

Board Of Directors' Report



Giant investments foreseen for the period 2007-2009 are the basic issues that will trigger Tofaş's growth, increase its profitability and will sustain market share increase. We expect the profitable growth of the last 2 years continue increasingly.

Our esteemed shareholders,

Tofaş realizing the first ones in its sector and directing the automotive sector is at the top of the leading innovative companies of Turkey at its 40th anniversary.

The automotive reinforces its nature of being the locomotive sector for Turkey and continues being the Turkish economy's main driving power with yearly production of 1 million 130 thousand units. The most exporting sector of 2007 is again automotive with 20 billion dollars. Tofaş operating in Turkey with Koç Holding – Fiat partnership and producing both passenger and commercial vehicles sustains being the dynamo and pride of the sector with the contribution employment for the National Industry, production, AR-GE, technology investments and increasing growth.

The point the automotive sector reached in last years with a stable structure makes us hopeful for the future. According to projections, not too late just in 2012 the sector will reach a production volume of 2 million units and Turkey will be one of the five producers in EU. The realization of these targets will provide the exports reach 1.5 million in units and 40 billion dollars in volume. Giant investments foreseen for the period 2007-2009 are the basic issues that will trigger Tofaş's growth, increase its profitability and will sustain market share increase. We expect the profitable growth of the last 2 years continue increasingly. Total production of our Bursa plant broke its own record by the end of the year 2007 and reached 215thousand units.

The capacity usage of Tofaş, the leader company of Koç Holding-Fiat Group partnership increased by 14% as compared to the previous year and reached 85%. In December with Mini Cargo we exceeded 100%. Also Tofaş reached the highest export units and we realized the export of 146thousand units and our exports which were 1.2

billion dollars one year ago achieved 1.6 billion dollars. In 2007 along with the exports we succeeded in becoming the favorite brand of the sector in domestic market. In the market shrinking by 5% we sold more than 5thousand units and reached 77 thousand units. Fiat has been the only brand increasing its market share both in passenger and commercial vehicles market. The market share of our Fiat brand displayed an increase of 1.3 point in the total of automobile and light commercial vehicles as compared to the previous year. Fiat brand in 2007 offered new services to its customers along with the current ones; Fiat Finance and Fiat Car Insurance provided customers to make all procedure related with their cars without leaving the dealer showrooms. Fiat brand has been awarded both Van of the Year and the Car of the Year, with Scudo and Fiat 500 models.

Tofaş aiming at the efficient use of the human resources while growing and creating motivating and creative employees and working environment has been the first and only automotive company of Turkey awarded with the single Human Resources Award of the world, the IPP Certificate.

Along with the mini Cargo Project which Fiat Fiorino is a part thereof, Tofaş again broke a new ground in the Turkish automotive sector producing for 3 different brands and exporting 90% of these. I believe that these 3 brands realize such an important production and investment in Turkey is a significant sign of the point Turkish industry reached. In this development, the point Tofaş reached working with the pride and responsibility of having the attribute Turkish in its name, is a reason of national pride for each of us. I am sure that this success of Tofaş will be an important point of reference for the distance we made to become a global player as Koç Group and will influence both Fiat's and our other international partners' confidence in Turkey and other foreign investors who are looking for an investment opportunity positively.

Esteemed shareholders,

The launching of the 2 models produced by our Tofaş Bursa Factory who has a worldwide quality production is a historical achievement. The launching of Fiat Linea bringing us brand new customers in the passenger car market and Fiat Fiorino creating a non existing segment months before the time planned is the most valuable proof Tofaş's production quality and competence.

Tofaş changing, growing and improving

With an experience of 40 years under the partnership of Koç Holding and Fiat Group, cumulative knowledge and energy also with innovative and competitive approaches Tofaş climbs to the peak following the focused growth strategy of Koç group, grows each day and runs to new horizons. Most importantly Tofaş makes all of us proud by turning the imagination into real. In this process we take the utmost power and support from you.

We will achieve more successes together.

Very truly yours,



Mustafa V. Koç

Chairman Of The Board Of Directors