosures can be accessed via the website.

The numerous written and verbal information requests from the shareholders are responded without any delay by Investor Relations and pursuant to the provisions of the Capital Markets Law. In order to expand shareholders' right to information, any current information that might affect the use of their rights is submitted to shareholders at the website. The English and Turkish versions of all information are published so as to ensure equality among domestic and foreign shareholders.

The Articles of Incorporation do not yet provide the appointment of a special auditor as an individual right, and the Company has not reached any request for the appointment of a special auditor.

4. Information on the General Assembly

The Ordinary General Assembly Meeting for the year 2011 was held at Akfen Conference Hall at the Company's Headquarters on 15.06.2011, and Extraordinary General Assembly Meetings were held in the same location on 12.09.2011 and 14.10.2011.

The General Assembly Meeting announcements published at the website featured the date, time, location and agenda of the meeting, the invitation of the Board of Directors, and the shareholder participation procedure to the General Assembly.

The General Assembly's meeting procedures ensure the largest participation of shareholders.

The General Assembly Meetings are organized in the least complicated manner so as to avoid any inequality among shareholders, and to impose the least possible cost to shareholders.

The Akfen Conference Hall, where the General Assembly Meetings are held, is located at the Company's Headquarters, and can accommodate all shareholders. The General Assembly Meetings are open to the public, and are organized under the surveillance of the Commissioner of the Ministry of Industry and Commerce.

In the General Assembly Meeting agenda, items are detailed in an impartial, detailed, clear and comprehensible fashion; and the wording does not allow multiple interpretations. The shareholders have an equal chance to express their opinions and pose questions, in order to engage in a healthy debate.

The General Assembly's Meeting minutes are accessible at the website (www.akfen.com.tr).

5. Voting Rights and Minority Rights

Voting Rights

The Company avoids practices that might make the use of voting rights difficult, and it is ensured that each shareholder uses their voting right in the most practical and convenient manner.

Pursuant to the Articles of Incorporation, Class A shareholders have 3 votes for 1 share, whereas Class B shareholders have 1 vote for 1 share. Class A share certificates are registered shares, not traded at the ISE.

At the Company, there is no provision requiring the voting right to be used in a certain time limit after its acquisition.

The Articles of Incorporation do not provide any regulation preventing a non-shareholder to cast a vote as a representative by proxy.

Minority Rights

The use of minority rights at the Company is subject to the Turkish Commercial Code, Capital Markets Law, relevant legislation, and communiqués and resolutions of the Capital Markets Board. The Articles of Incorporation do not provide any provisions in this matter. At the Company, minority rights are thus to be used in accordance with the said legislation. These rights can also be used via two independent Board Members.

Although the Articles of Incorporation has yet to include the cumulative voting system, the advantages and disadvantages of the said system shall be assessed by the Company according to changes in legislation.

Equal treatment of Shareholders

At the Company, all shareholders including minority and foreign shareholders receive equal treatment.

6. Profit Distribution Policy and Timing of Profit Distribution

The Company takes its profit distribution resolutions in accordance with Turkish Commercial Code, Capital Markets Law, tax laws, other relevant legislation, communiqués and resolutions of the Capital Markets Board and the Articles of Incorporation.

Pursuant to the Articles of Incorporation, after the deduction of the Company's general expenses, miscellaneous depreciation, and other such sums to be paid or reserved by the Company, as well as any taxes to be paid by the Company legal entity from year-end revenue, the dividend is calculated in the following manner from the remaining net profit on the annual balance sheet, if any, after the subtraction of any loss from the previous periods:

Primary Legal Reserve Fund:

1. 5% of the total is set aside as first legal reserves.

First Dividend:

2. Any donation during the year is added to the remainder, and of this sum, the first dividend is calculated according to the ratio and amount determined by the Capital Markets Board.
3. After the deduction of the abovementioned amounts, the General Assembly has the right to decide on the distribution of a dividend to Board Members, officers and employees of the Company.
4. After the first dividend for shareholders is allocated, 1% of the remaining profit is transferred to the Turkish Human Resources Foundation.

Second Dividend:

5. After the deduction of the abovementioned amounts from the net profit, the General Assembly is entitled to allocate the remaining amount partially or completely as the second dividend or as extraordinary reserves.

Secondary Legal Reserves:

6. Of the sum to be distributed to shareholders and other individuals with a stake in the profit, 5% of the paid-in capital is deduced and one tenth of the remainder is allocated as secondary legal reserves, pursuant to Article 466, Sub-clause 2, Paragraph 3 of the Turkish Commercial Code.
7. Until the legal reserves are allocated, and the first dividend for shareholders is distributed in cash and/or as shares in line with the Articles of Incorporation, the Company cannot allocate other reserves, transfer profits to the following year, distribute dividends, or give profit shares to Board Members, officers and employees of the Company, foundations established for various purposes, and persons/institutions with similar purposes.
8. The dividend of the accounting period is distributed evenly to all existing shares, regardless of their issue and acquisition dates.
9. There is no privilege among share groups with respect to dividend distribution.
10. The distribution method and time of the distributable profit is determined by the General Assembly upon the proposal of the Board of Directors. The provisions of the Capital Market Laws apply.

According to the Board of Directors' resolution dated 09.04.2010, Akfen Holding follows a profit distribution policy based on "proposing to the General Assembly the distribution of at least 30% of the distributable profit, from the 2009 accounting year onwards, after taking into consideration the general profitability of the Company."

7. Transfer of Shares

The transfer and assignment of the Company's bearer shares are subject to the provisions of the Turkish Commercial Code, Capital Markets Law and relevant legislation.

Pursuant to the Articles of Incorporation, in case shareholders holding registered share certificates wish to sell their shares, the share transfer must be approved by a resolution of the Board of Directors and the transaction needs to be registered in the share ledger. The Board may reject a share transfer without presenting any reason. Class A, privileged shares are registered shares.

CHAPTER II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. The Company's Public Disclosure Policy

The Public Disclosure Policy of the Company, prepared pursuant to the Corporate Governance Principles of the CMB were discussed and approved at the Board of Directors meeting dated 04.04.2011.

The Public Disclosure Policy was prepared in written form, and published at the website (www.akfen.com.tr).

The Board of Directors is responsible for monitoring, reviewing and developing the Public Disclosure Policy. The Corporate Governance Committee gives information and presents proposals to the Board of Directors, Audit Committee and Investor Relations on matters concerning the Public Disclosure Policy. Investor Relations is in charge of monitoring and supervising any matters concerning public disclosure.

The Public Disclosure Policy aims at sharing the Company's past performance and future expectations with shareholders, investors and capital markets experts (capital markets participants) in a complete, accurate, timely, comprehensible equal fashion, in line with generally accepted accounting principles and Capital Market Law, and thus to maintain active and transparent communication.

Principles of the Public Disclosure Policy

Any information to be disclosed to the public is submitted in a timely, accurate, complete, comprehensible, interpretable, cost-effective, accessible and equal fashion so as to help concerned persons and institutions make decisions. Akfen Holding A.Ş. acts in accordance with the Capital Market Law and regulations of the ISE in its public disclosure practices. The Company's public disclosure principles are as follows:

- "Investor Relations" is in charge of supervising and monitoring all matters concerning the public disclosure policy. Any queries from outside the Company are responded to by Investor Relations within the knowledge of Executive Director, CEO or Assistant General Managers. All communications and meetings with the capital markets participants are under the responsibility of Investor Relations.
- In addition to methods required by legal regulations, all public disclosure means and methods such as press bulletins, means of electronic data transmission, e-mail messages, meetings with current shareholders and prospective investors, online announcements, etc. are used in an effective manner.
- Akfen Holding's Code of Ethics outlines all principles and rules that managers and employees have to comply with. The Code of Ethics has been published at the Company website.
- In case that any critical change occurs or is expected in the near future in the financial condition and/or operations of the Company, the public is informed in line with the provisions of relevant legislation.
- Any changes and developments that arise after the Company's public disclosures are announced to public through constant upgrades.
- News in the media about the Company are monitored daily by the contracted public relations agency and submitted to the Company. In case that rumors or news circulated in the media, market or internet, and which do not originate from the Company are so significant as to affect the value of the Company shares and in case that these rumors or news have content differing from prior material disclosures, statements, circulars, announcements approved by CMB, financial statements and other public disclosure documents, the Company issues a material disclosure on whether such information is accurate or adequate, even before any warning, notification or request from CMB or ISE.

Periodical Financial Statements and Reports, and Independent Audit in Public Disclosure

The Company's financial statements and their footnotes are prepared on a consolidated basis as per the CMB's Communiqué Serial: XI, No: 25 and International Financial Reporting Standards (IFRS), and these are submitted to independent audit and then disclosed to the public according to International Audit Standards (IAS).

Annual Report

Akfen Holding's annual report is prepared in accordance with the principles stipulated by the applicable legislation and in sufficient detail to ensure that the general public can obtain accurate and complete information on the Company's activities.

9. Material Disclosures

Any developments which might affect the value of the Company's capital market instruments are announced to public without any delay within the time limit determined by legislation. 64 material disclosures were issued in 2011.

No sanction was imposed to the Company by CMB due to any failure in issuing material disclosures. The Company received one warning as regards material disclosures.

The Company has not issued any capital market instruments in foreign stock exchanges, therefore it has no further public disclosure obligations.

10. The Company Website and its Contents

The Company website is used actively in public disclosure as prescribed by the CMB Principles.

All matters on "Investor Relations" are featured at the www.akfen.com.tr website.

The English version of the website is intended for foreign investors.

All information disclosed to the public is accessible online. The web address of the website is clearly indicated on the letterhead of the Company. The following information is included at the www.akfen.com.tr website:

- The History of the Company
- The most up-to-date management and shareholding structure
- The summary balance sheet, income statement and cash flow statement
- Summary operational information
- The Board of Directors and Board committees
- Agenda of the General Assembly, information document for the General Assembly, form for voting by proxy, and meeting minutes
- The latest version of the Articles of Incorporation
- Prospectuses and public offering circulars
- Trade registry details
- Annual activity reports
- Periodic financial statements and reports
- Material disclosures
- Corporate Governance Principles Compliance Report
- Information Policy
- Code of Ethics
- Presentations
- Information and graphics concerning the share price and performance
- News updated by a data provider
- Contact details for Investor Relations
- The Company's contact details

All applicable provisions indicated in CMB's Corporate Governance Principles Section II, Article 1.11.5 is published and updated via the Company website.

11. Disclosure of Ultimate Controlling Individual(s)

With a 68.19% stake, Mr. Hamdi Akın is the ultimate controlling shareholder in the Company.

12. Public Disclosure of Insiders

The following individuals fall in this category according to legal provisions and employment contracts:

Mr. Hamdi Akın, Chairman of the Board

Mr. Mustafa Keten, Vice Chairman of the Board

Mr. İrfan Erciyas, Board Member/ Executive Director

Mr. İbrahim Süha Güçsav, Board Member

Mr. Selim Akın, Board Member

Mr. Şaban Erdikler, Independent Board Member

Mr. Mümtaz Khan, Independent Board Member

Senior executives with a say in management are CEO Mr. İbrahim Süha Güçsav, Assistant General Manager Ms. Sıla Ciliz İnanç (Legal Affairs) and Assistant General Manager Mr. Hüseyin Kadri Samsunlu (Financial Affairs).

The other senior executives are Fatma Gülbin Uzuner Bekit (Finance Coordinator), Necmiye Meral Altınok (Budget and Reporting Coordinator), Rafet Yüksel (Accounting Coordinator), Burak Kutluğ (Business Development Coordinator), Kürşat Tezkan (Public Relations Coordinator -as of March 21, 2012), Sevinç Özlen (Human Resources Coordinator -acting) and Aylin Çorman (Investor Relations Manager -as of February 1, 2012).

Pursuant to the Corporate Governance Principles, a list of people with access to insider information is featured in the corporate governance compliance report. Furthermore, any updated versions of the list are published at the website.

CHAPTER III - STAKEHOLDERS

13. Informing the Stakeholders

The corporate governance practices and Code of Ethics of the Company guarantee the rights of stakeholders stated in the legislation and in mutual agreements. Stakeholders are constantly provided with information in accordance with the Company's public disclosure policy under the current legislation.

Furthermore, all stakeholders are informed through press bulletins, annual activity reports, the website and the Company's transparent public disclosure practices.

While carrying out their duties, Company employees are expected to hold the Company's interest above the interest of themselves, family and relatives, and to fulfill their obligations accordingly. Employees avoid any effort that might generate personal favors for themselves or their families.

Any possible, foreseeable conflicts of interest and various cases defined by the Company management are disclosed to employees, and the Company management takes all the necessary preventative measures.

14. Stakeholder Participation in Management

No mechanism has been defined for the participation of stakeholders to management. However, independent members of the Board of Directors enable all shareholders and stakeholders to be represented in senior management.

15. Human Resources Policy

- In recruitment, training and development, remuneration and carrier planning, as a principle, equal opportunities are provided to people under equal conditions.
- Employment criteria are stated in written form and observed in practice.
- Employees are treated equally in matters of development and promotion; various development policy and plans are devised to enhance the know-how, skills and experience of employees.
- Employees' job definitions, and criteria for performance assessment and remuneration are determined by managers and shared with employees.
- Relations with employees are managed by the Human Resources Coordination Department, and the employees are not subject to any kind of discrimination. No complaints have been received from employees with regards to discrimination.

As of December 31, 2011, Akfen Holding, its subsidiaries and joint ventures employ a total of 25,598 individuals.

16. Relations with Customers and Suppliers

Since the Company is a holding company, it is not directly involved in operations. Therefore, it does not have any direct contact with customers and suppliers.

As a holding company, Akfen Holding A.Ş. formulates general policies concerning affiliates' measures and efforts to ensure customer satisfaction, gives its shareholders the utmost support and in some cases, meets with third parties on these matters, and constantly supervises efforts towards enhancing customer satisfaction.

17. Corporate Social Responsibility

The Company shows utmost respect for its social responsibilities within its operations and supports education, arts, culture and other social responsibility projects.

AKFEN HOLDING

The Human Resources Foundation of Turkey (TİKAV)

The Human Resources Foundation of Turkey (TİKAV) was established by Akfen Holding A.Ş., to help university students become socially and culturally active and successful individuals. Founded by Hamdi Akın on January 15, 1999, TİKAV believes in doing its part to support education rather than remaining dependent on government

action. TİKAV strives to increase the quality of Turkey's young human resources through programs it implements. TİKAV is a civil organization that is dedicated to the tenets of Atatürk, the founder of the Republic of Turkey. Since its establishment, the Foundation has provided scholarships and educational opportunities to university students through a program called the Individual Development Program. In 2001, the Foundation became the independent operator of the International Youth Award Program and gained the authority to implement the program for the young people in its ranks. In 2003, the Foundation pioneered the establishment of the Youth Award Program and was authorized to implement the International Award for Young People Program in Turkey.

TİKAV benefits from UNFPA, UNICEF and European Union Youth Program funds for the projects and programs it implements. The Foundation has also participated in the Turkish delegations to various UN conferences.

Additionally, according to the Articles of Incorporation after the first dividend for shareholders is allocated, 1% of the remaining profit is transferred to the Turkish Human Resources Foundation.

UGO International Youth Award Association

The International Youth Association, which Akfen Holding A.Ş. supports as a main sponsor, was authorized by the British International Award Association as the sole entity to implement, promote and audit the International Youth Award Program in Turkey. The Association aspires to achieve societal development by contributing to the individual and social development of young people through this program it administers.

The 2011 Regional Meeting of the International Youth Award Program was held in Istanbul between April 28 and May 1, 2011 with participants from 15 nations in the region encompassing Europe, Mediterranean and the Arab States. The program is committed to supporting the personal development of youth, and is based on a spirit of not competition but volunteering.

London School of Economics

The establishment of the Turkish Studies chairs at leading universities around the world is an essential element of Turkey's promotional activities abroad. Such professorial chairs are important not only for the promotion of Turkish history and culture, but also for providing a platform to express Turkey's point of view and opinions on current events outside of the country. In this context, a chair for Contemporary Turkish Studies was established at the London School of Economics, one of the most prestigious academic institutions of the world, thanks to the efforts of the Turkish Ministry of Foreign Affairs. Akfen holds a permanent membership on the Advisory Board, a function fulfilled by Pelin Akın. Akfen is pleased to support such an important project geared toward promoting Turkey.

Abdullah Gül University Support Foundation

Since 2011, Akfen Holding contributes to the Abdullah Gül University Support Foundation, committed to help the Abdullah Gül University to attain its stated vision in a short span of time, and thereby relieve the public sector of its heavy burden in the field of education. The Foundation not only supports and rewards bright students, but also meets the economic, social and cultural needs of the academic and administrative personnel. Furthermore, the Holding strives to support the university's physical and technological infrastructure so as to enhance its education, research and application capabilities.

Bab-ı Âli Meetings

Bab-ı Âli (Sublime Porte) Meetings bring together world-renowned, prestigious figures in an effective platform built around a vision of providing benefits to its participants, corporations and the entire humanity. Strategically located at the heart of Eurasia, Bab-ı Âli Meetings draw attendance from among presidents, presidents of assemblies, prime ministers, opposition leaders, ministers, mayors and leading specialists, and thus offer a more efficient, visionary, inclusive and multi-dimensional intellectual platform where participants can receive crucial information first-hand.

Considered to be one of the top intellectual hubs in Turkey since its inception in 1990, Bab-ı Âli Meetings were organized for the 103th time on April 4, 2011 under the sponsorship of Akfen Holding. The honorary spokesperson for the event was Dr. Kadir Topbaş, the mayor of the Istanbul Metropolitan Municipality.

Support for the Hürriyet Houses in the province of Van

In the aftermath of the earthquake that hit Van in 2011, the newspaper Hürriyet and the Turkish Red Crescent joined forces to launch the "Hürriyet Neighborhood" campaign to provide shelter to those citizens left homeless. In the scope of this campaign, Akfen Holding donated twenty houses to families hit by the earthquake.

Aid to Somalia

Akfen Holding made a donation to the Turkish Red Crescent campaign organized to help the Somali people hit by famine.

Istanbul Modern Friends of Education

The donations collected at the Gala Modern nights organized by Istanbul Modern Friends of Education helped organize arts education seminars for 70 thousand children and youth in the years 2009 and 2010. Committed to supporting artistic creativity in Turkey and promoting the Turkish culture in the international arena, Istanbul Modern organizes educational programs which help enthusiasts learn more about art, and allows the museum to reach out to a wider audience.

In 2012, too, Akfen Holding continued to support the education programs of the Istanbul Modern with a view to providing education opportunities for children and youth and to bequeath an even stronger museum to future generations.

Ülkü Akın Primary School

Proceeding along the lines of its mission to contribute to a brighter future for Turkey, Akfen Holding established the Ülkü Akın Primary School in the academic year 1993-1994, to serve elementary students in Ankara.

Hikmet Akın Primary School

Hikmet Akın Primary School opened its doors to students in Düzce, in the academic year 2004-2005.

Turkish Foundation for Waste Reduction

The Turkish Foundation to Reduce Waste was established in 1998 in Ankara to prevent waste and reduce poverty in Turkey. In addition to operating food banks for the needy, the Foundation works in cooperation with Muhammed Yunus, the 2006 Nobel Prize winner and the Grameen Micro Loans Program to ensure that poor women engage in production and generate income. Akfen sponsored the micro-loan project as a contribution to its promotion.

The Micro-loans program was initiated for the first time in Diyarbakır on July 18, 2003; it has been successfully implemented in the provinces of Diyarbakır, Mardin, Batman, Gaziantep, Kahramanmaraş, Adana, Ankara, Çankırı, Yozgat, Zonguldak, Amasya, Eskişehir, Kayseri, Niğde, Bursa, Aydın, Erzincan, Sivas and Rize. In addition, micro-greenhouse projects that use hydroponic techniques were initiated in these provinces. Akfen has provided financing for the micro-loan project in Kayseri.

Akyurt Foundation

Hamdi Akın is a member of the Board of Trustees of Akyurt Foundation established in 1999 to meet the physical, psychological, social and cultural needs of senior citizens who cannot look after themselves.

Global Compact

To contribute to the formation of a common culture on the basis of universal principles in the business world, Akfen Holding signed the United Nations Global Compact on July 2, 2002.

The Global Compact requires participating companies to work in close cooperation with the United Nations by establishing ten principles regarding the issues of human rights, labor standards, the environment and anti-corruption. These ten principles are as follows:

Human Rights

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2. Businesses should not abuse human rights in any way.

Labor Standards

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should eliminate all forms of forced and compulsory labor.

Principle 5. Businesses should refrain from using child labor.

Principle 6. Businesses should eliminate discrimination with respect to employment and occupation.

Environment

Principle 7. Businesses should develop a pro-active, activist approach to environmental issues.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technology.

Anti-corruption

Principle 10: Businesses should work against corruption in all of its forms, including extortion and bribery.

Overseas Communication Fund

TÜSİAD (Turkish Industry and Business Association) established an Overseas Communication Commission to perform communication and promotion activities geared towards the public opinion in European countries and an Overseas Communication Fund to finance these activities. Akfen Holding signed a sponsorship agreement for this fund for the period between January 1, 2008 and December 31, 2012.

With regards to the above matters there is no pending investigation, court case and similar legal conflict or sanction against our Company or any participation.

CHAPTER IV - BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors, and Independent Members

The formation and election of the Board is carried out in accordance with the Corporate Governance Principles, and the relevant provisions are stated in the Articles of Incorporation of the Company. Accordingly:

The operations and management of the Company are carried out by the Board of Directors comprising 7 (seven) members elected by the General Assembly. The Board of Directors elects from among its members a Chairman and a Vice Chairman to preside over the Board in the Chairman's absence. The Board includes two independent members, pursuant the advisory provisions of CMB's Corporate Governance Principles. The presence of independent Board members is stated in the annual activity report of the Board of Directors.

The Board Members elected in accordance with the Articles of Incorporation are listed below:

Mr. Hamdi Akın, Chairman of the Board of Directors

Mr. Mustafa Keten, Vice Chairman of the Board of Directors

Mr. İrfan Erciyas, Board Member/ Executive Director

Mr. İbrahim Süha Güçsav, Board Member

Mr. Selim Akın, Board Member

Mr. Şaban Erdikler, Independent Board Member

Mr. Mümtaz Khan, Independent Board Member

Five out of the seven members of the Board of Directors (more than half) are non-executive members, and the remaining two members are executive members who sit on the Executive Committee. The Chairman of the Board and the Chairman of the Executive Committee are different individuals. There is no Board Member authorized to represent and bind the Company individually.

Board Members Mr. Şaban Erdikler and Mr. Mümtaz Khan have independent member status in accordance with CMB's Corporate Governance Principles. During the activity period, no circumstance, which might annul their independence has occurred.

Independent Board Members, who have given the Board an independence statement, have to immediately inform the Board in case their independence is annulled. Any person, who has served as a Board Member for a total of 7 years, cannot be appointed as an independent Board Member.

The Company does not impose any rules or restrictions on Board Members for assuming additional duties outside of the Company.

According to a resolution by the General Assembly dated May 31, 2012, the article stipulating that the Board of Directors consist of seven members, was amended as "The Board of Directors consists at least six members designated by the General Assembly, the majority of whom are non-executive". Furthermore, the article concerning the presence of two independent members on the Board was amended as "The Board of Directors includes a sufficient number of independent members designated by the General Assembly" as per CMB's Corporate Governance Principles.

19. Qualification of Board Members

All individuals nominated and elected to the Board of Directors possess the required qualifications listed in CMB's Corporate Governance Principles, Section IV, Articles 3.1.1, 3.1.2 and 3.1.5.

The Board of Directors is structured to ensure maximum impact and efficiency. The relevant provisions are outlined in Article 9 of the Articles of Incorporation. It is essential that the Board Members are elected among persons, who have knowledge of all legal principles that regulate the operations and procedures in the field of activity of the Company, trained and experienced in corporate management, capable of reviewing financial statements and reports, and preferably holding a higher education diploma.

20. Mission, Vision and Strategic Goals of the Company

Mission

Our mission is to maintain a privileged position in our sectors by undertaking significant and successful projects both at home and abroad.

Strategic Perspective

With a successful history of obtaining and managing concessions in Turkey, Akfen Holding will continue in its main fields of operation as it has in the past by building additional strategic partnerships. The main focus of Akfen Holding's investments are on concessions and sectors with high growth potential, monopolistic market structures and long term minimum income guarantee agreements, which allow the Holding to further reinforce its position in its main sectors of activity and engage in new infrastructure investments. Akfen Holding acts as an "investment platform" thanks to its success in forming strategic partnerships and its focus on shareholder interest and exit strategies.

Corporate Policy

Our corporate policy is to take advantage of the know-how, organizational skills and technology acquired since our inception utilizing our highly-qualified human resources and specialized teamwork.

Our Principles

Our principles are to work with well-trained and experienced human resources, to prioritize quality in production, execution and business management, to complete contracted work on time and with premium quality.

21. Risk Management and Internal Control Mechanism

Our Board of Directors has initiated the efforts to set up a system for Corporate Risk Management, which is planned to go into operation in 2012. Budget, Reporting and Risk Management Coordination will be in charge of developing and implementing all processes for efficient risk management.

With the formation of the Audit Committee, the Internal Control Mechanism performs duties delegated to it by the Board efficiently, under the umbrella of the Audit Committee. The Independent Board Member Mr. Şaban Erdikler serves as Chairman of the Audit Committee.

22. Authorities and Duties of the Board Members and Managers

Authorities and duties of the Board are defined in a consistent and indubitable fashion, in clear distinction and separation from those of the General Assembly. The Board Members use their authorities in reference to the circular of signature.

Each shareholder is under the obligation to safeguard any commercial secret of the Company that he/she has learned through any capacity, even after the shareholding right is terminated. In case of any possible damages incurred due to failure in fulfilling this obligation, the concerned shareholder is accountable to the Company. However, the provisions of this article does not cover information obligatorily disclosed as per the Capital Markets Law.

23. Operating Principles of the Board of Directors

It is ensured that Board Members access all necessary information in a timely fashion to fulfill their duties.

The Board of Directors Secretariat was established under the Board of Directors to serve all Board Members and to keep regular records of Board meetings.

Board meetings are planned and held in an effective and efficient manner. The Board convenes whenever necessitated by the Company's operations and transactions, as stated in the Articles of Incorporation. However, the Board has to gather at least once a month.

- The Board of Directors may be convoked by the Chairman, Vice Chairman or any Board Member in accordance with the Turkish Commercial Code and Capital Markets Law. All such meeting invitations are delivered by fax; however a copy must also be either delivered by courier or registered mail and a written receipt must be obtained.
- The Board of Directors can take a decision without convening, according to the Article 330/2 or any other equivalent article of the Turkish Commercial Code.
- The Board members receive a reasonable monthly or annual salary, or a payment for each meeting, as determined by the General Assembly.
- The quorum of the Board is reached with the presence of at least five members.
- The Board of Directors can take a decision when at least four attending members cast a vote in the same direction.

24. Restriction on Doing Business or Competing with the Company

The authorization of the Board's Chairman and Members to take actions specified in the Articles 334 and 335 of the Turkish Commercial Code on doing business or competing with the Company, was approved by the shareholders at the General Assembly dated 20.04.2010.

25. Code of Ethics

Akfen Holding has issued the "Code of Ethics" in order to generate financial added value for shareholders and increase the corporate value. Compliance with these principles and guidelines is the duty of all managers and employees.

These guidelines are meant to ensure that Akfen Holding managers and employees conduct themselves in line with elevated standards, are aware of the corporate effects of their actions and attitude, choose the most accurate methods in Company operations and dealings with shareholders, and display the most sophisticated behavior.

26. The Number, Structure and Independence of Board Committees

The Corporate Governance Committee and Audit Committee have been founded to operate under the Board of Directors, in line with CMB's Corporate Governance Principles. General provisions concerning the Corporate Governance Committee and Audit Committee are outlined in Article 11 of the Articles of Incorporation. Committees convene as necessitated by their business and upon invitation of the Committee's Chairman.

Corporate Governance Committee

The Corporate Governance Committee reports directly to the Board of Directors and helps the Board devise and develop any necessary mechanisms and practices for the Company's management, to coordinate the remuneration, development and career plans of senior executives in accordance with internationally accepted Corporate Governance Principles.

The Corporate Governance Committee supports the Board of Directors in ensuring Holding's compliance with Corporate Governance Principles, identifying Board Members and senior executives, assessment of remuneration, awards and performance, career planning, investor relations and public disclosure practices through its studies. The Corporate Governance Committee consists of 3 members appointed from among the Board Members. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors.

The Corporate Governance Committee is responsible for the Company's adoption of the Corporate Governance Principles, and the following activities:

- To investigate the measure of which Corporate Governance Principles are implemented at the Company, and in case of failure to comply with the Principles, to determine its reasons and any negative results, and to propose corrective measures;
- To determine methods to ensure transparency in the identification of candidates to the Board of Directors;
- To conduct studies on the number of Board Members and managers, and come up with proposals,
- To develop suggestions on the principles and procedures for the performance assessment and remuneration of the Board Members and managers.

Chairman of the Corporate Governance Committee is Mr. Hamdi Akin. Members of the Corporate Governance Committee are listed below:

Chairman of the Corporate Governance Committee:

Mr. Hamdi Akin, Chairman of the Board - Akfen Holding A.Ş.

Members of the Corporate Governance Committee:

Mr. Mustafa Keten, Vice Chairman of the Board - Akfen Holding A.Ş.

Mr. Mümtaz Khan, Independent Board Member - Akfen Holding A.Ş.

Audit Committee

The Audit Committee supports the Board of Directors in ensuring and supervising the audit of the accounting system, the public disclosure of financial statements, and the functionality and effectiveness of the internal control system of the Holding. The Audit Committee consists of 3 members appointed from among the Board Members. One member of the Audit Committee is an independent Board Member, who also chairs the Audit Committee.

Members of the Audit Committee and Corporate Governance Committee are appointed by the Board of Directors in accordance with the Articles of Incorporation. Their duties and authorities are determined by the Board of Directors.

The Audit Committee is responsible for taking any necessary measures and fulfilling any duty granted by the Capital Markets Law in order to ensure the adequacy and transparency of any internal or independent external audit. Members of the Audit Committee are listed below:

Chairman of the Audit Committee:

Mr. Şaban Erdikler, Independent

Board Member - Akfen Holding A.Ş.

Members of the Audit Committee

Mr. İrfan Erciyas, Board Member / Executive Director - Akfen

Holding A.Ş.

Mr. Selim Akin, Board Member -

Akfen Holding A.Ş.

27. Remuneration of the Board of Directors

The independent Board Members who serve as independent members as per CMB's Corporate Governance Principles are paid a specific salary for the time they spare and for the fulfillment of their duties. However, it was decided that no salary or attendance fee would be paid to other Board Members or to statutory auditors.

In accordance with the Corporate Governance Principles, the Company expends efforts to formulate its remuneration policy in the year 2012.