

TURK TUBORG BREWING AND MALTING, INC.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1- Compliance with Corporate Governance Principles Statement

The Corporate Governance Principles adopted by Turk Tuborg have been applied excluding the sections mentioned below.

Due to the fact that our company is a corporation with foreign investment, that all the members of our Board of Directors are foreigners and reside abroad and that the number of the members of our Board of Directors is limited, the Corporate Governance Principles could not be complied with in such issues as the establishment of the corporate governance committee and any other committees, cumulative voting method, independent member, woman member, representation of minority shares in the board of directors, etc. Those issues which could not be complied with are referred to in the text of the report.

Any developments about Corporate Governance Principles were closely followed up during the year and studies performed for the compliance of Articles of Association with those principles.

PART 1 – SHAREHOLDERS

2- Relations with Shareholders Function:

"Relations with Shareholders Function" was established on 18 March 2009 and Evren Kılıncınar, currently performing as Financial Affairs Manager, is authorized to perform to manage the unit in addition to his current status.

Authorised Person: Financial Affairs Manager 0 232 399 21 36

Duties:

- ❖ To ensure that the records of the shareholders shall be maintained in a good, reliable and updated manner;
- ❖ To reply any written information requests of the shareholders, except such information has not yet been made public and it is confidential and trade secret in nature;
- ❖ To ensure that the General Assembly meeting shall be held in compliance with the legislation in effect, the articles of incorporation and other in-house regulations;
- ❖ To ensure that any documents of which the shareholders may use in the General Assembly meeting shall be issued, communicating with the other departments within the company;
- ❖ To ensure that the records of voting results shall be maintained and that the reports of such results shall be sent to the shareholders;
- ❖ To monitor any and all issues regarding the public information, including the legislation and corporate information policy.

At certain times during the period, shareholders request information by telephone and any necessary responses are verbally provided.

3- Exercise of Shareholders' Rights to Information:

The main principle in the exercise of the shareholders' right to information and evaluation is that there shall be no discrimination between the shareholders. Information about the applications made to obtain information during the year is given in item 2 above. Such information requests are usually related with date of the General Assembly meeting, capital increases and free stocks, distribution of profit, etc. All such information requests are replied in line with the disclosures made to the public without any discrimination between the shareholders, except those of trade secret nature or those covered by a company interest which is worth protecting. Any developments which may affect the exercise of shareholding rights as required by the Turkish Commercial Code (TCC) and Capital Market Board (CMB) regulations are made public through announcements, newspaper notices and our web site at www.turktuborg.com.tr. Although the claim for the appointment of a special auditor is not defined as a shareholder right in the article of association, shareholders did not submit such requests during the year.

4- General Assembly Meeting Information:

The latest ordinary General Assembly meeting was held on 6 May 2011. The quorum for resolution is 51% of the current share capital in the annual and extraordinary general assembly meetings pursuant to the articles of incorporation of the company. The quorums of meeting and resolution were 95,7 % of the share capital of the company in the latest ordinary general assembly meeting. Stakeholders and media did not attend such meeting. Call for the general assembly meeting was made by the board of directors. Authorised persons from the independent auditors are also invited to the meetings in writing as well as shareholders. The notice for the convention of the general assembly meeting of the company was published in the Turkish Commercial Registry Gazette, 21 days in advance excluding the dates of notice and meeting. However, the notice for the meeting was also published in a local newspaper and the shareholders, whose addresses were registered, were notified of the date, place and agenda of the meeting via mail. Prior to the general assembly meeting, the date, place and agenda of the general assembly meeting, proposal of profit distribution by the board of directors and the independent auditors elected by the board of directors are made public through announcements. The annual report of the company is made available to the shareholders in the headquarter of the company prior to the general assembly meeting. Any issues in the agenda are communicated in an impartial and detailed manner by a clear and understandable method and the shareholders are provided with equal opportunity to give their opinion and ask questions, thus creating a healthy environment of discussion in the general assembly meetings. The articles of incorporation do not contain any provisions as to the making of such resolutions as division, purchase, sale and lease of property in substantial amount, etc. shall be made in the general assembly meeting. Such resolutions are made in consideration of the CMB regulations, TCC and tax legislation by the board of directors in order to ensure the company activities to run in the ordinary course of business and made public through announcement once such resolution is made. Several conveniences are provided so that the shareholders are transported to the place where the general assembly meeting shall be held as well as the effective use of aforementioned communication channels in order to facilitate the attendance of the shareholder to the general assembly meeting. The minutes of general assembly meeting are at all times accessible to the shareholders at the headquarter of the company or in our web site at www.turktuborg.com.tr.

5- Voting Rights and Minority Rights:

According to the articles of incorporation of the company, the shareholders or their proxies who attend the annual and extraordinary general meetings of shareholders are entitled to one vote for each share. There is no privilege as to votes.

The company does not have any investment in associates.

There is no independent member in the board of directors, and the minority rights are not represented in the board of directors in our company. The minority rights and their exercise are governed by the article 11 of the Capital Market Act to which all the listed companies are subject. On the other hand, the minority shareholders constitute 4,31% of total shares. Cumulative voting method is not applied.

6- Profit Distribution Policy and Timing of Profit Distribution:

There is not any privilege as to dividends. The policy of the Company concerning profit distribution is to distribute the profit considering the financial situation of the company, the investments, other fund requirements, market conditions, economical environment, Capital Market legislations and tax legislations. The articles of incorporation of the company contain a provision concerning the dividend advance. The exercise of the power of paying advances is evaluated within the framework of the current legislation and economic environment by the board of directors. The profit distribution methods and processes are identified by the provisions as contained in the Turkish Commercial Code, Capital Board Market regulations and the articles of incorporation of the company. In line with the profit distribution policy, the resolution made public through announcement immediately after such a resolution is made in each year by the board of directors. The resolution of the board of directors concerning profit distribution is submitted to the general assembly meeting for approval, and the approved amount of dividend is distributed to the shareholders within the period designated by related regulations by CMB in the general assembly meeting.

7- Transfer of Shares:

The articles of incorporation of the company do not contain any provisions which restrict the transfer of shares.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8- Disclosure Policy of the Company:

8.1. Purpose

Türk Tuborg Bira ve Malt Sanayii A.Ş. (Türk Tuborg) has adopted a transparent and effective disclosure policy to inform the stakeholders of all company activities in a concurrent, fair, complete and comprehensible manner. Accordingly, the disclosure policy aims to provide an active and transparent communication by sharing all the information about the past performances, expectations, financial information and activities which are not considered as commercial secret to the shareholders, investors, employees and clients in a concurrent, fair, complete and comprehensible manner.

Capital Markets legislation and regulations of the Istanbul Stock Exchange (ISE) are fully complied and the most effective communication policy according to the Corporate Governance Principles is aimed to be fulfilled in public disclosures. Public disclosures are announced on the Public Disclosure Platform (PDP) (www.kap.gov.tr) and at company web site (www.turktuborg.com.tr) with a timely, accurate, complete, understandable, analyzable and easily accessible manner for guiding the decision makers.

8.2. Authorization and Responsibility

The Board of Directors shapes Türk Tuborg disclosure policy with its recommendations within the scope of Corporate Governance Principles. Monitoring, observing and developing the Company's public disclosure policy are the responsibilities of the Board of Directors. The Investor Relations and Legal departments under Finance function have been commissioned to coordinate the disclosure functions. These departments execute their responsibilities in close cooperation with the Board of Directors and the audit committee.

8.3. Methods and Instruments

Public announcements, financial statements and reports, annual reports, corporate web site, announcements and press releases are followed as disclosure methods. Türk Tuborg's public disclosure methods and instruments in accordance with Capital Markets legislation and Turkish Commercial Code (TCC) provisions are as follows:

- (i) Financial statements and notes, independent auditor's report and declarations sent to the PDP and ISE periodically,
- (ii) Disclosure of public announcements sent to PDP and ISE,
- (iii) Annual reports,
- (iii) Corporate web site (www.turktuborg.com.tr),
- (iv) Notices and announcements made via the Turkish Commercial Registry Gazette and daily newspapers,
- (v) Press releases through broadcast and print media channels,
- (vi) Declarations executed via telephone, email etc.

8.4. Announcement of Financial Statements to the Public

Financial statements and its notes of Türk Tuborg are prepared according to the financial reporting standards set by the CMB and are subject to independent audit prior to public disclosure, in accordance with the international standards on auditing (ISA). Following the audit committee approval according to the CMB legislation, financial statements and its notes are presented to the board of directors for approval prior to public disclosure.

They are then sent to the PDP and ISE, after their authenticity is confirmed by signatories of any two of Financial Affairs Manager, Accounting Manager or CFO. Financial statements and notes are accessible on the corporate web site under the title of “Investor Relations”.

8.5. Announcement of Annual Reports to the Public

The annual report is prepared in accordance with CMB legislation and the CMB Corporate Governance Principles and approved by the Board of Directors. The annual report is published in the web site in Turkish and English versions. Additionally, hard copies and soft copies in CD format could be obtained from Investor Relations department.

8.6. Public Announcements

Public announcements are prepared by Investor Relations and Legal departments and sent to the PDP after being signed electronically by signatory executives. Public announcements are published on the corporate web site (www.turktuborg.com.tr) within one business day following the announcement date, latest. These announcements are archived for five years on the web site.

8.7. Corporate Web Site and its Content

All the information required by CMB Corporate Governance Principles is published in Türk Tuborg’s corporate web site under “Corporate” and “Investor Relations” titles. The list of accessible items on the web site is as follows:

- Detailed information on corporate identity,
- Corporate values,
- Corporate policies,
- Members of Board of Directors,
- The company's organizational and capital structure,
- Articles of Association,
- Trade Registry information,
- Press Releases,
- Public announcements,
- General Assembly meeting date, agenda, power of attorney, explanations on agenda,
- Minutes of the General Assembly meeting and list of attendees,
- Corporate Governance Principles Compliance Report,
- Annual reports,
- Prospectus and public offering circular,
- Disclosure policy.

8.8. Press Releases through Broadcast and Print Media Channels

Detailed information to the public on significant events is provided throughout the year by providing press releases to broadcast and print media. In this respect, Türk Tuborg may organize press conferences to release information to the press and the public, if necessary, depending on the nature of events, throughout the year. In addition, ad hoc press releases on significant events may be sent to media organizations. This may be accomplished through a press conference, depending on the nature of the events.

8.9. Following up News and Rumors about the Company

The company monitors both broadcast and print media on a daily basis by a local media monitoring agency. Relevant news items are reported to top management every morning and the contents of the news items are reviewed. If the company wishes to make a disclosure about a news item or a rumor in the media, even if not obliged to do so, CEO and CFO may address the issue and publish a disclosure. In principle, a disclosure is not released unless news items are considered as significant insider information. However, Investor Relations department may still decide whether the news is in the interest of the company to publish a disclosure.

8.10. Announcements via the Turkish Commercial Registry Gazette and Daily Newspapers

As a requirement of the Capital Markets legislation, the TCC and the Articles of Association, announcements related to General Assembly meeting and capital increases are made through the Turkish Commercial Registry Gazette and daily newspapers. The General Assembly meeting is announced in advance at least three weeks through newspapers and web sites to reach the maximum number of shareholders. Starting on the invitation date of the General Assembly meeting, financial statements and reports, including the annual report, supplementary documents pertaining to the agenda, the current Articles of Association, the text and justification of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the web site for the convenience and open review of shareholders. The company drafts a clear agenda of the General Shareholders meeting to avoid any misunderstandings. Sample power of attorney statements are announced and posted on the company's web site for shareholders represented by proxy.

8.11. False News and Hearsay

In principle, no comments are given about the speculations on the market and/or internet. The Company may, however, respond to rumors or speculations in certain circumstances including upon request by CMB and/or ISE. Also, if the Board of Directors or CEO determines such response is appropriate, related departments will make the necessary statement with the coordination of Legal department.

8.12. Maintaining Confidentiality of Information Due for Disclosure to the Public

Türk Tuborg places great emphasis on the use of insider information and all precautionary measures are taken to prevent the use of insider information. "Principles of Business Ethics," documented and distributed to all employees, clearly articulates appropriate business ethics for all Türk Tuborg employees.

Any information acquired during the course of employment or belonging to the company, or deemed undesirable to share with third parties or considered commercial secrets are regarded as company information. All employees are required to protect company information during and after their employment with the company.

9- Public Announcements:

The number of public announcements made by the Company in the period of January– December 2011 is 10 while any further explanation on those announcements by CMB or ISE have not been requested. The Company has not ever violate its obligation to inform the public.

10- The Corporate Website and its Contents:

In an effort to maintain effective and fast communications with shareholders, the Company actively uses its corporate web site www.turktuborg.com.tr as well as two brand web sites www.carlsberg.com.tr and www.tuborg.com.tr. All the information stipulated in CMB Communiqué IV No: 56 is available on the web site besides a section entitled “investor relations”, which may be accessed via a link in the main page of the internet site www.turktuborg.com.tr. Our efforts to make better web site service shall continue at all times.

11- Disclosure of Ownership:

The capital structure of the company is as follows as of 31 December 2011:

Shareholders	TL	Share (%)
International Beer Breweries Ltd.	95.659.374	95.69
Public quotation	4.312.186	4.31
Total	99.971.560	100.00

12- Public Disclosure of Insiders:

The insiders have not been publicly disclosed although they were notified to the Capital Market Board for several reasons. Those persons are as follows:

Members of the Board of Directors:

Roni Kobrovsky	Chairman of the Board of Directors
Joav Asher Nachshon	Vice-Chairman of the Board of Directors
Shlomo Graziani	Member of the Board of Directors
Benjamin Haim Rotenberg	Member of the Board of Directors

The Auditors:

Haydar Gökçek
Mustafa Ersun Bayraktaroğlu

CEO and Vice Presidents:

Damla Birol	Chief Executive Officer (CEO)
Timur Gökmeral	Vice President – Finance (CFO)
Murat Akgün	Vice President – Supply Chain
Onur Fırat Baykal	Vice President – Sales
Nilüfer Reisoğlu	Vice President – Marketing
Ayşe Keskinel	Vice President – Human Resources

Head of Relations with Shareholders Function:

Evren Kılınçınar Financial Affairs Manager

Independent Audit:

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte)

Tax Certification Audit:

Başaran Nas Yeminli Mali Müşavirlik A.Ş. (PwC)

PART III – STAKEHOLDERS**13- Information to Stakeholders:**

Third parties directly involved with Türk Tuborg are the company's stakeholders. The company advises its stakeholders on matters of interest through meetings or via communication channels. Fully aware of the long-term benefits associated with stakeholders, the company respects and protects their rights established by legislation, mutual agreements, and charters. The company's corporate governance structure allows all stakeholders, including employees to express their concerns regarding illegal or unethical practices.

14- Stakeholders' Participation in Management:

Supportive mechanisms and models have been created to encourage stakeholder and especially employee participation in the Company's management without interfering company operations. Participation of stakeholders in the management is supported by instruments such as “proposals” and “surveys”. The Company involves the workers union in decision making processes and obtains their approval regarding operational changes in work conditions, the environment, and employee rights. Dealers in close contact with the company through the Authorized Dealers Meetings are also encouraged to participate in company policies.

15- Human Resources Policy:

Our Human Resources policy in Turk Tuborg is to keep the organisational structure dynamic in accordance with the strategic plans and goals and ensure to be prepared for any changes. Our company has adopted as its objective to gradually make firmer its position as “being the most preferred company” by qualified people. The Human Resources practices based on competence in our company ensure to create a professional working environment for our employees and career improvement opportunities and to provide our company with such persons with a higher level of education, who are open to innovations and changes, have enterprising abilities, are energetical, aspire to improve themselves and their job, adopt and carry on the assets of the Company.

Our Human Resources policy is based upon the equal opportunity principle which removes any discrimination of races, languages, religions, gender and ages. A performance management system is applied in order to reward the employees by their contributions and efforts and attention is paid to provide equal opportunity in employment and promotions.

In-house and outsourced training programmes are applied within the framework of a plan created at each and every level in order to ensure the improvement of the employees.

Provision of safe working environment and conditions is an issue on which our company places much importance. Any and all legal measures are taken in order to prevent any occupational risks, protect health and safety and do away with any factors of risk and accident under the Labour Safety and Health Regulation. Improvement efforts are continually maintained through regular meetings.

A representative has been appointed in order to implement the relationships with the employees in our Company. The role of a representative is implemented by Ahmet Karapınarlı and Bülent Güven, who are both production employees, in the Collective Labour Contract period of 2011-2013. The powers and responsibilities of the representative are described in the Collective Labour Contract.

Turk Tuborg management and the Human Resources department have had no complaints from the employees about discrimination up to the date.

16- Information about the Relations with Customers and Suppliers:

Any and all measures are taken to ensure customer satisfaction in the marketing and sales of goods and services and importance is placed on the training of employees in such matters. Our customers' requirements for our products purchased are rapidly satisfied.

Our products have TSE quality standards. Our company strictly comply with quality standards and attention is paid to the maintenance of standards.

Purchasing transactions are carried out as stipulated by the Purchasing Regulation and in accordance with the purchasing decisions in our Company. Such criteria as reasonable costs, proper quality, adequate capacity and after-sales service are considered at the time of selection of suppliers.

17- Social responsibility:

Türk Tuborg, engaged in the activity of malting, brewing, packaging, warehousing and distribution of beer, considers environmental management as an integral part of its business in accordance with its social responsibilities and aims the protection of the environment together with all its employees.

In order to achieve such goal, Turk Tuborg Brewing and Malting Inc. intends to

- To use natural resources and raw materials in the most efficient way,
- To minimize the environmental effect resulted from our processes, and to save the environment by preventing pollution,
- To obey the legal requirements related to environmental aspects,
- To encourage suppliers and sub-contractors about their activities to be more sensitive for environmental issues,
- To measure, monitor, review and implement the performance of environmental management system which is set in accordance with the requirements of ISO 14001.

Our employees behave with this attention and consciousness at every stage of our actions, where they are responsible for.

Turk Tuborg, which is a member of CEVKO (Foundation for Preservation of Environment and Recycling of Waste Packagings), fulfills its its legal requirements for collection of recyclable packaging wastes through its cooperation with CEVKO.

PART IV – BOARD OF DIRECTORS

18- Structure and Formation of the Board of Directors and Independent Members:

The Board of Directors exercises its powers and responsibilities and represents the Company under the legislation, articles of incorporation, company regulations and policies in accordance with the authorisation as granted by the shareholders in the General Assembly meeting.

The members of the Board of Directors, who are all non-executive, are as follows:

Roni Kobrovsky	Chairman of the Board of Directors
Joav Asher Nachshon	Vice-Chairman of the Board of Directors
Shlomo Graziani	Member of the Board of Directors
Benjamin Haim Rotenberg	Member of the Board of Directors

All of the members of the Board of Directors act as the members of the Board of Directors and/or top executives in the IBBL group companies and reside abroad.

There is no independent member and woman member in the Board of Directors whereas necessary structure will be ensured in accordance with CMB Communiqué IV No: 56 until the first general assembly meeting before 30 June 2012.

Performance of the activities as stipulated in the articles 334 and 335 of the TCC by the members of the Board of Directors is depended upon the approval by the general assembly meeting. There is not any restrictions on the activities of the members of the Board of Directors except for the activities in question.

19- Qualifications of the Members of the Board of Directors:

Attention is paid to the structuring of the board to ensure optimum effectiveness and efficiency in the election of the members of the Board of Directors. For this purpose, in principle, attention is paid to elect such members who comply with the criteria as prescribed in the CMB Corporate Governance Principles although any election criteria are not provided in the articles of incorporation of the Company.

A Corporate Governance Committee has not yet been established within the Company whereas necessary structure will be ensured in accordance with CMB Communiqué IV No: 56 until 30 June 2012.

20- Company's Goals:

As a beer-focused company, Turk Tuborg's fundamental mission is to create a partnership value of a permanent nature. Placing importance on marketing activities, the Company aspires it to be its top-priority objective to identify its strategies in accordance with the requirements and expectations of its consumers. As the product quality bears a great importance in terms of consumer satisfaction and pleasure, it shall occupy the topmost place in the market at all times. The Company shall be sensitive to the environmental concerns due to its social responsibility. In this respect, accomplishment degree of Company targets, operations and past performance are periodically reviewed by Board of Directors.

21- Risk Management and Internal Control Mechanism:

Determination, evaluation and estimation of all kinds of strategic, financial, operational, etc., risks that may influence the Company and establishment and integration of effective internal control systems in this respect have been executed by audit committee, and accordingly advised and recommended to the Board of Directors. The audit committee makes use of the findings of Finance department and independent auditors and tax auditors while fulfilling its function.

22- Powers & Responsibilities of the Members of the Board of Directors and the Executives:

The members of the board of directors and the executives perform their duties in a fair, transparent, accountable and responsible manner. In order to achieve this, although the imperative provisions of the TCC are valid, the principles of the powers and responsibilities of the board of directors are regulated in the articles 10 and 11 of the articles of incorporation of the company as follows:

“Article 10: Management and external representation and binding of the company is on the part of the Board of Directors. The Board of Directors may appoint executive director(s) from among the members of the Board of Directors. The Board of Directors may assign its management and representation powers to such executive director(s) or to Directors who are not necessarily shareholders. In case the representation power is assigned to executive directors who are not members of the Board of Directors pursuant to the article 319 of the Turkish Commercial Code, it is mandatory that at least one member of the Board of Directors shall have the representation power.”

The signatories of the Company are designated by a resolution of the Board of Directors.

“Article 11: Board of Directors exercises the powers of representing the company with the governmental agencies, courts and third parties; performing any works and legal actions as contained in the purposes and subject matters of the company on behalf of the company; purchasing and selling properties as included in the subject matters of the company and creating and releasing mortgages and any other in-kind rights; reaching conciliation and appointing arbitrators; issuing the annual report and any annual accounts which shall be submitted to the general meeting of shareholders; proposing to the general meeting of shareholders the amount of dividend to be distributed and any other duties as conferred upon it by the Code and the articles of incorporation.”

23- Principles of Activity of the Board of Directors:

The working principles of the Board of Directors are regulated in the following manner by the articles of incorporation of the Company as follows:

“Article 9: Board of Directors regularly convenes on quarterly basis not less than four times a year. Chairman of the Board of Directors and the Vice-Chairman thereof prepare the meeting schedule of the forthcoming year with the assistance of the Director General. It is required to send the agenda of the meeting to the members not later than 5 days prior to the meeting. Any of the members of the Board of Directors may insert an item to the agenda provided that he/she notifies the Director General or the Chairman of the Board of Directors not later than three days prior to the meeting. Any reports and other documentation as discussed in the meeting of the Board of Directors must be sent along with the agenda and amended agenda, if any.

Meetings of the Board of Directors are held in English. Official minutes of meeting and resolutions are kept in Turkish. Translation into English of the minutes of meeting and resolutions shall also be kept in the book of resolutions.

Pursuant to the paragraph II of the article 330 of the Turkish Commercial Code, the resolutions of the Board of Directors on any and all matters may be made without convening a meeting upon communicating a written proposal of any member to the other members unless any of the members requests a discussion.”

Details of the working principles and activity period works of the Board of Directors are as follows:

Agenda of the meeting of the Board of Directors is determined through negotiations with the other members of the Board of Directors and the Chief Executive Officer (CEO) by the Chairman of the Board of Directors and sent to the members not later than five days prior to the meeting. The Board of Directors met 8 times during the operating period. The Board of Directors does not have a secretariat. The meeting is usually attended by all the members. There was no issue to which any objection was raised during the January-December 2011 period. All of the members of the Board of Directors actually contributed to the meeting in any matters as contained in the provisions of the Corporate Governance Principles. Any questions asked during the meeting are not entered in records. In accordance with the Company’s article of association, the members of the Board of Directors are not granted the right of weighted vote and/or veto.

24- Transactions with the Company and Non-competition:

None of the members of the Board of Directors of the company did not carry out any activities of commercial transaction nature as contained in the subject matters of the company in the territory where the company operates (Turkey) on his own or any other party’s behalf during the year. On the other hand, the chairman and members of the Board of Directors seek consent at the General Shareholders Meetings to engage in, either directly or indirectly, or own shares in any business similar to the business of the company, in according to Articles 334 and 335 of the TCC.

25- Codes of Conduct:

Basic competences which have been adopted by our Company that considers it a principle to comply with laws and ethical rules and which have been created for the company employees are effective in the performance evaluations of the employees.

Basic competencies are:

- o Connect with others through team spirit
- o Go for results by creating solutions
- o Resilience / firmness
- o Take accountability with commitment and passion

The issues as listed above have been made public by including them into the contents of the annual reports.

26- Number, Structure and Independence of the Committees Established in the Board of Directors:

An Audit Committee has been established in the Board of Directors. The committee supervises the accounting system of the company, public announcement of the financial information, independent audit and functioning and efficiency of the internal audit system; selection of the independent audit company, start of the independent audit process and the operations of the independent audit company are all accomplished under the supervision of the Audit Committee; it reports to the Board of Directors about the compliance and accuracy of annual and interim financial statements which shall be made public. Shlomo Graziani and Benjamin Haim Rotenberg are the members of the Audit Committee. Due to the fact that there are no independent members in the Board of Directors, the Audit Committee is consisted of non-executive members. None of the members of the Board of Directors has a place in more than one committee.

27- Financial Rights Granted to the Board of Directors:

The remunerations for the members of the Board of Directors are regulated in articles of incorporation of the Company as follows:

“Article 12: The members of the Board of Directors are paid remuneration for each meeting day or on monthly basis other than the amount to be allocated to them from the net profit pursuant to the articles of incorporation. The amount of such remuneration is fixed by the resolution of the General Assembly meeting.”

The remuneration for the members of the Board of Directors constitutes an item of the agenda in the annual General Assembly meetings held every year. It was resolved in the General Assembly meeting held in 2011 that the members of the Board of Directors should not be paid any remuneration.

The company did not lend any amounts to any members of the Board of Directors and managers during the period nor made loans available to them nor deliver any guarantees in their favour such as sureties, etc.

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