Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report

Türk Traktör

21 August 2008

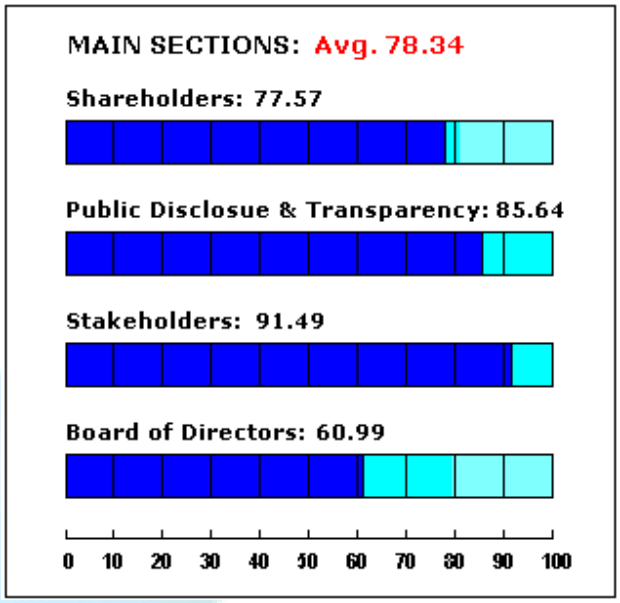
CONTENTS

Rating and Executive Summary

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş. (TTRAK)

SAHA
Corporate Governance Rating:

7.83



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EXECUTIVE SUMMARY

Based on the 11.12.2007 resolution of the Board of Directors of Türk Traktör, the merger with New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. through the acquisition of all the assets and liabilities of the said company existing as of 30.09.2007 as a whole in accordance with Article 451 of the Turkish Commercial Code and Articles 18-20 of the Corporation Tax Code has materialized. The issued capital of the company is TRY 53,369,000, divided into 5,336,900,000 shares each worth YKr 1. TRY 47,000,000 which represent the previous issued capital, have been paid-up in full and in cash. TRY 6,369,000, the amount of capital increased as a result of the merger, was covered by the shareholders equity of New Holland Trakmak Traktör ve Ziraat Makinaları Ticaret A.Ş. which was taken over as a result of the merger with the said company. Türk Traktör is rated with 7.83 as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles" (the Principles). Ratings of main sections and sub-sections are disclosed separately.

Under the **Shareholders** heading **(7.76)**; having no limitations for voting rights, presence of an investor relations department, conducting general shareholder

meetings in compliance with the country's rules and regulations and implementing a well established dividend payment policy are positive aspects, whereas, the privilege of controlling shareholders in nominating board members and the lack of cumulative voting procedures are areas that need further improvement.

Türk Traktör performs well above the country average in terms of **Public Disclosure and Transparency (8.56)**. For this purpose, Türk Traktör has a well organized and informative website in addition to the public announcements done in accordance with the CMB and ISE's rules and regulations. As apposed to these positive features, the lack of disclosure about the entire group's ownership structure stands out as an area for further refinement.

Türk Traktör has broadly complied with the CMB Principles regarding **Stakeholders** (namely; company policy regarding stakeholders, protection of company assets, human resources policy, ethical rules, social responsibility, and relations with the customers and suppliers). The dominant factors that were effective in reaching our conclusions are; the company acted with good will both in cases that are related to protecting stakeholders' rights provided by law and in cases in which the stakeholders' rights are not protected by law.

From the perspective of the Principles regarding the **Board of Directors**, Türk Traktör, on the whole, has established positive structures, procedures and mechanisms. These are; well communicated company mission and vision, a board that consists of broadly experienced, competent, suitably educated individuals of high ethical standards. However, lack of independent members in the board and therefore in committees, lack of a Corporate Governance committee, existence of privileges of controlling shareholders in the nomination of board members, and the lack of cumulative voting system procedures remain to be potential risk factors for investors.

Responding to the economic crisis of 2000-01, the Turkish authorities implemented measures to address the causes of financial and fiscal instability, facilitate a quick recovery and establish the conditions for further integration with the EU.

From the mid-1980s until after the economic crisis of 2000-01, economic conditions were difficult for companies. Thin markets, relatively few active institutional investors and an unpredictable macro-economic environment limited incentives for companies to adopt good corporate governance practices. More recently, however, the return of foreign investors, greater opportunities for Turkish companies to do business abroad and an increasing competition for foreign capital appear to be encouraging more companies to make good corporate governance practices a competitive advantage.

Turkey is a civil law country. The principal sources of general mandatory corporate governance standards are the joint stock companies' provisions in the TCC (Turkish Commercial Code), the CML (Capital Markets Law) and subordinate instruments published under the CML, generally in the form of CMB communiqués. The term "Capital Markets Law" is used to refer collectively to the CML and all of the compulsory subordinate instruments relating to the CML, including communiqués, regulations and CMB decisions of general application.

In late 2005, draft legislation based on a comprehensive package of reforms to the TCC developed by an expert Commission was tabled in Parliament. The parliament is considering the reforms and the amendments could come into force by mid 2008.

The corporate governance framework rests primarily upon a "public enforcement" model, with the Capital Markets Board (CMB) playing a leading role in setting corporate governance standards for publicly held companies, enforcing the applicable standards and fostering market integrity.

The ambitious, state-of-the-art and comprehensive CMB principles, adopted in 2003, are the principal source of non-binding corporate governance standards for publicly held companies. They were revised in 2005 to take into account revisions made to the OECD Principles in 2004. Listed companies must publish an annual Corporate Governance Compliance statement, disclosing which CMB principles have not been adopted and the reasons for not doing so.

Listed companies in the Istanbul Stock Exchange (ISE) who have obtained an overall corporate governance rating of 6 or above (out of 10) on their degree of compliance with the "Corporate Governance Principles" issued by the Capital Markets Board are included in the **ISE Corporate Governance Index** which has been active since August 31, 2007. In order to be included in the index, these companies have to be rated by a licensed (by the CMB) rating agency. Corporate governance rating grade of a company is granted upon the request of that company and revised or confirmed annually by the rating agency. Furthermore, the ISE encourages listed companies to obtain a rating by applying a 50% reduction on listing fees. The number of

companies included in the index has been increasing consistently since the inception of the index.

The corporate governance landscape in Turkey is characterized by concentrated ownership, often in the form of family-controlled, complex financial-industrial company groups such as holding structures and conglomerates, usually comprising both publicly held and privately held companies. State ownership has declined drastically thanks to the unwavering execution of a privatization policy.

Free floats are often low, pyramidal structures are common and there is a high degree of cross-ownership within the groups. Due to the limited free float, takeovers are rare. This obviously weakens the extent of corporate control over the market. Foreign institutional investors, however, are increasingly seen in the market, seeking to increase their share holdings in Turkish companies. Approximately 30% of ISE-listed companies have "flotation ratios" of less than 25% as of the end of 2006. This flotation ratio represents the percentage of a company's stock held by the Central Securities Depository (CSD) in Turkey.

Controlling shareholders often hold shares with nomination privileges and/or multiple voting rights. Family members often serve on the board and play a leading role in the daily management and strategic direction of publicly held companies. Preserving family control is the norm. A small number of families control a large number of the listed companies.

Turkish companies issue ordinary shares, preference shares, and non-voting shares. Golden shares only exist in few state-owned companies. Most of the shares traded at the ISE are bearer shares.

Shareholders who own at least 5% of the company's capital are granted minority rights. They can call an extraordinary General Meetings or propose agenda items. Shareholders must personally attend the General Meeting or they can be represented by a proxy.

The corporate environment in Turkey, however, is better positioned than many European countries to tackle corporate governance challenges ahead, because:

- the authorities have already adopted, or are introducing, high quality corporate governance standards (including audit standards);
- transparency has improved significantly, particularly in the are of financial reporting (listed companies are urged to adopt accounting standards which are almost identical to IFRS);
- a positive trend toward widespread implementation of a number of key corporate governance standards can be observed; and
- the authorities are now focusing their attention on monitoring implementation, identifying the remaining gaps and risk areas, focusing their resources on these risk areas and implementing institutional reforms as needed to strengthen supervisory, enforcement and remedial processes.

* Parts of this text uses the Pilot Study (Corporate Governance in Turkey) prepared and published by the OECD on 17 October 2006 as a resource. The full text of the study can be found at http://www.sourceoecd.org/governance/9264028633.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles released on July 2003, as revised on February 2005.

The CMB based these principles on the leading work of The World Bank, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, the Istanbul Securities Exchange and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of the Principles is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.19).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **%25**
Disclosure and Transparency: **%35**
Stakeholders: **%15**
Board of Directors: **%25**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

Türk Traktör ve Ziraat Makineleri A.Ş	
Türk Traktör	**CHAIRMAN** Dr. Bülent BULGURLU **GENERAL MANAGER** Hakkı AKKAN
Güvercin Yolu, 111-112, 06560 Gazi, Ankara www.turktraktor.com.tr	**Financial Control and** **Investor Relations Manager** Ayşe Pınar AKYILDIZ Tel: (0 312) 211 01 90 Fax:(0 312) 211 03 73 invest@turktraktor.com.tr

The authorized capital of the company is TRY 250,000,000 divided into 25,000,000,000 shares, each worth 1 New Kurus (Ykr). The issued capital of the company is TRY 53,369,000 divided into 5,336,900,000 shares, each worth Ykr 1. TRY 47,000,000 which represent the previous issued capital, have been paid-up in full and in cash. TRY 6,369,000, the amount of capital increased as a result of the merger, was covered by the shareholders equity of New Holland Trakmak Traktör ve Ziraat Makinaları Ticaret A.S. which has been taken over as a result of the merger with the said company acquired on 30.09.2007 along with all its assets and liabilities.

The two controlling shareholders of the Company are Koç Holding A.Ş. with 37.7% share and CNH Global NV with 37.5 share. 24.996% of Türk Traktör (nominal value TRY 11,747,963) shares were offered to public on 11.06.2004 and have been traded at the Istanbul Stock Exchange (ISE) since then (code: TTRAK). Türk Traktör is a constituent of ISE 100 (XU100), ISE National Industrial (XUSIN) and ISE Metal Goods and Industry indices.

Capital Structure and Shareholding		
Shareholder	**Amount (TRY)**	**Percentage %**
Koç Holding A.Ş.	20,132,794	37.700
CNH	20,013,375	37.500
Public	11,747,963	22.000
Temel Ticaret A.Ş.	1,114,575	2.100
Other Shareholders	360,293	0.700
	47,000,000	**100%**

BOARD OF DIRECTORS	
Name	**Title**
Dr.Bülent BULGURLU	Chairman
Franco FUSIGNANI	Vice Chairman
Temel ATAY	Member
Kudret ÖNEN	Member
Hakkı AKKAN	Member & General Manager
Marco VOTTA	Member & CFO
Federico CORRADINI	Member
Eduardo Teodorani FABBRI	Member

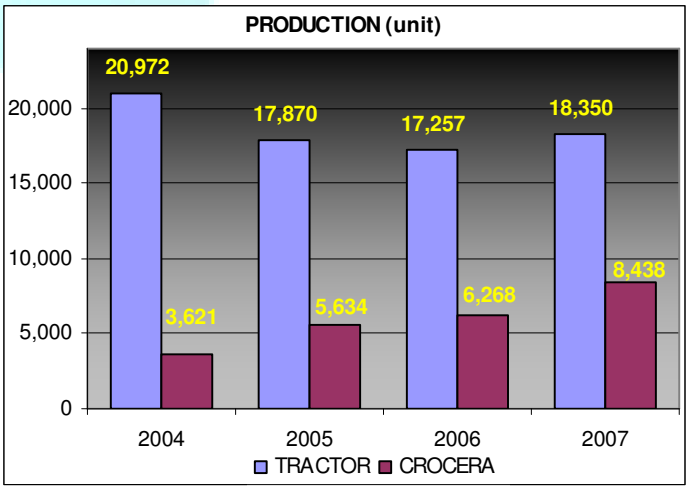
Subsidiaries and Related Parties		
Name	**Amount (TRY)**	**Percentage %**
Entek Elektrik Üretimi A.Ş.	4,809,313	2.67

Türk Traktör ve Ziraat Makineleri A.Ş. (the Company) was established in 1954 under the name "Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş." to manufacture tractors and agricultural equipment. Türk Traktör is the first manufacturing entity in Turkey's automotive industry. Koç Group and Internazionale Holding Fiat SA became shareholders of Türk Traktör in 1967. A year after, the name of the company was changed to "Türk Traktör ve Ziraat Makineleri A.Ş.". Consequently, the Company started manufacturing tractors with the brand name of Türk Fiat.

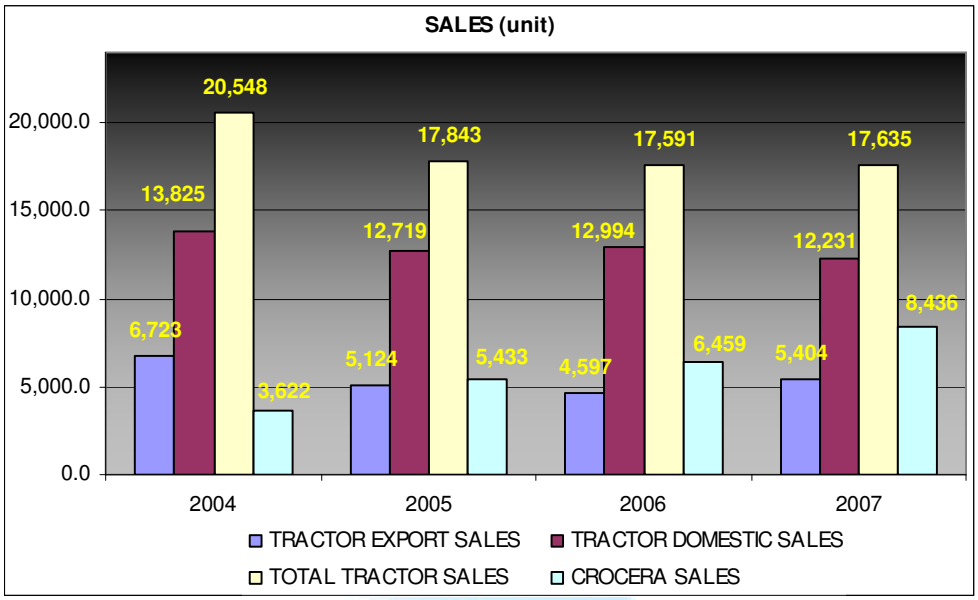
In 1992, The Privatization Administration, the government partner of the company, transferred all of its shares to Koç Group. As a result, a restructuring initiative and renovation of manufacturing assembly lines were completed. Currently, Türk Traktör is a joint undertaking of the Koç Group and CNH Global NV, one of the biggest tractor and agricultural equipment manufacturers in the world and is manufacturing with the New Holland and Case brand names. The company is the leading tractor manufacturer and exporter in Turkey with an annual production capacity of up to 35,000 tractors and 25,000 engines.

As a result of significant capital investment in the production facilities during the 90s, new processing centers and production lines became operational. Türk Traktör is the first and one of the few companies in its field to make extensive use of Flexible Manufacturing Systems (FMS) which employs sophisticated control systems and robotized manufacturing units for its production. This approach allows the company to easily switch to new products that may be introduced in the future and creates a clear advantage both in terms of product quality and production costs.

Türk Traktör manufactures three main series of tractors under the brands New Holland and Case IH with a wide variety of options, in the range of 50 HP to 95HP, spare parts and transmissions, for domestic and export markets. The annual production volume reached 18,350 tractors in 2007 (compared to 17,257 in 2006), whereas CKDs (completely–knock down components) for export grew to 8,438 units (6,268 in 2006). Total exports of tractors reached 72,116,991 Euros (5,404 tractors) versus 64,671,951 Euros in 2006 (4,597 tractors).



In 2007, total revenues reached TRY 510,058,581 of which TRY 324,930,615 from domestic sales of tractors and spare parts and TRY 185,127,966 from exports. The company obtained a before tax profit of TRY 113,615,606 and made donations and grants for a total amount of TRY 1,853,510.

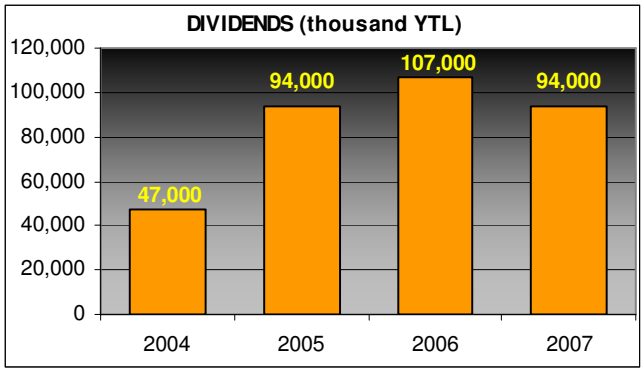


Sales (2007) thousand TRY (IFRS)			
	2006	**2007**	**% Change**
Domestic	390,860,117	340,752,705	-12.82
Export	158,600,108	186,739,794	17.74
Discounts & Returns	*-56,389,207*	*-17,433,918*	
Toplam	**493,071,018**	**510,058,581**	**3.45**

Sales has increased over 2006 since tractor exports were well above the 2006 figures. Gross margin of the company is 20%. Türk Traktör has a stable EBITDA and a profitability level among the highest in the industry worldwide.

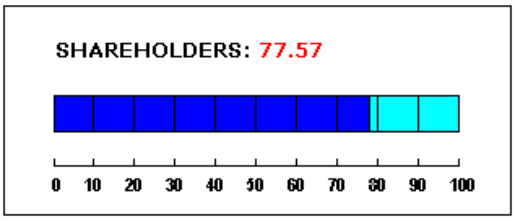
The company closed the year (2007) with a net annual profit of TRY 91,066,245 after deducting the tax provisions and distributed TRY 94,000,000 as cash dividends, which was met from extraordinary reserves that are prepared in accordance with the Capital Markets Board Legislations. Also, Second Type Legal Reserves, TRY 9,165.000 were allocated.

Türk Traktör paid cash dividends of TRY 107,000,000 in 2006, TRY 94,000,000 in 2005 and TRY 47,000,000 in 2004.



Number of personnel as of 30.06.2008 is 1,638 (1,557 as of 31.12.2007).

SECTION 1: SHAREHOLDERS



SYNOPSIS	
+	There is a shareholder relations division
+	General shareholder meetings are conducted in compliance with the CMB's rules and regulations
+	Dividend policy is defined
+	Equal treatment of shareholders
+	Preparation and disclosure prior to general shareholder meetings are satisfactory
+	Voting rights are facilitated
=	Limitations in transfer of shares but these work for the benefit of the company and are fair
=	No special arrangement concerning minority rights, Turkish Commercial Code applied
-	Shareholders do not have the right to request appointment of special auditors from the general shareholder meeting
-	Privileges in nominating Board members and auditors
-	Lack of cumulative voting procedures

Summary:

Türk Traktör has formed a new and independent unit for shareholder relations during the last rating period. This is a strong indicator of the emphasis put on the subject by the company. The personnel of the shareholder relations unit is experienced and proficient.

All information required to exercise shareholders' rights in a sound manner is made available to all shareholders via the company's web site, via mail and telephone. However, there still is not a provision that is included in the articles of association to allow each shareholder to have the right to request from the general shareholders meeting that a special auditor is appointed for the examination and clarification of a specific material situation.

In terms of minority rights; there is not an enlargement of the scope of the minority rights that are given by the CMB's (Capital Markets Board) and TCC's (Turkish Commercial Code) rules and regulations. Cumulative voting procedure is not adopted either.

There are no ceilings applied on the number of votes that a shareholder may exercise and one share is one vote. However, the A and B group of shares have the privilege to nominate board members and auditors.

The conduct of both of the general shareholder meetings (ordinary and extraordinary) held during the last rating period were in compliance with the existing legislation and company rules and regulations. The information submitted before the general shareholders meetings were adequate and the way the meetings were conducted was in a manner to facilitate the shareholders' rights.

On the other hand, some of the board members and some of the candidates did not attend the general shareholders meetings.

There is no provision in the articles of association to maintain that decisions

regarding the division and allocation of shares which changes the capital and management structure of the company and the composition of company assets should be adopted in the general shareholders meeting.

Regarding the voting rights; the company's attitude is positive and its procedures are sufficient. There are no ceilings on the number of votes and one share is one vote. The right to vote is automatically granted once the share is acquired. The company is in communication with the institutional representatives and the identity of these representatives is widely known by the shareholders.

The company has a clearly defined and consistent dividend policy, and this policy is disclosed to the public. During the last rating period, the dividend distribution decision was adopted in the extraordinary general shareholders meeting since the relevant legislation did not permit to do so in the ordinary meeting. The dividend distribution proposal included all the information that a shareholder may need. Actual distribution of dividends took place within shortest time after the general shareholders meeting.

Although there are provisions in the articles of association that limits the transfer of group A and B shares, the purpose of these limitations is to protect the present management structure. There are some other mechanisms in the articles of association that enable shareholders to transfer their shares fairly.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

A new department is established under the name of "Financial Control and Investor Relations" for managing the relations with shareholders which has benn the duty of accounting department in previous years. Manager of the department is Ayşe Pınar Akyıldız and the assistant to the manager is İlkiz Karagüllü. The staff, which reports directly to the Board, is experienced and displays a proactive approach, genuine willingness to improve the implementation of Principles.

The department keeps shareholder records appropriately; answers inquiries and requests (other than those that are considered as "Trade Secret"); conducts general shareholders meetings in compliance with related legislation, Articles of Association and company procedures; prepares the documents prior to the general shareholders meeting; documents the voting results and submits them to the shareholders.

1.2. Shareholders' Right to Obtain and Evaluate Information:

All information required to exercise shareholders' rights in a sound manner is submitted to shareholders via the comprehensive website (www.turktraktor.com.tr) and via telephone or mail. Shareholders are able to access this information at the company headquarters too. Company's web site is open to every one and there are no obstacles such as passwords, limited entrance etc.

Informing the shareholders about legal or commercial relationships with other enterprises or individuals with whom there is direct/indirect managerial, administrative, supervisory or ownership related relations is included in the company's Information Policy document.

Along with the above positive aspects; having no provision that allows each shareholder to have the right to request from the general shareholders meeting that a special auditor is appointed for the examination and clarification of a specific material

situation is an area of further improvement. However, the management displays no prohibitive attitude for the shareholders (above 5%) to appoint a special auditor.

1.3. Minority Rights:

In terms of minority rights; there is not an enlargement of the scope of the minority rights that are given by the CMB's (Capital Markets Board) and TCC's (Turkish Commercial Code) rules and regulations. Cumulative voting procedure is not adopted either.

The fact that the cumulative voting procedure, which enables minority shareholders to send their representatives to the board, is not incorporated in the articles of association is another area that needs improvement.

Voting rights of foreign investors are suitably facilitated. Representatives of various global funds attend the general shareholders meetings and use their voting rights.

There are provisions in the articles of association regarding the privileges on voting rights; only holders of group A and B shares can nominate (4 each) board members. Other shareholders (group C) are stripped of this right. Likewise, auditors are nominated by group A and B shares.

1.4. The Right to Participate in the General Shareholder Meeting:

The Company has conducted two general shareholders meetings within the last rating period. The ordinary meeting was held on 27.03.2008, and the extraordinary meeting was held on 30.04.2008. The extraordinary meeting convened with the purpose of dividend distribution which could not be resolved in the ordinary meeting due to legal reasons.

Both meetings' announcements are published within the legal time limit (03.03.2008 for the ordinary, 11.04.2008 for the extraordinary one) and in high circulation and nation wide newspapers. Announcements were also posted on the website of the company and were satisfactory in terms of contents.

The following items were clearly indicated in all announcements prior to the shareholder meeting: date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting together with all necessary informative documents; should an amendment on the articles of association be discussed within the agenda, the old and new versions of the related provision/provisions of the articles of association as approved by the relevant authorities; the body inviting the general shareholders' meeting; the place where annual report, financial statements and other meeting documents can be examined.

In order to ensure the highest level of participation, all registered shares are recorded (taking into account of the records of legal custodians and likewise institutions) in the share ledger.

The Board prepared all the documents (including the Informative Document of the agenda) related to the meeting, and clearly stated where and when these documents can be examined by the shareholders. Financial statements and reports including the annual report and all other related documents pertaining to the agenda items were made available at the headquarters of the company.

The purpose and content of the information released prior to the general meeting are clear, informative of and pertinent to the agenda items

so as not to lead to any potential misinterpretations.

There is information in the information documents of the company about the acquisition of New Holland Trakmak, which took place during the last rating period. However, in case of an organizational change in the affiliates and the subsidiaries of the company, annual reports and annual financial statements together with pro forma financial statements for the past three accounting periods for all institutions involved in such organizational structure change should be made available to the shareholders. The general shareholders' meeting's decision (27th March 2008) about the acquisition and the merger agreement itself have been registered in Ankara and İzmir Trade Registry Offices on 31st March 2008. These were then disclosed to the public in the Trade Registry Gazette of Turkey Nr. 7035 on 4th April 2008. Türk Traktör had an interim audit report too before the acquisition. However, annual reports and financial statements of New Holland Trakmak for the last three accounting periods were not made available to the shareholders.

Prior to the meeting, proxy forms are announced for those who will appoint a proxy for the meeting and open to use of shareholders in compliance with regulations. The board values shareholder views and opinions, endeavors to consider all requests about items to be placed on the agenda, and strives to achieve the highest level of attendance.

Voting procedure is announced prior to the meeting and there is a clause about this procedure in the Articles of Association.

The general meetings are executed according to the procedures and the chairman conducts the meeting efficiently on fair grounds. Shareholders are provided with equal opportunities to express their opinions, and raise any questions. The votes are counted and results are announced before the end of the general meeting.

According to the Corporate Governance Principles, board members, auditors and authorized persons who are responsible for preparing the financial statements and persons who are in a position to inform shareholders about peculiar agenda items should all participate in the meeting. However, some of the board members were not present in the general shareholders meeting. Auditors did attend the meetings.

Likewise, in the ordinary meeting where two new board members were elected, one of the candidates was not present. However, verbal information about both candidates was given to the shareholders.

Due to the absence of this candidate, shareholders were not able to raise questions to all candidates.

Lack of information about the other duties of the board members outside the company, whether or not candidacy criteria are met and the lack of minimum requirements for disclosure of information about candidates in the articles of association are areas of further improvement.

On the other hand, during the general shareholder meeting, we observed that the chairman of the meeting did inquire whether the shareholders demanded any information about the candidates. Since no one requested such information, only the curricula vitae of the candidates were read out loud. Moreover, there is comprehensive information about the board members in the annual and interim reports. This information includes identification information of the candidate; level of education;

current and previously held positions within the past five years and reasons for departure from each position; and the characteristics and level of relations with the company. However, the characteristics and level of relations with the individuals related to the company; the characteristics and level of relations with main institutions with whom the company deals with; financial status and/or declaration of property; and whether or not independence criteria is met were missing.

During the general shareholders meeting, the audit firm explained whether or not the financial statements and other financial reports such as capital adequacy table comply with the current Principles and standards; declared that the statements and reports truly and completely reflect the real status of the company; and stated whether or not there are any issues hindering the independence of the external auditor company.

The articles of association of the company do not include a provision to maintain that decisions, regarding the division and allocation of shares which changes the capital and management structure of the company and the composition of the company's assets; and the sale, purchase or lease of tangible/intangible assets or grants in significant amounts; the issuance of guarantees like pledges and mortgages in favor of a third person are adopted in general shareholders' meeting. The fact that above duties are given to the board by the articles of association is an area that needs improvement.

1.5. Voting Rights:

Each shareholder, including the foreign investors, is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way.

There are no ceilings applied on the number of votes that a shareholder may exercise during the general meeting.

The right to vote is automatically granted once the share is acquired.

There are provisions in the articles of association that grant privileges to the group A and B shares. Board members can only be nominated by group A and B shares. Group C shares, which are mainly public, can not nominate any members to the 8 person board. Auditors are also nominated by the group A and B shares.

Having no obstacles on the voting of institutional and legal representatives is a positive point in terms of Corporate Governance Principles. The board has a good level of communication with the institutional representatives.

Although the institutional representatives did not verbally declare which institution they represent, this is clearly recorded in the attendance list of the meeting. The representatives present their authorization documents to the government officer in the beginning of the meeting.

Voting was conducted through open ballot and by raising hands during the general shareholder meeting.

1.6. Dividend Rights:

In the general shareholders meeting of 27th March 2008, due to the legal aspects of the merger that took place during the last rating period and according to the CMB's Series 1, Nr. 31 "Communique on Mergers", decision on dividend distribution was postponed and adopted at the

extraordinary general shareholders meeting of 30th April 2008.

Türk Traktör has a clearly defined and consistent dividend policy which is also included in the articles of association. Dividend policy is disclosed to the public in the articles of association which is posted on the company's web site.

The annual profit, amount and sources of distributable profit dividend policy; the criteria according to which the board prepare dividend distribution proposal; dividend to be paid to each share, while indicating different groups of shares; location, time and terms of payment for dividends; and all other relevant information are announced to the shareholders at the general shareholders meeting and also included in the company's articles of association, annual report, and prospectus and circulars. On the other hand, by taking into consideration any indirect shareholder relationships, the amount of dividends due to be paid to real persons who own a significant portion of distributable profit are not included in these documents.

Dividend distribution proposal includes information about the donations that were affected and the donations to be made during the rest of the year.

The board proposed not to distribute any dividends in the ordinary meeting due to legal reasons. This situation is explained to the shareholders and actual dividend distribution materialized in the extraordinary meeting.

Actual distribution of dividends took place within shortly after the general shareholders meeting.

There has been no execution of interim and advanced dividend payment up to date.

1.7. Transfer of Shares:

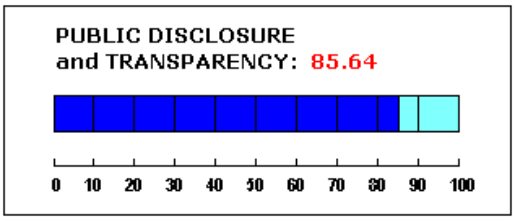
The articles of association of the company contain certain provisions that impede the transfer of shares. We understand that these provisions aim to protect the capital and management control of Group A and Group B registered shares. Group C public registered shares, however, can be freely transferred. The above limitations aim to protect the existing management structure of the company, yet rights of shareholders who wish to transfer their shares are also protected in the articles of association. Other than these limitations which are explained in detail and are fair, there are no other arbitrary provisions that y contain certain provisions that impede the transfer of shares.

1.8. Equal Treatment of Shareholders:

All shareholders, including minority shareholders and foreign shareholders are treated equally

We have detected no incidence of any shareholder acting with the intention of harming other shareholders and the company, unless aimed at protecting his/her own justified interest

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive web site, actively used for public disclosure
+	Dividend policy detailed in the articles of association and disclosed to public
+	Periodical financial statements comply with the current legislation
+	The operations of the audit firm and the contents of the contract signed with them are in compliance with the legislation
+	Disclosure about developments that may affect the value of the company complies with the legislation
+	The concept of trade secret defined
=	Information policy established, but not yet presented to the shareholders at the general shareholders meeting
-	Ultimate controlling individual shareholders are not disclosed to the public, as identified after being released from indirect or cross shareholding relationships between co-owners.
-	The audit committee of the company has limited influence in the selection of the independent auditors.

Summary:

Türk Traktör identified the authorized user and signatories for the task of public disclosure (Public Disclosure Platform) and these officers work in close contact with the audit committee.

The information policy is quite comprehensive with minor omissions and disclosed to public; however, it has not been submitted to the general shareholder meeting. The next meeting is awaited for this task.

The dividend policy is detailed in the articles of association. Ethical rules are extended to include the responsibilities of the board of directors. The company web site is comprehensive and updated frequently.

The company's ultimate controlling individual shareholder or shareholders, however, are not disclosed to the public, as identified after being released from indirect or cross shareholding relationships between co-owners.

Board members, executives and shareholders, who directly or indirectly own at least 5% of the company's capital, disclose information about the purchase and sales of capital market instruments of other group companies or any other company with whom the company maintains a material commercial relationship.

The company's periodical financial statements and their footnotes are prepared in order to reflect actual financial situation of the company and disclosed to public. The footnotes of the periodical financial statements

include all off-balance sheet transactions, liquidity of the company, investment expenditures, and all factors that would affect the future relations of the company with other natural persons and legal entities which are not within the scope of consolidation.

The annual report incorporates all information such as the scope of activities of the company; board of directors' evaluation and analysis of financial status and operation results; changes in the organization, capital, ownership and management structure of the company; and access to transcripts of information about the function of general shareholder meeting, shareholders rights and the Principles that refer to the exercise of these rights. However, other information such as forward looking expectations should also be detailed in the annual report.

The external audit firm chosen by the company (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a Price Waterhouse Coopers member company) is an independent and international audit company accredited by the CMB.

The audit committee of the company has very limited influence in the selection of the independent auditors. The nomination and election process of the audit firm is normally influenced by the decisions taken at the group companies.

A list of the names of executives and other persons who can potentially possess price-sensitive information are prepared and disclosed to public.

All important development and events and their possible implications on the financial status and operational results of the company are disclosed to public in a timely manner.

2.1. Principles and Means for Public Disclosure:

For the task of public disclosure (Public Disclosure Platform), Mr. Hakkı Akkan (GM), Ms. Ayşe Pınar Akyıldız (Investor Relations Manager), and Ms. İlkiz Karagüllü (Investor Relations Officer) are designated as the authorized user and signatories. Although these officers co-work with the audit committee, since a corporate governance committee has not been established, no such relationship exists.

Investor Relations Officer Ms. İlkiz Karagüllü is responsible for all public disclosure tasks. Investors, financial analysts, media officers and other related inquirers are directed to this unit.

Türk Traktör has a new and more comprehensive collective set of written Principles to be used in the public disclosure and information policy of the company and disclosed the same to the public; however, it has not been presented to the shareholders at the general shareholder meeting. Company officials confirmed that this new policy will be presented to the shareholders at the first general assembly.

The company's information policy covers category of information to be disclosed to the public in addition to the requirements of the relevant legislation; form, frequency and methods of disclosure; the frequency at which the board and the executives would confront the press/media; the frequency at which meetings for public disclosure would be conducted; the method to be adopted in order to answer the questions submitted to the company and other relevant issues.

However, this information policy does not define the type of information to be discussed at the general

shareholder meeting in addition to the requirements of the relevant legislation.

Should there be a significant change in the financial status and/or operations of the company, or in case of an expectation of such a significant change in the financial status and/or operations in the future, this information is disclosed to the public, save for the relevant provisions of legislation. Any changes or new developments in the already disclosed information are regularly updated and disclosed to the public.

Information about whether or not corporate governance principles are being properly applied, if these principles are not being applied, the reasons for such non-application and all possible conflicts of interest due to the improper adoption of the principles, are included in the annual report and disclosed to public, together with pertinent harmonization report.

The dividend policy is detailed in Item 37 of the articles of association of the company and also included in the annual report of the company and publicly announced within the framework of the public information policy.

In this rating period, the ethical rules of the company are extended to encompass the ethical responsibilities of the board of directors and disclosed to public.

Best corporate governance practices dictate that forward looking information to be disclosed, e.g. pro forma financial statements and reports should be disclosed together with underlying statistical data and evidence. This information should not consist of any exaggerated provisions or misleading information that would lead to false interpretations about the company's financial status and operational results. The information policy of the company includes provisions that any such disclosure should comply with the above; however, 2007 and previous years' annual reports do not cover any such information. Special events disclosures also do not include this kind of information.

Although forward looking information is not incorporated in the financial statements and in the annual report, the preparation of pro forma financial statements are subject to a compliance audit by the external auditor and the audit and public disclosure thereof, are in compliance with the international standards.

The company's website is actively used as a means of public disclosure and it is easily accessible. The website is also be made available in English for foreign investors and the information disclosed to the public is available on this website which is configured and designed accordingly. The company takes all the necessary precautions in order to prevent any modifications on the information displayed on its website.

Significant information is published on the company's website. These include trade register information; latest information about the shareholder and management structure; detailed information about preferred shares (in the articles of association); the final version of the company's articles of association together with date and numbers of the trade register gazettes in which amendments are published; special events disclosures; annual reports, periodical financial statements, prospectuses and circulars; agendas of the general shareholder meetings and list of participants and minutes of the general shareholder meeting; form for proxy voting at the general

shareholder meeting; and minutes of the important board meetings which may affect value of capital market instruments.

The company's website also emphasizes the announcement of the planned general shareholder meeting, agenda items and informative documents thereof, other information, documents and reports on the agenda items and information on methods of participation in the general shareholder meeting.

Nevertheless, frequently asked questions section of the website is limited in coverage and should be made more comprehensive.

The company's web address is printed in the company's letterhead and the criteria regarding the use of the company's website is included in the company's information policy.

In addition to disclosing information as required by the legislation, the company makes every effort to publicly disclose any information that may affect decisions of shareholders and investors.

Another area that needs improvement is that the information policy document of the company which is disclosed to public should include provisions for the disclosure of information about all commercial and legal transactions between the company and companies and real persons who are directly or indirectly related to the company with respect to capital, management and audit.

2.2. Public Disclosure of Relations Between the Company and Its Shareholders, The Board of Directors and Executives:

In case shareholding or voting right percentage of an individual or group reaches, exceeds or falls below the thresholds of 5%, 10%, 25%, 33%, 50% and 66,67% of total share capital or voting rights, the company discloses such information immediately upon being informed thereof, except otherwise required under relevant legislation. The company's public disclosure policy is in accordance with current CMB and ISE legislations.

The company's ultimate controlling individual shareholder or shareholders are not disclosed to the public, as identified after being released from indirect or cross shareholding relationships between co-owners.

Similarly, the company's capital structure is not presented in tabular format that would include the names of the ultimate controlling individual shareholder/s (names of the real personalities), amount and proportion of their shares and their share class and such a table is not incorporated into the annual report and financial statement footnotes.

During the rating period, shareholders did not engage in any voting agreements in order to be effective within the company's management. The company did not purchase its own shares from the ISE during the same period.

2.3. Periodical Financial Statement and Reports in Public Disclosure:

Periodical financial statements and footnotes are prepared in accordance with the current legislation and international accounting standards and applied accounting policies are also included in the footnotes of the financial statements.

The footnotes of the periodical financial statements include all off-balance sheet transactions including contingent claims, all liabilities and operational results that would affect future financial status, liquidity of the company, investment expenditures,

investment sources, all factors that would affect the future relations of the company with other natural persons and legal entities which are not within the scope of consolidation.

Since there is no such implementation, periodical financial statements of the company does not comprise forms of incentives that are designed to grant shares to employees, i.e. employee stock ownership plans based on shares and/or other capital market instruments.

The annual report is disclosed to public with a board of directors' report that is signed by the chairman. This report is signed by the members of the audit committee who are commissioned by the board to confirm that the current periodical financial statements completely reflect the true financial status of the company and that the company acts in accordance with the related legislation. To this end, their report is included in the annual report.

The annual report incorporates the scope of activities of the company; board of directors' evaluation and analysis of financial status and operation results; level of achievement of the planned operations; the company's position with respect to the defined strategic objectives; board of directors' statement about the status of internal control system; analysis of significant transactions carried out during the preceding year with the group companies and other related persons and institutions; changes in the organization, capital, ownership and management structure of the company; changes in the legislation that may affect the company operations at a significant level; important lawsuits filed against the company and possible consequences thereof; dividend policy; access to transcripts of information about the function of general shareholder meeting, shareholders rights and the Principles that refer to the exercise of these rights.

On the other hand, detailed explanation about the foreseeable risk factors regarding future operations; audit firm's opinion about the internal control system; and ownership structure table showing the controlling shareholder(s), as released from any indirect and cross shareholding relations are not included in the annual report. Similarly, future expectations are not detailed sufficiently.

Furthermore, information about remuneration, bonuses and other benefits does not include payments in cash such as salary, bonuses, other regular and irregular payments; payments not made in cash are shares, derivative products originating from shares, share buying options provided within the scope of plans for making the employees shareholders, house or car whose proprietorship bestowed and/or allocated for use, and all the salaries and all the stakes provided

2.4. Functions of External Audit:

The external audit firm chosen by the company (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a Price Waterhouse Coopers member company) is an independent and international audit company accredited by the CMB. Başaran Nas has been auditing Türk Traktör since 2004. First quarter and first half-year reports of 2008 have also been prepared by the same company.

The audit firm, auditors and other related staff working for the audit firm are not providing consultancy services to the company. There has been no legal conflict between the company and the external audit firm and there have been no incidences where the independent firm refused to declare an

opinion. The geographical domain of the independent auditors complies with the operational scope of Türk Traktör. However, no immunity has been provided to the independent auditors against any company related legal proceedings and liabilities resulting thereof

The audit committee of the company has very limited influence in the selection of the independent auditors. The nomination and election process of the audit firm is normally influenced by the decisions taken at the group companies. The audit firm is suggested by the executive committee, and the final decision is made by the Board.

2.5. The Concept of Trade Secret and Insider Trading:

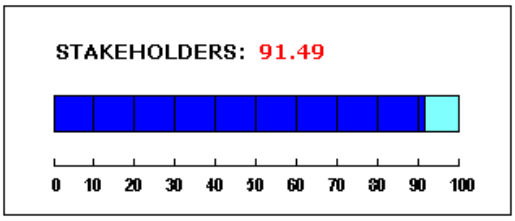
Türk Traktör has provided a definition of the concept of trade secret in its information policy document. A list of the names of executives and other persons/institutions who provide services to the company, and who can potentially possess price-sensitive information are prepared and disclosed to public in accordance with the information policy.

Türk Traktör became the first company in Turkey to receive the TS ISO/IEC 27001 certificate. This is a standard designed to establish and implement an Information Security Management System. Considering that two of the main underlying factors that enable Türk Traktör to export USD 113 million worth of goods is R&D and Engineering, the protection of data warrants utmost attention. Hence, Türk Traktör became again the first company in its sector to acquire the BS 7799 standard which is an extension beyond the TS ISO/IEC 27001 Information Security Management System.

2.6. Significant Events and Developments That Must Be Disclosed to the Public:

Türk Traktör shows first-rate care and sensitivity in the timely and comprehensive disclosure to public of all important development and events and their possible implications on the financial status and operational results of the company. Our analysis of 18 sub-titles shows that Türk Traktör complies with the rules and regulations of the CMB (also listed in article II.6 of the Principles) and the ISE.

SECTION 3: STAKEHOLDERS



SYNOPSIS	
+	All necessary facilities are utilized to preserve stakeholders' rights
+	Shareholder structure is conducive to the protection of company assets
+	Career planning and human resources policies are functional and adequate
+	Relations with employees, clients, and suppliers are good
+	Quality standards are observed meticulously in products and services
+	Relations with public authorities are at a high level
+	Active trade union in the company and sharing of information and opinions is seamless
=	Ethical rules specified and declared to the public but not yet presented to the shareholders' meeting for approval
=	No provision in the Articles of Association regarding the participation of stakeholders in the management of the company but the practice is satisfactory
-	Representation of employees in the board not specified in regulations

Summary:

Türk Traktör's policies and applications with regard to stakeholders are generally at a satisfactory level. The company is very sensitive to the preservation of stakeholders' rights and acts in good will when these rights are not regulated. Nevertheless, there is scope for improvement for mechanisms that will inform stakeholders about their rights and company practices.

Although there is no clause in the articles of association of the company regarding the participation of stakeholders in the management of the company, various internal practices makes this possible to a degree. Meetings are held to elicit employee suggestions and requests and there are client feedback channels via the main distributor.

Employees are not represented in the board of directors and there is no systematic application that allows for the assessment of stakeholder opinions before significant decisions are taken about the company.

The shareholder structure of the company creates an environment that does not allow any actions that would cause the company assets loose value and that would lead to the deliberate loss for stakeholders.

Career planning and human resources policies of the company are functional and adequate. Performance evaluation and recruitment mechanisms are well established. The nature of communication with the trade union is healthy. Working conditions of the company's personnel are safe and secure.

The company takes all the necessary measures and precautions in order to establish good relations with its customers and suppliers free from any

unfair advantage and to comply with the provisions of the agreements among the parties.

Türk Traktör adheres to the norms of quality standards in the production of its goods or in the offering of its services. The goods and services that fail to meet the quality standards are swiftly compensated and indemnified.

The ethical rules of the company are extended to encompass the ethical responsibilities of the board of directors.

The degree of social responsibility that Türk Traktör assumes is well above country averages. On one hand, the company primarily assesses the environmental impact of its production operations and on the other, participates in and supports social projects. In terms of employee health and safety, Türk Traktör enjoys a prominent position amongst the Koç group of companies.

3.1. Company Policy Regarding Stakeholders:

Türk Traktör's management is dominated by two controlling shareholders. Due to their substantial size in their respective national and international markets and front-running corporate identities, both of these shareholding companies possess consistent and advanced policies regarding the rights of stakeholders as well as relations with the private sector relations. One of these controlling shareholders, CNH Global N.V., supported by about 11,500 dealers in 160 countries, is a world leader in the agricultural and construction equipment businesses. CNH Global N.V.'s stock is listed at the New York Stock Exchange (NYSE:CNH) and is subject to stringent rules and regulations in terms of corporate governance. The other controlling shareholder Koç Holding A.Ş., is a Fortune Global 500 company and comprised of 98 consolidated companies. Koç Holding A.Ş. is Turkey's largest holding company which operates in a wide variety of industries ranging from finance to manufacturing and has over 93,000 employees.

Within the framework of this structure, Türk Traktör has policies in place to provide effective and swift compensation if stakeholders' rights, that are governed under the relevant legislation and protected by contracts are violated; to employ all necessary facilities, such as compensation applicable under the legislation, in order to help the stakeholders benefit from mechanisms; and act as a pioneer in overcoming and solving any possible conflicts and disputes that may arise between the company and its stakeholders.

Company's corporate governance practices allow all stakeholders, including employees and their representatives, to convey their concerns regarding illegal and unethical transactions to the management and ensure the protection of these rights.

3.2. Stakeholders' Participation in the Company Management:

No planned mechanism or model that encourages participation of the stakeholders in the management of the company is acknowledged in the internal regulations or in the articles of association of the company.

Although there is no clause in the Articles of Association of the company regarding the participation of stakeholders in the management of the company, Türk Traktör authorized two staff from the "Quality Systems Management" department to provide coordination between the stakeholders and the management. They maintain

intra-company communication by working together with the following committees:

1) Disciplinary Board,
2) Leave of Absence Committee,
3) Health and Security Representative,
4) Time Study Representative, and
5) Food Committee.

In order to enhance quality standards and increase productivity, meetings are held to elicit employee suggestions and requests, and trends are monitored via an evaluation and improvement of working conditions questionnaire. Furthermore, client feedback is received from an extensive distributor network.

Employees are not represented in the board of directors and although stakeholders' opinions are evaluated from time to time, there is no systematic application that allows for the assessment of stakeholder opinions before significant decisions are taken about the company.

During the rating process, we came across to no incidence of use privileges or any information which is classified as trade secret obtained by incentives regarding the review of the management and operations of the company are granted to a particular group of stakeholders so as to violate the equal opportunity among different groups of stakeholders.

3.3. Protection of Company Assets:

The shareholding structure of the company as well as the fact that Türk Traktör is a listed company in the ISE, ensures that maximum attention is given to the protection of company assets. As the controlling shareholders have equal number of shares and are equally represented in the Board (4 each), a practical "checks and balances" environment kicks in automatically. Additionally, this environment is further enhanced by the Articles of Association of the company. This structure minimizes the risk of board members and executives taking part in actions that would decrease the value of company assets or cause loss for stakeholders.

3.4. Company Policy on Human Resources:

Career planning and human resources policies and practices of the company that also includes social rights are functional and adequate in terms of national conditions.

The performance and compensation criteria for the employees are applied as two separate systems: "White Collar Performance System'' and "Blue Collar Performance System''. Likewise, there are "White Collar Selection and Placement'' and "Blue Collar Selection and Placement'' systems for the recruitment of new employees. Definitions of tasks and performance related reward mechanisms are disclosed to the employees. While determining compensation and other benefits, productivity is prioritized. These applications ensure equal treatment of employees in on-the-job training programs and promotions.

There is an active trade union in the company as well as an established communication channel with the trade union that allows sharing information regarding the social rights of employees and working conditions.

We have not detected any signs or complaints of racial, religious, lingual and sexual discrimination.

The company extends utmost sensitivity to the protection of employees against any physical, spiritual and emotional mistreatments. In addition to the collective labor

agreement, the corporate culture of the company creates a positive environment. There has been no negative feedback in recent history.

In order to establish a collaborative working environment, the company conducts regular informative meetings that would enable the company's personnel to be informed of and to discuss issues such as company's financial capability, remuneration, career planning, training and health. Furthermore, employees or their representatives are acknowledged of any significant developments or decisions taken by the company that clearly affect them.

Working conditions of the company's personnel are safe and secure and are maintained and improved in time.

3.5. Relations with Customers and Suppliers:

Company's sales and marketing activities are conducted by "New Holland Trakmak Traktör ve Ziraat Makineleri A.Ş." (NH Trakmak) which boasts a network of 185 sales agents across Turkey. After-sale services and guarantees are provided also by NH Trakmak. The company provides a two-year guarantee for its new technology products.

Due to this extensive distributor network, the company employs an efficient client feedback mechanism. In addition to the NH Trakmak, customer demands and complaints are recorded and followed up by Türk Traktör as well.

The requests of customers are handled in a quick and efficient manner.

Türk Traktör adheres to the norms of quality standards in the production of its goods or in the offering of its services. This ensures that the level of quality is preserved.

Türk Traktör's customer oriented approach is well demonstrated in its commitment to increase driver safety. "Anchor Mechanism" system is an on-going project that aims to increase driver security during possible overturns. The project is supported by TÜBİTAK (Turkish Scientific Research Institute).

Confidentiality of information relevant to customers and suppliers are respected.

The company takes all the necessary measures and precautions in order to establish good relations with its customers and suppliers free from any unfair advantage and to comply with the provisions of the agreements among the parties.

3.6. Ethical Rules:

The ethical rules of the company have been improved significantly in comparison to the one we have evaluated in the previous rating period and have been extended to include the ethical responsibilities of the board members. However, the new set of rules have not yet been submitted to the general shareholder meeting for approval.

3.7. Social Responsibility:

The degree of social responsibility that Türk Traktör assumes is well above country averages. New initiatives are taken during this rating period in addition to the projects undertaken in the previous periods.

Türk Traktör donated a sum of TRY 1,807,140 for charitable purposes in the year 2007. The breakdown of this amount is as follows: TRY 720,000 to Tofaş Fiat Fund (a part of Vehbi Koç Foundation); TRY 1,080,000 to Koç Group Scholarship Fund; TRY 1,000 to Vehbi Koç Foundation; TRY 1,990 to Turkish Education Foundation; TRY

500 to İnönü Foundation; TRY 1,500 to Six Dots Foundation for the Blinds; TRY 1,150 to Mehmetçik Foundation; TRY 1,000 to Middle East Technical University Developement Foundation; TRY 46,370 to Rahmi Koç Museum, and tractors to Ankara University Agriculture Faculty.

Last Sunday of May each year is reserved for implementation of social responsibility projects.

The company also supported the 6th International Children with Leukemia Week held between 26 May 2007 and 1 June 2007.

Türk Traktör actively participates in initiatives that involve employee health and safety. To this end, it hosts the ISG meetings of KOÇ Group. The company also produces documentation and makes presentations in meetings organized by NGOs for the same purpose.

Türk Traktör is highly sensitive to environmental issues.

Türk Traktör's environmental policy dictates the company to perform prevention and continuous improvement works with regular reviews; to perform environmental friendly works in the product and manufacturing processes and to use new technology when necessary; to ensure adoption of environmental awareness by the company's personnel, suppliers, neighbors, and customers; to reduce the occupational accidents; to provide efficient use of resources; and to act in line with the existing laws and regulations on protection of natural balance.

To this end, ISO 14001 Internal Inspection was carried out for Industrial Waste Water Facility; necessary adjustments were made in accordance with the Regulation on Air Pollution Arising from Industrial Facilities; field surveys in which the environmental risks in the factory are identified and environmental analysis is performed were carried out; and the Annual Environmental Activity Report was published in 2007.

Türk Traktör also provides environmental training to the sub industry and inspects these firms in accordance with the needs of ISO 14001.

Within the framework of "World Environment Day" on June 5 June 2007, with the participation of the company's personnel's children at the age of 6-12, a picture competition entitled "A Nice World and the Environment I want to Live in" was organized. In addition, the company personnel planted trees during the "World Environment Day" activities in the wide fields of the factory. The company is planning to make this a traditional yearly initiative. With the aim of managing the environmental initiatives more efficiently, an Environmental Committee is established within the company.

Relations with public authorities are good.

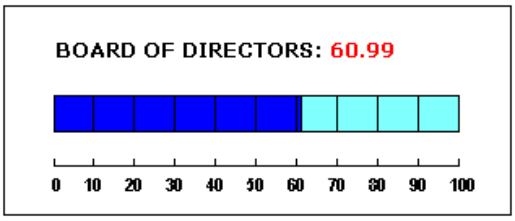
The company does not employ any personnel or external consultants to handle national and international lobbying activities.

There have been no significant legal conflicts with clients, employees, auditors and banks in recent history.

Similarly, no sanctions have been imposed on the company by public authorities and no significant conflicts were recorded between the company and tax authorities.

The relations with and the level of participation in the activities of NGOs and social organizations are commendable.

SECTION 4: BOARD OF DIRECTORS



	SYNOPSIS
+	The Company's vision, mission and strategic goals are clearly defined
+	Duties and responsibilities of the board of directors listed in the articles of association
+	Audit committee established and working efficiently
+	Board chairman and chief executive officer are not the same person
+	Executives perform their duties in a fair, transparent, accountable and reliable manner and have the required professional qualifications
=	Qualified members are appointed to the board, but requirements for candidacy not listed in the articles of association
-	No independent members
-	Corporate governance committee not established
-	Board members have not declared joint liability prior to commencing work
-	No cumulative voting method

Summary:

The board of directors have clearly defined Türk Traktör's vision, mission and strategic goals and disclosed the same to the public. It constantly and effectively revises the company's level of success in achieving its goals, operations and past performance.

The board closely monitors and supervises whether or not the company's operations comply with the relevant legislation, articles of association, in-house regulations and policies. The board's duties and responsibilities are in consistence with its functions and are clearly defined in the articles of association of the company.

Members of the board are prohibited from engaging in transactions and from competing with the company.

Beyond its basic functions, the board undertakes the approval of the annual budget and business plans of the company, preparation of the annual report, holding of the general shareholder meeting, and the determination of policies for shareholders, stakeholders and the public relations.

The board consists of 8 members of whom 2 are executive, there are no independent members, and cumulative voting method is not embraced.

Incentive remunerations of the board; however, are not based upon the performance of the members of the board in connection with the performance of the company.

In accordance with the conditions and necessities of the company, only the audit committee is formed. A corporate governance committee is not yet established.

The work of audit committee is recorded in writing. After the meeting, the chairman of the committee delivers a written report about the activities of the committee to the board and has the summary of the

minutes of the meeting delivered to the board in writing.

External independent audit process is started by the preparation of the contract by this committee who supervises the work of the external auditors in every stage; however, the appointment of the external audit firm is not submitted to the board upon the preliminary approval by the audit committee.

The executives perform their duties in a fair, transparent, accountable and reliable manner and act in accordance with the financial and operational plans of the company as approved by the board each year. They have the required professional qualifications in order to perform the assigned duties.

There are no internal regulations, however, that enforce executives to compensate the losses incurred by the company and third persons as a result of not performing their duties duly.

Also, employment agreements do not indicate that the executive may not be permitted to work for a competitor of the company in case the executive renounces from his/her duty, to protect the interests of the company for a certain period of time.

4.1. Fundamental Functions of the Board of Directors:

The Board has defined the mission/vision of the company and disclosed it to the public. The company vision is defined as "to be the institution that leads the world tractor market with its products. Türk Traktör's company mission is "to provide agricultural tractors at the right time, with the right quality, correct specifications and adequate price for its hundreds of thousands of clients all around the world. In accordance with this purpose, management of the sources in the most efficient way, and by the revenues gained this way, development of the production/administration technologies and human resources continuously."

The board approves the strategic goals constituted by the executives and constantly and effectively revises the company's level of success in achieving its goals, operations and past performance. In this context, it continuously questions the degree of achievement of the company's operations, approved annual financial and business plans; compliance with legislation and international accounting standards and identification of the degree of accuracy of the company related financial information.

The board established internal control and risk management mechanisms that are appropriate for the company to minimize adverse effects of the risks that the company may face, which would also negatively affect the shareholders and stakeholders. The deputy manager of the financial affairs department supervises the functioning of these mechanisms.

In accordance with the conditions and necessities of the company, only the audit committee is formed. A corporate governance committee is not yet established.

The board ensures that the executives of the company possess the necessary qualifications in order to perform their duties efficiently and dismisses and appoints new executives when necessary.

The board also closely monitors and supervises whether or not the company's operations comply with the relevant legislation, articles of association, in-house regulations and policies.

Furthermore, it acts as a pioneer in resolving and settling disputes that may arise between the company and shareholders. To this end, it ensures that the shareholders exercise their rights in accordance with the legislation, provisions of the articles of association, in-house regulations and policies and takes all necessary measures to avoid disputes arising between shareholders and company and/or employees.

However, since the company has not established a corporate governance committee, the board is unable to work in close cooperation with and support from members of such a committee.

4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:

The board's duties and responsibilities are clearly defined in the articles of association of the company in consistence with its functions and beyond any doubt so as to distinguish from the authorities and responsibilities of individual board members, executives and general assembly. Authorities and responsibilities of each board member and executive are not clearly stated in the annual report of the company, but duly disclosed to public.

In order to ensure that the board members perform their duties fully, they are provided with easy access to all kinds of information in a timely manner. In this context, mechanisms to enable timely and accurate information for the board members about significant developments that may impact the company are adopted. If deemed necessary, required executives attend the board meetings.

Any behavior by the company employees that would obstruct flow of information to the board are subject to sanctions including warnings and termination of employment contracts.

The ethical rules of the company contain provisions that state that members of the board should not indulge in pressures that would serve against the interests of the shareholders and not accept any material gains. The Board took measures to ensure that all employees abide by these provisions.

Members of the board are prohibited from engaging in transactions and from competing with the company. The ethical rules of the company also state that the members of the board can under no circumstances disclose company information that is confidential and/or trade secret.

Before commencing work, members of the board have not declared in writing that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders.

The board adopts a separate decision to approve the periodical financial statements and annual report of the company. To this end, at the time of announcement and notification of periodical financial statements with the footnotes and annual report, duties are appropriately allocated between the head of the relevant department responsible for the preparation thereof, any official who has undertaken such duty to prepare such documents, and the board.

Members of the board who are responsible for the preparation of these documents have declared in writing that the periodical financial statements and footnotes thereto and annual report of the company have been carefully examined by them and

in accordance with the authority and liabilities in the company and according to the information obtained, the financial statements and footnotes thereto and annual reports do not consist of any misleading statements that contradict the truth and that there is no lack of essential information.

Beyond its basic functions, the board undertakes the following responsibilities:

- To approve the annual budget and business plans of the company,
- To prepare the annual report and to finalize the same for presentation at the general shareholder meeting,
- To ensure that the general shareholder meeting is conducted in accordance with the legislation and the company's articles of association; to fulfill the general shareholder meeting decisions,
- To control the company's material expenditures exceeding 10% of the total assets value in the most recent balance sheet of the company,
- To approve the career plans and remuneration of executives,
- To determine policies for shareholders, stakeholders and the public relations,
- To determine the information policy of the company,
- To determine the ethical rules,
- To take all required measures to assure that the organization of the company meets environmental conditions.

Documents and information about the agenda items of the board meetings are submitted to the members of the board for inspection at least seven days in advance. In case such timing cannot be complied with, utmost attention is given in to providing equal information flow to each of the board members.

Any member of the board is entitled to propose amendments on the agenda, to the board chairman prior to the start of the meeting.

Each member is entitled to a single vote at the board meeting. Board members are not granted with weighted voting rights or positive/negative veto rights.

Provisions regarding the procedures for invitation of the board members for a meeting by shareholders and stakeholders are not incorporated in the articles of association. Furthermore, the articles of association of the company do not dictate that the members of the board should convene upon the request by institutional investors or minority shareholders and stakeholders.

Similarly, the manner in which the board meetings are to be conducted is not incorporated in the company's internal regulations.

The board meeting and decision quorum are included in the articles of association of the company. The board consists of 8 members, meets with a minimum attendance of 5 provided that Group A and Group B shares are represented by at least 2 members each, and decisions are taken by absolute majority. Nevertheless, at least 2 Group A and Group B members each should join the decision.

In order to serve the board and to keep documents related to the board meetings in order, a secretariat is not established under the responsibility of the board chairman. This task is executed by the General Accounting and Legal Affairs department.

The board does not have a budget to reimburse travel/meeting expenses, costs pertaining to special working requests and similar expenses.

4.3. Formation and Election of the Board of Directors:

The board is structured so as to optimize effect and efficiency thereof. To this end, candidates with high level of knowledge, skills and experience are considered as eligible and from among such candidates; members of the board are appointed. However, general rules in this respect are not incorporated in the articles of association of the company.

There are no board members who have been convicted of non-conformity with any kind of legislation or who have been sentenced in any way.

The number of the members for the board is determined to facilitate producing efficient and constructive works by the board.

Minimum requirements required for candidates for board membership positions are as follows:

- To be capable of analyzing and interpreting financial statements and reports,
- To have basic knowledge about the legal regulations applicable to the company for daily or long term business as well as dispositions,
- To be able to participate in all board meetings in the relevant budget year.

Within the eight member board of directors, only Mr. Hakkı Akkan (GM) and Mr. Marco Votta (CFO) are executive members. The board chairman and chief executive officer is not the same person.

The board does not have any independent members who have the ability to execute their duties without being influenced under any circumstances. Therefore, there are no committees that are comprised of independent members.

Furthermore, a cumulative voting system is not adopted.

4.4. Remuneration of the Board of Directors:

The company has not lent any money, extended any credits, or provided any warranties to a member of the board.

Compensation for the members of the board is determined by the general assembly so as to counterweigh the time invested and performance of membership duties as a minimum.

However, incentive remunerations of the board is not based upon the performance of the members of the board in connection with the performance of the company.

4.5. Number, Structure and Independence of the Committees Established by the Board of Directors:

In accordance with the conditions and necessities of the company, only the audit committee is formed. A corporate governance committee is not yet established.

The audit committee is made up of two non-executive members.

The audit committee keeps record of all their work in writing. The scheduling for meetings is compliant with that of the board meetings. After the meeting, the chairman of the committee delivers a written report about the activities of the committee to the board and has the summary of the minutes of the meeting delivered to the board in writing.

The audit committee supervises whether or not periodic financial statements and its footnotes are prepared in accordance with the current legislation and international accounting standards and declares its

opinion to the board in writing upon receiving the opinion of the independent audit firm.

The audit committee supervises execution and efficiency of the accounting system of the company, disclosure of financial information to the public, external audit of the company and internal control system thereof.

External independent audit process is started by the preparation of the contract by this committee who supervises the work of the external auditors in every stage; however, the appointment of the external audit firm is not submitted to the board upon the preliminary approval by the audit committee. Furthermore, prior to appointment of the external audit firm, the audit committee does not prepare a report stating whether or not there exist any issues that may jeopardize independence of the audit company.

4.6. Executives:

The executives perform their duties in a fair, transparent, accountable and reliable manner and ensure that the company conducts its business within the framework of its mission, vision, goals, strategies and policies. They also act in accordance with the financial and operational plans of the company as approved by the board each year. These executives are appropriately authorized to perform their duties.

The executives of Türk Traktör obey the legislation, articles of association, in-house regulations and policies while performing their duties; and submit a report regarding the conformity of the performed works with these to the board each month.

During the rating process, we did not come across to any incidence of executives exploiting company related confidential and publicly unavailable information in favor of himself/herself or others, and providing information or extending news or making comments that are false, untrue, misleading or unfounded about the company.

There are no internal regulations, however, that enforce executives to compensate the losses incurred by the company and third persons as a result of not performing their duties duly.

The executive compensation is compatible with their qualifications and their contributions in the success of the company and is determined in accordance with market conditions.

Employment agreements, however, do not indicate that the executive may not be permitted to work for a competitor of the company in case the executive renounces from his/her duty, to protect the interests of the company for a certain period of time.

Rating Definitions

Rating	Definition
9 - 10	The company performs **very good** in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs **good** in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated.
6	The company performs **fair** in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs **weakly** as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs **very weakly** and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.