

## Board of Directors' Report



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### Our dear partners,

The late Vehbi Koç, the venerable founder of our group, wrote in a letter dated 1963 and addressed to his colleague Bernar Nahum, "I believe that whichever well-established company initiates operations in the Automotive Industry ahead of its competitors in this country will be the one to succeed".

Having been founded 40 years ago on the strength of this vision, Tofaş has gone on to become one of the leading and most innovative companies in its sector, realizing many "firsts" in the Turkish automotive industry. Sales figures realized in 2008 confirm that the company has attained its highest sales volume of the past 40 years, thereby contributing further to a proud list of accomplishments.

There has been a serious worldwide fluctuation in all sectors due to the global economic crisis in 2008. Indeed, the automotive sector, itself the driving force of the Turkish economy, was deeply impacted by recession in America, Europe and the Far East, both globally and domestically in the second half of the year. Despite such adverse conditions however, the total annual recession remained at a level of 17% thanks to the positive developments witnessed in the first six months of the year.

Having celebrated its 40th year in 2008, Tofaş turned in a particularly successful performance, especially during the first six months of the year. In the second six-month period, the company prudently managed to limit the effects of the crisis to a minimum thanks to timely precautions taken. Consequently, despite global economic recession last year, the company posted the highest sales figures of its 40-year history on total sales of 277 thousand 843 vehicles in foreign and domestic markets. And having realized an increase of 23.8% in performance terms over the previous year Tofaş remained the proud dynamo of the sector and the Turkish economy itself on a net profit of 175.8 million TL and turnover of 4,798 million TL.

Despite the currently adverse nature of the global economy, Tofaş experienced increasing acceleration in 2008 as well, and registered significant

accomplishments in both national and international arenas.

At the end of 2008, Tofaş presented the models of 5 brands of global renown, namely Fiat passenger and commercial vehicles, Alfa Romeo, Lancia, Ferrari and Maserati which were well received by its customers, resulting in new domestic sales of 61 thousand 502 vehicles.

Despite shrinking demand and the deep economic recession that began in the second half of 2008, especially in Southern European countries, its key export markets, Tofaş managed to boost export incomes for 2008 by 43.3% year-on-year. The Fiat Fiorino, which created a new segment both in Turkey and in our export markets, and the success of which was confirmed by the international awards it garnered throughout the year, contributed significantly to this. Tofaş exported 99 thousand 383 Minicargo (Fiat Fiorino and other versions) and 85 thousand 299 Fiat Doblo vehicles last year.

While the company increased its commercial vehicle market share from 17.1% to 18.3% thanks to the dynamic performance of the Fiat Fiorino, Fiat Commercial Vehicles and the continued success of models like the Doblo that have retained their popularity over the years, it also realized an 8.8% market share in the passenger car market through its Fiat, Alfa Romeo and Lancia brands.

Another proud development for Tofaş in 2008 came when the Fiorino model, which represented the Fiat component of the Minicargo project realized by Turkish engineers and workers, was deemed worthy of the "Commercial Vehicle of the Year" award, regarded as the "Oscar" of the commercial vehicle class. Having been selected "Commercial Vehicle of 2009" by the "Van of the Year" jury consisting of 20 European journalists, the Fiat Fiorino followed in the footsteps of the Fiat Doblo and Scudo, thus proving its strength within the commercial vehicle range.

The fact that the Fiat 500 was voted "Automobile of 2008" by the "Car of the Year" jury, and that the Fiat Linea was voted "Autobest" by the "Autobest

2008" jury of 15 European journalists, indicated that Tofaş not only produced successful models, but also boasted engineering dexterity to global standards, by also playing a key role in the R&D process.

In Turkey, through successful cooperation with Fiat, the prime force of the Italian automotive industry, Tofaş will remain a leading automotive company and a source of pride for all, thanks to the value it contributes to the domestic economy, the employment it generates and the investments it continues to make in R&D and innovation. Within this context, Tofaş will continue its efforts towards becoming one of Fiat's three largest R&D centres.

### Dear Shareholders,

In being the first company to direct single production into three brands in the Turkish automotive sector, Tofaş has also progressively gained strength in Fiat's own arena on the back of its production quality and capability. In this context, our company is expending every effort towards attaining the Silver grade aimed at within the scope of its Manufacturing works (World Class Manufacturing) in the WCM World Class, as initiated in 2006.

And as the pioneering automotive company in Turkey to have become a significant global automotive sector player through its wide-ranging products and service chain, Tofaş will confidently sustain its leadership position going forward as well.

In conclusion, I firmly believe in our future success based not only on our 40-year history and broad experience as a leading automotive company, but also on the strength we continue to derive from you, our valued shareholders, our company partners and our employees in these difficult times.

Kind Regards,



**Mustafa V. Koç**

Chairman of Board of Directors