

BORUSAN MANNESMANN BORU SANAYİ VE TİCARET A.Ş.

**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE
REPORT**

STATEMENT OF COMPLIANCE FOR CORPORATE GOVERNANCE PRINCIPLES

Within the operating period between 01.01.2011 and 31.03.2011, our company got in compliance with the major criteria of Corporate Governance Principles issued by Capital Market Board. During the period, articles of association, procedures and practices were revised with regard to the compliance principles. For cases of noncompliance detected, efforts on improvement were carried on. Company management has adopted in principle to get in compliance with the practices specified in the Corporate Governance Principles. The principles that our company is yet in non compliance with, the reasons of non compliance, and possible conflict of interests, if any, are all explained in the relevant sections of the report.

SECTION 1 - SHAREHOLDERS

1 Shareholders' Relations Department

The "Investor Relations Department" under Borusan Holding, coordinates the relations between the public companies of Borusan Group and the shareholders thereof. In Borusan Mannesmann Boru, "Strategy and Finance Directorate" is responsible for the shareholders relations. These two departments at Borusan Holding and Borusan Mannesmann Boru, totally coordinates for the activities within the context of investor relations. Our shareholders can get into communication with our company if they contact with any of these departments.

Borusan Holding - Investor Relations Department

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Strategy & Finance Deputy Assistant General Manager Kağan Arı
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Except for the informational activities carried on within the period in accordance with the legislation, the activities carried on within the context of investor relations are basically as follows;

- Written and visual media/press statements
- Holding information meetings with the broker analysts
- Replying the requests for information via e-mail and phone calls

The questions, asked either by individual investors, or by brokers within the period, are all replied in accordance with the Capital Market Board (CMB) Series: VIII No: 54 "Communiqué Regarding the Principals for Special Cases of Public Disclosure".

2 Shareholders' Right to Obtain Information

The requests for information, received by Holding and Company Investor Relations Departments via e-mail and phone calls can be categorized under the following headings:

- a. The investment plans and strategic targets of the Company
- b. Expectations for the improvements in steel prices and the possible impacts of such improvements on the Company performance
- c. The pipe line projects that we take in, either domestic or overseas
- d. Expectations for the construction sector

Nearly 5 requests for information under these headings have been forwarded to the Investor Relations Department. The requests for information are evaluated first in accordance with the CMB Series: VIII No: 54 "Communiqué Regarding the Principals for Special Cases of Public Disclosure". Holding and Company Investor Relations departments in coordination group the requests under common headings, determine the frequently asked questions, and give equivalent information to all the shareholders by standardizing the answers. The answers to the frequently asked questions are published on web site. Replying the questions as quickly as possible is determined to be a critical performance criteria.

Shareholders can find company related news, annual reports and financial results at the web site of the company (www.borusanmannesmann.com). The web site of Borusan Group (www.borusan.com) is also used to obtain information. Both web sites' content is determined in accordance with the CMB Corporate Governance Principles.

There is no term for assigning a special auditor request in the articles of association for the company. No such request was received during the period.

3 Information on General Meeting of Shareholders

The company has held 1 General Meeting of Shareholders within the period.

Ordinary General Meeting of Shareholders for 2010 has been held on 31.03.2011 with 73.77% quorum. Announcement including agenda of the meeting were published in Turkish Trade Registry Gazette, and Dünya and Hürses newspapers, 24 days before the meeting in accordance with the Law and articles of association. Annual report including, ordinary general meeting agenda, 2010 activity summary, dividend distribution proposal, auditors' report summary and independent auditors' report was provided to shareholders at the head office before the General Meeting. Shareholders used their right to ask questions at the end of the meeting, in wishes and requests part, and their questions were answered by director general of the company. The minutes of the General Meeting has been made available for shareholders at the head office after the meeting and at web site of the company as of 31.03.2011.

In order to participate and vote in the general meeting, shareholders should present their share certificates or present the certificates indicating that shares are blocked at a bank or Central Registry Agency, at least one week before the general meeting and get their admission cards. Such obligation of shareholders is included within the announcement of the general meeting. Not to frustrate the preparation of the meeting organization and the shareholders themselves for the meeting, and not to make the participation of new shareholders to the meeting difficult as a result of possible share transfers, are the main intentions that determine that one week period. General Meetings were held at the head office and at reasonable hours to facilitate the full participation to the meeting.

4 Voting Rights and Minority Rights

In accordance with the Article 22 of articles of incorporation, privileged voting right is in force. So, save for the terms of Article 387 of Turkish Commercial Code, group (A) shares have 5 voting right each. Company has no cross-shareholding. Minority rights are not represented in the management. There is no cumulative voting.

5 Dividend Policy and Dividend Distribution Date

Except for the rights given to the redeemed shareholders in articles of incorporation, there is no privilege for profit distribution. There are 100 bearer share certificate within the share certificates of the company. In accordance with the Article 7 of articles of incorporation, redeemed shareholders have the right to acquire an interest of 10% in the net distributable profit after the first reserve fund and the first dividend at a rate determined by CMB is set aside.

Our company has a dividend policy open to the general public. According to this policy: As one views our Company's past profit and dividend performance, it will be clear that our Company is profitable, even at distressing times, and 50% or more of our net profit has been distributed to our shareholders as dividend since 1994, the year we went public. This concept shall be supported for the coming periods. However, this policy shall be revised every year, according to the latest advances in domestic and international financial circumstances, investment opportunities, and financing capabilities.

Every year, the profit distribution proposal is submitted by the board of directors to the approval of the shareholders at the general meeting, in accordance with the CMB regulations.

6 Transfers of Shares

There is no limiting term in force for share transfer in the articles of incorporation.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

7 Company Disclosure Policy

Borusan Mannesmann Boru carries on a transparent disclosure policy in order to share information like its past performance, future expectations, business improvements except any information of trade secrets, its strategies, target and vision with the authorized bodies, public, investors and shareholders, timely, simultaneously, clearly, accurately, fully and continuously, and all within the scope of Capital Market Rules.

Policy for public disclosure is in accordance with the Section II article 1.2.2 of Corporate Governance Principles and issued on Company web site (www.borusanmannesmann.com).

In this context, there is a clear formulation that indicates principles, authorization and responsibility related to below captions;

- Disclosure of Special Cases
- Disclosure of Financial Tables
- Interim and end of period operating reports
- Written and Visual Press Statements
- Meetings with the Investors and Analysts
- Company web site
- Disclosure of Expectations and Targets
- Incorrect News in the Market about the Company
- Analyst Reports

8 Disclosure of Special Cases (material disclosures)

The company has made 5 material disclosures in January-March 2011. The company communicated with shareholders on such material disclosures, via İstanbul Stock Exchange (IMKB).

9 Company Web Site and its Content

The web site of the company is: www.borusanmannesmann.com. There is also information about public companies of Borusan Group at www.borusan.com under heading "Investor Relations".

The shareholders are directed to Borusan web site so that they can easily take the information they require in a timely, complete and accurate manner. Web sites run in Turkish and in English to provide for the needs of foreign investors.

The content of the Company website is as follows:

- Corporate Management
 - Board Members
 - Shareholding Structure
 - Upper Management
 - Compliance Report
 - Articles of Association
 - Dividend Policy
 - Trade Registry
 - Minutes of General Assembly & List of Attendants
 - Forms
- Annual Reports and Presentations
- Audit Reports
- Disclosure of Special Events
- Disclosure Policy
- Contact Details

10 Disclosure of Real Person Ultimate Controlling Shareholder(s)

Names of the real person ultimate controlling shareholder(s), number and percentage of their shares are given in the following table:

Real Person	Percentage	Share Number
Asım Kocabiyık	16,49%	4.676.085
Fatma Zeynep Hamedi	9,57%	2.712.650
Ayşe Nükhet Özmen	9,57%	2.712.650
Ali Ahmet Kocabiyık	9,63%	2.730.106
Zehra Nurhan Kocabiyık	5,84%	1.654.951

11 Disclosure of Potential Insider Traders to Public

List of potential insider traders is as follows:

Semih Özmen	General Manager
Erol Akgüllü	Assistant General Manager, Operations and Investments
Zafer Atabey	Assistant General Manager, Sales and Procurement (Standard and Special Pipes)
Özgür Fidanoğlu	Assistant General Manager, Sales and Procurement (Spiral Pipes)
Kağan Arı	Deputy Assistant General Manager, Strategy & Finance
Harun Aycibin	Accounting Manager
Suna Boz	Financial Planning and Control Manager
Sinan Tarakcı	Financial Planning and Control Specialist
Dilek Tabak	Assistant Accounting Manager

SECTION III – STAKEHOLDERS

12 Informing Stakeholders

Stakeholders of the company are informed about the relevant issues generally via e-mail, company web site and mail. For more private issues, meetings are held with the stakeholder group.

13 Participation of Stakeholders in Company Management

Amongst stakeholders, company employees can participate in the management by proposal systems, and suppliers and customers can participate in the management through super-organizational 6 Sigma projects which are already carried on in collaboration. There is no other continuous model than the above mentioned methods for stakeholders to take part in company management.

14 Human Resources Policy

Borusan Mannesmann Boru, manages human resources within the framework of “Borusan Group Management Concept, Business Principles and Practices” and “Borusan Group Human Resources Policy and Practices” issued by Borusan Holding in 2002, for use in all group companies. The former document contains information on Borusan Group corporate governance concept, structure, execution and business principles. The latter one, includes Borusan Group major human resources policy under the headings of selection and engaging of employee, competence and performance management, training and development, business evaluation, wage management and secondary opportunities, career management and leadership development program. In addition, this document contains the daily business life principles under Practices section.

Every group company has to operate in accordance with the following article, as written in “Borusan Group Management Concept, Business Principles and Practices” as far as human resources is considered.

“Borusan Group believes and supports individual rights and freedoms at each and every place and media it operates. So, for any reason and at any condition, discrimination with regards to an individual’s ethnic background, gender, color, race, nationality, economic status, religion or other spiritual things is not allowed or accepted in our group. This rule is in force for engagement, promotion, working conditions, relations with customers, suppliers, and partners and all.”

In addition, Human Resources Practices of Group companies, mainly carried on with regards to the two major targets included in the “Borusan Group Human Resources Policy and Practices” document. First, to encourage individuals taking the initiative, and look after their business and the results they got. Second, to encourage team work and individuality for more success.

Company human resources department is responsible for managing the relations with the employee on social rights and securities, union affairs, performance, career management, wage and career promotion. In this context, Human Resources Manager Fırat Akkemik Sakaryalı and General Manager Semih Özmen are duly authorized for such relations. No complaint of discrimination has been received from the employees in this period.

15 Information on Relations with Customers and Suppliers

Borusan Mannesmann Boru, manages its relations with customers and suppliers within the scope of “Handbook of Borusan Employee - Corporate Principles, Rules of Business and Behavior”. This document regulates the relations of group companies and employees with all corporate parties (domestic and foreign customers, suppliers, public, group companies, public administration and laws) and was issued by Borusan Group in 2002.

Customer-focused behavior is defined to be one of the corporate values of Borusan Group, and the target of “to be the reference company of Turkey in customer satisfaction and loyalty” is determined to be the critical factor for success. 6 Sigma methodologies and its application called “Voice of Customer” is provided to group companies as a tool to fulfill the critical success target. The quality of the products and services provided to an either domestic, or a foreign customer is secured under Borusan Group guarantee. All employees of the group, including members of boards, adopt in principle any kind of assignment to fulfill full customer satisfaction.

At product sales, Borusan Mannesmann Boru also carries on “Voice of Customer” procedure, which contains all functional procedures to provide and improve customer satisfaction. Thanks to this procedure, customers’ expectations and demands are considered systematically and evaluated as a whole, and present performance levels for business procedures and products are handled to get better results. 6 Sigma methodologies is used to improve the company-wide procedures. The quality of our products and business procedures is secured under national and international standards. The quality of our present management systems is registered under ISO 9001 certificate.

Just like all the relations with corporate parties, for business procedures with the suppliers, no opportunist approach is allowed. Rather, establishing a long term, lasting and reliable relation is encouraged. Mutual interaction concept is known to be the way that leads to a continuous relationship. So it is desired for the suppliers to get economic satisfaction with this relation, just like any business partner.

16 Social Responsibility

Contribution to social issues is amongst the 5 main corporate values that Borusan Group has determined as a part of its vision and mission. The group companies’ financing social projects, and employees’ and managers’ sparing time for activities of nongovernmental organizations, are all results of the good corporate governance concept.

So far, Borusan Mannesmann Boru has built bridges, primary schools, supported sports clubs, and landscaping activities around Bursa/Gemlik and İzmit regions, where its production plants reside. In addition to such regional development activities, the group

supports Asim Kocabiyik Culture and Education Foundation and Borusan İstanbul Philharmonic Orchestra by yearly funds. The employees are encouraged to take part in voluntary activities within the scope of Private Sector Volunteers Association.

Borusan Group subscribes to carry on its activities without giving any damage to the environment and in a secure way, within the framework of legal requirements. In order to protect and keep environment clean, group companies give their best efforts for:

- Using the best methods that minimize the negative effects of waste materials and products on environment, and that save the natural sources,
- Regarding health, safety and environmental legislations in production, transportation and marketing of the products, even adopting higher standards than those of such legislations,
- Carrying on the in plant operations in a safe, environmental-friendly manner, suitable for the social conditions and requirements of the employees.
- Making employees, customers, suppliers and public conscious of environmental issues.
- Business Health and Safety practices and Environmental Protection practices of our company has been approved within the framework of OHSAS 18001 and ISO 14001 certificates respectively.

Borusan Mannesmann Boru, defines its managerial obligations on environmental and health issues on its web site with its “Business Health Safety and Environmental Protection Policy”.

Within the period, there is no claim or charge against the company due to any damage to the environment.

SECTION IV - BOARD OF DIRECTORS

17 Structure, Formation of the Board of Directors and Independent Members

Board of Directors	Title	Independency
Bülent Demirciođlu	Chairman and Executive Director	
Agah Uđur	Vice Chairman	
Kadri Aydınlı	Vice Chairman	
Dr. Gerhard Schöler	Member	
Dr. Kunibert Albert Martin	Member	Independent
Halil Yurdakul Yiđitgüden	Member	Independent

“Member that took part in board of directors for seven years cannot be assigned as an independent member” principle is included within the scope of corporate governance principles.

Borusan Mannesmann Boru Board members are all leading professionals for their own field and they are assigned to play a directing role thanks to their own experiences and points of view. Therefore there is no limitation or rules for board members to assume a duty outside the company. However the point is that, such duties should have no negative effect on their duty in Borusan Mannesmann Boru, in terms of time or engagement.

18 Qualifications of Board Members

The minimum qualifications sought for the elections of board members are the same with the qualifications specified in Section IV, articles 3.1.1, 3.1.2, and 3.1.5 of CMB Corporate Governance Principles. However such principles are not included in the articles of incorporation. Present members of board have the qualifications specified in such articles.

19 Mission, Vision and Strategic Targets of the Company

Board of directors has determined the vision and mission of the company. The vision is “To be a globally recognized, leading steel pipe company” and the mission is “Providing products and services that enhance the quality of life with our expertise in steel pipe industry and to promote the process of economic and social progress of our community”. The vision and mission of the company has been published on its web site.

Borusan Group companies operate with 5 years strategic plan periods. Hence, analyzing the environment, market, and the competitors, the directors of the company determine the critical factors for success, major business targets, main strategies and strategic development fields required to reach the company vision, at least once in a 5 year period. Strategic targets formed by the group companies are first submitted to board of the related company for approval. Consolidated by Holding, such targets are submitted to Holding executive committee, and then to the Board of the Holding. The annual business plans are prepared considering action plans for such strategies. The directors share their business plans with the board of the company at business plan/budget meeting for that period. The

strategies and action plans are approved by the board of directors, after any revisions thereof if required. At every quarter, Board of the Company reviews the strategies, applications for these strategies, and the company performance, all as a part of the company business plan, and evaluates the fulfillment of the targets.

20 Risk Management and Internal Control Mechanism

Risk management and internal control procedures in Borusan Group is carried on by Borusan Holding Financial Control Department and Treasury departments, both established by Board of Borusan Holding. Borusan Mannesmann Boru Financial Affairs - Financing unit also includes risk management procedures in its terms of reference, and operates in the company in coordination with Holding Treasury department. There is no other structure for this purpose, established by the Board of Borusan Mannesmann Boru. The company monthly submits top management report, together with monthly financial reports prepared within the scope of International Financial Reporting Standards (IFRS), to Borusan Holding Financial Control Department on the 10th day of the following month. Top management report contains company management's explanations on company performance, within the framework of predefined critical performance index. Also, the format, scope and content of the top management report is defined by Borusan Holding. The legal and management accounting records and financial reports are simultaneously entered to the group reporting platform. Such reports and records are analyzed by Holding Financial Control department in terms of consistency, compliance with the standards, and variance amongst critical performance index. In addition, the company's Financial Planning and Control unit supports company management by submitting the analysis and reports required for operational and strategic actions.

Borusan Holding Financing (Treasury) Department evaluates the company funds in Borusan Mannesmann Boru, just like it does in other group companies. In addition, company's financing unit, in coordination with Holding financing unit, carries on the risk management procedures by using financial market instruments.

21 Authorities and Responsibilities of Board Members and Managers

The authorities and responsibilities of board members and managers are specified in articles of incorporation with references to the related terms of Turkish Commercial Code. In addition, each board member has other ongoing duties and responsibilities according to his/her competency and experience, and other coordination responsibilities in periodic projects.

22 Operating Principles of the Board

Board of directors organizes its meetings in accordance with the schedule that is prepared at the beginning of the period, but they meet at least once in a quarter. There exists a secretariat to prepare and update the schedule of the board, to provide the participation of the members, to provide the board report prepared by the company management is delivered to all of the members at least one week before the meeting, and to draw up and archive the minutes. The agenda of the Board Meeting is determined by the Chairman of the Board with regards to the opinions of the board members and director general. The decided

invitation and agenda is provided to each member of board 15 days before the meeting via the communication method required by the member. The minutes contain the decisions taken, and also the different opinions and suggestions put forward, and the questions asked at the meeting. Although there are some different opinions, there is no decision taken without consensus of the participants so far. Board members have no weighted voting right and/or veto right.

23 Prohibition to Deal and Compete with the Company

Although the company has no such prohibition for board members, there is no such operation executed so far.

24 Ethical Rules

Ethical rules are specified in “Borusan Group Management Concept, Business Principles and Practices”, issued by Borusan Holding in 2002 for all group companies and employees. Such document has been provided to every employee, however the ethical rules of the company has not been disclosed to public.

25 Numbers, Formation, and Independence of the Committees Set Up by the Board

There is no committee set up by the board.

26 Financial Rights of the Board

Financial rights of the board members compose of two parts; constant and variable. The former, the constant fee is per diem. The latter, variable part is the board dividend of the periodic profit. The ceiling of such dividend is specified in the articles of incorporation and it is subject to the approval of general meeting. The company did not set up a guarantee, like debit or indemnity for any of its board members or managers, and did not make any credit via a third person under the name of personal credit.