

## CEO Assessment



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### Our esteemed shareholders,

The Turkish Automotive Industry realizes almost 18% of the total exports of Turkey and almost 5% of the total employment. With the related sectors the automotive sector provides employment to 500.000 people. The 2007 production of the Turkish Automotive Sector is 1 million 130 thousand. The target for 2012 is reaching annually 2 million vehicle production.

The sector is highly dynamic and competitive. However the issues of the domestic market consist of the immediate support of the logistic infrastructure, the gradual diminution of the taxes in parallel with EU. Due to these obstacles domestic market sales are still weak. The balance between exports and domestic sales is not achieved. Despite all these the Turkish automotive industry is not different from Europe in terms of quality and costs and it has even superiority in some areas. This is also indicated by the increase based on exports last years.

Tofaş established under Koç Holding and Fiat partnership introduced Turkey a lot of firsts with the strong cooperation of 40 years. The pioneer of the automotive sector contributing most to the country's economy produced the first 2.5 millionth car of Turkey this year and with the launchings we made this year we both enriched our brand number and our product line. Thanks to this Turkey has become the only market where Fiat Auto's 5 brands are all sold under the same umbrella. With our brand richness we reached our aim of addressing all portions of the society.

We succeeded in launching the 2 models we produced in 2007 in the same year. The launching of both Fiat Linea and Fiat Fiorino months before the planned time is a real proof that Tofaş's production quality promoted in the Champions' League.

MiniCargo model that we launched in December creating a brand new segment has been the milestone in Tofaş and Turkish Automotive Industry History. The intellectual property rights of this Project which is a first in the Turkish Automotive Sector in terms of production for more than one brand

belong to Tofaş. MiniCargo model which will be produced 165units per year and more than 1 million units lifetime is the result of an investment of 380 million Euros. 190 million Euros of this investment was spent for R&D. Tofaş's R&D department which is the most important R&D basis of Fiat out of Italy in Europe reached a level to export ARGE with this project.

Today Tofaş has the performance of producing a new model once in two years in the R&D field. Tofaş is one of the production facilities having the biggest production capacity together with its developed R&D technology. Now only in R&D 430 people are working. Our R&D expenditures corresponding to nearly 4% of our turnover is well above the world average.

Our target is to become one of the most important R&D centers of Europe. We are dedicated on this and we structure ourselves accordingly. Tofaş R&D is advancing to become a competent vehicle development center. This year, we will continue focusing on a new vehicle development which is both environmental and multifunctional and the development of new versions of the recently produced models.

As Tofaş at every stage from design to production our mission is to produce world cars that Tofaş and Turkish engineers have word on. As the leader of the Turkish Automotive Sector and a contributing institution to the development of the National Industry for fully 40 years, this is our target. When we look at the figures of the 2006 year end, we can see that Turkish Automotive production is getting closer to Italy and that we are advancing with strong steps toward being in the first ten in the world vehicle production by the year 2010.

We give great importance to our relations with our dealers and suppliers. The development of these structures along with us is necessary not only for Tofaş but also the suppliers to become global players and we support our business partners. We give technical and management support to advance our dealer operations and support their effective and profitable works.

Tofaş was assessed by the Turkish Corporate Management Association

and rated 7.57 over 10 and succeeded to be listed among the first 5 companies who announced this score in IMKB. Thus at the end of the Corporate Management Rating Report, Tofaş has been registered as exhibiting a highly good performance in terms of the principles of Corporate management principles of CMB.

From now on, this development should be assessed as a sign of the leadership in the capital market and corporate management practices. Along with these works realized and its compatibility with the Corporate Management principles, Tofaş proved that he is responsible against the individual and corporate shareholders and investors.

In 2007 we broke a lot of new grounds we received many awards. We became one of the founders and leaders of 40 years Turkish motorsports. Fiat motorsports which is backed up with this power and experience with the team Volkan Işık Kaan Özşenler has been the first team who returned from 2007 European Rally Championship with an award. Our team who brought the 2nd rank into our country will race for the first place in 2008.

The excitement and joy of 2007 which is the most magnificent years of Tofaş's history will go on in 2008. With new models that we will launch, investments, innovation works and energy, 2008 will be a year we will sign for many successes.

As Tofaş we celebrate our 40th anniversary. We determined the main theme for 2008 as "Managing the Growth" Together with our capacity of 400.000 units, our human power exceeding 9000 people and our commitment to Turkish people we will continue being the leading automotive company of Turkey and manage the growth proactively.



**Ali Pandir**  
Board Member & CEO