
REPORT OF THE BOARD OF DIRECTORS



Dear shareholders,

Welcome to the 36th Ordinary Meeting of the General Assembly of Shareholders of our company. I kindly and respectfully greet all of you.

We left behind a year with many political and economic developments crucial for the world as well as for Turkey.

After the coalition governments of the last 10 years, the coming to power of a single party government as a result of the general elections on November 3rd and the determination this government put forth both in constitutional reforms and in the application of the economic program despite the initial concerns about the government, have been positive realities. Actually we have witnessed the reflection of this determination on the economy.

On the other hand, the cancellation of the loan package expected from the US Government, due to the rejection of the Turkish National Assembly to notice that would permit the positioning of US military forces in Turkey, and also the atmosphere caused by the intervention of the United States in Iraq have affected the markets negatively.

Still, Turkey has overcome this period more easily than expected. Likewise, the consecutive positive developments that took place in terms of EU-Turkey relations played a positive role throughout this period.

Consequently, one can say with pleasure that the year which began with many concerns later became a setting for steady improvement, especially during the second half of the year. Turkey left 2003 behind, reaching most of the macro economic goals that were set.

In the year 2003, a growth rate of 5.9% in GNP and 5.8% in GDP have been achieved despite the 5% growth target set. The further increase in growth rates, especially within the last quarter of 2003, can be seen as a positive indication for the year 2004. The driving forces of growth have primarily been the improvements in industrial production, trade and exportation.

Another positive development in 2003 has been the success in lowering the inflation rate. WPI has dropped from 30.8 in 2002 to 13.9 and CPI to 18.4 from 29.7.

In light of these developments, 2004 appears to be a year open to development for Turkey. The most crucial development in 2004 that will determine the future of Turkey is the EU Summit that will be held in the Netherlands, Lahey in December.

In the path that will lead to Lahey, Turkey has many steps to take both in the political and economic spheres. One such primary issue is the search for reconciliation of the two communities in Cyprus.

Good intention and political determination that Turkey has so far displayed regarding the Cyprus issue can eliminate obvious and subtle obstacles in the way of our country, regardless of the decision taken by the peoples of the island.

I hope that the same political determination will be pursued in the efforts to implement the EU compliance laws and in the continuation of economic stability measures throughout 2004.

Dear shareholders,

The automotive industry which was affected quite adversely by the 2001 crises entered the year 2003 in a relatively good position and improved quickly after the second half of the year.

In addition to economic stability and trust, the law concerning scrap vehicles enacted in August and the fast decrease in interest rates in parallel with the macro economic realities have played a great role in such positive developments.

While the short terms interest rates of the Central Bank were around 44% at the beginning of the year, these rates dropped to a level of 24% and thus the monthly consumer loan rates dropped below 2%, encouraging the customers towards purchasing.

With all these positive factors, the domestic market which was around 150 thousand in 2002, experienced a growth up to 130% in 2003, leading sales to exceed 350 thousand.

The outcomes of 2003 have also been positive for Tofaş at the same degree. Even though the domestic market

demand dropped 3 points, to 12.4% in comparison to the previous year, we maintained our success in exports this year as well.

The main reason for the decrease in our domestic market share was the late launch of our below 1600cc diesel vehicles, in compliance with the fast growing diesel market, only in the last couple of months of the year.

Our new generation 1300 cc Multijet diesel engine which was launched simultaneously with Italy in September, will compensate for our insufficiency in these regards starting from next year.

In exports, we achieved to sell 82.614 vehicles in 2003, contributing largely to the Turkish economy with our exports worth 681.7 million Euros.

Tofaş, which was founded in 1969 to manufacture 20 thousand cars per year, manufactured its 2 millionth vehicle last year. Today our yearly manufacturing capacity has reached to 250 thousand.

I am positive that we will not have to wait another 30-35 years for the manufacturing of our 4 millionth vehicle. I believe that within 4 years we will gather to celebrate the entry of our 4 millionth vehicle into the manufacturing line.

I hope that the year 2004 will be a year of peace and welfare for the whole world and for our country. I wish you success, health and happiness.

Kind Regards,



Mustafa V. KOÇ

Chairman of The Board of Directors

THE BOARD OF DIRECTORS



Mustafa V. KOÇ

Chairman



Jan NAHUM

Vice Chairman



Giorgio FOSSATI

Member



**İ. Aydın
ÇUBUKÇU**

Member



Temel ATAY

Member



**Fevzi Bülend
ÖZAYDINLI**

Member



**Camillo
ROSSOTTO**

Member



Ezio BARRA

Member

THE BOARD OF AUDITORS



Nadir ÖZŞAHİN

Auditor



Luca MORONI

Auditor



**Fatih
EBİÇLİOĞLU**

Auditor



MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARDS OF AUDITORS WHO HAVE SERVED DURING THE PERIOD

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

REPORT OF THE BOARD OF DIRECTORS THE TERM Jan 13th, 2003 – Dec 31st, 2003

Presented to the Annual General Assembly, Dated April 13th, 2004

The Board of Directors

Name	Title	Inception	Terms	Expiry
Mustafa V. KOÇ	Chairman	16.04.2003		18.04.2005
Jan NAHUM	Vice Chairman	18.04.2002		31.03.2004
Gianni CODA	Vice Chairman	31.03.2004		18.04.2005
Temel ATAY	Member	18.04.2002		18.04.2005
Fevzi Bülend ÖZAYDINLI	Member	18.04.2002		18.04.2005
İ. Aydın ÇUBUKÇU	Member	18.04.2002		31.03.2004
M. Selçuk GEZDUR	Member	31.03.2004		18.04.2005
Maurizio MAGNABOSCO	Member	18.04.2002		01.08.2003
Ezio BARRA	Member	01.08.2003		18.04.2005
Camillo ROSSOTTO	Member	18.04.2002		18.04.2005
Giorgio FOSSATI	Member	18.04.2002		18.04.2005

Auditors

Nadir ÖZŞAHİN	Auditor	16.04.2003		13.04.2004
Luca MORONI	Auditor	16.04.2003		13.04.2004
Fatih EBİÇLİOĞLU	Auditor	16.04.2003		13.04.2004

The Authority of the Directors and Auditors and Limitations of Power:

Both the Chairman and the Directors have the authority specified in the relevant Sections of Turkish Commercial Code and in Article 11 of the Articles of Association. It is set forth in Article 16 of our Articles of Association that the Auditors are subject to the provisions of Turkish Commercial Code in respect of duty, authority and responsibility and other aspects of Auditorship.

