

TOFAS TÜRK OTOMOBİL FABRİKASI A.S.

31.03.2008

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

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

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>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

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 March 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 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

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 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 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 will start to pay 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 31.03.2008, 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 31.03.2008, 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 31.03.2008, 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

Also by 31.03.2008, 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 31.03.2008, 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 94.14% increase in exports is the increasing exports volume. In this period, Linea and MiniCargo are launched in May and October 2007 and created additional exports volume with 2,538 units and 28,230 units, respectively.

Foreign exchange equivalent of our exports has reached to EUR 500 million.

Exports (unit)	2007-3	2008-3	Change %
Cars	11,103	10,354	-6.77
Light Commercial Vehicles	17,086	47,812	179.88
CKD/SKD	5,208	6,672	28.11
Total	33,397	64,838	94.14

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. Suspension of production will not cause any changes in our annual production plan. Nevertheless, our production was 42,650 units in March 2007 and reached to 80,507 units in March 2008 with an 88.8% increase as seen in the following table.

Model	1 Jan - 31.Mar.08	1 Jan - 31.Mar.07

MCV	31,476	16
Albea	2,682	3,625
Palio – Palio Van	451	544
CKD / SKD	6,672	5,286
Linea	4,451	171
<u>Total</u>	80,507	
		42,650

Sales and Turnover

Our total sales increased by 89% and reached to 83,981 units when compared to the same period in the last year.

The share of exports in total sales continued to increase and reached to 77% levels.

	Domestic Market		Foreign Market		TOTAL	
	2007	2008	2007	2008	2007	2008
Cars	4,379	7,406	11,103	10,354	15,482	17,760
Light Commercial Vehicles	6,770	11,737	17,086	47,812	23,856	59,549
CKD/SKD			5,208	6,672	5,208	6,672
Total	11,149	19,143	33,397	64,838	44,546	83,981

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

	1 Jan - 31.Mar.08	1 Jan - 31.Mar.07	Change
Foreign sales	895,438	469,090	0.91
Domestic sales	381,585	247,969	0.54
Other revenues from core businesses	32.850	16.273	1.02
Total	1,309,873	733,332	0.79

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 56.4 million in the first quarter of 2008.

Changes in Financial Status

As stated in our special case declaration dated 04.03.2008, 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 in Geneva. 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 10 years with 2 years grace period. The total cost of the credit including expenses is Euribor+1.275.

As a result of this, our credits totaled to YTL 696,209,798.58.

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

BURHAN ÇAKIR	Human Resources Director
TURHAN ÇELTIKÇIOĞLU	After Sales and Spare Parts Director
YÜKSEL ÖZTÜRK	Purchasing Director
AHMET NUMAN ALTEKİN	Linea Project Director
ÇAĞLAR SAHİN	MCV Project Director
BANU KALAY ERTON	Corporate Relations 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 31.03.2008 is 8,648.

1,095 of this are officers and administrators, and 7,553 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 agreement conducted is for 2 years period and ends up in 31.08.2008.

The severance payment liability of our company as of 31.03.2008 is YTL 67,774,160.41 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.

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 - March 31st, 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 March 31st 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 auditor of the independent auditing company and the responsible directors of the company whenever it is deemed necessary.

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, 05.05.2008.

Yours Sincerely,

Committee Responsible for Auditing

O. Turgay DURAK

Paolo MONFERINO

THE CORPORATE GOVERNANCE PRINCIPLES DECLARATION

Pursuant to CMB (Capital Market Board) meeting decision 48/1588 made on 10.12.2004, it has been deemed appropriate for the companies having transactions in ISE (Istanbul Stock Exchange) to include their declaration of adoption to the Corporate Governance Principles on their Activity Reports and Web Sites, and in this context, our Company has issued the "Corporate Governance Principles Declaration and the Adoption Report" for 2004, 2005 and 2006 terms in our website and included in our Activity Report as of the Shareholders' General Assembly Meeting 2005.

Implementation of Corporate Governance Principles has a decisive importance for our Company under the developments in the Capital Markets. Our Company has adopted to the implementation of Corporate Governance Principles published by Capital Market Board and to make arrangements in such matters that should be observed in the light of developing conditions. In this context, our Company has performed a Corporate Governance Rating in 2007 and declared the rating as 7.57 (75.72) and has become one of the first five companies that have promulgated the Rating Report in ISE. Furthermore, the existing rating of our company has been revised as 7.74 (77.36) within the scope of improvements in Corporate Governance applications and has become the first company that increased the said rating after commencement of ISE Corporate Governance Index. The said Rating Reports can be found at www.tofas.com.tr website.

Our Company aims to take actions required for application of the Corporate Governance during decision-making and actions related to the rights of shareholders, informing the public and assurance of transparency as well as interest holders and Board of Directors together with its stakeholders. In this context, it is one of the principal goals of our Company to implement the said Principles in connection with the equality of all stakeholders, information responsibility and corporate governance principles. Activities of our Company are being implemented and followed up within the framework of responsibilities regarding these Principles.

Our **Adoption Report on the Corporate Governance Principles** including **2007** activity term is submitted to your information below so as to cover the applicable and non-applicable issues of the said Principles after being reviewed as per the priorities of our Company in this respect.

Moreover, the following new Corporate Governance Adoption Report can be accessed and reviewed from the (www.tofas.com.tr) website.

CORPORATE GOVERNANCE COMMITTEE

Cengiz EROLDU

Ali Aydin PANDIR

O.Turgay DURAK