

**TOFAS TÜRK OTOMOBİL FABRİKASI A.S.**

**30.09.2008**

**INTERIM ACTIVITY REPORT**

## **The Term Duties;**

### **Board of Directors**

#### **Mustafa Vehbi Koç**

Chairman of the Board of Directors

Born in 1960, has a university degree and serves as the Chairman of the Board of Directors of Koç Holding A.S.

#### **Sergio Marchionne**

Vice Chairman of the Board of Directors

Born in 1952, has a university degree and serves as the Chairman of the Board of Directors and CEO of Fiat Auto S.p.A.

#### **Bülent Bulgurlu**

Member of the Board of Directors

Born in 1947, university graduate, assigned as Koç Holding A.S. Board Member and CEO.

#### **Paolo Monferino**

Member of the Board of Directors

Born in 1946, has a university degree and serves as the CEO of Iveco Fiat.

#### **Temel Kamil Atay**

Member of the Board of Directors

Born in 1940, has a university degree and serves as the Vice Chairman of the Board of Directors of Koç Holding A.S.

#### **Alfredo Altavilla**

Member of the Board of Directors

Born in 1963, has a university degree and serves as the Vice Chairman of Fiat Auto S.p.A. Responsible for Business Development.

**Osman Turgay Durak**

Member of the Board of Directors

Born in 1952, university graduate, Assigned as Koç Holding A.S. Automotive Group Head.

**Ali Aydın Pandir**

Member of the Board of Directors & CEO

Born in 1956, has a university degree and serves as the CEO and Member of the Board of Directors of Tofas.

**The Board Of Auditors****Mert S. Bayram**

Auditor

Born in 1971, has a university degree and serves as a Coordinator in the Directorate of the Audit Group of Koç Holding A.S.

**Alessandro Gili**

Auditor

Born in 1972, university graduate assigned as Fiat Group's Automotive department Accounting Group Head.

**Serkan Özyurt**

Auditor

Born in 1968, has a university degree and serves as a Coordinator in the Coordinating Unit of the Audit Group of Koç Holding A.S.

## **Members Assigned In The Boards Of Directors And Auditors Within The Term**

(Determined by the Shareholders' Ordinary General Assembly meeting dated 24.04.2008)

### **Board of Directors**

### **Term of Office**

<u>Name Surname</u>	<u>Assignment</u>	<u>Started</u>	<u>Ended</u>
Mustafa V. KOÇ	Chairman	24.04.2008	24.04.2011
Sergio MARCHIONNE	Vice Chairman	24.04.2008	24.04.2011
Temel ATAY	Member	24.04.2008	24.04.2011
Alfredo ALTAVILLA	Member	24.04.2008	24.04.2011
Paolo MONFERINO	Member	24.04.2008	24.04.2011
Ali Aydin PANDIR	Member&CEO	24.04.2008	24.04.2011
Bülent BULGURLU	Member	24.04.2008	24.04.2011
O. Turgay DURAK	Member	24.04.2008	24.04.2011

### **Auditors**

Mert BAYRAM	Auditor	24.04.2008	24.04.2009
Alessandro GILI	Auditor	24.04.2008	24.04.2009
Serkan ÖZYURT	Auditor	24.04.2008	24.04.2009

## **Authorities and Limits of the Members of Board of Directors and Board of Auditors**

Chairman of Board of Directors as well as the Members thereof have the authorities defined in the relevant articles of Turkish Commercial Code and Article 11 of Articles of Association of the Company. Article 16 of Articles of Association of the Company states that duties, authorities and responsibilities of Auditors as well as other matters regarding Auditing are subject to provisions of Turkish Commercial Code.

<u>Title Of Shareholders</u> <u>(%)</u>	<u>Share Group</u>	<u>Share Amount (YTL)</u>	<u>Share</u>
Fiat Auto S.p.A.	D	189.279.856,87	37,8560
Koç Holding A.S.	A	187.938.121,26	37,5876
Temel Tic. ve Yat. A.S.	A	175.693,44	0,0351
Suna Kiraç	A	291.510,55	0,0583
S. Semahat Arsel	A	291.510,55	0,0583
Mustafa V. Koç	A	194.340,35	0,0389
M. Ömer Koç	A	194.340,35	0,0389
Y. Ali Koç	A	194.340,35	0,0389
Other	E	121.440.286,26	24,2880
		500.000.000,00	100

**The shareholders holding more than 10% of the company's capital:**

By June 30th, 2008 the cap of the registered capital of the company has been increased to 1 billion YTL and the (paid) capital is 500 million YTL. Our company made a free of charge capital increase in 2005 over a ratio of 11.111111% from internal resources to amount to 50.000.000 YTL No capital increase occurred during 2006 and 2007.

Our company's shares of series 11-19 issued following the capital increases and quoted in the Stock Exchange Market and shares of series 20 issued due to the merger with the annulled Tofas Oto Ticaret A.S. were subjected to change with the shares of series 21 in 2001 within the Regulations of the Capital Market Board. The said shares of series 21 were registered in Istanbul Stock Exchange Market under quote number H-2001/155 and also our shares of series 22 were issued with free of charge capital increase of 164.06455 made within the year 2003. Our said shares order no.22 were quoted at the Stock Exchange Market with quote number H-2003/61 and again as result of the capital increase of 11,111111% realized in 2005, our share series no.24 were issued and quoted at the Stock Exchange Market with quote number H-2005/69. The series 23 in between were not related with the capital increase and they were not issued due to dematerialization procedures. Accordingly and as of December 31st, 2006 following the regulations of Central Registration Board in order to follow the nondematerialized shares the lot modifications of which were realized, our share series 21 and 22 were started to be followed recordingly in terms of the dematerialization of the capital market tools. Also, according to the related regulations of the Capital Market Board and the related applications of Central Registration Board, some regulations started to take effect in terms of the registered follow up of capital market tools including our shares series no.24 as of December 31st, 2007 according to the related legislation.

In terms of dematerialization of the capital market tools and dematerialization system, related with the registered follow up of the shares following the decision of the Capital Market Board dated October 28th, 2005 and no.43/1318, all circulating shares in the stock exchange market and all shares care of settlement and custody bank were dematerialized. Necessary information can be accessed from the address [www.mkk.com.tr](http://www.mkk.com.tr) of the Central Registration Board (MKK). It is worth to mention that our Shareholders who physically hold our company shares shall apply to our Company headquarters and shall complete first the transactions of the previous years, if any, and subsequently apply to

Yapi Kredi Yatirim Menkul Degerler A.S.or the representative Yapi Kredi Bankasi A.S. branches.

The necessary information related with the issue can also be obtained from Corporate Governance and Shareholder Relations Division at our Company Headquarters. Our shareholders who physically hold their shares are requested to apply the said Division at our headquarters primarily to use their rights before December 31st, 2007 and then to dematerialize their shares. Afterwards, they have to apply Yapi Kredi Yatirim Menkul Degerler A.S. which carries out the dematerialization transactions on our company's behalf.

According to the general announcements of MKK related with the dematerialization of the shares and following the temporary article no.6 of the Capital Market Board, it is not possible for our beneficiary shareholders to use their shareholder rights unless they dematerialize their shares.

According to the transactions of non paid shares and dividends of our company continuing without term and based on the capital increases of the previous years and according to the data obtained from the records of the Central Registration Board A.S., Tofas currently having around 25.000 investors and shareholders is listed in IMKB-100 and Corporate Governance Indexes. Our company shares are quoted in Luxembourg Stock Exchange Market and traded in the international markets

From the site [www.tofas.com.tr](http://www.tofas.com.tr) under the section “Investor Relations”, our shareholders can access to the corporate, financial and stock exchange information related to our company from the subsections “Corporate Governance”, Shareholder Relations” and “Stock Market Information”, meanwhile they can also send an e-mail to [borsa@tof.com.tr](mailto:borsa@tof.com.tr) and obtain the other information related to our Company from the Corporate Governance and Shareholder Relations Division and to make transactions in terms of relations with shareholders and to provide communication.

#### **Amendments to the Articles of Association within term**

There is no amendment to Articles of Association within the term.

#### **Dividends distributed in the last three years and their ratios:**

Our Company has paid our Shareholders a cash dividend totaling to 90.000.000.-YTL corresponding to 18% of the net profit of 2007 as of 12.05.2008. Also in 2007, 60.000.000.- YTL cash dividend corresponding to 12% of the profit of 2006 is distributed as of 14.05.2007 and in 2006, 50.000.000.- YTL cash dividend corresponding to 10% of the profit of 2005 is distributed as of 15.05.2006.

#### **Issued securities**

Our company issued stocks of 520-YTL as of its establishment. The entire of these issued stocks was redeemed by payment on due term. As of the establishment our issued shares of the series 1-10 were replaced by the series 11 and our shares series 11-20 were replaced by the shares series 21, then share series 22 and finally series 24 were issued. As mentioned above the procedures related with the dematerialization of the shares are conducted through the issuing company, intermediary institution/bank and MKK. According to the related decision of Capital Market Board, all shares are followed accordingly as of December 31st, 2007.

## **Company participations and affiliates**

By 30.06.2008, the participation amount of our company in ENTEK Elektrik Üretimi A.S. centrally located in Izmit with a capital of 98.918.756-YTL is 13.188.000 YTL and our participation ratio is 13,33%. The General Assembly of our subsidiary related with the activities of 2007 was made in March 14th, 2008.

By 30.06.2008, the participation amount of our company in our affiliate KOÇ FIAT KREDİ Tüketici Finansmanı A.S. operating in Istanbul with a capital of 30.000.000-YTL is 29.999.996- YTL and the participation ratio is 99,99%. The General Assembly of our subsidiary related with the activities of 2007 shall be made in April 15th, 2008.

By 30.06.2008, the participation amount of our company in our affiliate MEKATRO Arastirma Gelistirme ve Ticaret A.S. operating in Kocaeli with a capital of 150.000-YTL is 145.500-YTL and the participation ratio is 97%. The General Assembly of our subsidiary related with the activities of 2007 was convened in March 12th, 2008.

Also by 30.06.2008, the participation amount of our company in PLATFORM Arastirma Gelistirme Tasarim ve Ticaret A.S. operating in Bursa with a capital of 1.000.000-YTL is 990.000- YTL and the participation ratio is 99%. The General Assembly of our subsidiary related with the activities of 2007 was convened in March 12th, 2008.

Other than these, by 30.06.2008, the participation amount of our company partner to FER MAS Oto Ticaret A.S. operating in Istanbul with a capital of 5.500.000-YTL is 5.468.000- YTL and the participation ratio is 99,4181% The General Assembly of our subsidiary related with the activities of 2007 was convened in March 12th, 2008.

General Assembly Meeting minutes and the list of attendants of our company partnerships and affiliates can be accessed through our company's web site and can be analyzed.

## **Exports**

The main reason underlying the 75.8% increase in exports is the launch of MCV project within the scope of light commercial vehicles. In this period, Linea and MiniCargo are launched in May and October 2007 and created additional exports volume with 8,916 units and 75,770 units, respectively.

Foreign exchange equivalent of our exports has reached to EUR 1,408 million.

<b>Exports (unit)</b>	<b>2008-9</b>	<b>2007-9</b>	<b>Change %</b>
Cars	32,061	37,624	-14.8
Light Commercial Vehicles	127,629	48,338	164.0
CKD/SKD	16,368	14,208	15.2
Total	176,058	100,170	75.8

## **Production**

As stated in our special case declarations, our plant suspended production activities for 2 days on 18.02.2008 and 19.02.2008 as well as on 22.02.2008 and 23.02.2008 due to a suspension of production in FPT Poland plant that we supply our 1.3 diesel engines as a result of a quality control problem in a part supplied from subsidiary industry; however, CKD, component production, mould production and maintenance workshops continued their activities in accordance with the exports orders in this period. Furthermore, our Plant has been shutdown between and including September 24th 2008 and October 7th 2008 so as to include the Ramadan Holiday plus 3 business days before and 3 business days after the Ramadan Holiday with the consideration of the decreasing domestic orders due to the European economic depression. Production has resumed as of October 8th 2008. Our production was 143,121 units in September 2007 and reached to 225,872 units in September 2008 with a 58% increase as seen in the following table.

<b>Model</b>	<b>1 Jan -</b>	<b>1 Jan -</b>
	<b>30.Sep.08</b>	<b>30.Sep.07</b>
Doblo	89,456	97,429
MCV	92,786	379
Linea	15,942	14,376
Albea	9,143	14,045
Palio – Palio Van	2,066	2,834
CKD / SKD	16,479	14,058
Total	225,872	143,121

## **Sales and Turnover**

### **Evaluation of the Turkish Automotive Market-First 9 Months**

When compared to the previous year's first nine months, it is seen that the Turkish automotive market has grown by 3.9%. TOFAS, on the other hand, has increased its sales by almost 5% when compared to the same period of the previous year.

When the passenger car and light commercial vehicle markets are taken into account, it is seen that the passenger car market has grown by around 8.6% when compared to the same period of 2007 whereas the light commercial vehicle market has narrowed by around 3%. Tofas has increased the sales in the 5%

narrowing light commercial vehicle by 12.9% when compared to the last year. It is seen that our sales volume in the passenger car market has narrowed by 3.6% when compared to the first six months of 2007.

Domestic and foreign sales figures are shown below.

	Domestic Market		Foreign Market		TOTAL	
	2007-9	2008 - 9	2007-9	2008-9	2007-9	2008 - 9
Cars	23,117	20,745	37,624	32,061	60,741	52,806
Light Commercial Vehicles	26,445	36,502	48,338	127,629	74,783	164,131
CKD/SKD			14,208	16,368	14,208	16,368
<b>Total</b>	49,562	57,247	100,170	176,058	149,732	233,305

Sales revenue of our Company as calculated in accordance with the International Financial Reporting Standards has been realized as follows:

Description	1 Jan -	1 Jan -	Change %
	30.Sep.08	30.Sep.07	
Foreign sales	2,666,411	1,416,775	88.2
Domestic sales	1,115,144	1,014,404	9.9
Other revenues from core businesses	108,794	53,221	104.4
<b>Total</b>	3,890,349	2,484,400	56.6

Increases in our domestic sales and exports in the recent years have positively impacted the financial business results of our company thereby improved the profitability.

## **INVESTMENTS**

Our company has made an investment worth EUR 209.7 million in the first nine months of 2008.

### **Financial Status**

We have started to reimburse the credit obtained for the production of Mini Cargo in equal installments between between 2008 and 2015, and the outstanding amount as of September 30th, 2008 is YTL 533,015 (EUR 296,482). Long-term Euro credits are used for financing the production investment of Doblo and Mini Cargo models. The Group has obtained a credit limit of EUR 350 million for the Mini Cargo investment through two separate agreements with various financial institutions in 2006. The credit reimbursement for Doblo model is guaranteed through the purchases to be made by Fiat and the credit reimbursement for Mini Cargo model is guaranteed through the purchases to be made by Fiat and PSA pursuant to production agreements signed. Accordingly, Fiat and PSA have undertaken the risk that the Group may be exposed in relation with this credit in the future due to fluctuations in exchange rates and interest rates.

Our Company has signed a credit agreement with a consortium that consists of Societe Generale, Calyon, Fortis Bank S.A., Ing Bank NV and Intesa Sanpaolo Banks as the coordinators, creditors and guarantors; European Investment Bank (EIB) as the guarantor and creditor; and Servizi Assicurativi per Il Commercio Estero S.p.A. (SACE) as the guarantor for a total of EUR 450 million on March 4th, 2008 and YTL 251,692 (EUR 140,000) is being utilized as of September 30th, 2008. The said credit agreement will be used for financing the investment on development and production of the 263 project. The credit is for a period of ten years with two years grace period.

### **Management Activities and Results**

By the end of the period, our company's top management and their duties are as follows:

Name-Surname	Position
ALI AYDIN PANDIR	CEO & Board Member
CENGİZ EROLDU	Financial Director
MASSIMO RISI	Industrial Operations Director Fiat & Commercial Vehicles Business
OKAN BAS	Division Director
KEMAL YAZICI	R&D Director
SELÇUK ÖNCER	Accounting Director
ALTAN AYTAÇ	Supply Chain Director
M. OSMAN SOYOGUL	Production Director
BURHAN ÇAKIR	Human Resources Director
TURHAN ÇELTIKÇIOĞLU	After Sales and Spare Parts Director
YÜKSEL ÖZTÜRK	Purchasing Director

AHMET NUMAN	
ALTEKIN	Linea Project Director
ÇAGLAR SAHIN	MCV Project Director
BANU KALAY ERTON	Corporate Relations Director
	Alfa Romeo and Lancia Business
ARZU ÇOLAKOGLU	Division Director
A.TUNÇ NOYAN	IT Director

**We can summarize the other administrative issues related with our personnel as follows;**

The registered personnel number of the company by 30.09.2008 is 8,749. 1,254 of this are officers and administrators, and 7,495 are workers. No disagreement nor worker movement observed during the period in terms of activities.

Our company is subject to union collective group agreement signed between Turkish Metal Industry Trade Union and MESS to be valid as of 01.09.2006 and signed on 21.10.2006. The said agreement is expired as of 31.08.2008 and negotiations are started for the new period.

The IFRS severance payment liability of our company as of 30.06.2008 is YTL 73,070,578.53 which is fully reserved.

Our staff's social rights are regularly and periodically provided within the legal regulations.

**General Assembly Information**

The Minutes of the Meeting and the List of Participants issued and signed in relation with the 40th Ordinary General Assembly Meeting of our Company held on 24.04.2008 is posted at our website. The General Assembly has discussed and approved our consolidated financial statements dated 31.12.2007 issued in accordance with IFRS within the scope of the articles of agenda as well as other matters included within the context of the Report Board of Directors.

It has been decided to accept the profit distribution proposal of the Board of Directors and distribute a cash dividend of YTL 90,000,000 corresponding to 18% and therefore to pay 0,18 Ykr = net cash dividends for each share certificate of 1 Ykr nominal value to fully liable institutions and institution partners who receives profit shares through an office and permanent representative in Turkey and to pay cash dividends of gross 0,18 Ykr and net 0,155 Ykr for each share certificate of 1 Ykr nominal value to our other shareholders and the profit distribution date has been determined as May 12th, 2008.

Furthermore, as a result of the election for the membership of the Board of Directors, Mr. Mustafa V. Koç, Mr. Sergio Marchionne, Mr. Ali Aydin Pandir, Mr. Temel Atay, Mr. Bülent Bulgurlu, Mr. O. Turgay Durak, Mr. Alfredo Altavilla and Mr. Paolo Monferino, all of whom are the current members, are reelected whereas Mr. Mert Bayram, Mr. Alessandro Gili and Mr. Serkan Özyurt are reelected as the Auditors.

Mr. Mustafa V. Koç is appointed as the Chairman and Mr. Sergio Marchionne is appointed as the Vice Chairman pursuant to Decision 2008/08 of the Board of Directors on the Distribution of Duties of the Board of Directors.

The minutes of the General Assembly Meeting also includes that a total of YTL 2,147,755.34 donation has been made to foundations and associations with tax exemption including YTL 2,000,000 donation to Vehbi Koc Foundation in 2007, that Mert Saban Bayram, Serkan Özyurt and Alessandro Gili are appointed as the Auditors until the next Ordinary General Assembly Meeting to be held for examining the accounts of the year 2008, that the appointment of Ernst&Young-Güney Bagimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.S. as the independent auditors by the Board of Directors as of the financial year of 2008 is approved and the relevant agreement is accepted.

Profit Distribution Table can be found at our Company website

**TO THE BOARD OF DIRECTORS OF  
TOFAS Türk Otomobil Fabrikasi A.S.**

## **REPORT OF THE COMMITTEE RESPONSIBLE FOR AUDITING**

We hereby convene to examine and deliver opinion on the Consolidated financial statements that cover the accounting period of January 1st - September 30th, 2008 and its footnotes which are under the responsibility of the Company and issued in accordance with the IAS / IFRS and drafted in compliance with the formats obliged to be observed in accordance with the Communiqué Volume: XI, No: 29 of Capital Markets Board (CMB)

In this examination, we have assessed the consolidated financial statements of the accounting period between January 1st and September 30th 2008, which are to be publicized, in terms of accuracy and compliance with the accounting principles observed by the company and the facts. We have obtained opinions of the responsible directors of the company whenever it is deemed necessary.

According to our opinion, the consolidated financial statements issued in accordance with the Communiqué Serial XI., No: 29 of Capital Markets Board (CMB) accurately reflect the financial status of the Company as of the mentioned period and the actual outcomes of the activities pertaining to the mentioned period.

As a result, we hereby present to the opinion of the Board of Directors the approval of the report that includes financial statements that are not underwent independent audit and the notes related thereto. Istanbul, 30.10.2008.

Yours Sincerely,

### **Committee Responsible for Auditing**

**O. Turgay DURAK**

**Paolo MONFERINO**

**TO THE BOARD OF DIRECTORS OF  
TOFAS Türk Otomobil Fabrikasi A.S.**

**THE REPORT OF THE CORPORATE GOVERNANCE COMMITTEE**

We, as the Committee in charge of Corporate Governance, have reviewed the Adoption Report that was issued for inclusion in the attachment of the Activity report in accordance with the Corporate Governance Principles of CMB and Corporate Governance applications of our Company, and approved and published along with our Corporate Governance Principles Declaration, and agreed upon the continuance of our existing Corporate Governance activities.

Furthermore, as you know, our Company has conducted a Corporate Governance Rating and the said rating report as well as the rating of our company are declared as 7.57 (75.72) on 28/05/2007 in ISE, and as a result of our improvement efforts in the field of corporate governance, our rating is revised and increased to 7.74 (77.36) on 28/11/2007 and declared in ISE on the same date.

As stated in the said Interim Revision dated 28/11/2007 in accordance with the Corporate Governance Rating Reporting activities of Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.S. that was assigned by our Company within the scope of CMB Corporate Governance Principles, the said rating company also confirmed our rating of 7.74 as of 28/05/2008.

In accordance with the confirmation of the current rating of 7.74 assigned to our Company by the said rating company as a result of the evaluations, it is decided to notify ISE on this matter as of the same date. 28.05.2008

Yours Sincerely.

**CORPORATE GOVERNANCE COMMITTEE**

**Cengiz EROLDU**

**Ali Aydin PANDIR**

**O.Turgay DURAK**

(\* Furthermore, the Corporate Governance Principles Declaration and Adoption Report as well as the Corporate Governance Rating Reports can be found at the Company website ([www.tofas.com.tr](http://www.tofas.com.tr)) .