

**TOFAŞ, WORLD CLASS
MANUFACTURING "GOLD LEVEL"**



ANNUAL REPORT 2013



Jeep

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.



**TOFAŞ, WORLD CLASS
MANUFACTURING "GOLD LEVEL"**

TOFAŞ was awarded with Gold Level in World Class Manufacturing (WCM) among all the Fiat Chrysler Automobiles factories in 2013.



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR'S REPORT
ON THE ANNUAL REPORT**

To the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş.

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Tofaş Türk Otomobil Fabrikası A.Ş. ("the Company") prepared as of 31 December 2013 are consistent with the audited financial statements as of the same date.
2. Management is responsible for the preparation of the annual report in accordance with "the Communiqué on Determining the Minimum Contents of Company Annual Reports".
3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated 4 February 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that an audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Director's in the accompanying annual report of Tofaş Türk Otomobil Fabrikası A.Ş. are consistent with the audited financial statements as at 31 December 2013.

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

Zeynep Uras, SMMM
Partner

Istanbul, 6 March 2014

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SECTION 1

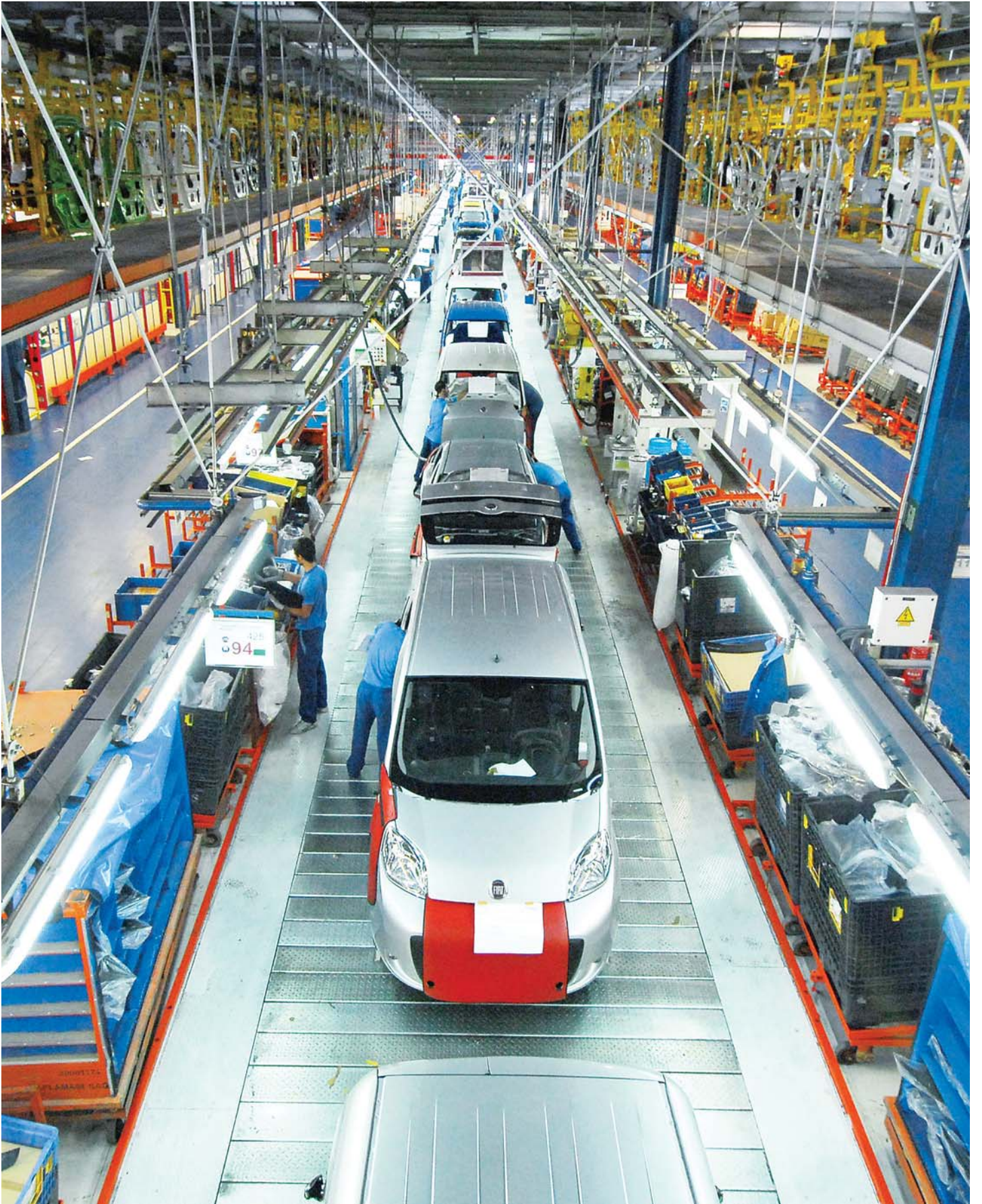
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Agenda of the General Assembly Meeting

AGENDA OF 46TH ORDINARY GENERAL ASSEMBLY MEETING OF THE SHAREHOLDERS OF TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ TO BE HELD ON 28 MARCH 2014

1. Opening and election of Meeting Chairmanship,
2. Reading, discussion and approval of 2013 Activity Report prepared by the Company's Board of Directors,
3. Reading of Independent Audit Report Summary for 2013 accounting period,
4. Reading, discussion and approval of 2013 Financial Statements,
5. Acquittal of each Board Member for 2013 activities of the Company,
6. As per the regulations by Capital Markets Board, submitting the "Profit Distribution Policy" of the Company for 2013 and onwards for approval,
7. Approval, approval with amendment or rejection of the Board's proposal on appropriation of 2013 profits and the date of appropriation,
8. Definition of number of Board Members and their assignment terms, making elections based on the defined number of members, selection of Independent Board Members,
9. 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 Corporate Governance Principles,
10. Determination of monthly remunerations of Board Members,
11. Approval of selection of Independent Auditing Organization by the Board of Directors as per the Turkish Commercial Code and Capital Markets Board regulations,
12. Informing the Shareholders on donations made by the Company in 2013 and setting an upper limit for donations in 2014,
13. Informing the Shareholders on transactions with affiliated parties in 2013 as per the Regulations by Capital Markets Board,
14. Authorization of the majority shareholders, shareholder members of the Board of Directors, top level managers and their spouses and up-to-second-degree relatives within the frame of Turkish Commercial Code Articles 395 and 396 and informing the shareholders on such business and transactions of this nature in 2013 as per the Capital Markets Board Corporate Governance Communiqué,
15. Wishes and opinions.



Report of the Board of Directors

Dear Shareholders,

Valued Associates, and Dear Tofaş Family,

2013 was a year in which we performed successfully in an environment where the effects of economic crisis continued globally and fluctuations are experienced in Turkish economy.

Discussions related to the decline in assets purchases in USA, the biggest economy of the world, were among the most important factors affecting agenda of global markets in 2013. In addition, other important facts shaping market conditions in 2013 were slow down seen in the growth speed of developing countries, mainly China, raising political tension in certain countries and positive signals starting to be received from Europe which left behind a deep economic crisis in the past.

Despite the optimistic expectations in the beginning of the year, growth rate of world economy was slightly lower than that of the previous year in 2013. While USA grew by 1.9%, developing countries at 4.7% rate, Chinese economy as the second biggest economy dominating Asian and world economy grew by 7.7%. The stock still period starting following 2011 gave signals of recovery in the second quarter of 2013. Despite this slight movement, Euro Region narrowed by 0.4%.

In 2014, however, global economy is expected to follow a positive course compared to previous year. According to estimates of IMF, growth rate of USA economy is expected to be 2.8% and Euro Region economy by 1%. Growth rates of developing countries with relatively lower averages in 2013 are expected to rise by 5.1% in 2014.

Automotive sector with the magnitude equal to the 6th biggest national economy of the world maintained its growth despite the economic crises and fluctuations in markets. In global automotive market, 84 million vehicles were manufactured. Effects of crisis was experienced in Europe, Turkey's biggest export market for automotive sector and thus, the production in Europe decreased by 1.7% compared to 2012 and approximately 13.5 million vehicles were manufactured. In parallel with the expected economic developments in Europe as of 2014, growth in automotive sector is anticipated.

Turkey was among the countries to show the fastest recovery and was a country that was affected relatively less. Turkey experienced around 3.5%-4% of economic growth in 2013 which was higher than world average.

Together with important contribution of personal consumption expenditures, observed increases in investments and stock changes were also effective in growth. While total exportation of Turkey in 2013 was 151.8 billion dollars, importation increased by 6.4% and foreign trade deficit increased by 18.7%. The ratio of exports to imports decreased from 64.5% to 60.3%. On the way to carry our country to higher prosperity level, within "Medium Term Program" covering the period 2014-2016, the objectives for our country are as follows: reaching potential growth rate, abatement of current accounts deficit, lowering inflation, improvement of public financial balances and strengthening of macroeconomic and financial stability. According to this program, national economy is targeted to grow by 4% in 2014.

In automotive sector as the biggest exportation value of Turkey, 5% of growth was achieved by manufacturing over 1 million vehicles despite the recession in European economy; 843 thousand vehicles were exported.

In domestic market, automotive market reached 853 thousand units with an increase of 9.7% in 2013. While passenger vehicle sales reached the highest level of all the times with an increase by 19.5%, light commercial vehicle market continued to decrease by 14.8%. It is considerably remarkable that automotive market has managed to maintain a consistent number with over 700 thousand units for the last 5 years.

In year 2014, more compelling environment is foreseen for automotive sector with the effects of macroeconomic dynamics and increase in competition. In these circumstances, it is expected that total sales in domestic market will occur around 650 thousand in 2014 and manufacturing occur in the level of 1.1 million. Together with the signals indicating growth in European economy, automotive exportation is expected to maintain its increase.

Fluctuations in global market keep on creating opportunities for Turkey with the high potential of economic growth compared to developed countries. Turkey is on the way to strengthen its position as the biggest light commercial vehicle manufacturer of Europe and the 16th biggest automotive manufacturer of the world. Surely, investments towards R&D and innovation have considerable impact on sector's obtaining its objectives and maintaining its competitiveness.

Tofaş also continues on creating added value for our country through reinforcing our R&D activities, our suppliers and our dealers through new investments. In addition to Doblo investment developed for North America and Canada markets, commencing new operation for a passenger car, Tofaş maintains building its future on firm bases while reinforcing its position in the sector.

Tofaş continues on creating added value for our country through reinforcing our R&D activities, our suppliers and our dealers with new investments.

As being a powerful manufacturer and distributor, Tofaş is a global player ensuring sustainable and profitable growth thanks to its golden level success achieved in World Class Manufacturing (WCM), capability to develop vehicles for various countries of the world and creating added value in economic and social fields.

The only automobile and light commercial vehicle manufacturer of Turkey, Tofaş has maintained its business volume despite fluctuations in global markets and uncertainties in our country.

Developing vehicles and conducting manufacturing for 5 global brands such as Fiat, Peugeot, Citroen, Opel and Vauxhall, Tofaş in 2013; realized 21% of total manufacturing in the sector with 244 thousand units and realized 19% of exportation with 160 thousand vehicles alone. Tofaş became one of the 3 companies to provide the most revenues to our country in 2013 with its exportation performance. Furthermore, Tofaş contributed to the national economy by achieving foreign trade surplus by 512 million dollars in 2013.

The performance achieved by Tofaş in manufacturing and sales in 2013 also reflected on financial results positively. Generating net sales revenue of 7 billion TL in 2013, Tofaş announced net profit of 434 million TL.

As a powerful manufacturer and distributor with 6 global brands in Turkey, Tofaş is a global player ensuring sustainable and profitable growth thanks to its golden level success achieved in World Class Manufacturing (WCM), capability to develop vehicles towards various countries of the world and creating added value in economic and social fields.

I would like to express my sincere thanks to our shareholders, customers, dealers, suppliers, business partners and employees for their continuous support in every achievement of Tofaş.

Kind regards,

Mustafa V. Koç
Chairman of the Board of Directors



Evaluation by CEO

Dear Stakeholders,

As the leading company in Turkish automotive sector, Tofaş has made remarkable progresses with the aim of creating value for the sector, economy and stakeholders since its foundation. 2013 was a year where we performed successfully in manufacturing, exportation and domestic market fields.

Achieved one fifth of manufacturing and exportation volume alone in Turkish automotive sector, Tofaş manufactured 244,614 vehicles in 2013 and exported 160 thousand vehicles to more than 80 countries. As for the total sales, exportation share is 65% and domestic market share is 35%. The 80% of the 100.441 vehicles sold in domestic market, are manufactured locally.

Along with shrinking demand in Europe as of 2012, the biggest exportation market, Tofaş maintained its diversification strategy among exportation markets in 2013 and started to carry out exportation to new markets such as Middle East, North Africa and South America and increased its share in critical markets such as UK. Therefore, while the biggest exportation market decreased in 2013, Tofaş managed to increase exportation volume by 4.1% and generated an exportation income of 1.6 billion Euros.

In 2013 when competition increased in the World and in Turkey, Tofaş generated 7 billion TL sales incomes and 434 million TL net profit through its successful performance. Within the context of new model projects, Tofaş took an investment decision of 880 million dollars.

Having achieved a remarkable success, Tofaş was awarded with "Golden Level" in WCM - World Class Manufacturing Program applied in 175 Fiat - Chrysler Group factories and 350 suppliers of the group. Golden level success of Tofaş in World Class Manufacturing Program covering occupational safety, quality, cost, delivery and environment issues was an important indicator of competency in manufacturing standards of Tofaş.

In 2013, the leader in the field of spare parts in Turkey, Opar signed for cooperation with "Magnetti Marelli Spare Part and Service" department of Magneti Marelli which is one of the leading automotive suppliers. Thus, being able to serve with 6 brands including Fiat, Alfa Romeo, Lancia, Jeep, Ferrari and Maserati, Tofaş continues its activities in spare part field with a new brand, Magneti Marelli-Opar.

Starting manufacturing with it's new look in 2012, Linea model maintained its title as the most preferred passenger car in domestic market in 2013 with a share of 5.6%. Fiat Doblo, the intellectual and industrial right of which belongs to Tofaş became the most preferred light commercial vehicle in its own segment in domestic market with a market share of 11.5%.

Investing in R&D and innovation and focusing on developing projects in Turkey successfully, Tofaş conducts studies on new passenger car investment in 2013. The new passenger car project, development phase of which is continuing, is planned to be manufactured in 2015, with an investment of 520 million dollars. 580,000 units of vehicles will be manufactured during 2015-2023 and one third of manufacturing will be exported.

In accordance with the market diversification strategy of Tofaş, investment decision was taken for Doblo, a powerful player of light commercial vehicle segment, in 2013. Doblo is estimated to reach around 175,000 units during 2014-2021, to be exported to North America and Canada markets by an additional investment of 360 million dollars. Within the context of the same project, Doblo model will be restyled also for other markets. Tofaş, as a statement of confidence to Turkish automotive industry, will continue to contribute to create added value to the national economy through these investments started in 2013, opportunities provided for suppliers, exportation volume and domestic manufacturing ratio.

Tofaş, within the framework of sustainable management approach, maintains its social responsibility activities in the fields of art-culture, education, environment and sports successfully, along with economical activities.

As per Environment and Energy Policy, aiming at decreasing wastes in their source and recycling wastes as much as possible, Tofaş recycles 97% of industrial wastes and utilizes the remaining wastes as energy source. Tofaş being focused on not contaminating environment with the aim of "0 wastes/0 losses" and completed Energy Management System audits successfully in 2013. Tofaş achieved to become the first company awarded with ISO 50001 Energy Management Certificate with "zero non compliance" among all vehicle manufacturers.

Gold level success of Tofaş in World Class Manufacturing Program covering occupational safety, quality, cost, delivery and environment issues was an important indicator of competency in manufacturing standards of Tofaş.

Investing in R&D and innovation and focusing on development of projects representing Turkey successfully in the World, Tofaş commenced studies on new vehicle model investments in 2013.

Within the context of "Vocational Education, A Crucial Matter for the Nation" project under the leadership of Koç Holding, 242 students graduated from Fiat Laboratories in vocational high schools. Furthermore, in "No barriers for My Country" project, consciousness raising activities through training for more than 15,200 hours were realized and new friendly applications were realized.

In Tofaş Sport Club Basketball Schools, each year around 4,000 young people do sports. Thanks to "Basketball Volunteers Project" conducted by Tofaş Sport Club and Turkish Education Volunteers Foundation (TEGV), around 700 young people found the opportunity to familiarize with basketball. Within the scope of culture and art activities, Tofaş Anatolian Cars and Carriages Museum in Bursa since 2002 hosted 50,000 visitors with "Time Machines" exhibition which opened its gates in 2013.

Conducting its studies through strong partnership of Koç Holding and Fiat-Chrysler, Tofaş family with 6,500 members proceeds on its way as a global automotive player thanks to manufacturing and R&D capabilities, strong financial performance, 6 brands appealing to different customer expectations, strong suppliers and the support from its dealer network.

We would like to express our sincere thanks to you, our stakeholders, for your trust in us. In order to deserve your confidence we will continue our operations with all our strength by reading the spirit of times.

Kind regards,



Kamil Başaran
CEO & Member of the Board of Directors



Board of Directors



MUSTAFA VEHBİ KOÇ - Chairman of the Board of Directors

Mr. Koç, born in 1960, after attending Lyceum Alpinum Zuoz in Switzerland and graduated from Business Administration Department of George Washington University, USA in 1984 started his career as a Counselor in Tofaş in 1984. Koç served as Sales Manager and Sales Assistant Director General in Ram Dış Ticaret. Transferred to Koç Holding in 1992, he served as Vice President, Chairman, Member of the Board of Directors and Vice-Chairman of the Board of Directors. Mr. Koç has been the Chairman of the Board of Directors in Koç Holding since 2003. He is the Honorary Chairman of Advisory Board and member of Foreign Economic Affairs in Turkish Industry and Business Association, and also Finland's Consular Agent of Istanbul. As a member of Young Presidents Organization, he is also included in JP Morgan International Council, Rolls-Royce International Consultation Councils and Council on Foreign Affairs International Committee. He is a member of Steering Committee of Bilderberg Meetings. In 2005, he was granted with Cavaliere D'Industria honor of Italian Government. Mustafa V. Koç is the member of the Board of Directors of Vehbi Koç Vakfı which attaches great importance to economic and social development, realizes social and cultural contribution of Koç Family and he was awarded by such esteemed institutions as World Monuments Fund, Carnegie Foundation and BNP Paribas. Mr. Koç is also a member of Board of Trustees in Turkish Education Volunteers Foundation.



SERGIO MARCHIONNE – Vice Chairman of Board of Directors

Born in 1952, has a degree in the fields of Philosophy and Law in Toronto University and his postgraduate degree in Business field in Windsor University. He is a counselor at law, legal adviser and chartered accountant. While conducting his duty as a Member of Board of Directors in Fiat S.p.A since May, 2003, Mr. Marchionne was appointed as CEO in June 2004. In February 2005, he was appointed as the CEO of Fiat Group Automobiles and in April 2006 assigned as the CEO of CNH company operating in agriculture and construction equipment fields. He became the CEO in Chrysler Group LLC in June 2009 and the Chairman of the Board of Directors in September 2011. He joined to the Board of Directors in Exor S.p.A in May 2010. Afterwards, in January 2011 he became the Chairman of the Board of Directors of Fiat Industrial S.p.A established by means of separating from Fiat S.p.A, including CNH, Iveco and Fiat Powertrain within its body. Mr. Marchionne was elected as the Chairman of the Board of Directors of European Automobile Manufacturer's Association (ACEA) in 2013. He is also a board member in Philip Morris International Inc and board member in Peterson International Economy Institute and the chairman of Italy branch of USA and Italy Council. He is the permanent member of Giovanni Agnelli Association. Mr. Marchionne; holds the honorary doctorate of Law from Windsor University (Canada) and Walsh College in Troy, the honorary doctorate of Business Administration from Toledo University (Ohio), honorary master's degree from CUOA Association (Italy), honorary doctorate of Economics from Cassino University (Italy) and honorary Project Engineering title from Torino Politecnico University. Mr. Marchionne is also granted with the honor of Cavaliere del Lavoro.



KAMİL BAŞARAN - Member of Board & CEO

Born in 1956, Mr. Başaran completed his bachelor's degree in Ankara Government State Architecture & Engineering Academy, Mechanical Engineering department in 1979 and master's degree in Cologne University of Applied Science Fachhochschule, Engineering Construction Department in 1983. Kamil Başaran, after serving in Germany KHD Company during 1983-84, returned to Turkey and started to work in Tofaş. Having served at various management levels of production and manufacturing during 1984-1995, Kamil Başaran worked as Lean Production Manager during 1995-1999, afterwards as Doblo Product Development Platform Manager during 1999-2001 and as Purchasing Director during 2001-2004. Mr. Başaran was appointed to International Organization of Fiat located in Italy in 2004. During 2004-2007, after having served as Supplier Development and Cost Management Director in Italy. From 2007 and November of 2011, he served as CEO in Martur A.Ş. and Fompak A.Ş. which are automotive subsidiary companies. Since February, 2012, he has been serving as CEO for Tofaş Türk Otomobil Fabrikası A.Ş.



TEMEL KAMİL ATAY - Member of Board of Directors

Mr. Atay, born in 1940, has an undergraduate degree in Istanbul Technical University, Mechanical Engineering and Detroit Wayne State University, Business Administration. Having started his career as Product Development Engineer in Chrysler Industry in 1965, Mr. Atay joined the Koç Group as a Product Development Manager in Otosan A.Ş. in 1966 and served as a Product Development Engineer in Ford Motor Co. USA in 1969. He served as Vice Automotive Coordinator in Koç Holding A.Ş. in 1972, General Manager in Otoyol Sanayi A.Ş. during 1974-1981 and CEO in Tofaş Türk Otomobil Fabrikası A.Ş. during 1981-1992. In Koç Holding A.Ş., he served as Vice-President of Technical Projects in 1992, Chairman of Tofaş Group in 1994 and Deputy Chairman of Community Steering Committee. He has been serving as Deputy Chairman of the Board of Directors since 1998.



OSMAN TURGAY DURAK - Member of Board of Directors

Mr. Durak, born in 1952, has a bachelor's degree and master's degree in Mechanical Engineering department of Northwestern University in 1975. After joining the Koç Group as the production development engineer in Ford Otomotiv in 1976, he was appointed as Assistant General Manager in 1986 and became Deputy Head of Audit in 2000 and Ford Otosan General Manager in 2002. During 2007-2009, he served as the Head of Koç Holding Otomotiv Grup. Serving as Deputy CEO of Koç Holding as of May 2009, Mr. Durak was appointed as the CEO of Koç Holding in 2010 and became a Board Member. Furthermore, he served as the Chairman of the Board of Directors in Automotive Industry Association.



ALFREDO ALTAVILLA - Member of Board of Directors

Born in 1963, Mr. Altavilla started his career as an assistant in the Catholic University of Milan. In 1990, he joined Fiat Auto and initially focused on international enterprises in the fields of strategic planning and product development. In 1995, he was appointed as chairman of Fiat Auto Beijing office and then as chairman of Asian Operations in 1999. In September 2004, Mr. Altavilla was appointed as FGP Chairman (Fiat/GM Powertrain JV) and Business Development Senior Deputy Chairman of Fiat Auto. He was appointed as CEO for Türk Otomobil Fabrikası A.Ş. in July, 2005. In the meantime, he maintained his role in Business Development department. In November, 2006, he was appointed as CEO of FPT – Fiat Powertrain Technologies. In July, 2009, he became member of Board of Directors in Chrysler Group LLC and in October, 2009, he was appointed as Deputy Chairman of Business Development for Fiat Group. From November 2010 to November 2012, he was CEO of Iveco. Furthermore, he served as a member of Fiat Industrial Executive Authority from January 2011 to November 2012. On November 12, 2012, he was appointed as CEO responsible for Europe, Africa and Middle East regions of Fiat Group. Moreover, he has been a member of Fiat Group Administrating Council and Chairman of Business Development since September.


İSMAİL CENK ÇİMEN - Member of Board of Directors

Mr. Çimen, born in 1967, has an undergraduate degree in bachelor's degree in Istanbul Technical University, Industrial Engineering in 1991 and Manager Development Program in Stanford and Los Angeles California Universities in 2002. After joining the Koç Group as development personnel in Otokoç in 1991, he served as Koç Companies Sales Coordinator in Otosan Marketing in 1993, Regional Director in 1994 and Import Director in 1995, respectively. Becoming the Fleet Sales Manager in Ford Otosan A.Ş., he was assigned as the Director General of Otokoç in 1998. After his service as Director General in Standard A.Ş. in 2001, he served as Director General in Otokoç Ticaret A.Ş. until 2009. He has been the Chairman of Koç Holding Automotive Group since 2009.


KUDRET ÖNEN - Member of Board of Directors

Mr. Önen, born in 1953, has a bachelor's degree in Gazi University, Mechanical Engineering department. He joined Koç Group as Planning Engineer in Ford Otosan A.Ş. in 1975 and served as a Project Engineer in Ford Otosan A.Ş. in 1978. Becoming the R&D Department Manager in Koç Holding A.Ş. in 1980, Mr. Önen served as Assistant General Manager in Otokar A.Ş. in 1984 and as General Manager during 1994 and 2005. He served as Co-Chairman of Koç Holding A.Ş. and other Automotive Companies in 2005 and Chairman of Defense Industry and Other Automotive Group. He served as the Chairman of Koç Holding A.Ş. Defense Industry, Other Automotive and Information Group.


ALİ AYDIN PANDIR - Member of Board of Directors

Born in 1956, Mr. Pandır, after graduating from Austria High School in 1975, attended Istanbul Technical University Mechanical Engineering Department and graduated in 1980. In his professional business career, he worked in affiliated companies of Koç Holding during 1981-1989; as die montage engineer in Tekersan Jant Sanayi during 1981-1982, as research engineer in Koç Holding Research and Development Center in 1982-1983 and as Production Engineer initially then as Factory Manager in Otokar company during 1983-1989. In General Motors Corporation where he transferred in 1990, he served as Opel After Sales Manager during 1990-1992, as Germany Opel International After Sales Manager during 1992-1995, as Business Development Manager in Singapore General Motors Asia Pacific Center during 1995-1998, as General Manager in Shanghai General Motors China company during 1998-2000, General Manager of General Motors Overseas Distribution Corporation during 2000-2005 and Indonesia Chairman for General Motors during 2005-2006. In Fiat Group which he joined in 2006, he served as Tofaş's CEO until the beginning of 2012 and as Fiat Group Turkey Chairman for the last one and half year. As of November 15, 2013, he was assigned as Chief Executive Officer and Executive Member to ERDEMİR Group.


GIANNI CODA - Member of Board of Directors

Born in 1946 and having completed his bachelor's degree in Mechanical Engineering, Mr. Coda joined the Fiat Group in 1979 as Chairman of Purchasing Department of Casting Machinery and Production Facility in Teksid. Later on, Mr. Coda was appointed to positions with increasing responsibility in Fiat Allis, Fiat Geotech and he was appointed as Deputy Chairman of Tractor Manufacturing in 1992 and as the responsible person for integration of Fiat and Ford New Holland into the newly established Agricultural and Constructional Equipment Sector. In 1993, he became Deputy Chairman of New Holland Agricultural Machinery department, responsible for engineering, production and purchasing. During 1996 and 1999, while carrying out his duty as chairmanship of Fiat Ferroviaria, Mr. Coda was appointed as responsible for Fiat Auto's Latin America operations. In 2002, Mr. Coda was appointed as chairman of Fiat Auto's Fiat/Lancia/Light Commercial Vehicle business department and in 2004, he was appointed as the chairman of Purchasing Department of Fiat Auto. In July 2006, he was also appointed as responsible for FCA Purchasing Coordination. Between March 2008 and September 2011, he served as the Chairman of the Board of Directors for FCA Purchasing S.R.L and as General Director and served as CEO for Fiat-Chrysler EMEA Region until 2012.


GÖKÇE BAYINDIR - Independent Member

Born in Istanbul in 1939, Gökçe Bayındır graduated from Robert College following his primary and secondary education. In 1965, after graduating from Business Management Department of Boğaziçi University, Mr. Bayındır completed his master's degree in the same department. He started his career in 1967. Mr. Bayındır started to work as Sales Manager in Tofaş Oto Ticaret A.Ş. in 1971. Thereafter, he served as Assistant General Manager and then in 1979 as General Manager within the body of Tofaş Oto Ticaret A.Ş. Following this duty, serving as Deputy Chairman of Tofaş Group within the body of Koç Holding A.Ş. in 1987 and then Tofaş Group Chairmanship, Mr. Bayındır retired in 2000. During the year of his chairmanship in Koç Group, he served as Member of Board of Directors in various companies such as Tofaş Oto Ticaret A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş.


LIBERO MILONE - Independent Member

Mr. Milone, born in 1948, completed his education in Holland and England. From April to 2008 to the beginning of 2011, he served as Senior Supervisor and Honorary President of Protiviti, which is a global consultancy firm experienced in corporate governance and risk management issues. During the period between May 2008 and July 2011, he served as a member of UN World Food Program Audit Committee; between April 2010 and December 2011, he served as chairman of Jobnet S.p.A ,which develops personnel management and business reception software and during January 2011 and September 2013, served as independent manager in Fiat Industrial S.p.A and chairman of Internal Control and Risk Commission. Since April 2011, he has been independent manager of Poltrona Frau Group and served as Chairman of Internal Control, Risk and Institutional Management Committee, also as a member of Remuneration Committee of that company. In May 2011, he joined Board of Directors of Falck Renewables S.p.A, here also serves as chairman of internal Audit and Risk Commission and member of Price Commission. Since March 2012, he has been independent manager of Tofaş Türk Otomobil Fabrikası A.Ş. and Chairman of Institutional Management Committee and member of Auditing Committee and Risk Committee. Since October 2012, he has been serving as Chairman and Manager Partner in Milone Associates, a consultancy firm. Since May 2013, he has been independent manager of Indesit Company and chairman of Internal Audit and Risk Committee and member of Human Resources Committee.

Members of the Board of Directors

Board of Directors		Term	
Name - Surname	Position	Start Date	End Date
Mustafa Vehbi KOÇ	Chairman	31.03.2011	28.03.2014
Sergio MARCHIONNE	Vice Chairman	31.03.2011	28.03.2014
Kamil BAŞARAN	Member&CEO	20.01.2012	28.03.2014
Temel Kamil ATAY	Member	31.03.2011	28.03.2014
Osman Turgay DURAK	Member	31.03.2011	28.03.2014
Alfredo ALTAVILLA	Member	31.03.2011	28.03.2014
İsmail Cenk ÇİMEN	Member	31.03.2011	28.03.2014
Kudret ÖNEN	Member	31.03.2011	28.03.2014
Gianni CODA	Member	31.03.2011	28.03.2014
Ali Aydın PANDIR	Member	27.04.2012	28.03.2014
Gökçe BAYINDIR	Independent Member	30.03.2012	28.03.2014
Libero MILONE	Independent Member	30.03.2012	28.03.2014

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

Both Chairman of the Board of Directors and Members of the Board of Directors shall be authorized with specified duty and authorizations defined in Article 11 of Articles of Association and the related articles of Turkish Commercial Code. Furthermore, there is a regulation about Selection of Board of Directors and Decrees in Article 10 of Articles of Association. In Article 13 of Articles of Association, regulation about Auditing is included.

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
SELÇUK ÖNCER	Corporate Relations and Internal Audit Director
MEHMET OSMAN SOYOĞUL	Production Director
YÜKSEL ÖZTÜRK	Purchasing Director
ALTAN AYTAÇ	Supply Chain Director
TURHAN ÇELTIKÇIOĞLU	After Sales and Spare Parts Director
AHMET NUMAN ALTEKİN	Strategic Management and Business Development & Cost Competitiveness Director
İBRAHİM ÇAĞLAR ŞAHİN	Projects Director
ZEKİ ERDAL ŞİMŞEK	Quality Director
BURHAN ÇAKIR	Human Resources Director
ARZU ÇOLAKOĞLU	Corporate Communications Director
HÜSEYİN ŞAHİN	Sales Director
FILIPPO SESSIA	R&D Director
MAHMUT KARACAN	Lancia, Alfa Romeo, Jeep Business Unit Director
MEHMET HAKAN KORKMAZ	Information and Communication Technologies Director
ENRICO GOBETTO	Product Engineering Director

Senior Management



KAMİL BAŞARAN - Member of Board of Directors - CEO ⑦

Mr. Başaran completed his bachelor's degree in Ankara Government State Architecture & Engineering Academy, Mechanical Engineering department in 1979 and master's degree in Cologne University of Applied Science Fachhochschule, Engineering Construction Department in 1983. After serving in Germany KHD Company during 1983-84, he served for duties at various management levels regarding product and manufacturing during 1984-1995. He served as Lean Production Manager during 1995-1999, as Doblo Product Development Platform Manager during 1999-2001 and as Purchasing Manager during 2001-2004. During 2004-2007, Mr. Başaran served as Supplier Development and Cost Management Director in Fiat Group. Having served as CEO in Martur A.Ş. and Fompak A.Ş. during 2007-2011, Mr. Başaran has been serving as CEO in Tofaş Türk Otomobil Fabrikası A.Ş. since February, 2012.

CENGİZ EROLDU - Finance Director ⑥

Mr. Eroldu graduated from Istanbul University, Business Administration Department in 1988. During 1993-1995, he completed LUISS University MBA program in Rome. He started his career as Audit Expert in Koç Holding in 1989. As of 1995, he served for duties of Deputy Manager of Accountancy and Industrial Control, Manager of Accountancy and Industrial Control and Manager of Budget and Control in Tofaş Türk Otomobil Fabrikası A.Ş. He has been working as Finance Director in Tofaş since 2007.

OKAN BAŞ - Fiat Business Unit Director ④

Having graduated from Boğaziçi University Mechanical Engineering Department in 1984, Mr. Baş completed MSci program in USA Clemson University during 1984-1985. In his business career, he started as Mechanical Engineer in Tofaş Türk Automobile Factory, later on, conducted duties of Mechanical Workshop Chief, Body Production Manager, Powertrain Manager, After Sales and Spare Part Director. Meanwhile, he managed such projects as Doblo, Minicargo. He has been working as Fiat Business Unit Director in Tofaş since 2006.

SELÇUK ÖNCER - Corporate Relations and Internal Audit Director ③

Born in 1950, Mr. Öncer completed his education in 1973 with bachelor's degree from Marmara University Istanbul Academy of Finance and Commerce, Political Sciences-Administration. Starting his professional career in 1970 in Yapı ve Kredi Bankası, he was transferred to Tofaş Türk Otomobil Fabrikası A.Ş. in 1973. Following his first duty as an Officer in Financing, Budget, Statistics and Current Account, he served as Accountancy Chief, Accountancy Manager, Assistant General Manager-Accountancy, Accountancy Director, Corporate Relations and Internal Auditing Director, respectively and since February 2013, he has been serving as Corporate Relations and Internal Audit Director - Consultant.

TURHAN ÇELTIKÇIOĞLU - After Sales and Spare Parts Director ②

Having graduated from Istanbul Technical University Mechanical Engineering department in 1987, he completed his master's degree at Automotive Department in the same university in 1992. He started his career as Guarantee and Method Engineer in Tofaş in 1990. Later on, he successively conducted various duties such as Dealer Development Manager, Regional Coordinatorship and Technical Manager. Since 2006, he has been serving as After Sales and Spare Parts Director.

AHMET NUMAN ALTEKİN - Strategic Management and Business Development & Cost Competitiveness Director ⑤

Born in Ankara in 1954, Mr. Altekin graduated from Sheffield University Material Technology Department, Metallurgical Engineering. In 1991, he completed master's degree of Quality Management in Quality/Pisa University. Starting his professional career in 1976 as Smelter Engineer in Etibank Ergani Copper Operations, Mr. Altekin started to work as Quality Manager in Tofaş in 1981. He served at different positions and duties in Quality Department in Tofaş. After serving as Quality Manager in Fiat Cassino Enterprise in 2005, he served as Product Projects Director in Tofaş R&D and Technological Researches and Innovation Directory. He has been conducting duties of Strategic Management and Business Development Director and Cost Competitiveness Director recently.

ARZU ÇOLAKOĞLU - Corporate Communications Director ⑤

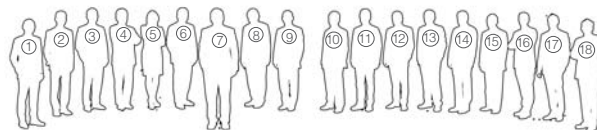
Born in 1972, Mr. Çolakoğlu graduated from Department of Economics of Istanbul University (English). She started her professional career at Doğu Otomotiv Servis ve Ticaret A.Ş. as planning expert in 1995. She undertook the duties of Planning and Logistic Manager, VW Commercial Vehicle Manager during 1998-2003; She served as Regional Manager in Doğu Oto Pazarlama A.Ş. during 2003-2004. Appointed as Alfa Romeo Brand Manager in Tofaş Türk Otomobil Fabrikası A.Ş. in 2005, Çolakoğlu continued his duty as Business Unit Director of Alfa Romeo and Lancia in 2008. Since 2012, she has been serving as Corporate Communications Director in Tofaş.

HÜSEYİN ŞAHİN - Sales Director ①

Born in 1970, Mr. Şahin started his professional career as Project Manager in Efthor in 1996. He started to work as Human Resources Expert in Fruehauf in 1997, became Human Resources Manager in 1999. In 2001, joining to Otokoç as Human Resources Manager, Şahin served as Antalya Branch Manager of Otokoç and Branch Manager of Birmot Zincirlikuyu during 2003-2005. During 2005-2011, after having served as Deputy Manager of Birmot Operational, Mr. Şahin has been rendering service as Sales Director in Tofaş Türk Otomobil Fabrikası A.Ş. since 2011.

MAHMUT KARACAN - Lancia, Alfa Romeo, Jeep Business Unit Director ③

After having graduated from Çukurova University, Business Administration Department, Mr. Karacan started his professional career as Logistics Expert in Çitasad A.Ş. in 1995. During 1996-2000, he worked as responsible for sales and marketing activities. In 1997, he raced in "Good Year Off-Road Cup". During 2000-2012, he worked as responsible for Sales and Purchasing in Daimler Chrysler, and he founded Chrysler, Jeep Dodge Academy in 2003. He has been serving as Sales and After Sales Services Business Unit Director for Lancia, Alfa Romeo and Jeep brands since 2013.





AKIN AYDEMİR - Industrial Operations Director ¹⁴

Mr. Aydemir was born in Ankara in 1964. Graduated from Middle East Technical University (ODTÜ), Mechanical Engineering Department, Mr. Aydemir completed MBA program in Thunderbird School of Global Management. Having started his career as an Engineer in Olmuksa in 1988, Mr. Aydemir was transferred to Toyotasa in 1990 and resigned from his duty in 1996 while he was Deputy Manager of Body Manufacturing. Having started as Production Manager in Holland in 1997, Mr. Aydemir was appointed to Engineering Managerial duty in Honda Canada in 1999. He started in RWD firm operating in USA in 2001 and until 2003 he served as a consultant in Ford, Chrysler and GM in terms of Lean Production. Aydemir undertook the duty as Lean Production Manager in GATES in 2003. As of 2005, he operated Lean Production applications at factories of Alcoa in Europe and he joined CNH Canada in FIAT Group in the second half of 2009. Since the beginning of 2010, he has been conducting the duty of Industrial Operations Director in TOFAŞ.

MEHMET OSMAN SOYOĞUL - Production Director ¹⁵

Mr. Soyoğul graduated from Istanbul Technical University, Machinery Department in 1978. He started his professional career in 1978 as an engineer in Production Directorate of Tofaş Türk Otomobil Fabrikası A.Ş. During 1982-2003, he conducted duties of Press Workshop Manager, Production Assistant Manager, Mounting Production Department Manager and Production Manager. He has been working as Production Director in Tofaş since 2003.

YÜKSEL ÖZTÜRK - Purchasing Director ¹¹

Born in 1968, Mr. Öztürk graduated from Uludağ University Mechanical Engineering Department in 1991. Starting his professional career as Product Development Engineer in Tofaş during 1993-2001, Mr. Öztürk conducted the duty of Direct Material Electronic Manager and Direct Material Electronic Manager during 2003-2005. Since 2005, he has been serving as Purchasing Director.

ALTAN AYTAÇ - Supply Chain Director ¹²

Born in 1970, Mr. Altaç started his professional career in Tofaş Oto Ticaret after graduating from Boğaziçi University Industrial Engineering Department and served at Logistic Department of Tofaş in commercial field. In 1997, he completed EMBA master's degree program in Koç University. In the same year, he became CBU (Finished Vehicle) Logistic Department Manager. After completing projects of production, integration and leaning in foreign logistics, he was appointed to Commercial Projects Coordinatorship in 2003 and Fiat Brand Manager in 2004. Having assumed the duty as Turkey Business Unit Director for Alfa Romeo and Lancia brands since 2006, Mr. Aytaç has been serving as Supply Chain Director of Tofaş since 2008.

İBRAHİM ÇAĞLAR ŞAHİN - Projects Director

Born in 1961, Mr. Şahin graduated from Department of Mechanical Engineering of Uludağ University in 1978 and completed his bachelor's degree in the field of Mechanical Engineering in 1986. During 1983-1985, he conducted thesis studies as Research Assistant in METU. During 1989-1993, he served as Method Engineer in Tofaş. He served for duties as Transmission and Suspension Field Manager during 1993-1995, Transmission and Suspension Unit Manager during 1995-2001, Manager of Unit Responsible for Production, Quality Management Systems and Environment Systems during 2001-2003, Factory Manager during 2003-2005, Minicargo Project Director during 2005-2008, Quality Director during 2008-2010 and R&D Production Engineer Director during 2010-2013. Since 2013, he has been serving as R&D Director.

ZEKİ ERDAL ŞİMŞEK - Quality Director ¹⁸

Born in 1965, Mr. Şimşek graduated from Department of Aeronautics and Astronautics Istanbul Technical University Faculty in 1987 and completed his master's degree education in Business Administration Program of Istanbul University in 1989. Having started his professional career in 1990 as project engineer in Tofaş, Mr. Şimşek was appointed as Factory Manager of Fiat Automobile Factory in Cairo. After spending 11 years in Tofaş, he returned to Tofaş in 2003, and undertook duties as manager in various departments. Mr. Şimşek currently works as Quality Director in Tofaş.

BURHAN ÇAKIR - Human Resources Director ¹³

He graduated from Middle East Technical University Mechanical Engineering in 1986. He started his professional career in 1989 as an engineer in Pressing Production of Tofaş Türk Otomobil Fabrikası A.Ş. During 1993-2004, he served for the duties as Press Workshop Manager, Body Production Unit Manager, Part Export Department Manager, and Industrial Control Manager. He has been working as Human Resources Director in Tofaş since 2004.

FILIPPO SESSIA - R&D Director ¹⁷

Having graduated from Politecnico di Torino University, Mechanical Engineering in 1996, Mr. Sessia started his career at Vehicle Architecture Department of Fiat Research Center in 1996. Meanwhile, he conducted a research project related to the constructional behaviors in research center. After he was transferred to Fiat Auto regarding body components in 1999, he undertook various responsibilities here until 2009. He was assigned as responsible for all external parts of Fiat/Alfa/Lancia vehicles during that period. In 2009, he returned to Fiat Research Center as Responsible for Vehicle Architecture and undertook responsibilities towards all technical functions of vehicle for a year. Mr. Sessia has been serving as Research and Development Director in Tofaş since 2012.

ENRICO GOBETTO - Product Engineering Director ¹⁶

After having completed his master's degree education in Politecnico di Torino University, Mechanical Engineering in 1993, Mr. Gobetto has undertaken various duties within the body of Fiat Group Automobiles since 1994. During the first years of his career, he served as High Level Design Expert for Alfa Romeo Mito model and B segment, innovation - change project manager in Fiat Research Center. He served as FGA-Chrysler Vehicle Innovation Chairman in Fiat Research Center. He has been working as Product Engineering Director in Tofaş since September, 2013.

MEHMET HAKAN KORKMAZ - Information and Communication Technologies Director ¹⁰

Born in 1967, Korkmaz graduated from Control and Computer Engineering Department of Istanbul Technical University and completed his master's degree in Michigan State University, Electrical Engineering. Starting his career as Process Control Engineer in Ereğli Demir Çelik Factory in 1992, Korkmaz undertook the duty as Information Technologies Manager in AKSA Acrylic Chemistry Industry and Commerce following his duties as Project Leader in Karma International and General Director in Connectus Software. Appointed as Information and Communication Technologies Director in Akkök Industry and Development Company in 2005, Korkmaz served as General Manager in Aktek Information Communication Technology Industry and Commerce. Since 2012, he has been serving as Information and Communication Technologies Director in Tofaş.



SECTION 2

- Information on the Capital Structure and Shareholding of the Company
- The Automotive Sector and Tofaş's Position in the Sector
- Information on the company
- Subsidiaries
- Corporate Social Responsibility Activities
- 2013 Events and Achievements



Information on Capital and Shareholding Structure of the Company

Capital of the Company, Shareholders Holding More Than 10% of the Company's Capital:

As of 31 December 2013, upper limit of registered capital is 1 billion TL and issued (paid) capital is 500 million TL for the Company.

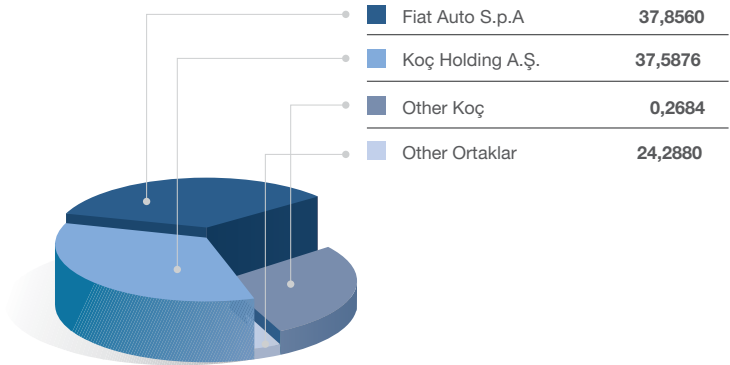
The Company made a capital increase of 11.111111%, amounting to 50,000,000 TL, from the internal resources lastly in 2005 and no capital increase was made in the following years or in 2011.

Company's series 11-19 shares issued within the scope of capital increases and quoted in the Stock Exchange and series 20 shares issued within the scope of the merger with the annulled Tofaş Oto Ticaret A.Ş. were subjected to change with series 21 shares in 2001 with the capital increase within the frame of Capital Markets Board Legislation. Furthermore, series 22 shares were issued within the scope of 2003 capital increase and series 24 shares were issued within the scope of 2005 capital increase and these shares were quoted in IMKB. Series 23 shares in between were not related with the capital increase and they were not issued due to dematerialization procedures. Initially, in terms of dematerialization of the capital market tools and dematerialization system and related with the registered follow up of the shares following the decision of the Capital Market Board dated 28.10.2005 and no.43/1318, all circulating shares in the stock exchange market and all shares at Takasbank were dematerialized.

Furthermore, 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 applicable 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. Within this scope, necessary announcements have been made both on Company's website and e-Manage portal. Furthermore, the mentioned announcement was published twice in three national daily newspapers and the shareholders were informed.

It was ensured that Shareholders who physically hold our company shares applied to the Company headquarters and completed first the transactions of the previous years, if any, and subsequently applied to Yapı Kredi Yatırım Menkul Değerler A.Ş. or the representative Yapı Kredi Bankası A.Ş. branches. 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 31 December 2012 as per the related provisions of the Law. Necessary information can be accessed also from www.mkk.com.tr website of Merkezi Kayıt Kuruluşu A.Ş.



Title of Shareholders	Share Group	Amount of Share (TL)	Voting Right	% of Share
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 Partners	E	121,440,286.26	12,144,028,626	24.2880
		500,000,000.00	50,000,000,000	100

Shareholders can obtain the necessary information on this subject or similar shareholder's rights from the Corporate Governance and Shareholder Relations unit at Company Headquarters.

According to the Capital Markets Legislation and regulations, the responsibilities regarding the rights and benefits of the Company's shareholders are tracked before the Capital Markets Board, BIST and MKK and the necessary activities are performed. Shareholders registry is updated based the data received from Merkezi Kayıt Kuruluşu A.Ş. Tofaş is listed in ISE-30 and ISE-100 Indexes as well as the Corporate Governance Index. Company shares are quoted in Luxembourg Stock Exchange Market and traded in the international markets.

There was no change in capital and shareholding structure in 2013. Each shareholder has one voting right at the General Assembly Meetings and there is no privileged vote. However, Board Members and Auditors are elected among the nominees who will be nominated by Group A and D Privileged Shareholders. (Article 10 of the Company Articles of Association) As per the Company's shareholding structure and as specified in Company's Articles of Association, only A and D Group shareholders have the privilege of nominating the Members of the Board of Directors and Members of Auditing Board and one of the nominees for each of these committees should meet the requirements for independence as set forth by the regulations by Capital Markets Board. There is no privilege regarding allocation of dividends (as per Article 18 of Articles of Association).

In addition, there was no law suit which may affect the finances and activities of the Company and there was no administrative or financial sanction imposed on the Company or the members of its managing bodies due to breach of legislative provisions. There was no capital risk and it is concluded that the activities can continue.

The shareholders can access corporate, financial and stock-exchange data regarding the Company under the "Investor Relations" section at www.tofas.com.tr website and access information on other issues regarding the Company by sending an e-mail to borsa@tof.com.tr or through Corporate Governance and Shareholder Relations Unit, Corporate Investor Relations Unit or Financial Risk and Investor Relations Unit.

Amendments to the Articles of Association Within the Term As per the resolution passed at the Extraordinary General Assembly Meeting dated 01.07.2013 and with the purposes of adopting to Turkish Commercial Code 6102, Capital Markets Board and the related regulations, all articles of the Company Articles of Association except for Article 1 titled "Establishment" were amended and some articles were annulled with the required permits taken from the Capital Markets Board and T.R. Ministry of Customs and Commerce.

In this sense, all articles of the Company Articles of Association except for Article 1 titled "Establishment" were amended and Article 6 Bis. titled "Temporary Article", Article 13 Bis. titled "Transfer of Authorities", Article 22 titled "Method of Voting", Article 23 titled "Commissioner", Article 24 titled "Amendment to the Articles of Association", Article 25 titled "Announcements", Article 26 titled "Documents To Be Submitted to the Ministry", Article 27 titled "Issue of Bonds and Other Securities", Article 28 titled "Annual Accounts", Article 29 titled "Distribution of Profits", Article 30 titled "Reserved Funds", Article 31 titled "Termination and Dissolution", Article 32 titled "Arbitrator", Article 33 titled "Main Contracts To Be Submitted to the Ministry", Article 34 titled "Legal Provisions" and Article 35 titled "Adoption of Corporate Governance Principles" were annulled and the Company Articles of Association were registered on 03.07.2013 as per the resolution by the Extraordinary General Assembly Meeting dated 01.07.2013 and issued on the Turkish Trade Registry Gazette 8359 dated 09.07.2013.

Articles of Association of the Company is accessible at the Company's website for review.

Dividends Distributed in the Last Three Years and Ratios:

In 2013, the Company started payment of cash dividends to the shareholders on 05.04.2013 in the amount of 450,000,000 TL, which represents 96% of 2012 profits (gross 96%, net 81.6%). Previously, the Company paid cash dividends of 250,000,000 TL representing 50% of 2011 earnings (gross 50%, net 42.5%) on 06.04.2012 in 2012 and cash dividends of 250,000,000 TL representing 50% of 2010 earnings (gross 50%, net 42.5%) on 07.04.2011 in 2011 to its shareholders.

A detailed table of allocation of dividends in the mentioned and previous years is accessible at www.tofas.com.tr for review.

Tofaş increases its manufacturing, export and sales objectives with a strong capital and international and local investors with a global view and continues to support its investors both by dividends and share prices.

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.

Issued Securities

The Company issued stocks of 520-TL as of its establishment. The entire of these issued stocks was redeemed by payment on due term. As of the establishment, issued shares of the series 1-10 were replaced by the series 11 and series 11-20 shares were replaced by series 21 shares, then series 22 shares, and finally series 24 shares were issued. As mentioned above the procedures related with the dematerialization of the shares are conducted through the issuing company, intermediary institution/bank and MKK. As per the relevant resolution of CMB, dematerialization of all shares was commenced on 31.12.2007 and as per the Provisional Article 6 of the Capital Markets Law as amended by Article 157 of Law No. 6111 made effective upon its publication in 25.02.2011 second issue of the Official Gazette and within the frame of General Letter 551 of MKK dated 28.04.2011, dematerialization process of physical shares was finalized as of 31.12.2012 as required by the legislation.

Company Participations and Affiliates

As of 31.12.2013, the participation amount of the Company in our affiliate KOÇ FIAT KREDİ Finansmanı A.Ş. operating in Istanbul with a nominal capital of 45,000,000-TL is 44,999,996- TL and the participation ratio is 99,99%.

Ordinary General Assembly Meeting of KOÇ FIAT KREDİ Finansman A.Ş. regarding 2013 activities will be finalized as of 12.03.2014.

As of 31.12.2013, the participation amount of the Company partner to FER MAS Oto Ticaret A.Ş. operating in Istanbul with a nominal capital of 5,500,000-TL is 5,500,000- TL and the participation ratio is 100%.

As per the resolution 2013/5 dated 10.06.2013 by FER MAS Oto Ticaret A.Ş. Board of Directors, such board decision as to Tofaş Türk Otomobil Fabrikası A.Ş. being the only shareholder in accordance with the Turkish Commercial Code 6102 and the regulation the company can continue its operations as a "single partnership company" has been issued on the Turkish Trade Registry Gazette 8352 dated 28.06.2013 as registered on 24.06.2013.

Ordinary General Assembly Meeting of FER MAS Oto Ticaret A.Ş. regarding 2013 activities will be finalized as of 18.03.2014.

As per the resolution passed by the Extraordinary General Assembly Meeting dated 25.12.2012, General Assembly Resolution for completion of the liquidation of PLATFORM Araştırma Geliştirme Tasarım ve Ticaret A.Ş. Under Liquidation was registered on 27.12.2012 and issued on Turkish Trade Registry Gazette 8228 dated 03.01.2013.

General Assembly Meeting Minutes and the List of Attendants of the Company's partnerships and affiliates are accessible at the Company web site (www.tofas.com.tr) for review.

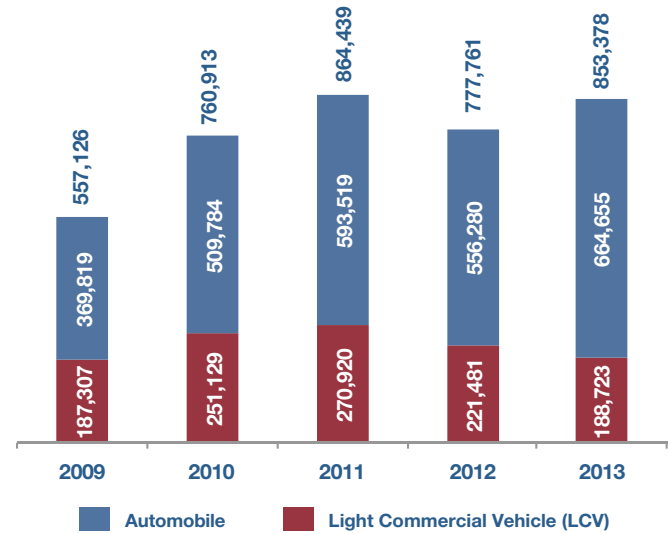
Automotive Sector and Tofaş Position In The Sector

TOFAŞ ANNUAL REPORT 2013

Turkish automotive market in 2013, reached the second highest level after 2011 with 853.378 units of sales. As per these results, light vehicle market demonstrated an increase of %9.7 compared to the last year. The growth experienced in domestic market was originated from higher level of automobile sales as happened in the previous year, whereas light commercial vehicle market showed a contraction.

Rising trend observed in foreign exchange rates against Turkish Lira, following May, caused cost increases in the sector and effected sector profitability negatively.

Western Europe light vehicle sales in exports demonstrated a slow performance, resulting in both automobile and light commercial vehicle markets to show contraction in 2013. Despite this situation, following the last quarter of 2013, a general recovery trend is expected in European automotive markets.



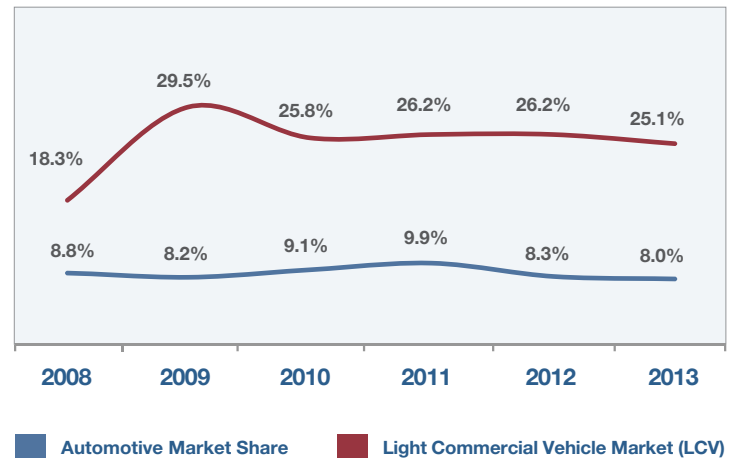
Total Market (units)	2012	2013	Change (%)
Automobile	556,280	664,655	19.5%
Light Commercial Vehicle (LCV)	221,481	188,723	-14.8%
Total	777,761	853,378	9.7%

Domestic Market Retail Sales

In 2013, automobile market reached 664,655 units sales with 19.5% increase compared to the previous year and achieved the highest sales performance of all times. Fiat brand achieved 13.5% increase in domestic automobile sales compared to previous year and with a total sales of 50,256 units gained 7.6% market share. The most preferred automobile in domestic market with its 5.6% market share was Fiat Linea again as in 2012. Alfa Romeo, Lancia and Jeep brands automobile sales raised by 30.9% and reached 2,785 units. In 2013, while a total of 40 Maserati was sold, Ferrari sales included 23 units. According to these results our total retail automobile sales reached 53,104 units.

Light commercial vehicle market, however, shrank by 14.8% in 2013 compared to previous year and finished the year with 188,723 units. Contrary to passenger car market, contraction seen in share of light commercial vehicle demand in the overall market, which is mostly supplied by domestic production, has negative influence on national economy and especially on the current account deficit. Tofaş achieved 25.1% market share in light commercial vehicle market and realized 47,337 vehicle retail sales. Fiat Doblo model has achieved to be the most preferred model of its segment with its market share of 11.5%.

According to these results, total retail domestic light vehicle market grew by 9.7% compared to 2012 with 853,378 units sales in 2013. Total domestic sales of Fiat brand declined by 4.7% with 97,593 units under the effect of contraction seen in light commercial vehicle market, resulting with a combined market share of 11.4%. With contribution of Alfa Romeo, Lancia, Jeep, Ferrari and Maserati brands, our total retail sales reached 100,441 units.



Retail Sales (Units)	2012	2013	Change (%)
Automobile	46,461	53,104	14.3%
Light Commercial Vehicle (LCV)	58,137	47,337	-18.6%
Total	104,598	100,441	-4.0%

Export

While automobile markets of Europe in 2013 narrowed by -0.2% and light commercial vehicle markets by -1.7%, Tofaş achieved to increase its exports volume by 4.1%. In this performance, as a result of our strategy of entering into different markets, realization of exportation to external regions out of Europe such as South America and MENA constituting 18% of our total exportation played an important role. Within Europe, our exports to England in 2013 increased by 4 points and reach a share of 13.5% in our total exports.

In 2013, our total exports of 160,319 units consisted of 43,477 automobiles and 116,842 light commercial vehicles. Exports revenue of Tofaş in 2013 occurred as 1,632 million Euro.

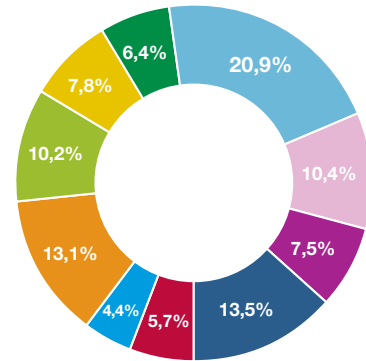
In Special Occasion Statement of our Company to Public Disclosure Platform on May 28, 2013, investment decree towards exportation of our New Doblo to North America and Canada was announced. Production related to the exportation in question is planned to start in the end of 2014.



Export (Unit)	2012	2013	Change (%)
Automobile	46,869	43,477	-7.2%
Light Commercial Vehicle	107,200	116,842	9.0%
Total	154,069	160,319	4.1%

Exports Country Distribution

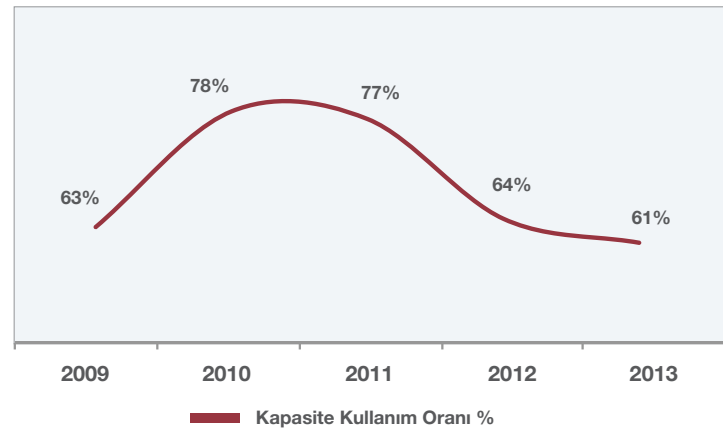
Italy	20,9%	MENA	7,8%
England	13,5%	Germany	7,5%
Other Europe	13,1%	Other	6,4%
France	10,4%	Spain	5,7%
South America	10,2%	Belgium	4,4%



Production

Our production volume declined by 4.6% compared to the previous year as a result of developments observed in the domestic market. In the beginning of 2013, production formation changed from three shifts to two shifts in accordance with developments in European markets.

Production (units)	2012	2013
Linea	36,909	40,570
Doblo - Passenger Car	682	1,428
New Doblo - Passenger Car	10,298	14,398
Minicargo - Passenger Car	29,649	26,421
Automobile Total	77,538	82,817
Doblo	19,503	7,742
New Doblo	73,223	76,210
Minicargo	86,164	77,845
Light Commercial Vehicle Total	178,890	161,797
Total	256,428	244,614



Sales and Turnover

Tofaş total sales dropped by 1.9% as a result of narrowing of local light commercial vehicle market in 2013 and realized as 267,211 units despite the increase in exportation.

According to the sales volume, share of domestic sales was 40.0% and share of our exports was 60.0%.

Our sales income in 2013 reached 7,037.9 million TL level with an increase of 5% compared to the previous year with the effect of increase in our exportation sales and increasing foreign exchange.

Sales (Units)	Domestic Market		Foreign Market		Total	
	2012	2013	2012	2013	2012	2013
Automobile	47,095	53,538	46,869	43,477	93,964	97,015
Light Commercial Vehicle (LCV)	71,316	53,354	107,200	116,842	178,516	170,196
Total	118,411	106,892	154,069	160,319	272,480	267,211

Sales (thousand TL)	2012	2013	Change (%)
Export Sales	3,667,217	4,069,041	11.0
Domestic Sales	2,928,462	2,876,376	-1.8
Other Sales	109,595	92,537	-15.6
Total	6,705,274	7,037,954	5.0

Investments

In 2013, our Company disclosed two important investment decisions to Public Disclosure Platform.

The first announced important investment, was related to renewal and adaptation of New Doblo in order to be exported to America and Canada. Start of production is planned as the second half of 2014, and total investment amount is planned to be 268 million Euros. The New Doblo investment will grant a minimum of 175,000 vehicle exportation during 2014-2021 to North America and Canada. Renewal of New Doblo with this investment is sure to increase the project life until the end of 2021.

Another important announced investment was related to the development of a new automobile and its start of production is planned to take place in the middle of 2015. The investment is planned to be around a total of 520 million USD, and with this new project a total of 580,000 units are planned for production, one third of which is planned towards exportation during 2015-2023.

In 2013, foreign currency equivalence of our investments was 94.7 million Euros. Distribution of total investment amount as per items are given below.

	Euro (Million)
263 Model	50.6
356 Model	10.0
Minicargo	4.6
Linea	1.6
Structural	20.7
Other	7.2
Total	94.7

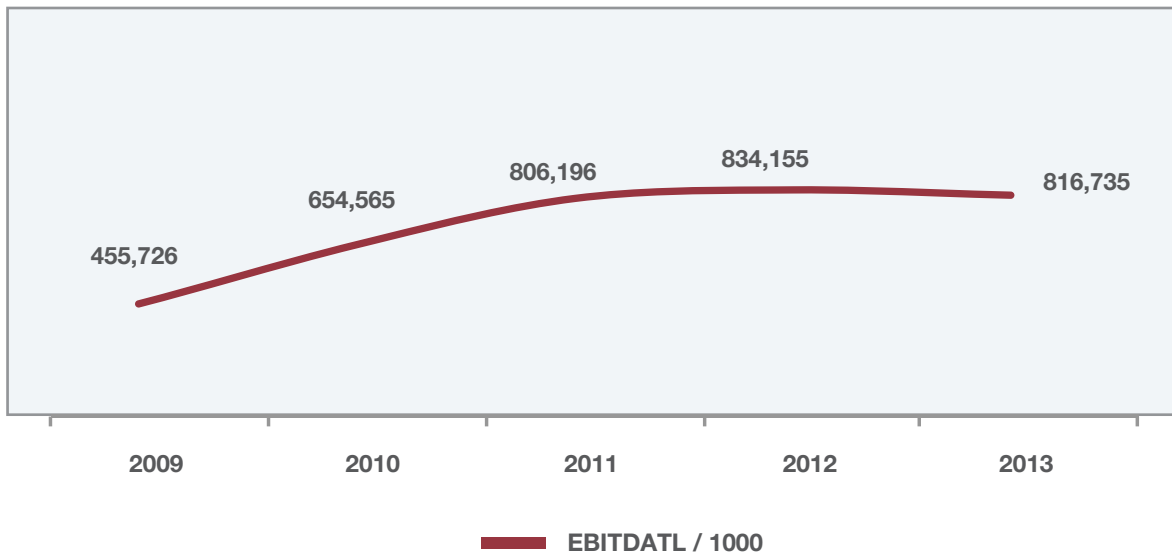
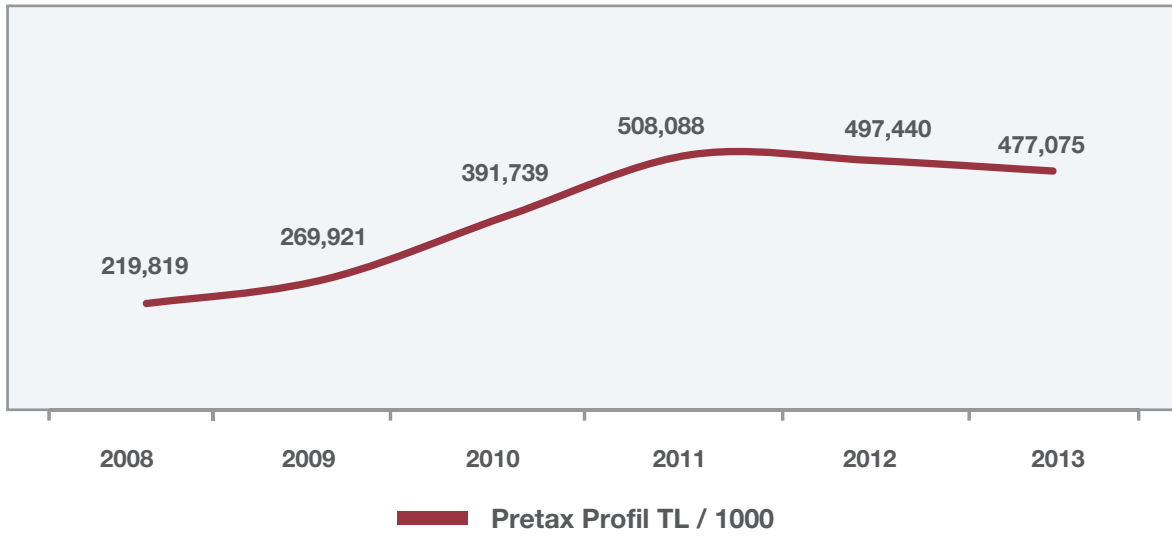
Including the investment of 2013, total investments in the last five years have reached 663.4 million Euros.

Profitability

Our domestic market profitability was negatively affected due to the fact that a substantial level of cost, resulting from rising foreign exchange rates, were not reflected completely to sales prices in the high competition environment, together with the contraction experienced in light commercial vehicle market which was mainly met by domestic production.

On the other hand, high foreign exchange environment effected the exports profits positively. Having stable and low risk business portfolio, Tofaş achieved protecting total profitability in 2013 and deliver 434.2 million TL net profit.

Years	EBITDA		Profit Before Tax		Profits After Tax	
	Thousand TL	Change	Thousand TL	Change	Thousand TL	Change
2009	455,726		269,921		360,351	
2010	654,565	44%	391,739	45%	384,220	7%
2011	806,196	23%	508,088	30%	474,165	23%
2012	834,155	3%	497,440	-2%	442,039	-7%
2013	816,735	-2%	477,075	-4%	434,223	-2%



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, the leader of Turkish Automotive Industry, has been constantly carrying on its activities for offering “world class” products that “best fit customer demands” with its well over a quarter century of vast experience and Tofaş established its R&D organization in December, 1994.

Tofaş R&D Center aims 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 could compete with Europe in the field of vehicle development. As a consequence of these developments, Tofaş R&D Center was 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. In 2013, while on one hand the studies towards developing the Doblo model's new version for North Africa markets continued, on the other hand, the studies to develop passenger car targeting Turkish and different world markets were conducted.

Having a laboratory and office area of totally 17,000 m², Tofaş R&D Center, apart from Italy, is the only R&D center that provides service for Fiat's European markets with its over 500 employees of competency level, high technology and diversity of its laboratories. Ranking among the first 1,290 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 companies in Turkey which ranked in first 1500 companies. Until 2013, over 40 million euro investment were 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 simultaneous development of all elements of R&D value chain. Therefore, Tofaş attaches 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 were certified as co-designers and 12 of them reached to the certification process in 2012 and 2013. Assessment and partnership activities are being performed with engineering companies so that medium and long term collaborations can be made for expanding local engineering network.

University-Industry alliance projects became important in parallel with technological development activities. In addition to 88 projects between 2006 and 2013, Tofaş R&D carried out totally 16 projects from its establishment until 2006. Totally 104 projects have been carried out with 13 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) within the context of 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.

Increasing the number of EU Research Projects (FP7 and Euroka) to 9 in 2013, Tofaş R&D collaborates with nearly 80 international project partners. Tofaş was the first and the only Turkish Company bearing Project leadership in Production Technologies thanks to its Robopartner Project (Human-Robot Cooperation Technologies for Smart, Flexible and Secure Operations in Future Mounting Factories).



In 2013, TRIZ studies were commenced with the aim of implementing creative thinking in R&D workers' approaches and mentality, 1st and 2nd level trainings were conducted and 28 certification programs at different layers were completed.

3 project studies economical, light and quite cooling system, unhindered seat, opening of engine bonnet) were realized in 2013 as the third season of "My Project" contest conducted with the aim of bringing out researcher characteristics of Tofaş workers and reflecting innovative ideas on prototype and product design, and increasing Intellectual Property richness in parallel by means of using current opportunities of R&D.

As a result of the innovative studies conducted by Tofaş R&D Center, in 2013, invention announcement quantity increased by 230%, patent application quantity by 64% and 46 new patent applications were made. In 2013, within the context of intellectual property rights management, the whole patent portfolio was analyzed by certain criteria and thus Strategic and Licensable patents were determined.

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.

In order to realize R&D activities of models specified in product development plan completely with domestic sources, development plans have been conducted to reach autonomous level from the point of both technical perfection and total personnel required in R&D department.

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

Environment and Tofaş R&D

In the center of environment oriented researches of Tofaş R&D Center, there are vehicle electrification, lightening and silencing. 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 highly conscious of such issues as 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.

In addition to smart vehicle concepts that provide service and support to the driver in terms of comfort and safety, customer-focused technological research activities of Tofaş proceed in the light of scientific facts and data focusing on people such as anthropometry, ergonomics, demography at the center of anthropocentric design philosophy.



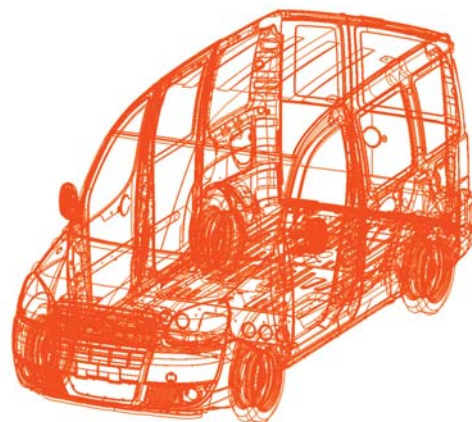
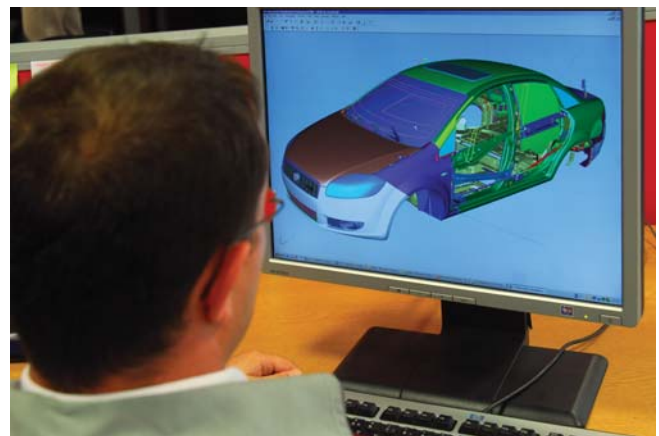
Following closely the rapid improvements in the field of “ICT-Information and Communication Technologies” in the past years and caring the added value for the customers, Tofaş constantly develops itself and improves its competency through its joint R&D projects both in national and international platforms. 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 attaining world class products and production technologies.

In product technologies field, Tofaş R&D currently focuses on innovative and efficient design methods and techniques, analyzing 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, Tofaş is well aware that 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 and therefore Tofaş includes innovation-targeted projects in these fields in its technology road map.



Human Resources

Number of employees

White-Collar	1328
Blue-Collar	4924
Total	6252

Distribution of Tofaş employees by gender, age and level of education

Gender

Male (WC)	1088
Female (WC)	240
Male (BC)	4922
Female (BC)	2

Average of Age

White-Collar	36.6
Blue-Collar	35.0

Level of Education

EDUCATION	WC	BC	TOTAL
Doctorate	6		6
Master's Degree	245		245
Bachelor's Degree	908	25	933
College Degree	60	675	735
High School	105	3479	3584
Elementary School	4	745	749
TOTAL	1328	4924	6252

Our Company is subject to group collective labor agreement concluded on May 30, 2012 between Turkish Metal Labour Union and Turkish Metal Industrialists Union (MESS) that was effective as of September 1, 2013. Executed agreement was for two years and it shall be terminated on August 31, 2014.

The benefit obligation of our Company is TL 138,683,418.58 as of December 31, 2013 and the entire amount is fully reserved. Within the scope of legal legislation, social rights are regularly and periodically provided to our employees.

Recruitment Procedures

Tofaş utilizes various methods to recruit the most appropriate candidates. Recruitment process consists of methods such as personality 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 are bound to be supported with reference checks before recruitment. In order to support interviews in recruitment process, other methods are also utilized to make a sound decision for candidates in different positions. During the recruitment process, job posting for vacant positions are also announced through internal job posting system all over 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

Through the implementation of Tofaş Academy in the organization in 2013, management of the education and development of the whole value chain was gathered under a single roof. White-collar personnel were provided with 14 thousand 128 educational and 7 thousand 682 remote education, book or visual material support, which will improve personal development. In this context, white-collar employees were provided with a total of 99.89 man/hour improvement opportunity.

Blue-collar personnel were provided with 5 thousand 981 educational trainings and 1,295 remote education, book or visual material support, which will improve personal development. In this context, white-collar employees were provided with a total of 8.71 man/hour improvement opportunity.

1160 hours of technical class education was given to 1005 employees from 120 different supplier companies among business partners. 3,861 dealer owners and personnel were provided with technical and behavioral class education. 71% of technical and behavioral class education was provided by internal sources.

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, consisting of Tofaş employees and their families. "Tofaş Fest" 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 with their concerts continue to motivate the employees. Sports Communities carrying out activities in various branches contribute to physical health of employees. Their organizations are equally good as the professional organizations. Athletics team obtains successful results each year at CorriFiat Athletics Competition organized among Fiat companies. 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 were 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 also 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 to pay 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 contributes an equal premium on the employee's behalf.

Collected premiums are managed through financial and real estate investments. Managed premiums are paid back as full settlement or retirement payment in the case that 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 programs 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 was formed with the sense of "People First" and it was launched in 2011-2012 academic year. 374 students benefited from the scholarship policy, named as "Further Support for Education by TOFAŞ".

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. Sports facilities located in Istanbul head office are free for all employees. In addition to general health services provided both in Tofaş plant and head office, the dietitian service was launched in 2012.

Productivity

Tofaş has been implementing the World Class Production Methodology for 7 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 were realized within this scope.

HR System

To the modules of personnel main data, time management, performance management, recruitment, self-service practices, checking, travel and payroll management commenced in SAP Portal in 2012, new models were added such as white-collar and blue-collar technical qualification management, blue-collar career management, white-collar payment management in 2013 and integration with development portal was achieved. By means of assigning corporate e-mail addresses to blue-collar employees, it became possible to reach more human resources applications through kiosk. Thanks to new structure, integrity in all human resources processes by covering all employees is aimed.

Tofaş Performance Management System

Tofaş Performance Management System is a human resources management tool that is 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 on the basis of 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.

Business Management Policies

Rules of Ethical Conduct of Tofaş

Tofaş expects all Tofaş personnel, Board Members, shareholders, dealers and suppliers, in brief all its stakeholders, to obey "Rules of Ethical Conduct of Tofaş".

Notification of Rules of Ethical Conduct of Tofaş to all workers, ensuring necessary attention of workers to these rules and providing required effort and leadership for compliance with these rules are among the duty and responsibilities of middle and senior managers serving in Tofaş. Functioning of the rules of ethical conduct is administered by the Ethics Committee established within the body of Tofaş.

In this sense, Tofaş undertakes compliance with discrimination rules specified in Universal Declaration of Human Rights in all its business actions, processes and working times and in relations with all its stakeholders, and Tofaş expects all its stakeholders to obey 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 / 444 22 55 / 0850 252 22 55, 0 850 252 34 28 and www.fiat.com.tr

Alfa Romeo & Lancia Call Center: 444 19 10 / 0850 252 19 10 / 0850 252 25 32 and www.alfaromeo.com.tr , www.lancia.com.tr

Jeep Call Center: 444 53 37 / 0850 252 53 37 and www.jeep.com.tr

Tofaş Call Center: 0850 315 0 315

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

WCM (World Class Manufacturing) methodology is employed as to improve and develop the power of competition in production systematically. The methodology basically aims at reaching "zero" in all fields by means of focusing the issues of safety, quality, cost, delivery and environment: Zero occupational and environmental accidents, zero quality defects and zero loss...

Started in 2006 with a view to increase industrial standards of Fiat on world class, the WCM program today is applied in 177 Fiat - Chrysler Group factories and 370 supplier factories of the Group throughout the world.

Commencing WCM studies in parallel with Fiat in 2006, TOFAŞ received the award "The Fastest Improving Factory" during the initial years of the program and in 2009 it became the first Fiat factory achieving Silver Level. As a result of the audit conducted in November 2013, Tofaş crowned its success by becoming one of 3 factories achieving "the Gold Level".

Focusing on continuous promotion of production standards during its WCM experience, Tofaş has improved accident ratio by 97%, external quality indicator by 68%, productivity by 35% and breakdowns by 75% on its way to Gold Level.

All these improvements have been realized by means of a systematical approach and attendance of personnel. Suggestions towards improvement by Tofaş personnel have been increasing every year. In 2013, consideration for this issue is proved with 49 suggestions on average by each operators working in Tofaş. Henceforwards, WCM studies will continue with acceleration and the quality of being a symbol factory among all Fiat factories will be maintained.

In the context of WCC (World Class Company) program, Tofaş has led the implementation of WCM methodology with its suppliers since 2009. As of 2013, mutual studies have been carried out in 30 suppliers to increase competitiveness of the first on the level of world standards, which constitutes 55% of its annual domestic purchasing value.

"New Periodical Maintenance Standards" established within the context of studies commenced in 3 Fiat dealers in 2011 have been extended as to cover all Fiat vendors with the objective of increasing after-sales customer satisfaction, service quality and productivity thanks to the WCD (World Class Dealer) program.

As a result of the audit conducted in November 2013, Tofaş became one of the three factories in Fiat Chrysler world, achieving "the Gold Level" in World Class Manufacturing (WCM).

World Class, Proactive And Lean Health & Safety Management

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

Tofaş was able to reduce Lost Time Accident (LTA) frequency at the rate of 95% through improving work places safety and culture change projects in carried out in last 5 years.

In 2013, almost 7000 Tofaş employees have been trained totally 28.518 hours related to Health and Safety. Furthermore, 20.126 visitors and contractors' personnel have been trained totally 5.982 hours related to Health and Safety. Other than those above mentioned many other activities were conducted such as;

Occupational Safety Simulation Training (DOJO): By help of installed equipment and simulated stations, workers were trained about the risks related with work places. This method is effectively deployed in all production areas as Assembly, Body, Paint, Press and Suspension shops.

In training fields designed specifically for each shop floor, workers are provided with training related to possible risks and counter measures against such hazards. During trainings, the priority of what to check at the beginning of job everyday is also emphasized.

Furthermore, there are simulations which emphasize the importance of personal protective equipments. If personal protectors are not used or occupational safety rules are not obeyed, the potential hazards are demonstrated to workers efficiently.

Contractor Companies Management Procedure: By effectively usage of 29 instructions and related forms, contractors' works are highly evaluated. Some kind of proactive precautions and auditing aimed through defining all rules before begin the work in the plant.

Interactive Safety Forum Theater: Within the scope of this activity, reflecting workplace and family life of workers by an interactive methodology. In addition some kind of comic and tragicomic events are presented to achieve pro-active safety with a view to strengthen occupational safety culture and classify unsafe behaviors and relevant industrial accidents.

In the field of industrial companies, it was the first time that this application has been implemented at Tofaş. After a while, this activity has been carried out in several other companies as a benchmark.

Attention and Perception Test (Vienna Test): By this test, especially for fork truck operators, maintenance personnel, quality control personnel and tow trailer drivers; measurement of attention, perception, concentration and motor abilities are aimed. Other than this, new hired employees also could be measured by this test and then they have been employed to the right work.

Safety Captain: One blue-collar worker undertake the responsibility of safety in his team which consisted of 10-15 people for a week. He wears a specially designed hat and an arm band during his duty. Safety Captain while conducting their own duties, monitor work place unsafe conditions and warn unsafe behaviors of people and report these incidents in coordination with team leader. Every week more than 400 workers became safety captain. By this application it is aimed to improve the awereness of all employees for safety.

Team Flags; Inside the work place, the below flags related to occupational safety accident are hung on the upper structure of each team. If there is no accident in a team, blue flag is hung, if any kind of accident happens, orange flag is hung. Orange flag is hung for three months. Thanks to this practice, it is aimed that team spirit is strengthened and cooperation is achieved.

EU Award; World Class, Proactive and Lean Health and Safety Management named "Step by Step Occupational Safety" of Tofaş has been selected and awarded as one of the best application/management system of 10 cases of different sectors for "working together for risk prevention" thema by EU-OSHA (European Occupational Safety and Health Agency). First elimination was held by Turkish Ministry of Social Security and Labor in coordination with EU-OSHA inside Turkey. Then, the final selection has been done in between hundreds of projects from 29 European Union countries and also the candidate countries during a campaign in 2012 and 2013. Tofaş has been awarded with a ceremony held in Dublin/Ireland on April 29th, 2013 together with the other winners.

In addition, Tofaş obtained 4 point degree out of 5 in terms of safety in 2012 and has become the first Fiat Automobile production base reaching the highest success point. Tofaş is also selected as a model plant within the Fiat Auto plants to reach score 5 in health and safety management.

Tofaş, within the scope of legal liability, aimed to improve the safety culture and reach to zero accident objective not only for Tofaş personnel but also for suppliers, interns, visitors and contractors' personnel.

Supplier Relations

Tofaş Purchasing, with its activities; adopts the principle of continuous improvement of employees, along with suppliers, ensuring organizational perfection and continuous improvement of business processes with a view to maintain competitiveness, reducing product and purchasing costs, achieving the best quality and delivery performance in purchased products and services and ensuring their sustainability.

Main activity areas of Purchasing Department are direct material, spare part and investment-service and indirect material. Total value of all purchasing activities during these processes exceeds 5 billion TL annually. Tofaş conducts purchasing from 148 direct material suppliers located in 15 cities domestically. Share of products purchased from domestic direct material suppliers in total purchasing endorsement is over 40%. As examples of main products for which domestic direct material purchase is conducted are stamped sheet iron parts, forged-casting, machined, exhaust parts, mechanical-electromechanical parts, electrical installments, plastic and rubber product injection and extrusion parts, seats, door panel, glass, glove box, bumper, chemicals, interior-exterior trim parts and connection elements. Fiat, in terms of direct material supply, maintains its weight as the most important supply source and imported parts are generally managed by Fiat's purchasing organizations located in Italy, Poland, Brazil, China and India. Tofaş conducts direct purchasing from more than 20 foreign suppliers in various product groups. Tofaş tries to increase its competition power thanks to joint activities conducted with FGP (Fiat Group Purchasing) and purchasing departments in other Fiat production centers towards the procurement of various products.

Having devoted itself to the development of domestic automotive parts and components manufacturing industry by means of emphasizing localization in Turkish automotive sector since its foundation date, Tofaş procures 74% of purchased parts excluding motor and gearbox from domestic suppliers. Today, studies oriented towards localization of certain import products are carried out mainly for power train, electrical-electronic and mechatronic components. New projects, which contribute to development of Tofaş, support the development and competitiveness of domestic firms on supplier level globally. In purchasing activities conducted towards new projects, acquisition of new technologies in Turkish automotive sector contributes to competition power of Tofaş. In this context, certain international suppliers as global producers in automotive sector are encouraged to make investments in Turkey and they establish partnerships through local suppliers. Purchasing Department conducts several activities on local and global scale on the way to increase competitiveness in product and purchasing costs thanks to young-dynamic and expert employees. With the aim of reducing costs of products and purchasing activities on the way to increase competitiveness, such many important activities as supplier development and lean production processes are conducted. Joint activities with Fiat towards researching competitive supply sources in global market are maintained. As a result of synergy established with Fiat, today direct procurement from Far East for over 10 product groups is carried out.

Relations with suppliers during all purchasing processes are conducted with transparency and trust according to business partnership based on sustainable competition.

Supplier Selection

Tofaş selects its direct material suppliers in line with the requirements of its supplier park, among nominees. Suppliers expected to meet certain criteria. These criterias 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
- Having developed production and design skills,
- Being audited by Potential Supplier Assessment (PSA) and Process Audit (PA)
- Being able to contribute to the competitiveness of Tofaş in quality and cost improvement,
- Continuously improving itself and Its competitiveness through following closely foreign and local competitors,
- Adopting a business partnership approach that is based on transparency and trust.

Tofaş monitors the performances of all suppliers by assessing through standard performance indicators in the fields such as commercial efficiency, quality and delivery performance. Tofaş periodically monitors the performances by setting annual quality targets (IP/E and PPM) for all suppliers. Furthermore, it is an obligation that all suppliers should hold ISO TS 16949 quality and ISO 14001 environment certificates. The quality performances of all suppliers (red, yellow, green) are monitored via a common platform on a real-time basis (Bid List).

During supplier selection period for new projects conducted with Fiat, factors such as quality performance, design, project management capability, capacity and financial risk condition of candidate supplier are important in terms of ensuring sustainable performance. Companies that will be included in supplier park are subjected to PSA (Potential Supplier Assessment) audit as a standard, then for the suppliers that are already in the supplier park, regular and standard PA (Process Audit) and PDR (Product Demonstration Run) audits are performed during implementation process of related products.

Supplier Development:

By adopting the principle of giving priority to business partnership approach in all purchasing processes, activities are conducted in such a way as to contribute to suppliers in various fields including product design, organizational/technical improvement, quality, cost improvement, physical and financial risks, production process improvement and common purchasing. Main activities conducted in terms of continuous improvement and sustainability concept on the supplier side are as following:

1- WCM (World Class Manufacturing) deployment among suppliers:

WCM dissemination studies commenced in 2009 have reached to 29 firms with the addition of 6 new firms in 2013. Dissemination of WCM among 35 suppliers, which constitute 65% of local direct material endorsement, is aimed until the end of 2014.

2- Monitoring of physical and financial risks:

In 2013, physical risk assessment of 43 firms and financial risk assessment of 61 firms were conducted and the related actions were planned.

3- Tofaş Academy Trainings towards suppliers:

With the help of training platform where technical knowledge of Tofaş is shared with suppliers, 950 workers of 65 suppliers benefited from 25 training modules designated for suppliers in 2013.

4-Co-design development project:

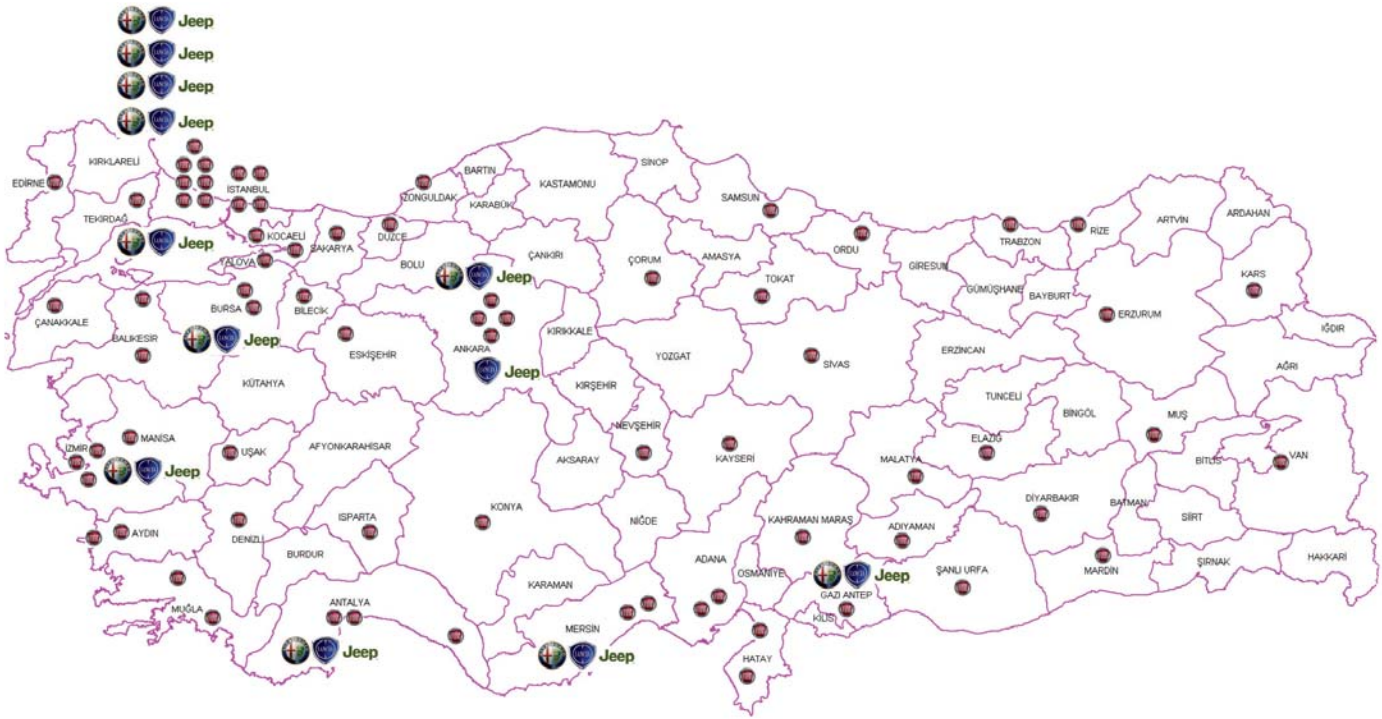
In co-design audit and development activities conducted with our suppliers, programs with 12 suppliers in 27 product groups were completed.

5- Joint Process Improvement and common purchasing:

Cost reduction activities are ensured by means of lean production process for our suppliers with the support of Tofaş.

6- In 2013, projects of problem solving, development of diagnosis, increasing organizational qualities of suppliers were implemented with a view to increase productivity of human resources and business processes towards the improvement of management abilities of suppliers. With five suppliers, a joint project towards prevention of human errors was conducted.

Tofaş Dealer Network



Tofaş Dealer Network

Tofaş Dealer Network offers a full range of services including brand new vehicle sales, secondhand vehicle sales, maintenance-repair and spare part sales. In addition, several Tofaş dealers offer insurance services (automobile insurance, traffic insurance) and various financial services (car credit).

Tofaş has 78 dealers throughout Turkey. These dealers provide services for brands including Fiat, Alfa Romeo, Lancia and Jeep. There are 72 Fiat dealers, 13 Alfa Romeo-Lancia-Jeep dealers. Tofaş Dealer Network is structured as sales, service and spare parts and nearly all dealers provide services to customers with integrated facilities. This dealer network structure defined as 3S provides brand new car sales and after sales services together.

FIAT

Tofaş has 72 Fiat dealers throughout Turkey. Fiat dealers also establish additional sales and aftersales points in different locations than their main facilities with a view to serve more closely to their customers. There are 44 "satellite" sales and service points structured accordingly. In addition to those mentioned above, there are 40 authorized workshops in operation, which provide service under the authority of dealers and only offer after sales service. Consequently, Fiat offers service to its customers with a total of 114 sales points and 137 service points.

Tofaş has at least one sales point in 64 cities and at least one workshop in 56 cities in Turkey. With such figures, Fiat brand is among the first three brands in terms of sales and service network distribution. In the whole Fiat dealer organization, currently 5 thousand 663 people are employed.

Offering competition advantage thanks to its extensiveness throughout Turkey, Tofaş dealer network also draws attention with its competence and experience. Average operational duration of Tofaş dealers exceeds 20 years.

ALFA ROMEO-LANCIA-JEEP

There are 12 Lancia-Alfa Romeo-Jeep dealers and one Lancia-Jeep dealer throughout Turkey. These dealers offer 3S (sales, service, spare parts) services to their customers. Moreover, there are 5 authorized services with 2S (service, spare parts) and three of them offer service to all brands and the other two offer service to Lancia and Jeep brands.

LARJ dealers consist of dealers who have vast experience beyond average figures of the sector and have invested for these brands for years. Dealers and services offer service in cities with high number of customers including İstanbul, Ankara, İzmir, Bursa, Antalya, Mersin, Gaziantep and Tekirdağ. A total of 320 people are employed in LARJ dealership organization as of the end of 2013.

Brands and Products



FIAT

Linea

Started manufacturing in 2007 in Tofaş plant, Fiat Linea was able to increase its presence in Turkish automobile market each year and became the best-selling passenger car in Turkey in 2013. Renewed in 2012, Fiat Linea is well appreciated by consumers thanks to its assertive design, innovative technology and engine range combining economy with performance.



500

Awarded 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 iconic models of its segment.



500C

Convertible version of Fiat 500. 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.



Brands and Products

500L

Launched in May 2013, devoted to automobile fans, wishing to make a difference with their style, 500L has managed to become the leader in its segment. Thanks to its design, technology and functionality, 500L is preferred by consumers with a desire to feel different and free. Fiat 500L is a cool and capable vehicle combining functionality with wider living space, also offers the performance of a compact SUV with its superior design and driving characteristics.



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.



Punto

Being in small hatchback segment, in which the competition is most intense in Turkey, Punto maintained its successful sales graph also in 2013. Preferred by young customers and young families in particular, Punto draws attention with its modern style of design.



Bravo

Fiat's compact hatchback model, Fiat Bravo is attractive with its comfort, performance and style. Fiat Bravo was 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 features offer an extraordinary experience for you.



Freemont

Successful SUV model that becomes the symbol of Fiat-Chrysler partnership, the Fiat Freemont was launched into the market in November, 2012 in Turkey. Freemont is distinguished 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, it enjoys the proud of appealing to the expectations of customers in Turkish market.



Doblo

With its sales figure of 21,624 units in 2013, Fiat Doblo became the most preferred light commercial vehicle of its segment. With its different body type options, trunk capacity up to 4 thousand liters and a loading capacity up to 5.4 cubic meters, Doblo also draws attention with its wide interior and economic engine range. Preferred by large families and merchants, Doblo fulfills every expectation of its customer range



Fiorino

One of the products of Tofaş's Minicargo project, Fiorino became the pioneer of a new approach by launching a class under its name. Being one of the best-seller vehicles of light commercial market 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 features.



Ducato Kamyonet

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



Ducato Van/Minibus/Otobüs

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. With its box body versions suitable for freight and dry load transport added into the product range expanding everyday with different superstructure techniques, Ducato is the ideal solution partner.



Brands and Products

LANCIA

Ypsilon

Launched in 2011 in Europe, Ypsilon with 5 doors, mini urban car of Lancia was launched in Turkey market in May 2013. Located in B hatchback segment, Lancia Ypsilon is in the market with its compact and elegant design , 1.2 liter petrol engine, manual gearbox, 0.9 lt petrol engine, MTA gearbox and 1.3 diesel engine, manual gearbox.



Delta

Drawing attention as the representative of new generation model mentality of Lancia in global sense, renewed version of Lancia Delta was launched on Turkish roads in 2012. Located in Compact Hatchback class, Delta is as good as sedan automobiles with wide interior and loading capacity. Delta is supplied with options of 1.6 liter 120 HP Multijet turbo diesel and 1.4 liter MultiAir 140 HP petrol engine.



Thema

Carrying the title of flagship for Lancia Brand, luxurious sedan automobile representing the new emerging of Thema, is back on the roads again, reflects the cooperation between Fiat Group and Chrysler. While size, comfort and effective visualization of the car reflects its American genes, elegant interior/exterior design details and hardware qualities combined with luxurious elements indicate its Italian elegance.



Voyager

Another product of the collaboration of Fiat Group with Chrysler, Voyager was launched in Turkey in 2012. Located in big MPV class, Lancia Voyager carries the genetic codes of a model demanded by more than 30 millions units. Having an interior wide and providing flexible solutions, Voyager provides its users with elevated journey thanks to its rich standard hardware.



ALFA ROMEO

Mito

Redesigned in the second half of 2013, small segment representative of Alfa Romeo, Mito maintains its quality as interest arousing for the young drivers with sporty interior and exterior design, powerful engines and quality. DNA provided in Mito makes difference with its system, which enables usage Q2 electronic differential lock and there different driving modes (Dynamic, Normal, All Weather).



Giulietta

Presented in 1954 by Alfa Romeo and manufactured during 11 year, the legendary Giulietta continues its adventure on Turkey's roads. Representative of Alfa Romeo in compact hatchback class, Giulietta receives appreciation of elegant users thanks to its attractive design, powerful petrol and diesel engines, driving dynamics and comfortable interior.



JEEP

Compass

Successful representative of Jeep brand in SUV segment, Compass continues its adventure in Turkey with its renewed designed as of the second half of 2013. New Jeep Compass provides only front-wheel drive with the combination of 2.0 liter 156 HP petrol-driven engine and Powertech automatic transmission.



Cherokee

Middle class SUV Cherokee provides two wheel drive configuration together with Jeep brand's legendary 4 wheel drive system. With a fairly wide and practical interior volume, Cherokee has 739 liter luggage and thanks to 60/40 ratio folding rear seats, this volume can reach up to 1767 liters.



Grand Cherokee

Big SUV of Jeep brand refurbished in 2013, Grand Cherokee model is submitted for the appreciation of consumers with legendary 4 wheel drive capability and 3.0 liter diesel engine. Grand Cherokee, thanks to Quadra-Lift™ and Select-Terrain™ technologies, is providing high level of terrain performance and also it is remarkable through its driving comfort to feel the pleasure of being on the road, with high technical capacities and luxurious interior design. Grand Cherokee brings its users with more space with 782 liter luggage volume (when rear seats folded 1554 liter) and wheelbase increased by 13 cm for both passengers and luggage.



Wrangler

Off-road vehicle brand Jeep transmits its 70 year of experience on the terrain with Wrangler. The model is considered as the best of its segment according to the criteria of ground clearance, approaching and departure angles, turning radius wheelbase. Wrangler, on the other hand, is known as a vehicle best in water fording.



Subsidiaries

Koç Fiat Kredi Finansman A.Ş.

Koç Fiat Kredi Finansman A.Ş. was established on March 06, 2000, as a 50%-50% joint venture with partnership between Koç and Fiat companies, with an objective of financing all motor vehicles of Tofaş and Fiat Group manufactured by Tofaş and/or imported into Turkey and of all kinds of merchandises, goods and services related to these vehicles. Respectively, Fiat Group in 2012 and Koç Group in 2003 transferred their shares to Tofaş Türk Otomobil Fabrikası A.Ş. On December 08, 2011, a capital increase in the amount of 15 million TL has been made by Tofaş. Thus, the Company's paid-in capital increased from 30 million TL to 45 million TL.

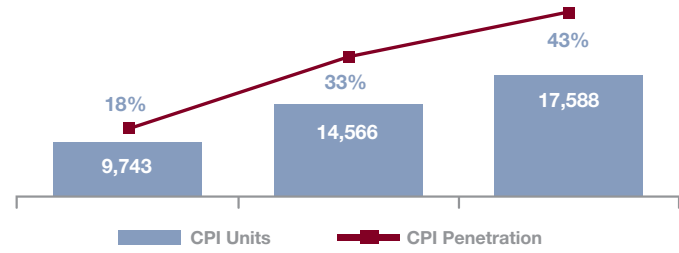
Koç Fiat Kredi was established with an approach to generate personal financial solutions to customers with its boutique service concept and to create new credit models with faster and less procedures without leaving the showroom, meanwhile the Company being captive offering financial services special to Fiat Group brand customers is an important advantage at the point of sales. Fiat brand in particular, the customers of Fiat, Alfa Romeo, Lancia, Ferrari, Maserati, Iveco and Jeep brands domestically sold are provided financing for new automotive purchases and also used vehicles are financed. In this respect, credit products are offered to customers at brands' sales points so the purchasing process is conducted throughly at the dealership and is ensured to be completed easily.

Koç Fiat Kredi is an integrated financial services group which provides online services by 98 contracted dealers (126 sales points) throughout Turkey. The Company places a great emphasis establishing closer relationship with customers, making a difference, adapting to change and becoming a pioneer through competition in services provided. In 2013, Koç Fiat Kredi received 132 thousand loan applications units, this figure was at 129 thousand level in the previous year. The Company extended 40.926 financed units in total and its market share among other finance companies was 9%. Koç Fiat Kredi's penetration to Tofaş sales excluding big fleet was realized as 56% and the penetration to total sales was 37.5%.

Summary Information - Highlights	2013
Outstanding Portfolio (mio TL)	1,187
Outstanding Financed Units	88,124
Penetration to sales excluding big fleet	56.0%
Penetration to Tofaş total sales	37.5%
Loan applications (units)	131,704
Financed units - Total	40,926
Financed Units - Tofaş	37,619
Financed units- Used, Iveco	3,307
Financed Amount - Total (mio TL)	1,004.5
Profit Before Tax (mio TL)	36.3

Koç Fiat Kredi also offers the insurance products which are complementary of the loan, as well as financial services, to its customers. While the rate of customers taking advantage of CPI (credit protection insurance) product was 18% in 2011, this ratio reached 33% in 2012 and increased up to 43% in 2013. In addition to CPI product, also financing loans with Automobile Insurance option have also started.

Koç Fiat Kredi portfolio is mainly funded by bank loans and issuance of marketable securities. In 2013, the Company has issued total of 190 million TL in nominal value of marketable securities via private placement in accordance with the provisions of Capital Market Law No. 2499.



In the Extraordinary General Assembly held on December 23, 2013, the decision of distributing 30 million TL in dividend was taken and the related payment was made to the shareholders on December 25, 2013

By means of improvements accomplished in loan application processes and due to increasing automation rate in 2013, loan requests were evaluated in shorter time. In consequence of effective risk management, alternative calling and collections channels, management of financially healthy portfolio was provided. In order to increase the quality level and productivity of these practices, "Call Center Autodial" service was activated in the first quarter of 2013. With this service, all incoming and outgoing calls were started to be recorded and thus a professional, fast and productive working environment was established. Therefore efficient collection, access to more customers, quick reply to dealers' calls and service levels improvements to dealers were made.

In 2013, CRM campaigns with Fiat brand were created and pre-approved loans with attractive options began to be offered to customers with upcoming maturity dates and with high credibility. In this context, "your loan is ready" messages were sent to customers thus to increase customer loyalty and to support sales were targeted.

The infrastructural studies started in 2012 for NBSM (New Business Strategy Management) product and the module was put into use in 2013. The purpose of using that product on new loan applications was to achieve faster implementation of automated decisions, more effective use of decision-making mechanism and creating rules and flows in order to provide more efficient results.

Within the context of process improvement studies, investment for "Document Management System" was made in 2012 and it was taken live in March 2013. This system enabled both keeping documents in a secure environment and accelerated operational processes by matching incoming documents with related loan and document types. In its 1st phase, systematic improvements were performed on the loan applications documents and in its 2nd phase improvements made regarding accounting records and an electronic library infrastructure was build. In its 3rd phase to be completed in 2014, it is planned that dealers to be provided with the opportunity to manage documents via mobile applications.

Koç Fiat Kredi continues its mission in order to increase the domestic sales of Fiat group brands by providing customers with fast financing options at a single point. The Company aims to increase the loyalty and the satisfaction of both customers and dealers in the coming years by way of system investments, qualified and fast services, strong cooperation with the dealers. The Company will continue to offer financial services with customer oriented and professional approach. The objective is to become one of the leading players in the automotive finance sector by means of increasing brand awareness, market share, customer and dealer loyalty.



FER MAS OTO TİCARET A.Ş.

Fer Mas Oto Ticaret A.Ş. was founded on April 15, 2005 with 99.4% partnership of Tofaş Türk Otomobil Fabrikası A.Ş.. The Company has become Turkish Official Distributor of Ferrari cars as of April 2005 and of Maserati cars as of July 2005.

Commencing its activities in the Showroom and the Headquarters located in Kuruçeşme on August 18, 2005, the Company serves in a covered area of totally 900 sqm integrated with showroom, small service station, Club Lounge spaces. Prioritizing after-sales service, Fer Mas Oto provided the Ferrari-Maserati service point at its clients disposal before its showroom in June 2005. Fer Mas Etiler has carried after-sales services a step further with its new service point established in Armutlu.

Ferrari

Until foundation of the Company in 1998, annual average sales of Ferrari not exceeding 8 units reached to 11 units in 2005 thanks to Fer Mas Oto Ticaret A.Ş., and this Company increased the sales up to 29 units both in 2006 and in 2007. In 2008 and 2009, sales included 17 units and this number increased up to 23 units in 2010 and 2011. Number of Ferrari cars sold in 2012 was 22. Fer Mas Oto Ticaret A.Ş. increased the number of Ferrari sales to 23 units.

Maserati

Until foundation of the Company in 1998, annual average sales of Maserati, not exceeding 5 units, reached to 10 units in 2005 thanks to Fer Mas Oto Ticaret A.Ş., and this Company increased the sales up to 20 units both in 2006 and to 28 units in 2007. Sales were 17 units in 2008 and 2009; 26 units in 2010; 24 units in 2011 and 18 units in 2012. With 40 units of Maserati sales, the year 2013 was completed successfully.

After sales

With a view to provide higher quality service in after sales, Fer Mas has been providing service in its new service centre, which was improved in terms of both size and hardware where the company moved in 2009.

Marketing

Intensive communication activities have been implemented with a view to reshape the both brands in Turkish market and strengthen the corporate identity. By means of managing the correct activities, brand awareness, brand knowledge and brand visibility are increased to a considerable extent and the position as a luxury brand has been reinforced.

Fer Mas positions the Ferrari as a car which is preferred by A++ consumers truly aware of brand philosophy and as a lifestyle. On the other hand, Fer Mas has brought Maserati together with Turkish consumers in a position of a saloon car with driving pleasure by a prestige brand.

2013 Promotion Activities

- Special test drive and track activities devoted to customers of Ferrari and Maserati brands in Istanbul were arranged in different periods during 2013.
- Turkish launching of the new model of Maserati, Quattroporte, was executed with an organization held in Old Hat Factory on April 17, 2013.
- Turkish launching of the new model of Maserati, Ghibli, was executed with an organization held in Quasar Istanbul on October 30, 2013.
- The new model of Ferrari, 458 Speciale, was introduced with an organization conducted in Fer Mas showroom on December 25, 2013.
- Within the framework of Ferrari Club activities, Istanbul-Sapanca journey on May 18, 2013 and Istanbul-Alaçatı/Çeşme journey on September 27-29, 2013 were organized.
- Ferrari received the award for "The Best Super Car of the Year" in 2013 granted by Top Gear Magazine for its model, 458 Speciale.
- In the Maserati Road Show Kayseri activity with the attendance of Maserati fans, test drive activities with Maserati models, Quattroporte GTS and GranTurismo S were arranged.

Fer Mas Oto Ticaret A.Ş. carries out its General Directorate and Showroom services at its address Kuruçeşme Cad. No.29 Kuruçeşme 34345 İstanbul, and Company's after sales services are rendered at the address Fatih Sultan Mehmet Mah. Atatürk Cad. No.7 Armutlu İstanbul.

Corporate Social Responsibility

Environment

Sustainability and Social Responsibility Policy

"Sustainability and Social Responsibility Policy" of Tofaş is assessed to present the responsibility of Tofaş towards their stakeholders both in the region where our Factory is located and in nationwide scale.

Corporate Sustainability Policy deals with business models and business processes based on sustainable future strategies within the structure of environmental, social and corporate management with a wholistic approach.

Our sense of sustainability is conducted both within the body of the enterprise and within the frame of social works intended for the public by taking both corporate social responsibility and criteria of the effects on the society into consideration. Tofaş's approach of Corporate Social Responsibility has got an integrated coherence within the scope of organizational culture, business processes and all company policies.

With regard to periodical and seasonal works, Tofaş gives place to comprehensive and detailed information in both activity reports and company's printed, periodical and informative publications within this frame. For this purpose, the aforementioned processes are shared with all our stakeholders being company employees, shareholders and beneficiaries in the first place, and they are submitted for the public's information. In addition, necessary information and relevant links are given in intranet and internet web sites of Tofaş; and activities formed and maintained in line with corporate policies are submitted for the information of stakeholders.

Tofaş, defining Social Responsibility activities as accountability of enterprises and their ability to perform their duties and liabilities towards their stakeholders within the scope of Sustainability Policy, accepts accomplishing "sustainable and improvable" social responsibility activities as a corporate policy.

As specified in Corporate Governance Compliance Reports of Tofaş, all "stakeholders" are approached as "beneficiaries" within the scope of corporate social responsibility. Our Company has its "Corporate Governance Rating" performed through evaluation of corporate governance activities with regard to "shareholders", "public information and transparency", "stake holders" and "board of directors" by including their works in this respect; the report including the aforesaid Corporate Governance Rating Note is published on our website as well as being submitted to the public's information within the body of BIST (Borsa Istanbul) in annual periods and through KAP.

Within this frame, our Company is placed in BIST Corporate Governance Index and performs this placement as a continuous and dynamical process within the scope of importance we give to our Corporate Policies.

The Global Compact which includes main partners of Tofaş, corporate social responsibility perspective of FIAT Auto and KOÇ Holding, and our sense of corporate social responsibility form the major axes of our Company's "Sustainability Policy" in this regard.

Environmental and Energy Policies

Tofaş aims to implement and improve proactive environmental and energy management systems in product, in production process and service activities in the perspective of sustainable development principle.

For this purpose;

- Defines all kind of waste disposal operations as a loss of resource and develops methods to prevent pollution at source,
- Improves energy performance continually through energy efficient process design and purchasing energy efficient product and services,
- Ensures the availability of adequate information as well as specialist and economic resources, to achieve and periodically review objectives and targets,
- Accepts that compliance to all legal and other requirements we subscribe is the fundamental of its processes,
- Aims to minimize natural resource consumptions, energy losses and wastes by means of applying continual improvement tools and training our employees, contractors, dealers and suppliers,
- Produces automobiles, commercial vehicles and spare parts having less environmental impacts and having more recycled materials.

Tofaş's environment vision is to establish "World Class Environment Management System" through using proactive and lean management tools. Its basic principle is "do to pollute rather than treat" in order to achieve zero waste/zero loss objective. To this end, as expressed in environmental policy, all kinds of waste treatment and disposal processes are considered as a waste of natural resources and methods to prevent pollution in its source are developed.

As per Tofaş Environment and Energy Policy, decreasing wastes in the source and recycling as much as possible is of considerable importance. Within this context, 97% of industrial wastes are recycled. Rest wastes are utilized as raw materials in cement sector and as energy source. Thus, "Zero Waste Disposal" objective is achieved.

Tofaş was granted with "Zero Non-Compliance" as a result of environmental audits conducted by both legal authorities and its shareholders. Therewithal, as a result of amendment in environment regulations, Integrated Environment Permission was renewed.

Tofaş was awarded the grand prize of European Union Environmental Prizes Turkey Program in "Management Category" thanks to its implemented environment management system. With this award, Tofaş was chosen as "Turkish Company with The Best Environment Management" as per EU criteria.

Supporting to lower carbon economy with its energy efficiency activities, Tofaş has also been the Institutional Member of Climate Program since 2011. Tofaş has improved its energy density by 30% thanks to hundreds of energy efficiency projects conducted in the last 5 years.

Tofaş has implemented energy management practices in accordance with "ISO 50001 Energy Management System Standard" in 2013 and became one of the first certified companies in the sector.

By establishing a Kanban process in new investments or machinery equipment changes, BAT (Best Available Technique) implementation became systematical and environment-energy efficiency studies were standardized.

In 2011, the "Greenhouse Gas Management System" was established in Tofaş, the first in automotive sector, and ISO 14064 Certification was verified again by independent authorities in this year. According to verification results, Tofaş Greenhouse Gas Emission values decreased by 17% compared to previous year as a result of energy efficiency improvements conducted throughout the factory.

On May 14-16, 2013, a conference about Volatile Organic Compounds Emissions (VOC) was arranged in the factory by a team of 40 people consisting of authorities from Turkish and German Ministers of Environmental Protection. During the three days conference, along with legislation practices, the improvements implemented in Tofaş in this regard were presented. As a result of the assessments, Tofaş was elected as Model Factory for the implementation of VOC Directive in Turkey.

Tofaş, in the meantime, contributes to establishment of environment culture through training of workers, suppliers and cooperated contractors.

Tofaş ensured attendance of workers with their families to activities on June 5 Environment Day arranged by Bursa Governorship.

Sustainable Manufacturing

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

- 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 and emissions were lowered up to 16% in the last three years, which is much lower than EU limit values.

- Nearly 850 tons of plastic are recycled each year.

- Rather than bodies carried by conveyors in New Bonder Cataphoresis Facilities, the programmable robotic system (Vario Shuttle) was applied at new surface treatment processes to reduce the volume of process tanks by 25%. Therefore, 12% energy consumption reduction was achieved.

- All underground fuel tanks were renewed with double-wall tanks and all possible risks were eliminated by taking into leakproof pools. On the other hand, ensuring 52% decrease in chemical stock amounts, the factory is placed in "Lower Level Risk" group as per SEVESO Regulation related to Major Industrial Accidents.

- Within the context of "Green Service" practice commenced in 2010, auditing processes of 143 dealers and services were completed. Within the practice, environment trainings of one day were provided to the experts of each service and dealer. In general, for the issues of environment management system, legal legislations and Tofaş dealer/service rules, a total of 5,426 man/hour training was conducted.

- 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 Gölyazı capacity in Bursa and turned into a "Fiat Forest".

Green Product

- Ranking among the first 1,290 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.

- Environmentally significant projects of Tofaş were conducted in 2013. Technological research projects were vehicle electrification, clean energy, environment-friendly material usage, lowering vehicle weight and recycling studies. While some of these project are studies which are expected to be implemented in current products or new products in the future (For instance; 3 kg/automobile weight reduction with aluminum impact traverse, 50 kg/automobile weight reduction with composite CNG tank design, 2.6 kg/automobile weight reduction with production of sheet iron parts through hot

forming), other projects include those in planning phase for future implementation after establishing a knowledge accumulation (motor development for electrical cars, reduction of vehicle weight with parametrical optimization of critical sections).

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 were launched. Plenty of suppliers were included in this program.

Dealers: Within the scope of Green Service implementation launched in 2010, the audit and training of 143 dealers and services were finalized in 2012. Within this practice, environment trainings of one day were provided to the experts of each service and dealer. In general for the issues of environment management system, legal legislations and Tofaş dealer/service rules, a total of 5,426 man/hour training was conducted.



EDUCATION

Fiat Laboratories

Conducted in integration with the project "Vocational School, A Crucial Matter", Fiat Laboratories aim at educating technical capabilities of human resources with new technologies in Turkish automotive sector and utilization of this capability in industry. Combining resources of General Directorate of Technical and Vocational Education, Ministry of Education, Tofaş contributes to the development of motor vehicle fields of industrial vocational schools and institutions through Fiat Laboratories. In the Fiat Laboratories established in 11 different cities İstanbul, Bursa, Kocaeli, Ankara, Antalya, İzmir, Adana, Samsun and Diyarbakır, Tofaş After-Sales Managers, Service Council Regional Representatives and Region Experts have been working together.

The first one was the Fiat laboratory established in Şişli Industrial Vocational High School in 2006 and produced its first graduates in 2009. As of 2013, with the students and teachers conducting educational practices in Fiat laboratories, the total number reached up to 806 people. 238 students in 2011, 243 students in 2012 and 242 students in 2013 were graduated from Fiat laboratories and 70 graduates, nine of whom were girls, started to work in Fiat were authorized for services. The other students chose to proceed with their university education.

Personal records of all laboratory teachers and students are found in Tofaş Academy as the education and management portal of Tofaş. Appropriate technical and behavioral e-educations are provided for teachers and students through Tofaş academy portal. Thanks to education portal in which students personal records are kept, several students obtained advantage to have primacy in starting their career in authorized services or Tofaş Plant following graduation. Trainings related to technical, behavioral and social responsibility projects consisting of current technologies within the context of in-service training, are given to laboratory teachers annually by Tofaş Academy. From the In-Service Training Program arranged for the 7th. time in 2013, 600 vocational high school teachers have benefited so far.

In 2013, Fiat laboratories were provided with delivery of around 250 electronic and mechanic parts apart from motor and gearbox. Accordingly, students are ensured to familiarize with special hardware and equipment in their training. Within the context of Vocational High School, A Crucial Matter project, a scholarship is provided by Vehbi Koç Foundation for those having fulfilled the required conditions among the students educated in Fiat Laboratories.

"Engine Renewal" trainings organized by Tofaş continue in all Fiat Laboratories and "Spare Parts" trainings continue in 7 Fiat Laboratories. Within the context of the project, traveling days were arranged for the school to visit the plant and Bursa and 6 schools have visited Tofaş so far. In 2013, within the project contest arranged by Koç holding in terms of Vocational High School, A Crucial Matter, the big prize was given to Şişli Vocational High School Fiat Laboratory in the category of "Best School Business Coordination". Laboratory activities continued with renewed protocols in 2013.

Automotive Engineering Master Degree Program

The Automotive Master's Program, a cooperative venture between Uludağ University and Torino Polytechnic University under the leadership of Tofaş, and it is the first support of a foreign university in Turkey. The aim of this program is to enable the Turkish automotive industry to develop and to contribute to quality workforce that sector needs. Since the launch of the program 48 students and 11 graduates have been reached.



Tofaş Basketball Schools and Basketball Volunteers Project - FiatBall Basketball Festival

Starting its activities within the body of Tofaş Sport Club in 1999, Tofaş Basketball Schools train students in 23 different points in 9 cities. Important names have been brought to Turkish basketball from these schools, where 3,500 children benefit annually. Tofaş Basketball Schools are the sport schools approved by Turkish Basketball Federation within Basketball Schools Accreditation Program.

12 thousand children have benefited from Tofaş Schools Project in 40 schools "" since 2011,.

Tofaş Basketball Volunteers Project, has been organized by Tofaş Sport Club and Turkish Educational Volunteers Foundation(TEGV) since 2001 in order to familiarize the young children of 7-14 ages in various cities where structural problems and suffering from source inadequacy has been experienced

Arranged in different cities each year, "FIATBall Basketball Festival" was in Koç University Campus, Istanbul in 2013 with the attendance of 13 teams, 125 children and 26 voluntary coaches.

Within the context of the project, over 10 thousand children were familiarized with basketball , 263 TEGV volunteers received Basketball Coaching training. As a result of the studies conducted within the Basketball Volunteers Project, over 400 licensed sports people and a total of 20 coaches were brought to Turkish basketball.

CULTURE-ART

Tofaş Bursa Anatolian Cars and Carriages Museum and Tofaş Art Gallery

Tofaş Bursa Anatolian Cars and Carriages Museum was established with the objective to protect automotive heritage in Anatolia and it is the only and first Anatolian cars and carriages museum. 17 thousand square meters of filed including Old silk factory located in Umurbey District, historical Umurbey Turkish Bath and old Turkish house was restored by Tofaş and transformed into a museum. Opening its gates in 2002, Tofaş Anatolian Cars and Carriages Museum has been visited by 450 thousand people to date. Museum, which was the main building of the factory, tells the story of vehicles beginning from a single wheel 2,600 years ago and until the motor vehicles manufactured by Tofaş.

Serving as Art Gallery and located within the borders of Tofaş Anatolian Cars and Carriages Museum, Umurbey Turkish Bath has been hosting Time Machines exhibition since May 2013. Meeting the visitors in 2008 following the completion of restoration, the art gallery provides opportunity to see around 1000 watches, 400 ephemeris and 400 watchmaker tools belonging to different periods from Y. Mimar Naim Arnas' collection. 50 thousand people visited the "Time Machines" exhibition and Tofaş Anatolian Cars and Carriages Museum in 2013.



Sponsorship for Pamukkale Hierapolis Excavations

Under the leadership of Ministry of Culture and Tourism and Denizli Governorship, and Tofaş as one of the main sponsors, excavation studies in Hierapolis Ancient City, which is one of five biggest ancient city remnants of Turkey, continued in 2013. Since 2005, Tofaş has been a sponsor for excavation operations of Hierapolis, which was included in the World Heritage List in 1988. In 2013, a team of around 70 people consisting of archaeologists, architects, restorators and experts from mainly Italy and Turkey, Norway, Germany, France, England and Iran worked in Hierapolis excavations. Within the context of the studies conducted in 2013, restoration of Ancient Theater's stage building which was built around 1,800 years ago and which is among the most beautiful examples of Roman theaters was completed. Being the only theater with restored stage building in Turkey, Hierapolis Ancient Theater became operational for culture-art activities with a capacity of 12 thousand people. Among the most important works revealed in Hierapolis are Ancient Theater, Necropol, Thermae, Cathedral, San Filippo Matrium, Frontinus Gate, Gymnasium, Apollo Temple and Plutonium.

Sponsorship for Küçükyalı Arkeopark Excavations

Commenced in 2001 by Italian and Turkish researchers under the authority and control of Turkish Ministry of Culture, Cultural Assets and Museums Directorate, Küçükyalı Archeology Park excavation has been supported by Tofaş for 10 years. Küçükyalı excavation is still in operation thanks to technical and financial support of Maltepe Municipality and private corporations. As of the end of July of 2009, Küçükyalı Archo-Park Project has become one of the projects of Istanbul 2010 Europe Cultural Capital Agency. As happened every year, during the excavations started in July and completed in August, presentation and guidance activities were conducted during the excavation season in 2013. Protection studies and scientific activities were conducted together with the studies objected towards primary education students. During the excavation, within the body of scientific laboratory; studies were commenced in restoration, photographing and database processing departments. The archeology laboratory established by Koç University continued to serve for the above mentioned activities.



Tofaş Sport Club

Founded on December 13, 1974 under the name of Tofaş SAS (water sports, athleticism, sportive games) in Tofaş Plant in Bursa, Tofaş Sport Club was renamed in 1995. Conducting activities in branches of basketball, football, volleyball, ping pong, water polo and bridge, the club achieved in winning the first European Cup Final and first Turkish Championship in basketball branch, Presidential Administration Cup Championship, Turkish Cup Championship and Schools Basketball World Championship. Being the champion in secondary league in 2008-2009 season in basketball, Tofaş Basketball Team joined the Beko Basketball League and still playing in the division. With the degree achieved in 2012-2013 season, Tofaş Sport Club Basketball Team is entitled to play in FIBA Eurochallenge Cup in 2013-2014 season.

Tofaş Sport Club educates new talents within the scope of Turkish sport culture with its team model focused on youth setup with ongoing investments for several years. Kenan Sipahi, educated in Tofaş youth setup was one of the most important players of U18 Basketball National Team which became European Champion in 2013 and he was chosen as the Most Valuable Player in the championship.

19 sportsmen and 2 coaches were joined in Basketball National Teams in 2012-2013 basketball season from Tofaş Sport Club Basketball Youth Setup. MG Spor, Tofaş Pilot team and included in Regional Basketball League, is entitled to play in Basketball 3rd Division League in 2013.



2013 Activities and Achievements

JANUARY

Third anniversary of Tofaş Academy

Providing opportunity for dealer employees with a free educational environment giving opportunity to their self-developments, Tofaş Academy celebrated its third year. The education, development and communication portal has been increasing with the help of valuable feedbacks from dealer workers and cooperation.



MARCH

Fiat Group in Geneva Fair

Fiat Group took place with its new and attractive models in 83rd International Automobile Motorshow.



Marching through the Future "Together With" our Dealers

Fiat Dealers Meeting, where "Together through Future" message is emphasized, gathered all Fiat dealers around Turkey together again. At the end of the meeting, dealers with successful performances in the previous year were rewarded.

Our Company Received "2012 OSD Exportation Award"

In Automotive Industry Association's (OSD) 39th General Assembly, OSD 2013 Awards were granted to the winners. Tofaş was among the companies receiving "2012 OSD Export Award".



Blue career

Activated in March 2013, for the Career Paths program, 1671 blue-collar Tofaş employees applied. 23 Tofaş employees were appointed to various positions.

APRIL

"Autotrading 2012" Award from Ukraine to the New Fiat Doblo from Bursa

New Fiat Doblo achieved again in international arena and it was rewarded with "Autotrading 2012" in Ukraine.



Our "Step by Step Occupational Health and Safety" Application Project received an award from Europe

The project aimed at reducing accidents in automobile manufacturing applied in Tofaş plant was selected as "the Best Practice" by Europe Occupational Health and Safety Agency and rewarded.

New Fiat Panda Duologic in Turkey

Fiat's legendary model with its urban usage characteristics, Panda's model with environmentalist Twinair engine combined with automatic transmission was launched in Turkey.



2013 Activities and Achievements

MAY

Tofaş Retired Association was established officially

With its principle of "Lifetime Tofaş", "Tofaş Retired Association" was officially founded for the retired employees of Tofaş.

Tofaş Academy "Leadership School" opened

Tofaş Leadership School started education with its objective to establish a common Tofaş leadership mentality and language.

Tofaş's Light Commercials Received "The Best" Reward

Fiat Pratico, a cargo van manufactured in Bursa and Fiat Fiorino with the whole intellectual property rights belonging to Tofaş received awards from UK.

"Time Machines" in Tofaş Bursa Anatolian Cars and Carriages Museum

"Time Machines" exhibition telling the history of watches with a background of thousand years and their evolution was opened to the visitors in Tofaş Bursa Anatolian Cars and Carriages Museum. With watch models of more than 100 years of age and 1800 units and tools and equipment used by watchmakers, the exhibition will stay open for a year.

Lancia's mini urban automobile Ypsilon in Turkey

Lancia's mini urban automobile Ypsilon was completely renewed and launched in Turkey. Dealers attended to the meeting for Lancia Ypsilon in May.

Manufactured in Turkey by Tofaş, Fiat Doblo on its way to US!

The decision about Fiat Doblo for adaptation to US market in order to export the LCV to North America and Canada and restyling of current Doblo model for Turkish and other countries' markets was announced. Planned to be manufactured in the second half of 2014, Doblo is expected to be exported by 175 thousand units until 2021. The life of Doblo project is extended from 2018 to 2021 in the first phase.

Opar 40 Years Old!

The leader of spare parts in Turkey, Opar celebrates its 40th. year of its foundation. With many innovations in the sector, Opar has continued to be a reference with its success story so far.

JUNE

Tofaş sportsmen honored the Company in Koç Group Sport Festival

15 teams with 147 sportsmen from Tofaş joined to the Koç Group Sports Festival arranged in 2013. Tofaş sportsmen in the festival achieved five championships, 10 different branches. Moreover, they won medals in individual lists in all branches.



The Young Team honored us

The Young Team playing in Young Men's Turkey Basketball Championship demonstrated a great performance and honored Tofaş by being champions.

Tofaş Volleyball Team was Champion in Young Men's Turkey

Following the final matches, the champion Tofaş team was given their medals and cup by Turkish Volleyball Federation (TVF) Vice-President Mehmet Akif Üstündağ.

Big Tofaş Family came together in "Tofaş Day"

Tofaş enjoyed the happiness of meeting again in traditional "Tofaş Day" organization arranged in Bursa. Tofaş employees in Istanbul, on the other hand, welcomed "Summer" all together in a meeting arranged at weekend.

Our First Bizbize Meetings of the Year conducted

Tofaş CEO Kamil Başaran met with all Tofaş employees in Bursa and Istanbul and shared developments in Tofaş and the sector and strategic objectives about the future in these Bizbize Meetings.

Fiat 500L In Turkey!

New five door member of Fiat's legendary 500 family, 500L is launched in Turkey. Introduced to Tofaş dealers and the press with, Fiat 500L took its place in the market with its versions, "Pop", "Popstar" and "Rockstar". "Rockstar" version with crossover characteristics was launched for sale for the first time in Turkey in the world.

In "FIATBall 2013 Basketball Festival", 125 girls attended from 10 different cities

Within the context of "Basketball Volunteers Project" conducted by Tofaş Sport Club and Turkish Education Volunteers Foundation (TEGV), "FiatBall 2013 Basketball Festival" was organized in Koç University campus in Istanbul.



JULY

Tofaş Volleyball Young Team won the second prize in Turkey

Tofaş Sports Club had many achievements throughout the year. Following the championship of Basketball Young Team, Volleyball Young Team also became second in Young Men's Turkey Championship.

Renewed Jeep Grand Cherokee Awarded in USA! (JULY)

Renewed Jeep Grand Cherokee won an award in USA. Jeep Grand Cherokee, the differentiating model of legendary Jeep brand represented under the roof of Tofaş was rewarded by "Cars.com/USA Today". Renewed Jeep Grand Cherokee kept this title being the "SUV Model with Most Awards".



2013 Activities and Achievements

AUGUST

Jeep Compass is now in Turkey

Successful representative of Jeep Brand in compact SUV segment, Jeep Compass was launched in Turkey with its renewed inner and outer design.



Kenan Sipahi was transferred to Fenerbahçe Ülker

Another important player of Tofaş was brought to Turkish basketball. Elected as the "Most Valuable Player" in Europe Star Men's Basketball Championship, Kenan Sipahi was transferred to Fenerbahçe Ülker.

SEPTEMBER

The success of Tofaş Athleticism Team

Tofaş Athleticism Team became champion in the 4thUludağ Masters Race representing Tofaş successfully.



Tofaş became the first company to receive "ISO 50001 Energy Management System Standard"

Tofaş was assessed as "Zero Improperness" as a result of environmental audits conducted based on the productive usage of energy and awarded with "ISO 50001 Energy Management System Certificate".

The launch of Tofaş Retired Association's get together

With its principle of "Lifetime Tofaş" in its foundation objective, "Tofaş Retired Association" was officially founded for retired employees of Tofaş.

Fiat brands received great interest in Frankfurt

Taking their places in International Frankfurt Automobile Fair opened its doors for the 65th time, Fiat brands became the center of attention of visitors.



Fiat's Light Commercial Vehicles are in Turkey tour with Roadshow

Fiat Commercial Vehicles met the costumers in 38 Fiat dealers in 33 cities within the context of "Fiat Commercial Vehicles Roadshow" which took more than two months.

OCTOBER

Investment of 520 million dollars announced for sedan automobile project

Within the context of sedan automobile project worked on together with Fiat Chrysler, the production is planned to begin after the second half of 2015. This project worths 520 million dollars of investment. One of the third of 580 thousands vehicles manufactured will be exported between 2015-2023.

Theater Club with new play "Ahududu"

Receiving appreciation of audience with the plays staged since 2005, Tofaş Theater Club met the art-lovers in Bursa again with its new play.

TOFAŞ BURSA TIYATRO KULÜBÜ
Tadına bakın (Yüzen...)
AHUDUDU
Mafineri, Brevete, sempiti ve yordamaver angeli halden kurtulmuş böyümlüğü hi hi mazzacı. Boudier'de Ahdu ve Mafineri halden bulaşır kurtulmuş Teşbi ile bulaşır yordamavacı. Aynı zaman da kurtulmuş olan Rikap Di. Herşeyin güzel bir Çiğeme de aydın ve orijinal yemekler, yemekler. Ancak bu plaka herşeyden; bir günde çabasına kurtulmuş arasında olduğu problemde kurtulmuş. Bunun üzerine bir de çabasında üç aydınlanmadığı utan sınırlı gırtlamağı diğer kurtulmuş ve sınırlı Di. Ensen de gün dönüce akıyor yünden çabasına bir halden gidecek. Fala marmarın marmarlar daha marmar, hayzen ve kurtulmuş bir dizi yordamavacı bu marmar keyif sınırlamağın unut sınırlamağın.

hi sınırlamağın...
Tofaş Tiyatro Kulübü

TOFAŞ Tiyatro Kulübü Teknik Ekibi
Yardımcı Yönetim: İzzet Öner
İyi Ses: Mehmet Özgür
Aydınlatma: Hasan Güneş

Yazar: Joseph Kesselring
Yöneten: Kamil Altınbaş

Tofaş Athleticism Team gained a great success in Italy

Employees from Fiat's 13 factories attended Corrifiat-Fiat Athleticism Competitions arranged for the 28th time this year. As in the previous years, this year Tofaş Athleticism Team obtained important achievements in competitions.

Fiat was granted with "Ecobest 2013" Award!

Working with CNG for over 15 years in Europe, being the leader equipment manufacturer in the field of auto and light commercial vehicle and selling over than 560 thousand vehicles with CNG, Fiat Chrysler was found worth to the award of "Ecobest 2013" supporting environment friendly products and technologies. In 2012, achieving the title of the brand with the lowest average carbon emission for the sixth time in a row among most selling automotive manufacturers of the Europe, Fiat continued its success performance this year, too.

Fiat dealers meet in Istanbul in the last quarter of the year

Fiat dealers met again in Fiat Dealers Meeting in the last quarter of the year. The evaluation of the year and expectations from Fiat managers were the main topics.

Tofaş Athleticism Team came first in Cumhuriyet Race

Tofaş Athleticism Team was the first among the companies in 10 km race of Cumhuriyet Race organized by Istanbul Zeytinburnu Municipality. Moreover, Nejat Çetin from the team won the third position in 45-49 age group.

Tofaş Basketball Team welcomed the new season enthusiastically

Tofaş Basketball Team attended the opening of 2013-2014 in Tofaş Social Facilities with the attendance of several invitees.



NOVEMBER

"Golden" level success in World Class Manufacturing (WCM)

Tofaş Family was proud of reaching the "golden" level in the route of long period of World Class Manufacturing (WCM) journey. Being conscious of its responsibilities, Tofaş succeeded in reaching the "golden" level thanks to the devoted studies.

Spare part giants signed for cooperation

The leader of spare parts in Turkey, Opar signed for cooperation with "Magneti Marelli Spare Part and Service" of Magneti Marelli which is one of the leading automotive supplier.



2013 Activities and Achievements

DECEMBER

"Corporate Governance" Grade of Tofaş rose to 9.14

Tofaş remained successful in being the "Automotive Company with the Highest Grade" in BIST Corporate Governance Index.

Tofaş R&D Center EU Project became the leader of Robo-Partner

The first EU 7th Frame project "Robo Partner" conducted by Tofaş in Turkey, was held in the factory located in Bursa.

Fiat with its light commercial vehicle models in COMVEX 2013

Fiat joined the COMVEX Commercial Vehicles, Autobus and Ancillary Industries Fair with a wide range of products consisting of the most preferred commercial models of its class.

MediaCat Felis Awards to Fiat

Fiat was found worthy of awards in two different categories in the 8th. MediaCat Felis Awards arranged by marketing communication magazine MediaCat. Together with "The Best Printed Media Usage" category, Fiat became the first in "Automotive, Automotive Product and Services" section of "Film" category.

Alfa Romeo Turkey Facebook page was in the first place worldwide in terms of follower count!

"Alfa Romeo Turkey" page in the Facebook was liked over 100 thousand automobile fans. Alfa Romeo Turkey Facebook page became the most liked Alfa Romeo fan pages worldwide in terms of follower numbers.

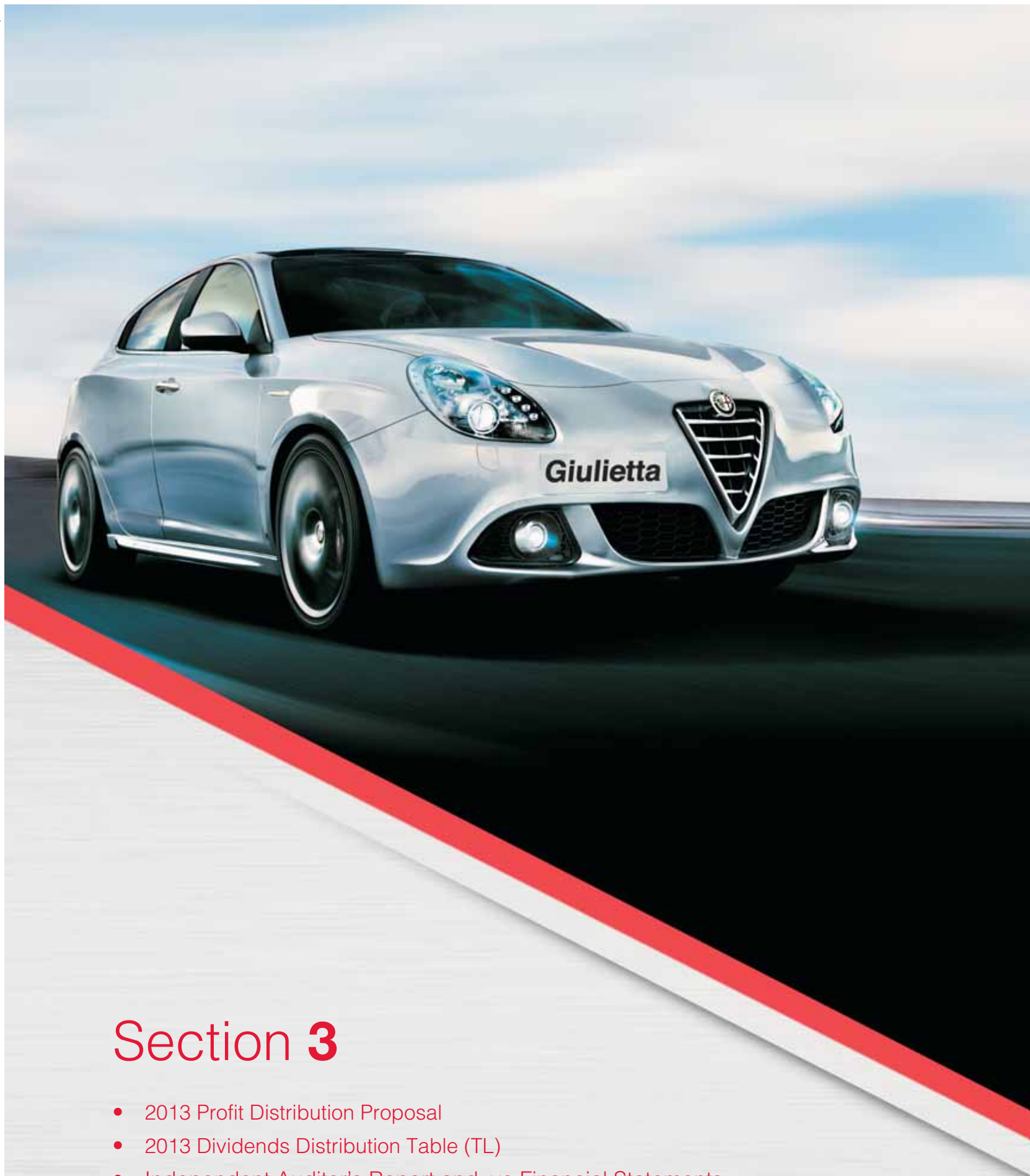
Tofaş's 2013 Gladiators

In the organization of "OSD Sales and Communication Awards 2013 Gladiators" arranged by Automotive Distributors Association, "The Fastest Developing Automobile Brand Lancia", "The Most Preferred automobile model Fiat Linea" and "Printed Media Practice of the Year - Fiat 500 Magnet Rims" were awarded and Tofaş received Turkcell Mobile Communication Award.



TOFAŞ AWARDS and CERTIFICATES 2013

Brand/Institution	Award/Certificate Granting Institution	Award Received Project / Contest / Formation
TOFAŞ	ISO	ISO 50001 Energy Management System Certificate
TOFAŞ	WCMA	Gold Plants in World Class Manufacturing (WCM)
TOFAŞ	ODTÜ	ODTÜ Young Enterpriser Community - Enterpriser of the year award in automotive field
TOFAŞ	TKYD	Corporate Governance Award
TOFAŞ	BURSA CHAMBER OF COMMERCE & INDUSTRY	Value Adder to Economy 2013 - With the most accrued corporation tax - Success Award
TOFAŞ	BURSA CHAMBER OF COMMERCE & INDUSTRY	Value Adder to Economy 2013 - Second in Exportation
TOFAŞ	BURSA CHAMBER OF COMMERCE & INDUSTRY	Value Adder to Economy 2013 - Innovation
FIAT	AUTOBEST	Ecobest 2013 - Fiat, brand with the most environment friendly products and technologies
FIAT	MEDIACAT	8th MediaCat Felis Awards - Best Journal Media Usage
FIAT	MEDIACAT	8th MediaCat Felis Awards - In Movie category - Automotive, Automotive Products and Services
FIAT	GREENFLEET	Light Commercial Vehicle Manufacturer of the Year
FIAT	ODD	Fiat Linea as the most preferred automobile model
FIAT	ODD	Journal Application of the Year: Fiat "500 Magnetic Rim"
FIAT	ODD	Turkcell Mobile Communication Award
LANCIA	ODD	Fastest Growing Automobile Brand
MASERATI	GOLDEN STEERING WHEEL	Turkish Luxury Segment Winner - Maserati Ghibli



Section 3

- 2013 Profit Distribution Proposal
- 2013 Dividends Distribution Table (TL)
- Independent Auditor's Report and *ve* Financial Statements



2013 Profit Distribution Proposal

As per Vol: II - 14.1 "Communiqué on Principles Regarding Financial Reporting in Capital Markets" and II - 19.1 "Communiqué on Dividends"; as is clear by review of 2013 consolidated Balance Sheet and Income Statement created in accordance with International Financial Reporting Standards (IFRS) system, net term profit of the Company in 2013 is 434,223 thousand TL with the net tax allocations deducted. Total amount of donations and grants given to foundations and associations for social support purposes is 4,405,437.59 TL. It is estimated that:

A total of 325,000,000 TL cash dividends corresponding to a rate of 65.00% will be paid to Shareholders after deduction of the legal obligations from net profit as per Turkish Commercial Code, Capital Markets Legislation, Articles of Association and Profit Distribution Policy,

One Kr 0.650 Gross=Net cash dividend will be paid in exchange of one share with a nominal value of Kr 1 corresponding to a rate of 65.00% to all full liability entities and limited liability entities that obtain dividends by means of a place of business and a permanent representative in Turkey,

A Kr 0.650 gross and Kr 0.5525 net cash dividend will be paid in exchange of one share with a nominal value of Kr 1 corresponding to a rate of 65.00% to other shareholders, and; Distribution of dividends will start on 4 April 2014. Therefore, we submit 2013 consolidated Balance Sheet and Income Statement to the approval of the Shareholders' General Assembly and offer that such dividends are distributed as of the distribution start date as specified,

We offer our best regards to our Shareholders and to your Assembly.



Mustafa V.Koç
Chairman of the Board of Directors

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
2013 Dividends Distribution Table (TL)

TOFAŞ ANNUAL REPORT 2013

1. Paid in Share Capital		500,000,000.00
2. Legal Reserves (According to Legal Books)		166,879,798.28
Information on privileges related to the distribution of profit pursuant to the Articles of Association, if any		
	According to CMB	According to Legal Records (LR)
3. Term Profit	477,075,000.00	356,491,571.19
4. Taxes (-)	42,852,000.00	9,408,094.39
5. Net Income For the Year (=)	434,223,000.00	347,083,476.80
6. Losses Pertaining to Previous Years (-)		
7. Legal Reserves (-)		
8. NET DISTRIBUTABLE TERM PROFIT (=)	434,223,000.00	
9. Donations Within the Year (+)	4,405,437.59	
10. Net Distributable Term Profit with Donations	438,628,437.59	
11. Primary Dividends for Shareholders		
- Cash	325,000,000.00	
- Non-Paid		
- Total	325,000,000.00	
12. Dividends Distributed to Preferred Shareholders	0.00	
13. Other Dividends Distributed		
- To Members of the Board of Directors,		
- To Employees		
- To Persons Other Than Shareholders	0.00	
14. Dividends Distributed to Redeemed Shareholders		
15. Secondary Dividends for Shareholders	0.00	
16. Legal Reserves	30,000,000.00	
17. Status Reserves		
18. Special Reserves		
19. EXTRAORDINARY RESERVES	79,223,000.00	0.00
20. Other Resources Planned for Distribution	0.00	7,196,839.27

Dividends Distribution Table of TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. for 2013

GROUP		Total Dividends Distributed		Total Dividends Distributed Net / Distributed Term Profit	Dividends Corresponding To Shares With A Nominal Value Of TL 1	
NET		CASH (TL)	NON-PAID(TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
A	(Real person)	644,238.30		0.15	0.5525	55.25
A	(Legal Entity)	122,273,979.55		28.16	0.6500	65.00
D		104,577,120.93		24.08	0.5525	55.25
E		67,095,758.16		15.45	0.5525	55.25
TOTAL		294,591,096.94	00.00	67.84		

**TOFAŞ TÜRK OTOMOBİL FABRİKASI
ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

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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 balance sheet of Tofaş Türk Otomobil Fabrikası A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tofaş Türk Otomobil Fabrikası A.Ş. and its subsidiaries as at 31 December 2013 and their performance and cash flows for the year then ended in accordance with Turkish Accounting Standards (Note 2).

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat 9 Akaretler Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr Telephone: +90 (212) 326 6060 Facsimile: +90 (212) 326 6050

Other 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.

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

6. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January 31 December 2013 is not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.
7. Pursuant to Article 378 of Turkish Commercial Code no 6102, Board of Directors of publicly traded companies are required to form an expert committee and to run and develop the necessary system for purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the Code, the auditor is required to prepare a separate explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management and, if such a system exists, the report, the principles of which shall be announced by the POA, shall be describe the structure of the system and the practises of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on 1 October 2012 and it is comprised of 4 members. The committee has met 6 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Group and its development, applying the necessary measures and remedies in this regard, and managing risks, and has submitted the relevant reports to the Board of Directors.

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



Zeynep Uras, SMMM
Partner

Istanbul, 4 February 2014

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012**

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

	Notes	Audited 2013	Audited (restated) 2012
ASSETS			
Current assets:			
Cash and cash equivalents	3	1.673.250	1.637.362
Financial assets	4	73.545	169
Trade receivables			
- Due from related parties	25	239.587	502.535
- Other trade receivables	6	271.497	263.849
Receivables from finance sector operations	8	664.872	679.747
Other receivables	7	215	169
Inventories	9	379.433	383.752
Prepaid expenses	16	20.746	19.742
Current tax assets	23	30.683	-
Other current assets	16	51.716	78.432
Total current assets		3.405.544	3.565.757
Non-current assets:			
Receivables from finance sector operations	8	537.011	497.911
Investment properties	10	27.805	24.100
Property, plant and equipment	11	1.261.168	1.255.773
Intangible assets	12	622.867	684.061
Deferred tax assets	23	13.990	9.768
Prepaid expenses	16	54.387	12.322
Other non-current assets		5.430	3.440
Total non-current assets		2.522.658	2.487.375
Total assets		5.928.202	6.053.132

These consolidated financial statements as of and for the year ended 31 December 2013 have been approved for issue by the Board of Directors on 4 February 2014 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.

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.**CONSOLIDATED BALANCE SHEETS****AT 31 DECEMBER 2013 AND 2012**

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

	Notes	Audited 2013	Audited (restated) 2012
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	58.547	89.698
Short-term portion of long-term financial liabilities	5	944.798	851.518
Trade payables			
- Due to related parties	25	705.832	859.623
- Other trade payables	6	664.280	483.110
Employee benefit liabilities	15	27.632	26.354
Deferred income	16	22.820	18.193
Income taxes payable	23	-	384
Government incentives and grants	13	22.275	22.275
Provisions	14	63.374	66.864
Other current liabilities	16	56.154	38.266
Total current liabilities		2.565.712	2.456.285
Non-current liabilities:			
Long-term financial liabilities	5	1.280.886	1.344.528
Government incentives and grants	13	43.663	61.636
Long-term provisions			
- Provisions for employment termination benefits	15	139.127	128.582
Total non-current liabilities		1.463.676	1.534.746
Total liabilities		4.029.388	3.991.031
Equity:			
Paid-in share capital	17	500.000	500.000
Inflation adjustment on equity items		348.382	348.382
Other comprehensive income/(losses)	17		
to be reclassified under profit or losses			
- Cumulative losses on hedging	17	(247.611)	(132.687)
- Actuarial loss on post employment			
termination benefit obligation	17	(11.856)	(9.270)
Restricted reserves	17	187.983	149.301
Retained earnings	17	687.693	764.336
Net profit for the year		434.223	442.039
Total equity		1.898.814	2.062.101
Total liabilities and equity		5.928.202	6.053.132

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

**CONSOLIDATED PROFIT OR LOSS
FOR THE PERIODS ENDED 31 DECEMBER 2013 AND 2012**

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

	Notes	Audited 2013	Audited (restated) 2012
Revenue	18	7.037.954	6.705.274
Cost of sales (-)	18	(6.216.058)	(5.924.196)
Gross profit from operations		821.896	781.078
Revenue from finance sector operations		177.983	188.344
Expenses from finance sector operations(-)		(125.546)	(135.669)
Gross profit from finance sector operations		52.437	52.675
Gross profit		874.333	833.753
Marketing selling and distribution expenses (-)	19	(216.522)	(202.343)
General administrative expenses (-)	19	(157.907)	(136.646)
Research and development expenses (-)	19	(12.753)	(14.858)
Other income from main operations	21	200.630	261.666
Other expense from main operations (-)	21	(313.963)	(209.500)
Operating profit		373.818	532.072
Financial income/(expense)	22	103.257	(34.632)
Profit before tax		477.075	497.440
Tax expense for the period		(42.852)	(55.401)
- Taxes on income	23	(17.697)	(21.594)
- Deferred tax expense	23	(25.155)	(33.807)
Net profit for the period		434.223	442.039
Attributable to:			
Non-controlling interests		-	-
Parent company interests		434.223	442.039
Earnings per share (Kır)	24	0,87	0,88

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2013 AND 2012

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

Notes	Audited 2013	Audited (restated) 2012
Net profit for the period	434.223	442.039
Other comprehensive income:		
Other comprehensive income/(losses) to be reclassified under profit or losses		
- Cumulative (losses)/gains on cash flow hedge accounting	(114.924)	74.449
- Actuarial (gain) / loss on post employment termination benefit obligation	(2.586)	6.286
Other comprehensive (expense)/ income (after tax)	(117.510)	80.735
Total comprehensive income	316.713	522.774
Attributable to:		
Non-controlling interests	-	-
Parent company interests	316.713	522.774

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2013 AND 2012

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

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Cumulative (losses)/gains on hedging (*)	Cumulative actuarial losses/(gains) (*)	Prior year's profit/(loss)	Net profit for the period	Total equity
Balances at 1 January 2012								
(previously reported)	500.000	348.382	114.560	(207.136)	-	559.356	474.165	1.789.327
Adjustments related to changes in accounting standards (Note 2)	-	-	-	-	(15.556)	-	15.556	-
Balances at 1 January 2012 (restated)	500.000	348.382	114.560	(207.136)	(15.556)	559.356	489.721	1.789.327
Transfers	-	-	34.741	-	-	454.980	(489.721)	-
Dividends paid	-	-	-	-	-	(250.000)	-	(250.000)
Total comprehensive income (*)	-	-	-	74.449	6.286	-	442.039	522.774
Balances at 31 December 2012 (restated)	500.000	348.382	149.301	(132.687)	(9.270)	764.336	442.039	2.062.101
Balances at 1 January 2013 (previously reported)	500.000	348.382	149.301	(132.687)	-	748.780	448.325	2.062.101
Adjustments related to changes in accounting standards (Note 2)	-	-	-	-	(9.270)	15.556	(6.286)	-
Balances at 1 January 2013 (restated)	500.000	348.382	149.301	(132.687)	(9.270)	764.336	442.039	2.062.101
Transfers	-	-	38.682	-	-	403.357	(442.039)	-
Dividends paid	-	-	-	-	-	(480.000)	-	(480.000)
Total comprehensive income (*)	-	-	-	(114.924)	(2.586)	-	434.223	316.713
Balances at 31 December 2013	500.000	348.382	187.983	(247.611)	(11.856)	687.693	434.223	1.898.814

(*) Net off deferred tax amount.

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2013 AND 2012**

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

	Notes	Audited 2013	Audited (restated) 2012
Cash flows from operating activities			
Profit before tax		477.075	497.440
Adjustments to reconcile income before tax to net cash generated from operating activities			
Depreciation and amortization	11, 12	324.276	346.669
Interest expense		40.474	71.265
Interest income		(90.531)	(101.697)
Provision for employment termination benefits and unused vacation liability		22.165	46.450
Gain on sale of property, plant and equipment		(187)	(1.790)
Warranty provision		46.878	29.764
Provision from automotive and finance sector operations		6.131	3.347
Provision for legal cases		-	(2.000)
Income from revaluation of investment properties	10	(3.705)	(2.000)
Operating profit before working capital changes		822.576	887.448
Net working capital changes in:			
Trade receivables and due from related parties		254.040	398.577
Inventories		4.319	(3.700)
Other current/non-current assets and other receivables		(18.389)	5.298
Receivables from finance sector operations		(29.096)	(101.076)
Trade payables and due to related parties		27.379	(267.884)
Other current liabilities		17.888	(2.928)
Other current and non-current liabilities, provisions and government incentives and grants		(13.962)	(7.881)
Employee termination benefits paid		(14.852)	(12.953)
Taxes paid		(18.081)	(11.871)
Warranty payments		(43.296)	(41.756)
Net cash generated from operating activities		988.526	841.274
Investing activities			
Interest received		94.655	101.697
Financial investments matured		(73.413)	60.424
Financial assets		(46)	(169)
Purchase of tangible and intangible assets	11, 12	(271.491)	(205.776)
Proceeds from sale of tangible and intangible assets		3.201	8.567
Net cash used in investing activities		(247.094)	(35.257)
Financing activities			
Interest paid		(40.564)	(74.291)
Dividend paid		(480.000)	(250.000)
Proceeds from bank loans		78.230	131.050
Bank loans paid		(259.086)	(307.093)
Net cash generated from financing activities		(701.420)	(500.334)
Net increase in cash and cash equivalents		40.012	305.683
Cash and cash equivalents at the beginning of the year		1.630.455	1.324.772
Cash and cash equivalents at the end of the year		1.670.467	1.630.455

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

(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 2013 and 31 December 2012 which are subject to consolidation are as follows:

Name of the company	Operating area	% of ownership	
		2013	2012
Koç Fiat Kredi Tüketici Finansmanı A.Ş. ("KFK")	Consumer financing	%99,9	%99,9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	%100	%99,4

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

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

	2013	2012
Blue-collar	4.930	5.983
White-collar	1.389	1.319
	6.319	7.302

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013

(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 accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards.

In accordance with the decision taken in the CMB meeting numbered 20/670 held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period.

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, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

Group and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

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. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

The Group has amended the calculation method of unused and deferred investment incentive used in corporate tax income calculation and correspondingly in the final Corporate Tax Income Declaration, subject to tax calculation in the consolidated financial statements at 31 December 2012. As a result of the mentioned method change and in order to be consistent with the financial statements of the current period, "Deferred tax asset" and "Income taxes payable" classified under the consolidated balance sheets at 31 December 2012, have increased by TRY5.809 and "Deferred tax expense" classified under the consolidated profit or loss have decreased by TRY5.809 and "Taxes on payable" classified under the consolidated profit or loss have increased by TRY5.809 accordingly.

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

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

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

2.1.2 Comparatives and adjustment of prior periods' financial statements (Continued)

In accordance with the decision taken in the CMB meeting numbered 20/670 held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period.

Reclassifications made in the consolidated balance sheet as of 31 December 2012 are as follows:

- Prepaid expenses and inventory advances given amounting to 15.007 TL and 4.735 TL respectively, reclassified in "Other Current Assets", is presented separately as "Prepaid expenses" in the consolidated balance sheet.
- Property, plant and equipment advances given amounting to 12.322 TL in "Other current assets" is presented separately as "prepaid expenses" in the consolidated balance sheet.
- Due to personnel amounting to 21.115 TL in "Other current liabilities" is presented separately as "Employment post termination benefits" in the consolidated balance sheet.
- "Deferred revenue" amounting to 18.193 TL reclassified under "Other current liabilities", is presented separately in the consolidated balance sheet.
- Provision for the employee benefits amounting to 5.239 TL reclassified under "Provisions" is presented separately as "Provision for employment termination benefits" in the consolidated balance sheet.
- Withholding taxes amounting to 14.211 TL reclassified under "Other current assets" are reclassified under "Income tax assets".

Reclassifications made in the consolidated profit or loss as of 31 December 2012 are as follows:

- Foreign exchange gain and losses and interest income and losses amounting to 244.042 TL and 196.569 TL respectively, accounted under the accounts of "Financial income" and "Financial expenses" are related with trade receivables and payables and not related with financing activities, reclassified under the accounts of "Other income from main activities" and "Other expenses from main activities".

According to TAS 19 (amendment), "Employee benefits", effective for annual periods beginning on or after 1 January 2013, changes in the standard should be applied retrospectively and the previous year's financial statements should be restated. Accordingly, gains/losses occurred due to the changes in the actuarial assumptions used in the calculation of employee termination benefit should be reclassified to the comprehensive profit or loss. In this context, Group has restated its consolidated financial statements as of 31 December 2012. Accordingly, actuarial loss amounting to 11.588 TL in gross, deducting its tax effect amounting to 2.318 TL, 9.270 TL net amount is reflected to other comprehensive income.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013

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

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

2.1.2 Comparatives and adjustment of prior periods' financial statements (Continued)

As of 31 December 2013, the effect of restated comparative information of 31 December 2012 and 1 January 2012, over reported financial statements in previous periods are as follow:

	31 December 2012	1 January 2012
Net profit for the period	(6.286)	15.556
Other comprehensive income	6.286	(15.556)

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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

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

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

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:

- a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- b) 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 2013, general provisions for finance loans amounted to TRY12.422 (2012: TRY13.453) has been booked in the consolidated financial statements. (Note 8)
- c) Regarding to the machinery, plant and equipments used in production of Doblo project, Group management made an assessment within the framework of TAS 16 and TAS 8 and decided to extend the economic life of the related machinery, plant and equipments for 3 years. This accounting estimation change has been reflected to the consolidated financial statements as of 31 December 2013. Had the company not changed its accounting estimation, current year expense would be TRY44.017 more.

2.2 Amendments in International Financial Reporting Standards

Group has implemented the new and revised standards and interpretations effective from 1 January 2013 which are related to its main operations.

(a) Standards, Amendments and IFRICs applicable to 31 December 2013 year ends

- Amendment to TAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- Amendment to TAS 19, 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- Amendment to TFRS 1, 'First time adoption', on government loans; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to TFRS. It also adds an exception to the retrospective application of TFRS, which provides the same relief to first-time adopters granted to existing preparers of TFRS financial statements when the requirement was incorporated into TAS 20 in 2008.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013

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

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

- Amendment to TFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting,; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare TFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- Amendment to TFRSs 10, 11 and 12 on transition guidance; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to TFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before TFRS 12 is first applied.
- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013. These annual improvements, address six issues in the 2009-2011 reporting cycle.
 - TFRS 1, 'First time adoption',
 - TAS 1, 'Financial statement presentation',
 - TAS 16, 'Property plant and equipment',
 - TAS 32, 'Financial instruments; Presentation'
 - TAS 34, 'Interim financial reporting'.
- TFRS 10, 'Consolidated financial statements'; is effective for annual periods beginning on or after 1 January 2013. The objective of TFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- TFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. TFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- TFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. TFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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

- TFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. The requirements, which are largely aligned between TFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within TFRSs or US GAAP.
- TAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. TAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of TAS 27 have been included in the new TFRS 10.
- TAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. TAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of TFRS 11.
- IFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under TFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

(b) New TFRS standards, amendments and IFRICs effective after 1 January 2014

- Amendment to TAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014. These amendments are to the application guidance in TAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to TFRS 10, 12 and TAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made TFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to TAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to TAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria

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

- TFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- TFRS 9 'Financial instruments' - classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace TAS 39, 'Financial instruments: Recognition and measurement'. TFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the TAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

Amendments to TFRS 9, 'Financial instruments', regarding general hedge. These amendments to TFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

- Amendment to TAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards:
 - TFRS 2, 'Share-based payment'
 - TFRS 3, 'Business Combinations'
 - TFRS 8, 'Operating segments'
 - TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
 - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
 - TAS 39, Financial instruments - Recognition and measurement'.

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

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2012-2013 cycle of the annual improvements project that affect 4 standards:

- TFRS 1, 'First time adoption'
- TFRS 3, 'Business combinations'
- TFRS 13, 'Fair value measurement' and
- TAS 40, 'Investment property'.

The Group assumed that the given amendments and interpretations has no material effect on the consolidated 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).

Financial assets

Financial assets within the scope of TAS 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 profit or loss.

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

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.

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.

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

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 profit or loss 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.

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).

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

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 TAS 40 "Investment Property" for the first time in 2011 and measured the investment properties using the fair value model. According to the TAS 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.

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.

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

The depreciation terms are as follows;

	Duration (years)
Land improvements	33
Buildings	33
Machinery and equipment	12 - 32
Motor vehicles	4 - 10
Furniture and fixtures	8 - 14
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).

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).

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

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.

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.

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

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.

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 2013, the Group has capitalized borrowing costs amounting to TRY846 (31 December 2012: TRY1.314).

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.

According to TAS 19 (amendment), "Employee benefits", effective for annual periods beginning on or after 1 January 2013, changes in the standard should be applied retrospectively and the previous year's financial statements should be restated. Accordingly, gains/losses occurred due to the changes in the actuarial assumptions used in the calculation of employee termination benefit should be reclassified to the comprehensive profit or loss. In this context, Group has restated its consolidated financial statements as of 31 December 2012. Accordingly, actuarial loss amounting to 11.588 TL in gross, deducting its tax effect amounting to TRY2.318, TRY9.270 net amount is reflected to other comprehensive income.

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

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).

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, in accordance with the period determined in the agreement 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 2021.

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.

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 (loss)/gain 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.

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

Related parties

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) 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

	2013	2012
Cash in hand	5	4
Due from banks		
- demand deposits	92.947	148.900
- time deposits	1.580.298	1.488.458
Total	1.673.250	1.637.362

The breakdown of time deposits is as follows:

	2013		2012	
	Amount (TRY equivalent)	Effective interest rate per annum (%)	Amount (TRY equivalent)	Effective interest rate per annum (%)
TRY	848.965	8,25-9,90	1.164.019	7,6-9
EUR	731.333	2,85-3,60	324.439	2,7-3,4
Total	1.580.298		1.488.458	

As of 31 December 2013, the maturities of time deposits vary between 1 and 47 days (31 December 2012: between 1 and 82 days).

As of 31 December 2013, the cash at banks comprise deposits amounting to TRY1.179.705 (31 December 2012: TRY564.220) which are deposited at a bank which is a related party of the Group.

As of 31 December 2013 and 2012, the reserves of cash and cash equivalent in cash flow statement;

	2013	2012
Cash and banks	1.673.250	1.637.362
Less: interest accruals	(2.783)	(6.907)
	1.670.467	1.630.455

NOTE 4 - FINANCIAL ASSETS

a) Short-term financial assets

Short term financial assets of the Group consists of time deposits amounting to TRY73.413 with a maturity of 181 days containing an interest rate of 3,3%. (31 December 2012: None).

b) Available for sale financial investments

As of 31 December 2013, the Group has available for sale financial investments amounting to TRY132 (31 December 2012: TRY169).

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NOT 5 - FİNANSAL BORÇLANMALAR

a) Short-term financial liabilities

	2013			2012		
	Original Amount (thousand)	Amount (TRY)	Interest rate (%)	Original amount (thousand)	Amount (TRY)	interest rate (%)
Borrowings in TRY (*)	-	58.547	8,50 -11	-	64.723	7,99-15,68
Borrowings in EUR	-	-	-	10.620	24.975	6,77
Total		58.547			89.698	

b) Short-term portion of long-term financial liabilities

	2013			2012		
	Original amount (thousand)	Amount (TRY)	Effective interest rate per annum (%)	Original amount (thousand)	Amount (TRY)	Effective interest rate per annum(%)
Borrowings in TRY (*)	-	292.781	7,25 -14,35	-	269.849	4,51-5,78
Borrowings in EUR (*)	148.122	434.959	Euribor + 0,15	132.051	310.544	Euribor + 0,15
			Euribor + 1,96			Euribor + 1,96
Bonds ^(1,2,3,..8)	-	217.058	6,76 - 10,27	-	271.125	7,56-13,78
Total		944.798			851.518	

c) Long-term financial liabilities

	31 December 2013			31 December 2012		
	Original amount (thousand)	Amount (TRY)	Effective interest rate per annum (%)	Original amount (thousand)	Amount (TRY)	Effective interest rate per annum(%)
Borrowings in TRY (*)	-	343.965	7,25-14,35	-	244.202	4,51 - 5,78
Borrowings in EUR	253.156	743.392	Euribor+0,15	375.514	883.097	Euribor + 0,15
			Euribor+1,96			Euribor + 1,96
Bonds ^(1,2,3,..8)	-	193.529	6,76-10,27	-	217.229	7,56 - 13,78
Total		1.280.886			1.344.528	

(*) 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 1 November 2010 of Group's subsidiary KFK, 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 2010 with 36 months maturity, 9,36% coupon interest rate, and TRY30.000 nominal value at maturity as interest payment every 6 months and principal + interest payment at the maturity. These commercial papers were sold to Yapı Kredi Bank A.Ş. which is a related party to the Group with closed issuance.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

(2) Based on the board of directors meeting decisions at 10 February 2010 and 18 October 2012 of Group's subsidiary KFK, 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 nominal value at maturity. These commercial papers were sold to Yapı Kredi Yatırım Menkul Değerler A.Ş. which is a related party to the Group with exclusive issuance

(3) Based on the board of directors meeting decision at 18 October 2012 of Group's subsidiary KFK, 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 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.

(4) Based on the board of directors meeting decision at 18 October 2012 of Group's subsidiary KFK, 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 nominal value 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.

(5) Based on the board of directors meeting decision at 4 April 2013 of Group's subsidiary KFK, 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 27 May 2013 with 24 months maturity, 6,76% 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

(6) Based on the board of directors meeting decision at 4 April 2013 of Group's subsidiary KFK, 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 27 May 2013 with 20 months maturity, 6,80% coupon interest rate, 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.

(7) Based on the board of directors meeting decision at 4 April 2013 of Group's subsidiary KFK, 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 30 September 2013 with 21 months maturity, 9,72% coupon interest rate, and nominal value with principle and interest payment at maturity. These commercial papers were sold TSKB A.Ş. which is a conduit with closed issuance.

(8) Based on the board of directors meeting decision at 4 April 2013 of Group's subsidiary KFK, according to the Capital Market Law no 2499 with the necessary permission, commercial papers amounting to TRY60.000 comprise of bonds which is issued on 14 November 2013 with 24 months maturity, 10,27% coupon interest rate and 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 bear floating interest rates.

As of 31 December 2013, TRY116.868 (31 December 2012: TRY400.752) of short-term and long-term financial liabilities are obtained was through banks which are related parties of the Group.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the long-term bank borrowings as of 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
1-2 years	861.748	749.180
2-3 years	219.542	287.749
3-4 years	184.493	147.751
4-5 years	15.103	147.751
5 years and more	-	12.097
Total	1.280.886	1.344.528

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 2013, the remaining balance of the loan is TRY232.166 (equivalent of EUR79.062 thousand) (31 December 2012: 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.

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 Estero S.p.A. (SACE) as guarantor role in the consortium amounting to EUR 450 million. The loans, amounting to TRY677.562 (equivalent of EUR230.738 thousand) have been utilized as of 31 December 2013 (31 December 2012: TRY678.285 equivalent of EUR288.423 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 2013, the remaining balance of the loan amount to TRY75.509 (corresponding to EUR25.714 thousand).

The Group has obtained a credit by TRY119.702 (equivalent of EUR40.764) from Citibank N.A. on 11 April 2011 and credit by TRY73.412 (EUR25.000) in total on 18 December 2013 and 27 December 2013 from Eximbank. (2012: TRY141.102 (EUR60.000)).

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 December 2013	31 December 2012
Trade receivables	273.184	264.576
Doubtful trade receivables	7.448	6.168
Less: provision for doubtful receivables	(7.210)	(5.950)
Less: unearned credit finance income	(1.925)	(945)
Total	271.497	263.849

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of the provision for doubtful receivables is as follows:

	2013	2012
1 January	5.950	4.715
Increase in the provision during the year	1.260	1.235
31 December	7.210	5.950

Collateral received related with trade receivables

As of 31 December 2013, 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 TRY48.065, TRY17.207, TRY11.137 and TRY414.954, respectively (2012: letter of guarantees amounting to TRY21.485, guarantee notes amounting to TRY14.846, mortgages amounting to TRY7.787 and direct debit system limit amounting to TRY412.244).

b) Trade payables	2013	2012
Trade payables	666.610	484.427
Less: not accrued credit finance expense	(2.330)	(1.317)
Total	664.280	483.110

NOTE 7 - OTHER RECEIVABLES

Other receivables

As of 31 December 2013 other receivables of the Group consists of given deposits and guarantees, amounting to TRY215 (2012: TRY169).

NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2013	2012
Short-term consumer financing loans	644.371	667.194
Non-performing loans	40.190	27.778
	684.561	694.972
Provisions for impairment on loans		
Less: provision for specific loan impairment	(12.828)	(6.944)
Less: provision for general loan impairment	(6.861)	(8.281)
Total	664.872	679.747
Long-term consumer financing loans	542.572	503.065
Less: provision for general loan impairment		
Provision for general loan impairment	(5.561)	(5.154)
Total	537.011	497.911

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NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

As of 31 December 2013, TRY denominated loans originated by the Group bear interest rates ranging between 0,70% and 1,73% per month (2012: between 0,78% and 1,75%) and 0,75%, respectively (31 December 2012: 0,75%). As of 31 December 2012, foreign currency denominated loans originated by the Group interest rates is 0,75%.

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

Years	2013	2012
1 to 2 years	353.106	359.193
2 to 3 years	135.577	131.675
3 to 4 years	53.889	12.197
Total	542.572	503.065

Movements in the allowance for loan impairment are as follows:

	2013	2012
1 January	20.379	17.032
Current year provision	6.141	4.169
Recoveries from loans under follow-up	(1.270)	(822)
31 December	25.250	20.379

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. As of 31 December 2013, the fair value of guarantees obtained for the consumer loans, which have been impaired, amounts to TRY1.367 (2012: TRY1.357). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY12.828 (2012: TRY6.944).

NOTE 9 - INVENTORIES

	31 December 2013	31 December 2012
Raw materials	99.703	102.129
Work-in-progress	82.255	72.375
Finished goods	27.270	77.434
Imported vehicles	60.949	51.009
Spare parts	34.577	33.224
Goods in transit	77.604	52.308
Less: provision for impairment on inventories (-)	(2.925)	(4.727)
Total	379.433	383.752

NOTE 10 - INVESTMENT PROPERTIES

For the years ended 31 December 2013 and 2012, the movement of investment properties is as follows:

	2013	2012
1 January, net book value	24.100	22.100
Fair value increase (*)	3.705	2.000
31 December, net book value	27.805	24.100

(*) As of 31 December 2013, the fair value of the property has been determined as TRY27.805 (2012: TRY24.100), by using benchmarking method. As a result of the revaluation of the investment property, revaluation gains amounting to TRY3.705 (2012: TRY2.000) has been accounted for under other income. Relevant valuation report is 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 2013, 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	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)
Net book value	158.658	877.773	95.231	9.024	5.158	109.929	1.255.773
1 January 2013, net book value	158.658	877.773	95.231	9.024	5.158	109.929	1.255.773
Additions	-	128	53	-	-	181.536	181.717
Disposals, net	-	(675)	(518)	(1.821)	-	-	(3.014)
Transfers (*)	7.303	49.044	24.662	5.337	-	(86.346)	-
Depreciation charge for the year	(7.043)	(140.046)	(22.606)	(3.277)	(336)	-	(173.308)
31 December 2013, net book value	158.918	786.224	96.822	9.263	4.822	205.119	1.261.168
As of 31 December 2013							
Cost	362.559	3.234.464	352.266	39.832	10.233	205.119	4.204.473
Accumulated depreciation	(203.641)	(2,448.240)	(255.444)	(30.569)	(5,411)	-	(2,943.305)
31 December 2013, net book value	158.918	786.224	96.822	9.263	4.822	205.119	1.261.168

As of 31 December 2013, there are no pledges or collaterals on property, plant and equipment.

As of 31 December 2013, total cost of fully depreciated non current assets, still in use, is TRY1.849.701.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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, total cost of tangible assets which are fully depreciated and still in use amounts to TRY 1,870,509.

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NOTE 12 - INTANGIBLE ASSETS

During the year ended 31 December 2013 and 2012, the movement of intangible assets is as follows:

	Licenses fee and development costs	Others	Total
1 January 2012			
Cost	1.380.923	58.403	1.439.326
Accumulated amortization	(720.699)	(34.566)	(755.265)
Net book value	660.224	23.837	684.061
1 January 2013, net book value	660.224	23.837	684.061
Additions	83.464	6.310	89.774
Amortization charge for the year	(143.083)	(7.885)	(150.968)
31 December 2013, net book value	600.605	22.262	622.867
As of 31 December 2013			
Cost	1.464.387	64.713	1.529.100
Accumulated amortization	(863.782)	(42.451)	(906.233)
31 December 2013, net book value	600.605	22.262	622.867
As of 1 January 2011			
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

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 TRY140.213 (31 December 2012: TRY106.514), which are not determined as ready for use and therefore, not started to be amortized.

As of 31 December 2013, gross book value of intangible assets which are fully depreciated and still in use amounts to TRY180.516 (31 December 2012: TRY178.231).

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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.
- iii) Corporate tax exemption

As of 31 December 2013 the amount of unused investment allowance is TRY2.209.950 (2012: TRY2.452.819). As of 31 December 2011, the Group had written off deferred tax assets arising from such unused investment incentives through profit or loss. 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 TRY429.396 in the context of the investment certificate obtained on 2009 and on 2013 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 2013, total amount of research and development expenses of the Group is TRY111.457. The amount subject to corporate income tax R&D allowance is TRY74.923 after deduction of Technology and Innovation Funding Programs Directorate ("TEYDEB") supports collected during the year amounting to TRY33.368 and TRY3.166 which is not subject to corporate income tax research and development allowance. As of 31 December 2012, there is no research and development allowance used

As of 31 December 2013 government incentives of the Group amounting to TRY22.275 short term and TRY43.663 long term, total of TRY65.938 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:	2013	2012
Provision for warranty	50.651	47.069
Provision for legal cases	4.407	4.407
Administrative expense accruals	1.209	6.597
Other	7.107	8.791
Total	63.374	66.864

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

	2013	2012
1 January	47.069	59.061
Paid during the year	(43.296)	(41.756)
Increase in provision during the year	46.878	29.764
31 December	50.651	47.069

Movement of the provision for litigation is as follows:

	2013	2012
1 January	4.407	6.407
Decrease in provision during the year	-	(2.000)
31 December	4.407	4.407

Litigations against the Group

As of 31 December 2013 the total amount of outstanding legal claims brought against the Group is TRY7.670 (31 December 2012: TRY8.882). The Group has reflected a reserve amounting to TRY4.407 (31 December 2012: TRY4.407) in the financial statements.

Tax penalties

The tax audit reports related with 2008-2010 financial years that have been prepared following a tax inspection, are delivered to the Company in December 2013 by the Presidency of Tax Audit Committee of İstanbul Large Scaled Tax Payers. In these tax audit reports, various payments made to foreign based tax payer institutions are criticised because of withholding and VAT as a responsible issues. In accordance with the tax audit reports, Tofaş is imposed to pay 13,4 million TRY as tax base and TRY23,8 million tax penalty in 2008, TRY8,4 million tax base and TRY 14,9 million tax penalty in 2009, TRY9,1 million tax base and TRY16,2 million tax penalty in 2010. The announcement of these reports and their details had been made by the Company on 16 December 2013 and 30 December 2013 via POA.

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

According to the Company, practices subject to criticism, is in compliance and consistent with the related regulations and international agreements regarding to the prevention of double taxation. The Company is planning to perform all its legal rights including settlement and all other legal process with regard to these reports. In case of a possible legal process, it is more likely to result in favor of the Company than against the Company, no additional provision is reflected to the financial statements of the Company.

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 2013 and 2012 is as follows:

	2013	2012
A. Total amount of Guarantees provided by the Company on behalf of itself	10.075	7.390
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	-	-
	10.075	7.390

As of 31 December 2013 and 2012, 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 2013 the Group has USD822 million of export commitments to be realized until 08 April 2014 in connection with the export incentive certificates. In connection with these export incentives certificates USD916 million of the committed export sales. As of 31 December 2013 the Group has USD1.512 million of export commitments to be realized until 15 November 2013 in connection with the export incentive certificates. In connection with these export incentives certificates USD1.595 million of the committed export sales have been realized as of 31 December 2013 (As of 31 December 2012 the Group has USD1.512 million of export commitments to be realized until 15 March 2013. In connection with these export incentives certificates USD 769.563 million of the committed export sales have been realized as of 31 December 2011). In addition to this, the Group has USD767 million of export commitments to be realized until 6 October 2014 in connection with the export incentive certificates. In connection with these export incentives certificates USD453 million of the committed export sales have been realized as of 31 December 2013.

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 2013.

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NOTE 15 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	2013	2012
Payables to employees	20.856	21.115
Unused vacation provision	6.776	5.239
Total	27.632	26.354

b) Long-term 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 TRY3.254,44 (31 December 2012: exact TRY3,033.98) per year of employment at the rate of pay applicable at the date of retirement or termination.

As of 1 January 2014, the retirement pay liability ceiling is increased to TRY3.438,22.

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 TAS 19. Assumptions used in the calculations are as follows:

	2013	2012
Discount rate, net	%4,78	%3,86
Estimated turnover rate for retirement	%100	%99

Movement in reserve for employee termination benefits for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012
1 January	128.582	102.942
Service expenses	12.447	36.321
Interest expenses	9.718	10.129
Payments during the period	(14.852)	(12.953)
Actuarial loss/(gain)	3.232	(7.857)
31 December	139.127	128.582

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NOTE 16 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	2013	2012
VAT receivables	46.351	24.143
Income accruals	3.171	33.498
Other	2.194	20.791
Total	51.716	78.432

b) Current prepaid expenses

	2013	2012
Credit commission expenses (*)	12.554	13.022
Advances given	3.053	4.735
Other	5.139	1.985
Total	20.746	19.742

(*) Credit commission expenses are composed of the credit commission given to dealers in advance by KFK as of 31 December 2013 and 2012.

c) Non-current prepaid expenses:

As of 31 December 2013, TRY54.387 (2012: TRY12.322) non-current prepaid expenses are composed of advances given for fixed asset purchases.

d) Other current liabilities

	2013	2012
Tax payables	20.329	14.450
Expense accrual	19.794	7.193
Social Security Premiums payable	10.457	8.574
Advances received	769	2.007
Derivative financial assets	-	3.593
Other	4.805	2.449
Total	56.154	38.266

e) Deferred income

As of 31 December 2013, deferred income amounting to TRY22.820 (2012:TRY18.193) composed of intelligence income of consolidated subsidiary KFK.

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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 2013 and 2012 is TRY500 million (exact TRY) and consists of 50 billion shares with TRY0,01 (exact TRY) par value each. As of 31 December 2013 and 2012, the breakdown of issued share capital of the Company is as follows:

	Share Group	2013		2012	
		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

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.

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NOTE 17 - SHAREHOLDER'S EQUITY (Continued)

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.

In accordance with the decision taken at the General Assembly Meeting held on 4 March 2013, dividend amounting to TRY480.000, related to the profit of 2012 after deduction of legal liabilities, is distributed to the shareholders (2012: TRY25.000).

In accordance with the Communiqué, as of 31 December 2013 and 2012, the details of equity, based on which the dividend will be distributed is as follows:

	2013	2012
Paid in share capital	500.000	500.000
Inflation adjustments on equity items	348.382	348.382
Restricted reserves	187.983	149.301
Cumulative gain/(loss) on the hedging	(247.611)	(132.687)
Actuarial gain/(loss)	(11.856)	(9.270)
Retained earnings	687.693	764.336
Net income for the year	434.223	442.039
Total shareholder's equity	1.898.814	2.062.101

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

	2013	2012
Legal reserves	166.849	121.766
Extraordinary reserves	31.874	33.857
Total	198.723	155.623

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NOTE 18 - REVENUE

a) Revenue	2013	2012
Export sales	4.069.041	3.667.217
Domestic sales	2.876.376	2.928.462
Other income from operational activities	92.537	109.595
	7.037.954	6.705.274

The amount of sales discounts is TRY264.151 (31 December 2012: TRY627.799).

The distribution of the Group's sales in 2013 and 2012 based on product type is as follows.

	2013	2012
Commercial vehicles	4.379.089	3.986.195
Passenger cars	1.746.384	2.088.324
Spare parts	759.929	523.117
Other	152.552	107.638
	7.037.954	6.705.274

b) Other income from operational activities	2013	2012
Income from scrap sales	44.093	47.203
Income from mould sales	31.721	39.288
Package sales income	15.587	14.353
Other	1.136	8.751
Total	92.537	109.595

c) Cost of sales	2013	2012
Direct material expense	4.618.613	4.512.797
Depreciation and amortization expense	284.097	304.036
Direct labor expense	123.884	131.868
Other production expenses	262.678	267.956
Total cost of production	5.289.272	5.216.657

Change in work-in-process	10.051	27.086
Change in finished goods	49.587	(20.917)
Cost of merchandise sold	861.466	701.291
Cost of other sales	5.682	79
Total	6.216.058	5.924.196

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NOTE 18 - REVENUE (Continued)

d) Production and sales quantities

	Production		Sales	
	2013	2012	2013	2012
Manufactured vehicles				
MCV	104.266	115.813	103.957	116.060
New Doblo	90.608	83.521	90.357	83.748
Linea	40.570	36.909	40.916	37.042
Doblo	9.170	20.185	11.573	18.053
Albea	-	-	1	959
Palio - Palio Van	-	-	-	38
Import vehicles				
Grande Punto	-	-	6.290	7.887
Ducato	-	-	6.407	4.884
Fiat 500	-	-	3.517	163
Alfa Romeo	-	-	1.011	1.111
Jeep	-	-	970	784
Lancia	-	-	804	294
Freemont 4x4	-	-	685	371
Bravo	-	-	378	745
Panda Futura	-	-	253	-
Maserati	-	-	40	18
Ferrari	-	-	23	21
Panda	-	-	15	291
Scudo	-	-	5	11
Transit Sales	-	-	9	-
Total	244.614	256.428	267.468	272.480

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

	2013	2012
Selling and marketing expenses	216.522	202.343
General and administrative expenses	157.907	136.646
Research and development expenses (*)	12.753	14.858
Total	387.182	353.847

(*) Total amount of research and development expenses in 2013 is TRY111.131 (31 December 2012: TRY103.586) and TRY98.378 portion has been capitalized (2012: TRY88.728). Remaining portion of research and development expenses amounting to TRY12.753 (2011: TRY14.858) is recognized as expense.

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a) Selling and marketing expenses	2013	2012
Shipment and insurance expenses	51.671	52.888
Advertisement expenses	48.137	53.364
Warranty expenses	46.617	29.764
Personnel expenses	36.350	33.908
Royalty expenses	4.778	3.671
Depreciation and amortization	2.418	2.480
Exhibition-fair expenses	934	4.303
Other selling and marketing expenses	25.617	21.965
Total	216.522	202.343
b) General administrative expenses	2013	2012
Personnel expenses	64.622	54.427
Information technology expenses	14.999	13.994
Depreciation and amortization expenses	14.415	11.771
Services obtained from third parties	12.435	20.554
Duties, taxes and levies	6.888	5.544
Insurance expense	5.212	5.186
Travel expenses	4.438	3.255
Rent expenses	1.381	1.270
Donations	4.405	5.186
Other general and administrative expenses	29.112	15.459
Total	157.907	136.646
NOTE 20 - EXPENSES BY NATURE	2013	2012
Personnel expenses	439.750	431.271
Amortisation expenses	324.276	346.669
Total	764.026	777.940
NOT 21 - INCOME / LOSS FROM MAIN OPERATIONS	2013	2012
Foreign exchange gains	170.609	202.170
Interest income	12.240	23.379
Other	17.781	36.117
Total	200.630	261.666

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NOT 21 - INCOME / LOSS FROM MAIN OPERATIONS (Continued)

	2013	2012
Foreign exchange loss	(289.250)	(157.584)
Interest expense	(14.597)	(34.392)
Other	(10.116)	(17.524)
Total	(313.963)	(209.500)

NOT 22 - FINANCIAL INCOME /EXPENSES

	2013	2012
Foreign exchange gain	256.782	234.896
Interest income	78.291	78.318
Total financial income	335.073	313.214
Foreign exchange loss	(205.939)	(277.305)
Interest expenses	(25.877)	(70.541)
Total financial expenses	(231.816)	(347.846)
Net financial income / (expenses)	103.257	(34.632)

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%. 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 TRY2.209.950 as of 31 December 2013.

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

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.

For the years ended 31 December 2013 and 2012, the analysis of the tax expense in the profit or loss is as follows:

	2013	2012
Current tax charge	(17.697)	(21.594)
Deferred tax expenses	(25.155)	(33.807)
Total	(42.852)	(55.401)
	2013	2012
Current corporate tax	17.697	21.594
Less: prepaid corporate tax (-)	(48.380)	(21.210)
	(30.683)	384

The numeric reconciliation between tax income and the accounting results multiplied by the applicable tax rate as of 31 December 2013 and 2012 are as follows:

	2013	2012
Net income before provision for taxes	477.075	497.440
Income tax charge at effective tax rate (20%)	(95.415)	(99.488)
Disallowable expenses	(2.519)	(61.305)
Exemptions	4.100	59.589
Effect of research and development incentive	43.392	47.945
Others	7.590	(2.142)
Total	(42.852)	(55.401)

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 December 2013 and 2012, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	2013	2012	2013	2012
Unused investment incentive allowances	429.396	441.433	127.535	132.430
Provision for employee termination benefits and unused vacation	146.018	133.887	29.204	26.776
Deferred income	50.199	61.320	10.040	12.264
Warranty provisions	50.651	47.069	10.130	9.414
Deferred investment incentive allowances	2.209.950	2.378.329	4.420	4.775
Property, plant and equipment and intangibles and inventories	875.479	920.194	(172.769)	(181.756)
Other	(27.150)	(16.657)	5.430	5.865
Deferred tax asset, net		13.990		9.768

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

	2013	2012
Deferred tax asset at 1 January	9.768	63.758
Deferred tax expense	(25.155)	(33.807)
Actuarial gain / (loss) on post employment termination benefit obligation	646	(1.179)
Income / (loss) on hedging (*)	28.731	(19.004)
Deferred tax asset / (liability) at 31 December	13.990	9.768

(*) Related amount which is accounted under equity in connection with 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 2013 and 2012, the weighted average number of shares outstanding is 50.000.000.000 and as of 31 December 2013 and 2012 earnings per share is Kuruş 0,87 and Kuruş 0,88 respectively.

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

Deposit and financial loan balances from related parties:	2013	2012
Yapı Kredi Bank A.Ş. (deposit)	1.179.705	564.220
Yapı Kredi Bank A.Ş. (financial loan)	(116.868)	(400.752)
Total	1.062.837	163.468
Trade receivables due from related parties	2013	2012
Fiat	159.657	96.980
Otokoç A.Ş. (Otokoç - Subsidiary of Koç Holding A.Ş.)	76.705	405.121
Other	3.225	434
Total	239.587	502.535
Trade payables due to related parties	2013	2012
Fiat	667.984	813.066
Mako Elektrik Sanayi ve Ticaret A.Ş. (Mako - Associate company of Fiat)	8.873	19.263
Other	28.975	27.294
Total	705.832	859.623

Related party transactions

Sales	2013	2012
Fiat	3.201.921	2.876.505
Otokoç	946.088	749.892
Other	23.257	12.780
Total	4.171.266	3.639.177
Domestic goods and services purchases	2013	2012
Otokoç A.Ş.	119.810	175.042
Mako Elektrik Sanayi ve Ticaret A.Ş.	106.477	111.686
Ram Dış Ticaret (*)	99.694	67.459
Zer Merkezi Hizmetler ve Ticaret A.Ş.	91.488	92.215
Matay Otomotiv Yan Sanayi ve Tic. A.Ş.	38.694	37.184
Plastiform Plastik San. Tic. A.Ş.	27.063	31.128
Koç Sistem	15.142	9.366
Opet Fuchs Madeni Yağlar Tic. A.Ş.	10.135	11.268
Koç Holding	7.999	7.424
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş.	6.364	5.909
Ram Sigorta Aracılık A.Ş.	6.058	2.510
Setur Servis Turistik	5.544	6.271
Other	58.127	7.485
Total	592.595	564.947

(*) Include the paid and accrued premium amount related to policies signed via Ram Sigorta Aracılık Hizmetleri A.Ş. which operates as insurance agency.

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Foreign trade good, material and service purchase	2013	2012
Fiat	2.780.942	2.427.355
Other	19.797	18.607
Total	2.800.739	2.445.962

Interest income from related parties, for the year ended 31 December 2013 is TRY27.153 (31 December 2012: TRY41.641).

Interest expense paid or accrued to related parties, for the year ended 31 December 2013 is TRY27.204 (2012: TRY43.343).

Salaries and similar benefits paid to the top management for the year 2013 (28 person) (2012: 27 person) is TRY17.863 (2012: TRY16.797).

Furthermore, as of 31 December 2013, wholly owned subsidiary KFK has sold the exclusive issuance of bonds and treasury bills over subsidiaries. It is accounted under other financial liabilities with a carrying amount of TRY410.587 (2012: TRY204.886).

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.

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

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

Types of credit exposure of financial instruments;

31 December 2013	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⁾	239.587	271.497	215	1.673.245	73.545	1.201.883
- Maximum risk secured by guarantee ⁽²⁾	-	491.581	-	-	-	1.191.396
A. Net book value of financial assets neither overdue nor impaired	189.004	271.259	215	1.673.245	73.545	1.174.521
- Maximum risk secured by guarantee	-	491.363	-	-	-	1.174.521
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	50.583	-	-	-	-	12.168
- Maximum risk secured by guarantee	-	-	-	-	-	-
D. Net book value of impaired assets	-	238	-	-	-	15.194
- Overdue (gross book value)	-	7.448	-	-	-	28.022
- Impairment (-) (Note 6)	-	(7.210)	-	-	-	(12.828)
- Net value under guarantee	-	7.210	-	-	-	16.875
- Not overdue (gross book value)	-	-	-	-	-	1.186.944
- Impairment (-)	-	-	-	-	-	(12.301)
- Net value under guarantee	-	-	-	-	-	1.366.274
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

31 December 2013	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	1.637.358	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	263.631	169	1.637.358	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	218	-	-	-	218
- Overdue (gross book value)	-	6.168	-	-	-	6.168
- Impairment (-) (Note 6)	-	(5.950)	-	-	-	(6.944)
- 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)

Aging analysis of trade receivables

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

31 December 2013	Trade receivables
1- 30 days past due	40.169
1- 3 months past due	9.581
3- 12 months past due	13.001
1- 5 years past due	-
Over 5 years past due	-
Total	62.751

Amount secured with guarantee

31 December 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

Amount secured with guarantee

-

As of 31 December 2013, TRY19.768 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2012: TRY167.504). As of 31 December 2013, the Group's payables to Fiat amounts to TRY667.944 (31 December 2012: TRY813.066).

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 5, 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 2013, 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)

31 December 2013

Table of foreign currency position

	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	59.209	-	20.163	-
2a. Monetary financial assets (including cash, bank accounts)	881.047	31	300.007	3
2b. Non-monetary financial assets	77.562	-	26.413	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	1.017.818	31	346.583	3
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	51.431	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets(4+8)	1.069.173	31	346.583	3
10. Trade payables	(782.191)	104	(266.444)	-
11. Financial liabilities	(434.810)	-	(148.071)	-
12a. Monetary other liabilities	53	-	18	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(1.216.948)	104	(414.497)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	(743.393)	-	(253.156)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(743.393)	-	(253.156)	-
18. Total liabilities (13+17)	(1.960.341)	104	(667.653)	-
19. Net asset / (liability) position of off- balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(891.168)	135	(321.070)	3
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.020.085)	135	(347.483)	3
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	(4.149.978)	-	(1.623.970)	-
24. Import	3.148.666	9	1.245.765	1.374

(*) 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 2013 is TRY43.582 foreign currency asset position (TRY121.143 foreign currency asset position when considering the foreign currency denominated inventory and fixed asset purchase advances).

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

31 December 2013

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)	27
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(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).

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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 2013 and 2012:

Exchange rate sensitivity analysis table

	31.12.2013			
	Profit/loss		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	23	(23)	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	23	(23)	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(75.426)	75.426	-	-
5- Amount hedged for EUR risk (-)	112.161	(112.161)	112.161	(112.161)
6- EUR net effect (4+5)	36.735	(36.735)	112.161	(112.161)
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	1	(1)	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9. Other exchange rates net effect (7+8)	1	(1)	-	-
Total (3+6+9)	36.399	(36.399)	112.161	(112.161)

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

Exchange rate sensitivity analysis table

	31.12.2012			
	Profit/loss		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)

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 2013 and 2012, 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 2012
Change in interest rates	%0,50	%0,50
Effect on net income before for taxes	(167)	(165)

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

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.

31 December 2013:

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	2.090.702	2.112.009	212.359	860.925	1.038.725	-
Commercial paper issuance	410.587	761.497	66.199	501.769	193.529	-
Trade payables	1.370.112	691.494	640.557	50.937	-	-
Other current liabilities	56.154	56.154	56.154	-	-	-
Total	3.936.375	3.629.974	984.089	1.413.631	1.232.254	-

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)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

31 December 2012:

Book Expected maturities	Total cash outflow per agreement Value	Less than 3 (=I+II+III+IV)	Between 3-12 months (I)	Between 1 - 5 years (II)	Over 5 years (III)	(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	77.574	-	-	-
Total	3.706.051	3.860.815	1.451.669	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)	-	-

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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 2013.

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 2012: 8,24%).

	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	1.246.009	1.144.599	1.237.070	1.238.699

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

2013

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

2012

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

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.



SECTION 4

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



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Declaration of Compliance with Corporate Governance Principles

Corporate Governance Principles Compliance Report for 2013 assessed by the Corporate Governance Committee is attached to this Declaration.

In consequence of the Corporate Governance Communiqué II 17.1 by Capital Markets Board being issued on the Official Gazette 28871 dated 03.01.2014 and made effective, our corporate governance activities in 2014 will be in accordance with the provisions of such communiqué and the Corporate Governance Principles.

However, as per the Decision 2/35 dated 27.01.2014 by the Capital Markets Board, Corporate Governance Principles Compliance Report which will be included in 2013 activity report to be issued in 2014 will be prepared in the format specified in the Board Bulletin 2013/4 dated 01.02.2013.

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 2013 too, regarding the Corporate Governance principles.

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 "Determination and Application of Corporate Governance Principles Communiqué" Vol: IV, No. 56 by the Capital Markets Board dated 30.12.2011 and the Company has fully adopted them in 2012. Notwithstanding that full compliance with non-compulsory Corporate Governance Principles is intended, such compliance is not yet achieved due to problems faced with in practice regarding some principles, ongoing assessments on some principles at local and international problems and failure of some principles to fully match with market

conditions or company's organizational structure. The process regarding the principles which have not yet been adopted is in progress and they are scheduled for adoption following the completion of managerial, legal and technical infrastructure works in a manner to assist the Company in effective management. 2014 activities will continue with due care based on the new Corporate Governance Communiqué issued by CMB.

In 2013, our efforts continued in accordance with the amendments in the legislation and the Company's activities and within the frame of these Corporate Governance practices, Rating Report issued by corporate governance rating company Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on 11.11.2013 indicates that our rating has been once again increased to 9.14 (91.39). Accordingly;

Average rating of 9.14 (91.39) is distributed among the main sections as follows: 81.04 for Shareholders section, 93.52 for Public Disclosure and Transparency section, 99.20 for Stakeholders section and 93.90 for Board of Directors section. In line with the new regulations by CMB and the amendments in rating criteria and rating methodology, corporate governance ratings of the companies listed in BIST Corporate Governance Index will be recalculated and publicly announced as of 01.03.2014. As indicated by the Revised Corporate Governance Rating Report, the Company is the only company since the implementation of BIST 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 2013, like in 2011 and 2012, our Company has achieved the success of being the highest rating automotive company on BIST Corporate Governance Index.

This puts Tofaş among three companies with three grants from Corporate Governance Awards granted at Corporate Governance Summit for three years.

SECTION I - SHAREHOLDERS:

2. Shareholder Relations Unit

Furthermore, with the purposes of adaption with Turkish Commercial Code 6102, Capital Market Act and the related regulations, Company Articles of Association has been amended in Extraordinary General Assembly Meeting of Shareholders dated 01.07.2013 as duly approved by the Capital Markets Board and T.R. Ministry of Customs and Commerce and registered and announced as per the principles and procedures.

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 and maximum efforts will be made to ensure that Corporate Governance Policy II 17.1 by CMB is complied with. Accordingly, our Company aims to continually take the actions 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 sustainable 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. In case of a significant change within the period, such change will be included in the interim activity report.

This detailed 2013 Corporate Governance Principles Compliance Report which has been prepared by review of 2013 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 as of the end of 2013.

Applicable as of 2013 and within the scope of Vol:IV, No:56 "Communiqué on Determination and Implementation of Corporate Governance Principles" by CMB, the format to be used by BIST-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 2013 Activity Reports which will be issued in 2014 can be prepared by this format within the frame of Committee Decision 2/35 dated 27.01.2014. In this sense, the Corporate Governance Compliance Report for 2013 below can be found at the Company website (www.tofas.com.tr) along with previous Compliance Reports.

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 BIST 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 (Borsa Istanbul BIST), Central Registration Agency (MKK) as well as other relevant entities and institutions in accordance with previous 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.salepcioglu@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. Name and area of responsibility of the unit was redefined as Financial Risk and Investor Relations in 2013 in accordance with the risk policies of the Company. 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.

List of participants of the last Ordinary General Assembly Meeting dated 29.03.2013 reveals that 46 shareholders were physically present and 131 shareholders were registered at list of electronic participants. Furthermore, list of participants of the Extraordinary General Assembly Meeting dated 01.07.2013 reveals that 52 shareholders were physically present and 295 shareholders were registered at list of electronic participants. Both General Assembly Meetings were duly performed via MKK’s e-GKS (Electronic General Assembly System) portal in accordance with the Capital Markets legislation. Furthermore, visitors willing to attend as viewers were provided with attendance to the General Assembly Meetings. Within the period, Corporate Governance and Shareholder Relations Unit and Financial Risk and Investor Relations Unit have provided information for individual and corporate shareholders via phone and in person at the Headquarters and 219 e-mails sent to borsa@tofas.com.tr were classified based on subjects and responded to until 31.12.2013.

Moreover, 480 one-on-one meetings with investors, 13 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.

Regarding this issue, our Company is a corporate member of Turkish Corporate Governance Association (TKYD) and Turkish Investor Relations Association (TÜYİD) and is engaged in events, training and other related activities. We provided sponsorship for Corporate Governance Awards event within the scope of TKYD’s Corporate Governance Summit 2013 for the third time and supported the activities.

3. Use of Rights to Information by Shareholders

As mentioned above, information requests by shareholders have been classified by subject, responded to through the fastest communication channels and the 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 information and 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 corporate website. In addition to these sections, a new link entitled “Stock Exchange Information” was added to allow them access to BIST records and the link was actively used during 2013. 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.

Furthermore, as required by “Regulations on Web Sites of Stock Corporations” issued in 2013 within the scope of TCC, “Information Society Services” (e-Company) Portal was established and activated on our web sites (www.tofas.com.tr and www.fiat.com.tr) in due time.

Our company has started use of KAP (Public Disclosure Platform) electronic operating systems and electronic Disclosure of Material Information and other notifications in previous years as well as programs and links for notification to CMB and BIST and become issuer member of Merkezi Kayıt Kuruluşu A.Ş. (MKK) established for registered tracking of capital markets tools and activated e-Manage Portal in 2012 and continued to use it in 2013.

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, published 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 Central Registry Agency (CRA) 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 CRA and the related legislation. The efforts shared between CRA, 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 CRA 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. Such requests made from the Company in 2013 were responded to in accordance with the applicable legislation.

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. The Company is bound by the related provisions of Turkish Commercial Code and Capital Markets Legislation regarding the audit of other issues specified by the legislation.

In addition to internal auditing and internal control practices, our Company is also subjected to auditing by the two main Shareholders (Koç Holding and Fiat Auto), 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 29 March 2013. Invitations to the General Assembly are duly publicized within the necessary legal periods on the Turkish Trade Registry Gazette as well as the company website (www.tofas.com.tr), CRA e-Manage and e-GKS (Electronic General Assembly System) and KAP (Public Disclosure Platform).

Moreover, the shareholders registered in the Shareholders Book were informed by letter.

In the same period, with the purposes of adaption with Turkish Commercial Code 6102, Capital Market Act and the related regulations, Company Articles of Association has been amended in Extraordinary General Assembly Meeting of Shareholders dated 01.07.2013 as duly approved by the Capital Markets Board and T.R. Ministry of Customs and Commerce and announced as per the principles and procedures.

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. General Assembly Meetings were transmitted by live-stream via CRA and e-GKS and a list of electronic participants was made as well as a list of physical participants.

List of participants of the Ordinary General Assembly Meeting dated 29.03.2013 reveals that 46 shareholders were physically present and 131 shareholders were registered at list of electronic participants. Furthermore, list of participants of the Extraordinary General Assembly Meeting dated 01.07.2013 reveals that 52 shareholders were physically present and 295 shareholders were registered at list of electronic participants.

In this frame, 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 CRA e-Manage Portal and e-Company Portal.

Financial statements and the annual report as well as other information and documents are made available at the Head Office for shareholders, as well as other interested parties, within the required 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 the financial reports and financial tables to BIST and publication of the Annual Reports, 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 held 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 activity 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, Material Disclosures submitted to BIST, 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 General Assemblies, if requested and 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 other than those specified. 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 from our Company web site (www.tofas.com.tr).

As indicated by the Vol: IV, No: 56 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 required activities regarding a General Assembly as per Article 14 of the Company Articles of Association are performed.

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 Company web site (www.tofas.com.tr) in "pdf" format.

5. Voting Rights and Minority Rights

Each share entitles the holder to one voting right and there is no voting preference. Members of the Board of Directors should be selected from the candidates nominated by the shareholders of Issue A and Issue D Preferred Shares. (Article 10 of the Articles of Association). Voting rights are exercised as per the provisions contained under the Articles of Association. 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 14 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 2013 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. In 2013, 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 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 18 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 if authorized to do so by the General Assembly pursuant to article 19 of our Articles of Association.

7. Transfer of Shares

Article 8 of the Articles of Association "Transfer of Shares and Establishment of Usufruct on Shares" 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. Regulations by the Capital Markets Board regarding the transfer of Company's quoted registered shares are complied with.

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. Any amendment of the Policy within the year was notified to the shareholders at the General Assembly.

Within the scope of Vol: IV, No: 56 Communiqué by CMB, 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 the BIST 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 Vol: VIII, No. 56 are made to the BIST 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 BIST 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 departments.

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 BIST to 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, 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.

Material Disclosures and notifications will be disclosed within due period as specified by the legislation in detail. Within the period, the Company has sent Material Disclosures, Financial Tables and State of Responsibility explanations and/or notifications to BIST and these are issued on Public Disclosure Platform (KAP) (www.kap.gov.tr) as of 2010.

Those for 2009 or earlier are available at BIST 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 BIST. 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 company, 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.

As stated above, the text of the new arrangement on the Company Information Policy made in 2013 was republished and reviewed every year. In this sense and in accordance with the new Capital Markets regulations, Disclosure Policy will be reviewed and announced on the Company web site in 2014. 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.

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 and 2013, 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," "Material Disclosures," "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 2013 as an information line where our shareholders, investors and analysts could find BIST 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 as per the Communiqué Vol: IV, No: 56 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 BIST 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. 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 are publicly announced there. In this context, the required notices regarding share trade are published on the Public Disclosure Platform (KAP) upon submission to BIST. In 2013, like previous years, issues regarding the share transactions related with the Company were included in BIST statements and BIST statements and notifications were followed and necessary issues were recorded.

Furthermore, as required by "Regulations on Web Sites of Stock Corporations" issued in the Official Gazette 28663 dated 31.05.2013 and made effective by T.R. Ministry of Customs and Commerce in 2013 within the scope of TCC, "Information Society Services" (e-Company) Portal was established and activated on our web sites (www.tofas.com.tr and www.fiat.com.tr) in due time. 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 with due care.

Previous-period Activity Report prepared in accordance with Vol: IV, No: 56 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" by the Ministry of Customs and Commerce 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, Members of Management and Auditing Boards and Top Management. Sub-sections of section two are Company's Capital Structure and Information of Partnership, Automotive Industry and Position of Tofaş, Company Information, Affiliates, Social Responsibility Activities and Current Period Activities and Achievements. Sub-sections of section three are Profit Distribution Table and Profit Distribution Proposal, 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, Activities of Early Detection of Risk and Risk Management Committee, Subsidiary Report, Profit Distribution Policy, Remuneration Policy and Disclosure Policy.

Issues set forth by the mentioned 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 were 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. Utmost attention is shown in Audit Committee and Early Detection of Risk and Risk Management Committee meetings.

Applications regarding Human Resources, Business Management Policies, Supplier Relations and Dealer Network are specifically included in Company's Activity Reports.

Furthermore, in accordance with Corporate Governance implementations of the Company and as a result of 2013 activities, the rating of the related "Stakeholders" sub-section was once again 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 beneficiaries as 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 WCC "World Class Company". Our Company has achieved outstanding performance in this area in 2013 and awarded with golden level by WCM. 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 Resources Policies. In addition to our company website, there is also an intranet and printed company magazine (Tofaş Gazete) in order to improve managerial 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 quality certifications and quality standards. In this scope, ISO 27001 Data Security Management System and ISO 50001 Power Management System Certificates were achieved in 2013.

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. Comprehensive application procedures are available in this regard. Customer Relations Management department worked effectively and in coordination in 2013 to increase customer satisfaction concerning marketing and sales of the Company's products and services.

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 "Investment 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 2013 as it had in 2012 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 2013, cultural exchange clubs and development programs were continued as they were in 2012. Performance evaluations, behavioral activities and career management are taken due care of.

An employee compensation policy was created and issued on company website. Human Resources and Business Management Policies were improved and made available to the access of all employees.

A mechanism regarding the development processes has been established under the name of Tofaş Academy and same efforts have been actively maintained in 2013. Effective and efficient use of Tofaş Akademi and Koç Akademi portals is promoted especially in terms of training. In this frame, 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 implemented as of 2008 was revised in 2013 and announced to stakeholders at the Company website. Sponsorship activities and events focused on sports, culture & art and education continued in 2013 as they had in the previous years.

Awareness activities and sustainability perspective is of great importance regarding the social responsibility works and sponsorship activities. Sustainability Policy is specifically important in this regard.

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 Regulation". 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. Previously revised "Ethics Rules and Implementation Principles" were issued and information was provided by distribution to Tofaş employees at all levels periodically. Works regarding this issue were continued in 2013 with due care.

The Company is a corporate member of Ethics and Reputation Association (TEİD) with regards to its activities on this issue. In 2013, Ethics Summit by TEİD was hosted and supported.

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 as of 2013. 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. As required by the Corporate Governance Principles, there are 2 independent members in the Board of Directors and our application to recognize the Company as a joint venture and definition of the number of required independent board members as two in accordance with Article 5.(5) of the Communiqué was approved by CMB decision 326-1965 dated 23.02.2012. 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 completed in 2012 regarding the election of 2 independent Board Members. With the purposes of adaption with the new Turkish Commercial Code and Capital Markets Board, amendments of Articles of Association were approved by the Extraordinary General Assembly Meeting vote dated 01.07.2013, registered and announced.

The Chairman and members of the Board shall be formed in a manner ensuring authority and effectiveness at the highest level. Considering the provisions stipulated under Corporate Management Principles, the members are elected among those having the above qualifications and competent in management. The persons to be appointed 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 Committee 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 Bahadır 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) I am not or have not been employed by or sit on the board of an entity which has served as auditor or consultant (including rating services) to the Company or had contractual relationship with the Company for conducting its managerial or operational activities in whole or in part in the last five years,

c) I am not or have not been employed by, sit on the board of or had interest in any of the material suppliers or service providers of the Company in the last five years,

d) I don't have more than 1% interest or any preferred shares in the Company,

e) My attached CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,

f) I am not working full time, at the time of my nomination in a Turkish governmental or public institution,

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 31.12.2013 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 & Early Detection of Risk and Risk Management Committee), Mr. Alfredo Altavilla (Member), Mr. Gianni Coda (Member - Corporate Governance Committee), Mr. Ali Aydın Pandir (Member - Early Detection of Risk and Risk Management Committee) and M. Gökçe Bayındır (Independent Member - Audit Committee & Corporate Governance Committee & Early Detection of Risk and Risk Management Committee) and Mr. Libero Milone (Independent Member - Audit Committee & Corporate Governance Committee & Early Detection of Risk and 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 as of 2013 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 Tungay 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, Retired (2012-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 2011, 18 decisions were recorded by the Board of Directors, the number in 2012 is 28. The Board of Directors has made 19 decisions in 2013 and the minutes of meetings regarding the decisions are duly 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 (within the scope of Article 10 of the Articles of Association). Requirements set forth by Corporate Governance Principles by Capital Markets Board are reserved.

In accordance with TCC, there is no cast vote or veto right. Articles 10 and 11 of the Articles of Association regulate the selection, structure, decision quorum and assignment term of the Board of Directors as well as division of tasks, representation and transfer of assignment. 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 15 is applicable for the decisions which require attendance and positive vote of independent members.

Article 11 of the Company Articles of Association regulates "Division of Tasks, Representation and Transfer of Management for 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 2013, required revisions and additions were made in respect of the Corporate Governance Committee's implementation procedures and processes as in the previous years. This has been revised as per the amendments of legislation and Corporate Governance Principles and is handled by the Corporate Governance Policy. Corporate Governance Committee has reviewed the activities and reports in 2013 like the previous years.

17. Number, Structure and Independency of Committees Formed under the Board of Directors

Pursuant to the Article 11 of the Articles of Association, an Executive Committee consisting of 4 persons -2 Group A and 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 2013 as required by the 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 2013, 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 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. Gianni Coda (Member - Board Member) as of 2013.

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 2013.

The Chairmen of these Committees should be selected among Independent Board Members as per the mentioned 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 2013, 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 mentioned Principles as they have in 2012 and 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 5 meetings and Corporate Governance Committee has held 4 meetings in 2013. Early Detection of Risk and Risk Management Committee has held 6 meetings.

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 as well as the Audit 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 2013, 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. After reviews, it has been stated that no problems were observed 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 in accordance with the applicable legislation and 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 reports and 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 directly 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 Audit Committee and Early Detection of Risk and Risk Management 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 2013 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 vision and 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 Remuneration Policy applicable for Top-Level Managers. Performance-based payments will not be used for remuneration of independent members of the Board. Remuneration for Top-Level Managers consist 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 and as of 2013, 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

a. Risk Management

Our Company has limited its market risks down to the minimum level by expanding its market diversity through ensuring to reach as many markets as possible for exportation, which constitutes a higher percentage of its total sales. Company's current exportation capacity is protected from foreign market, cost, profitability and similar risks by means of exportation agreements signed with Fiat Auto S.p.A and Peugeot Citroen Automobiles S.A groups. Even in 2013, when considerable appreciation was experienced in foreign exchange rates against Turkish Lira, thanks to these agreements, our Company's exportation-domestic market activities balance served as a shield against possible risks.

Within the context of the activities to increase this market diversity in previous years, our Company increased its exportation to markets such as South America and North Africa, and by increasing the share of countries within Europe such as England, hence equalizing our sales distribution to different markets, our exportation performance has become much more sustainable and healthier. In parallel with these developments, our Company commenced New Doblo adaptation investment in 2013 within the context of exportation to North America to be conducted for the first time in our history. Our Company will continue to implement its manufacturing and sales policy towards all global markets.

In domestic market, however, being the only company that is able to manufacture both passenger cars and light commercial vehicles, Tofaş has a flexible structure against risks that might emerge from demand changes among different segments. In addition to currently manufacturing two types of light commercial vehicles and one type of passenger car, our Company announced its resolution as to the investment to be made for a new automobile development and production, and showed that we will continue with our product diversity also in the future.

Our financial debts are long term bank loans which do not carry any exchange risks, and are related to MiniCargo and 263 projects investments of which the revenues and cash flows are also guaranteed through exportation agreements.

Financial indicators (unless otherwise stated, thousand TL)	2013	2012
Total Net Sales	7,038	6,705
Net Profit	434	442
Ratio		
Current Ratio	1.33	1.45
Profits Before Taxes/Net Sales	6.8%	7.4%
Profits Before Taxes/Equity	25.1%	24.1%
Total Debt/Equity	106.3%	107.6%

Our financial debts other than project loans are the financial debts of Koç Fiat Kredi Tüketici Finansman A.Ş. and their exchange and interest risks are minimized through derivative processes.

Our Company's financial indicators according to the Independent Auditor's financial report as of 31.12.2013, are as specified in the following table.

b. Activities of Early Detection of Risks and Risk Management Committee

With the Board Decision 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 Pandir.

The Committee has held 2 (two) meetings after its establishment and subsequently 6 (six) meetings in 2013. The Committee has principally 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 of the issues regarding how risks and resulting financial and operational outcomes may effect the Company as specified by the Company Management. Company Management takes the necessary measures to define, measure, mitigate, transfer and monitor as necessary and finally report the risks for management of them.

Furthermore, Risk Management Policy was generated and published in the Company's corporate web site in 2013. In this direction, risk management in Tofaş is organized in accordance with the applicable legislation and directly reported to the Board of Directors; basics of the policy are "protection of company assets and their values", "provision of commercial, financial and operational reliability" and "a sustainable corporate risk management." In addition, Company Management is responsible to take and implement the measures necessary for corporate risk management and internal audit activities in terms of finance, commerce, operations and organization.

c. Internal Control System and Internal Audit

An internal control system is established within the body of the Company in such a manner as to cover all control activities for ensuring effective, reliable and uninterrupted execution of company activities and services in accordance with the provisions of current laws and regulations, for the purpose of providing integrity, consistency and timely-procurement of accountancy and financial reporting system and protection of company assets. Tofaş Türk Otomobil Fabrikası A.Ş. executes an internal auditing activity in such a way as to ensure continuous monitoring and assessment of internal control system.

As for internal Audit process, with respect to both responsibility of Auditing Committee and its efficiency, Risk Early Detection and Risk Management Committee has conducted evaluations concerning with the implementation of pro-active precautions against financial and operational risks and potential risks, together with risks about internal control system, internal auditing activities and institutional risk management, and evaluations regarding implementation of necessary requisites of legal legislation. Statements and reports of committees are directly submitted to the Board of Directors in accordance with Capital Market Regulations as of the end of 2013. It is declared that audit and internal control system are conducted properly and there is not any considerable problem; Furthermore, records related to operation of institutional risks and internal control systems are kept and no failures have been detected with this respect. On the basis of the information related to internal control system and internal audit activities of the Company, opinion of management agency regarding this issue is positive.

The Committee expressed its positive opinion about the operations of internal control, internal auditing and risk management systems, concerning with the preparation of consolidated financial statements together with effectiveness, satisfactoriness and suitability of internal controls conducted for the purpose of ensuring integrity, consistency, timely-procurement and security of information acquired from accountancy and financial reporting system, and for effective, reliable and uninterrupted execution of company activities and services.

SUBSIDIARY REPORT PREPARED PURSUANT TO TCC ARTICLE 199

As per Article 199 of Turkish Commercial Code 6102 effective as of 1 July 2012, Tofaş Türk Otomobil Fabrikası A.Ş. Board of Directors will generate a report on the transactions between the controlling shareholder of the Company and its affiliates in the previous term in the first three months of the current term and add the conclusion section of this report to the activity report. Information on transactions between Tofaş Türk Otomobil Fabrikası A.Ş. and affiliated parties are in financial report footnote 25.

In the report created by Tofaş Türk Otomobil Fabrikası A.Ş. Board of Directors dated 28.02.2014, it is adjudged that; "Regarding the transactions between Tofaş Türk Otomobil Fabrikası A.Ş. and the holding company and its affiliates in 2013 that, when a transaction is carried out or a measure is taken or avoided, a relevant counter action has been taken and that no measure has been taken or avoided in a manner to damage the Company and that there are no transactions or measures requiring reconciliation."

TOFAŞ Türk Otomobil Fabrikası A.Ş. Dividend Distribution Policy

Our Company distributes dividends in accordance with the related provisions of Turkish Commercial Code, capital markets regulations, tax regulations, other related regulations and dividends distribution article of Articles of Association. Dividends are distributed with a policy which is balanced and consistent in terms of the interests of shareholders and the Company in accordance with Corporate Governance Principles.

As a basic principle and to the extent possible based on the applicable regulations and financial resources, net distributable profit within a certain period calculated based on the market expectations, long-term company strategy, investment and financing policies, profitability and cash position and in accordance with Capital Markets Regulations is distributed to the shareholders in the form of cash and/or bonus share provided that it can be covered from the legal reserves.

The intention is to complete dividends distribution in maximum one month after the General Assembly meeting and the date of dividends distribution is determined by the General Assembly. General Assembly or the Board of Directors, if authorized, can decide on distribution of dividends in installments in accordance with the Capital Markets Regulations.

As per the Articles of Association, Board of Directors can distribute dividends in advance provided that it is authorized by the General Assembly and acts in accordance with Capital Markets Regulations. There is no privilege regarding distribution of dividends. Dividends are distributed equally among the existing shares regardless of their dates of issue and acquisition.

This is to inform our esteemed Shareholders.

Remuneration Policy for Top Level Managers and Board Members of TOFAŞ Türk Otomobil Fabrikası A.Ş.

This policy document defines the remuneration system and practices for the members of the board of directors and top-level managers with administrative responsibilities as defined by CMB regulations.

Fixed wages payable to members of the Board of Directors are designated by the Ordinary General Assembly every year. Executive board members are paid in accordance with the policy applicable for top-level managers and detailed below.

Performance-based payments are not used for remuneration of independent members of the board of directors. Members of the board of directors are paid based on the period from assignment to resignation. Expenses of the members of the board of directors related with the benefits they provide for the company (transportation, telephone, insurance, etc.) are covered by the company.

Remuneration for Top-Level Managers consist of fixed and performance-based components.

Fixed wages of Top-Level Managers are determined in accordance with international standards and legal liabilities based on macroeconomic market data, wage policies applicable in the market, size of the company, long-term objectives and individual positions.

Bonuses payable to Top-Level Managers are based on bonus base, company performance and individual performance. The criteria are as follows:

Bonus Base: Bonus Base is updated every year and varies according to the positions of managers and volume of business. Bonus base is updated based on the top-management bonus policies applicable in the market.

Company Performance: Company performance is calculated every year by measuring the financial and operational (market share, exports, international operations, efficiency etc.) objectives of the company in terms of achievement at the end of the year. The basic principles while defining the company objectives are ensuring that achievements are sustainable and improvements are made as compared to the previous year.

• **Individual Performance:** Definition of individual performance is based on company objectives as well as objectives related with employees, customers, processes, technology and long-term strategies. In measurement of individual performance, company performance and long-term sustainable improvement in non-financial area are significant principles.

In case of resignation of a top-level manager, a certain amount of bonus can be paid based on the term of assignment, term of assignment as a top-level manager, benefits provided, last target bonus before resignation, wages paid in the last year and bonus data.

Total amounts paid to Top-Level Managers and Members of the Board of Directors based on the principles listed above are submitted to the information and/or approval of the shareholders at the next general assembly meeting.

This is to inform our esteemed Shareholders.





Headquarters

Büyükdere Caddesi No:145 Tofaş Han 34349 Zincirlikuyu-İstanbul

Tel: +90 0212 275 33 90 (pbx) - 275 29 60 (pbx)

Faks: +90 0212 275 39 88 - 275 03 57

Plant

Yeni Yalova Yolu Caddesi, No:574, 16369 Bursa

Tel: +90 0224 261 03 50 (pbx)

Faks: +90 0224 255 09 47 - 261 13 50

Web: www.tofas.com.tr

İstanbul Ticaret Sicili No: 100324

Mersis No: 0846000042200017



