



ANNUAL REPORT
2012



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

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Section I

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Agenda of the General Assembly Meeting

AGENDA OF 45TH ORDINARY GENERAL ASSEMBLY MEETING OF THE SHAREHOLDERS OF TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ TO BE HELD ON 29 MARCH 2013

1. Opening and election of Meeting Chairmanship,
2. Reading, discussion and approval of 2012 Activity Report prepared by the Board of Directors,
3. Reading the Auditor's Report and Independent Auditor's Report Summary for 2012 accounting period,
4. Reading, discussion and approval of 2012 Financial Statements,
5. Approval of replacements of the Board of Directors members during the year under the article 363 of Turkish Commercial Code,
6. Acquittal of each Board Member for 2012 activities of the Company,
7. Acquittal of each Auditor for 2012 activities of the Company,
8. As per the regulations by Capital Markets Board, informing the shareholders on "Profit Distribution Policy" of the Company for 2012 and onwards,
9. Approval, approval with amendment or rejection of the Board's proposal on appropriation of 2012 profits and the date of appropriation,
10. Informing the Shareholders on "Remuneration Policy" for Board Members and Top-Level Managers and the payments made within the frame of such policy as required by Capital Markets Board regulations and approval of the policy,
11. Determination of monthly remunerations of Board Members,
12. Approval of selection of Independent Audit Firm and Community Auditor made by the Board of Directors as per the Turkish Commercial Code and Capital Markets Board regulations,
13. Approval, approval with amendment or rejection of the Board's "General Assembly Internal Regulations" offer including rules of principles and procedures on General Assembly,
14. Informing the Shareholders on any transaction carried out with the related parties regarding the regulations by Capital Market Board in 2012,
15. Informing the shareholders on Company "Information Policy" as per the Capital Markets Board regulations,
16. Informing the shareholders on assurances, pledges, securities and indemnities supplied by the Company in favor of third parties in 2012 as per the Capital Markets Board regulations,
17. Informing the Shareholders on donations and grants given to foundations and associations by the Company for social support purposes in 2012 as per the Capital Markets Board regulations (and setting a limit for such donations in 2013,)
18. Authorization of the majority shareholders, shareholder members of the Board of Directors, top level managers and their spouses and up-to-third-degree relatives within the frame of Turkish Commercial Code Articles 395 and 396 and Capital Markets Board regulations and informing the shareholders on such business and transactions of this nature in 2012 as per the Corporate Governance Principles,
19. Wishes and opinions.



Report of the Board of Directors

“As a strong manufacturer and strong distributor, Tofaş aims to proceed its way as a company insuring long-term sustainable and profitable growth through the power of its technology, output elasticity and the added value being provided for its shareholders.”

Dear Shareholders,

Valued Associates and Employees,

2012 was a year in which we achieved successful results in a challenging economic environment where the global changes prevailed.

The world still continues to influence by the follow-on ripples of 2008 global crisis. Global economic growth mainly progress under the leadership of developing countries such as China, India, Russia, Brazil and Turkey.

While the global economic growth expectation for 2012 was 3%, for developing countries this rate was 5%. 2,3% growth expectation for U.S. economy in 2012, in which the Euro Zone Economy shrank, interpreted as a significant impetus in terms of global economy.

In 2013, it is expected that the global economy shall follow a relatively better course compared to 2012. Again developing countries will take the most important role in global economic growth. In 2013, it is foreseen that the world economy and developing countries shall achieve respectively 3,5% and 5,5% growth. It is expected that the Euro Zone shrinkage will decreasingly prevail.

Global automotive industry also has a course in parallel with the developments in global economy. While the global market grows, regional differentials become more apparent. In 2012, global automotive market reached 83,4 million units, an increase of 4,4%. Within this period, while North America market grew 12%, in Europe, which is the largest export market of Turkey, effects of the crisis that prevailed throughout the year have taken effect. Europe automotive market fell to the level of 14,3 million units by shrinking 8,4%. It is a common expectation that this shrinkage will continue in Europe also in 2013.

In Turkish economy, the economic stability measures taken in 2012 after the rapid growth displayed in previous year had successful influence. In 2012, the import declined at the rate of 1.8%

due to relatively weak progress of domestic demand. Depending upon the market diversification in the import, national import recorded 13,1% increase on annual basis. Thus, in 2012 the foreign trade deficit decreased at the rate of 20,7% compared to previous year and the export/import coverage ratio rose to 64.5% level from 56,1%. It is expected that Turkish economy shall grow at the level of 2,8% in 2012. The Medium Term Program for 2013-2015 aims to reach potential growth rate, further decrease current accounts deficit, bring down the rate of inflation, improve public fiscal balances and strengthen macroeconomic and financial stability. Accordingly, it is foreseen that the national economy shall grow 4,5% in 2013.

Turkish automotive industry also influenced by the shrinkage in Europe which is our largest export market. While vehicle manufacturing maintained above 1 million threshold, our automotive industry exported approximately 730 thousand units vehicle. While our total automotive export quantity decreased 7,7%, light commercial vehicle export declined at the level of 10%. Nevertheless the automotive industry, together with key and subsidiary industries, recorded an export over US\$ 19 billion in 2012 and again achieved to be leader industry.

When we looked at the domestic market, in 2012 total market composing of automobile and light commercial vehicle, shrank at the rate of 10% with 777 thousand units. Market shrinkage was due to the increase in the rates of special consumption tax (SCT) as well as the deceleration in economic activity. Despite this situation, 2012 has been recorded as the second record year of the history in terms of automotive sales. It is remarkable that the automotive market followed a stable course for the last 4 years by maintaining over 700 thousand units.

It is expected that in 2013 Turkish automotive industry shall follow a course in parallel with 2012. It is foreseen that the domestic market shall be realized totally over 750 thousand units and the manufacturing shall recorded at the level of 1 million units.

Global developments came with some opportunities with regards to Turkey displaying a relatively stronger economic performance.

Turkey strengthens its position as the world's seventeenth-largest automotive manufacturer and Europe's largest light commercial vehicle manufacturer. New technology and R&D investments are of vital importance for our automotive industry to achieve assertive medium and long term targets. Accordingly, the sustainability of industry competitiveness will be maintained by attracting new and high value added investments into our country with the support of competent labor force, strong subsidiary industry and provided incentives. As the only automotive company that manufactures both automobile and light commercial vehicle in Turkey, Tofaş proceeds its way with its successes in cooperation with Koç Group and Fiat Auto for over 44 years. With its annually 400 thousand unit capacity, Tofaş is an automotive company which has Turkey's largest manufacturing capacity. In 2012, the company took the pride of manufacturing its 4 millionth vehicle.

As the only company simultaneously manufacturing for 5 global brands, including Fiat, Peugeot, Citroen, Opel and Vauxhall, in its factory in Bursa, Tofaş maintained its strong position in Turkish automotive industry in 2012. During this period, the company created 23,8% of total industry production with 256,428 unit production and 21,1% of sector export with 154,068 units export volume by itself. In 2012, with nearly US\$ 2,56 billion export amount, Tofaş became one of the three automotive companies which provide the highest export revenue for our country. Furthermore, in 2012 Tofaş provided a positive contribution for foreign trade balance with US\$ 394 million foreign trade surplus.

Tofaş is also one of the two leading companies in the domestic market. In consequence of global integration of Fiat and Chrysler companies, Tofaş became the Turkish distributor for sales and after sales of Chrysler Group products. As of the beginning of 2012, Tofaş successfully incorporated Jeep brand. The company has reached sales figure of totally 104,599 units in 2012 with the brands represented in domestic market. Having a 13,4% share in total market, Tofaş achieved the success of selling over 100 thousand units vehicle for last three consecutive years.

The sales and production success of Tofaş in 2012 reflects on its strong financial results. Tofaş announced net profit of TL 448 million in 2012 while sales revenue realized as TL 6,7 billion.

As a strong manufacturer and strong distributor, Tofaş aims to proceed its way as a company insuring long-term sustainable and profitable growth through the power of its technology, output elasticity and the added value being provided for its shareholders.

I would like to express my sincere thanks to our shareholders, customers, dealers, suppliers, sub-contractors, business partners, unions and employees for their unwavering support and their contribution to each success achieved by Tofaş.



Mustafa V. Koç
Chairman of the Board



Evaluation by the CEO

“Tofaş obtained favorable outcomes from the strategy of diversifying the export markets in an environment where the automotive market fell to the lowest level of last 20 years in its largest export market, Europe.”

Dear Stakeholders,

Tofaş, the leading company in Turkish automotive industry, continued to create added value for its investors with its strong financial structure while achieving its all targets in manufacturing, export and domestic market.

2012 was a year in which significant developments were experienced from the point of Tofaş. In consequence of Fiat-Chrysler global integration, Tofaş became the Turkish distributor for sales and after sales of Jeep brand. Thus, the number of brands under the roof of Tofaş rose to 6 as Fiat, Alfa Romeo, Lancia, Jeep, Ferrari and Maserati. Dealer network of Alfa Romeo, Lancia and Jeep brands have been restructured.

Tofaş proceeds its way as a powerful player both in Fiat-Chrysler and Turkish automotive sector. In consequence of successful performance exhibited by Tofaş, Turkey became the third largest market of Fiat behind Brazil and Italy and 6 of 100 Fiat branded vehicles sold in the global market offered to our customers in Turkey. Ranking second behind Italy in Europe in Fiat sales, Turkey recorded 17.6 % sale of Europe's total sales on its own in 2012. Accordingly, 1 of each 5 Fiat branded vehicles sold in Europe was offered to customers by Tofaş.

Linea model, which started to be manufactured with its new design in April, 2012, had a significant contribution to this success. Fiat Linea was the best-selling automotive in Turkey in 2012. Likewise, granted with many international awards and proved itself in its class, also Fiat Doblo showed the success of being best-selling light commercial vehicle. Fiorino model maintained its position in its class as most preferred light commercial vehicle in 2012 as well.

Tofaş continues to create added value for national economy through its manufacturing and export. Today Tofaş performs one fourth of Turkish automotive industry production and one fifth of its export on its own. In 2012, while manufacturing nearly 256 thousand vehicles, Tofaş exported over 154 thousand vehicles to more than 80 countries worldwide. Including domestic market and export, totally 272,480 unit vehicles sold in 2012. 85% of

nearly 105 thousand unit vehicles sold in 2012 through 6 brands represented in domestic market by Tofaş, comprised of the models manufactured at the plant in Bursa. By far leadership of Tofaş in the sector in this field still maintains.

Tofaş obtained favorable outcomes from the strategy of diversifying the export markets in an environment where the automotive market fell to the lowest level of last 20 years in its largest export market, Europe. With the production made for Opel and Vauxhall brands, in 2012 Tofaş also included Germany and UK into its leading markets in Europe in addition to France and Italy. The company began to export Doblo and Fiorino to South American market, as Argentina being in the first place. Share of South America, UK, Germany and MENA region, primarily Morocco in the export of Tofaş realized as 8.3%, 9.9%, 9.2% and 6%, respectively. Thus, the share of new markets in Tofaş's export portfolio recorded as 33.3%.

Tofaş also exhibited a successful financial performance in 2012. Recording TL 6.7 billion sales revenue and TL 448 million net profit in 2012, Tofaş put its signature under the investment amounting to € 96 million. The total investment amount of Tofaş made between 2007-2012 period reached € 1,233 million.

Tofaş manages the economic results of its activities as well as their environmental and social impacts as integrated with company policies in the light of future perspective and sustainability principle.

Tofaş is the top performer in Fiat-Chrysler world in the field of World Class Manufacturing (WCM) also distinguishes among Fiat-Chrysler Group plants with its highest rate through its ecological approach and practices. Thanks to the activities carried out in terms of energy efficiency, Bursa plant of Tofaş showed the success of being “most energy-efficient company” in 2012 among 200 plants of Fiat-Chrysler Group worldwide.

With the essential principle of non-polluting instead of refining to achieve the target of “0 waste/0 loss”, Tofaş was granted to first prize within the scope of EU Environmental Awards in 2012 in consequence of the activities carried out accordingly. Tofaş has

chosen as “Turkey's Best Company in Environmental Management” based on EU criteria.

Tofaş continued to create value for investors with the performance of its stocks on the Istanbul Stock Exchange (ISE). Moreover, today Tofaş has the highest credit rating of Corporate Governance Index among the automotive companies. Raising its score each year since 2007 in which ISE Corporate Governance Index has been established, Tofaş again raised its score to the level of 9.03 as of 2012 from 7.57 out of 10 recorded in 2007 and this constitutes a remarkable success. Tofaş was also granted to “Highest Scoring Corporation Award” in the category of Board of Directors in 2012 at the “Corporate Governance Awards” organized by Corporate Governance Association of Turkey (TKYD). This point, which has been achieved within the framework of Compliance with Corporate Governance Principles, is one of the most significant indicators that Tofaş is managed with a fair, transparent, accountable and responsible approach against all of our stakeholders.

Within the scope of corporate social responsibility activities, Tofaş successfully realized its ongoing activities in the field of education, sports and culture & art also in 2012.

In the education field, within the scope of “Vocational Education: A Crucial Matter for the Nation” project under the leadership of Koç Holding, Tofaş continued to support Fiat Laboratories in Vocational High Schools also in 2012. Tofaş Sport Club Basketball Schools reach nearly 4,000 students each year. Through the Basketball Volunteers project, Tofaş additionally reached 700 students from the different cities of Turkey in 2012. Within the scope of culture & art activities, Tofaş Museum of Anatolian Cars and Carriages, which has been operating since 2002 in Bursa, hosted over 100,000 visitors together with Toy Exhibition.

The mission of Tofaş is “Offering the products and services that best fit the society's mobility needs in order to increase the quality of living” and the vision is “Towards a million of vehicles... Being the leader automotive company that shapes the customer expectations and is a source of pride”. Tofaş proceeds its way with the target of sustainable success in the light of its mission and vision.

We have full confidence in the future of our company with the strength we take from our two powerful partners, devoted employees, strong financial structure, 6 brands that respond different customer groups, well-established subsidiary industry and dealer network.

I would like to express my sincere thanks to our stakeholders for their trust in us, and I wish to inform you that we will continue to work, with all our might, to be deserving of your confidence.

Kind Regards,



Kamil Başaran
CEO and Board Member



Board of Directors



Mustafa V. Koç

Chairman of the Board of Directors

Born in 1960, Mr. Koç has a degree in Business Administration from George Washington University (USA). He is Chairman of the Board of Directors of Koç Holding A.Ş.



Sergio Marchionne

Vice-Chairman of the Board of Directors

Born in 1952, Mr. Marchionne has a degree in Business Administration from Windsor University (Canada). He is CEO of Fiat S.p.A., Chairman of the Board of Directors and CEO of Chrysler Group LLC.



Kamil Başaran

Member of the Board of Directors

Born in 1956, Mr. Başaran graduated from Ankara State Academy of Architecture and Engineering, Mechanical Engineering Department and completed his master degree in Cologne University of Applied Science Fachhochschule Machine Construction Department.



Temel Kamil Atay

Member of the Board of Directors

Born in 1940, Mr. Atay has a degree in Mechanical Engineering from Istanbul Technical University and an MBA Wayne State University (USA). He is Deputy Chairman of the Board of Koç Holding A.Ş.



Osman Turgay Durak

Member of the Board of Directors

Born in 1952, Mr. Durak has an undergraduate and graduate degree in Mechanical Engineering from Northwestern University (USA). He is CEO of Koç Holding A.Ş.



Alfredo Altavilla

Member of the Board of Directors

Born in 1963, Mr. Altavilla has a degree in economics from the Catholic University of Milan. He is EMEA COO and Business Development President of Fiat S.p.A.

Auditing Board



Mert Şaban Bayram

Auditor

Born in 1971, Mr. Bayram is a graduate of the Faculty of Economics and Business Administration of Middle East Technical University. He is Director of Human Resources at Koç Holding A.Ş.



Giovanni Sella

Auditor

Born in 1952, Mr. Sella has an undergraduate degree in Electrical Engineering from Torino Politecnico University and an MBA from Stanford University (USA). Between January, 2011 and December, 2012 served as Controller of Business Development and International Operations of FGA. As of January 2012, Mr. Sella serves as Health and Diagnosis Support President in Fiat Services & Holdings and Fiat Sepin S.c.p.A.



İbrahim Murat Çağlar

Auditor

Born in 1973, Mr. Çağlar has a degree in Economics from Bilkent University. He is Coordinator of the Audit Group at Koç Holding A.Ş.



İsmail Cenk Çimen

Member of the Board of Directors

Born in 1967, Mr. Çimen has an undergraduate degree in Industrial Engineering from Istanbul Technical University, and he is a graduate of the Manager Development Program at Stanford University and California State University, Los Angeles. He is the President of the Automotive Group of Koç Holding A.Ş.



Kudret Önen

Member of the Board of Directors

Born in 1953, Mr. Önen has a degree in Mechanical Engineering from Gazi University. He is President of the Defence Industry, Other Automotive and Information Technology Group of Koç Holding A.Ş.



Ali Aydın Pandır

Member of the Board of Directors

Born in 1956, Mr. Pandır has a degree in Mechanical Engineering from Istanbul Technical University. He serves as President of Fiat S.p.A. and Fiat Industrial S.p.A. in Turkey since 2012.



Gianni Coda

Member of the Board of Directors

Born in 1946, Mr. Coda has a degree in Mechanical Engineering and retired from his position as EMEA COO of Fiat Chrysler.



Gökçe Bayındır

Independent Member

Born in 1939, Mr. Bayındır has a degree in Business Administration from Bosphorus University. He retired from Koç Group in 2000. Between 1971-2000, he served as Board Member in various companies of Koç Group, primarily Tofaş.



Libero Milone

Independent Member

Born in Netherlands and became Italian citizen, Mr. Milone underwent his education in the Netherlands and United Kingdom. He began his professional career in 1970 in UK as Chartered Accountant, currently serves as independent board member in various corporations.

Members of the Board of Directors and Auditing Board

BOARD OF DIRECTOR			Term
Name Surname	Position	Start Date	End Date
Mustafa Vehbi KOÇ	Chairman	31.03.2011	31.03.2014
Sergio MARCHIONNE	Vice Chairman	31.03.2011	31.03.2014
Ali Aydın PANDIR	Member&CEO	31.03.2011	20.01.2012
Kamil BAŞARAN	Member&CEO	20.01.2012	31.03.2014
Temel Kamil ATAY	Member	31.03.2011	31.03.2014
Osman Turgay DURAK	Member	31.03.2011	31.03.2014
Alfredo ALTAVILLA	Member	31.03.2011	31.03.2014
İsmail Cenk ÇİMEN	Member	31.03.2011	31.03.2014
Kudret ÖNEN	Member	31.03.2011	31.03.2014
Gianni CODA	Member	31.03.2011	31.03.2014
Lorenzo SISTINO	Member	31.03.2011	27.04.2012
Ali Aydın PANDIR	Member	27.04.2012	31.03.2014
Gökçe BAYINDIR	Independet Member	30.03.2012	31.03.2014
Libero MILONE	Independet Member	30.03.2012	31.03.2014

AUDITING BOARD			Term
Name Surname	Position	Start Date	End Date
Mert Şaban BAYRAM	Auditor	30.03.2012	29.03.2013
Giovanni SELLA	Auditor	30.03.2012	29.03.2013
İbrahim Murat ÇAĞLAR	Auditor	30.03.2012	29.03.2013

Authority and Limitation of Authority of the Members of the Board of Directors and Auditing Board

Both the Chairman and the Members of the Board of Directors have the authorities stated in the relevant articles of the Turkish Commercial Code and item 11 of the Company's Articles of Association. Item 16 of the Articles of Association state that the Auditors are subject to the Turkish Commercial Code regarding their duties, authorities and responsibilities.

SENIOR MANAGEMENT

As of the period end, senior managers of our Company and their positions are as follows:

Name Surname	Position
KAMİL BAŞARAN	CEO & Board Member
CENGİZ EROLDU	Finance Director
AKIN AYDEMİR	Industrial Operations Director
OKAN BAŞ	Fiat Business Unit Director
FILIPPO SESIA	R&D Director
SELÇUK ÖNCER	Corporate Relations and Internal Audit Director
MEHMET OSMAN SOYOĞUL	Production Director
YÜKSEL ÖZTÜRK	Purchasing Director
ALTAN AYTAÇ	Supply Chain Director
TURHAN ÇELTİKÇİOĞLU	After Sales and Spare Parts Director
AHMET NUMAN ALTEKİN	Technological Research and Innovation Director
İBRAHİM ÇAĞLAR ŞAHİN	Product Engineering Director
ZEKİ ERDAL ŞİMŞEK	Quality Director
BURHAN ÇAKIR	Human Resources Director
MEHMET HAKAN KORKMAZ	Information and Communication Technologies Director
ARZU ÇOLAKOĞLU	Corporate Relations Director
HÜSEYİN ŞAHİN	Sales Director



Section II

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Information on the Capital Structure and Shareholding of the Company

Shareholders Who Own More Than 10% of the Company's Capital

As of December 31, 2012, the Company had TL 1 billion in registered capital and TL 500 million in paid-in capital.

The most recent capital increase through bonus issues took place in 2005 and it was realized internally at a rate of 11.111111%, totaling TL 50,000,000. There has been no other capital increase in subsequent years, including 2012.

The 11th-19th issues of share certificates traded on the stock exchange and issued due to capital increases and the 20th issue of share certificates resulting from the merger with the dissolved company Tofaş Oto Ticaret A.Ş. were replaced in 2001 with the 21st issue of share certificates in line with Capital Market Legislation. In addition, the 22nd issue share certificates resulting from a capital increase in 2003 and 24th issue share certificates resulting from a capital increase in 2005 were registered at the ISE. The 23rd issue of share certificates was not related to capital increases and was not the result of dematerialization. Primarily, in the context of the dematerialization of capital market instruments and the initiation of the dematerialized system, all share certificates traded at the stock exchange and previously held at Takasbank were dematerialized. This was pursuant to CMB resolution number 43/1318, dated 28 October 2005, concerning the dematerialization of share certificates.

In addition, as of December 31, 2006, pursuant to the regulations of the Central Registry Agency (CRA), within the scope of processes started for the dematerialization of capital market instruments to enable the traceability of share certificates not dematerialized, in line with the relevant regulations of Capital Markets Board (CMB) published in 2007 and the relevant CRA practices

and in accordance with the legislation in force, as of December, 2007, the tracking of capital market instruments through dematerialization was applied. Aforementioned activities between CRA, stock broker and our Company have been duly carried out within 2012 as it was in previous years by our Corporate Governance and Shareholder Relations Department in accordance with relevant legislation.

Accordingly, pursuant to Provisional Article 6 of the Capital Market Law amended with Article 157 of Law No. 6111 that went into effect with its publication in February 25, 2011 issue of Official Gazette, and within the framework of April 28, 2011 dated and 551 numbered General Letter of Central Registry Agency, it was a statutory obligation that physically share certificate holders shall perform the relevant transactions by applying to our Company for dematerialization until December 31, 2012 and shall have their physical share certificates dematerialized. Within this scope, necessary announcements have been made both on company's website and e-Manage portal. Furthermore, mentioned announcement has been published twice in three nationwide daily newspapers and stakeholders have been informed.

Shareholders that hold their shares in physical form were enabled to first apply to our company to finalize the transactions related to the previous years if any and then directed to apply to Yapı Kredi Yatırım Menkul Değerler A.Ş. or to all Yapı Kredi Bankası A.Ş.

Branches which are in the representative position. Accordingly, necessary transactions have been finalized in time by the shareholders, holding their share in physical form and applied our company until December 31, 2012 for not to lose their right and the process have been finalized. The shareholders who didn't have their physical form share certificates dematerialized have lost all of their rights as of December 31, 2012 within the framework of

imperative provisions of the Law. Necessary information can be obtained at www.mkk.com.tr address of CRA.

Our shareholders can obtain the necessary information on this subject or similar share ownership rights from the Corporate Governance and Shareholder Relations unit at Company Headquarters.

Tofaş has nearly 25,000 investors and shareholders and is included in the ISE-30 and ISE-100 Corporate Governance Index, based on the record of the CRA and the bonus share and dividend transactions of previous years' and also 2012 capital increases. The Company's stocks are quoted on the Luxembourg Stock Exchange and traded on international markets.

Within the reporting period, there was no change in capital and partnership structure. At General Assemblies, each share has one voting right and there is no privilege for the voting right (20th Article of Articles of Association). Only, it is obligatory to elect the Board Members and Auditors among the nominees who will be nominated by A and D Group Privileged Shareholders. Within the framework of our company's partnership structure, as specified in Company's Articles of Association, only A and D Group shareholders have privilege for nominating the Members of the Board of Directors (9th Article of Articles of Association) and Members of Auditing Board (15th Article of Articles of Association) and there is no privilege in terms of dividend distribution (29th Article of Articles of Association).

In addition, there was no law suit that may affect the financial situation and activities of the Company and there is no administrative or financial sanction imposed on the company and members of managing bodies due to the breach of legislation provisions.

Our shareholders can access our Company's corporate, financial and stock exchange information by clicking on the relevant sec-

tions under "Investor Relations" on the www.tofas.com.tr home page. They can obtain further information on our Company from the Corporate Governance and Shareholder Relations Unit by writing to borsa@tof.com.tr.

Amendments to the Articles of Association in the Reporting Period

In 2012, within the framework of Serial: IV, No: 56 Communiqué, amended with Serial: IV, No:57 Communiqué of CMB, amendments to Articles of Association have been made for the compliance with Corporate Governance Principles.

Accordingly, following amendments have been made in the Articles of Association: "The Board of Directors" titled 9th Article, "Term of the Board of Directors" titled 10th Article, "Authorities of the Board of Directors" titled 11th Article, "Meetings of the Board of Directors and Execution Committee" titled 12th Article and "Provisions for the Board of Directors" titled 13th Article have been amended and "Compliance with Corporate Governance Principles" titled 35th Article has been added.

Dividend Payments over the Last Three Years

In 2012, our Company began paying cash dividends to our partners on April 6 2012 in the amount of 250,000,000 TL, which represents 50% of 2011 earnings (gross 50%, net 42.5%).

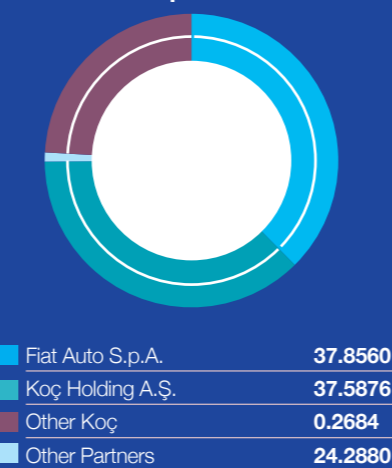
Previously, cash dividends for 2011 began being paid on April 7 2011 in the amount of 250,000,000 TL, which represents 50% of 2010 earnings (gross 50%, net 42.5%), and for 2010, on April 5 2010 in the amount of 130,000,000 TL, which was 26% of 2009 earnings (gross 26%, net 22.1%).

Detailed dividend statements for these years and previous ones are available on our company's website www.tofas.com.tr.

Capital Structure

Shareholder Title	Share Group	Share (TL)	Voting Right	Vote (%)
Fiat Auto S.p.A.	D	189.279.856,87	18.927.985.687	37,8560
Koç Holding A.Ş.	A	187.938.121,26	18.793.812.126	37,5876
Temel Tic. ve Yat.A.Ş.	A	175.693,44	17.569.344	0,0351
Suna Kiraç	A	291.510,55	29.151.055	0,0583
S. Semahat Arsel	A	291.510,55	29.151.055	0,0583
Mustafa V. Koç	A	194.340,36	19.434.036	0,0389
M. Ömer Koç	A	194.340,36	19.434.036	0,0389
Y. Ali Koç	A	194.340,35	19.434.035	0,0389
Other Partnership	E	121.440.286,26	12.144.028.626	24,2880
		500.000.000,00	50.000.000.000	100

Partnership Distribution



“While Tofaş improves its production, export and sales targets with its strong capital structure and international and national investors having global vision, continues to provide contribution to the investors both with dividend and stake performance as well.”

THE AUTOMOTIVE SECTOR AND TOFAŞ'S POSITION IN THE SECTOR

Issued Securities

Since its establishment, our Company has issued bonds to the amount of TL 520, all of which were duly paid and amortized. Since our Company's foundation, the 1st-10th issue share certificates were replaced with the 11th issue share certificates and 11th-20th issue share certificates were replaced with the 21st issue share certificates, followed by the 22nd issue share certificates and finally the 24th issue share certificates. As outlined above, dematerialization of the share certificates was handled through the issuer, intermediary institution/bank and the CRA. As per the relevant resolution of CMB, book-entry tracking of all share certificates was commenced on December 31, 2007 and pursuant to Provisional Article 6 of the Capital Market Law amended with Article 157 of Law No. 6111 that went into effect with its publication in February 25, 2011 issue of Official Gazette, and within the framework of April 28, 2011 dated and 551 numbered General Letter of Central Registry Agency, the dematerialization process of physical share certificates has been finalized as per the legislation as of December 31, 2012.

Subsidiaries

Our Company's participation in our Istanbul-based subsidiary KOÇ FIAT KREDİ Tüketici Finansmanı A.Ş. which has a nominal capital of TL 45,000,000 totaled TL 44,999,996 corresponding to 99.99% of the capital, as of December 31, 2012.

The Ordinary General Assembly of KOÇ FIAT KREDİ Tüketici Finansmanı A.Ş. on 2012 fiscal year held on March 4, 2013.

Our Company is a partner in the Istanbul-based FER MAS Oto Ticaret A.Ş., which has a nominal value of TL 5,500,000. Our participation totaled TL 5,468,000, corresponding to 99.4181% of the capital, as of December 31, 2012.

The Ordinary General Assembly of FER MAS Oto Ticaret A.Ş. on 2012 fiscal year will be held on March, 18, 2013.

Our Company is a partner in PLATFORM Araştırma Geliştirme Tasarım ve Ticaret A.Ş., which was previously operating in Bursa and is on liquidation, has a nominal capital of TL 1,000,000 of

which our participation totaled TL 990,000, or 99% of the capital. The Ordinary General Assembly related to the liquidation and termination of our subsidiary was held on December 25, 2012.

In consequence of the decision taken at the mentioned Ordinary General Assembly, the resolution of General Assembly related to the liquidation of PLATFORM Araştırma Geliştirme Tasarım ve Ticaret A.Ş. has been registered on December 27, 2012 and announced in January 3, 2013 dated and 8228 numbered Turkish Trade Registry Gazette.

Minutes of the General Shareholder Assemblies and Lists of Participants from our Companies affiliates and subsidiaries are available on our company website, www.tofas.com.tr.

Tofaş Türk Otomobil Fabrikası A.Ş. maintained its strong position in the Turkish automotive sector also in 2012. Tofaş has a position as one of the two leading companies in Turkish automotive market with its brands being represented. Tofaş reached totally 104,559 units sales figure in 2012 with Fiat, Alfa Romeo, Lancia and Jeep brands that are incorporated under the roof Tofaş. In 2012, Tofaş achieved to take a share at a rate of 13.4% within the total market composing of automobiles and light commercial vehicles through its incorporated brands.

Tofaş's Fiat brand, which reaches the large masses, displayed a successful performance in 2012. Fiat Linea assumed the title of "Turkey's best-seller automobile" in 2012 with its sales figure recorded as 33,351 units. Fiat Doblo became "Turkey's best-seller light commercial vehicle model" with its sales figure of 30,239 units as well.

In 2012, Tofaş exported 154,069 units vehicle while manufacturing 256,428 thousand units vehicle in Bursa plant. Tofaş maintained its position as being one of the three largest manufacturers and exporters in Turkish automotive industry.

Prominent Developments in 2012

- The impacts of economic crisis were prevailed in European automotive market, which is the largest export market of Turkey and 8.2% decrease in automobile and 12.4% decrease in commercial vehicles have been recorded.
- Turkish automotive market realized as 777,761 units totally by shrinking at the rate of 10% in 2012 compared to previous year. Despite this shrinkage, 2012 has been the second year to reach the highest sales units in the Turkish automotive history.
- The impact of Special Consumption Tax (SCT) increase from 10% to 15% that applied to combi class light commercial vehicles in the last quarter of 2011, has been effective in 2012 in the domestic market. In 2012, in which the automotive market shrank at the rate of 6.2% compared to previous year, the shrinkage in the light commercial vehicle market was realized at the rate of 18.2%.
- In the last quarter of 2012, the SCT rate applied to the automobiles under 1600 cc has been increased to 40% from 37%.

Expectations for 2013

It is expected that Turkish automotive market shall follow a progress in parallel with 2012 and total sales shall realize at the level of 750-770 thousand units. Since the shrinkage in Europe prevails also in 2013, this indicates that the export markets shall follow a similar course to 2012 as well for Turkish automotive sector, which exports nearly two third of its production. In 2013, Tofaş aims to display a performance close to the level of 2012 in domestic market sales, production and export. Having a strong financial structure and the technological competency required to have competitive edge, Tofaş will continue to be a powerful player both in national and international levels in 2013.

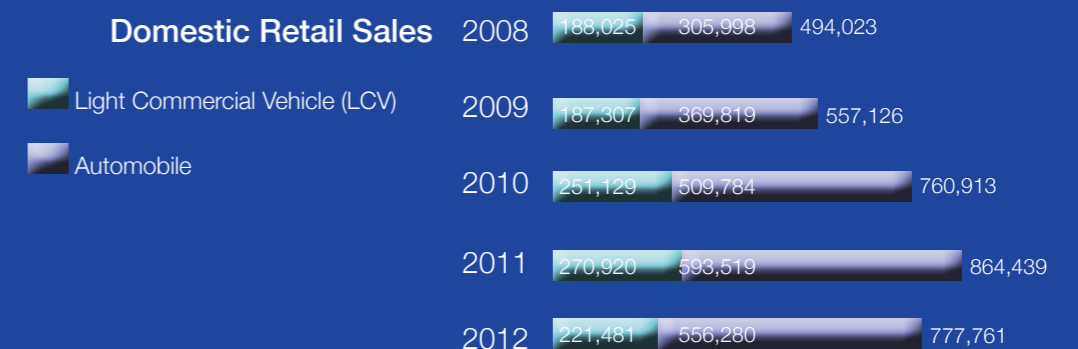
Long-Term Goals

The mission of Tofaş is "Offering the products and services that best fit the society's mobility needs in order to increase the quality of living" and the vision is "Towards a million of vehicles... Being the leader automotive company that shapes the customer expectations and is a source of pride". Tofaş targets to proceed its way as a company that provides long-term sustainable and profitable growth with the consciousness of its social and environmental responsibilities within the framework of its mission and vision.

Domestic Retail Sales

Turkish light commercial vehicle retail market recorded 777,761 units in 2012 by displaying second best performance in its history. The most important reason for the decline in domestic market in 2012 at the rate of 10% compared to previous year was the base effect of first quarter of 2011, which realized at record high.

The market impacts of Special Consumption Tax (SCT) increase from 10% to 15% that applied to combi versions of light commercial vehicles in October 2011, have taken effect in 2012. Within this period, since the SCT rates for passenger cars under 1.6 lt, which have the largest share in the domestic market, kept same, this caused passenger car rate to slightly increase compared to light commercial vehicles. With the amendment made in September 2012, SCT rates for passenger cars under 1.6 lt increased to 40% from 37%. It is foreseen that the impacts of this increase will take effect in 2013.



Total Market (Units)	2011	2012	Change %
Passenger Car	593,519	556,280	-6.3
Light Commercial Vehicle (LCV)	270,920	221,481	-18.2
Total	864,439	777,761	-10.0

Tofaş Retail Sales

Domestic market passenger car retail sales recorded shrinkage at the rate of 6.3% in 2012 compared to previous year with the impacts of SCT increase applied for motor vehicles over 1.6 lt in October 2011 and increases in exchange rate in the second half of the year. For Tofaş, in addition to shrinkage seen in total passenger car market since the production of Albea and Palio models ceased as of the beginning of 2012, the passenger car sales decreased at the rate of 21% compared to previous year and realized as 46,422 units. Linea model reached the sales volume of totally 33,351 units with 6% market share as the best-seller passenger car of 2012.

In 2012, light commercial vehicle market displayed a larger shrinkage compared to passenger car market with also the impact of SCT rate increase from 10% to 15% for combi vehicles. Light commercial vehicle market declined at the rate of 18.2% and realized as 221,481 units. Light commercial vehicle sales units of Tofaş also followed a course in parallel with the shrinkage in domestic light commercial vehicle market and realized as 58,137 units with a decline of 18.2%. Based on these results, Tofaş achieved to maintain its market share at the level of 26.2%. Doblo model showed the success of being the best-seller light commercial vehicle of domestic market with 13.7% market share in 2012.

Domestic total automotive market declined at the level of 10% with the base effect of 2011, which was the record year of Turkish automotive history. However, with the impacts of consumer confidence index progressing at the high level, relatively advanta-

geous loan rates and still low penetration rate in country market, the domestic total automotive market has concluded the year at the level of 777,761 units as the second best year of its history.

Total domestic sales of Tofaş declined since the production for Albea-Palio models has been ceased in the passenger car market and the light commercial vehicles market shrank further than passenger car market due to SCT amendment made in 2011. Declining at the rate of 19.5% compared to previous year, the retail sales concluded the year with 104,559 units.

Tofaş Retail Sales (Units)	2011	2012	Change%
Automobile	58,838	46,422	-21.1
Light Commercial Vehicle (LCV)	71,107	58,137	-18.2
Total	129,945	104,559	-19.5

Export

In 2012, Tofaş export volume declined at the rate of 14.7% and realized as 154,069 units with the impact of high levels of shrinkage experienced in Southern Europe, which are the important markets for especially Fiat Auto S.p.A. and Peugeot Citroen Automobiles S.A.

Decreases in demand experienced in Europe export markets have been lowered to minimum level in consequence of significant increase in sales of Tofaş to South Africa and North Africa markets and again significant increase in export performance to Northern Europe through the sales performed to Opel/Vauxhall brands.

Tofaş exported totally 46,869 units automobile, 107,200 units light commercial vehicle in 2012. 2012 export revenue was valued at € 1,551 million.

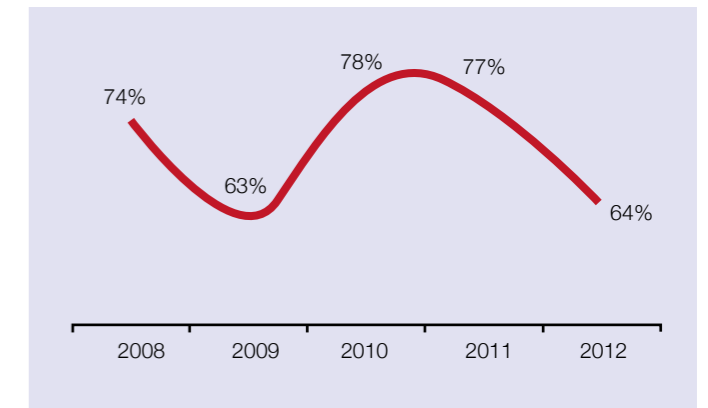
Export (Units)	2011	2012	Change%
Automobile	53,216	46,869	-11.9
Light Commercial Vehicle	113,562	107,200	-5.6
CKD/SKD	13,920		-100.0
Total	180,698	154,069	-14.7

Production

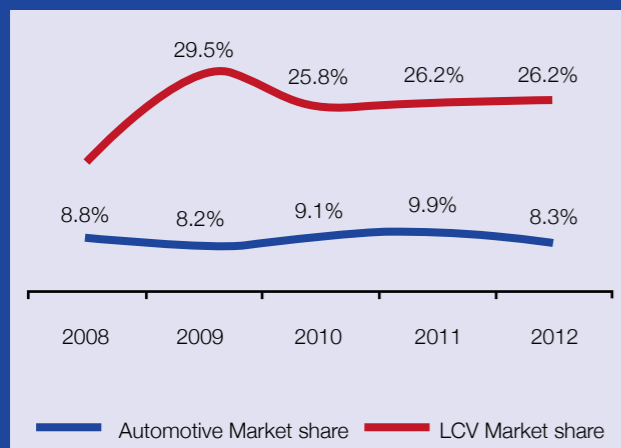
Production volume of Tofaş declined at the rate of 16.7% compared to previous year in parallel with the shrinkage experienced in domestic and foreign markets in 2012. In consequence of these developments, the decision has been taken to decrease production layout to two shifts from three shifts at the end of 2012.

Production (Units)	2011	2012
Palio	916	0
Albea	10,011	0
Linea	37,187	36,909
Doblo – Passenger Car	2	682
New Doblo - Passenger Car	17,681	10,298
Minicargo - Passenger Car	32,708	29,649
Total Automobile	98,505	77,538
Doblo	18,701	19,503
New Doblo	72,166	73,223
Minicargo	104,688	86,164
Total Light Commercial Vehicle	195,555	178,890
CKD	13,152	0
SKD	576	0
Total CKD/SKD	13,728	0
ToTAL	307,788	256,428

Capacity Utilization Rate



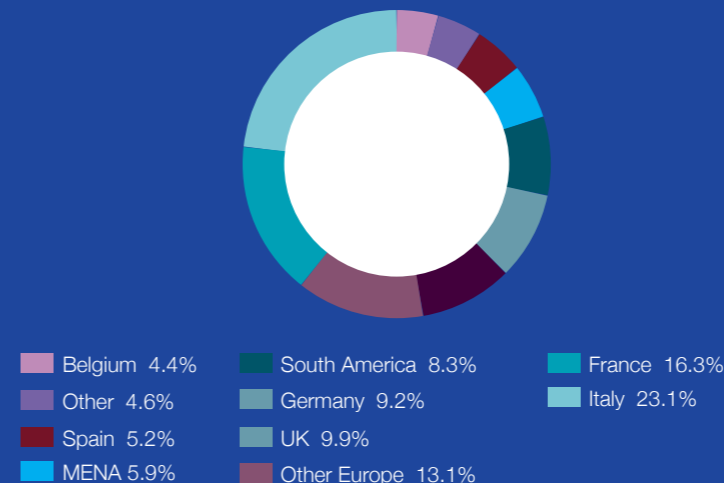
Tofaş Market Share (%)



Export Euro/Million



Export Country Distribution (%)



Sales and Turnover

Sales units of Tofaş realized as totally 272,480 units by declining at the rate of 16.2% in parallel with market conditions due to domestic and foreign automotive markets' shrinkage in 2012. The rate of domestic sales in sales units of Tofaş recorded as 43.5% and export share recorded as 56.5%.

While total sales revenues realized at the level of TL 6,705.2 million 8.6% decline has been recorded in sales revenues.

Sales (Units)	Domestic Market		Foreign Market		Total	
	2011	2012	2011	2012	2011	2012
Automobile	58,997	47,095	53,216	46,869	112,213	93,964
Light Commercial Vehicle (LCV)	85,614	71,316	113,562	107,200	199,176	178,516
CKD/SKD	0	0	13,920	0	13,920	0
Total	144.611	118.411	180.698	154.069	325.309	272.480

Sales Revenues (Thousand TL)	2011	2012	Change%
Export sales	3,964,044	3,667,217	-7,5
Domestic sales	3,242,963	2,928,462	-9,7
Other sales from main activities	129,651	109,595	-15,5
Total	7,336,658	6,705,274	-8,6

Investments

Tofaş investments equaled €86 million in 2012. Significant investments are listed below. Total investment over the last five years, including 2012, has reached the equivalent of €895 million.

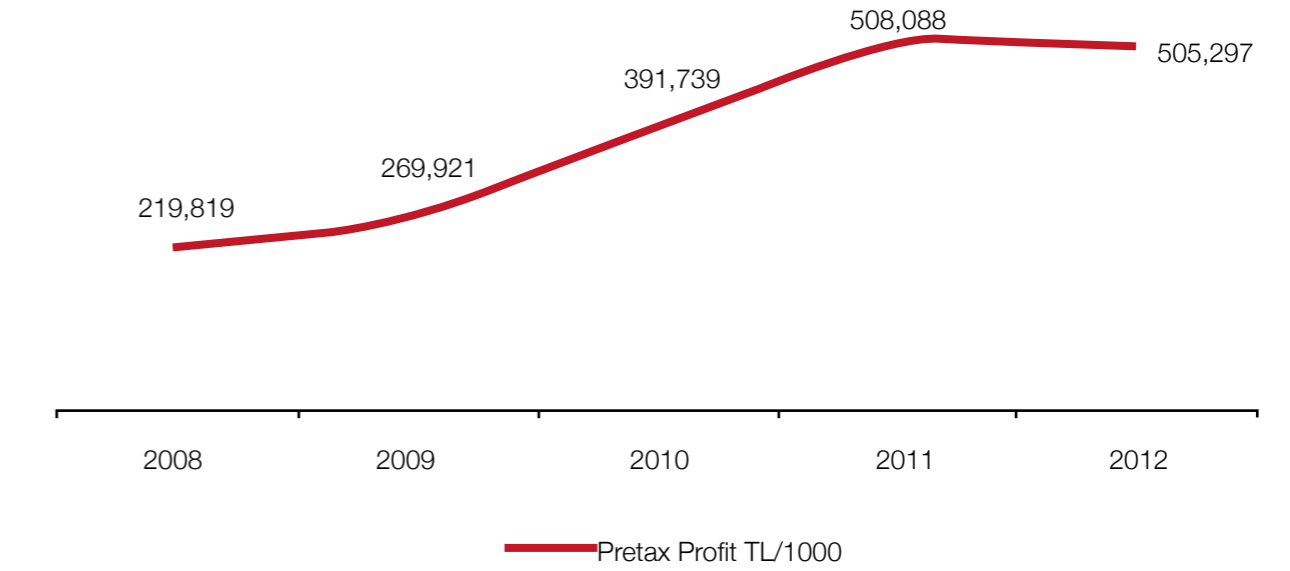
Investments	Euro (Millions)
263 Model	37.8
Minicargo	9.2
Linea	9.6
Structural	33.0
Other	6.4
Total	96.0

Profitability

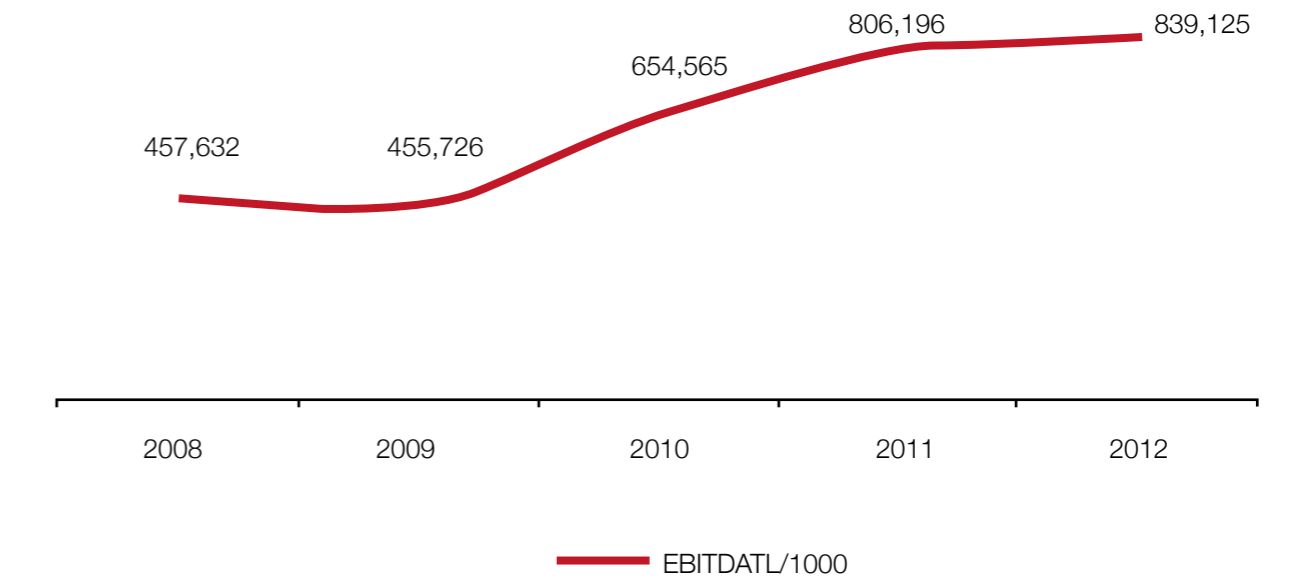
Tofaş succeeded in maintaining its high profitability despite the economic recession prevailing especially in Europe. In consequence of retaining the export profitability through current agreements and provided productivities, Pretax Profit of Tofaş realized at a similar level with previous year. Net profit only declined at the rate of 5%.

Years	EBITDA		Pretax Profit		After-Tax Profit	
	Thousand TL	Increase	Thousand TL	Increase	Thousand TL	Increase
2008	457,632		219,819		175,754	
2009	455,726	0%	269,921	23%	360,351	105%
2010	654,565	44%	391,739	45%	384,220	7%
2011	806,196	23%	508,088	30%	474,165	23%
2012	839,125	4%	505,297	-1%	448,325	-5%

Pretax Profit



EBITDA



INFORMATION ABOUT COMPANY

Vision, Mission and Values of the Company

Tofaş carries out its activities towards a million of vehicles with the vision of being the leader automotive company that shapes the customer expectations and is a source of pride. Operating in line with this vision, Tofaş takes as the mission to offer the products and services that best fit the society's mobility needs in order to increase the quality of living.

Tofaş progresses to become a World Class Company together with its employees and stakeholders, who rapidly accommodate to the changes, constantly develop themselves and their environment, have global perspective and are innovative, versatile, and participative.

Company Values...

WE ARE AN AGILE TEAM, WE WORK WITH PASSION

We are a big team who act fast and reach the result quickly. We are passionate about our work.

WE ARE COMPETITIVE, WE MAKE A DIFFERENCE

We develop ourselves continuously. We always aim the best. We are innovative and we think simple.

WE CARE ABOUT PEOPLE AND NATURE

In Tofaş, people make a difference and our customers come first. For this reason, we work in the light of "first the people" approach. We accomplish our responsibilities to environment and society.

WE ARE AMBITIOUS, WE COMMIT AND WE ACHIEVE

We embrace our targets. We reach the result despite of obstacles. We work transparently, we see our mistakes as a development opportunity.

TOFAŞ R&D

Tofaş, the leader of Turkish Automotive Industry, have been constantly carrying on its activities for offering "world class" products that "best fit Turkey's circumstances" to Turkish People with over a quarter century of vast experience and had established its R&D organization in December, 1994.

Tofaş R&D Center aimed to contribute to the profitability of Turkish society and economy and Tofaş by developing passenger and commercial vehicles that are competitive in every field. For maintaining this development, Tofaş created an infrastructure that can compete with Europe in the field of vehicle development. In consequence of these developments, Tofaş R&D Center has been registered as R&D Center by Ministry of Industry and Trade within the scope of the law on "No. 5746 Supporting Research and Development Activities" as of 2008.

R&D Center gained a significant acceleration in developing R&D competency by taking the responsibility of MCV project developed for Fiat and PSA brands between 2005 and 2007. In the following years New Doblo were developed also for Opel and Vauxhall brands and this played a fundamental role in the increase of Tofaş's export by manufacturing for 5 different brands.

Having a laboratory and office area of totally 17,000m², Tofaş R&D Center, apart from Italy, is the only R&D center that provides service for Fiat's European markets with its over 400 employees, competency level, high technology and diversity of its laboratories. Ranking among first 1,000 corporations making R&D investments in Europe and in the world in the list issued by EU in the past years, Tofaş was among the first 3 company in Turkey which ranked in this list. Until 2012, over €40 million investment has been made for design and testing in the fields of vehicle concept, style, vehicle body, interior design, suspension, engine, vibration and acoustic.

R&D Collaborations

One of the pre-conditions for Turkey to become a product development center is the simultaneously development of all elements of R&D value chain. Therefore, Tofaş gives particular importance for developing co-designer, organization of local engineering companies and collaborations with universities.

In 2011, 14 of 49 product lines that could perform domestic production and development have been certified as co-designers and 11 of them reached to the certification process in 2012. Assessment and partnership activities are being performed with engineering companies that medium and long term collaborations can be made for expanding local engineering network.

University-Industry alliance projects became important in parallel with technology development activities. Tofaş R&D has carried out totally 16 projects from its establishment in 1994 until 2006 and in addition to 75 projects between 2006-2012. Totally 91 projects have been carried out with different universities.

Plenty of projects in Tofaş R&D are being carried out with the support of the Scientific and Technological Research Council of Turkey (TUBITAK) and European 7th Framework and these projects are realized in cooperation with FIAT Research Center and foreign design centers as well as academic members of the universities. Tofaş R&D was granted to first prize in the category of "University-Industry Alliance" at 1st R&D Centers Summit organized in 2012 by Ministry of Science, Industry and Technology (BTSB). Taking charge in the projects within the scope of EU 7th Framework Program, Tofaş R&D collaborates with nearly 80 international project partners.

R&D Vision 2020

The 2020 R&D Vision approach of Tofaş aims to develop exciting vehicles and technologies that exactly meet the customers' satisfaction in every region of the world.

Tofaş R&D sets its strategic targets in line with this vision. These strategic targets include, participating into the design process of products planned to be developed in Europe and Middle East by Fiat R&D, developing product and production technologies to create customer value, developing centers of excellence that Fiat can benefit in its new models, enabling development for engineering companies through co-designers in our country.

Technological research activities of Tofaş are being formed on three basis intersecting each other, as environment, customer and competency, and primarily focused on these fields.



Environment and Tofaş R&D

Vehicle electrification and lowering weights are the basis of Tofaş R&D Center's environment-focused research. Developing the first electric light commercial vehicle in Turkey, Tofaş closely follows electric vehicle technologies in the world. Activities performed within this framework are being carried out with the target of enabling the local production of electric vehicle system and its components by integrating developed innovative solutions/applications and these technologies.

Being conscious of fuel consumption, exhaust emission and environment impact of lowering the total weight of vehicles, Tofaş carries out intense activities in this field. Activities carried out in this field concentrate on high-strength light material technologies and hybrid solutions as well as light design solutions based on section and topology optimization.

Customer-focused technological research activities of Tofaş proceed in the light of sciences focused on people such as anthropometry, ergonomics, demography at the center of anthropocentric design philosophy in addition to smart vehicle concepts that provides service and support to the driver in terms of comfort and safety.

Following closely the rapid improvements in the field of "ICT-Information and Communication Technologies" in the past years and caring the added value for the customers, Tofaş constantly develops itself and improves its competency through its joint R&D projects both in national and international platforms. Communication between vehicles, communication between vehicles and infrastructure, emergency call systems, practices for improving the mobility especially in urban areas, human-machine interface and information-entertainment systems are among the activities being carried out for driver/passenger/pedestrian safety and comfort.

The development of competitive structure within the framework of advanced technology-low cost principle lies behind the competency-focused technological research. Within this scope, research activities are being carried out for developing innovative solutions required today for accessing world class products and production technologies.

In product technologies field, Tofaş R&D currently focused on innovative and efficient design methods and techniques, analyze and optimizations techniques including safety, virtual/physical

verifying and testing methods, advanced/new material technologies and development of new vehicle system and its components.

The researches of Tofaş R&D in production technologies are based on robotic implementations intended for improving investment and operating costs, decision support systems on mathematics basis, computer-aided process simulations and automation, innovative process systems and equipment development as well as visual automation and robotic measurement integrated quality assurance systems, developing energy efficient production and production management systems and prototype manufacturing.

Being conscious that to become a leader in the automotive industry with a cost competitive structure, it is necessary to attach particular importance to the efficient and sustainable management of energy and resources in operation process together with expanded supply chain, Tofaş includes innovation-targeted projects in these fields in its technology road map.



HUMAN RESOURCES

Number of Personnel

White-collar	: 1,255
Blue-collar	: 5,070
Total	: 6,325

Employee Profile (Age, Gender and Level of Education)

Gender

Male (WC)	1,036
Female (WC)	219
Male (BC)	5,070

Average of Age

White-collar	36.7
Blue-collar	34.4

Education

EDUCATION	WC	BC	TOTAL
Doctorate	5		5
Master Degree	216		216
Bachelors Degree	858	17	875
College Degree	66	700	766
High School	105	3567	3672
Elementary Education	5	786	791
TOTAL	1255	5070	6325

Our Company is subject to group collective labor agreement concluded on November 13, 2010 between Turkish Metal Workers' Union and Turkish Metal Industrialists Union (MESS) that was effective as of September 1, 2010. Executed agreement was for two years and has been terminated on August 31, 2012.

The benefit obligation of our Company is TL 128,208,100.66 as of December 31, 2012 and the entire amount is fully reserved. Within the scope of legal legislation, social rights are regularly and periodically provided to our employees.

Recruitment

Tofaş utilizes various methods to recruit the most appropriate candidates. Recruitment process consists of methods such as per-

sonality inventory, competency based interview, foreign language exam, technical interview, and job specific case studies. This method enables to obtain further data about technical skills as well as personality characteristics, working style and compliance with corporate culture. All processes certainly supported with reference checks before recruitment. In order to support interviews in recruitment process, other methods are also utilized to make a decision for candidates in different positions. During the recruitment process, job posting for vacant positions are announced also through internal job posting system all across the group companies. During 10 days, applications for the job posting are collected and a competency based interview is conducted with all applicants.

Learning & Development

White-collar employees of Tofaş have joined totally 6,500 development organizations, which utilize ten different learning & development approaches and organized by Koç Academy in 2012. 38% of the trainings have been provided by internal trainers. In 2012, 62 technical training modules have been prepared with innovative learning strategies by utilizing internal resources.

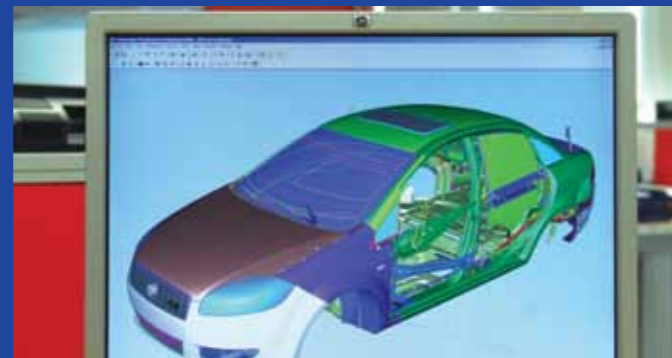
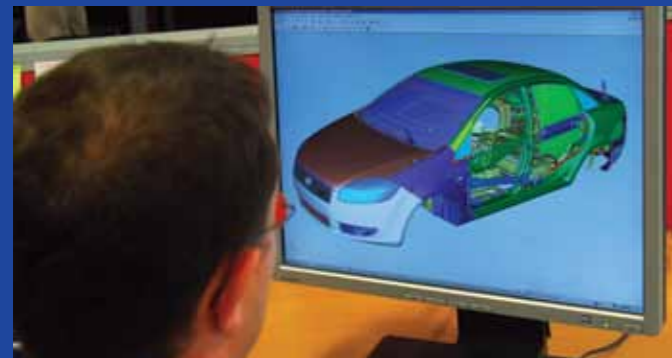
Technical trainings organized for blue-collar employees also continued in 2012. Furthermore, behavioral development trainings have been launched for blue-collar employees with internal trainers. During 2012, totally 2,376 Tofaş employees received 45,129 hours trainings.

In 2012, Tofaş Academy began to contribute to the development of Tofaş's business partners. Technical training modules chosen for contributing to the development of suppliers reached 379 employees from 58 suppliers between September and December through the trainings provided as special open sessions.

Activities

11 clubs and teams in 9 sports branch, voluntarily composed by Tofaş employees, actively carry out their activities. Social activity groups organize cultural and sportive activities such as concerts, exhibitions, shows and conferences, annually 200 events on average. Each year over 50 thousand participants join these organizations, consists of Tofaş employees and their families.

Tofaş Fest and Family Day activity, which brings together all employees and their families, is organized once a year and tens of thousands participants attend to this organization. Theater Club and Folk Dances Community through their shows and Turkish Classical Music Society through their concerts continue to motivate the employees.



BUSINESS MANAGEMENT POLICIES

Sports Communities carrying out activities in various branches contribute to physical health of employees, as well their organizations are equally good as the professional organizations. Athletics team obtains successful results each year at CorriFiat Athletics Competition organized among Fiat companies. In 2012, tennis and athletics teams participated to FIAT GAMES, which organized among Fiat companies, and successful results have been obtained.

Tournaments are organized in branches such as tennis, backgammon, mini golf, table-tennis, bowling, table soccer, go-kart, dart, chess, athletics, volleyball, basketball and football. This year, Inter-departmental Football Tournament and Inter-departmental Bowling Tournament have been organized by the participation of over 1,000 employees. Football, volleyball, basketball, tennis, bowling, chess, swimming, track and sailing teams continued to participate in Koç Sports Fest and inter-company organizations.

Sports Club offers sports opportunities for the children of the employees by organizing swimming, basketball, football summer schools. Trainings on motorcycle, tennis, chess, diving, and photography are organized for the employees. In addition to cultural tours, ski and diving trips are being organized.

Material and Social Rights

Every white-collar employee, who begins to work at any of the Koç Group companies, becomes a member of Koç Holding Pension and Support Fund Foundation. Once employees become foundation members, they begin paying monthly premiums from their salaries on the condition that the premiums do not exceed the annual ceiling determined by the Foundation's Board of Directors. Tofaş also contribute an equal premium on the employee's behalf.

Collected premiums are managed with financial and real estate investments. Managed premiums are paid back as full settlement or retirement payment in case the retirement or membership terminates. Members of Foundation and retired employees, also their families, benefit from the social rights such as health insurance, funding support for house acquisition and certain needs and risk cover for partial disability and permanent disability due to death, illness.

Based on "We Care about Human and Environment" principle, which is one of the corporate values of Tofaş, a Scholarship program has been created with the sense of "People First" and launched in 2011-2012 academic year. The scholarship policy, named as "Further Support for Education by TOFAŞ", pursued in 2012-2013 Academic Year as well.

All employees, including their wives/husbands and children, can benefit from the recreation center within Tofaş and find a chance

to come together on special days and in organizations. Sports facilities located in Istanbul head office is free for all employees. The dietitian service by appointment has been launched in 2012 in addition to general health services provided both in Tofaş plant and head office.

Productivity

Tofaş has been implementing the World Class Production Methodology for 6 years with the intent of improving productivity. Additionally, Value Stream Mapping method started to be implemented in 2012 for extending LEAN thinking and implementations in office and in non-production processes and fields. Accordingly, 28 projects have been realized within this scope.

HR System

Revisions, which have been started to be made in integrated HR systems in 2010, began to be managed through SAP platform in 2012. By this way the personnel administration and organizational data management, time management, performance and competency management, self-service applications, travel and payroll management modules are executed through SAP. In 2013, it is planned to extend SAP-HR with career management, training and development management modules. SAP is also an opportunity for HR processes of blue-collar employees, initial applications go-live in 2012 and scope will be extended in further years.

Performance Management System

Tofaş Performance Management System is a human resources management tool that utilized for achieving company goals together with the employees. The system covers all Tofaş employees, from White-Collar to Blue-Collar. Performance Management System is implemented to improve performance and development oriented culture.

The objectives and behavioral competencies constitute the two drivers of "Performance Management System". The objectives are determined in the beginning of the year and being reviewed at least once in a year together with development plans. Behavioral competencies that are defined based on Tofaş corporate culture and values, describe the expected behaviors and attitudes that a Tofaş employee has to adopt in working-life.

The output of Performance Management System is the performance evaluations, which are used in individual development and career planning for all employees including white-collar and blue-collar. Additionally, results are also used for the calculation of performance bonus for white-collar employees.

Tofaş Code of Ethical Conduct

Tofaş expects all Tofaş employees, the Members of the Board of Directors, its Shareholders, its Dealers and Suppliers, briefly all stakeholders to comply with "Tofaş Code of Ethics and Business Conduct".

Informing all employees about Tofaş Code of Ethical Conduct, enabling employees give due importance to these rules and making necessary effort and providing the leadership for complying with these rules are among the fundamental duties and responsibilities of mid-level and senior managers working at Tofaş.

Within this framework, Tofaş undertakes to comply with the discrimination rules specified in Universal Declaration of Human Rights (UDHR) in its relations with all its stakeholders during all activities, processes and term of employment and expects all its stakeholders to comply with these rules.

Customer Satisfaction Policy

Transparency

Queries, demands and complaints can be transmitted through 24/7 call centers and via web addresses.

Accessibility

FIAT Call Center: 444 22 55 & www.fiat.com.tr
Alfa Romeo & Lancia Call Center: 444 19 10 and
www.alfaromeo.com.tr, www.lancia.com.tr
Jeep Call Center: 444 53 37 & www.jeep.com.tr

Answerability

Acknowledgements related to all demands, advices and complaints of customers are provided instantly via website and within the same day from call centers through SMS.

Objectivity

Queries, demands and complaints are assessed with an unprejudiced and fair manner.

Fees

Assessment process of the applications is free for applicants.

Privacy

Protection of personal information is extremely important. Therefore, personal information is not disclosed to third parties.

Customer Orientation

Brands take care of offering applicable solutions, meeting the needs of customers and protection of their rights at all times within the framework of company policies and legal practices for its esteemed customers who always deserve the best.

Accountability

Queries, demands and complaints are recorded and the decisions are explained along with their justifications.

Continuous Improvement

Received feedbacks are assessed within business processes as to provide proactive improvements in products and services, thus continuous improvement is provided for being customer oriented.

Quality Management

Tofaş carries out all the processes with the sense of Customer Satisfaction and World Class Production. The quality culture adopting participation, competency, creativity and farsightedness of employees as a principle is being extended and developed.

Tofaş develops the quality level of all its products and services and endeavors to improve up to most competitive level. The quality management system is updated according to developing customer expectations and a customer focused approach is adopted. With the intent of enabling the efficiency and productivity of the processes to reach the determined quality and cost targets, the structure of the organization is being developed continuously.

Tofaş fulfills its social responsibilities together with all its shareholders, employees, all stakeholders in subsidiary industry and sales and services fields and adopts as a principle to achieve its targets in harmony with natural environment.

World Class Manufacturing

The WCM (World Class Manufacturing) methodology, which has

“Adopting WCM (World Class Manufacturing) Methodology, Tofaş aims zero-defect and zero stock in manufacturing in terms of occupational safety, quality, delivery and environment while improving its competitive power in manufacturing.”

SUPPLIER RELATIONS

been started to be implemented at Tofaş in 2006 in parallel with all other Fiat plants, is being utilized to systematically improve and develop competitiveness in production. The methodology focuses on Occupational Safety, Quality, Cost, Delivery and Environment and aims to reach "Zero" in each of these: Zero occupational accident and environmental accident, zero quality defect, zero loss and zero stock.

Within the scope of WCM, Tofaş achieved 95% improvement in occupational accident frequency and 24% improvement in production time per vehicle and 60% improvement in external quality indicators.

Improvement suggestions provided by Tofaş employees increasingly continue each year. Within 2012, each Tofaş operator gave 49.7 proposals on average and this has indicated their care on this. WCM activities will continue with acceleration also in 2013 and the position as being a model plant among all Fiat plants will be maintained. Tofaş led to disseminate the methodology in totally 23 suppliers which constitutes 51% of annual local purchase value by the year-end of 2012. Plenty of successful activities have been accomplished by establishing zero occupational accident and environmental accident, zero-defect in quality, zero loss and zero stock logic in these suppliers. Tofaş targeted to disseminate this approach in totally 30 suppliers until the end of 2013.

On the other hand, within the scope of WCD Program launched in 3 Fiat dealers in 2011, New Periodical Maintenance Standards have been disseminated in 30 fiat dealers by the year-end of 2012. In 2013, it is targeted to disseminate this program into all Fiat dealers in Turkey. By this program, it is intended for improving after sales customer satisfaction, service quality and profitability of Fiat dealers.

Occupational Health and Safety

Tofaş aims to protect all Human Resources within the company against injuries due to occupational accidents and occupational disease by creating safe working areas and establishing occupational safety culture through Proactive Occupational Safety approach within the scope of World Class Manufacturing sense. Furthermore, Tofaş targets zero occupational accident and zero occupational disease by utilizing management system of Occupational Health and Safety (OHS) Policy.

Tofaş achieved to reduce Lost Time Accident (LTA) frequency at the rate of 95% through culture change projects in Occupational Safety that have been carried out in last 3 years. Furthermore, in 2012, Tofaş became the first FIAT Auto production base to achieve such high audit score with 4 points out of 5 in the category of occupational safety. The plant regarded as the model plant in many fields related to occupational health and safety among Fiat plants and being visited due to its practices that create difference.

Tofaş optimizes the OHS culture of its employees as well as the staff of its suppliers and contractor firms, interns and visitors through the pre-job trainings and periodical trainings provided in the fields of Dojo Occupational Safety which aims learning the risks specific to the process within production areas by experience. For this purpose, Tofaş undertakes following:

- To fulfill all legal and other obligations in terms of Occupational Health and Safety,
- To adopt the policy that the efficiency of Occupational Health and Safety improvement is the common responsibility of all employees,
- To set targets for participation at each level to the activities of Risk Assessment and Minimizing Risk Level,
- To accomplish sustainable "Zero Occupational Accident" target by continuously improving our Occupational Health and Safety culture.

Being the most satisfying key industry firm As one of the most desired automobile manufacturer to work with according to its suppliers based on the research performed by GfK in 2011, Tofaş constantly continues its activities for carrying this satisfaction to the future years.

Performing the R&D activities within its body constitutes a significant advantage for Tofaş. By this means, collaboration opportunities with suppliers are improved in design and product development projects.

Tofaş Purchasing Department is located in the same location with the production, differently from other Fiat production centers. In case of quality issues, this situation strengthens the internal communication within the plant and the communication with suppliers. Thus, issues that may emerge related to the quality are prevented.

Tofaş obtains a significant competitive advantage thanks to its suppliers. Achieving a decrease in reducing investment and product costs by developing the design and production competencies of suppliers and obtaining a cost advantage through co-purchasing-common purchasing activities (raw material, logistic, consumables, etc.) are among these competitive advantages. Active participation of suppliers in product development and cost improvement processes activities of Tofaş also constitutes a competitive advantage.

Tofaş purchases 72% local and 28% imported parts, excluding the engine and transmission supplied from Fiat. Tofaş procures the local parts from totally 15 different locations in Turkey.

Purchasing activities of imported parts are being performed by Fiat Group Purchasing S.r.l Department, and the number of foreign suppliers, which only Tofaş has direct contact purchasing and delivery, is nearly 20.

The number of indirect material and service suppliers	: 1,961
The number of direct material local suppliers	: 149
The number of direct material foreign suppliers	: 20

Distribution of Suppliers by Provinces:

Adana:	1
Ankara:	2
Aydın:	1
Bilecik:	2
Bursa:	72
Eskişehir:	2
İstanbul:	26
İzmir:	7
Kocaeli:	23
Kütahya:	2
Manisa:	5
Niğde:	1
Sakarya:	1
Samsun:	1
Tekirdağ:	3

Supplier Selection

Tofaş selects its direct material suppliers in line with the requirements of its supplier parks subsidiary industry park. Suppliers also shall meet certain criteria. These criteria are as follows:

- Having technical (quality, cost competitiveness, delivery performance) and organizational competencies for meeting the expectations of automotive sector,
- Having strong financial structure,
- Holding ISO TS 16949 and ISO 14001 quality certifications and having developed production and design skills,
- Being audited by Potential Supplier Assessment (PSA) and Process Audit (PA) of TOFAŞ,
- Being able to contribute to the competitiveness of Tofaş in quality and cost improvement,
- Showing Demonstrating a business partnership approach that is based on transparency and trust.

“Determining its supplier relations according to the requirements of suppliers subsidiary industry park, Tofaş supports its suppliers in product and design development processes as well as in activities for reducing investment and production costs.”

Standardization

Tofaş monitors the performances of all suppliers by assessing through standard performance indicators in the fields such as commercial productivity efficiency, quality and delivery performance. Medium and long term strategies related to all suppliers are being created and monitored based on standard importance and satisfaction criteria.

Tofaş periodically monitors the performances by setting annual quality targets (IP/E and PPM) for all suppliers. Furthermore, it is a condition that for all suppliers shall hold ISO TS 16949 quality and ISO 14001 environment certificates. The quality performances of all suppliers (red, yellow, green) are real-time monitored via a common platform (Bid List). Companies that will be included in supplier park are subjected to PSA (Potential Supplier Assessment) audit as a standard. For the suppliers that are already in the supplier park, regularly and periodically standard PA (Process Audit) and PDR (Production Demonstration Run) audits are performed for the suppliers within the park.

Supplier Development Activities

Tofaş carries out many activities for the developments of the suppliers. These activities cover many fields, including the following:

- Disseminating Deployment of the World Class Production (WCM) methodology as to cover 35 suppliers until the end of 2014 (23 suppliers by the year-end of 2012),
- Providing hands-on trainings for the suppliers in the fields of problem solving, planning, preventing human errors,
- Improving the competencies of the suppliers for co-design of products product development capabilities
- Continuous improvement activities that are realized jointly in the fields of cost and quality,
- Developing technical competencies of the suppliers through the trainings provided under the roof of TOFAŞ Academy,
- Risk management activities through auditing the physical risks of the suppliers, creating action plans within the scope of risk management and its follow up,
- Providing trainings for the suppliers in the fields of worker's health occupational health, occupational safety and environment,
- Monitoring and developing also the sub-suppliers of the direct materials suppliers in special and critical processes,
- Joint process improvement activities at supplier site carried out jointly.

TOFAŞ DEALER NETWORK

Fiat

Tofaş Dealer Network provides new vehicle sales, used vehicle sales, maintenance & repair and spare parts services for the customers. In addition, many Tofaş dealers also provide insurance services (car insurance policy, traffic insurance) as well as financial services (auto loan).

Tofaş has 76 dealers throughout Turkey. Dealers make sales of Fiat, Lancia, Alfa Romeo and Jeep branded vehicles. There are 72 Fiat dealers and 12 Lancia-Alfa Romeo-Jeep dealers. Tofaş Dealer Network is structured as sales, service, spare part and almost all of them provide services for the customers as integrated plants. This dealer network structure, defined as 3S, provides new car sales and after sales services within the same area.

Tofaş provides services through totally 113 sales points and 131 service points throughout Turkey. Tofaş dealers set up additional sales and service points in locations different than main facilities to be able to provide closer service for the customers. 43 "satellite" sales and service points that are structured in this manner provide service. In addition, there are 40 authorized technical services that operate under these dealers and provide after sales services.

Tofaş has at least one showroom in 62 provinces and at least one service in 55 provinces of Turkey. Thanks to these figures, Fiat brand is among the first three brands in Turkey in terms of sales and

service network penetration. By the year-end of 2012, nearly 6,000 (5,943) people are employed in the dealer network.

Providing a competitive advantage with its penetration throughout Turkey, Tofaş dealer network also attracts attention with its competency and experience. Average activity period of Tofaş dealers is over 20 years.

Lancia-Alfa Romeo-Jeep

There are 11 Lancia-Alfa Romeo-Jeep and 1 Lancia-Jeep dealers throughout Turkey. These dealers provide 3S (sales, service, spare part) to their customers. Furthermore, there are 3 2S (service, spare part) authorized services and one of these provides service for each of the three brands and the other two provide services for Lancia-Jeep brands.

Dealer network provides new vehicle sales, used vehicle sales, maintenance & repair and spare part services to its customers. In addition, many dealers provide also insurance services (car insurance policy, traffic insurance) as well as financial services (auto loan).

Lancia, Alfa Romeo and Jeep dealers compose of dealers which have experience over the sector average and invested in for many years and are infatuated with these brands. Dealers and services provide services in Istanbul, Ankara, Izmir, Bursa, Antalya, Mersin and Gaziantep, in which premium brand customers are intense. By the year-end of 2012, totally 343 people work in ARLJ dealer organization.



BRANDS AND PRODUCTS

FIAT

Linea

Fiat Linea that started to be produced in Tofaş plant in 2007 became the best-seller automobile in Turkey in 2012 by growing stronger each passing year. New Fiat Linea launched in April, 2012 wins the recognition of consumers thanks to its assertive design, innovative technology, wide equipment and engine options that combines economy and performance.



Bravo

Fiat's compact hatchback model, Fiat Bravo is attractive with its comfort, performance and style. Specially designed to enable you to experience all these features in full and further enjoy driving. While the sportive interior design and flowing exterior design of Fiat Bravo appeal to the eye, superior comfort and safety equipments offer an extraordinary experience for you.



Panda

Fiat's city car, Panda presented to automobile fans in Turkey with its new model. Being among the A segment models, Panda wins the recognition of consumers thanks to its enlarged dimensions and cute design as well as new TwinAir double-cylinder engine of Fiat.



500

Chosen as the "Automobile of the Year" in the world in 2008, Fiat 500 wins the recognition of young consumer group by integrating the genetic codes from the past into new trends. Customizable through many different design details, Fiat 500 is among the exciting models of its segment.



500C

Convertible version of Fiat 500, Fiat 500C offers the outer world to the drivers with its stylish powered cab roof. Having red, ivory-white and black color soft top options, 500C has the characteristic of being the only convertible automobile of its segment in Turkey.



Punto

Being in small hatchback segment, in which the competition is most intense in Turkey, Punto maintained its successful sales graph also in 2012. Especially preferred by young customers and young families, Punto renewed its design in 2012 and left Grande and Evo affixes in the past.



Freemont

Successful SUV model that becomes the symbol of Fiat-Chrysler partnership, the Fiat Freemont launched in November, 2012 in Turkey. Freemont distinguishes with its design and usage features as well as AWD 4X4 system. With its leather 7-seat passenger layout, integrated touch screen and storage compartments appeal to the expectations of customers in Turkish market.



Doblo

Fiat Doblo became the most preferred light commercial vehicle of Turkey with its 30,239 units sales achieved in 2012. Offering a luggage compartment capacity up to 4,000 liters and a loading capacity up to 4.6 m3 in different body options, Doblo attracts attention with its wide inner space and economic engine options. Preferred by large families and commercial customers, Doblo is equally good as the passenger cars thanks to its comfort.



“While Fiat achieved a successful sales graph in 2012, Doblo model became the most preferred light commercial vehicle and Linea model became the most preferred automobile in Turkey. Most significant innovation of Fiat was Freemont SUV model that attracted attention with its AWD 4x4 system.”

Fiorino

One of the products of Tofaş's Minicargo project, Fiorino became the pioneer of a new approach by creating a class under its name. Being one of the best-seller vehicles of light commercial vehicle in Turkey, Fiorino offers highly practical solutions both for families and SME owners.



Pratico

Fiat's small cab, Pratico makes things easier thanks to its transport capacity while allowing comfortable travel within the city with its compact design. Pratico also sets the standards of its class with its fuel saving, maneuverability, safety and comfort.



Ducato Cab

Ducato serves for personal transportation needs. Satisfying every need with its 4 different sized body and passenger capacity from 3 up to 7, Ducato Cab allows many different superstructure and transformation options through its wide product range.



Ducato Van/Autobus

Ducato appeals to different customer groups through its Van, Minibus and Bus versions. While the Van version allows easy loading thanks to wide side and rear doors, Minibus and Bus versions offer versatile solutions in student, personnel and other passenger transportations.



LANCIA

Delta

Drawing attention as the first representative of worldwide next generation model approach of Lancia, the Lancia Delta launched in Turkey with its brand new design. Included in Compact Hatchback class, Delta is equally good as sedan automobiles with its wide interior space and luggage compartment capacity. Delta is being offered with 1.6 liters 120 HP Multijet turbocharged diesel engine and 1.4 liters MultiAir 140 HP petrol engine options.



Thema

The luxury sedan automobile that symbolizes the return of Thema name, which holds the flagship title of Lancia, reflects the Fiat Group & Chrysler cooperation. While dimensions, comfort and attractive visual quality reflect American genes of the automobile, stylish interior/exterior design details and equipments features with luxury elements point Italian grace.



Voyager

Another product of Fiat Group & Chrysler cooperation, Voyager launched in Turkey in 2012. Included in large MPV class, Lancia Voyager has the genetic codes of a model that is demanded in the unit of over 30 million worldwide in 27 years. Having an interior space that allows highly wide and flexible solutions, Voyager offers a pleasant travel for its users with its rich standard equipments.



“Launching two new models as Thema and Voyager in consequence of the collaboration between Fiat Group and Chrysler, Lancia began to reach more consumers also with the contribution of strong distribution network of Tofaş.”

ALFA ROMEO

Giulietta

The new version of legend Giulietta, which had been launched by Alfa Romeo in 1954 and manufactured 11 years ago, enters its fourth year in Turkey. The representative of Alfa Romeo in compact HB class, Giulietta wins the recognition of stylish users with its attractive design, powerful engines, driving quality and comfortable interior space.



Mito

The representative of Alfa Romeo in small class, Mito continues to draw the interests of young drivers with its sportive interior and exterior design, powerful engines and quality. Mito creates a different with its DNA; Q2 electronic differential lock and system that allows three different driving modes (Dynamic, normal, all weather).



JEEP

Compass

Successful representative of Jeep brand in compact SUV segment, Jeep Compass presented its new version to the users in Turkey in 2012 with its renewed exterior and interior design. New Jeep Compass being offered only as front-wheel drive (fwd) with 2.0 liters 156 HP petrol engine and CVT automatic transmission combination.



Cherokee

Medium class SUV Cherokee can also offer two wheel drive configuration for city usage in addition to legend four wheel drive (4x4/awd) system of Jeep brand. Having a fairly wide and convenient interior capacity, Cherokee can be enlarged up to 1,767 liters thanks to its 739 liters luggage compartment and folding rear passenger seats at the rate of 60/40.



Grand Cherokee

Large SUV of the Jeep brand, Grand Cherokee model presented to the consumers with its legend four wheel drive (4x4/awd) system, 3.0 liters diesel engine and two assembly options. While offering high off-road performance through Quadra-Lift™ and Selec-Terrain™ technologies, Grand Cherokee attracts attention with its driving comfort, superior technological features and luxury interior design. Grand Cherokee offers wider space both for load and passengers with 782 liters luggage compartment (1554 liters when rear passenger seats are folded) and 13 cm extended wheelbase.



Wrangler

Off-road vehicle of Jeep brand, Wrangler conveys its 70-year experience to the off-roads. Wrangler regarded as the best-in-class vehicle based on the criteria such as ground clearance, approach and departure angles, turning diameter and wheelbase, etc. Furthermore, Wrangler also regarded as the best-in-class vehicle in terms of water-fording capability, through up to 30 inches.



“Alfa Romeo continued to develop its user range through the different versions being launched in 2012 while further strengthening its position in Turkish market with the Giulietta and Mito models.”

“Incorporated under the roof of Tofaş in 2012, the Jeep brand also presents options that are suitable for city driving with compact SUV models while offering models that are suitable for off-road driving featuring the legend four wheel drive (4x4/awd) system and off-road capability.”

SUBSIDIARIES

KOÇ FIAT KREDİ TÜKETİCİ FİNANSMANI A.Ş.

Koç Fiat Credit (KFK) provides financial service for the sales of all Tofaş Brands and Fiat Group vehicles that are manufactured under the license of Fiat Auto in Turkey and/or imported to Turkey, including also the direct sales of Tofaş Türk Otomobil Fabrikası A.Ş. and used second hand vehicles.

Koç Fiat Credit provides a significant competitive advantage to its dealers since the loan provided for Tofaş customers can only be used under the control of Tofaş. Providing a significant competitive advantage to the brands by providing service at the showroom with reasonable interest rates and operational ease with strong structure, Koç Fiat Credit makes an invaluable contribution to increase the automotive sales.

In 2012, Koç Fiat Credit supplied totally 45,453 unit vehicle credits. This corresponds to TL 1.008 million amounted credit. Koç Fiat Credit increased its credit penetration rate (loan supplied/vehicle sold) to 42% in 2012, which was recorded as 40% in 2011.

The share of Koç Fiat Credit within the consumer financing companies was realized as 12%. In 2012, vehicle loan portfolio of the banks grew 3%, while consumer financing companies' portfolio and KFK's portfolio grew 25% and 15% respectively.

In 2012, effective credit campaigns have been organized for all brands. Apart from the monthly equal payments with zero interest rate, flexible payment schedules continued to be offered that creates an important value for the customers who have variable income distribution and cash flows. Coupled with improvement in operational processes, these credit campaigns played a key role in prefer ability of the brands under the roof of Tofaş and increased the sales penetration of Koç Fiat Credit.

In addition to its financing service, Koç Fiat Credit also offers insurance products that complement the loan. While the rate of the customer benefiting from the Credit Protection Insurance was 24% in 2011, this rate increased to 33% and one of each 3 customers began to prefer insurance products. In parallel with the target of increasing non-interest revenues, the offered insurance products is planned to be diversified in 2013 and the insurance penetration rate (insurance sold/loan given) is yet to be increased. Koç Fiat Credit aims to raise brand awareness and market share

by improving the loyalty and satisfaction of its dealers, business partners and customers through the cooperation established with its dealers thanks to its credit diversity, system investments and quality service. Koç Fiat Credit will continue to improve customer loyalty and satisfaction through CRM campaigns. As of 2013, the company will begin to offer pre-approved credits with attractive terms for the past customers having high credibility ratings and good payment discipline. As of 2013, it is planned to utilize Experian NBSM (New Business Strategy Method) that will enable quicker and more efficient implementation of automatic decisions in credit assessment transactions made by using credit rating methods.

Koç Fiat Credit funds its credit portfolio mainly with obtained loans and issued securities. In the first quarter of 2012, securities have been issued at a nominal value of TL 40 million. In second quarter TL 140 million and in the third quarter TL 185 million worth of securities were issued. As of December 2012, the paid-in capital amount of the Company recorded as TL 45 million.

Head office of Koç Fiat Credit carries out its activities at Büyükdere Caddesi Tofaş Han No: 145 34394 Zincirlikuyu / İstanbul TURKEY address.

	Dec'12	Dec'11
Consumer financing companies vehicle credit balance	TL10,269 million L	TL8,192 million
KFK vehicle credit balance (incl. legal follow up credits)	TL1,255 million L	TL1,089 million
KFK's consumer finance market share	12%	13%

FER MAS OTO TİCARET A.Ş.

Fer Mas Oto Ticaret A.Ş. was established on April 15, 2005 with Tofaş Türk Otomobil Fabrikası A.Ş. holding a 99.4% share. The company became the Official Ferrari Distributor in Turkey in April 2005 and of Maserati in July 2005.

Commencing operations at its Istanbul showroom and head office in the Kuruçeşme district of Istanbul on August 18, 2005, the Company provides service in a building, with an indoor area of 900m2, features a showroom, minor service center and club lounges. Fer Mas Oto Ticaret A.Ş., placing great importance on after-sales, opened its Ferrari-Maserati service point in June 2005, ahead of the showroom. Fer Mas improved its after sales services even further with a new service area in the Etiler-Armutlu district of Istanbul.

Ferrari

Ferrari sales rose from an annual average of 8 between 1998 and 2004, to 11 in 2005, and then to 29 in 2006 and again in 2007. Sales in 2008 and 2009 dropped to 17 units but then rose again to 23 in 2010 and in 2011. Ferrari sales of 2012 recorded as 22 units.

Maserati

Fer Mas sales of Maserati did not exceed an annual average of 5 between 1998 and 2004, before rising to 10 in 2005. In 2006, Maserati sales doubled to 20, and then rose to 28 in 2007. Sales in 2008 and 2009 dropped to 17 units, before growing to 26 in 2010. Maserati sales recorded as 24 in 2011 and as 18 in 2012.

After sales

Fer Mas moved to a new service facility in 2009 to increase its after-sales service quality and customer satisfaction. The new service facility is a great advance in terms of its location, size and equipment.

Marketing

Intensive communication activities to reshape these two brands in the Turkish market and to establish corporate identity were conducted. Brand awareness and brand visibility were increased significantly through effective management of brand values. These efforts improved the reputation of the brands and led to brand leadership in the luxury segment.

Fer Mas, while positioning Ferrari as a lifestyle automobile that elicits passion and is preferred by A++ customers who accurately perceive the Ferrari brand philosophy, reintroduced Maserati

to the Turkish consumer as a saloon that offers the pleasure of sports car driving, as a prestige automobile.

2012 Promotional Activities

- In 2012, Fer Mas attended to "4th Simply the Best" organization, which has been organized in Siena, Italy by Maserati SpA, as the representative of Eastern Europe region for the first time in the company's history. Fer Mas grabbed a slice of history in the presentation made in the first day of the organization by being one of the 13 "Best Performer" dealers among totally 112 dealers operating in the region covering all European countries, Turkic Republics, Middle East countries and Russia.
- Special test drives and race course activities of Ferrari and Maserati brands for their customers in Istanbul have been performed in different periods during 2012.
- Turkish launch of the new Ferrari model 458 Spider was held at Istanbul Congress Center on March 14, 2012.
- 458 Italia model of Ferrari was granted to "Performance Automobile of the Year" Award for the second time in two consecutive years by Auto Express, one of the specialist automotive publications.
- F12 Berlinetta, which has been chosen as "Europe's best-looking car" at Auto Bild Design Awards with the votes of Auto Bild readers in the summer months of 2012, was granted to this award for the second time.
- "Maserati Club Şile Trip", which was the first organization of Maserati Club, was held in Şile Lavanta Boutique Hotel and Ferrari Club's 2012 organization was held in Abant Palace Hotel.
- In Maserati Road Show Ankara organization, which has been organized with the participation of Maserati fans, a test drive activity organization held with GranCabrio and Quattroporte S models of Maserati.

Maserati Granturismo Sport, which is the most powerful version of Granturismo model of Maserati, launched in July, 2012 in Turkey. Head office and showroom services of Fer Mas Oto Ticaret A.Ş are being provided at address of Kuruçeşme Cad. No.29 Kuruçeşme 34345, İstanbul and After-sales services are being provided at the address of Fatih Sultan Mehmet Mah. Atatürk Cad. No.7 Armutlu, İstanbul.



CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

Sustainability Policy

The Social Responsibility Sustainability Policy of Tofaş is pursued on the basis of both within the structure of the company and public social activities by considering the impact criteria on corporate social responsibility and society as to present Tofaş's responsibility against stakeholders both in the region where the plant is located and nationwide. The Corporate Social Responsibility Sense of Tofaş has integrity within the scope of corporate culture and business processes as well as all company policies.

Within this framework, Tofaş includes comprehensive and detailed information on regular and periodical activities both in annual reports and printed and periodical publications. Thus, these processes are shared with primarily company employees, shareholders and stakeholders, all relevant parties and disclosed to the public. Furthermore, the activities organized and carried out in line with corporate policies are submitted for stakeholders' information by including necessary information and relevant links on intranet and websites.

Considering the social responsibility as the accountability of the corporations and fulfilling the duties and responsibilities against stakeholders, Tofaş regards realizing "sustainable and developable" social responsibility practices as a corporate policy.

As indicated in Corporate Governance Compliance Reports of Tofaş, "social responsibility" is considered in line with the sense of social responsibility and all "shareholders" as the "stakeholders" within the scope of corporate social responsibility. Furthermore, a "Corporate Governance Rating" has been performed as to cover the activities of the Company in this aspect by assessing the corporate governance practices covering primarily, "shareholders", "public disclosure and transparency", "stakeholders" and the "Board of Directors", and the report including the aforementioned rating disclosed at ISE and published on the website of Tofaş. In addition, aforementioned rating report was revised and the rating of Tofaş has been upgraded.

The corporate social responsibility perspective of FIAT Auto, the main partner of Tofaş, and Koç Holding's Global Compact and corporate social responsibility sense constitute the major axis of Company's "Sustainability Policy" in this aspect.

In line with the processes covered by adopted corporate social responsibility sense and practices, Tofaş accepts compliance with law as an essential requirement and puts priorities into practice that will promote the dynamics, which will provide both corporate and social developments.

In this aspect, Tofaş acts in accordance with the criteria and prin-

ciples determined in all fields that covered by corporate social responsibility such as human resources and investment in people projects, shareholder culture and company vision, education support activities, culture & art developer practices, environmental conscience and protection of the environment. Besides, Tofaş aims to implement and develop a proactive environmental management system within the framework of sustainable development principle through the environment policy and activities in this aspect.

In addition to implementing required all national and international standards within all fields covered by social responsibility, activities that are projected to improve these are being realized.

Within the framework of sustainability policy of Tofaş, there is an integrity that is based on the participation of shareholders and considers the satisfaction and expectations of the shareholders related to the social, ethical and environmental management. In addition, strategic arrangements are projected to realize the social responsibilities that are based on the sense of corporate governance. Accordingly, within the framework of new vision of the company and the activities preferred by its shareholders, the sense of corporate social responsibility and its practices persist with a continuous development.

In line with the social and environmental activities and organizations of Tofaş, disclosing the results obtained through the reporting of social and environmental performance by management, improvement and audit of these processes, to all shareholders and public is important for the company. The corporate social responsibility practices of Tofaş are assessed within the scope of sustainability and company policies.

Environmental Policy

Tofaş aims to reduce wastes in their source and recycle as far as possible as the requirement of Environmental Policy. Within this scope, 97% of industrial wastes are recycled. Remaining wastes are recovered as alternative energy resource.

Tofaş was granted to first prize within the scope of EU Environmental Awards in 2012 with its environmental management system. Tofaş was chosen as "Turkey's Best Company in Environmental Management" based on the EU criteria. In 2012, the target of "0 waste disposal" has been achieved. Material or energy recycling has been provided for all of the wastes.

Tofaş is the corporate member of Climate Platform, supporting low carbon economy through energy efficiency activities. Tofaş has reduced its energy consumption per car through hundreds of energy efficiency projects in last 5 years. Thanks to this level, Tofaş reached benchmark level among Fiat plants.

Besides, Tofaş provides contribution to environmental culture through the regular trainings offered primarily for its employees, suppliers and collaborated contractors.

Tofaş aims to implement and develop a proactive environmental management system within the framework of sustainable development principle within its product, manufacturing and service activities.

For this purpose:

- All kind of waste disposal actions are regarded as the loss of natural resources and the methods that will eliminate the pollution in its source are being developed.
- In all processes, compliance with all legal and other requirements is accepted
- It is aimed to minimize natural resource need, energy losses and wastes by utilizing improvement tools continuously and training the employees and suppliers
- Tofaş manufactures automobiles, commercial vehicles and spare parts that has lesser environmental impact and more recycled material.

Sustainable Manufacturing

Adopting the sustainable production principles, Tofaş achieves efficiency in natural resources consumption through 5R (Refuse, Reduce, Reuse, Recycle, Recover) improvements in all production processes.

- Since 2002, we have saved 50,000 m3 of water annually through recycling treated wastewater for irrigation of green land.
- We have saved about 70,000 trees through utilizing recyclable packaging and containers instead of cardboard, wood and plastic.
- In the painting process, Tofaş reduced volatile organic compound (VOC) emissions far below EU limit values by using solvent free cleaning agents, developing water-based paint, electrostatic paint guns and one-bell paint technology.
- Nearly 850 tons of plastic are recycled each year.
- The programmable robotic system (Vario Shuttle) was applied at new surface treatment processes to reduce the volume of process tanks by 25%.
- Potential environmental risks have been minimized by replacing all underground fuel tanks and enclosing in leak-proof pools.
- Thanks to energy-efficiency projects, every year, an average of 10% efficiency is achieved on the total energy budget.
- In 2011, the "Greenhouse Gas Management System" has been

established in Tofaş, the first in automotive sector, and ISO 14064 Certification has been achieved.

• In addition to all of these, Tofaş has been organizing tree planting activities in every year for 15 years. 100,000 pine and fruit saplings have been planted with the donations of Tofaş employees. Furthermore, 50-hectare construction waste area has been rehabilitated in Gölyazi capacity in Bursa and turned into a "Fiat Forest".

Green Product

• In the competition organized among R&D centers by Ministry of Science, Industry and Technology, Tofaş granted to first prize in the category of university-industry alliance.

• In the R&D Activities assessment performed by EU Commission, Tofaş was ranked among the first 1000 companies in the world and 2nd in Turkey in consequence of the activities of R&D Center established in 2008.

• Tofaş carried out 64 technological researches within 2011-2012 activity period. The prominent projects of 2012 were vehicle electrification activities, alternative fuels and renewable energy usage (bioethanol, etc.), eco-friendly material usage, reducing the vehicle weight and its recycling activities (e.g. through the plastic bumper weight optimization 1.8 kg/car and with aluminum frontal collision piece 3 kg/car weight reduce).

Green Dealers and Suppliers

Suppliers: Through the program intended for extending WCM practices also in subsidiary industry firms working with Tofaş, WCM World Class Environment Audits have been launched. Plenty of suppliers have been included in this program.

Dealers: Within the scope of Green Service implementation launched in 2010, the audit and training of 143 dealers and services have been finalized in 2012. Through the program full-day environment trainings have been provided for each environment responsible of services and dealers. Totally 5,426 man/hour training has been provided in the fields of environmental management system, legal legislations and Tofaş dealer/service rules.



“Tofaş considers corporate social responsibility as accountability and a requirement of responsibility against shareholders and pays attention that the social responsibility practices developed within this framework to be sustainable and adopts this as a corporate policy.”

EDUCATION

Fiat Laboratories

Fiat Laboratories executed in integration with “Vocational Education: A Crucial Matter” project, aim to raise technical human resources, who are master in new technologies of the automotive industry and to bring into prominence and give priority to employ them in the industry.

Within the scope of this program, the Ministry of Education's Office of Vocational Education for Boys and the Company have joined forces to contribute to the development of the fields of motor vehicle technologies in industrial vocational schools and institutions. Tofaş after-sales directors, regional representatives of the service council and regional officers work together at Fiat Laboratories in 11 occupational high schools in İstanbul, Bursa, Kocaeli, Ankara, Antalya, İzmir, Adana, Samsun and Diyarbakır.

The first Fiat Laboratory opened at the Şişli Industrial Vocational High School in 2006 produced its first graduates in 2009. As of 2012, there are 804 people in Fiat Laboratories together with the students receiving education and teachers providing the trainings. In 2011, 238 student and in 2012, 243 students were graduated. Nearly 60% of graduated students directly started to work in Fiat authorized services and other students preferred university education.

Personal records of all Laboratory teachers and students are kept in Tofaş Academy, which is the training and management portal of Tofaş. Also technical and behavioral e-trainings that are suitable for teachers and students are provided through Tofaş Academy portal. Thanks to the Education Portal including personal records of the students, many students took the advantage of starting to work at the authorized services or Tofaş Plant after graduated. Every year, technical education including up-to-date technologies is provided by the Tofaş Technical Training Center as part of in-service training to laboratory instructors. Until today, 400 Vocational High School Teacher have benefited from the in-service training program.

Fiat Laboratories receive equipment that operates as part of the infrastructure of Tofaş; Fiat Linea vehicles, too, have been allocated to the laboratories for educational purposes. Within the scope of “Vocational Education: A Crucial Matter” project, Koç Holding also provides scholarships for the education in FIAT Laboratories to the students who can meet the scholarship conditions.

Advanced Engine Overhaul firm, the engine overhaul supplier of dealers and authorized services, continued its “Engine Overhaul” trainings in 9 Fiat Laboratories in 2012. In parallel with these trainings, “Spare Parts” trainings, prepared by Tofaş After Sales Spare Part Manager Mesut Eren, continues in 7 Fiat Laboratories.

In the project competition organized by Koç Holding within the scope of “Vocational Education: A Crucial Matter” project, this year Şişli Industrial Vocational School's Fiat Laboratory was granted to “Best School-Corporation Alliance” award. TL 30,000 amounted Grand Prize was given to Şişli IVS Fiat Laboratory. In 2013, the protocol has been renewed and the Laboratory proceeds its activities.

Automotive Engineering Master's Program

The Automotive Master's Program, a cooperative venture between Uludağ University and Torino Polytechnic under Tofaş leadership, and it is the first of its kind to be supported by a foreign university. The aim of this program is to enable the Turkish automotive industry to advance and to contribute to training a quality work force, which the sector needs. Since the launch of the program, the number of total students reached 48 and graduated student reached 9 students.

Tofaş Basketball Schools and Basketball Volunteers Project - FiatBall Festival

Tofaş Sports Club launched two different organizations in 1999 and 2001. The first of these was Tofaş Basketball Schools and launched in 1999. Today carries out activities in 9 provinces and in 23 different points. Nearly 4,000 children per year benefit from these activities.

The second one, Basketball Volunteers Project has been carrying out its activities since 2001 in cooperation with Turkish Educational Volunteers Foundation (TEGV) and Tofaş Sports Club. The aim of the project, which conducts activities at TEGV's 11 Education Parks and three Learning Centers, is to contribute through basketball to the personal development of, and acquisition of life skills by children that do not ordinarily have the opportunity to participate in sports. Every year, approximately 700 students in grades 6-8 are reached through the program, which has had over 6,000 participants.

Tofaş brings together both organizations stated above once in a year through FiatBall Basketball Festival. In this event, which continues since 2001, the teams coming from their own regions find a chance to share their activities performed during a year.

CULTURE and ART

Tofaş Museum of Anatolian Cars and Carriages and Tofaş Art Gallery

Tofaş Museum of Anatolian Cars and Carriages is located in a location that is near the Historical Umurbey Hamam and was allocated by Bursa Metropolitan Municipality in Yıldırım district in Bursa. The museum, which was constructed on a 17,000 m2 area, aims to conserve the Turkish automotive heritage.

Opened its doors in 2012, the first and only Anatolian car and carriage museum of Turkey has been visited by nearly 340,000 people since its establishment. The museum displays the Anatolian tale of a simple wooden wheel that begins turning thousands of years ago in Asia, undergoes a colorful transformation over the years, and finally becomes the modern-day Turkish automotive industry.

The museum has published a limited edition exhibition book entitled “The Turkish Automotive Industry and Tofaş - Following in the Footsteps of the Anatolian Design Heritage,” by Prof. Önder Küçükerman. A product of painstaking research, this work sheds light on those who have devoted themselves to the automotive sector.

The Tofaş Art Gallery was opened in 2008 upon the completion of the restoration of the Umurbey Hamam. Its inaugural exhibition, appropriate for the concept of “hamam,” was “Eski Hamam, Eski Tas” (“Old Hamam, Old Bowl”) in 2009. The second exhibition – the “Toy Exhibition” – was prepared in consultation with MİDO A.Ş. and opened on May 10, 2011.

The exhibition, which displays the evolution of game and toy culture from the past to the present and the incredible transformation games and toys have undergone on account of technology, was visited by 60,000 people in eight months.

Following the publications of “Eski Hamam, Eski Tas,” the Tofaş Art Gallery's first exhibition book, a book entitled “Oyuncak Sergisi” (“Toy Exhibition”) was prepared and published by Yapı Kredi Kültür Sanat in 2011 for Tofaş. The museum's website, www.tofasanadoluarabalarimuzesi.com, was revised in 2011 to promote the museum more effectively and reach a greater number of people. With its comprehensive content and dynamic design, the website won recognition.

In 2012, the Toy Exhibition, which is exhibited both in the museum and in Tofaş Art Gallery, has been visited by 110,000 people.

Sponsorship of the Hierapolis Excavation in Pamukkale

Tofaş has sponsored the Hierapolis Excavation in Pamukkale since the 2005, thus helping to shed light on one of the most important ancient cities in Anatolian History. One of the five largest ancient cities located in Turkey, Hierapolis was named as a UNESCO World Heritage Site in 1988.

Each year, the Italian archeological mission (MAIER) is joined by national research center (IBAM) and 80 academicians, technicians and students from eight Italian universities and four Turkish ones (Ege, İstanbul, Ankara and İTÜ).

The Hierapolis consists of the sacred Temple of Apollo, a theater, the city's monumental Frontinus Gate (the main entrance to the city), Frontinus Road, the Necropolis, hamams (now serving as a museum), the agora, latrines, Triton Nymphaeum, villas and ceremonial roads. Recent work carried out at the site has focused on the restoration of the theater to allow concerts seating 6,000 people.

Sponsorship for Küçükyalı Arkeopark Excavations

Küçükyalı Archeological Park is another archeological site under Tofaş sponsorship. Started nine years ago, a joint team of Turkish and Italian archeologists is excavating this site under the authority and supervision of the Ministry of Culture, Directorate of Cultural Heritage and Museums. The excavations receive technical support and sponsorship from the Maltepe Municipality and private corporations. The Küçükyalı Arkeopark project became an İstanbul 2010 Culture Capital of Europe Agency project in July 2009.

Promotional activities and tours of the site were conducted throughout the July-August excavation season also in 2012 just like every year. Conservation and scientific research were carried out along with educational activities for primary and secondary school students. Throughout the excavation season, conservation, restoration, photographing and data-processing was done at the site. The use of Koç University's archeological laboratories continued..



SPORTS

Tofaş Sports Club

Tofaş Sports Club was founded on December 13, 1974 in Bursa Plant of Tofaş under the name of Tofaş SAS. The club was given this name due to the merging of Tofaş and SAS (water sports, athletics and sports games) Clubs.

Receiving its current name in 1995, Tofaş Sports Club competes in basketball, football, volleyball, table tennis, water polo and bridge. The Tofaş Sports Club brought basketball championships to Bursa – the first European Cup Final and the first Turkish Championships, the President's Cup Championship, the Turkish Cup Championship and the Inter-school World Championship.

The Tofaş Basketball Team rose to the Beko Basketball League with the 2nd League Champion in 2008-2009 season and continues its successful contention. Tofaş Sports Club Basketball Team was qualified to compete in FIBA Eurochallenge Cup this season thanks to its success achieved in 2011-2012 season. Tofaş Young Men's Basketball Team, which brought first Europe Cup Final Excitement to Bursa in the field of basketball, won the

Turkish Young Men's Championship in 2010-2011 season and in 2011-2012 season Ali Karasu High School Team, founded with juniors team, was granted to Bronze medal at interscholastic World Championship held in China.

Tofaş, which achieved the first three ranks in other branches especially in the competition platforms of Bursa Region and its surroundings, in addition to its main branch basketball; has trained numerous national sportsmen that take place in all kinds of branches. One of these was Emre Mayil, who represented Tofaş at Men's Junior Table Tennis Turkish Championship. Mayil competed final in the championship and was granted to second prize and chosen for the National Team.



Tofaşspor Men's Basketball A Team

Top row: 12. İnanç Koç - 55. Muhammed Doğan Şenli - 13. Tomislav Ruzic - 42. Joshua Heytvelt - 5. Chinemelu Elonu - 9. Samet Geyik - 7. Austin Nichols

Bottom row: 14. İsmail Kerem Gülmez - 8. Uğur Dokuyan - 4. İbrahim Yıldırım - 10. Can Altıntığ - 25. Kenan Sipahi - 11. Steven Burt

2012 EVENTS AND ACHIEVEMENTS

JANUARY - FEBRUARY

New Lancia Delta hit the road in Turkey

Drawing attention as the first representative of worldwide next generation model approach of Lancia, the Lancia Delta launched in Turkey with its brand new design. The automobile was designed by Centro Stile Lancia. In addition, the new characteristic grille that is also the brand emblem symbolizes the cooperation between Europe and America continents.

New Fiat Punto is Now Available in Turkey

Fiat Grande Punto and Fiat Punto Evo models family offered for sale in Turkey under the name of "Fiat Punto" with its new design and equipment.

Happy Second Anniversary for Tofaş Academy

The educational, development and communication platform of Tofaş established in January 19, 2010, Tofaş Academy provides opportunity for the dealer employees to access necessary information and trainings easier and faster.

A First in Biz Bize Meetings

Different from the previous years, Biz Bize Meetings has been organized specially for three shifts as to cover all shifts in Bursa plant of Tofaş. Kamil Başaran, the new CEO of Tofaş found a chance to meet with all employees through this meeting. The meeting held in the refectory of the plant in February 16-17 and in Istanbul head office in February 16.

Cultural Shift Clubs

Cultural Shift Clubs, which are exclusive to Tofaş, have been introduced at 2012 Human Resources Summit held in February 15-16 at Lütfi Kırdar Convention and Exhibition Center. At the Summit, the structural transformation and cultural shift, which have been realized by Tofaş with the intent of becoming a multiple branded production and R&D center, was represented under the title of "Tofaş on Cultural Change Journey".

MARCH - APRIL

Fiat Dealers Meeting

Fiat Dealers Meeting held in March 9 in Istanbul and brought together Fiat dealers that operate in different regions of Turkey. The dealers were informed about the developments in Fiat and Tofaş. Furthermore, customer experience program that was launched for Fiat brand was introduced to the dealers by Fiat Positive Team.



New Fiat Linea Rolls off the Production Line

New Linea, produced at Bursa plant of Tofaş rolled off the production line with a ceremony organized on April 9, 2012. Koç Holding senior management, company directors, employees and press members have attended the ceremony of face-lifted Fiat Linea.



New Fiat Linea Introduced to Dealers

Fiat introduced New Linea to the dealers and their employees with a three-day meeting organized in Çeşme in April 14-16. The features of new Linea have been presented to the dealers through innovative 3D technology. Participants also have the opportunity to meet with new Linea within the framework of the organization.



Press Members Tested New Fiat Linea

Fiat introduced New Linea to the press with the organization held in April 19. The press members assessed New Linea by testing on Şile route.

“Made in Turkey” Signed Fiat Commercial Vehicles are in UK

New Fiat Doblo that was awarded with “Commercial Vehicle of 2011”, Fiat Pratico (Fiat Work-up) and Fiat Fiorino that turned a new page in light commercial vehicle segment took part at 2012 Birmingham Commercial Vehicles Exhibition as “Made in Turkey” signed models.

MAY - JUNE

Journey of Fiat Dealers to “World Class”

The WCD (World Class Dealer) Program that has been implemented since 2010 as pilot scheme in four dealers began to be disseminated also in other dealers as of June 2012. Through the program it is targeted to reduce costs by eliminating all losses in after sales workshops and to improve the customer satisfaction by focusing on service quality issues with a systematic approach. Creating an eco-friendly environment where occupational safety risks have been eliminated is also the important part of these targets.

One More Award to Fiat Fiorino from UK

Fiorino that represents Fiat branded design of Minicargo project, whose intellectual property rights are totally belong to Tofaş, received a new award from UK. Fiorino has chosen as “Best Light Commercial Vehicle of the Year” by UK’s leading commercial vehicle oriented “Van Fleet World” jury.

Fiat Linea is the Best-Seller Automobile of Turkey

Fiat Linea, preferred by over 10,600 customers within January-May 2012 period, assumed the title of best-seller automobile of Turkey.

Face-lifted Jeep Compass is in Turkey

The successful representative of Jeep brand in compact SUV segment, Jeep Compass has taken its place in the dealers with its face-lifted exterior and interior design.



Lancia Thema and Lancia Voyager are in Turkey

The rear-wheel drive Lancia Thema, developed by taking 300 models of Chrysler as the basis, and the version of MPV (multipurpose vehicle) class Chrysler Voyager, marketed in European countries with Lancia brand offered for sale in Turkey.



Tofaş Employees are at Environmental Parade

In 2012, 135 Tofaş employees and their families took part in environmental parade that has been realized in Gölyazı Village by participating to 8th Eskiaraağaç Village Stork Fest organized by Governorship of Bursa.

JULY -AUGUST

Tofaş is the Best in Environmental Management

Tofaş has chosen as “Turkey’s Best Company in Environmental Management” based on EU criteria.

FIATBall Basketball Fest

FIATBall Basketball Fest, being organized since 2001 in cooperation with Turkish Education Volunteers Foundation (TEGV) and Tofaş Sports Club, held in Bolu in 2012. FIATBall 2012 has been realized at the Campus of Abant İzzet Baysal University with the participation of 12 teams and 110 athletes from Ankara, Antalya, Gaziantep, Istanbul, İzmir, Mardin, Samsun, Şanlıurfa and Van provinces.



Golden Medal to Tofaş by Turkish Red Crescent

Turkish Red Crescent Medal Ceremony, traditionally organized each year, held at Haliç Congress Center on August 10, 2012. After Sales and Spare Parts Director, Turhan Çeltikçioğlu received the golden medal granted to TOFAŞ by Red Crescent from President Recep Tayyip Erdoğan.

SEPTEMBER

The Joy of 4 millionth Vehicle

Produced in Tofaş’s Bursa plant, the 4 millionth vehicle, Fiat Fiorino, rolled of the production line with ceremony on September 12, 2012. Koç Holding and Tofaş Board Chairman Mustafa V. Koç, Koç Holding Board Vice Chairman Temel Atay, Koç Holding Automotive Group President Cenk Çimen, Tofaş CEO Kamil Başaran,

company managers and Tofaş employees have attended the ceremony held in Bursa plant. The ceremony has been also watched live from Istanbul Head Office and constituted another milestone in company’s history.



New Fiat Doblo XL at Hannover

World launch of the new version of New Fiat Doblo Cargo named as “XL”, which is produced by Tofaş and exported to over 60 countries, held at Hannover Commercial Vehicles and Subsidiary Industry Exhibition, Europe’s most important commercial and industrial vehicle organization.

Tofaş employees came together on “Family Day”

Tofaş employees and their families came together in “Family Day” activities organized on September 16, 23 and 30 and enjoyed the day.

OCTOBER – NOVEMBER

Second Biz Bize Meetings of the Year

In the meeting in which all Tofaş employees in Bursa and Istanbul came together with Tofaş Ceo, Kamil Başaran, the status of the market, developments experienced in European and Turkish automotive sector and results related to the first nine months of the year have been shared.



Istanbul Auto-show Exhibition

Istanbul Auto-show Exhibition realized between November 2-11, 2012. Tofaş exhibited the models of Fiat, Lancia, Alfa Romeo, Jeep, Maserati and Ferrari brands on an area of totally 3322 m².



Leader of local market : Fiat

Fiat became the leader of total national market with 13.6 percent share achieved in October and also became the leader of light commercial vehicle market with the achieved 29.6 percent share.

Fiat Freemont Dealer Launch

Fiat Freemont Launch meeting, in which Fiat dealers throughout Turkey were attended, held in Istanbul. In the first day of the launch, the dealers visited the Fiat stands at Autoshow Exhibition and in the afternoon attended to launch meeting. In the second day of the launch, dealers found a chance to familiarize themselves with Fiat Freemont and test.



Tofaş Supplier Meeting

Koç Holding Automotive Group President Cenk Çimen, Fiat Group Purchasing CEO Vilmar Fistarol, Fiat Group Purchasing CFO Francesco Rondinelli and Fiat Group Purchasing Metal Sector Global Director Roberto Di Stefano have attended to the organization held on November 23, 2012 within the framework of "We Achieve Together" approach. In the meeting, 22 awards in the categories of Direct Material Quality and Performance, Direct Material Cooperation, Direct Material Technical Advice, Indirect Material Performance and Spare Part Performance, were granted to their owners.

DECEMBER

Tofaş is the Leader of Corporate Governance

The Corporate Governance score of Tofaş upgraded to 9.03 out of 10.

Jeep Wrangler Granted to 4x4 of the Year Award

The UK based 4x4 magazine awarded the Jeep Wrangler the 4x4 of the Year award in the "Hardcore class".

Society of Automotive Distributors (ODD) Sales and Communication Awards

Tofaş was granted to "Best-seller Automobile Model" award with Fiat Linea, to "Best-seller Light Commercial Vehicle Model" award with Fiat Doblo and to "Radio Application of the Year" award with Fiat Light Truck Family.



Fiat My Fellow Traveler

The mobile application designed to meet the needs of Fiat customers has been launched.

AWARDS

TOFAŞ AWARDS 2012		
Brand/Company	Granted By	Awarded Project / Competition / Formation
TOFAŞ	DOSAB (Demirtaş Organized Industrial Zone)	Awarded as a company carrying out activities over 25 years that was among the first companies established in Demirtaş Organized Industrial Zone.
TOFAŞ	SGK 2012 (Social Security Institution-SSI)	Received a "Thank You Plaque" for the contributions made to employment.
TOFAŞ	EU Environment Awards	Tofaş chosen as "Turkey's Best Company in Environmental Management" based on EU criteria within the scope of EU Environment Awards 2011-2012 Turkey Program organized in cooperation with REC and TÜSIAD (Turkish Industrialists' and Businessmen's Association).
TOFAŞ	Uludağ University	Tofaş Academy was granted to "Most Volunteers of 2012" award due to devoted activities that have been carried out with "Disabled Student Support Unit" created in the body of Uludağ University.
TOFAŞ	Koç Holding	Şişli Industrial Vocational High School's Fiat Laboratory was granted to "Best School-Company Collaboration That Strengthens Vocational Education and Employment Bridge" award within the scope of "Vocational Education: A Crucial Matter for the Nation" Project at projects competitions organized every year.
TOFAŞ	Corporate Governance Association of Turkey (TKYD)	Awarded as the "Company Having the Highest Rating" in the category of the Board of Directors at Corporate Governance Awards.
TOFAŞ	Koç Holding	Tofaş was granted to For My Country- Right Approach to Disability Award in the category of company having more than 2500 employees.
FIAT	ODD (Society of Automotive Distributors)	New Linea was granted to award in the category of 2012 Best-Seller Automobile.
FIAT	ODD (Society of Automotive Distributors)	Pratico was granted to award in the category of 2012 Best Radio Application.
FIAT	ODD (Society of Automotive Distributors)	Doblo was granted to award in the category of 2012 Best Seller Light Commercial Vehicle.
FERMAS	Maserati Spa	FERMAS was one of the 13 "Best Performer" dealers among totally 112 dealers that carry out activities in the region covering all Europe, Turkic Republics, Middle East countries and Russia.



Section III

- 2012 Dividend Proposal
- 2012 Dividend Statement
- Report of the Auditing Board
- Independent Audit Report and Financial Statements

2012 DIVIDEND PROPOSAL

Dividend Proposal

As declared in our 2012 consolidated Balance Sheet and Income Statement, prepared as per Capital Market Board Communiqué Series XI, No. 29 and in accordance with International Financial Reporting Standards (IFRS), our Company retained net earnings of TL 448,325,000 after tax provisions in 2012. Donations and contributions to foundations and associations amounted to TL 4,028,458.70.

A dividend payment of 480,000,000 TL in cash, corresponding to 96%, is planned after deduction of legal obligations from net earnings pursuant to the Turkish Commercial Code, Capital Market Legislation and our Company's Articles of Association and Dividend Policy.

A cash dividend 0.960 kuruş gross=net dividend for a share certificate with the nominal value of 1 kuruş at a rate of 96% is to be paid to our partners that are full-fledged taxpayer corporations and also to our foreign-based taxpayer partners who receive dividends through their business or permanent representatives in Turkey.

A cash dividend of 0.960 kuruş gross=0.816 kuruş net for a share certificate with the nominal value of 1 kuruş at a rate of 96% is to be paid to our other shareholders and the dividend payment is to start on April 5, 2013.

We hereby submit the foregoing proposal regarding the distribution of dividends to our General Assembly of Shareholders for their agreement, present our 2012 Consolidated Balance Sheet and Income Statement for approval and affirmation and offer our respects to our Shareholders and Board of Directors.



Mustafa V. Koç
Chairman of the Board of Directors

TOFAŞ A.Ş. 2012 Profit Distribution Table (TL)

		According to CMB	According to Legal Records
1. Paid/Issued Capital			500,000,000.00
2. Total Legal Reserve (As per Legal Records)			121,765,506.03
Information on the privilege in profit appropriation, if any, as per the Articles of Association			
		According to CMB	According to Legal Records
3. Profit of the Period		505,297,000.00	536,393,865.90
4. Taxes to be Paid (-)		56,972,000.00	13,074,546.01
5. Net Profit of the Period (=)		448,325,000.00	523,319,319.89
6. Losses of the Previous Years (-)		0.00	0.00
7. Legal Reserves of First Series (-)		0.00	0.00
8. NET DISTRIBUTABLE PROFIT OF THE PERIOD (=)		448,325,000.00	523,319,319.89
9. Donations Made with in the Year (+)		4,028,458.70	0.00
10. Net distributable profit of the period together with donations for which the first dividend is to be calculated		452,353,458.70	523,319,319.89
11. First Dividend to Partners		90,470,691.74	
- Cash			
- Stock			
- Total			
12. Dividend Distributed to Preferred Share Certificate Holders			
13. Dividend the Members of the Board of Directors, Employees, etc.			
14. Dividend Distributed to Reemed Share Certificate Holders			
15. Second Dividend to Partners		319,370,217.35	
16. Legal Reserves of Second Series		38,484,090.91	
17. Statutory Reserves			
18. Special Reserves			
19. EXTRAORDINARY RESERVES		-	-
20. Other Sources Stipulated to be Distributed			
- Profit of the Previous Year		70,159,090.91	-
- Extraordinary Reserves		-	1,982,436.46
- Other Reserves that are distributable as per the Law and the Articles of Association		-	-
21. Legal reserves of second series from other sources stipulated to be distributed		7,015,909.09	198,243.65
INFORMATION ON DISTRIBUTED PROFIT SHARE RATE(1)			
INFORMATION ON DIVIDEND PER SHARE			
GROUP		TOTAL DIVIDEND AMOUNT	DIVIDEND CORRESPONDING TO A SHARE WITH NOMINAL VALUE OF 1 TL
			AMOUNT (TL) RATE (%)
GROSS	A	181,708,662.60	0.96 96
	D	181,708,662.60	0.96 96
	E	116,582,674.81	0.96 96
	TOTAL	480,000,000.00	
NET	A	181,540,752.52	0.816 81.6
	D	154,452,363.21	0.816 81.6
	E	99,095,273.59	0.816 81.6
	TOTAL	435,088,389.32	
THE RATIO OF DISTRIBUTED PROFIT SHARE TO THE NET DISTRIBUTABLE PROFIT OF THE PERIOD WITH THE DONATIONS ADDED			
PROFIT SHARE AMOUNT DISTRIBUTED TO PARTNERS (TL)		RATIO OF PROFIT SHARE DISTRIBUTED TO PARTNERS NET DISTRIBUTABLE PROFIT OF THE PERIOD WITH THE DONATIONS ADDED (%)	
480,000,000.00		106.11	

- (1) There are no privileged shares in dividend payments.
- (2) Amounts of dividends distributable to Classes A, D and E are rounded figures.
- (3) Because 37.62% of the Class A shares belong to legal persons, a withholding tax is not applied. A 15% withholding tax will be applied to the 0.23% of Group A shares belonging to real persons and a net dividend payment of 0.4250 TL will be paid on shares at a nominal value of 1 TL.
- (4) Because the entire shares of Group D belong to limited taxpayer legal persons, a 15% withholding will be applied.
- (5) Because all of the free float shares of Group E belong to real persons, a 15% withholding will be applied.

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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Report of the Auditing Board

Istanbul, 01.03.2013
To The Chairmanship of
Shareholders' General Assembly of
TOFAŞ Türk Otomobil Fabrikası A.Ş.
Istanbul

Please find below results of the auditing activities in relation with the financial year 2012 of the Company.

The Company has experienced a successful period in the fields of activity that are carried out pursuant to Capital Market Law and the relevant regulations.

1. It is understood pursuant to Turkish Commercial Code and the relevant regulations that;
 - a. Mandatory books and records are duly kept pursuant to the laws,
 - b. Documents evidencing the records are regularly kept,
 - c. Decisions related to the Company management are duly recorded in the book of decisions.
2. In this context and in the light of the status of the Company, we are in the opinion that the attached consolidated financial statements issued on 01.01.2012 - 31.12.2012 pursuant to the provisions of Communiqué Vol: XI, No: 29 of the Capital Market Board on "Principles for Financial Reporting in Capital Market" as well as the announcements that provide explanations thereto accurately reflect the consolidated financial status and consolidated activity results of the Company as of the mentioned period.

As a conclusion, we hereby submit company affairs summarized in the Report issued by the Board of Directors, consolidated financial statements issued in accordance with the Capital Market regulations, proposals of the Board of Directors about the term results and the acquittal of the Board of Directors to the approval of the General Assembly. İstanbul, 01.03.2013

Best Regards,

Auditor
Mert Ş. BAYRAM

Auditor
Giovanni SELLA

Auditor
İ. Murat ÇAĞLAR





Convenience Translation Into English Of Independent Auditor's Report Originally Issued In Turkish



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Tofaş Türk Otomobil Fabrikası A.Ş.



1. We have audited the accompanying consolidated financial statements of Tofaş Türk Otomobil Fabrikası A.Ş. and its subsidiaries (collectively referred as, the "Group") which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated statement of income, comprehensive income, consolidated statement of changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tofaş Türk Otomobil Fabrikası A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter

5. As explained in Note 25 to the consolidated financial statements, major portion of the Group's sales and purchases is conducted through its related parties.

Additional Paragraph for Convenience Translation into English

6. The accounting principles described in Note 2 to the consolidated financial statements (defined as the "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of PricewaterhouseCoopers



Zeynep Uras, SMMM
Partner

Istanbul, 6 February 2013

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	<i>Notes</i>	<i>Audited</i> <i>2012</i>	<i>Audited</i> <i>2011</i>
ASSETS			
Current assets:			
Cash and cash equivalents	3	1.637.362	1.331.702
Financial assets	4	169	60.424
Trade receivables			
- Due from related parties	25	502.535	738.115
- Other trade receivables	6	263.849	426.846
Receivables from finance sector operations	8	679.747	539.824
Other receivables	7	169	349
Inventories	9	383.752	380.052
Other current assets	16	112.385	94.454
Total current assets		3.579.968	3.571.766
Non-current assets:			
Receivables from finance sector operations	8	497.911	536.758
Investment properties	10	24.100	22.100
Property, plant and equipment	11	1.255.773	1.305.296
Intangible assets	12	684.061	782.208
Deferred tax assets	23	3.959	63.758
Other non-current assets	16	15.762	20.222
Total non-current assets		2.481.566	2.730.342
Total assets		6.061.534	6.302.108

These consolidated financial statements as of and for the year ended 31 December 2012 have been approved for issue by the Board of Directors on 6 February 2013 and signed on behalf of the Board of Directors by Chief Executive Officer Kamil Başaran, Chief Financial Officer Cengiz Eroldu, and Accounting Manager Doğu Özden. These consolidated financial statements will be definitive following their approval in the General Assembly.

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	<i>Notes</i>	<i>Audited</i> <i>2012</i>	<i>Audited</i> <i>2011</i>
LIABILITIES			
Current liabilities:			
Financial liabilities	5	941.216	939.879
Trade Payables			
- Due to related parties	25	859.623	932.595
- Other trade payables	6	483.110	678.022
Income taxes payable	23	8.786	4.872
Provisions	14	72.103	86.325
Government incentives and grants	13	22.275	22.275
Other current liabilities	16	77.574	80.272
Total current liabilities		2.464.687	2.744.240
Non-current liabilities:			
Financial liabilities	5	1.344.528	1.581.661
Government incentives and grants	13	61.636	83.938
Provision for employment termination benefits	15	128.582	102.942
Total non-current liabilities		1.534.746	1.768.541
Total liabilities		3.999.433	4.512.781
Equity:			
Paid-in share capital	17	500.000	500.000
Inflation adjustment on equity items	17	348.382	348.382
Restricted reserves	17	149.301	114.560
Cumulative losses on cash flow hedge accounting	17	(132.687)	(207.136)
Retained earnings	17	748.780	559.356
Net profit for the year	17	448.325	474.165
Total equity		2.062.101	1.789.327
Total liabilities and equity		6.061.534	6.302.108

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Audited 2012	Audited 2011
Net sales	18	6.705.274	7.336.658
Cost of sales (-)	18	(5.916.339)	(6.512.779)
Gross profit from operations		788.935	823.879
Interest, fee, premium, commission and other income		188.344	114.957
Interest, fee, premium, commission and other expense (-)		(135.669)	(78.306)
Gross profit from finance sector operations		52.675	36.651
Gross profit		841.610	860.530
Marketing selling and distribution expenses (-)	19	(202.343)	(225.709)
General administrative expenses (-)	19	(136.646)	(136.674)
Research and development expenses (-)	19	(14.858)	(7.056)
Other income	21	17.624	45.513
Other expense (-)	21	(12.931)	(47.090)
Operating profit		492.456	489.514
Financial income	22	428.184	337.088
Financial expense (-)	22	(415.343)	(318.514)
Profit before tax		505.297	508.088
Tax expense			
- Taxes on income	23	(15.785)	(4.872)
- Deferred tax (expense)	23	(41.187)	(29.051)
Net profit for the period		448.325	474.165
Attributable to:			
Non-controlling interests		-	-
Parent company interests		448.325	474.165
Earnings per share (Kr)	24	0,90	0,95

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Audited 2012	Audited 2011
Net profit for the period	448.325	474.165
Other comprehensive income:		
Cumulative (losses)/gains on cash flow hedge accounting	74.449	(140.663)
Other comprehensive income (after tax)	522.774	333.502
Total comprehensive income	522.774	333.502
Attributable to:		
Non-controlling interests	-	-
Parent company interests	522.774	333.502

The accompanying notes form an integral part of these consolidated financial statements.

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Cumulative losses on cash flow hedge accounting (*)	Prior year's profit	Net profit for the period	Total equity
Balances at 1 January 2011	500.000	348.382	77.047	(66.473)	462.699	384.220	1.705.875
Transfers	-	-	37.513	-	346.707	(384.220)	-
Dividends paid	-	-	-	-	(250.050)	-	(250.050)
Total comprehensive (expense)/ income (*)	-	-	-	(140.663)	-	474.165	333.502
Balances at 31 December 2011	500.000	348.382	114.560	(207.136)	559.356	474.165	1.789.327
Balances at 1 January 2012	500.000	348.382	114.560	(207.136)	559.356	474.165	1.789.327
Transfers	-	-	34.741	-	439.424	(474.165)	-
Dividends paid	-	-	-	-	(250.000)	-	(250.000)
Total comprehensive income	-	-	-	74.449	-	448.325	522.774
Balances at 31 December 2012	500.000	348.382	149.301	(132.687)	748.780	448.325	2.062.101

(*) Net off deferred tax amount.

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)
TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2012	2011
Cash flows from operating activities			
Profit before tax		505.297	508.088
Adjustments to reconcile income before tax to net cash generated from operating activities			
Depreciation and amortization	11, 12	346.669	298.277
Interest expense	22	71.265	83.343
Interest income	22	(308.777)	(135.250)
Provision for employment termination benefits	15	38.593	29.210
Gain on barter transaction	10,21	-	(17.448)
Fair value gain on investment property	10,21	(2.000)	(2.100)
Gain on sale of property, plant and equipment	21	(1.790)	(1.427)
Provision from finance sector operations		(3.347)	8.447
Provision for legal cases		(2.000)	5.672
Warranty provision	14	29.764	44.258
Operating profit before working capital changes		673.674	821.070
Net working capital changes in:			
Trade receivables and due from related parties		398.577	(253.857)
Inventories		(3.700)	(58.009)
Other current/non-current assets and other receivables		5.298	(91.191)
Receivables from finance sector operations		(97.729)	(442.335)
Trade payables and due to related parties		(267.884)	200.208
Other current liabilities		(2.928)	36.359
Other current/ non-current payables		(22.302)	(28.001)
Employee termination benefits paid	15	(12.953)	(6.200)
Taxes paid		(11.871)	(1.202)
Warranty payments	14	(41.756)	(31.549)
Net cash generated from operating activities		616.426	145.293
Investing activities			
Interest received		308.823	132.764
Financial investments matured	4	60.424	45.393
Financial assets	4	(169)	(60.424)
Purchase of tangible and intangible assets	11, 12	(205.776)	(286.602)
Proceeds from sale of tangible and intangible assets	11, 12	8.567	7.460
Cash flow hedges accounted under equity	17	74.449	(140.663)
Net cash used in investing activities		246.318	(302.072)
Financing activities			
Interest paid		68.239	(85.881)
Dividend paid		(250.000)	(250.050)
Proceeds from bank loans		43.864	1.084.755
Bank loans paid		(419.164)	(401.323)
Net cash generated from financing activities		(557.061)	347.501
Net increase in cash and cash equivalents		305.683	190.722
Cash and cash equivalents at the beginning of the year	3	1.324.772	1.134.050
Cash and cash equivalents at the end of the year	3	1.630.455	1.324.772

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Tofaş Türk Otomobil Fabrikası A.Ş. ("the Company" or "Tofaş") was established in 1968 as a Turkish-Italian cooperation venture. The core business of the Company is manufacturing, exporting and selling passenger cars and light commercial vehicles under licenses of Fiat Auto S.p.A. ("Fiat"). The Company, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Fiat, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars, except for Mini Cargo and New Doblo, pursuant to license agreements between the Company and Fiat. The Company has been registered with the Turkish Capital Market Board ("CMB") and quoted on the İstanbul Stock Exchange ("ISE") since 1991.

The Company conducts a significant portion of its business with affiliates of Koç Holding and Fiat Group (Note 25).

The Company's subsidiaries as of 31 December 2012 and 2011 which are subject to consolidation are as follows:

Name of the company	Operating area	%of ownership	
		2012	2011
Koç Fiat Kredi Tüketicisi Finansmanı A.Ş. ("KFK")	Consumer financing	%99,9	%99,9
Platform Araştırma Geliştirme Tasarım ve Tic. A.Ş. ("Platform")	Research and development	-	%99,0
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	%99,4	%99,4

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as "the Group".

Platform, one of the subsidiaries of the Company, has been liquidated on 27 December 2012 by ceasing its operations.

The average number of personnel in accordance with their categories is as follows:

	2012	2011
Blue-collar	5.983	6.535
White-collar	1.319	1.185
	7.302	7.720

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

The Group, prepares its consolidated financial statements within the framework of Communiqué XI, No:29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, including the compulsory disclosures. Necessary changes are performed in the prior year consolidated financial statements in this scope.

The Group registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in Turkish Lira ("TRY") in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records and maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with CMB Financial Reporting Standards.

2.1.2 Comparatives and adjustment of prior periods' financial statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous year. The Group presented the consolidated balance sheet as of 31 December 2012 comparatively with the consolidated balance sheet as of 31 December 2011 and presented the consolidated statement of income, statement of comprehensive income, statement of cash flows and statement of changes in equity for the period 1 January - 31 December 2012, comparatively with the period 1 January - 31 December 2011.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TRY"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.1.4 Basis of consolidation

The control relation is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. During consolidation inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated. The consolidated financial statements are prepared using consistent accounting policies for similar transactions and other events in similar circumstances. Minority shares of the Company in subsidiaries were not recognized under non-controlling interest ("Minority Interests" or "Non-controlling Interests") since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

2.1.5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

- The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- A specific credit risk provision for loan impairment has been established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. As of 31 December 2012, general provisions for finance loans amounted to TRY12.547 (2011: TRY11.464) has been booked in the consolidated financial statements.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 Amendments in International Financial Reporting Standards

Standards, amendments and interpretations effective from 31 December 2012

- IFRS 7 (Amendment), "Financial instruments: Disclosures"
- IAS 12 (Amendment), "Income taxes"

Above amendments and interpretations have no significant effect on the consolidated financial statements of the Group.

Standards, amendments and interpretations to existing standards that are not yet required and will not have a significant effect on the financial statements of the Group as of 1 January 2011

- IAS 19 (Amendment), "Employee benefits"
- IAS 1 (Amendment), "Presentation of financial statements"
- IFRS 13, "Fair value measurement"
- IFRS 7 (Amendment), "Financial instruments: Disclosures"
- IAS 32 (amendment), "Financial instruments: Presentation"
- IFRS 9, "Financial instruments"
- IFRIC 20, "Stripping costs in the production phase of a surface mine"

The Group assumed that the given amendments and interpretations has no material effect on the financial statements.

2.3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid investments whose risk of value change is not material including time deposits generally having original maturities of three months or less (Note 3).

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. All investments are initially carried at cost, being the fair value of the consideration given and including acquisition changes associated with the investment.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Derivative financial instruments, including forward foreign exchange contracts are initially recognised in the balance sheet at fair value and are subsequently re-measured at their fair value. The income and losses recognition of derivative transactions change on the bases on which they are classified. Income and losses of the derivatives which are designated to effectively hedge cash flow risk are recognised in the equity. The Company's derivative instruments, even though providing effective economic hedges under the Group's risk management position, if do not qualify for hedge accounting, the fair value gains and losses on such derivative instruments are recognised in income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Available for sale financial investments

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the three categories (a) loans and receivables, (b) held-to-maturity investments and (c) assets at fair value through profit or loss. A gain or loss on an available for sale financial asset after initial recognition shall be recognized directly in equity, through the statement of changes in equity, except for impairment losses, dividend and interest gains, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. If a fair value loss on an available-for-sale asset has been recognized directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity should be recycled into profit or loss even though the financial asset has not been sold.

The fair value of available for sale financial assets is determined by the market price at the balance sheet date when available. If market price is not available, then fair value is estimated based on valuation process by using discounted cash flow, similar purchases and observable market parameters. The fair value of financial assets must be carried at cost less impairment, when the fair value of financial assets cannot be measured reliably (Note 4).

Receivables from finance sector operations

Receivables from finance sector operations are carried at amortized cost in the balance sheet of the Group.

Provision for impairment of receivables from finance sector operations

The Group, recognize provisions for the receivables from finance sector operations for the impairment of consumer finance loans based on a credit review of the receivables portfolio. Provision amount is determined based on the Group's credit risk policies, composition and financial performance of the credit portfolio and economical environment and reflected as "Doubtful Loans" after deducting the related fair value of the guarantee amounts. Changes in the provision amount are accounted for under period income/loss. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the income statement if previously written off.

The allowances for impairment of receivables from finance sector operations are established based on a credit review of the Group's receivables from finance sector operations portfolio.

The Group can also recognize specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in the Communiqué about Preparation and Presentation of Financial Statements published in the Official Gazette dated 16 January 2005 and numbered 25702.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Group also recognises a general provision for the receivables which is not related to a specific transaction that can be recognised for the losses arising from the principal or interest of consumer finance loans that are not over due or overdue less than 90 days but the amount of loss is not certain. Group sets a general provision for consumer finance loans that have not been considered as doubtful yet.

Trade receivables

Trade receivables have a maturity range of 30-90 days and are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful provision is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (Note 6).

Trade payables

Trade payables have average maturities changing between 30-90 days and consist of the amounts invoiced or not invoiced related with the realized material or service purchases, and are carried at amortized cost (Note 6).

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials - purchase cost on a monthly average basis; finished goods and work-in-process - cost includes the applicable allocation of fixed and variable overhead costs on the basis of monthly average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The scrap inventory is written off when identified (Note 9).

Investment properties

The Group has applied IAS 40 "Investment Property" for the first time in 2011 and measured the investment properties using the fair value model. According to the IAS 40 "Investment Property", land and buildings those are held for long term rental yields or value increase or both, rather than in the production of supply of goods and services or administrative purposes or for the sale in the ordinary course of business are classified as "Investment property" and carried at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on derecognition of an investment property are recognized in the consolidated statement of income in the period of derecognition (Note 10).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into the operation, such as repairs and maintenance and overhaul costs are normally charged to income in the period the costs are incurred. Expenditures are added to cost of assets if the expenditures provide economic added value for the future use of the related property, plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives (Note 11). The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The depreciation terms are as follows;

	Duration (years)
Land improvements	33
Buildings	33
Machinery and equipment	12 - 14
Motor vehicles	4 - 8
Furniture and fixtures	8
Leasehold improvements	5 -30

In case of any indication of the impairment in the carrying value of property, plant and equipment, the recoverable amount is reassessed and provision for impairment is reflected in the financial statements.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

Gains and losses on sale of property, plant and equipment are included in other income and expense (Note 21).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over their useful lives. The depreciation period for the intangibles capitalized in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 12).

Research and development costs

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria:

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and
- Adequate technical, financial and other resources required for completion of the project are available.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects (8 years).

Interest income and expense

Interest income and expense are recognized in the statement of income on accrual basis using the effective yield method. Interest income is not recognised when consumer financing loans given by the Group become doubtful or when the borrower defaults.

Revenue recognition

Automotive Sector Operations:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

Service income is recognized when the service is rendered and the amount is reliably measured.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Finance Sector Operations:

The interest income incurred from loans is recognized by using effective interest rate method and on accrual basis.

Loan investigation fees of the Group which are collected on the execution and disbursement of loans and advances to customers and are recognized as income by netting off from the loan balance using a systematic deduction method over the contractual life of loans.

Also, the Group has a revenue sharing agreement with the insurance company over the insurance premiums collected from loan customers. The Group recognises insurance premium income as deferred revenue under other liabilities initially and subsequently recognises it as income over the payment plan of loans using a systematic method.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

Dividend income is recognized when the Group has the right to receive the dividend payment. Rent income is recognized in the financial statements when the Groups right to receive the monthly rent income is established.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

All the normal sales or purchase transactions of financial assets are recorded at the transaction date that the Group guaranteed to purchase or sell the financial asset. These transactions generally require the transfer of financial asset in the period specified by the general conditions and the procedures in the market.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Bank borrowings

All bank borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 5).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred. For the year ended 31 December 2012, the Group did not capitalize any borrowing costs (31 December 2011: TRY3.424).

Fair value of financial instruments

Fair (market) value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of the financial instruments are determined in accordance with the following methods and assumptions as follows:

Financial assets

Monetary assets for which fair value approximates carrying value are carried at cost in the financial statements and consists of cash and cash equivalents, their interest accruals, and other financial assets; and considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of accounts receivable along with the related allowance for unearned income and uncollectibility are estimated to be their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value including accounts payable, short-term bank borrowings and other monetary liabilities are considered approximate their respective carrying values due to their short-term nature, the bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of accounts payable along with the related allowance for unrealized cost is estimated to be their fair values.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Tax expense and deferred tax

Tax expense or income is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred tax is computed, using the liability method, and by the effective tax rate at balance sheet date. And deferred tax is computed on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are also recorded under equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 23).

Employment termination benefits

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statement, the Group has reflected a liability calculated using "Projected Unit Credit Method" and based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses calculated are reflected in the income statement (Note 15).

Earnings per share

Earnings per share disclosed in the statement of income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares "bonus shares" to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the earnings per share calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Group, are regarded similarly (Note 24).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Provisions

A provision is recognized when, and only when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Warranty expense provision

The Group provides free of charge maintenance service for the vehicles, during the first two-year period following the date of sale. Export sales of the Group are not under a warranty commitment. Warranty provision is periodically reviewed and reassessed in accordance with the realized expenses in the previous periods (Note 14).

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign currency transactions

Income and expenses arising in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates, which are announced by Central Bank of the Republic of Turkey. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the related income and expense accounts, as appropriate.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Cash flow hedge

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash-flow hedge are recognized directly in shareholders' equity. The ineffective portion is immediately recognized in net profit or loss. If the cash flow hedge results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from hedging reserve to net profit or loss in the same period or periods during which the hedged firm commitment or forecasted transaction affects the statement of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the committed or forecasted transaction occurs. When the committed or forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the statement of income.

There is an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (New Doblo and Mini Cargo ("MCV")). According to the agreements made between the Company and Fiat and Peugeot Citroen Automobiles S.A. ("PSA") the long term loan liabilities will be covered by the planned sales of MCV to Fiat and PSA starting from 2008 until December, 2015. Furthermore, according to the agreement made between Fiat and the Company, long term loan liabilities will be covered through a portion of sales of New Doblo to Fiat starting from 2009 until December 2017.

Furthermore, KFK, subsidiary of the Group has entered into swap and forward transactions in order to minimize its foreign currency risk and interest rate risk and manage its liquidity in foreign currency. Swap and forward transactions are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Swap transactions that are designated as hedging instruments for cash flow hedges are accounted for in accordance with hedge accounting policies under International Accounting Standards.

KFK funds its long term fixed interest rate TRY loan portfolio with long term foreign currency funds obtained from international markets. KFK changes the foreign currency liquidity obtained from the international markets to TRY liquidity with long term swap transactions. Therefore these long term fixed interest rate loan portfolio are funded by TRY and protected from interest and foreign exchange rate risks.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated, and effectiveness of the hedge consistent with the documented risk management strategy.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

KFK values these swaps designated as cash flow hedging instrument by using the recent market rates or discounted cash flow methods based on market rates of similar instruments and the gain or loss on the effective portion of the hedging instrument is accounted for under "Cumulative gain/(loss) on hedging" in equity, while any ineffective portion is recognized immediately in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized.

Related parties

Parties are considered related to the Group if (Note 25);

- (a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Group that gives it significant influence over the Group; or
 - has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venture;
- (d) the party is member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Investment, research and development incentives

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income.

Investment and research and development incentives are recognized when incentive applications of the Group are approved by fiscal authorities (Note 13).

2.4 Segment reporting

Since the Company operates in one business segment and the operations are held in Turkey, there is no segment reporting. The information regarding the sales of the Company as to domestic and export sales and the categorization of sales as to product type is disclosed in Note 18.

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NOTE 3 - CASH AND CASH EQUIVALENTS

	2012	2011
Cash in hand	4	2
Due from banks		
- demand deposits	148.900	49.215
- time deposits	1.488.458	1.282.485
Total	1.637.362	1.331.702

The breakdown of time deposits is as follows:

	2012		2011	
	Amount (TRY equivalent)	Effective interest rate per annum (%)	Amount (TRY equivalent)	Effective interest rate per annum (%)
TRY	1.164.019	7,6 - 9	865.258	11,00 - 12,4
EUR	324.439	0,27 - 0,34	417.227	0,47 - 0,57
Total	1.488.458		1.282.485	

As of 31 December 2012, the maturities of time deposits vary between 1 and 82 days (31 December 2011: between 3 and 61 days).

As of 31 December 2012, the cash at banks comprise deposits amounting to TRY564.220 (31 December 2011: TRY840.133) which are deposited at a bank which is a related party of the Group.

As of 31 December 2012 and 2011, the reserves of cash and cash equivalent in cash flow statement;

	2012	2011
Cash and banks	1.637.362	1.331.702
Less: interest accruals	(6.907)	(6.930)
	1.630.455	1.324.772

NOTE 4 - FINANCIAL ASSETS

a) Short-term financial assets

As of 31 December 2012, the Group does not have any short term financial assets (31 December 2011: Time deposits amounting to TRY53.695 with a maturity of 183 days containing an interest rate of 0,11%). Furthermore, as of 31 December 2012 the Group has no financial assets which is consist of derivative financial instruments (31 December 2011: TRY 6.631).

b) Available for sale financial investments

As of 31 December 2012, the Group has available for sale financial investments amounting to TRY169 (31 December 2011: TRY98).

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NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

Amount	2012			2011		
	Original Amount (thousand)	Amount (TRY)	Interest rate (%)	Original Amount (thousand)	Amount (TRY)	interest rate (%)
Short-term borrowings						
denominated in:						
TRY (*)	-	334.572	7,99 - 15,68	-	408.887	8,98 - 16,43
EUR (*)	19.274	45.327	6,65 - 6,81	8.016	19.589	4,15
USD	-	-	-	31.451	59.407	4,51 - 5,78
Interest accrual	-	2.572	-	-	5.598	-
Current portion of long-term bank borrowings	122.303	287.620	-	122.359	299.020	-
Bonds ^(1,2,.....13)	-	271.125	7,56 - 13,78	-	147.378	8,87 - 10,87
Total		941.216			939.879	

b) Long-term financial liabilities

Amount	2012			2011		
	Original amount (thousand)	Amount (TRY)	Effective interest rate per annum (%)	Original amount (thousand)	Amount (TRY)	Effective interest rate per annum (%)
Long-term borrowings						
denominated in:						
EUR	497.817	1.170.717	Euribor + 0,15 Euribor + 1,96	628.344	1.535.548	Euribor + 0,15 Euribor + 1,96
TRY (*)	-	244.202	4,51 - 5,78	-	240.772	4,51 - 5,78
Bonds ^(1,2,.....13)	-	217.229	7,56 - 13,78	-	104.361	8,87 - 10,87
Less: Current portion of long-term bank borrowings	(122.303)	(287.620)	-	(122.359)	(299.020)	-
Total		1.344.528			1.581.661	

(*)A portion of short-term bank borrowings which are denominated in EUR , the whole short term bank borrowings which are denominated in TRY and the whole long-term bank borrowings which are denominated in TRY comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans.

⁽¹⁾ Based on the board of directors meeting decision at 29 March 2010, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY40.000 comprise of bonds which is issued on 26 July 2010 with 18 months maturity, 9,63% coupon interest rate, and TRY 40.000 nominal value at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with exclusive issuance.

⁽²⁾ Based on the board of directors meeting decision at 1 November 2010, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY50.000 comprise of bonds which is issued on 24 December 2010 with 24 months maturity, 8,68% coupon interest rate, and TRY50.000 nominal value at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with exclusive issuance.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

⁽³⁾ Based on the board of directors meeting decision at 1 November 2010, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY20.000 comprise of bonds which is issued on 26 January 2011 with 24 months maturity, 9,08% coupon interest rate, and TRY20.000 nominal value at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with closed issuance.

⁽⁴⁾ Based on the board of directors meeting decision at 1 November 2010, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY30.000 comprise of bonds which is issued on 26 January 2011 with 36 months maturity, 9,36% coupon interest rate, and TRY30.000 nominal value at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with closed issuance.

⁽⁵⁾ Based on the board of directors meeting decision at 31 May 2011, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY50.000 comprise of bonds which is issued on 13 July 2011 with 16 months maturity, 10,33% coupon interest rate, and TRY50.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with closed issuance.

⁽⁶⁾ Based on the board of directors meeting decision at 31 May 2011, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY50.000 comprise of bonds which is issued on 13 July 2011 with 22 months maturity, 10,87% coupon interest rate, and TRY50.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with closed issuance.

⁽⁷⁾ Based on the board of directors meeting decision at 9 December 2011, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY40.000 comprise of bonds which is issued on 17 January 2011 with 22 months maturity, 13,78% coupon interest rate, and TRY40.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Bank which is a related party to the Group with closed issuance.

⁽⁸⁾ Based on the board of directors meeting decision at 10 February 2012, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY40.000 comprise of bonds which is issued on 11 April 2012 with 13 months maturity, 11,39% coupon interest rate and TRY40.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Koç Holding Emekli ve Yardım Sandığı Vakfı which is a related party to the Group with closed issuance.

⁽⁹⁾ Based on the board of directors meeting decision at 10 February 2012, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY40.000 comprise of bonds which is issued on 31 May 2012 with 15 months maturity, 11,68% coupon interest rate and TRY 50.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to İş Yatırım Menkul Değerler A.Ş. which is a related party to the Group with public offering issuance.

⁽¹⁰⁾ Based on the board of directors meeting decision at 20 April 2012, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY50.000 comprise of bonds which is issued on 4 June 2012 with 15 months maturity, 11,57% coupon interest rate and TRY50.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Koç Holding Emekli ve Yardım Sandığı Vakfı which is a related party to the Group with closed issuance.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

⁽¹¹⁾Based on the board of directors meeting decision at 10 February 2012, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY85.000 comprise of bonds which is issued on 12 November 2012 with 24 months maturity, 8,14% coupon interest rate and TRY85.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Yatırım Menkul Değerler A.Ş. which is a related party to the Group with public offering issuance

⁽¹²⁾Based on the board of directors meeting decision at 18 October 2012, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY50.000 comprise of bonds which is issued on 24 December 2012 with 18 months maturity, 7,56% coupon interest rate and TRY50.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Yatırım Menkul Değerler A.Ş. which is a related party to the Group with public offering issuance

⁽¹³⁾Based on the board of directors meeting decision at 18 October 2012, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY50.000 comprise of bonds which is issued on 28 December 2012 with 20 months maturity, 7,65% coupon interest rate and TRY50.000 nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Yatırım Menkul Değerler A.Ş. which is a related party to the Group with closed issuance

Financial liabilities denominated in TRY has bear fixed interest rates while financial liabilities denominated Euro and USD bear floating interest rates.

As of 31 December 2012, TRY 400.752 (31 December 2011: TRY 380.400) of short-term and long-term financial liabilities are obtained was through banks which are related parties of the Group.

The redemption schedule of the long-term bank borrowings as of 31 December 2012 and 2011 is as follows:

	2012	2011
1-2 years	749.180	632.776
2-3 years	287.749	330.223
3-4 years	147.751	299.019
4-5 years	147.751	153.538
5 years and more	12.097	166.105
Total	1.344.528	1.581.661

Long-term loans denominated in Euro were obtained to finance the investment to manufacture New Doblo and Mini Cargo light commercial vehicles. According to the manufacturing agreements signed by the Group, the repayment obligations related to these loans obtained for (i) New Doblo is guaranteed by Fiat and (ii) Mini Cargo is guaranteed by Fiat and PSA through future purchases. The Group has obtained EUR350 million long-term loan limit in 2006 based on two different manufacturing agreements with the participation of various financial institutions to be utilized in investment of Mini Cargo. Long-term loans -obtained in relation with the investment for Mini Cargo model- have been started to be paid beginning from the year 2008 till 2015 in equal installments. As of 31 December 2012, the remaining balance of the loan is TRY278.895 (equivalent of EUR118.593 thousand). The Group's exposure to foreign exchange rate and interest fluctuations for the loan obtained in relation with the investment for Mini Cargo model is undertaken by Fiat and PSA.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

At 4 March 2008, a loan agreement has been signed between the Company and i) Societe Generale, Credit Agricole, Fortis Bank S.A., Ing Bank NV and Intesa Sanpaolo banks as regulator, grantor and guarantor ii) EIB as guarantor and credit grantor and iii) Servizi Assicurativi per il Commercio Estreo S.p.A. (SACE) as guarantor role in the consortium amounting to EUR 450 million. The loans, amounting to TRY678.825 (equivalent of EUR288.423 thousand) have been utilized as of 31 December 2012 (31 December 2011: TRY845.817 equivalent of EUR346.107 thousand) and have a maturity of ten years with two years grace period and it has been used for financing investment expenditures regarding the development and production of New Doblo. The Group's exposure to foreign exchange rate and interest fluctuations for the loan obtained in relation with the investment for New Doblo model is undertaken by Fiat.

In 2011, The Group has obtained a credit line by EUR36 million in order to use in capacity increase of New Doblo constructions. The repayment of principle amounts will be on equal installments starting in 2012 until 2018. As of 31 December 2012, the remaining balance of the loan amount to TRY 72.566 (corresponding to EUR30.587 thousand).

NOTE 6 - TRADE RECEIVABLES AND PAYABLES**a) Trade receivables**

	2012	2011
Trade receivables	264.576	430.589
Doubtful trade receivables	6.168	5.435
Less: provision for doubtful receivables	(5.950)	(4.715)
Less: unearned credit finance income	(945)	(4.463)
Total	263.849	426.846

Movement of the provision for doubtful receivables is as follows:

	2012	2011
1 January	4.715	4.715
Collection	-	-
Increase in the provision during the year	1.235	-
31 December	5.950	4.715

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)Collateral received related with trade receivables

As of 31 December 2012, the letter of guarantees, guarantee notes, mortgages and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for trade receivables amounts to TRY21.485, TRY14.846, TRY7.787 and TRY412.244, respectively (2011: letter of guarantees amounting to TRY20.304, guarantee notes amounting to TRY15.551, mortgages amounting to TRY7.787 and direct debit system limit amounting to TRY389.273).

b) Trade payables

	2012	2011
Trade payables	484.427	685.672
Less: not accrued credit finance expense	(1.317)	(7.650)
Total	483.110	678.022

NOTE 7 - OTHER RECEIVABLES**Other receivables**

As of 31 December 2012 other receivables of the Group consists of given deposits and guarantees, amounting to TRY169 (2011: TRY349).

NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2012	2011
Short-term consumer financing loans	667.194	541.612
Non-performing loans	27.778	10.124
	694.972	551.736
Less: provision for specific loan impairment	(6.944)	(6.344)
Less: provision for general loan impairment	(8.281)	(5.568)
Total	679.747	539.824
Long-term consumer financing loans	503.065	541.878
Less: provision for general loan impairment	(5.154)	(5.120)
Total	497.911	536.758

As of 31 December 2012, TRY and foreign currency denominated loans originated by the Group bear interest rates ranging between 0,78% and 1,75% per month (2011: between 0,79% and 2,11%) and 0,75%, respectively (31 December 2011: between 0,75% and 1,05%). As of 31 December 2012, the Group has guarantees amounting to TRY 1.356.589 regarding consumer financing loans of subsidiary KFK (31 December 2011: TRY1.272.966).

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NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

The maturities of long-term consumer financing loans are as follows:

Years	2012	2011
1 to 2 years	359.193	336.943
2 to 3 years	131.675	161.192
3 to 4 years	11.991	43.743
4 years and more	206	-
Total	503.065	541.878

As of 2012 and 2011, movements in the allowance for loan impairment are as follows:

	2012	2011
1 January	17.032	20.160
Current year provision	4.169	7.982
Recoveries from loans under follow-up	(822)	(55)
Write-off	-	(11.055)
31 December	20.379	17.032

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. Furthermore, the Group obtains mortgage guarantees where necessary. As of 31 December 2011, the fair value of guarantees obtained for the consumer loans, which have been impaired, amounts to TRY1.357 (31 December 2011: TRY1.273) and related impairment provision has been accounted for those loans. The fair value of guarantees obtained for the overdue consumer loans, for which no provision has been provided, amounts to TRY8.281 (31 December 2011: TRY5.568). The Group does not foresee any collection risk for receivables overdue up to one month considering its past experience about collecting receivables. Therefore, the Group believes that there is no any additional risk for receivables except for the provisions for possible collection losses.

NOTE 9 - INVENTORIES

	2012	2011
Raw materials	102.129	97.180
Finished goods	77.434	55.731
Work-in-progress	72.375	100.290
Goods in transit	52.308	68.892
Imported vehicles	51.009	33.950
Spare parts	33.224	29.413
Less: provision for impairment on inventories (-)	(4.727)	(5.404)
Total	383.752	380.052

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NOTE 10 - INVESTMENT PROPERTIES

For the years ended 31 December 2012 and 2011, the movement of investment properties is as follows:

	2012	2011
1 January, net book value	22.100	-
Additions (*)	-	20.000
Fair value increase (**)	2.000	2.100
31 December, net book value	24.100	22.100
As of 31 December		
Fair value	24.100	22.100
31 December, net book value	24.100	22.100

(*)The property of the company located in Güngören has been expropriated for public purpose by the İstanbul Metropolitan Municipality in consideration for the land located in Alibeyköy, Eyüp. According to the valuation report dated 18 October 2010, prepared in accordance with the Communiqué No: IV-8 of Capital Markets Board, the market value of the land located in Alibeyköy, Eyüp, has been determined as TRY20.000. Following the above aforementioned barter transaction with İstanbul Metropolitan Municipality, land and buildings amounting to TRY2.552 has been disposed of and investment property amounting to TRY20.000 has been accounted for as of 31 December 2011. The income generated from the barter transaction amounting to TRY17.448 has been accounted for under other operating income.

(**) As of 31 December 2012, the fair value of the property has been determined as TRY24.100 by using benchmarking method. As a result of the revaluation of the investment property, revaluation gains amounting to TRY2.000 has been accounted for under other income. Relevant valuation report based on valuation determined by an independent firm which has CMB license and necessary professional experience.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2012, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	345.309	3.117.906	308.668	30.149	9.763	75.394	3.887.189
Accumulated depreciation	(189.751)	(2.151.712)	(210.812)	(24.793)	(4.825)	-	(2.581.893)
Net book value	155.558	966.194	97.856	5.356	4.938	75.394	1.305.296
1 January 2012, net book value	155.558	966.194	97.856	5.356	4.938	75.394	1.305.296
Additions	2.000	-	64	65	470	142.759	145.358
Disposals, net	(25)	(234)	(126)	(1.837)	-	-	(2.222)
Transfers (*)	7.972	68.295	19.463	7.939	-	(108.224)	(4.555)
Depreciation charge for the year	(6.847)	(156.482)	(22.026)	(2.499)	(250)	-	(188.104)
31 December 2012, net book value	158.658	877.773	95.231	9.024	5.158	109.929	1.255.773
As of 31 December 2012							
Cost	355.256	3.185.967	328.069	36.316	10.233	109.929	4.025.770
Accumulated depreciation	(196.598)	(2.308.194)	(232.838)	(27.292)	(5.075)	-	(2.769.997)
31 December 2012, net book value	158.658	877.773	95.231	9.024	5.158	109.929	1.255.773

As of 31 December 2012 there are no pledged assets as collateral.

As of 31 December 2012, gross book value of tangible assets which are fully depreciated and still in use amounts to TRY1.870.509 (31 December 2010: TRY1.779.633).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2011, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	338.235	3.008.242	287.597	28.069	9.659	5.898	3.677.700
Accumulated depreciation	(183.271)	(2.034.764)	(191.868)	(22.326)	(4.453)	-	(2.436.682)
Net book value	154.964	973.478	95.729	5.743	5.206	5.898	1.241.018
1 January 2011, net book value	154.964	973.478	95.729	5.743	5.206	5.898	1.241.018
Additions	-	116	73	-	167	217.718	218.074
Disposals, net	(2.706)	(4.567)	(275)	(974)	(63)	-	(8.585)
Transfers (*)	9.780	114.115	21.273	3.054	-	(148.222)	-
Depreciation charge for the year	(6.480)	(116.948)	(18.944)	(2.467)	(372)	-	(145.211)
31 December 2011, net book value	155.558	966.194	97.856	5.356	4.938	75.394	1.305.296
As of 31 December 2011							
Cost	345.309	3.117.906	308.668	30.149	9.763	75.394	3.887.189
Accumulated depreciation	(189.751)	(2.151.712)	(210.812)	(24.793)	(4.825)	-	(2.581.893)
31 December 2011, net book value	155.558	966.194	97.856	5.356	4.938	75.394	1.305.296

As of 31 December 2011 there are no pledged assets as collateral.

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NOTE 12 - INTANGIBLE ASSETS

During the year ended 31 December 2012 and 2011, the movement of intangible assets is as follows:

	Licenses fee and development costs	Others	Total
1 January 2012			
Cost	1.330.477	48.431	1.378.908
Accumulated amortization	(568.341)	(28.359)	(596.700)
Net book value	762.136	20.072	782.208
1 January 2012, net book value	762.136	20.072	782.208
Additions	50.446	9.972	60.418
Amortization charge for the year	(152.358)	(6.207)	(158.565)
31 December 2012, net book value	660.224	23.837	684.061
As of 31 December 2012			
Cost	1.380.923	58.403	1.439.326
Accumulated amortization	(720.699)	(34.566)	(755.265)
31 December 2012, net book value	660.224	23.837	684.061
1 January 2011			
Cost	1.271.921	38.459	1.310.380
Accumulated amortization	(421.478)	(22.156)	(443.634)
Net book value	850.443	16.303	866.746
1 January 2011, net book value	850.443	16.303	866.746
Additions	53.876	14.652	68.528
Transfers	4.680	(4.680)	-
Amortization charge for the year	(146.863)	(6.203)	(153.066)
31 December 2011, net book value	762.136	20.072	782.208
As of 31 December 2011			
Cost	1.330.477	48.431	1.378.908
Accumulated amortization	(568.341)	(28.359)	(596.700)
31 December 2011, net book value	762.136	20.072	782.208

Intangible assets are started to be amortized when the related assets are ready to be used. In relation to this, the Group has intangible assets amounting to TRY106.514 (31 December 2011: TRY67.559), which are not determined as ready for use and therefore, not started to be amortized.

As of 31 December 2012, gross book value of intangible assets which are fully depreciated and still in use amounts to TRY178.231 (31 December 2011: TRY171.448).

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NOTE 13 - GOVERNMENT INCENTIVES**Investment incentive certificates**

The Group has obtained investment encouragement certificates from government authorities in connection with certain major capital expenditures, which entitle the Group to:

- i) 100% exemption from customs duty and VAT on machinery and equipment to be imported;
- ii) 100% VAT exemption on local capital expenditures.

As of 31 December 2012 the amount of unused investment allowance is TRY2.452.819 (2011: TRY2.632.887). As of 31 December 2011, the Group had written off deferred tax assets arising from such unused investment incentives through income statement. Upon the meeting held by the Constitutional Court dated 15 October 2009 and upon the Constitutional Court conclusion on 8 January 2010, unused investment incentives of the Group have become available for use again and the Group has recognized deferred tax assets over such investment incentives accordingly.

The law numbered 5838, proposed to reduce the negative impacts of the global financial crisis was enacted as of 28 February 2009 through publishing at the official gazette. According to the related law article about encouraging investment incentive it is decided to lower income tax rates. The profits gained by the investment activities associated to the incentive certificate by the Turkish Treasury will be subject to the reduced tax rates. Accordingly, the reduced tax rate will be effective as of the accounting period, when the investments are partially or fully activated, till the attainment of the "contribution amount". Contribution amount refers to the amount given up for collection with the application of reduced tax rate. The cabinet, with the decision dated 16 July 2009 and numbered 2009/15199, has identified the conditions and aspects of the law numbered 5838 and enacted the arrangement.

The Group has considered its investment expenditures amounting to TRY421.633 in the context of the investment certificate obtained at 15 September 2009 in the deferred tax calculation in accordance with the aforementioned law.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of 1 April 2008. Accordingly, in 2008, income tax-payers can deduct 100% of the expenditures which are related to research and development related to new technology and information developments.

During the year 2012, total amount of research and development expenses of the Group is TRY102.266. The amount subject to corporate income tax R&D allowance is TRY65.674.218 after deduction of Technology and Innovation Funding Programs Directorate ("TEYDEB") supports collected during the year amounting to TRY8.197 and TRY28.395 which is not subject to corporate income tax research and development allowance. As of 31 December 2011, there is no research and development allowance used

As of 31 December 2012 government incentives of the Group amounting to TRY22.275 short term and TRY61.636 long term, total of TRY83.911 has been originated from deferral of research and development incentive premiums provided to support research and development expenditures of Mini Cargo and New Doblo projects by the Scientific & Technological Research Council of Turkey (Tübitak). The related balance will be offset on amortization expense in cost of goods sold in line with the amortization terms of the research and development investments.

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**Short-term provisions:**

	2012	2011
Provision for warranty (*)	47.069	59.061
Provision for personnel expenses	5.239	4.873
Provision for legal cases (**)	4.407	6.407
Provision for sales discounts	1.373	11.564
Other	14.015	4.420
Total	72.103	86.325

(*) Movement of the provision for warranty and extended warranty is as follows:

	2012	2011
1 January	59.061	46.352
Paid during the year	(41.756)	(31.549)
Increase in provision during the year	29.764	44.258
31 December	47.069	59.061

(**) Movement of the provision for litigation is as follows:

	2012	2011
1 January	6.407	1.012
Paid during the year	-	(277)
Increase in provision during the year	-	5.672
Decrease in provision during the year	(2.000)	-
31 December	4.407	6.407

Litigations against the Group

As of 31 December 2012 the total amount of outstanding legal claims brought against the Group is TRY8.882 (31 December 2011: TRY10.063). The Group has reflected a reserve amounting to TRY4.407 (31 December 2011: TRY6.407 in the financial statements.

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**Guarantees provided by the Group:**

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 31 December 2012 and 2011 is as follows:

	2012	2011
A. Total amount of Guarantees provided by the Company on behalf of itself	7.390	11.391
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-
D. Other Guarantees given	-	-
i) Total amount of Guarantees given on behalf of the parent Company	-	-
ii) Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-
iii) Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-
	7.390	11.391

As of 31 December 2012 and 2011, the ratio of guarantees given by the Group on behalf of third parties or on behalf of its parent/associates to total equity is zero.

Other

As of 31 December 2012 the Group has USD1.505.055 of export commitments to be realized until 15 March 2012 in connection with the export incentive certificates. In connection with these export incentives certificates USD769.563 million of the committed export sales have been realized as of 31 December 2012 (As of 31 December 2011 the Group has USD1.899 million of export commitments to be realized until 3 May 2012 in connection with the export incentive certificates. In connection with these export incentives certificates USD 1.154 million of the committed export sales have been realized as of 31 December 2011).

The long-term bank borrowing agreement related to the financing of MCV and New Doblo projects requires the Group to comply with certain financial ratios. Such financial ratios are met by the Group as of 31 December 2012.

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NOTE 15 - EMPLOYEE BENEFITS

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days pay (limited to a maximum of exact TRY3.033,98 (31 December 2011: exact TRY2.731,85) per year of employment at the rate of pay applicable at the date of retirement or termination.

As of 1 January 2013, the retirement pay liability ceiling is increased to TRY3.129,25.

In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds in accordance with IAS 19. Assumptions used in the calculations are as follows:

	2012	2011
Discount rate, net	3,86%	4,66%
Estimated turnover rate for retirement	99%	99%

Movement in reserve for employee termination benefits for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
1 January	102.942	79.932
Interest expense	3.097	4.732
Payments	(12.953)	(6.200)
Charge for the year (including actuarial gain/loss)	35.496	24.478
31 December	128.582	102.942

NOTE 16 - OTHER ASSETS AND LIABILITIES**a) Other current assets**

	2012	2011
Income accruals	33.498	5.649
Deferred VAT	24.143	45.586
Prepaid expenses	15.007	13.789
Bank stoppage	14.211	12.753
Advances given	4.735	3.835
Other	20.791	12.842
Total	112.385	94.454

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NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)**b) Other non-current assets**

As of 31 December 2012, the Group has other non-current assets amounting to TRY15.762 (2011: TRY20.222) comprising of mainly fixed asset purchase advances by TRY12.322 (2011: TRY20.089).

c) Other liabilities

	2012	2011
Payable to personnel	21.115	19.370
Deferred revenue	18.193	16.628
Taxes and funds payable	14.450	21.746
Social securities payable	8.574	16.966
Derivative financial instruments	3.593	-
Advances taken	2.007	-
Other	9.642	5.562
Total	77.574	80.272

NOTE 17 - SHAREHOLDER'S EQUITY**a) Minority interest**

None.

b) Share capital/adjustments to share capital and equity investments

Registered capital ceiling of the Company is TRY1.000.000. The Company's historical authorized and issued share capital as of 31 December 2012 and 2011 is TRY500 million (exact TRY) and consists of 50 billion shares with TRY500 (exact TRY) par value each. As of 31 December 2012 and 2011, the breakdown of issued share capital of the Company is as follows:

	Share Group	31 December 2012		31 December 2011	
		Amount (Historical)	Amount %	Amount (Historical)	Amount %
Fiat	D	189.280	37,86	189.280	37,86
Koç Holding	A	187.938	37,59	187.938	37,59
Koç Holding companies and Koç family	A	1.342	0,27	1.342	0,27
Other, including publicly traded shares	E	121.440	24,28	121.440	24,28
Total paid in share capital		500.000	100,00	500.000	100,00

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NOTE 17 - SHAREHOLDER'S EQUITY (Continued)

The shareholders holding A and D group shares have the privilege to choose the members for Board of Directors and Board of Auditors and also have the privilege of using preemption rights in buying each other's shares. The Group's Articles of Association requires votes of 75% of shareholders during General Assembly resolutions.

c) Legal reserves - retained earnings

Accumulated profits in statutory records is available for distribution, except the fact mentioned below.

The legal reserves consist of first and second legal reserves, per the Turkish Commercial Code (TCC). The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of net statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under the Turkish Commercial Code, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

Listed companies are subject to dividend requirements regulated by the Turkish Capital Market Board as follows:

In accordance with the Capital Market Board decision number 1/6 dated 9 January 2009, during the calculation of distributable profits by the companies obliged to prepare financial statements; the companies can determine the amount of distributable profits by taking into account the net profit on the financial statements that are prepared and announced to the public according to No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" which includes profits from associates, joint ventures and subsidiaries that are transferred to the profit of the Company, regardless of whether these companies' general assembly approved any dividend distributions, as soon as these distributable profits can be funded by the reserves in the statutory accounts of the companies.

In accordance with the Capital Market Board decision on 27 January 2010, it is decided that there is no dividend distribution requirements for the listed companies whose shares are traded on the stock exchange.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. Inflation adjustment to shareholders' equity, in the case of cash used for profit distribution will be subject to corporate income tax.

As decided at the General Assembly meeting held on 31 March 2011, the Group has distributed dividend from 2010 and previous years profit amounting to TRY250.050 (2010: TRY130.055 from 2009 profit), in cash, after deducting legal reserves.

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NOTE 17 - SHAREHOLDER'S EQUITY (Continued)

In accordance with the Communiqué, as of 31 December 2012 and 2011, the details of equity, based on which the dividend will be distributed is as follows:

	2012	2011
Paid in share capital	500.000	500.000
Inflation adjustments on equity items	348.382	348.382
Restricted reserves	149.301	114.560
Cumulative gain/(loss) on the hedging	(132.687)	(207.136)
Retained earnings		
- Extraordinary reserves	33.357	41.201
- Inflation adjustments on legal reserves	-	-
- Retained earnings	715.423	518.155
Net income for the year	448.325	474.165
Total shareholder's equity	2.062.101	1.789.327

Historical values of legal and extraordinary reserves in the statutory financial statements are as follows:

	2012	2011
Legal reserves	121.766	86.977
Extraordinary reserves	33.857	41.201
Total	155.623	128.178

	2012	2011
Dividends distributed during year based on previous year's net income per statutory financial statements	250.000	250.050

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NOTE 18 - SALES AND COST OF SALES**a) Net sales**

	2012	2011
Export sales	3.667.217	3.964.044
Domestic sales	2.928.462	3.242.963
Other income from operational activities	109.595	129.651
	6.705.274	7.336.658

The amount of sales discounts is TRY627.799 (31 December 2011: TRY466.003).

The distribution of the Group's sales in 2012 and 2011 based on product type is as follows.

	2012	2011
Commercial vehicles	3.986.195	4.302.393
Passenger cars	2.088.324	2.475.287
Spare parts	523.117	429.327
Other	107.638	129.651
	6.705.274	7.336.658

b) Other income from operational activities

	2012	2011
Income from scrap sales	47.203	58.056
Income from mould sales	39.288	12.934
Packaging income	14.353	30.328
Other	8.751	28.333
Total	109.595	129.651

c) Cost of sales

	2012	2011
Direct material expense	4.504.940	5.276.445
Depreciation and amortization expense	304.036	257.695
Direct labor expense	131.868	119.871
Other production expenses	267.956	260.306
Total cost of production	5.208.800	5.914.317
Change in work-in-process	27.086	(58.257)
Change in finished goods	(20.917)	(21.352)
Cost of merchandise sold	701.291	674.715
Cost of other sales	78	3.356
Total	5.916.339	6.512.779

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NOTE 18 - SALES AND COST OF SALES (Continued)**d) Production and sales quantities**

	Production		Sales	
	1 January - 31 December 2012	1 January - 31 December 2011	1 January - 31 December 2012	1 January - 31 December 2011
Manufactured vehicles				
MCV	115.813	137.396	116.060	137.760
New Doblo	83.521	89.847	83.748	89.698
Linea	36.909	37.187	37.042	36.816
Doblo	20.185	18.703	18.053	18.610
Albea	-	10.011	959	9.233
Palio - Pallo Van	-	916	38	895
SKD	-	576	-	576
CKD demonte	-	13.152	-	13.344
Import vehicles				
Grande Punto	-	-	7.887	9.214
Ducato	-	-	4.884	5.201
Alfa Romeo	-	-	1.111	897
Jeep	-	-	784	-
Bravo	-	-	745	1.068
Freemont 4x4	-	-	371	-
Panda	-	-	291	1.134
Lancia	-	-	294	175
Fiat 500	-	-	163	327
Ferrari	-	-	21	23
Maserati	-	-	18	24
Scudo	-	-	11	313
Stilo	-	-	-	1
Total	256.428	307.788	272.480	325.309

NOTE 19 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2012	2011
Selling and marketing expenses	202.343	225.709
General and administrative expenses	136.646	136.674
Research and development expenses (*)	14.858	7.056
Total	353.847	369.439

(*)Total amount of research and development expenses in 2012 is TRY103.586 (31 December 2011: TRY60.932) and TRY88.728 portion has been capitalized (2011: TRY53.876). Remaining portion of research and development expenses amounting to TRY14.858 (2011: TRY7.056) is recognized as expense.

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NOTE 19 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)**a) Selling and marketing expenses**

	2012	2011
Advertisement expenses	53.364	48.446
Shipment and insurance expenses	52.888	52.074
Warranty expenses	29.764	45.628
Personnel expenses	33.908	29.870
Exhibition-fair expenses	4.303	3.308
Royalty expenses	3.671	5.305
Depreciation and amortization	2.480	2.700
Sales commission expenses	-	9.017
Packaging expenses	-	5.325
Sales research development expenses	-	4.657
Other selling and marketing expenses	21.965	19.379
Total	202.343	225.709

b) General and administrative expenses

	2012	2011
Personnel expenses	54.427	54.253
Services obtained from third parties	20.554	6.118
Information technology expenses	13.994	12.410
Depreciation and amortization expenses	11.771	10.575
Duties, taxes and levies	5.544	5.654
Donations	5.186	4.582
Travel expenses	3.255	3.100
Rent expenses	1.270	1.172
Other general and administrative expenses	20.645	38.810
Total	136.646	136.674

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NOTE 20 - EXPENSES BY NATURE**a) Personnel expenses**

	2012	2011
Wages and salaries	354.090	298.374
Social securities	37.636	35.443
Meals and transportation	20.282	7.344
Termination pays	12.953	6.200
Other social expenses	6.310	8.983
Total	431.271	356.344

NOTE 21 - OTHER INCOME /EXPENSE**a) Other income and gains**

	2012	2011
Incentive income	8.197	3.980
Gain on sales of fixed assets	2.288	1.817
Fair value gain on investment properties	2.000	2.100
Rental income	138	400
Gain on barter transaction	-	17.448
Other	5.001	19.768
Total	17.624	45.513

b) Other expenses and losses

	2012	2011
General and specific provision	4.539	8.059
Loss on sale of fixed assets	499	390
Competition board penalty expense	-	35.853
Previous period expense	-	877
Other expenses	7.893	1.911
Total	12.931	47.090

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NOTE 22 - FINANCIAL INCOME / EXPENSE

	2012	2011
Foreign exchange gain	119.407	201.838
Interest income	380.777	135.250
Total financial income	428.184	337.088
	2012	2011
Foreign exchange loss	344.078	235.171
Interest expense	71.265	83.343
Total financial expenses	415.343	318.514

NOTE 23 - TAX ASSETS AND LIABILITIES**a) General**

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporation tax rate from 1 January 2006 onwards is 20%. Platform, the subsidiary of the Group, is exempt from the corporate tax due to its nature of establishment until the year 2013. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

As of 31 December 2010, the Group had written off deferred tax assets arising from unused investment incentives due to the expiration as of 31 December 2008, amounting to TRY2.141.858, through statement of income. Upon the meeting held by the Constitutional Court dated 15 October 2009 and upon the Constitutional Court conclusion on 8 January 2010, unused investment incentives of the Group have become available for use again and the Group has recognized deferred tax assets over the investment by increasing in proportion of PPI and revaluation rate amounted to TRY2.819.119 as of 31 December 2012 and TRY366.300 of this amount used in tax assessment. And tax existence counted over the residual balance, TRY2.452.819.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

For the years ended 31 December 2012 and 2011, the analysis of the tax expense in the income statement is as follows:

	2012	2011
Current tax charge	(15.785)	(4.872)
Deferred tax expense	(41.187)	(29.051)
Total	(56.972)	(33.923)

The numeric reconciliation between tax income and the accounting results multiplied by the applicable tax rate as of 31 December 2012 and 2011 are as follows:

	2012	2011
Net income before provision for taxes	505.297	508.088
Income tax charge at effective tax rate	(101.059)	(101.618)
Disallowable expenses	(61.305)	(52.801)
Exemptions	59.589	77.152
Effect of research and development incentive	47.945	48.423
Others	(2.142)	(5.079)
Total	(56.972)	(33.923)

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 December 2012 and 2011, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	2012	2011	2012	2011
Provision for employee termination benefits and unused vacation	(133.887)	(107.781)	26.776	21.556
Warranty provisions	(47.069)	(59.061)	9.414	11.812
Property, plant and equipment and intangibles and inventories	920.194	934.635	(181.756)	(184.936)
Deferred income	(61.320)	(78.328)	12.306	15.666
Unused R&D allowances	-	(41.654)	-	8.331
Unused investment incentive allowances	(421.633)	(378.411)	126.490	113.523
Deferred investment incentive allowances	(2.452.819)	(2.632.887)	4.906	76.060
Other temporary differences	(16.657)	(8.731)	5.823	1.746
Deferred tax asset, net			3.959	63.758

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

The movement of the deferred tax asset balance during the year is as follows:

	2012	2011
Deferred tax asset / (liability) at 1 January	63.758	57.643
Deferred tax income/(expense)(*)	(59.799)	6.115
Deferred tax asset / (liability) at 31 December	3.959	63.758

(*)TRY18.612 (31 December 2011: TRY35.166) portion of the related amount which is accounted under equity in connection with cash flow hedge is the tax effect of exchange losses subject to allowance from tax base in statutory records and reflected in the deferred tax charge.

NOTE 24 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 2012 and 2011, the weighted average number of shares outstanding is 50.000.000.000 and as of 31 December 2012 and 2011 earnings per share is Kuruş 0,90 and Kuruş 0,95 respectively.

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**Related party balances**

	2012	2011
Due from related parties		
Fiat	405.121	633.153
Otokoç A.Ş. (Otokoç - Subsidiary of Koç Holding A.Ş.)	96.980	104.028
Other	434	934
Total	502.535	738.115

	2012	2011
Due to related parties		
Fiat	813.066	874.146
Mako Elektrik Sanayi ve Ticaret A.Ş. (Mako - Associate company of Fiat)	19.263	28.554
Other	27.294	29.895
Total	859.623	932.595

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**Related party transactions**

Sales	2012	2011
Fiat	2.876.505	3.018.059
Otokoç	749.892	820.775
Other	12.780	9.043
Total	3.639.177	3.847.877

Domestic goods and services purchases	2012	2011
Otokoç A.Ş.	175.042	19.784
Mako	111.686	146.490
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	92.215	84.391
Ram Dış Ticaret	67.459	6.307
Koç Sistem (*)	9.366	6.643
Koç Holding	7.424	5.675
Setur Servis Turistik (*)	6.271	4.692
Akpa Dayanıklı Tüketim (*)	5.909	6.344
Entek (*)	2.510	3.390
Other	87.065	26.548
Total	564.947	310.264

(*) Subsidiaries company of Koç Holding A.Ş.

Foreign trade good, material and service purchase	2012	2011
Fiat	2.427.355	2.521.252
Comau S.p.A.	380	500
Other	18.227	103.643
Total	2.445.962	2.625.395

Interest income from related parties, for the year ended 31 December 2012 is TRY41.641 (31 December 2011: TRY46.917).

Salaries and similar benefits paid to the top management for the year 2012 (27 person) (2011: 19 person) is TRY16.797 (2011: TRY17.816).

Interest expense paid or accrued to related parties, for the year ended 31 December 2012 is TRY43.343 (2011: TRY30.507).

Furthermore, as of 31 December 2012, wholly owned subsidiary KFK has sold the exclusive issuance of bonds and treasury bills to Yapı ve Kredi Bankası A.Ş. It is accounted under other financial liabilities with a carrying amount of TRY204.886 (2011: TRY252.281).

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**Financial risk management objectives and policies**

The Group's principal financial instruments are cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 6).

Amounts carried in the balance sheet reflect maximum credit risk of the Group.

The amounts stated in the balance sheets reflects the maximum risk exposure of the Group.

Types of credit exposure of financial instruments;

2012	Trade Receivables			Bank deposit (Note 3)	Derivative instruments	Receivables from finance operations
	Related Party	Other party	Other receivables			
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	502.535	263.849	169	1.637.362	169	1.177.658
- Maximum risk secured by guarantee ⁽²⁾	30.000	434.477	-	-	-	1.177.440
A. Net book value of financial assets neither overdue nor impaired	500.535	258.626	169	1.637.362	169	1.177.440
- Maximum risk secured by guarantee	30.000	429.254	-	-	-	1.177.440
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	-	-	-	-	-	-
- Maximum risk secured by guarantee	-	-	-	-	-	-
D. Net book value of impaired assets	2.000	5.223	-	-	-	218
- Overdue (gross book value)	-	6.168	-	-	-	6.168
- Impairment (-) (Note 6)	-	(945)	-	-	-	(5.950)
- Net value under guarantee	-	5.223	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.

(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

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NOTE 26 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Trade Receivables			Bank deposit (Note 3)	Derivative instruments	Receivables from finance operations
	Related Party	Other party	Other receivables			
2011						
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	738.115	426.846	349	1.331.702	60.424	1.076.582
- Maximum risk secured by guarantee ⁽²⁾	30.000	365.984	-	-	-	1.276.744
A. Net book value of financial assets neither overdue nor impaired	726.901	423.344	349	1.331.702	60.424	1.066.769
- Maximum risk secured by guarantee	30.000	365.970	-	-	-	1.267.710
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	11.214	3.488	-	-	-	5.256
- Maximum risk secured by guarantee	-	-	-	-	-	5.256
D. Net book value of impaired assets	-	14	-	-	-	4.557
- Overdue (gross book value)	-	5.250	-	-	-	10.125
- Impairment (-) (Note 6)	-	(5.236)	-	-	-	(5.568)
- Net value under guarantee	-	14	-	-	-	3.778
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.

(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

Aging analysis of trade receivables

Aging of the Group's receivables which are overdue but not impaired is as follows:

2012	Trade receivables
1- 30 days past due	162.060
1- 3 months past due	22.788
3- 12 months past due	-
1- 5 years past due	-
Over 5 years past due	-
Total	184.848

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**Amount secured with guarantee**

2011	Trade receivables
1- 30 days past due	9.457
1- 3 months past due	5.245
3- 12 months past due	-
1- 5 years past due	-
Over 5 years past due	-
Total	14.702

Amount secured with guarantee

As of 31 December 2012, TRY174.974 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2011: TRY11.214). As of 31 December 2012, the Group's payables to Fiat amounts to TRY813.066 (31 December 2011: TRY874.146).

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

As explained in detail in Note 8, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Doblo are guaranteed by Fiat and for Mini Cargo by Fiat and PSA through future purchases. As of 31 December 2012, loans obtained related with Doblo vehicle project have entirely been repaid. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Mini Cargo vehicles is undertaken by Fiat and PSA.

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NOTE 26 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2012	Table of foreign currency position			
	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	397.723	(60)	169.167	-
2a. Monetary financial assets (including cash, bank accounts)	446.103	30	189.638	27
2b. Non-monetary financial assets	-	-	-	-
3. Other	31.021	-	13.191	-
4. Current assets (1+2+3)	874.847	(30)	371.996	27
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets(4+8)	874.847	(30)	371.996	27
10. Trade payables	(836.802)	80	(355.889)	-
11. Financial liabilities	(335.517)	-	(142.670)	-
12a. Monetary other liabilities	(8.915)	-	(3.791)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(1.181.234)	80	(502.350)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	(883.096)	-	(375.514)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(883.096)	-	(375.514)	-
18. Total liabilities (13+17)	(2.064.330)	80	(877.864)	-
19. Net asset / (liability) position of off- balance sheet derivative instruments (19a-19b)	42.331	-	18.000	-
19a. Total hedged asset amount	42.331	-	18.000	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(1.147.152)	50	(487.868)	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-1 5-16a)	(1.189.483)	50	(505.868)	27
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	2.779.786	-	1.222.229	-
24. Import	2.102.575	44	914.187	182

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat and PSA. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 31 December 2012 is TRY88.7 million foreign currency asset position (TRY77.09 million foreign currency asset position when considering the foreign currency denominated inventory and fixed asset purchase advances).

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2011	Table of foreign currency position			
	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	727.472	-	297.681	-
2a. Monetary financial assets (including cash, bank accounts)	487.717	23	199.556	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	2.126	96	795	-
4. Current assets (1+2+3)	1.217.315	119	498.032	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	48	-	20	-
8. Non-current assets (5+6+7)	48	-	20	-
9. Total assets(4+8)	1.217.363	119	498.052	-
10. Trade payables	(958.010)	(457)	(391.580)	(203)
11. Financial liabilities	(383.613)	(10.371)	(148.958)	-
12a. Monetary other liabilities	(117)	-	(48)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(1.341.740)	(10.828)	(540.586)	(203)
14. Trade payables	-	-	-	-
15. Financial liabilities	(1.236.529)	-	(505.986)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1.236.529)	-	(505.986)	-
18. Total liabilities (13+17)	(2.578.269)	(10.828)	(1.046.572)	(203)
19. Net asset / (liability) position of off- balance sheet derivative instruments (19a-19b)	102.524	10.893	33.533	-
19a. Total hedged asset amount	102.524	10.893	33.533	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(1.258.382)	184	(514.987)	(203)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-1 5-16a)	(1.360.954)	(10.709)	(548.540)	(203)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	4.144.772	-	1.744.316	174
24. Import	3.342.856	77	1.438.950	906

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat and PSA. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 31 December 2011 is TRY43.322 foreign currency asset position (TRY130.847 foreign currency asset position when considering the foreign currency denominated inventory and fixed asset purchase advances).

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 31 December 2012 and 2011:

Exchange rate sensitivity analysis table

	2012		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	11	(11)	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	11	(11)	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(142.758)	142.758	-	-
5- Amount hedged for EUR risk (-)	120.125	(120.125)	120.125	(120.125)
6- EUR net effect (4+5)	(22.633)	22.633	120.125	(120.125)
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	9	(9)	-	-
8- Amount hedged for other exchange rates risk	-	-	-	-
9. Other exchange rates net effect (7+8)	9	(9)	-	-
Total (3+6+9)	(22.613)	22.613	120.125	(120.125)

Exchange rate sensitivity analysis table

	2011		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(2.427)	2.427	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(2.427)	2.427	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(160.857)	160.857	(160.857)	160.857
5- Amount hedged for EUR risk (-)	156.204	(156.204)	156.204	(156.204)
6- EUR net effect (4+5)	(4.652)	4.652	156.204	(156.204)
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	(24)	24	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9. Other exchange rates net effect (7+8)	(24)	24	-	-
Total (3+6+9)	(7.104)	7.104	156.204	(156.204)

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**Interest rate risk**

Interest rate risk stems from the probability of an impact of rate changes on financial accounts. The Group is exposed to interest rate risk due to maturity mismatch or differences of the assets and liabilities that are re-priced or matured in a specific period. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

As of 31 December 2012 and 2011, the effect of +/- %0,5 change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Change in interest rates	%0,5	%0,5
Effect on net income before for taxes	(165)	(157)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one year column.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2012:

Expected maturities	Book Value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	1.797.390	2.068.385	101.225	839.861	1.115.202	12.097
Commercial paper issuance	488.354	363.546	137	146.180	217.229	-
Trade payables	1.342.733	1.351.310	1.272.733	78.577	-	-
Other current liabilities	77.574	77.574	-	-	-	-
Total	3.706.051	3.923.064	1.513.918	1.064.618	1.332.431	12.097

Expected maturities (or maturities per agreement)	Book Value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	-	(3.593)	(1.294)	(2.299)	-	-
Derivative cash inflows	-	46.421	25.099	21.322	-	-
Derivative cash outflows	-	(50.014)	(26.393)	(23.621)	-	-

31 December 2011:

Expected maturities	Book Value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	2.269.801	2.455.823	92.057	1.060.400	1.133.091	170.275
Commercial paper issuance	251.739	276.486	48.004	113.471	115.011	-
Trade payables	1.610.617	1.618.268	1.459.943	158.325	-	-
Other current liabilities	80.272	80.272	80.272	-	-	-
Total	4.212.429	4.430.849	1.680.276	1.332.196	1.248.102	170.275

Expected maturities (or maturities per agreement)	Book Value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	-	101.519	-	79.658	21.861	-
Derivative cash inflows	-	101.519	-	79.658	21.861	-
Derivative cash outflows	-	(94.888)	-	(74.509)	(20.379)	-

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions.

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 31 December 2012.

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NOTE 27 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year-end exchange rates. The fair values of financial assets (except short-term consumer financing loans) carried at cost are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The fair values are calculated by discounting the future cash flows of consumer financing loans with the current interest rate which is monthly 8,24% (31 December 2011: 1,06%).

	31 December 2012		31 December 2011	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	1.237.070	1.238.699	1.109.700	1.185.739

Financial liabilities monetary liabilities for which fair value approximates carrying value; balances denominated in foreign currencies are translated at the year end exchange rates. Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Management considers an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (Doblo, New Doblo and Mini Cargo (MCV)). Effectiveness of hedge relationship has been determined by the agreements made between the Company and Fiat and Peugeot Citroen Automobiles S.A. (PSA). It is vastly probable to cover long term loan liabilities by the planned sales of MCV to Fiat and PSA starting from 2008 until December 2015. Furthermore, according to the agreement made between Fiat and the Company, long term loan liabilities will be covered through a portion of sales of New Doblo to Fiat starting from 2009 until December 2017. Additionally, the carrying amount of long term loan liabilities for Doblo had been covered by sales to Fiat until the beginning of 2009.

Furthermore, wholly owned subsidiary, KFK, enters into swap transactions in order to diminish exposure to foreign currency position and interest rate risk and to manage foreign currency liquidity. Swap transactions, which are considered as cash flow hedge instruments in accordance with International Financial Reporting Standards are recognized in the statements of income in accordance with hedge accounting. KFK values its swap transactions based on fair value and net profit or loss is recognized under cumulative gain on the hedging account under shareholders' equity.

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NOTE 27 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (Continued)

Fair value measurements

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

2012	Level 1	Level 2	Level 3
Derivative financial assets held for sale	-	(3.593)	-
Total Assets	-	(3.593)	-

2011	Level 1	Level 2	Level 3
Derivative financial assets held for sale	-	6.631	-
Total Assets	-	6.631	-

As of 31 December 2012 the Company has not made any transfers between second level and first level, and also between third level and other levels.

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Section IV

- Corporate Governance Principles Compliance Report
- Activities of Early Detection of Risks and Risk Management Committee
- Dependent Company Report
- Dividend Policy
- Remuneration Policy
- Disclosure Policy

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Declaration of Compliance with Corporate Governance Principles

Corporate Governance Principles Compliance Report for 2012 assessed by the Corporate Governance Committee is attached to this Declaration.

The implementation of Corporate Governance Principles has a decisive and ever-increasing importance for the Company as a result of the developments in Capital Markets and as a dynamic process. The Company continues its efforts to adopt corporate governance as a corporate culture by adopting the Corporate Governance Principles issued by the Capital Markets Board, making the necessary improvements and regulations based on current conditions on areas which require adoption and making the necessary changes. In this context, the Company has further increased the pace of improvements, regulations and changes in 2012 regarding the Corporate Governance principles.

In particular, within the scope of Volume:IV, No:56 "Communiqué on Determination and Implementation of Corporate Governance Principles" issued by CMB on 30.12.2011, necessary steps have been taken to make the changes required by Corporate Governance Principles and the related legislation within the scope of the Communiqué and ongoing regulations and Articles of Association amendments and procedure and policy improvements have been made with maximum efforts to implement Corporate Governance Principles.

Stock Exchange Companies are required to adopt Articles 1.3.1, 1.3.2, 1.3.7, 1.3.10, 4.3.1, 4.3.2, 4.3.3, 4.3.4, 4.3.5, 4.3.6, 4.3.7, 4.3.8, 4.3.9, 4.4.7, 4.5.1, 4.5.2, 4.5.3, 4.5.4, 4.6.2, and 4.6.4 of the Corporate Governance Principles attached to the Communiqué and the Company has fully adopted them.

Corporate Governance rating of the Company for the new rating period and within the frame of Corporate Governance rating process has been 9.03 (90.25) in the Rating Report dated 09.11.2012 by the rating provider Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in line with the efforts and Corporate Governance implementations in 2012. Corporate Governance rating by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. as of 23.11.2011 for the previous period was 8.58 (85.83) and the revised Rating Report dated

09.11.2012 by the same company for the new rating period has once again increased the Company's Corporate Governance rating to 9.03 (90.25).

The new Rating Reports distributes the average rating of 9.03 (90.25) among the main sections as follows: 81.06 for Shareholders section, 91.45 for Public Disclosure and Transparency section, 96.81 for Stakeholders section and 93.84 for Board of Directors section.

As indicated by the Revised Corporate Governance Rating Report, the Company is the only company since the implementation of ISE Corporate Governance Index to have increased its rating six consecutive times, which is the result of a continued commitment to the dynamic process required for successful implementation of CMB Corporate Governance Principles. As of the end of 2012, like in 2011, our Company has achieved the success of being the highest rating automotive company on the ISE Corporate Governance Index.

In addition to this, the Company has been granted with "Highest-Rated Organization in Board of Directors Category" award by Corporate Governance Awards at Corporate Governance Summit VI. This puts Tofaş among three companies with three grants from Corporate Governance Awards granted for three years.

The Company is, as always, striving to further develop its Corporate Governance approach commensurate with Corporate Governance Principles.

As indicated by the reports on meetings held by the Corporate Governance Committee within the year, we will take the necessary steps and continue our efforts with due attention regarding the Corporate Governance process and implementations in the future.

Accordingly, our Company aims to take the action required to apply the Corporate Governance Principles during decision-making and actions related to the Shareholders and their rights, Informing the Public and providing the assurance of Transparency to the Beneficiaries and Board of Directors together with its stakeholders. We treat activities in this field with utmost importance.

In this context, one of the principal goals of our Company is to

implement Corporate Governance in connection with the equality of all stakeholders, information responsibility and corporate governance implementations as well as the established Corporate Governance Principles. The activities of our Company are being carried out and followed up within the framework of the legislation which defines the responsibilities regarding these Principles.

This detailed 2012 Corporate Governance Principles Compliance Report which has been prepared by review of 2012 efforts and is inclusive of information on where compliance to the Principles has and has not provided is submitted for your information below in accordance with the Company's priorities.

Within the scope of Volume:IV, No:56 "Communiqué on Determination and Implementation of Corporate Governance Principles", the format to be used by ISE-quoted companies required to prepare a Corporate Governance Principles Compliance Report is set forth by Capital Markets Board Decision 4/88 dated 01.02.2013 and Corporate Governance Principles Compliance Report should be prepared by this format beginning with the 2012 Activity Reports which will be issued in 2013.

The new Corporate Governance Compliance Report below can be found at the Company website (www.tofas.com.tr) along with previous Compliance Reports.

SECTION I - SHAREHOLDERS:

2. Shareholder Relations Unit

As included in our previous Compliance Reports, a Shareholder Relations Unit has been established within the Company with the purposes of facilitating the exercise of shareholder's rights, managing relationships with the shareholders of the Company and implementing the required arrangements in accordance with the basic principles set forth by Corporate Governance Principles and the unit has been renamed as "Corporate Governance and Shareholder Relations" in 2005 for a more effective follow-up of practices regarding the Corporate Governance Principles.

This Unit carries out Company activities within the framework of the Corporate Governance Principles issued by CMB and Corporate Governance practices of ISE companies in the area of Corporate Governance and also ensures the provision of rights attached to shareholding, shareholder relations and follow up of Capital Markets regulations as well as practices regarding the Company's disclosure policy in the area of Shareholder Relations.

The Unit carries out activities primarily in relation to the organization of the Shareholders' General Assembly Meetings, the exercise of shareholder rights and stock transactions as well as keeping the required records for shareholders and meeting the information requests of investors. It ensures proper representation and contact of the Company with the Capital Markets Board (CMB) and Istanbul Stock Exchange (ISE), Central Registration Agency (MKG) as well as other relevant entities and institutions in accordance with Communiqué Vol. :IV, No: 41 by CMB and Corporate Governance Principles set forth by Communiqué Vol. :IV, No: 56.

This unit is also responsible for the arrangements for capital increases and dividend payouts, follow up of decisions made by the Board of Directors and Board of Auditors, procedure follow-up and recording activities carried out by the Committees under the Board of Directors as well as providing public information within the scope of Capital Markets Regulations and meeting the information requests of investors including special case explanations via Company website, e-Manage Portal and KAP.

Furthermore, the Corporate Governance and Shareholder Relations Unit is responsible for following up on capital market arrangements and performing the required activities within the Company. They also conduct and follow up on Board Meetings and General Assembly Meetings of Affiliate Companies and Subsidiaries of our Company and maintain the records.

As of the end of period, the authorized person in the Unit is Dr. M. Adil Salepçioğlu, you may contact him for information by e-mail at adil.salepçioğlu@tofas.com.tr and borsa@tofas.com.tr or by telephone on (0212 275 33 90 / 5104).

Furthermore, as of the end of period, the “Corporate Investor Relations” unit continued its activities in order to ensure more effective communication with its corporate investors. The authorized person in the said unit is Mr. Emre Ertürk. You may contact him for information by e-mail at emre.erturk@tofas.com.tr or by telephone on (0212 275 33 90 / 5187).

46 shareholders that have been registered in the list of participants of the latest Ordinary General Assembly by the blockage process and visitors willing to attend as viewers were provided with attendance to the General Assembly. Within the period, Corporate Governance and Shareholder Relations Unit and Corporate Investor Relations Unit have provided information for individual and corporate shareholders via phone and in person at the Headquarters and completed 122 physical share transactions regarding the exercise of free-share and dividend rights until 31.12.2012 and responded to 203 e-mails sent to borsa@tofas.com.tr and classified based on subjects.

Moreover, 326 one-on-one meetings, 12 Investor Conferences and 4 Analyst Meetings were carried out locally and abroad over the year. These were particularly for the corporate investors and investment trust and bank experts and included the participation of top management.

The Company is also a corporate member of Turkish Corporate Governance Association (TKYD) and Turkish Investor Relations Association (TÜYİD).

3. Use of Rights to Information by Shareholders

As mentioned above, information requests by shareholders have been classified by subject, responded to and other required information mails have been sent.

Investor Presentations and Analyst Reports issued on this matter are made available on our website for investors and the public. Our Company attaches the utmost importance to this matter and ensures contacts and information flows by making the necessary organizations with regards to both individual shareholders and corporate investors in line with our information policy.

Our Shareholders may access and review the general, managerial and financial data via the relevant links as well as other relevant information under other sub-sections under the “Investor Relations” section on our website. And, in addition to these sections, a new link entitled “Stock Exchange Information” was added to allow them access to ISE records and the link was actively used during 2012. The Company website does not include any limitations or information and statements which may effect the exercise of shareholder’s rights and any information, documentation and statement required for providing accurate and full information in a timely manner and facilitating the exercise of shareholder’s rights is provided for the public, shareholders and in a broader sense all stakeholders.

Our Company has started implementing an electronic operating system and using a program and links that enable the sending of Special Case Explanations and other notices to the CMB and ISE. This is within the scope of the KAP (Public Information Platform), technical studies of which are carried out by TÜBİTAK. Furthermore, being an issuer member of Merkezi Kayıt Kuruluşu A.Ş. (MKK) established for registered follow-up of capital markets instruments, the Company has activated and enabled the e-Manage Portal in 2012.

In addition, as of 30.12.2011 and 01.11.2012, an announcement was made to our shareholders that “all of the rights of shareholders who have not dematerialized their shares by 31.12.2012 will be lost.” The announcement was put on our website and also published in three daily newspapers. The announcement read as follows: “According to Provisional Article 6 of the Capital Markets Law, which was amended by Article 157 of Law No. 6111, pub-

lished in the 25 February 2011 issue of Official Gazette, all shares not surrendered to our Company by 31 December 2012 so as to be recorded, will be devolved to our Company and all rights to the Shareholders stemming from these shares will automatically end.

In accordance with the regulations by Merkezi Kayıt Kuruluşu dated 31.12.2006 and within the frame of the new process for registered follow-up of shares that have been subjected to a change of type but not registered, regulations for follow-up of capital markets instruments have been implemented as of 31.12.2007 in accordance with 2007 regulations by CMB, implementations by MKK and the related legislation. The efforts shared between MKK, Investment Trust (Yapı Kredi Yatırım) and the Company have continued in 2012 in accordance with the related legislation as coordinated by the Corporate Governance and Shareholder Relations Unit.

In this context and in accordance with Provisional Article 6 of Capital Markets Law amended by Law 6111 Article 157 issued and made effective on the second issue of the Official Gazette dated 25.02.2011 and MKK General Letter 551 dated 28.04.2011, shareholders are required to apply to the Company and register their physical shares until 31.12.2012. In this sense, shareholders with physical shares have applied to the Company until 31.12.2012 to maintain their shareholder’s rights and the process has been completed before the due date. Shareholders who have not registered their physical shares have lost their shareholder’s rights as of the mentioned date.

We made the best effort possible to meet the information requests of shareholders within the scope of the Information Policy of our Company and the related implementations this year.

The Articles of Association of the Company do not contain any provision about an individual right to appoint a “special auditor” in case of request. No requests were submitted to our Company this year for appointment of a special auditor. Currently, there is no information on or instance of this matter based on the existing regulations as well as general practices. Our Company addresses the matter within the scope of the new Turkish Commercial Code and Capital Markets Law.

In addition to internal auditing practices, our Company is also subjected to auditing by the two main Shareholders (Koç and

Fiat), and also of an Independent External Auditing Company as legally approved by the General Assembly.

4. General Assembly Meetings

This year, the ordinary General Assembly Meeting of the Shareholders was held on 30 March 2012. Invitations to the General Assembly are duly publicized within the necessary legal periods on the Turkish Trade Registry Gazette as well as in two daily newspapers, issued nationwide with all the required information. Moreover, the shareholders registered in the Shareholders Book were informed by letter. Names of 46 shareholders were registered on the attendance list based on the blocked documents received through Central Registry Agency.

Moreover, participation of any person willing to attend the General Assembly as a viewer has been ensured and attendance of all shareholders, press members and all stakeholders has been pursued. . In this context, representatives of the media and press, authorities of various investment trusts and banks, as well as civil societies and non-governmental organizations attended this General Assembly Meeting.

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. Any measure aimed at increasing the efficiency of the meeting is taken in accordance with the legislation. All measures necessary to provide the required functionality of the General Assembly are taken.

The rights of our shareholders and the information on how to exercise these rights are presented to our shareholders by means of both regulatory announcements and information documents that can be found at the Company website and MKK e-Manage Portal.

Financial statements and the activity report as well as other information and documents are made available in the Head Office for the review of shareholders and interested persons within the legal period prior to the General Assembly Meeting. Announcements regarding the General Assembly Meetings are made at least 3 weeks in advance of the meetings. Following the issuance and submission of financial tables to the ISE and publication of the Annual Report, any information and reports to be discussed at

the General Assembly Meeting are sent to the addresses of those requesting it 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.

The most natural rights of our shareholders in the General Assembly Meetings are asking questions and raising their opinions, which are shown the utmost respect. Therefore, the right of the Shareholders to ask questions in the General Assembly or make suggestions about the Agenda items, or to deliver speeches regarding their suggestions and current matters is provided by the Board and the required records are kept as per the requirements. In this context, written and oral suggestions made by the shareholders to the Board about various issues in the General Assembly are added to the Minutes of the General Assembly Meeting posted on the Internet. Additionally, records showing that any shareholder votes against certain matters are also recorded in the Minutes of the Meeting and can be observed by reviewing the latest General Assembly documents at (www.tofas.com.tr).

Annual reports, financial statements, independent auditors' reports and profit distribution proposals, forms for voting by proxy and other information and documents related to the General Assembly agenda are easily accessible. The required documents issued in line with Capital Market regulations, the most current text of the Articles of Association and any amendment texts, records that include the most recent information, Special Case Explanations submitted to the Stock Market, information contained in the Annual Report, arrangements pursuant to Corporate Governance Principles, distribution of capital among the shareholders, company policies and any other information, from the Report of the Board of Directors to the Corporate Governance Compliance Report can be accessed electronically and followed up with the necessary updates.

In the light of the said proposals, the requests of shareholders for working and information from our Company are approved by the top management of the Company and the shareholders are allowed to make the desired reviews accordingly. Our Shareholders that have submitted such a request within the term were asked to provide evaluation and information based on their reviews and the required matters are taken into account.

Company activities are specified by the Articles of Association. 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. Matters such as a merger with other companies or the takeover of another company or separation shall be resolved by the General Assembly upon the suggestion of the Board of Directors. In addition, the Company may purchase, construct, sell, rent, mortgage or receive a mortgage on any type 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 at our Company website (www.tofas.com.tr).

As indicated by the Corporate Governance Principles Article 1.3.7, majority shareholders, Board Members, top level managers and their spouses and up-to-second-degree relatives will be allowed to do business in a manner to be in conflict of interests or compete with the company or its affiliates as per the approval of the General Assembly and such issues will be notified to the General Assembly. In accordance with the General Assembly agenda, information has been provided on the donations and grants made within the period and added to the minutes of the General Assembly Meeting.

All the Minutes of Ordinary and Extraordinary General Assembly Meetings and Lists of Participants for previous years can be accessed from the Company Headquarters, as well as from the archives of the Turkish Trade Registry Gazette retained at the Istanbul Trade Registry Office. Furthermore, the Minutes of General Assembly Meetings and other relevant documents for the last 5 years can be accessed and reviewed from the stated Website of our Company in "pdf" format.

5. Voting Rights and Minority Rights

Each share entitles the holder to one voting right and there is no voting preference (Article 20 of the Articles of Association). The Board of Directors and Auditor should be selected from the candidates nominated by the shareholders of Issue A and Issue D 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 regulations of the Capital Markets Board on voting by proxy are observed.

In case of mutual participation, sovereign shareholder is not possible. The Articles of Association do not contain any provision for the representation of minority shares in the management or cumulative voting method. Due to voluntary application matter and non-planning for sovereign shareholding by the major shareholders as per the capital Markets legislation, provision on quorum was not applied for the existing General Assembly (Article 19 of the Articles of Association).

Transactions related to shareholders are based strictly on the principles of equality in transactions in accordance with the regulations, and our Company pays the utmost attention to this by providing the necessary arrangements.

6. Dividend Rights

There is no privilege regarding participation in Company profit or allocation of dividends. Dividends are distributed equally regardless of the whole current shares or their dates of issuance and acquisition.

The Dividend Policy of our Company is included in the Compliance Report on Corporate Governance Principles and the Minutes of the General Assembly Meeting. It is determined in accordance with the relevant articles of the legislation, regulations and practices of the Capital Markets Board; as well as mid- and long-term strategies, investment and financial plans of our Company.

In this context, our Profit Allocation Policy is presented for the understanding of shareholders and public opinion at our website, (www.tofas.com.tr) as well as in the Activity Report of the Company for 2012 and previous years and during the Shareholders' General Assembly Meeting.

The Dividend Distribution Policy of our Company is included in the Adoption Report on Corporate Governance Principles and the related Minutes of General Assembly Meeting and is determined in accordance with the relevant articles of Turkish Commercial Code and Capital Market Law, the relevant regulations and Communiqués of the Capital Market Board as well as mid-and long-term strategies and investment and financial plans of our Company.

As per the principles set forth in Communiqué Vol:IV, No:27 of the Capital Market Board, Our Company adopts the principle of distributing the maximum amount of dividends to our shareholders based on strategic plans and financial structure. Our Dividend Distribution Policy determined in this way is submitted to the information of the shareholders and the public as of 2012 in accordance with the relevant Articles of Association of our Company.

Dividends may be distributed among our shareholders in cash or free of charge by way of adding dividends in the capital or partly in cash and partly in the form of free shares pursuant to decisions of our General Assembly.

The dividend distribution amounts determined in accordance with the relevant legal regulations and Article 29 of the Company Articles of Association related to distribution of dividends are distributed among our shareholders on the date to be determined by our General Assembly upon approval thereof within the legal periods.

In addition to this, it is also possible to distribute an advance dividend to our shareholders upon decision of the Board of Directors if authorized to do so by the General Assembly pursuant to article 29 of our Articles of Association..

7. Transfer of Shares

Article 8 of the Articles of Association "Sales of the Shares Registered to Title" stipulates the provisions to be applied regarding the 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.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY:

8. Disclosure Policy

"Disclosure Policy" of our Company is implemented in accordance with the legal regulations, Capital Market Regulations and rules defined by the issued notifications as well as the Corporate Governance Principles. The Disclosure Policy is included within

the Annual Report and on the Company's website. If the Policy is amended within the year, shareholders are informed at the General Assembly.

Within the scope of the new Corporate Governance Principles, the public information and transparency criteria of our Company are intended to ensure the required information flow is provided in a timely, accurate, complete and understandable as well as accessible and easy to analyze manner with low costs and maximum efforts are shown for this. Any request for information will be taken into consideration and disclosed to the public in this manner unless the information requested is a trade secret.

The Information Policy covers dealings with all stakeholders including conducting public meetings, dealing with both investor and shareholder relationships and informing customers. It is implemented and coordinated in line with the activities of the relevant Units.

Our Board of Directors is responsible for the implementation and development of the Company Information Policy whereas the CEO of our Company is responsible for the oversight of the processes in place on behalf of the Board of Directors. Company's CEO and Board Member Mr. Kamil Başaran, Chief Financial Officer Mr. Cengiz Eroldu and Corporate Relations Director Ms. Arzu Çolakoğlu are responsible for enforcement of Disclosure Policy.

Furthermore, we also comply with the disclosure policies of our local and foreign partners. Our Company considers as a whole, the practices related to our main partners as well as both the individual and corporate investors and shareholders.

In addition to monitoring capital market regulations and dealing with Capital Markets bodies for our Company in accordance with the Corporate Governance Principles, the fundamentals of our Disclosure Policy include satisfying information requests of shareholders and investors, and enabling shareholders to exercise their shareholding rights. Other responsibilities range from ensuring the coordination of General Assembly related arrangements to the provision of information flow, including the website.

The General Assembly Meeting, Annual Report, periodic Financial Statements and Reports, Disclosure of Material Information, the website and all processes regarding disclosure to stakeholders

are conducted in accordance with the legal processes as defined in the Capital Markets Regulations, Turkish Commercial Code and Capital Markets Board regulations.

General Assembly is held within the required legal period every year and all activities regarding the participation of our shareholders in the General Assembly are recorded and implemented. Our Annual Reports are accessible in printed and online formats in accordance with the legal regulations. Financial results related to the periodic financial statements and financial reports are prepared in accordance with the CMB communiqués and IFRS, submitted to the CMB and ISE and released accordingly. They are presented to any entities, institutions or persons upon request.

Furthermore, information related to Disclosure of Material Information as of 2011 as covered by the CMB communiqué series: VIII, No. 56 are made to the ISE in a written form or in electronic format in the form of a Public Disclosure Platform notice. All means of communication are utilized to meet information requests from our shareholders and for exercising shareholding rights. Moreover, periodic plant visits are conducted for the shareholders.

Our Company ensures information flow by means of the website (www.tofas.com.tr) and shows the utmost care to the matters that must be presented on the website. The information needed about the company is provided in details on the website. The "Investor Relations" section on the said website provides all the information as stipulated by the CMB. This ranges from the Corporate Governance implementations, commercial matters and the Company Articles of Association to our annual reports, periodic financial statements, General Assembly minutes and analyst and investor presentations. In addition an information desk exists, from which our shareholders and investors as well as analysts can access ISE data. Activity reports, financial tables and their annexes, interim financial outcomes and interim activity reports, periodic investor and analyst presentations, monthly and model-based manufacturing and sales figures, quarterly export figures, annual capacity and capacity utilization, investments and employment data are issued on the company website to provide information on company's activities for the investors.

Our Company implements the Information Policy in accordance with the Corporate Governance Principles by establishing the required connection between the concerning units and depart-

ments. Board of Directors is responsible for the implementation and development of Company Disclosure Policy in accordance with the recommendations of Corporate Governance Policy whereas the Company CEO and Directors are responsible for control of the process. Preparation of all kinds of presentations, conduction of meetings and exercising of press declarations in line with public information and transparency criteria are followed up at CEO and Directors level in our Company. The said information activities are arranged with the participation of Company senior management, as of regular periods and upon direct requests. Company CEO is authorized to postpone public disclosure of internal information to keep the legitimate interests of the company from being harmed.

Our Company vision is revised based on the stakeholder concept. The said interest holders are informed regarding the matters concerning them and organizations, briefings, planned studies and arrangements regarding explanations are all held by the Company in accordance with the regulations. Provisioning and communication of all rights and interests of our stakeholders are followed up and recorded by the relevant directorates, units and departments.

In addition to this, our website contains data from our Disclosure of Material Information sent to ISE to Company capital structure, and we have an e-mail (borsa@tof.com.tr) address that includes an investor registration form for establishing contact and for replying to information requests submitted electronically. In this context, it is ensured to implement the required arrangements for systematically continuing relations with investors, ensuring easy access to corporate governance, shareholder relations and stock market information and making sure that financial data is accurate, complete and analyzable in accordance with the social responsibility and ethical rules.

Commercial and non-commercial businesses and transactions between the members of the Board of Directors, managers and shareholders holding more than 5% of the shares of the Company directly or indirectly are carried out in accordance with the capital markets regulations.

Tofaş carries out the activities in the field of "corporate governance" together with its shareholders, investors and stakeholders by combining the "governance" and "communications" concepts

within the scope of Information Policy.

As stated above, the text of the new arrangement on the Company Information Policy made in 2009 and 2012 was republished and reviewed every year. Detailed Company Disclosure Policy is accessible at www.tofas.com.tr. The text containing new regulations on Company Disclosure Policy is available at Company website.

Special case explanations and notifications will be disclosed within due period as specified by the legislation in detail. Within the period, the Company has sent Special Case Explanations, Financial Tables and State of Responsibility explanations and/or notifications to ISE and these are issued on Public Disclosure Platform (KAP) (www.kap.gov.tr) as of 2010. Those for 2009 or earlier are available at ISE website "Company News" section. Company website also has links to the related pages.

There was no additional information or document submitted to foreign stock markets in addition to those submitted to the ISE. Furthermore, our Company was not subjected to any warnings from the CMB in relation to the Disclosure of Material Information during the reporting period.

In addition, what is considered a trade secret includes information, documents, electronic records and data about the internal structure and organization, financial, economic, credit and cash status, research and development activities, activity strategies, raw material resources, production technical specifications, pricing policies, marketing tactics and costs, market shares, wholesaler and retail customer potential and customer networks, and contractual contacts subject to or not subject to permission, all of which are essential for the success and effectiveness of the company in business and economic life and that should not be disclosed to rivals, third parties and public and can be known only by a limited number of persons and officials of the company with regards to a commercial enterprise or a field of activity of the company. Trade secrets are subject to provisions and limitations under the Capital Markets Law, as well as other laws, and cannot be divulged, used or provided.

Considering the fact that these trade secrets and cases subject to insider information are the information and strategic decisions that are available to the senior management of the com-

pany, Company Top-Level Management will take all measures to prevent the use of such information. Our Senior Management, members of the Board of Directors and Company Directors are able to access the insider information which may affect the capital market instruments of the company. Publicly disclosed "List of Senior Management" notified to MKK is updated in case of a change, notified again to MKK and made accessible on the Company website.

9. Company Web Site and Its Content

As previously mentioned in earlier sections, the Company has an active and up-to-date website.

Website is at www.tofas.com.tr, also with English versions of the information and sections. In 2012, our website was revised in order to improve its visual effectiveness. This website includes detailed information on topics included in Corporate Governance Principles and a sub-section titled Corporate Governance is also available at the bottom of Investor Relations page.

The information needed about the company is provided in details on the website. This also includes various information including, among others, presentations, news, human resources, R&D projects. Our regularly updated website also has an "Investor Relations" section under www.tofas.com.tr address, which includes the minimum matters introduced by the CMB as defined above. The sub-sections available here provide the required records and information. These subsections include "Share and Stock Market Information," "Shareholding Structure and the Board of Directors," "Corporate Governance," "Activity Reports," "Presentations," "Financial Results," "Dividend Policy/Remuneration Policy/Company Disclosure Policy," "Special Case Explanations," "Announcements," "Archive," "General Assembly Meetings," "Subsidiaries," "Links and Information for Investors" and "Information on the Main Shareholders and Shareholding Structures" and also "Analysts," "Survey Data Form," and "Investor Feedbacks." Since 2010, surveys and electronic mail systems have been provided for shareholders, investors and analysts through the "Survey and Information Form" section and an "Investor Feedback" system has been added later.

The "Stock Market Information" subsection which had been enabled previously was activated in 2012 as an information line

where our shareholders, investors and analysts could find ISE data. In addition, our Company's Annual Report can be examined on our website site as both current and archived information as well as being available in print. As it is stated, it is always possible to access to the periodic financial tables and reports at our Website and General Assembly meeting minutes and analyst lists are also provided. Responds to surveys coming from these links on the Investor Relations section of the website are followed, recorded and the information requests are responded as necessary.

Issues set forth by Corporate Governance Principles Article 2.2 are shown proper attention. However, the following is complied with regarding the Disclosure of Real Person Controlling Shareholder(s) explained in Paragraph 2.2.3.

Except for major Shareholders, Koç Holding A.Ş. and Fiat Auto S.p.A., shareholders having more than 5% of the shares are listed on ISE bulletins as per the legislation. Information on shareholding structures of our major shareholders, Koç Holding and Fiat Auto, can be obtained by clicking on the appropriate links on their websites. Publicly available information for both these companies is listed on their respective stock markets. Board members, senior managers and shareholders who hold directly or indirectly more than 5% of the shares, the Company's capital markets instruments and transactions made regarding stocks and the results there from are announced to the public.

In this context, the required notices regarding share trade are published on the Public Disclosure Platform (KAP) upon submission to ISE. In 2012, like previous years, issues regarding the share transactions related with the Company were included in ISE statements and ISE statements and notifications were followed and necessary issues were recorded.

The Company shows ultimate attention to Capital Markets regulations and the related legislations.

10. Activity Report

Board of Directors prepares the annual and interim Activity Reports with the details to fully and accurately inform the public on company activities. Information listed by Corporate Governance Principles are included.

Previous-period Activity Report prepared in accordance with the Communiqué issued by CMB on 30.12.2011 is accessible and reviewable in printed form and online from the website as a accurate and secure source of information.

The following Activity Reports will be extended in accordance with "Regulations on Minimum Contents of Company Annual Activity Reports" issued on the Official Gazette dated 28.08.2012.

The main topics of the current Company Activity Report are divided in 4 sections. Sub-sections of section one are Shareholders General Assembly Meeting Agenda, Board of Directors Report, CEO's Assessments, Management and Auditing Boards and Members of Management and Auditing Boards. Sub-sections of section two are Company's Capital Structure and Information of Partnership, Automotive Industry and Position of Tofaş, Affiliates, Social Responsibility Activities, Current Period Activities and Achievements, Administrative Activities and Results. Sub-sections of section three are Profit Distribution Table, Audit Board Report, Independent Audit Report and Financial Tables. Sub-sections of section four are Statements of Corporate Governance Principles, Corporate Governance Principles Compliance Report, Profit Distribution Policy, Remuneration Policy and Disclosure Policy.

Issues set forth by "Communiqué Vol. IV, No: 56 on Designation and Implementation of Corporate Governance Principles" issued by Capital Markets Board dated 30.12.2011 Article 2.3 Activity Report Section are provided with the details for informing the public fully and accurately.

SECTION III - STAKEHOLDERS:

11. Disclosure of Information to Stakeholders

The stakeholders are employees, suppliers, customers and basically third persons in direct relationship with the company and policies regarding each of these groups are developed by the Company.

All rightful parties and stakeholders are entitled to the same practices, implementations and effective communications. The Company's vision has been revised on the basis of the stakeholder concept and "millions of vehicles" and all stakeholders are kept

informed of relevant matters within the scope of our Disclosure Policy and procedures via effective communication channels and necessary organizations, information meetings, planned studies and required notifications are being carried out by our Company. Our corporate governance practices ensure the protection our stakeholders' rights, which are both defined by relevant regulations and also those which are not defined yet.

Communication channels have been provided for informing all stakeholders regarding the issues related with them. The process for notification of illegal and unethical transactions to the Committee Responsible for Auditing through Internal Audit has been established by the Company.

Furthermore, in accordance with Corporate Governance implementations of the Company and as a result of 2012 activities, the rating of the related "Stakeholders" sub-section was increased.

12. Participation of Stakeholders in Management

Procedures allowing the participation of the stakeholders in the improvement of administrative matters and expressing their ideas actively in this respect are in place in our company. The process and mechanisms to ensure that stakeholders participate in Company Management regarding the issues related with them are supported by the Company.

These implementations are developed and maintained with the objective of WCM (World Class Manufacturing) and "World Class Company". Systematic meetings and training programs are organized based on the total quality philosophy such as Kaizen studies, open door meetings. Our employees, suppliers and customers can submit their requests in this system, which is implemented in line with our human resource policies. In addition to our company website, there is also an Intranet and printed company magazine (Tofaş Gazete) in order to improve internal communication within the organization.

In addition to dealership council and dealership organization meetings, there is a system through which customer demands and satisfaction level are analyzed. The company management evaluates this information, takes necessary actions and provides feedback accordingly. Moreover, activities regarding "Customer Relations Principles" and similar practices ensure effectiveness

and maximization of customer relations and implementation of policies towards improvement of the service quality. In connection with these practices, we have planned and implemented studies covering current events within the reporting period.

Within the frame of relations with customers and clients, 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. A prompt response is made to customer queries and demands regarding our products and the customers are provided with the required feedback. Maximum efforts and resources are used for proactive solutions to company complaints. Improvement studies are organized systematically and high quality is assured by means of ISO quality certifications and quality standards. 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. Furthermore, we attach importance to arrangements related to customers and suppliers based on the market developments.

Furthermore, in 2010, A Customer Relations Management department was set up to increase customer satisfaction concerning marketing and sales of the Company's products and services. Coordinated efforts to make the department more effective continued in 2012.

Our Company attaches great importance to quality, effectiveness and governance practices. Based on the feedbacks from the stakeholders, "governance" methods to ensure participation of stakeholders in management are developed and implemented.

13. Human Resources Policy

"Human Resources Policy" of the Company has been prepared in accordance with the company strategies and policies and they are accurately implemented as per the new implementations. In this context, recruitment, career planning and rotation, individual development, wage and performance management issues are handled. Work-related issues and main duties and responsibilities of employees are also outlined in the Personnel Guidelines which are prepared in line with the relevant law and collective bargaining. Various committees have been established to coordinate employee relations and employees also have representatives in

each of these committees. However, no representative has been selected and/or assigned to coordinate relations directly with the employees except for the employee union relationships.

The rights and work conditions of both the white collar and blue collar personnel are ensured both in our plant and headquarters without any discrimination or abuse. No employee complaints were made during the reporting period. Due care is taken for participation of Company employees in management at all levels through feedbacks, periodic meetings and other efforts.

Furthermore, in 2006, a process named "Investor in People" (IIP) was started with the purpose of improving the company performance by developing the employees. In 2007, our Company received the Investors in People certificate and award, the one and only Human Resources Development and Management Certificate of the world. Our Company continued comprehensive practices on this matter during 2012 as it had in 2011 and previous years.

In addition, the Company's culture-related work is open to all employees and is carried out to promote employee development. In 2012, cultural exchange clubs and development programs were continued as they were in 2011. Performance evaluations, behavioral activities and career management are taken due care of.

A mechanism regarding the development processes has been established in 2010 under the name of Tofaş Academy and same efforts have been actively maintained in 2012. Our Company attaches the utmost importance to social rights and professional training of its employees. It closely monitors and adopts developments in HR practices.

14. Ethics and Social Responsibility

Social activities for the neighborhood where the plant is located and the society in general are organized according to corporate social responsibility and impact area criteria. Social responsibility activities of our company in the reporting period are explained in the Annual Report. Furthermore, the periodically published Tofaş Newspaper, which is also posted on tofasweb Intranet, provides various news and information on social activities.

There were no complaints regarding environmental issues during

the reporting period and we have records including environmental assessment reports. We have been implementing effective practices and inform our stakeholders within the scope of environmental sensitivity policies with the existing ISO certificates related to meeting quality and effectiveness standards. Furthermore, our Company continues its extensive activities related to Social Responsibility projects and environmental protection and presents them to the knowledge of the public.

Corporate Social Responsibility Sustainability Policy was previously revised in 2008 and announced to stakeholders at the Company website. Sponsorship activities and events focused on sports, culture & art and education continued in 2012 as they had in the previous years.

Awareness activities and sustainability perspective is of great importance regarding the social responsibility works and sponsorship activities.

The Company has conducted studies regarding observance of ethical rules and applications as per them in general. The members of the company comply with the generally accepted ethical rules forming a part of the regulations and arrangements. In addition, in the context of Principles of Corporate Governance, our ethical rules are formalized in a written document and announced as "Tofaş Business Ethics Principles" in our Personnel Manual. These ethical rules covers issues regarding our shareholders, disclosure of information, employee activities, stakeholders and the Board of Directors. If and when there are revisions in these rules, the updates will be disclosed to all our stakeholders in line with our disclosure policy.

The said "Tofaş Business Ethical Principles" are published in our website under the ethical rules section. In 2009, an Ethics Board was also established within the scope of Company's Corporate Policies. In 2011, revised Ethics Rules and Implementation Principles were issued and information was provided by distribution to Tofaş employees at all levels. Works regarding this issue were continued in 2012 with due care.

The Company is also a corporate member of Ethics and Reputation Association (TEİD).

SECTION IV - BOARD OF DIRECTORS:

15. Structure of the Board of Directors and Establishment

The Board of Directors of the Company has been composed as per provisions of the related law and the Articles of Association. Vol:IV, No:56 Determination and Application of Corporate Governance Principles by CMB dated 30.12.2011 has a decisive role in the functions and structure of the Board of Directors. Excluding the CEO, none of the Board Members including the Chairman have a direct executive role in the company. The CEO is also a member of the Board of Directors.

Also 2 independent members are included in accordance with Corporate Governance Principles.

Articles of Association of the Company have been amended as per the Corporate Governance Principles set forth by this Communiqué and important implementations have been made especially regarding the Board of Directors. The most important improvement is the process regarding the election of 2 independent Board Members. Furthermore, steps of high priority have been taken to ensure compliance with the revised Turkish Commercial Code made effective as of 01.07.2012.

The Chairman and members of the Board shall be formed in a manner ensuring authority and effectiveness at the highest level. The Board of Directors is composed by the members who possess these qualifications and who have also competency in managerial issues in line with the Principles of Corporate Governance. The persons to be appointed as board members should possess the foregoing qualifications and a relevant background as of the appointment date.

Members of the Board of Directors are selected among effective, competent and prominent persons who will be able satisfy the shareholders and stakeholders regarding company activities on the highest level. Corporate Governance Committee has launched improvements regarding the implementation of Corporate Governance Committee and designation and offering of Board Member candidates.

In accordance with the Corporate Governance Principles, Corporate Governance Committee has replaced the Nomination Com-

mittee to manage the process for designation of independent Board Member candidates in accordance with these principles and application was made to CMB in accordance with the following Board Decision for independent candidates.

Communiqué Vol. IV, No: 56 on Designation and Implementation of Corporate Governance Principles Article 5.5 regulates that Principle 4.3.4 will not be applicable for partnerships in which management control is equally shared among two real or legal persons who are not in any sort of engagement in terms of capital, management or auditing whether directly or indirectly for minimum 51% of the capital and in a manner which requires approval of both parties in major decisions and decisions on partnership and provided that the application is confirmed by Capital Markets Board and two independent members shall be sufficient; our Company, qualified for these criteria, has submitted to Capital Markets Board for approval with the application document no 0465 dated 19.01.2012. In this context, Capital Markets Board letter 326-1965 dated 23.02.2012 informs that our request has been accepted and the number of candidates for independent members has been set as two.

In this context, it is hereby decided that, as recommended in the Independency of Candidates Report dated 05.03.2012 by Corporate Governance Committee and within the scope of Communiqué Vol. IV, No: 56 on Designation and Implementation of Corporate Governance Principles and Communiqué Vol. IV, No: 57 on Amendment of the Communiqué, Mr. Gökçe Bayındır and Mr. Libero Milone will be submitted for approval of the General Assembly as "Candidates for Independent Members of the Board of Directors", the application required by principle 4.3.8. will be made to the Capital Market Board and the resumes of the candidates will be made available in the Company web site in case of no adverse opinions from the Capital Market Board. These members for submitted to the approval of the Ordinary General Assembly on 30.03.2012 and these Independent Board Memberships were approved.

The independency statement of these persons are as follows;

"I declare that I apply for "independent membership" at Tofaş Türk Otomobil Fabrikası A.Ş. (Company) Board of Directors in accordance with the criteria set forth by Corporate Governance Principles issued by Capital Markets Board, the legislation and

articles of association and I declare the following;

- a) Absence of any relations between himself/herself or his/her spouse or up-to-third-degree relatives and the Company or its associated parties or real or legal persons directly or indirectly associated in terms of capital or management with shareholders of the company having possession of 5% or more of its shares in the last five years,
- b) Not being employed at or appointed to the board of companies which have been engaged in complete or partial operations or organization of the company within the scope of contracted agreements in the last five years, including the auditing, grading or consultancy services,
- c) Not being the shareholder, employee or board member of a company which has provided major services or products for the company in the last five years,
- d) My shares of the Company capital are less than 1% and these are not preferred shares,
- e) As indicated in the attached resume, having the education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned as an independent board member,
- f) Not full-time employed by public organizations and institutions as of now,
- g) Resident in Turkey as per the Tax Law (Mr. Gökçe Bayındır and Mr. Libero Milone meet the criteria imposed by Corporate Governance Principles and Mr. Libero Milone resides abroad and therefore has been noted to be incompliant with the criterion of "being resident in Turkey as defined by Income Tax Law" defined by principle 4.3.7 paragraph (g); however, Article 1 of Communiqué Serial IV, No: 57 states that "the criterion set forth by principle 4.3.7 paragraph (g) will be sufficient if met at least by half of the independent members" and therefore the person is suitable.)
- h) I can make contributions to the Company, maintain my objectivity regarding any conflicts between the shareholders and make unbiased decisions considering the interests of the beneficiaries.

As of the activity term, no situation which removes independency has been observed.

As of 31.12.2012 Board of Directors consists of Mr. Mustafa Vehbi Koç (Chairman), Mr. Sergio Marchionne (Vice-Chairman), Mr. Kamil Başaran (Member & CEO), Mr. Temel Kamil Atay (Member), Mr. Osman Turgay Durak (Member), Mr. Kudret Önen (Member), Mr. İsmail Cenk Çimen (Member - Corporate Governance Committee & Risk Management Committee), Mr. Alfredo Altavilla

(Member - Corporate Governance Committee), Mr. Gianni Coda (Member), Mr. Ali Aydın Pandır (Member - Risk Management Committee) and M. Gökçe Bayındır (Independent Member - Audit Committee & Corporate Governance Committee & Risk Management Committee) and Mr. Libero Milone (Independent Member - Audit Committee & Corporate Governance Committee & Risk Management Committee).

There is no restriction on the members of the Board in terms of holding professional positions in other companies besides the rules determined annually by the General Assembly of Shareholders. The relevant provisions of the Turkish Commercial Code are implemented regarding all matters concerning the members of the Board of Director including holding positions in other group companies. 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. The related issues are submitted to the information of the shareholders at the General Assembly.

Board Members and their roles are Mr. Mustafa Koç, also Koç Holding A.Ş. Board Chairman, Mr. Sergio Marchionne, Fiat S.p.A. CEO and Chrysler Group CEO & Board Member. Mr. Temel Kamil Atay, Koç Holding A.Ş. Board Vice-Chairman, Mr. Osman Turgay Durak Koç Holding A.Ş. CEO, Mr. Alfredo Altavilla, Fiat S.p.A. Business Development Director and Iveco Fiat CEO, Mr. İsmail Cenk Çimen Koç Holding A.Ş. Automotive Group Chairman, Mr. Kudret Önen Koç Holding A.Ş. Defense Industry, Other Automotive and Information Group Chairman, Mr. Gianni Coda, Fiat Chrysler EMEA COO, Mr. Ali Aydın Pandır, Fiat Turkey President. Kamil Başaran, CEO of the Company, also has Board Chairmanship roles in the Company's affiliates and subsidiaries. Mr. Gökçe Bayındır and Mr. Libero Milone, independent members, work as per the independence criteria.

16. Functioning of the Board of Directors

Titles or agenda items regarding Resolutions of the Board of directors are prepared and issued periodically and as necessary. The number of the meetings of the Board may vary depending on emerging needs.

In 2010, 18 decisions were recorded by the Board of Directors,

the number in 2011 is also 18. The Board of Directors has made 28 decisions in 2012 and the minutes of meetings regarding the decisions are registered.

Board of Director meetings are called and convened whenever Company business requires it. In 2009, a secretariat was established under the Financial Directorship for the purpose of communication and coordination. This was reviewed in 2010. The relevant unit coordinates the meeting agenda, minutes, and board resolution records. When there is a dispute regarding a board resolution, the relevant case, along with its justifications, is recorded. Board resolutions also should contain relevant inquiries and responses in this regard. Board decisions are made by attendance and positive vote of absolute majority of members. In accordance with TCC, there is no cast vote or veto right. Furthermore, Articles 9 and 10 of the Articles of Association determine the structure and office period for the board members, while Articles 11 and 12 regulate duties, quorum and functioning of the board. All Board decisions are made by attendance and positive vote of absolute majority of members. Insofar; attendance and positive votes of minimum 2 non-independent members representing Group A shares and minimum 2 non-independent members representing Group D shares are required for quorum. Articles of Association Article 35 is applicable for the decisions which require attendance and positive vote of independent members.

Associated party transactions submitted to the approval of independent Board Members within the period have been approved and implemented by Board Decision.

Article 11 of the Articles of Association stipulates the powers and authorities of the "Board of Directors". In addition, other items the Articles of Association also cover the required issues. The Company management is specified pursuant to Turkish Trade Code and the relevant regulations mainly based on representation and binding of the company, and the authorities are exercised pursuant to legal requirements. Duties and responsibilities of members of the Board of Directors and the executives of the Company are included in the legal regulations, capital market regulations and the Articles of Association.

In 2009, board member nomination procedures, as well as selection and assignment issues were formalized as a written policy. In 2012, revisions and additions were made in respect of the Cor-

porate Governance Committee's implementation procedures and processes as in 2011. This has been revised as per the amendments of legislation and Corporate Governance Principles and handled by the Corporate Governance Policy. Corporate Governance Committee has reviewed the activities in 2012 like the previous years.

17. Number, Structure and Independency of Committees Formed under the Board of Directors

Pursuant to the Article 12 of the Articles of Association, an Executive Committee consisting of 4 persons -2 Group A and 2 from Group D shareholders – can be established if and when deemed necessary. The Committee can be established among the members of the Board of Directors in order to carry out the necessary actions between two Board meetings.

As per the communiqué by CMB, an Audit Committee has been established in 2003 for follow-up of financial issues, review of periodic financial tables and footnotes, other works required as per the Corporate Governance Principles and review of Independent Auditor Report, submittal of the offer on financial results based on the current information and control of internal audit process; this committee has been formed of independent board members Mr. Gökçe Bayındır (Chairman - Independent Board Member) and Mr. Libero Milone (Member - Independent Board Member) as of 2012 as required by the new Corporate Governance Principles issued on 30.12.2011. In 2012, working principles of the Audit Committee have been reestablished and disclosed.

Furthermore, Corporate Governance Committee under Corporate Governance Principles been established in 2008. Corporate Governance Committee has started its activities in accordance with the Corporate Governance Principles, regulations issued by CMB as per the related legislation and the activities of the Company regarding Corporate Governance Principles. The said Committee carried out its activities effectively in 2012, as it has since its establishment. Compliance of the Company with Corporate Governance Principles is followed up by the Board of Directors, rules of procedures of Corporate Governance Committee have been revised in 2012 and disclosed. As per the new Corporate Governance Principles issued on 30.12.2011, Corporate Governance Committee consists of Mr. Libero Milone (Chairman - Independent Board Member), Mr. Gökçe Bayındır (Member -

Independent Board Member), Mr. İsmail Cenk Çimen (Member - Board Member) and Mr. Alfredo Altavilla (Member - Board Member) as of 2012.

As per the related provisions of new Turkish Commercial Code effective as of 01.07.2012, Early Detection of Risk and Risk Management Committee has been established with the purposes of efficiency of Committees established under the Board of Directors, early detection of risks which may jeopardize the Company's existence, improvement and progression, implementation of measures related with such risks and risk management and implementation and follow-up of Company's internal control, internal audit and risk management activities and its rules of procedures have been set as of 2012. This Early Detection of Risk and Risk Management Committee consists of Mr. Gökçe Bayındır (Chairman - Independent Board Member), Mr. Libero Milone (Member - Independent Board Member), Mr. İsmail Cenk Çimen (Member - Board Member) and Mr. Ali Aydın Pandır (Member - Board Member) as of 2012.

The Chairmen of these Committees should be selected among Independent Board Members as per the Communiqué on Corporate Governance Principles. Both Independent Board Members are members of each committee. Audit Committee has 2 members (current Independent Board Members), Corporate Governance Committee and Early Detection of Risk and Risk Management Committee have 4 members (2 of which are Independent Board Members) and Mr. İsmail Cenk Çimen, member of Corporate Governance Committee is also a member of Early Detection of Risk and Risk Management Committee. Board Member is a member of both Committees for their coordination.

In 2012, rules of procedures of the Board and the Committees formed have been revised, recording mechanisms for follow-up by the related Units have been established and implementation procedures and processes have been revised in accordance with the new Principles as they have in the previous year.

Audit Committee, Corporate Governance Committee and Early Detection of Risk and Risk Management Committee hold periodic and other meetings as required by the legislation. In accordance with the rules of procedures, meetings with a certain agenda can be held other than periodic meetings. In this context, Audit Committee has held 6 meetings and Corporate Governance Commit-

tee has held 7 meetings in 2012. Early Detection of Risk and Risk Management Committee has held 2 times after establishment.

Board of Directors is informed about the committee roles, its activities and the reports. When required, experts and other managers who are not Committee members but related with the agenda can be invited to the Committee. Furthermore, task groups consisting of people with required experience and information can be formed. The committees act in line with their responsibilities and submit their comments and recommendations to the Board. Final decisions are made by the Board.

18. Risk Management and Internal Control Mechanism

A risk management is envisaged and internal control organization is established depending on financial and administrative activities of the company and the functioning and effectiveness of the internal auditing shall be followed up according to capital market regulations and rules.

Board of Directors is responsible for proper functioning of internal control system and internal audit and CEO will make the coordination on behalf of the Board of Directors. Early Detection of Risk and Risk Management Committee will follow-up proper functioning of internal control system, internal audit and risk management and submit the results to the Board of Directors.

As of the end of 2012, it has been assessed that proactive measures are taken against financial and operational risks and predictable potential risks through the Company's internal control system, internal audit activities and corporate risk management and that the Company meets the legislative requirements regarding internal control, internal audit and risk management. Also positive opinions were disclosed on the effectiveness of internal controls for providing effective, secure and uninterrupted provision of Company's activities and services; integrity, consistency, timely availability and reliability of data provided by the Company's accounting and financial reporting system; effectiveness, efficiency and adequateness of internal controls aimed at providing security and the running of internal control, internal audit and risk management system regarding the preparation of consolidated financial tables and it has also been stated that no problems were observed, corporate risk and internal control system was functioning well and the related records are kept.

In addition, Internal Auditing carries out work related to controlling the accuracy and reliability of financial statements and in order to achieve compliance of operations with laws and regulations, continues to increase the effectiveness and efficiency of its aforementioned responsibilities. The unit responsible for Internal Audit reports to the Company's CEO who at the same time is a Member of the Board of Directors. This unit examines processes and prepares reports regarding current and potential risks and proposes solutions. Predictable risks attached to the activities will be evaluated, information flow will be followed-up by the Board Member and CEO and the results will be evaluated by the related Committee and submitted to the Board of Directors.

19. Strategic Objectives of the Company

As per the strategic priorities and objectives, the mission, vision and values of the Company have been formulated and published and renewed upon revisions in line with the improvements.

Vision, mission and values along with designation and implementation of Company's strategic objectives will be completed by the Company top-level management, submitted to the Board of Directors and followed-up. Strategic decisions of our Company were implemented in 2012 according to their priorities. Based on the strategic targets, the Board of Directors reviews and evaluates previous year's performance, compares the results with targets and determines the upcoming year objectives proposed by the senior management.

Board of Directors will coordinate the Company Top-Level Management in designation of Company's strategic objectives, actively participate in approval and implementation processes, periodically review the level of achievement of objectives, activities and performance of the Company and evaluate the functioning, efficiency and outcomes of the related system.

In accordance with the methods offered by the Board of Directors and the legislation, Company Top-Level Management will use its maximum efforts to ensure effective management of the Company and periodically inform the Board of Directors and the related Board Committees as per the regulations and the legislation based on Directorates on behalf of the CEO and all stakeholders.

20. Financial Rights

In addition to the wages set forth by the General Assembly, all additional benefits provided for the Board Chairman and Board Members other than independent members and top-level managers in accordance with the Company Remuneration Policy and based on the opinion of Corporate Governance Policy will be disclosed to the General Assembly.

Criteria used for designation of the wages and other benefits provided for Top-Level Managers and Board Members in accordance with the Remuneration Policy and remuneration rules have been disclosed to the General Assembly and issued on the website for public disclosure.

Annual fixed wages payable to Board Members are designated by the Ordinary General Assembly as per the offers of the shareholders.

Executive Board Members are paid in accordance with the policy applicable for top-level managers. Performance-based payments will not be used for remuneration of independent members of the Board. Remuneration for Top-Managers will be composed of fixed and performance-based components. These notifications will be classified based on the Board of Directors and top-level managers.

In the reporting period, no loans were granted to the members of the Board or to the senior managers and no credit was utilized by them; none of them received benefits through third-persons and moreover, no indemnities or similar were provided in their favor.

ACTIVITIES OF EARLY DETECTION OF RISK AND RISK MANAGEMENT COMMITTEE

1. Risk Management

The Company protects its capacity reserved for exports against the international markets, costs, profitability and similar risks by export agreements signed with Fiat Auto S.p.A. and Peugeot Citroen Automobiles S.A. groups.

Although the Company is not under risks related with international markets, export performance were made more sustainable and reliable by increasing exports to South American and North American markets and achieving more equally distributes sales in European markets. The Company will maintain its manufacturing and sales policies focused on all global markets.

Being the only local company manufacturing both passenger cars and light commercial vehicles, we are flexible against the risks attached to possible demand shifts among the segments.

Financial debts are associated with MiniCargo and 263 projects which are guaranteed by revenue, cash flow and export agreements and related with long-term bank loans which do not pose any exchange rate risks. Financial debts other than project loans are financial debts of Koç Fiat Kredi Tüketici Finansmanı A.Ş. and exchange rate and interest risks are minimized by exchange and derivative transactions.

Financial indicators of the Company as of 31.12.2012 as set forth by the financial report audited by the Independent Auditor are as follows.

Financial indicators (Thousand TL unless stated otherwise)	2012	2011
Total Net Sales	6,705	7,337
Net Profit	448	508
Ratio		
Current Rate	1.45	1.30
Pre-tax Profit/Net Sales	7.5%	6.9%
Pre-tax Profit/Equities	24.5%	28.4%
Total Debt/Equities*	107.6%	156.3%

2. Activities of Early Detection of Risk and Risk Management Committee

At the Resolution of the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. dated 01.10.2012, it was decided to establish an Early Detection of Risk and Risk Management Committee (RES-RYK) for working for early detection of risks which may jeopardize the Company's existence, improvement and progression, implementation of measures related with such risks and risk management with the purposes of adoption with Turkish Commercial Code 6102 Article 378 effective as of 1 July 2012, under the Chairmanship of Independent Board Member Mr. Gökçe Bayındır and with memberships of Independent Board Member Mr. Libero Milone, Board Member Mr. İsmail Cenk Çimen and Mr. Ali Aydın Pandır.

The Committee has held 2 (two) meetings after it was established, assessed the Risk Management System of Tofaş Türk Otomobil Fabrikası A.Ş. and designated the principles of risk reporting. Assessments of the Committee and reports are periodically submitted to the Board of Directors in accordance with the rules of procedures.

Company activities involve proactive assessment and management by the management of the issues regarding how risks and resulting financial and operational outcomes may effect the Company. Company management takes the necessary measures to define, measure, mitigate, transfer and monitor as necessary and finally report the risks for management of them.

3. Internal Control System and Internal Audit

An internal control system has been established within the Company to cover all control activities aimed at effective, secure and uninterrupted provision of Company's activities and services in accordance with the applicable laws and regulations, protection of company assets, integrity, consistency, reliability and timely availability of accounting and financial reporting system.

An internal audit activity is in progress to ensure that Tofaş Türk Otomobil Fabrikası A.Ş. internal control system is continually monitored and evaluated.

DEPENDENT COMPANY REPORT PREPARED WITHIN THE SCOPE OF 199TH ARTICLE OF TURKISH COMMERCIAL CODE

Early Detection of Risk and Risk Management Committee has assessed that proactive measures are taken against financial and operational risks and predictable potential risks through the Company's internal control system, internal audit activities and corporate risk management and that the Company meets the legislative requirements regarding internal control, internal audit and risk management. As of the end of 2012, it is stated that the internal audit and internal control systems are sound and no major problems regarding the processes were detected, logs were maintained regarding reliable practices of the enterprise risk and internal control system and no issues were noticed yet. The management has positive opinions on this issue based on the information on the Company's internal control system and internal audit activities.

The Committee has positive opinions on the effectiveness of internal controls for providing effective, secure and uninterrupted provision of Company's activities and services; integrity, consistency, timely availability and reliability of data provided by the Company's accounting and financial reporting system; effectiveness, efficiency and adequateness of internal controls aimed at providing security and the running of internal control, internal audit and risk management system regarding the preparation of consolidated financial tables.

As per the 199th Article of 6102 numbered Turkish Commercial Code entered into force on July 1, 2012, the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. is obliged to draw up a report within the first three months of the activity year on its relations with controlling shareholder of the company and the subsidiary companies of the controlling shareholder in the previous activity year and to include the conclusion part of this report in the Annual Report. Explanations about the transactions performed by Tofaş Türk Otomobil Fabrikası A.Ş. with related parties are included in the 25 numbered financial report footnote.

March 4, 2013 dated Report drawn up by the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. includes following declaration: "It has been concluded that in all transactions made within 2012 with controlling shareholder of Tofaş Türk Otomobil Fabrikası A.Ş. and the subsidiary companies of the controlling shareholder, based on the situations and conditions to the best of our knowledge at the time of transaction or taken precaution or avoiding to take the precaution, in every transaction a proper counter performance has been provided and there was no precaution taken or avoided to be taken that may damage the company and there was no transaction or precaution that may require balancing in this context."

DIVIDEND POLICY IN THE CONTEXT OF THE PRINCIPLES OF CORPORATE GOVERNANCE

Our Company's dividend policy is determined in line with our mid-term and long-term strategies, investment and financial plans and in the context of the Turkish Commercial Code, the Capital Markets Law, relevant Communiqués of the CMB and Corporate Governance practices, as stated in our previous Corporate Governance Compliance Reports and the last year's General Assembly minutes. Our dividend policy for 2013 is disclosed to our shareholders both in our Annual Report and the General Assembly of Shareholders in accordance with the Capital Markets regulations and the relevant items of our Articles of Association as in previous years.

In accordance with Capital Markets Board regulations Series: IV, No.: 27, our Company's Articles of Association and Dividend Policy, our Company has approved the principle of distribution of the maximum percentage of profits to its shareholders considering its strategic plans and financial structure.

Based on the resolutions of the Group A and D Preferred Share-

holders Meetings, dividends can be distributed both in cash or capital increase through bonus issues.

There is no privilege in dividend payment. Dividends are paid equally to all shares regardless of their issue or acquisition dates.

The dividends, of which the distributable amount is determined in accordance with the relevant legal regulations and Clause 29 of the Company's Articles of Association regarding the distribution of dividends, will be distributed to shareholders within the determined time period, following General Assembly approval, and on the date determined by the General Assembly.

In addition, it is also possible to distribute dividend advances to shareholders upon the decision of the Board of Directors, if authorized by the General Assembly in line with the Clause 29 of our Articles of Association.

We present this information for our shareholders.

REMUNERATION POLICY FOR SENIOR MANAGEMENT AND BOARD OF DIRECTORS MEMBERS

This policy document defines the remuneration system and practices regarding Senior Management and Board of Directors Members for administrative duties within the scope of CMB regulations.

A fixed honorarium, the amount of which is based on the recommendation of shareholders at the Ordinary General Assembly is paid annually to Board of Directors Members.

Payment is to Board Members who are active administrators are paid according to the policy for Senior Management Officers, which is outlined in detail below. Company-based performance payment plans cannot be used in determining the remuneration of Independent Board of Directors Members.

The remuneration provided to Board of Directors Members is based on the length of time they are present (and includes transportation to the company, telephone and insurance) while that to Senior Management Officers is based on two components – one fixed and the other performance based.

The remuneration paid to Senior Management Officers is set in line with international standards and legal obligations, taking into consideration macroeconomic data, existing remuneration policies in the market, the size of the Company, long-term targets and the persons' position.

Bonuses to Senior Management Officers, on the other hand, are calculated on the basis of bonus base, company performance and individual performance. The criteria used are listed below.

- **Bonus Base:** Bonus Bases are updated at the beginning of each year and vary according to the work responsibility of the officers. The senior executive officer bonus policies prevailing in the market are used as a guideline in updating bonus bases.
- **Company Performance:** Company performance is determined at the beginning of each year by assessing the Company's financial and operational targets (e.g., market share, exports, international activities, productivity). The sustainability of performance and improvements compared to those of previous years are crucial principles used in establishing how well the Company has performed.
- **Individual Performance:** In determining individual performance, in addition to Company targets, those related to the employee, customer, process, technology and long-term strategy are taken into consideration. Along with company performance, the principle of long-term sustainable improvement in non-financial areas is taken into account.

The total remuneration paid to Senior Management Officers and Board of Director Members according to the above criteria is presented, according to regulations, to shareholders at the following General Assembly Meeting.

COMPANY DISCLOSURE POLICY

The Disclosure Policy of our Company is implemented in accordance with the legal regulations, capital market regulations and rules defined by the issued communiqués as well as the Corporate Governance Principles. Within the scope of the said Principles, the public information and transparency criteria of our Company are intended to ensure the required information flow is provided in a timely, accurate, complete and understandable as well as accessible and easy to analyze manner with low costs.

Any request for information will be taken into consideration and disclosed to the public unless the information requested is a trade secret.

The Disclosure Policy covers dealings with all stakeholders including conducting public meetings, dealing with both investor and shareholder relationships and informing customers. It is implemented and coordinated in line with the activities of the relevant Units.

Furthermore, we also comply with the disclosure policies of our local and foreign partners the Koç Group and Fiat (FGA) in addition to disclosure methods in line with our company's policies.

Our Board of Directors is responsible for the implementation and development of the Company Disclosure Policy whereas the CEO of our Company is responsible for the oversight of the processes in place.

Our Company implements the Disclosure Policy in accordance with the Corporate Governance Principles by establishing the required connection between the concerning units and departments. Preparation of all kinds of presentations, conduction of meetings and exercising of press declarations in line with public information and transparency criteria are followed up at CEO and Directors level in our Company. The said information activities are arranged with the participation of Company senior management, as of regular periods and upon direct requests.

Our Company fulfills its disclosure requirements commensurate with the legal requirements through company representatives including public disclosure notifications, news and promotional statements. Furthermore, issues concerning all interests and communication with the stakeholders are carried out and recorded by the relevant Directorates, Departments and Units.

The company CEO is entitled to disclose any information which is not a part of the regulatory requirements via all means of communication. The CEO is also entitled to postpone the disclosure of internal information to public in order to avoid any damage to legitimate interests, maintain data privacy and fulfillment of various obligations as per CMB Communiqué Series: VIII Number 54. Other than that the internal information is promptly disclosed to public by using all means of communication and the company management determines the procedure regarding the frequency of public releases, format of meetings and press releases.

In addition to monitoring capital market regulations and dealing with capital market bodies for our Company in accordance with the Corporate Governance Principles, the fundamentals of our Disclosure Policy include satisfying information requests of shareholders and investors, and enabling shareholders to exercise their shareholding rights. Other responsibilities range from ensuring the coordination of General Assembly related arrangements to the provision of information flow, including the website.

The General Assembly Meeting, Annual Report, periodic Financial Statements and Reports, Disclosure of Material Information and the website are conducted in accordance with the legal processes as defined in the Capital Markets Regulations, Turkish Commercial Code and Capital Markets Board regulations. Our Company considers as a whole, the practices related to our main partners as well as both the individual and corporate investors and shareholders.

Our Ordinary General Assembly is held within the required legal period every year and all activities regarding the participation of our shareholders in the General Assembly are recorded and implemented. Our Annual Reports are accessible in printed and online formats in accordance with the legal regulations. Financial results related to the periodic Financial Statements and Reports are prepared in accordance with the CMB communiqués and IFRS, submitted to the CMB and ISE and released accordingly. They are presented to any entities, institutions or persons upon request.

Furthermore, information related to Disclosure of Material Information for 2010 as covered by the CMB Communiqué Series VIII, No. 54 are made to the ISE in written or electronic format in the form of a Public Disclosure Platform notice.

In the context of the Company's disclosure requirements, the legal and commercial relationships between the Company and the real or legal persons to which it is directly or indirectly related on a capital, management or audit basis are handled as per the relevant legislation.

Public disclosure is implemented regarding the Company's future projects as per legal requirements and the "trade secret" concept. The commercial and non-commercial transactions between Board of Directors Members, officers, and shareholders that hold at least 5% of the shares, either directly or indirectly, are subject to existing capital markets regulations. Within the scope of CMB Communiqués, information about the transfer of any asset, liability or service exceeding 10% of total assets or sales between related parties and real or legal persons having commercial relations with the Company is to be presented to shareholders in a way conforming to existing regulations.

Furthermore, our company has an active and up-to-date website. Our Company ensures information flow by means of the website (www.tofas.com.tr) and shows the utmost care to the matters that must be posted on the website. The information needed about the company is provided in details on the website.

The Investor Relations section on the said website provides all the information as stipulated by the CMB. This ranges from the corporate governance compliance report, commercial matters and the Company Articles of Association to our annual reports, periodic financial statements, general assembly minutes and analyst presentations. In addition an information desk exists, from which our shareholders and investors as well as analysts can access ISE data. Accordingly, the aim is for the Tofaş website, www.tofas.com.tr, to be used as an effective tool for providing information. By posting Company developments on the website in the form of annual reports, periodic investor and analyst reports, monthly production and sales figures, and quarterly export figures, annual capacity and capacity use ratios, and employment figures when available, this information about our Company can be made available to our investors.

In addition to this, our website contains data from our Disclosure of Material Information sent to ISE and on the Company capital structure and we have an e-mail (borsa@tofas.com.tr) address that includes an investor registration form for establishing contact and for replying to information requests submitted electronically. In this context, the required arrangements for systematically continuing relations with investors is implemented, ensuring easy access to corporate governance, shareholder relations and stock market information and making sure that financial data is accurate, complete and analyzable in accordance with the social responsibility and ethical rules. Another e-mail address (basin@tofas.com.tr) is also regularly visited by the relevant department and units to keep track of potential questions and requests from media companies, customers and other stakeholders.

As stated in our Corporate Governance Compliance Report, the foregoing procedures are monitored by the relevant units reporting to the Directorship of Finance. On the hand, the Company's media relations are handled by the Corporate Communications Directorship. Any other information request which is out of the ordinary course of business is evaluated by the legal representatives of our Company and the necessary information is provided as outlined above.

Any information tool is utilized to satisfy information requests of both institutional and individual investors as well as the exercise of shareholder rights. Furthermore, periodic plant visits are organized for our shareholders and analysts. Our Company vision is based on the stakeholder concept. The stakeholders are informed regarding the matters concerning them and organizations, briefings, planned studies and arrangements regarding explanations are all held by the Company in accordance with the regulations.

Tofaş's Disclosure Policy includes both "management" and "communication" concepts and Corporate Governance practices are carried out together with shareholders, investors and other stakeholders.

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