

THE CORPORATE GOVERNANCE PRINCIPLES DECLARATION

Pursuant to CMB's (Capital Market Board) decree with the number of 48/1588 on 10.12.2004, it has been deemed appropriate for the companies having transactions in ISE (Istanbul Stock Exchange) to include their declaration of Corporate Governance Principles that are related to regulations on their Activity Reports and Web Sites. Within this scope, application of Corporate Governance Principles in line with development of capital markets and effectiveness of companies offered to public has a decisive importance for our Company under the frame of domestic and international markets.

Our Company has been considering the application of Corporate Governance Principles published by Capital Market Board and observation of the regulations to be followed subject to the developing conditions under the frame of development of capital markets. The company targets 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. In this connection, our company observes execution of the said principles and targets to ensure them in strict loyalty to equal treatment for shareholders, responsibility to inform and Corporate Governance Principles.

Please find below the **ADOPTION REPORT** containing the matters of Corporate Governance Principles in terms of those applied and the non-applied ones during Activity Year of 2004, subject to legal regulations in terms of current managerial activities and regulation. You can also access it at the Internet site of Our Company www.tofas.com.tr.

Our company will continue to conduct the required studies in order to bring more common and permanent outcomes into practice under the scope of essential benefits of the Corporate Governance Principles and applications during the coming periods, and will act in line with the responsibility of the same principles.

ADOPTION REPORT ON THE CORPORATE MANAGEMENT PRINCIPLES

Chapter 1:

SHAREHOLDERS :

Shareholder Relations Unit

1. Shareholder Relations Unit under External Relations Group Director Office was established with the objective to hold General Assembly Meetings of Shareholders and meetings of Boards of Directors and Auditors, to organize the use of shareholders' rights and maintain of the minutes thereof, to represent the Company in front of concerned establishments and instructions, especially Capital Market Board and Istanbul Stock Exchange and to meet the information demands of the shareholders. The Unit follows up the arrangements made and to be made under Capital Markets Regulation and providing information to the public under the regulation ranging from capital increase to maintaining records of the shareholders, and fulfillment of information requests in regards with the Company including internet sites of shareholders. The authorized person of the Unit is **Mr.Dr. Adil Salepçiođlu** and you can access him to get more information through borsa@tofas.com.tr or at internal phone numbers which are (0212) 275 33 90 /1812 and (0212) 275 29 60 / 1899.

Use of Rights to Information by Shareholders

2. 50 shareholders who have registered by enrolling their names on the list of the last Board Meeting's participants have been informed about financial and managerial subjects. In the period, shareholders that requested information by coming to the Company in person or exercised their free-of-charge share rights are 102 except the ones accessed via phone, and in the same period, required answers have been given to 96 shareholder applications and their information requests at borsa@tofas.com.tr.

Company Internet Web site features the information "Investor Relations" section and related links (Corporate Management - Shareholder Relations) leading to managerial and financial data, and ISE data that our Shareholders may access.

The required activities were completed in order to establish KAP (Public Informing Project) technical studies of the project have been carried out by Tübitak-Bilten electronic operating system at the Company, and now the project has been in use. In addition, actions regarding subscription to Central Registration Agency established for track of dematerialized capital market instruments have been completed and a considerably essential progress has been realized regarding record follow-up of the shares.

3. The Articles of Association do not contain any provision about an individual right to appoint a "special auditor" in case of request. No request for appointment of a special auditor has reached to the company during the period. Neither current regulations nor general practice has any information and application regarding this matter. Our Company has been subject to audits by main two shareholders (KOÇ and FIAT) and Independent External Audit and has legal effect.

Information about General Meeting

4. Within the period, ordinary General Assembly Meeting of the Shareholders was held on April 13, 2004. General Meeting calls have been made to the shareholders in Turkish Trade Registry Gazette to those holding registered shares in the Shareholders Book in writing and in two nation-wide daily newspapers for bearer shareholders with full information required to be contained hereunder under the relevant provisions and within due legal time period. Names of the 50 shareholders that obtained participation documents that stand as an entry card from Our Company or were listed in the blockage documents obtained from ISE Settlements and Custody Bank, Inc. registered in the attendance list. In addition, participation of anyone who desired to attend to Meeting was ensured. Within this scope, representatives of press, authorities of various investment trusts and banks attended the Meeting as well.

Procedure of general meeting is made to ensure the utmost presence of the shareholders and the minutes of such meetings shall be accessible in writing or electronically at all times.

Financial tables and activity reports are made available at the registered office of the company minimum 15 days prior to General Assembly Meeting. General Assembly Meeting calls are made minimum 3 weeks prior to General Assembly Meeting. Following submission of financial tables to ISE and publication of the Activity Report, any information and reports to be discussed at the General Assembly Meeting are sent to the addresses of those requesting by post. Facsimile or e-mail in a manner ensuring the quickest receipt. The records shall be maintained at the locations, including electronic media, where shareholders have the easiest access.

Shareholders are entitled to inquire and express their opinions about the matter at general meetings of our company. Therefore, inquire of the shareholders, suggestions about the

agenda items, delivery of speech regarding the suggestion are provided by the Board of Meeting as per the provisions. In line with this, written suggestions made by a shareholder about various subjects have been appended to General Meeting Minute that can be accessed via the web site (www.tofas.com.tr) In addition, it can be seen in the documents that the votes of the shareholders against some articles were registered in the Meeting Minute as well. All information including Annual Activity Reports, financial tables and independent auditor report, dividend distribution recommendation and General Meeting agenda and if any, form for information and documentation as well as voting in proxy, recent version of Articles of Association, amendment texts thereof, if any, Special Case Explanations, capital shares of the shareholders and Adaptation Report on Corporate Governance Principles is also accessible in electronic medium.

Upon a shareholder's suggestions including executing the required work and the demand for inspection, he was given this opportunity as it was deemed appropriate by the Company Senior Management. In line with our shareholders' opinions, information was obtained from him and certain subjects were taken into consideration.

Article 3 titled “Objective and Subject” of the Articles of Association covers the activities that might be performed to realize the objects and subjects of the company and unless any resolution to amend them is taken by the General Meeting, the Company is not entitled to perform the activities it wishes. The matters such as merger with other companies take over of another company or separation shall be resolved by the General Meeting upon suggestion of the Board of Directors. In addition, the Company may purchase, construct, sell, rent, mortgage or receive mortgage of any types of real estate and bestow real rights on them as an amendment to the Articles of Association in the form approved by the Board of Directors. The Articles of Association of the company are accessible from our Company web site (www.tofas.com.tr).

The minutes and attendance lists of all general meetings of all years can be accessible at Head Office of the Company and they are also available at Istanbul Trade Registry Office, Turkish Trade Registry Gazette Archive. In addition, it is also possible to access the “pdf” files containing minutes of general meetings held during last 2 years via our web site.

Voting Rights and Minority Rights

5. Each share entitles the holder one voting right and there is no voting privilege (Article 20 of the Articles of Association). Board of Directors and Auditor should be selected between the candidates nominated by the shareholders of Issue A and Issue D of Preferred Shares (Articles 9 and 15). Voting rights are exercised as per the provisions contained under the Articles of Association (Articles 21 and 22). The requirements of Capital Market Board regarding voting in proxy shall be observed.

In case of mutual participation, sovereign shareholder is not possible. The Articles of Association does not contain any provision about representation of minority shares in the management or collective voting method. Due to voluntary application matter and no need for sovereign shareholding by the major shareholders, provision on quorum was not applied for the existing General Meeting (Article 19 of the Articles of Association).

Dividend Policy and Dividend payment Time

6. There is no privilege regarding profit participation and dividend distribution. Article 29 of the Articles of Association about “Profit Distribution” is applied. Based on the requirements of the Capital Market Board regarding profit distribution, General Meeting’s approval and specified legal time period are applied. The dividends are paid to all of the shareholders as of

account period and equally without regarding acquisition dates. The said matter has been stipulated under the related article of the Articles of Association and the General Meeting submitted the provision for information of the shareholders.

Transfer of Shares

7. Article 8 of the Articles of Association “Sales of the Shares Registered to Title” has stipulated the provisions to be applied regarding sale and transfer of registered shares of Issues A and B and there are restrictions on transfer of shares subject to the said rules and arrangements. This features the protection of the existing rights of the dominant shareholders and the limitation of the transfer of shares to any automobile manufacturer or to companies that are controlled indirectly.

Chapter 2:

GIVING INFORMATION TO PUBLIC AND TRANSPARENCY :

Company’s Policy to give information

8. The Company aims to give correct, complete, understandable, analyzable and cost effective easily accessible information to the concerned persons in due time as per the policy to give information and transparency. Any request for information shall be considered unless the information requested is trade secret. However, the company has briefing activities conducted in accordance with policies of our affiliated domestic and foreign shareholders as well as strategic policies on which the said information, documentation and records are based. In addition, regulations on matters from relations with media to meetings open to public are made. Annual strategic communication plans shall specify the information to be given to public other than those stipulated under the Regulation or the frequency of public meetings.

In the coming periods the information policy to be observed in activities of the company to be formulated as per the said information giving procedures shall be released. **Mr. Nezh Olcay**, External Relations Group Director, is responsible for development and execution of such policies shall be authorized regarding the matter.

Special Case Explanations

9. Information on special cases is both given in written and through KAP-BIY computer program to ISE and CMB. The said explanations shall be released to the public together with the regulation in detail and within due period. Within the period (Until the date following the date this report has been issued following the General Meeting on 13.04.2004), 16 Special Case Explanations were submitted to ISE and 2 of them were given upon request of ISE as 1 of them were give upon request of CMB. Special Case Explanations were submitted on 13.04.2004, 05.05.2004, 15.07.2004, 12.10.2004, 25.10.2004, 28.10.2004, 12.11.2004, 14.12.2004, 15.12.2004, 20.12.2004, 18.01.2005, 11.02.2005, 18.02.2005, 28.02.2005, 01.03.2005 and 18.03.2005. No information, except the ones given to our Exchange Market, was given to any Exchange Market quoted abroad. In addition, no delay requiring notice from CMB has occurred.

Company Web Site and Its Content

10. Our company has an active and updated web site. The information to be needed about the company is provided in details in the web site. Being updated as per developments, the web site at www.tofas.com.tr, as aforementioned, also has a section titled “Investor Relations” containing minimum matters as required by Capital Market Board. Activity Report of the

Company can be obtained in hard copy as well as accessible at our web site. The electronic information requests are replied.

Declaration of Real Person Final Shareholder/Shareholders

11. Except major shareholders, Koç Holding A.Ş. and Fiat Auto S.p.A., there is no other shareholder having more than 5% of the shares. The Members of the Board, executive management and shareholders holding more than 5% of the shares of the company directly or indirectly release the information on transactions made regarding capital market instruments and shares and outcomes thereof.

Announcement of the Persons Capable to Gain Inside Information

12. Considering that the information and strategic resolution only entitled to the top management of the company and assuming that the public is not able to know those persons and no legal requirement in this direction exists, it has not been needed to announce the names of them. However, Top Management of the company has taken all actions required to prevent use of the information accessible internally. The top management entitled to access the information that is likely to effect the capital market instruments of the company in capital market consists of Board of Directors and Group Directors of the Company. Therefore, the list of those entitled to access such information contains **Mr. Mustafa V. Koç, Mr. Sergio Marchionne, Mr. Temel Atay, Mr. F. Bülent Özaydınlı, Mr. M. Selçuk Gezdur, Mr. Paolo Monferino, Mr. Alfredo Altavilla, Mr. Diego Pistone** along with the Company CEO **Mr. Diego Avesani**, External Relations Group Director **Mr. Nezih Olcay**, Accounting, Finance and Control Group Director **Mr. Sergio Spinolo**, Commercial Group Director **Mr. Müfit Ataseven** and Industrial Group Director **Mr. Giorgio Margiaria**.

Chapter 3:

INTEREST HOLDERS :

Information to Interest holders

13. The interest holders are employees, suppliers, customers and third persons in director relationship with the company. The said interest holders are informed regarding the matters concerning them and organizations, briefing and arrangements regarding explanations are all held by the Company. corporate governance applications ensure guarantee of rights of the interest holders stipulated or not yet stipulated under regulation.

Participation of the Interest Holders in the Management

14. Participation of the interest holders in improvement activities regarding administrative matters and expressing their opinions actively in this direction as well as analyzing the matters are performed under the procedures prepared by the company. From EFQM model to Kaizen works, there are systematic meetings and training programs as well as “employment evaluation enquiry “ ranging from self-evaluation meetings open to all blue and white collars, open door meetings all based on total quality philosophy and targeting improvement of efficiency where both employees and suppliers as well as customers may reflect their requests are carried out in line with Human Resource policies. From dealer community meeting to shareholders' factory visit, works that will increase the social activities for any group are planned and executed. In addition, the company also has a system where customer requests are followed up from sales and distributor network and are reflected into management and required feedbacks are received in this line.

Human Resource Policy

15. The human resource policy of the company has been established and applied. Recruitment policies, career planning, improvement and training policies for employees all specified under this framework are stipulated under Personnel Regulation. Various committees have been established to execute relations with the employees and employees have a representative in each of those committees; however, no representative has been selected and/or assigned to execute relations directly with the employees. The activities are conducted in harmony with Human resource Policy put into effect by Koç Group and the rights and working conditions of both white and blue collars are assured without any discrimination or bad-treatment. No complaint has taken regarding the matter during the period.

Information about Customer-Supplier Relations

16. Any and all actions to ensure customer satisfaction during marketing, sale and post-sale of the goods and services of the company have been taken and put into practice. The demands of customer satisfaction and the demands regarding the products the customer has bought are met rapidly and the result thereof is informed to the customer. The principles and policies for suppliers as well as satisfaction criteria in customer centered product and services are regularly measured and followed up by the related units of the company.

Social Responsibility

17. Social activities for the neighborhood where the factory is located and the public in general are arranged according to the Corporate social responsibility and effect on public criteria. In this context, the social activities conducted during the period have been detailed in the Activity Report. No complaint regarding environmental problems caused have been received and we have records including environmental assessment reports.

Chapter 4:

BOARD OF DIRECTORS :

Structure, Composition and Independent Members of the Board of Directors

18. The Board of directors of the Company has been composed as per provisions of the related law and the Articles of Association. The members of the Board of Directors, including Chairman, have no direct executive nature in the company. In addition, as the members of the Board are elected as representative of certain shareholding groups, they are not in the nature of independent member specified under Corporate Governance Principles.

At the moment, our Board of Directors is constituted of **Mr. Mustafa V. Koç** (Chairman), **Mr. Sergio Marchionne** (Vice Chairman), **Mr. Temel Atay** (Member), **Mr. F. Bülent Özyıldın** (Member), **Mr. M. Selçuk Gezdur** (Member), **Mr. Paolo Monferino** (Member), **Mr. Alfredo Altavilla** (Member) and **Mr. Diego Pistone** (Member). Company CEO is **Mr. Diego Avesani**.

Regarding employment of the members of the Board outside the Company, there are no restrictions other than those stipulated under regulations and rules resolved by the Board of Directors. Employment of them in group companies and other matters are subject to provisions of Turkish Trade Code. Articles 9 and 10 of the Articles of Association stipulates structure and office period of the member, while articles 11 and 12 powers and quorum of meeting and functions. The resolutions of the Board of Directors are taken with minimum

affirmative votes of five members of the Board provided that they are elected among those suggested by minimum two Issue A and minimum two Issue D shareholders.

Qualities of the Members of the Board of Directors

19. Chairman and Directors of the Board shall be formed in a manner ensuring effect and effectiveness at the highest level. Considering the provisions stipulated under Corporate Management Principles, the members are elected among those having the above qualifications and competent in management. The persons to be appointed to the position shall have the above-mentioned qualifications as of appointment date as well as having required knowledge.

Mission and Vision of the company and Strategic Objectives

20. The mission, vision and values of the company have been formulated and published and renewed upon revisions in line with the improvements. The values related to mission and visions of the company specified by the Top management of the Company and approved by the Board of Directors have been given under the Activity Report, and the activities of the related units regarding formulation and application of the strategic objectives are submitted to and followed up the Board of Directors by the Top management. The Board of Directors reviews and evaluates the past year performance and compares and contrasts and decides on the coming year objectives submitted by the top management.

Risk Management and Internal Control Mechanism

21. A risk management and internal control organization is formed depending on financial and administrative activities of the company and the functioning and effectiveness thereof shall be followed up by Accounting, Finance and Control Group Director **Mr. Sergio Spinolo** as per related capital market regulation and rules.

Duties and Responsibilities of Members of the Board and the Executives

22. Article 11 of the Articles of Association stipulates the powers and authorities of the Board of Directors. In addition, required amendments to the Articles of Association are deemed necessary. The Company management is specified pursuant to Turkish Trade Code mainly based on representation and binding of the company, and the authorities are exercised pursuant to legal requirements.

Activity Basis of the Board of Directors

23. Titles or agenda items regarding Resolutions of the Board of directors are prepared and issued periodically or in line with the requirements arising. The number of the meetings of the Board may vary depending on the needs occurring. While 12 resolutions to hold meeting were taken during 2002, it was 19 during 2003, and the same was 18 during 2004. Presence and calls are made whenever business of the company requires and the Board of Directors convenes. Although no special secretariat has been established for communication, the Shareholder Relations Unit is responsible for preparation, issue and follow-up of the agenda of the meetings of the Board. In case of different voting on the resolutions occurs, the case and reasons thereof shall be noted. The resolution shall contain questions and responses thereto, if any. The resolution shall be signed by 5 members, minimum 2 from Issue A and 2 from Issue D shareholders in order to be effective and there is no cast vote or veto right.

Restrictions on Business and competition with the Company

24. The members of the Board of Directors are banned from conduct of business and competition with the company and in case of such actions that might cause conflict of interest; required actions shall be applied subject to the legislation in effect.

Ethical Rules

25. The Company has conducted studies regarding observance of ethical rules and applications as per them in general. Generally accepted ethical rules are observed in connection with regulations and arrangements as well as applications. In addition, the ethical rules will be specified under Corporate Governance Principles and be released to public as Tofaş Business Ethical Principles. The employees, interest holders and new regulations to be prepared under policy to give information shall be released whenever occurs.

Number, Structure and Independency of Committees to be established under the Board of Directors

26. Pursuant to article 12 of the articles of association, an executive committee -consisting of 4 persons, 2 from Issue A and 2 from Issue D shareholders- has been established. The committee has been established among the members of the Board of Directors in order to carry out the required actions in the intermediate period between the meetings of the Board of Directors.

A committee responsible for Inspection authorized to follow up financial matters, inspect periodical financial tables and notes under related Communiqué and submit its proposal based on Independent External Audit Report to the Board of Directors. The committee consists of **Mr. M. Selçuk Gezdur** and **Mr. Diego Pistone**.

Corporate Management Committee under Corporate Governance Principles has not been established yet. The action regarding the matter shall be taken as per the related regulation in effect and the regulations to be issued by Capital Market Board. Observance of Corporate Governance Principles shall be followed up by the Chairman of the Board personally.

The activities performed as per duties delegated to the said committees are forwarded to the Board of Directors. When needed, the specialist persons not being member to the Board can also be appointed to post in the said committees. The committees shall act in line with their responsibilities and submit their recommendations to the Board. The final decision shall be taken by the Board.

Financial Benefits allocated to the Board of Directors

27. The Chairman and the Members of the Board of Directors are not granted any benefits other than the fees specified at the General Meeting. No application based on performance or rewarding of the Board is applied.

During the period no debt has been granted to any members of the Board and Top Manager of the company, no credit has been utilized by them and none of them has used benefits through third persons as well as no guarantees in favor of them.