

**Türk Demirdöküm Fabrikaları
Anonim Şirketi**

**Consolidated Financial Statements
&
Report of Independent Auditors**

December 31, 2008



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Türk Demirdöküm Fabrikaları Anonim Şirketi

We have audited the accompanying financial statements of Türk Demirdöküm Fabrikaları Anonim Şirketi (“Demirdöküm” or “the Company”), which comprise the consolidated balance sheet, the consolidated income statement, statement of cash flows, statement of changes in equity, summary of significant accounting policies and other explanatory notes as of and for the year ended December 31, 2008.

The consolidated comparative financial statements as of and for the year ended December 31, 2007 have been audited by other auditors who have rendered a qualified audit opinion in their report dated April 10, 2008.

The financial statements of the consolidated subsidiary, Tianjin Demrad International Trading Company Limited, that corresponds to 0.47% of consolidated total assets and 0.59% of consolidated net sales revenue with a net period profit of YTL 22,000 have been audited by other auditors. The financial statements of the jointly controlled subsidiary, Demirdöküm Chung Mei Industries Limited, accounted by equity method in the consolidated financial statements, that corresponds to 0.29% of total consolidated assets and has a net profit effect of YTL 331,768 have not been subjected to external audit.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by Capital Market Board in Turkey. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and, making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and the audits of the other auditors. We conducted our audit in accordance with auditing standards issued by Capital Market Board in Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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



As discussed in *Note 17 Provisions, Contingent Assets and Liabilities*, the financial statements of the subsidiary Demirdöküm Chung Mei Industries Limited, which have been disclosed in *Note 4 Joint Ventures* has not been audited for the year ended December 31, 2008 due to a dispute between the venturers. The carrying value of the investment that has been accounted for by use of equity method in the consolidated balance sheet is YTL 1,758,355.

Opinion

In our opinion, except for the possible adjustment effects that may result from the fact that the financial statements of the jointly controlled subsidiary Demirdöküm Chung Mei Industries Limited have not been audited, the consolidated financial statements present fairly, in all material respects, the financial position of Türk Demirdöküm Fabrikaları Anonim Şirketi as of December 31, 2008, and its financial performance and cash flows for the year then ended in accordance with financial reporting standards published by Capital Market Board in Turkey.

Baylan Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
Member Firm of BDO International

Musa Erol, SMMM
Engagement Partner

April 9, 2009
İstanbul, Turkey

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Türk Demirdöküm Fabrikaları Anonim Şirketi**CONSOLIDATED BALANCE SHEET****As at December 31, 2008****(Currency - New Turkish Lira (YTL))**

		Audited	Audited
	NOTE	December 31, 2008	December 31, 2007
ASSETS			
Current Assets			
529.399.507			
531.556.719			
Cash and cash equivalents	6	46.562.108	13.049.818
Trade receivables, net	9	313.898.004	317.054.649
- <i>Due from related parties, net</i>	31	16.485.637	1.977.163
- <i>Other trade receivables, net</i>	9	297.412.367	315.077.486
Other receivables, net	10	36.189.693	3.083.671
- <i>Due from related parties, net</i>	31	32.154.249	--
- <i>Other receivables, net</i>	10	4.035.444	3.083.671
Inventories	11	76.390.291	148.944.417
Other current assets	20	56.359.411	49.424.164
		529.399.507	531.556.719
Non Current Assets			
88.332.487			
82.551.993			
Trade receivables, net	9	4.868.624	3.484.930
Investments accounted for using the equity method	12	1.758.355	1.426.587
Property, plant and equipment, net	13	64.663.969	62.536.396
Intangibles, net	14	330.168	384.550
Positive goodwill, net	15	4.143.636	4.395.951
Deferred tax assets	29	11.682.918	9.276.972
Other non current assets	20	884.817	1.046.607
		617.731.994	614.108.712
TOTAL ASSETS			

The accompanying policies and explanatory notes on pages 6 through 55 form an integral part of these financial statements

Türk Demirdöküm Fabrikaları Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2008

(Currency - New Turkish Lira (YTL))

		<u>Audited</u>	<u>Audited</u>
	NOTE	December 31, 2008	December 31, 2007
LIABILITIES			
Current Liabilities		414.368.710	445.331.002
Financial liabilities	7	87.523.525	256.820.603
Other financial liabilities	8	46.988	755.144
Trade payables, net	9	217.641.311	151.745.317
- Due to related parties, net	31	3.997.581	2.428.160
- Other trade payables, net	9	213.643.730	149.317.157
Other payables, net	10	32.987.528	18.300.959
- Due to related parties, net	31	31.104.891	11.654.973
- Other payables, net	10	1.882.637	6.645.986
Current Year's Taxes and Other Legal Liabilities	29	360.590	--
Provisions	17	29.186.888	15.352.955
Other liabilities, net	20	46.621.880	2.356.024
		414.368.710	445.331.002
Non Current Liabilities		105.905.762	48.277.023
Financial liabilities	7	98.738.550	8.104.827
Retirement pay provision	19	6.288.938	6.594.038
Deferred tax liability	29	878.274	1.195.296
Other liabilities, net	20	--	32.382.862
EQUITY	21	97.457.522	120.500.687
Share capital		54.000.000	54.000.000
Equity restatement differences		70.499.320	70.499.320
Premium in excess of par		7.039	7.039
Other Comprehensive Income-Cash Flow Hedge		488.921	--
Currency translation differences		4.508.560	3.075.301
Profit reserves		8.877.587	8.873.883
Prior year profit / (loss)		(15.958.560)	(10.182.236)
Net profit / (loss) for the period		(24.965.345)	(5.772.620)
TOTAL LIABILITIES		617.731.994	614.108.712

The accompanying policies and explanatory notes on pages 6 through 55 form an integral part of these financial statements

Türk Demirdöküm Fabrikaları Anonim Şirketi

CONSOLIDATED INCOME STATEMENT
For the period ended December 31, 2008
(Currency - New Turkish Lira (YTL))

	NOTE	Year Ended Dec 31, 2008	Year Ended Dec 31, 2007
CONTINUING OPERATIONS			
Net sales	22	651.433.359	588.877.515
Cost of sales (-)	22	(539.129.948)	(454.317.794)
GROSS PROFIT		112.303.411	134.559.721
Selling and marketing expense (-)	23	(69.869.897)	(77.947.101)
General and administrative expense (-)	23	(56.837.783)	(40.545.250)
Research and development expense (-)	23	(1.538.895)	(1.978.894)
Other operating income	25	40.149.871	52.501.251
Other operating expense (-)	25	(8.444.198)	(789.714)
PROFIT FROM OPERATING		15.762.509	65.800.013
Equity income from associate	12	331.768	67.144
Financial income	26	24.488.422	9.686.191
Financial expense (-)	27	(75.895.007)	(90.122.652)
(LOSS) / PROFIT BEFORE TAX		(35.312.308)	(14.569.304)
Tax charge from continuing operations		10.346.963	7.114.134
- Tax for the period	29	7.623.996	877.907
- Deferred tax income / (charge)	29	2.722.967	6.236.227
(LOSS) / PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		(24.965.345)	(7.455.170)
DISCONTINUED OPERATION		--	1.758.520
Profit / (Loss) after tax for the year from a discontinued operation		--	1.758.520
NET (LOSS) / PROFIT		(24.965.345)	(5.696.650)
Allocation of Period Profit/Loss			
Minority share (loss) / gain		--	(75.970)
Partnership (loss) / gain			
Basic (loss) / earnings per share	30	(0,00462)	(0,00107)
Diluted (loss) / earnings per share			
Basic (loss) / earnings per share from continuing operations		(0,00462)	(0,00138)
Diluted (loss) / earnings per share from continuing operations			

The accompanying policies and explanatory notes on pages 6 through 55 form an integral part of these financial statements

Türk Demirdöküm Fabrikaları Anonim Şirketi
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended December 31, 2008
(Currency - New Turkish Lira (YTL))

	Share Capital	Share Premium	Equity restatement differences	Financial assets value increase fund	Legal reserves	Retained earnings	Currency translation difference	Net profit / (loss)	OCI Cash Flow hedge	Total equity
January 01, 2007	45.000.000	7.039	70.499.320	18.566.202	7.132.344	7.870.074	(211.651)	40.754.281		189.617.609
Transfer from net profit to legal reserves	-	-	-	-	1.741.539	-	-	(1.741.539)	-	-
Transfer from net profit to extraordinary reserves	-	-	-	-	-	30.012.742	-	(30.012.742)	-	-
Increase in share capital	9.000.000	-	-	-	-	-	-	(9.000.000)	-	-
Financial assets value increase fund (net off deferred tax)	-	-	-	4.126.800	-	-	-	-	-	4.126.800
Decrease in financial assets value increase fund due to sale of financial assets available for sale	-	-	-	(22.693.002)	-	-	-	-	-	(22.693.002)
Dividend as distribution in kind	-	-	-	-	-	(10.371.205)	-	-	-	(10.371.205)
Amount paid for the increase in shareholding percentage of the consolidated subsidiary	-	-	-	-	-	(45.390.156)	-	-	-	(45.390.156)
Change in minority shareholding interest	-	-	-	-	-	7.696.309	-	-	-	7.696.309
Net change in currency translation differences	-	-	-	-	-	-	3.286.952	-	-	3.286.952
Net loss for the year	-	-	-	-	-	-	-	(5.772.620)	-	(5.772.620)
December 31, 2007	54.000.000	7.039	70.499.320	-	8.873.883	(10.182.236)	3.075.301	(5.772.620)	-	120.500.687
January 01, 2008	54.000.000	7.039	70.499.320	-	8.873.883	(10.182.236)	3.075.301	(5.772.620)	--	120.500.687
Increase in share capital	-	-	-	-	-	-	-	-	-	-
Cash flow hedge	-	-	-	-	-	-	-	-	488.921	488.921
Net change in currency translation differences	-	-	-	-	-	-	1.433.259	-	-	1.433.259
Net loss for the year	-	-	-	-	-	-	-	(24.965.345)	-	(24.965.345)
Dividend as distribution in kind	-	-	-	-	-	-	-	-	-	-
Decrease in financial assets value increase fund due to sale of financial assets available for sale	-	-	-	-	-	-	-	-	-	-
Transfer from net profit to legal reserves	-	-	-	-	3.704	-	-	(3.704)	-	-
Transfer from net profit to extraordinary reserves	-	-	-	-	-	(5.776.324)	-	5.776.324	-	-
Amount paid for the increase in shareholding percentage of the consolidated subsidiary	-	-	-	-	-	-	-	-	-	-
Change in minority shareholding interest	-	-	-	-	-	-	-	-	-	-
December 31, 2008	54.000.000	7.039	70.499.320	-	8.877.587	(15.958.560)	4.508.560	(24.965.345)	488.921	97.457.522

The accompanying policies and explanatory notes on pages 6 through 55 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi

CONSOLIDATED CASH FLOW STATEMENT
For the period ended December 31, 2008
(Currency - New Turkish Lira (YTL))

	31.12.2008	31.12.2007
Cash flows from operating activities		
Loss/(profit) before income tax from discontinued operations	-	2.994.532
Profit/(loss) before income tax and minority interest from continued operations	(35.312.308)	(14.569.304)
Adjustments to reconcile net income / (loss) to net cash flows from operating activities:	-	-
Depreciation and amortization	13.397.409	12.242.920
Provision for employee termination benefit	2.102.214	2.261.134
Interest expense	44.226.910	49.502.610
Forward accrual	-	-
Interest income	(213.099)	(7.911)
Dividend income	-	(30.120)
Loss on sale of fixed assets	18.024	13.593
Gain on sale of fixed assets	(223.167)	(11.855.571)
Net change in foreign currency translation differences	(1.240.882)	11.408.409
Gain on sale of available for sale financial assets	-	(22.705.672)
Equity income from associate	(331.768)	(67.144)
Unrealized foreign exchange loss /(gain) on loans	18.723.027	(12.426.411)
Foreign exchange loss from acquisition of subsidiary	-	372.000
Unearned interest income	-	356.498
Cash flow hedge	488.921	-
Increase / decrease of inventory provisions	7.341.816	667.221
Increase / decrease of allowance for doubtful receivables	15.477.149	7.498.898
Increase / decrease of other provisions	2.295.000	-
Warranty provisions	23.433.627	18.868.337
Net profit adjusted for non-cash items	90.182.873	44.524.019
Changes in operating assets and liabilities		
Inventories	79.882.325	(51.143.995)
Trade receivables and due from related parties	(10.432.605)	62.243.121
Trade payables and due to related parties	68.332.821	(121.471.785)
Warranty expense paid	(18.638.233)	(17.445.864)
Taxes paid	-	(1.066.470)
Net change in current and non current assets	(13.464.920)	(26.801.911)
Net change in provisions	7.008.450	2.266.757
Advances taken	(4.936.649)	2.900.140
Net change in other liabilities	2.588.243	(803.587)
Net change in other receivables	(28.346.083)	(114.000)
Employee termination benefit paid	(2.407.315)	(1.499.464)
Net cash (used in) provided by operating activities	169.768.907	(108.413.039)
Cash flows from investing activities		
Purchase of property, plant and equipment	(15.414.865)	(8.800.418)
Purchase of intangible assets	(160.193)	(195.234)
Proceeds from sale of property, plant and equipmen	355.689	16.266.134
Cash used in acquisition of shares of subsidiary	-	(13.735.792)
Proceeds from sale of available for sale financial assets	-	41.035.471
Proceeds from sale of associate	-	873.086
Interest received	-	7.911
Dividend received	-	30.120
Net cash generated from discontinued operations	-	8.917.254
Cash and cash equivalents of a subsidiary which is not consolidated	-	(1.179.239)
Net cash provided by (used in) investing activities	(15.219.369)	43.219.293
Cash flows from financing activities		
Net change in borrowings	(76.848.757)	110.302.070
Net change in finance lease obligations	(91.081)	(176.199)
Interest payments	(43.378.770)	(51.226.568)
Net change in other financial liabilities	(718.640)	(846.201)
Net cash provided by financing activities	(121.037.248)	58.053.102
Net (decrease)/ increase in cash and cash equivalents	33.512.290	(7.140.644)
Cash and cash equivalents at beginning of year	13.049.818	20.190.462
Cash and cash equivalents at end of year	46.562.108	13.049.818

The accompanying policies and explanatory notes on pages 6 through 55 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES

General

Türk Demirdöküm Fabrikaları Anonim Şirketi (Demirdöküm) was established in 1954 in Istanbul. 3.81% of the shares of Demirdöküm are listed on the Istanbul Stock Exchange. The address of the registered office of the Company is Kurtköy-Orhanlı Caddesi Mezarlık Yanı Pendik, İstanbul. Headquarters of the Company is located in Çengelköy, İstanbul. The production facilities of Demirdöküm are located in Bozüyük. The ultimate parent of the Company is Vaillant GmbH.

As of December 31, 2008 and 2007, the subsidiaries, their fields of activities, country of incorporation, and year of establishment are as below:

	Field of Activity	Country of Incorporation	Year of Establishment
Subsidiaries			
Panel Radyatör Sanayi ve Ticaret A.Ş. (Panel)	Panel radiator production	Turkey	2001
Demrad Döküm Ürünleri Sınai ve Ticaret A.Ş. (Demrad) (*)	Cast iron radiator production	Turkey	2002
DD Heating Ltd. (DD Heating)	Sales and marketing abilities of radiators and waterboilers	England	2003
Tianjin Demrad Trading Company Limited (Demiladi) (Note 2)	Sales marketing and warehouse activities	China	2003
Joint Ventures			
Demirdöküm Chung Mei Industries Ltd (DD Chung Mei)	Durable consumer goods production & sales	Hong-Kong	2002

(*) According to Board of Directors' resolution dated September 4, 2007, Demrad has been sold to Koç Holding A.Ş.

In 2008, the average number of total employees is 1.205 (in 2007 - 1.260) out of which 277 are white collar workers (in 2007 - 282) and 928 are blue collar workers (in 2007 - 978).

As of December 31, 2008 and 2007, the list of subsidiaries and the direct and indirect participation percentages of Demirdöküm in those subsidiaries are as follows:

	Direct Participation Percentage of Türk Demirdöküm Fabrikaları A.Ş. (%)		Indirect Participation Percentage of Türk Demirdöküm Fabrikaları A.Ş. (%)	
	2008	2007	2008	2007
Panel	50,00	50,00	100,00	75,00
DD Heating	100,00	50,00	100,00	100,00
Demiladi	100,00	100,00	100,00	100,00
DD Chung Mei (*)	55,00	55,00	55,00	55,00

(*) As of December 31, 2008, DD Chung Mei is jointly controlled entity. The Company used the equity method which is alternative treatment for consolidation, instead of proportionate consolidation method.

A share transfer agreement has been signed between Koç Holding A.Ş., Temel Ticaret ve Yatırım A.Ş., Rahmi M. Koç, Semahat S. Arsel, Suna Kıraç, Mustafa V. Koç, Y. Ali Koç, Koç Holding Emekli ve Yardım Sandığı Vakfı (Sellers), Vaillant Saunier Duval Iberica S.L. (Buyer), and Vaillant GmbH (Guarantor) on May 28, 2007 for the sale of the shares which represent 72,56% of Company's share capital.

On the same date, Vaillant Saunier Duval Iberica S.L. also signed a share transfer agreement with the Sellers Demiren Holding A.S. (Demiren) and Emiroğlu Holding A.S. (Emiroğlu) through the ownership of Demiren and

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

Emirođlu via Taylan Holding A.Ş. for the purchase of 306.560.143 number of shares which represent 5,68% of Company's share capital.

The total share of the Vaillant Saunier Duval Iberica S.L is reached %96.19 after compulsory offering to the shareholders that has been executed according to Capital Market Board Communiqué No. IV-8

The Company has purchased 50% percent of its subsidiary, DD Heating, which was owned by Temel Ticaret A.Ş. for Euro 28.120.000. Euro 8.120.000 of such amount was paid on October 5, 2007. Remaining amount Euro 20.000.000 (YTL 34.382.862 discounted) has been paid on March 5, 2009. Such liability is included in other current liabilities as of December 31, 2008.

For the purpose of these consolidated financial statements, Demirdöküm and its consolidated subsidiaries, Panel, Demiladi, and DD Heating will be referred to as "the Company and its subsidiaries" or "the Company".

Nature of activities

The Company is engaged in the production and trading of durable consumer goods such as cast iron, panel and steel radiators, instant and storage water heaters, central heating systems, and individual heating equipment.

2. BASIS OF PRESENTATION

Basis of Presentation

The Capital Market Board (CMB) has issued Communiqué No. XI-29 "Communiqué on Financial Reporting in Capital Markets" which sets out the concepts that underlie the preparation and presentation of financial statements to the related users. According to article 5 of the Communiqué, Companies prepare their financials in accordance with International Financial/Accounting Reporting Standards (IFRS/IAS) in its form accepted by European Union. In this context, the Company prepared its financial statements and disclosures in accordance with IFRS/IAS.

Both Demirdöküm and Panel maintain their books of accounts in accordance with the commercial law, tax law, and Uniform Chart of Accounts regulations in force in Turkey.

The foreign subsidiaries of the Company, DD Heating and Demiladi maintain their books of accounts in accordance with the laws and regulations in force in England and China where they are registered, respectively.

The consolidated financial statements have been prepared from statutory financial statements of Demirdöküm and its subsidiaries and presented in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB regulations. Such adjustments mainly comprise the effects of the followings;

- IFRS 3 "Business Combinations"
- IFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations"
- IFRS 7 "Financial Instruments : Disclosures"
- IAS 1 "Presentation of Financial Statements"
- IAS 2 "Inventories"
- IAS 7 "Cash Flow Statement"
- IAS 10 "Events After the Balance Sheet Date"
- IAS 12 "Income Taxes"
- IAS 16 "Property, Plant and Equipment", depreciation provided based on the useful lives of property, plant and equipment on a pro-rata basis
- IAS 17 "Leases"
- IAS 18 "Revenue"
- IAS 19 "Employee Benefits"
- IAS 20 "Accounting for Government Grant and Disclosure of Government Assistance"
- IAS 21 "The Effects of Changes Exchange Rates"

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

- IAS 24 “Related Party Disclosures”
- IAS 27 “Consolidated and Separate Financial Statements”
- IAS 31 “Interests in Joint Ventures”
- IAS 32 “Financial Instruments: Disclosure and Presentation”
- IAS 33 “Earning per Share”
- IAS 36 “Impairment of Assets”
- IAS 37 “Provisions, Contingent Liability and Contingent Assets ”
- IAS 38 “Intangible Assets”
- IAS 39 “Financial Instruments : Recognition and Measurement”

Functional and Presentation Currency

Functional and presentation currency of Demirdöküm and its subsidiaries operating in Turkey is YTL.

Functional and presentation currency of DD Heating, DD Chung Mei and Demiladi, is Great Britain Pound; Hong Kong Dollars and Renminbi, respectively. The functional currency of Dongguan Dei Chung Metal Appliance Limited, which is subsidiary of DD Chung Mei, is Renminbi. Related balance sheet accounts are converted into YTL by using the buying exchange rate on December 31, 2008 and profit and loss accounts by using the average exchange rate for the period.

The exchange rates were as follows:

	December 31, 2008		December 31, 2007	
	Balance Sheet Rate	Average Rate	Balance Sheet Rate	Average Rate
Great Britain Pound	2,1924	2,3831	2,3259	2,5982
Euro	2,1408	1,8958	1,7102	1,7782
Hong-Kong Dollar	0,1945	0,1661	0,1496	0,1671
Renminbi	0,2179	0,1786	0,1534	0,1672

The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation differences. On the disposal of such subsidiaries, the deferred cumulative amount recognized in equity relating to that particular subsidiary is recognized in the income statement.

In accordance with the Capital Markets Board’s resolution dated March 17, 2005 and numbered 11/376, financial statements were restated in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004 since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of December 31, 2008 and 2007 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

Foreign Currency Translation

The consolidated financial statements are presented in YTL, which is Demirdöküm’s presentation currency. Each subsidiary within the Company determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency. All other currencies other than the functional currency selected for measuring items in the financial statements are treated as foreign currencies.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to foreign exchange gain/(loss) in the income statement.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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Accounting Policies, Changes in Accounting Estimates and Errors

The rules, principles and assumptions used in the preparation and presentation of financial statements are determined and applied consistently in accordance with CMB accounting standards and “International Financial Reporting Standards (IFRS)” referred by the CMB Communiqué Serial: XI, No: 29.

A change in an accounting policy is made if the change is required or the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flows and the change made within this context is applied retrospectively. The effect of the change in accounting policy is recognized in the financial statements of the period that the change is made, if the application of the change in accounting policy affects future periods.

Estimation involves judgments based on the latest available, reliable information. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Errors which includes mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts are corrected retrospectively. The correction of prior period is excluded from profit or loss for the period in which the error is discovered. The nature of the prior period error, the amount of the correction for each prior period presented and the amount of the correction at the beginning of the earliest prior period shall be disclosed.

Standards and Interpretations that are not yet effective as of December 31, 2008

As of the date of authorization of the consolidated financial statements, the new standards and interpretations related with the existing standards reviewed by the Company, but not effective as of December 31, 2008 are as follows:

IFRS 8, Operating Segments (effective for annual periods beginning on or after January 1, 2009)

IAS 23, Borrowing Costs (New) (effective for annual periods beginning on or after January 1, 2009)

IAS 1, Presentation of Financial Statements (New). New standard describes “Statement of Comprehensive Income” as a separate financial statement. (effective for annual periods beginning on or after January 1, 2009)

IAS 39, Financial Instruments: Recognition and Measurement. It is not expected to have any significant impact on the Company’s account.

IFRS 2, Share-based Payment. (effective for annual periods beginning on or after January 1, 2009)

It is not expected to have any impact on the Company’s account.

IAS 32 and IAS 1, Financial Instruments: Disclosure and Presentation (New) (effective for annual periods beginning on or after January 1, 2009) It is not expected to have any impact on the Company’s account.

IFRIC 13, Customer Loyalty Programmes . It is not expected to have any impact on the Company’s account.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2009. It is not expected to have any impact on the Company’s account.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 1, 2008). It is not expected to have any impact on the Company’s account.

IFRIC 17, Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009). It is not expected to have any impact on the Company’s account.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

IAS 27, Consolidated and Separate Financial Statements (revised) (effective for annual periods beginning on or after July 1, 2009). It is not expected to have any significant impact on the Company's account.

IFRS 3, Business Combinations (revised) (effective for annual periods beginning on or after July 1, 2009). It is not expected to have any significant impact on the Company's account.

IFRS 5, Non-current Assets Held For Sales and Discontinued Operations. (effective for annual periods beginning on or after July 1, 2009).

IFRIC 18, Transfers of Assets from Customer. (effective for annual periods beginning on or after July 1, 2009). It is not expected to have any significant impact on the Company's account.

IAS 16, Property, Plant and Equipment. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 19, Employee Benefits. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 28, Investments in Associates. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 29, Financial Reporting in Hyperinflationary Economies. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 36, Impairment of Assets. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 38, Intangible Assets. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

IAS 40, Investment Property. (effective for annual periods beginning on or after January 1, 2009.) It is not expected to have any significant impact on the Company's account.

The Company did not early adopt those above mentioned standards.

Offsetting

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

Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements require 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 expense during the reporting period. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are taken to the consolidated financials in period in which they become known.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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statements are discussed in the relevant sections under "Significant Accounting Policies" Note.

Basis of Consolidation

As of December 31, 2008 and 2007, the consolidated financial statements comprise of financial statements of Demirdöküm and its subsidiaries; Panel, DD Heating and Demiladi and these companies are presented as a single business entity.

Consolidated financial statements comprise of financial statements of Demirdöküm, DD Heating, Panel and Demiladi and operating results of DD Chung Mei as of December 31, 2008 and 2007.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred from the Company.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activity. Financial statements of the Company's subsidiaries are taken to the consolidation when control exists over subsidiaries.

The consolidated financial statements include Demirdöküm and its subsidiaries, which it controls. The equity and net income attributable to minority shareholders' interests are presented separately in the balance sheet and income statement.

The Company has acquired 50% of DD Heating from Temel Ticaret A.Ş. on October 5, 2007 within the scope of share transfer agreement. As of the acquisition date, DD Heating was controlled by Koç Holding. The acquisition of related shares from Temel Ticaret is accounted by applying the "pooling of interests" method regarding business combination involving entities under common control.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using same accounting policies for similar transactions.

SIGNIFICANT ACCOUNTING POLICIES

Discontinued operations

The Company has no discontinued operations as of December 31, 2008, whereas it has in 2007. Net profit / loss for the period from these operations is presented under the heading of "Discontinued Operations" in the consolidated income statement and profit/loss from transfer of the operations is presented under the heading of "dividend as distribution in kind" in equity.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. In addition, the following conditions have been satisfied for recognition of revenue. -The entity has transferred to the buyer the significant risk and rewards of the ownership of the goods. -The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

i) Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer at the invoiced values and the amount of revenue can be measured reliably. Net sales represent the invoiced value of goods shipped net of sales discounts and commission. Recognition of Credit Term Revenue denominated in YTL is determined by net present value through imputed interest rate. The difference between the fair value and the nominal amount of the consideration is recognised as interest

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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revenue in the related period.

ii) Interest Income

Interest income is accounted on an accrual basis.

iii) Dividends

Revenue is recognized when the shareholders' right to receive the payment is established.

Foreign Currency Transactions

Transactions in foreign currencies are being recorded at the rate ruling at the date of transaction and foreign currency denominated assets and liabilities in the consolidated balance sheet are being translated at the rates of exchange prevailing at the balance sheet dates. As of December 31, 2008 and 2007, assets and liabilities denominated in foreign currencies have been translated with the buying exchange rates declared by Central Bank of the Republic of Turkey (CBRT). Exchange gains or losses arising on settlement and translation of foreign currency items have been included in the consolidated income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, short-term deposits and other liquid assets. Other liquid assets mainly comprise of checks and notes with maturities before December 31, 2008. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and that are subject to an insignificant risk of change in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, with an original maturity of three months or less.

Cash and cash equivalents are measured at the total of cost of acquisition and accrued interest.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of inventories comprise the purchase price, import duties, and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods and materials.

Raw material cost comprise discounted purchasing cost and the cost incurred in bringing the raw material to their present location and condition. The Company uses the average cost method for valuation. The difference between the discounted price and the nominal price is recognized as finance expense in the related period.

Finished goods and work-in process (WIP) cost comprise direct materials, labor and factory overhead. The Company uses the average cost method for both finished goods and WIP. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs.

Financial assets

Financial assets are classified either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, re-evaluates this designation at each financial year-end.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Company. Related purchases or sales of financial assets are generally purchases and sales that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Available-for-sale financial assets

When financial assets are recognized initially, they are measured at fair value, plus, directly attributable transaction cost. After initial recognition the valuation is performed on their fair values. Available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. The dividends received are presented in dividend income at the date that they are received.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices or prices declared by Stock Exchange at the balance sheet date.

For financial assets where there is no active market or the market price is not valid, fair value is determined using valuation techniques such as recent market transactions; reference to the current market value of another instrument which is substantially similar; discounted cash flow analysis or other valuation models. Financial assets, as a capital instrument, of which market value is not determined reliably are reflected in the financial statements at cost less allowances for impairment.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Those assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Trade Receivables

Receivables that have been realized in the ordinary course of main business activities are in the form of current accounts receivables, notes and chequé receivables that are classified as trade receivables. Trade receivables are initially recognized at amortized cost which is the invoiced amount less imputed interest calculated using the effective interest rate method. Subsequently, trade receivables are re-measured for any impairment that arise from credit risks.

The Company cashes part of its checks and receivables through factoring. The Company has revocable transactions where the credit risk rests with the Company and irrevocable transactions where the credit risk rests with the factoring company until the related receivable is settled in cash. Irrevocably factored receivables are derecognized at the date of the factoring transaction. Factoring expense is accounted as financial expense on an accrual basis.

The allowance for doubtful receivables is reflected through a provision charged to expense. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debt is written off when identified.

Financial Liabilities

Trade and other payables are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, regardless of whether they are yet to be billed to the Company or not. Post dated payment orders are included in trade payables, and measured at amortized cost at the date of initial recognition.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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Recognition and Derecognition of Financial Assets and Liabilities

The Company recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets are impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed from the allowance account. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect its outstanding overdue receivables. The carrying amount of the receivable is reduced through use of an allowance account.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs shall be recognised as an expense when incurred.

Assets Held for Sale

The assets held for sale represent property obtained from debtors in default in the prior years as a payment of their liability to the Company. These assets are carried at the lower of carrying amount and fair value less costs to sell which approximated to the value assigned to the title deeds. The Company does not provide any depreciation for these assets unless they are used in the operations of the Company. When the assets are sold, disposal gain or loss is recognized in the consolidated income statement. Assets held for sale are disclosed under other non-current assets.

Property, Plant and Equipment

All property, plant and equipment are initially recognized at acquisition cost, and restated for inflation until December 31, 2004. Property, plant and equipment are stated at cost less accumulated depreciation less impairment loss, if any. Land is not depreciated.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes 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 has been put into

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NOTES TO FINANCIAL STATEMENTS (Continued)

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operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

The useful life and depreciation method 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. In this context, the Company, has reassessed the useful lives of property, plant and equipment in 2006.

Property, plant and equipment are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Assets which are subject to depreciation are depreciated over the historical costs on a straight line basis using the below estimated useful lives:

	Useful Lives
Land improvements	30 years
Buildings	30 years
Furniture and fixtures	12 years
Machinery and equipment	5-15 years
Moulds and models	3-7 years
Vehicles	3-5 years
Leasehold improvements	5 years

Intangible Assets

Intangible assets are initially stated at cost and are restated for inflation until December 31, 2004 with the index of the related purchase date. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets excluding development costs, created within the Company are not capitalized and is directly charged to profit and loss when incurred. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives.

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.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a business, subsidiaries and associates at the date of acquisition. Goodwill arising from the business combinations before April 1, 2004 is amortized on a straight-line basis over its useful economic life up to a presumed maximum of 20 years and goodwill is reviewed for possible impairment when events and changes in circumstances indicate that the carrying value may not be recoverable. Beginning from April 1, 2004, goodwill is not amortized but reviewed for possible impairment.

Impairment of Non-Financial Assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount of property and equipment is the greater of net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at end of its useful life while the net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash

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NOTES TO FINANCIAL STATEMENTS (Continued)

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generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. The reversal is recorded in the statement of income. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Income Taxes

Income tax is the aggregate amount included in the determination of net profit or loss for the period in respect of deferred tax.

Deferred income tax is provided, using the liability method, 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 income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill
- an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference
- it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized, except:

- is not a business combination,
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future,
- taxable profit will be available against which the temporary difference can be utilized.

At each balance sheet date, an entity re-assesses unrecognised deferred tax assets. Deferred tax assets are decreased or written-down when future taxable profit does not allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted by the balance sheet date.

Employee Termination Benefits

(a) Defined Benefit Plans:

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

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In the financial statements, the Company has reflected a liability using the “Projected Unit Credit Method” based on the past experiences of the employees’ service period and entitlement to receive retirement pay liability and discounted using government bonds’ rate of return on the balance sheet day. All actuarial gains and losses have been reflected to income statement.

(b) Defined Contribution Plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Segment Reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Company has determined geographical segments as the Company’s primary segment reporting format based on the fact that risks and returns on products are especially affected by the differences in geographical areas (Note 5).

Earnings Per Share

Basic earnings per share (EPS) disclosed in the consolidated income statement is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares.

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Subsequent Events

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Provisions, Contingent Liabilities and Assets

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future expense. Provisions are revised at each balance sheet date and amended in order to reflect management's recent estimations.

ii) Contingent Liabilities and Assets

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

Related Parties

Parties are considered related to the Company if;

- (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 parent, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Company that gives it significant influence over the Company; or
 - (iii) has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venturer;
- (d) the party is member of the key management personnel of the Company as 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 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 is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

Cash Flow Statement

The cash flow statement reports cash flows during the period classified by operating, investing and financing activities. The Company uses the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flow. Cash and cash equivalents in the consolidated cash flow statement comprise of cash at banks and on hand, short term deposits with an original maturity of three months or less.

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Leases

Financial Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income statement. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Cash Flow Hedges

Gain or Loss relating to the portion of a cash flow hedge that is determined to be effective is to be recognized in other comprehensive income in equity. The ineffective portion, if any, must be recognized currently in profit and loss. For cash flow hedges, amounts that had been recognized directly in equity is recognized in profit and loss in the same period or periods during which the hedged forecast transaction affects profit or loss. If the Company expects that all or a portion of a loss recognized directly in equity will not be recovered in the future, it reclassifies into profit and loss the amount that is not expected to be recovered.

The Company hedges its long term loan denominated foreign currency (non-derivative hedge item) with cash inflow which is projected for three years.

The cash flow hedge is assessed and determined actually to have been effective throughout the financial reporting period.

3. BUSINESS COMBINATIONS

Business combinations are defined as the combination of two different legal entities or combination of a business as a single reporting entity. Business combinations are accounted in accordance with the purchase method in the scope of IFRS 3.

The difference between the cost of a business acquisition and the fair value of acquiree's identifiable assets, liabilities, and contingent liabilities is accounted as goodwill in the consolidated financial statements.

Goodwill acquired in a business combination is not subject to amortization, instead of this, the goodwill is subject to test for impairment annually, or more frequently if events or changes in circumstances indicate for impairment.

The excess of the acquirer's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities acquired over the cost of business combination is accounted for as income in the consolidated income statement.

For the accounting of business combinations involving entities under common control, the assets and liabilities which are subject to business combination are recognized at their carrying amounts in the consolidated financial statements. The income statement is consolidated as of the beginning of the financial year in which the business combination has been realized. Similarly, previous periods consolidated financial statements are restated for comparison purposes. No goodwill is recognised on these transactions. The difference arising after the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "the amount paid for the additional capital shares of the consolidated subsidiary" in

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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shareholders' equity.

4. JOINT VENTURES

Demirdöküm Chung Mei Industries Ltd.(The Joint Venture) was established in 2002 in Hong Kong for the manufacture and trade of durable consumer goods. The Company has 55% share of the Joint Venture. The Joint Venture's paid in capital is HK\$ 14.820.000. The Company used the equity method which is alternative treatment for consolidation, instead of proportionate consolidation method.

As of December 31, 2008 and 2007 , balance and income statement of Chung Mei is as follows;

	December 31,2008	December 31,2007
Current assets	7.002.401	4.203.607
Non current assets	991.508	831.035
Total assets	7.993.909	5.034.642
Current liabilities	3.964.352	2.440.848
Non current liabilities	--	--
Equity	3.426.343	2.302.893
Net profit	603.214	290.901
Total Liabilities	7.993.909	5.034.642
	01.01- 31.12.2008	01.01- 31.12.2007
Net Income	8.297.807	13.274.685
Net Cost	(7.459.320)	(12.017.523)
Gross profit	838.487	1.257.162
Operating expense	(237.669)	(851.410)
Other income, net	2.396	25.320
Financial expense, net	--	--
Profit for the period before tax	603.214	431.072

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NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

5. SEGMENT REPORTING

The consolidated revenue of the Company is realized from the operations in Turkey, China and England. As of December 31, 2008 and 2007 segment reporting information of the Company according to geographical segments is as follows:

December 31, 2008	Turkey	England	China	Total	Elimination	Consolidated
Current Assets	550.403.149	47.903.707	2.894.809	601.201.665	(71.802.158)	529.399.507
Non-Current Assets	81.497.387	4.392.190	364.093	86.253.670	320.462	86.574.132
Financial Assets, (net)	100.150.781	21.266.280	-	121.417.061	(119.658.706)	1.758.355
Total Assets	732.051.317	73.562.177	3.258.902	808.872.396	(191.140.402)	617.731.994
Current Liabilities	406.875.576	74.727.068	3.399.580	485.002.224	(70.633.514)	414.368.710
Non-Current Liabilities	105.893.652	12.110	-	105.905.762		105.905.762
Minority Interest						
Equity	235.304.147	8.180.637	(494.720)	242.990.064	(120.567.197)	122.422.867
Net loss	(16.022.058)	(9.357.638)	354.042	(25.025.654)	60.309	(24.965.345)
Total Liabilities	732.051.317	73.562.177	3.258.902	808.872.396	(191.140.402)	617.731.994

December 31, 2007	Turkey	England	China	Total	Elimination	Consolidated
Current Assets	546.426.382	67.120.179	2.335.591	615.882.152	(84.325.433)	531.556.719
Non-Current Assets	73.635.944	7.038.609	4.736	80.679.289	446.117	81.125.406
Financial Assets, (net)	99.819.014	22.561.229	-	122.380.243	(120.953.656)	1.426.587
Total Assets	719.881.340	96.720.017	2.340.327	818.941.684	(204.832.972)	614.108.712
Current Liabilities	436.820.225	88.804.465	2.691.939	528.316.629	(82.985.627)	445.331.002
Non-Current Liabilities	48.245.889	31.134		48.277.023		48.277.023
Minority Interest						
Equity	240.912.150	8.206.065	(268.306)	248.849.909	(122.576.602)	126.273.307
Net loss	(6.096.924)	(321.647)	(83.306)	(6.501.877)	729.257	(5.772.620)
Total Liabilities	719.881.340	96.720.017	2.340.327	818.941.684	(204.832.972)	614.108.712

1 January- 31 December 2008	Turkey	England	China	Total	Elimination	Consolidated
Net Sales	810.234.985	108.385.192	3.750.738	922.370.915	(270.937.556)	651.433.359
Cost of Sales (-)	(698.509.276)	(104.804.232)	(3.373.058)	(806.686.566)	267.556.618	(539.129.948)
Gross Profit	111.725.709	3.580.960	377.680	115.684.349	(3.380.938)	112.303.411
Marketing and Selling Expense (-)	(58.439.549)	(14.744.915)	(252.335)	(73.436.799)	3.566.902	(69.869.897)
General and Administrative Expense (-)	(34.582.093)	(22.954.713)	(219.589)	(57.756.395)	918.612	(56.837.783)
Research and Development Expense (-)	(1.538.895)	-	-	(1.538.895)	-	(1.538.895)
Other Operating Income	11.933.626	20.066.233	127.288	32.127.147	8.022.724	40.149.871
Other Operating Expense (-)	(8.426.174)	(18.024)	-	(8.444.198)	-	(8.444.198)
Profit from Operations, net	20.672.624	(14.070.459)	33.044	6.635.209	9.127.300	15.762.509
Equity Income from Affiliates	-	-	331.768	331.768	-	331.768
Financial Income	33.281.753	148.005	-	33.429.758	(8.941.336)	24.488.422
Financial Expense (-)	(72.658.767)	(3.228.124)	(3.346)	(75.890.237)	(4.770)	(75.895.007)
Profit / (Loss) of the period before tax	(18.704.390)	(17.150.578)	361.466	(35.493.502)	181.194	(35.312.308)

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NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

1 January - 31 December 2007	Turkey	England	China	Total	Elimination	Consolidated
Net Sales	794.815.239	119.758.219	13.142.609	927.716.067 ⁽²⁾	(338.838.552)	588.877.515
Cost of Sales (-)	(675.304.261)	(98.812.900)	(11.927.682)	(786.044.843) ⁽³⁾	331.727.049	(454.317.794)
Gross Profit	119.510.978	20.945.319	1.214.927	141.671.224	(7.111.503)	134.559.721
Operating Expense	(105.127.275)	(20.134.264)	(1.113.305)	(126.374.844) ⁽⁴⁾	5.903.599	(120.471.245)
Other Operating Income	53.613.969	-	81.168	53.695.137 ⁽⁵⁾	(1.193.886)	52.501.251
Other Operating Expense (-)	(822.807)	7.205	-	(815.602) ⁽⁶⁾	25.888	(789.714)
Profit from Operations, net	67.174.865	818.260	182.790	68.175.915	(2.375.902)	65.800.013
Equity Income from Affiliates	-	-	67.144	67.144	-	67.144
Financial Income	(79.500.360)	(1.117.254)	(4.437)	(80.622.051) ⁽⁷⁾	185.590	(80.436.461)
Profit/(Loss) of the period before tax	(12.325.495)	(298.994)	245.497	(12.378.992)	(2.190.312)	(14.569.304)

As of December 31, 2007, discontinued operations of the Company are in Turkey.

As of September 2007, income statement information of discontinued operation is as follows;

- Includes income from discontinued operation amounting to YTL 47.985.786.
- Includes cost of sales amount of discontinued operations amounting to YTL 44.265.805.
- Includes operating expense amounting to YTL 524.229.
- Includes other operating expense, net amounting to YTL 15.631.
- Includes financial expense amounting to YTL 185.588.

According to “The Transfer Pricing, Controlled Foreign Corporation and Thin Capitalization General Communique (serial no:1)” published on November 2007, the required reporting documentation have to be prepared by the Company until the submission of corporate tax declaration. As of the date of approval of consolidated financial statements, the Company continues to work on such reporting documentation. The Company has used the “Comparable Price Method” in 2007. No change in 2008 is anticipated.

6. CASH AND CASH EQUIVALENTS

	December 31,2008	December 31,2007
Cash	32.706	23.358
Cash at banks		
- demand deposit	3.589.188	6.322.836
- time deposit	28.150.130	--
Other liquid assets	14.790.084	6.703.624
	46.562.108	13.049.818

As of December 31, 2008, interest rates for time deposit vary between 16% and 17% per year for YTL, 2% per year for USD and 3% per year for EURO.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

7. FINANCIAL LIABILITIES

	December 31,2008	December 31,2007
Short term borrowings	87.485.692	202.017.856
Current portion of long term borrowings	--	54.690.224
Long term borrowings	98.724.331	8.074.220
Total Borrowings	186.210.023	264.782.300
Short term finance lease obligations	37.833	112.523
Long term finance lease obligations	14.219	30.607
Total Finance Lease Obligations	52.052	143.130
	186.262.075	264.925.430

a) Borrowings

December 31, 2008					
		Amount in Foreign currency	Interest Rate	Maturity	Amount
Short Term					
Export Loans	YTL	4.499.434	17,50%	March 16, 2009 – March 29, 2009	4.499.434
Finance Loans	EURO	20.352.506	5,93%	March 20, 2009	43.570.644
Operating Loans	YTL	38.491.060	24,00%	June 1, 2009	38.491.060
Other Loans (SSK)	YTL	924.554	0,00%	January 2, 2009	924.554
					87.485.692
Long Term					
	GBP	45.030.255	6,36%	May 5, 2012	98.724.331
Current portion of long term borrowings					--
					186.210.023

December 31, 2007					
		Amount in Foreign currency	Interest Rate	Maturity	Amount
Short Term					
Export Loans	YTL	3.611.253	%15	7 April 2008 - 18 April 2008	3.611.253
Finance Loans	YTL	158.848.553	%17,6 - %20,50	29 January 2008 - 28 February 2008	158.848.553
	USD	27.024.654	%5,35 - %7,06	28 January 2008 - 18 July 2008	31.475.615
Bank Overdraft	GBP	3.474.971	Libor+%1,10	31 July 2008	8.082.435
					202.017.856
Long Term					
	EUR	25.508.285	Euribor+%2,15	15 March 2014 (*)	43.624.269
	EUR	6.470.562	Euribor+%2,00	24 November 2010 (**)	11.065.955
	EUR	573.732	Euribor+%1,75	20 April 2009	981.197
	USD	5.240.000	%5,9	17 April 2009	6.103.028
	USD	850.000	%5,9	11 January 2009	989.995
					62.764.444
Current portion of long term borrowings					(54.690.224)
					8.074.220

(*) The long term loan amounting to YTL 43.624.269 obtained from International Finance Corporation as of April 12, 2006 has been paid in March 2008 and accordingly classified in the current portion of long term borrowings in the consolidated financial statements.

(**) As of December 31, 2007, the Company has classified the related loan to the current portion of long term borrowings..

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

As of December 31, 2007, land and buildings are mortgaged amounting to Euro 25.000.000 against the securization of the loan obtained from International Finance Corporation, as presented on the consolidated balance sheet. In 2008, the Company has paid this loan and released of the mortgage.

As of December 31, 2008 and 2007, the Company has no financial borrowings from related parties.

As of December 31, 2008 and 2007, repayment schedule for financial liabilities is as follows:

	December 31,2008	December 31,2007
1 year	87.485.692	256.708.080
1-3 years	98.724.331	8.074.220
	186.210.023	264.782.300

b) Finance Lease Receivables and Obligations

Interest rates of related finance lease obligations are between 17% and 21% for YTL finance lease obligations and 8% for Euro finance lease obligations

As of December 31, 2008 and 2007, the payment plan of finance lease obligations including principal and interests is as follows:

	December 31,2008	December 31,2007
Payable within 1 year	40.304	131.598
Payable longer than 1 shorter than 5 years	14.464	31.137
	54.768	162.735
Less: Interest to be paid	(2.716)	(19.605)
	52.052	143.130

8. OTHER FINANCIAL LIABILITIES

As of December 31, 2008, other financial liabilities comprise of financial liabilities to Yapı ve Kredi Faktoring and Kofisa arising from revocable factoring transactions amounting to YTL 46.988 (December 31, 2007 - YTL 755.144).

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

9. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	December 31,2008	December 31,2007
Account receivables	213.948.364	143.764.186
Due from related parties	16.485.637	1.977.163
Post-dated checks and notes receivables	119.487.440	191.516.686
	349.921.441	337.258.035
Less: Unearned interest on receivables	(1.923.680)	(2.556.937)
Less : Allowance for doubtful receivables	(29.231.133)	(14.161.519)
	318.766.628	320.539.579

	December 31,2008	December 31,2007
Short tem trade receivables	313.898.004	317.054.649
Long tem trade receivables	4.868.624	3.484.930
	318.766.628	320.539.579

As of December 31, 2008 and 2007, long-term trade receivables of the Company comprise post-dated checks and notes receivables.

As of December 31,2008 and 2007, movement of deferred interest income is as follows:

	December 31,2008	December 31, 2007
Deferred interest income from prior year	2.556.937	1.600.302
Prior year deferred interest income realised in current year	(2.556.937)	(1.600.302)
Deferred interest income recognised in the current year	23.855.165	10.642.826
Current year deferred interest income realised in the same year	(21.931.485)	(8.085.889)
Year-end balance	1.923.680	2.556.937

Discounting is calculated by using producer price index as the imputed interest rate.

For the years ended December 31, 2008 and 2007, the movements of provision for doubtful receivables are as follows:

	December 31,2008	December 31,2007
Balance at the beginning of year	14.161.519	6.709.548
Current year expense	15.513.731	7.722.761
Recoveries from doubtful receivables	(36.582)	(223.863)
Currency translation differences	(407.535)	(46.927)
Balance at the end of year	29.231.133	14.161.519

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

As of December 31, 2008, securities received from local customers is YTL74.252.932 (December 31 2007: YTL 69.153.536). The Company has legal right to enforce these securities in the case of default by customers. Amount of securities received from foreign customers is YTL 33.313.842 (December 31, 2007: YTL 23.152.840).

The securities comprise bank guarantee letters, mortgages, collaterals, letter of credits, and insured receivables.

List of securities are listed below,

Guarantee received from local customers	December 31,2008	December 31,2007
Bank letters of guarantee	28.988.675	21.770.310
Mortgages on real estate	45.264.257	47.383.226
	74.252.932	69.153.536

Guarantee received from export customers	December 31,2008	December 31,2007
Letters of credit	4.986.135	3.831.569
Letters of guarantee	8.686.483	6.773.390
Received personnel securities	1.582.937	630.567
Insurance for receivables	18.058.287	11.917.314
	33.313.842	23.152.840

As of December 31, 2008 and 2007, the analysis of trade receivables based on their maturities is as follows;

Past due but not impaired					Neither past due nor impaired	Total Trade receivables
	1 month	1-3 months	3-12 months	Total		
31.12.2008	14.640.329	9.100.258	4.965.882	28.706.469	291.983.839	320.690.308
31.12.2007	39.359.949	25.085.929	41.132.424	105.578.302	217.518.214	323.096.516

Reasons for not recognising allowances for overdue receivables : Interest is accrued for all past due balances in the local market for dealers. This is the usual business term of providing extended payment terms to dealers rather than an indication of impairment. Receivables from export markets are secured by the Eximbank and letters of credit. No unsecured credit facility provided to export customers.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

b) Trade Payables

	December 31,2008	December 31,2007
Trade payables	25.127.342	64.061.175
Due to related parties (note:37)	3.997.581	2.428.160
Payments order given	189.129.055	86.297.319
	218.253.978	152.786.654
Less: Unrealised interest on payables	(612.667)	(1.041.337)
	217.641.311	151.745.317

As of December 31, 2008 and 2007, movement of unearned interest on payables is as follows:

	December 31,2008	December 31,2007
Prior year deferred interest expense	1.041.337	439.735
Prior year interest expense realised in the current year	(1.041.337)	(439.735)
Deferred interest expense recognised in the current year	8.749.764	4.149.406
Current year interest expense realised in the same year	(8.137.097)	(3.108.069)
	612.667	1.041.337

The Company has bank letters of guarantee issued to suppliers in the amount of USD 5.000.000 as of December 31, 2008 (December 31 2007: Zero “0”).

10. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	December 31,2008	December 31,2007
Due from personnel	283.520	219.614
Due from related parties (note:37)	32.154.249	--
Order advances given (*)	3.751.924	2.864.057
	36.189.693	3.083.671

(*) Reclassification has been done for the December 31 2007 amount of other receivables by an amount of YTL 2.864.057, which was included in trade receivables in the prior year reporting.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

b) Other payables

	December 31,2008	December 31,2007
Due to personnel(**)	475.416	536.174
Order advances received	1.173.163	6.109.812
Due to related parties (not:37) (*)	31.104.891	11.654.973
Other	234.058	--
	32.987.528	18.300.959

(*) The financial loan received by DD Heating from Vaillant Saunier Duvall Iberica S.L. has been reclassified from “trade payables” to “other payables” for the prior year balance of YTL 11.654.973.

(**)In December 31 2007, reclassification is performed between “other short term liabilities” and other payables for the due to personnel in the amount of YTL 536.174.

11. INVENTORIES

	December 31,2008	December 31,2007
Raw materials	29.314.265	38.495.323
Work-in-process	3.074.960	3.337.509
Semi-finished goods	7.134.953	6.530.142
Finished goods	34.440.880	57.276.224
Merchandise	8.955.325	42.822.016
Goods in transit	1.651.411	1.355.436
	84.571.794	149.816.650
Less: Allowance for net realizable value of raw materials	(255.285)	--
Less: Allowance for net realizable value of finished goods	(6.447.004)	(872.233)
Less: Allowance for net realizable value of merchandise	(1.479.214)	--
	76.390.291	148.944.417

As of December 31,2008 and 2007, movement of allowance for net realizable value of inventories is as follows:

	01.01.- 31.12.2008	01.01.- 31.12.2007
Balance as of January 01	872.233	243.001
Additions	7.309.270	629.232
Disposals	--	--
Balance as of December 31	8.181.503	872.233

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

12. INTEREST IN JOINTLY CONTROLLED ASSETS

The Company recognised its interest in DD Chung Mei using the equity method. The portion of the Company in the current year net profit of DD Chung Mei amounting to YTL 331.768 (December 31, 2007: YTL 67.144) is presented as equity income from associate in the consolidated income statement as a separate line item.

	December 31, 2008	December 31, 2007
Current Assets	7.002.401	4.203.607
Non Current Assets	991.508	831.036
Short Term Liabilities	3.964.352	2.440.849
Long Term Liabilities	--	--
Equity	4.029.557	2.593.794
Net Sales	8.297.807	13.274.685
Net Profit	603.214	290.801

	December 31, 2008		December 31, 2007	
	Participation Percentage (%)	YTL	Participation Percentage (%)	YTL
Chung Mei	55,00	1.758.355	55,00	1.426.587
Equity income from associate		331.768		67.144

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

13. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended December 31, 2008 and December 31, 2007 is as follows:

	January 1, 2008	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2008
Cost						
Land and land improvement	2.121.636	5.950	-	559.234	-	2.686.820
Buildings	27.879.934	-	(316.073)	3.760.488	-	31.324.349
Machinery, installations and equipment	164.740.833	6.284.775	(3.402.614)	-	26.445	167.649.439
Motor vehicles	1.383.059	56.620	(211.988)	-	(8.996)	1.218.695
Furniture and fixtures	9.647.301	2.754.654	(614.308)	-	(54.897)	11.732.750
Leasehold improvements	154.262	2.826.134	-	-	-	2.980.396
Advances given and construction in progress	1.174.339	3.486.732	-	(4.319.722)	-	341.349
Total	207.101.364	15.414.865	(4.544.983)	-	(37.448)	217.933.798
Less: Accumulated depreciation						
Land and land improvement	(988.157)	(18.829)	-	-	-	(1.006.986)
Buildings	(11.528.652)	(750.277)	316.072	-	-	(11.962.857)
Machinery, installations and equipment	(123.941.721)	(10.860.156)	3.324.534	-	10.873	(131.466.470)
Motor vehicles	(670.838)	(424.253)	184.748	-	18.676	(891.667)
Furniture and fixtures	(7.281.338)	(928.721)	569.076	-	53.992	(7.586.991)
Leasehold improvements	(154.262)	(200.596)	-	-	-	(354.858)
Total	(144.564.968)	(13.182.832)	4.394.430		83.541	(153.269.829)
Property, plant and equipment, net	62.536.396					64.663.969

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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	January 1, 2007	Additions	Disposals	Disposal Due to Discontinued Operations	Disposals Due to Subsidiary Which is Not consolidated	Currency Translation Differences	December 31, 2007
Cost							
Land and land improvement	3.392.947	-	(1.252.174)	(19.137)	-	-	2.121.636
Buildings	57.408.080	-	(7.496.552)	(22.031.594)	-	-	27.879.934
Machinery, installations and equipment	182.812.583	6.784.035	(7.223.459)	(15.411.810)	(1.617.995)	(602.521)	164.740.833
Motor vehicles	1.528.731	300.598	(326.991)	-	-	(119.279)	1.383.059
Furniture and fixtures	10.736.529	541.446	(552.379)	(572.548)	(254.536)	(251.211)	9.647.301
Leasehold improvements	154.262	-	-	-	-	-	154.262
Advances given and construction in progress	-	1.174.339	-	-	-	-	1.174.339
Total	256.033.132	8.800.418	(16.851.555)	(38.035.089)	(1.872.531)	(973.011)	207.101.364
Less: Accumulated depreciation							
Land and land improvement	(1.893.495)	(37.927)	930.719	12.546	-	-	(988.157)
Buildings	(29.600.214)	(1.199.507)	3.617.363	15.653.706	-	-	(11.528.652)
Machinery, installations and equipment	(136.235.807)	(9.772.107)	7.104.850	13.352.821	1.276.839	331.683	(123.941.721)
Motor vehicles	(641.002)	(318.009)	236.981	-	-	51.192	(670.838)
Furniture and fixtures	(7.919.062)	(712.123)	537.486	428.681	237.559	146.121	(7.281.338)
Leasehold improvements	(154.262)	-	-	-	-	-	(154.262)
Total	(176.443.842)	(12.039.673)	12.427.399	29.447.754	1,514.398	528.996	(144,564,968)
Property, plant and equipment, net	79.589.290						62.536.396

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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14. INTANGIBLE ASSETS

The movement of intangibles as of December 31, 2008 and 2007 is as follows;

	January 1, 2008	Addition	Disposal	December 31, 2008
Cost				
Rights	2.360.435	160.193	--	2.520.628
Less:Accumulated amortization				
Rights	(1.975.885)	(214.575)	--	(2.190.460)
Net Book Value	384.550			330.168

	January 1, 2008	Addition	Disposal	Disposals Due to Discontinued Operation	December 31, 2007
Cost					
Rights	2.196.906	195.234	-	(31.705)	2.360.435
Less:Accumulated amortization					
Rights	(1.801.788)	(203.247)	-	29.150	(1.975.885)
Net Book Value	395.118				384.550

Intangible assets comprise of software license. There is no internally generated intangible assets in the Company.

15. GOODWILL

As of December 31, 2008 and 2007, the goodwill arised from the purchase of “Heatline” business of Beko.

The movement of goodwill in 2008 and 2007 is as follows:

	December 31, 2008	December 31, 2007
Beginning net book value	4.395.951	5.210.541
Currency translation difference	(252.315)	(814.590)
Less: Impairment of goodwill (-)	--	--
	4.143.636	4.395.951

The impairment test of the goodwill of DD Heating (cash generating unit) was made as at December 31, 2008. The impairment test, based on 2009 financial budget, was done by net present value calculation of the discounted cash flows by use of weighted average cost of capital as the discount factor. DD Heating, which was restructured in 2008, has forecasted its future cash flows based on its budgeted FY2009 amounts. The assumptions used in the forecast period were that the annual growth rate would be 2%, there would be a 1% reduction in cost of sale for three consecutive years, and the discount rate is 7%. The test revealed that there was no impairment on goodwill.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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16. GOVERNMENT GRANTS

Research and Development Grants: Research and development incentives received in cash is YTL 983.871 (December 31, 2007 - YTL 388.878). (See: NOTE:25-a)

Investment Grants: The Company has investment incentive certificate for Air Conditioner production. Issue date of the certificate is August 19,2008, no:5223 . The investment expenditures are exempt from value added tax an customs taxes and duties. Incentive certificate is valid between July 30, 2008-July 30 2010.

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short Term Provisions

	December 31, 2008	December 31, 2007
Provision for warranty expense	14.124.039	9.155.076
Provision for sales premium	2.807.195	2.452.858
Provision for contingent liabilities	293.619	403.197
Consultancy expense accrual	131.544	830.033
Warranty expense accrual	--	744.288
Premium, annual leave, and severance payment accrual	1.837.537	255.382
First ignition and assembly cost accrual	2.295.000	--
Accrual for rent	2.132.260	--
Accrual for service contracts	565.288	--
Accrual for restructuring costs	3.468.189	--
Others	1.532.217	1.512.121
	29.186.888	15.352.955

b) As of December 31, 2008 total amount of guarantee letters given by the Company to the government authorities is YTL 26.445.355 (December 31, 2007 - YTL 29.844.182)

c) As of December 31, 2008, there are lawsuits filed against the Company amounting to a total of YTL 1.113.899 (December 31, 2007 - YTL 1.333.515). The Company has provided provisions amounting to YTL 293.619 (December 31, 2007 - YTL 403.197) for those lawsuits.

d) The disagreement between our jointly controlled subsidiary DD Chung Mei and the other shareholder Chung Mei Industries Ltd regarding transfer prices of goods, that was intended to be resolved in an amicable agreement has been referred to the court by the other shareholder asking for settlement of its receivables. As our Company is in preparatio of placig a counterclaim for adjustment of transfer prices, the financial statements of the joint venture have not been audited.

18. COMMITMENTS

In connection with the loan utilized by the Company in 20 August 2008 under the Multicurrency Revolving Facility Agreement regarding Euro 600.000.000 Facility dated 3 May 2005 and executed for Vaillant GmbH (in its capacity as the Original Guarantor and one of the Original Borrowers) arranged by Commerzbank Aktiengesellschaft, HSBC Bank Plc, and The Royal Bank of Scotland Plc as Mandated Lead Arrangers; with Commerzbank International S.A., Luxembourg as the Agent, the Company approves the utilisation subject to the terms and conditions of the Facility Agreement as an “Additional Guarantor”. In this respect The Board approved to Accede the Facility Agreement in its capacity as the “Additional Borrower“ as of February 13th, 2009.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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Demirdöküm has received portions of GBP 45.000.000 in 2008 and EUR 20.000.000 on March 5, 2009 from the Vaillant Group financing facility.

The Board of Directors, in their meeting held on July 30th, 2008, resolved that Türk Demirdöküm commit itself as the Participant Guarantor for the following bonds issued by Vaillant GmbH:

Repayment	Principal	Guaranteed by TDD
Aug 15, 2016	\$ 60.000.000	6.030% = \$ 3.618.000
Aug 15, 2016	€ 33.020.000	4.694% = € 1.549.959
Aug 15, 2018	€ 27.510.000	4.807% = € 1.322.406
Aug 15, 2021	€ 27.510.000	5.015% = € 1.379.627

Total amount of the related commitment as of 31 December 2008 YTL 14.574.164.

The Board of Directors, in their meeting held on July 30, 2008, resolved that Türk Demirdöküm commit itself as the Participant Guarantor for the following bonds issued by Vaillant Management Limited:

Repayment	Principal	Guaranteed by TDD
Aug 15, 2016	£ 26.010.000	5.433% = £ 1.413.123
Aug 15, 2018	£ 27.100.000	5.419% = £ 1.468.549
Aug 15, 2021	£ 27.100.000	5.463% = £ 1.480.473

Total amount of the related commitment as of 31 December 2008 YTL 9.563.568

As of 31 December 2008, the remaining balance of lease commitments relating to facilities used by the Company is YTL 8.591.167.

19. PROVISION FOR EMPLOYEE TERMINATION BENEFITS

In accordance with Turkish Labour Law, the Company is required to make lump-sum termination indemnity payments to each employee whose employment is terminated due to retirement after 25 years of service (20 years for women) or for reasons such as military obligation or death. Such payments are calculated on the basis of 30 days' pay and limited to a maximum YTL 2.173,19 (December 31, 2007 - YTL 2.030,19) at December 31, 2008.

The Company accounts for the employee termination benefits by using "Projected Unit Credit Method" in accordance with IAS 19 (Employee Benefits) based on employees' service period and assumptions based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and reflects these figures to the financial statements. Retirement pay provision is set by calculating the present value of the contingent liability up on the retirement of employees.

Accordingly, actuarial assumptions to calculate liabilities as of December 31, 2008 and 2007 are as follows:

	December 31, 2008	December 31, 2007
Interest rate	% 12,00	% 11,00
Expected rates of salary / limit increases	% 5,40	% 5,00
Discount rate	% 6,26	% 5,71

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

As of December 31, 2008 and December 31, 2007, the movement of provision for employee termination benefits is as follows:

	December 31, 2008	December 31, 2007
Balance at January 1	6.594.038	6.400.992
Current year service cost	2.102.215	3.234.986
Payments	(2.407.315)	(1.499.464)
Termination benefits transferred due to discontinued operation	-	(1.542.476)
	6.288.938	6.594.038

20. OTHER ASSETS AND LIABILITIES

	December 31, 2008	December 31, 2007
Other current assets		
VAT deductible (*)	21.314.817	17.378.780
VAT receivable	17.543.743	14.018.576
Prepaid tax	60.110	1.859.674
Prepaid expense	492.451	806.237
Income accruals	116.714	0
Business advance	7.600	76.901
Order advances given (**)	12.006.411	14.637.468
Other	4.817.565	646.528
	56.359.411	49.424.164
Other non current assets		
Land and buildings available for sale	882.473	1.046.607
Deposits given	2.344	--
	884.817	1.046.607
Other Assets	57.244.228	50.470.771

(*)VAT amounting YTL 7.946.005 that was classified under short term liabilities in 2007, was netted with the deductible VAT.

(**) Advances given amount classified in inventory as of December 31, 2007, was reclassified in other non current assets in accordance with the Capital Market Board Communiqué No. XI-29 .

Impairment loss of YTL 131.503 has been reduced from the carrying value of property held for sale in connection with the market value derived from external appraisal reports. (see note 23.c)

	December 31, 2008	December 31, 2007
Other current liabilities		
Taxes and duties payable	3.531.040	2.140.624
Payables to Temel Ticaret(*)	42.431.895	--
Others	658.945	215.400
	46.621.880	2.356.024

(*) As of December 31, 2008, short term other liabilities comprise of the payables to Temel Ticaret related to

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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acquisition of shares of DD Heating which amounts to Euro 20.000.000 (YTL 42.431.895, discounted) and has a maturity of March 5, 2009. As of December 31, 2007, other liabilities (YTL 32.382.862, discounted) is shown on long term other liabilities. Payables to Temel Ticaret was paid on maturity date.

21. EQUITY

a) Share Capital

The shareholders and their percentages of amounts of owned shares were as follows:

	December 31, 2008		December 31, 2007	
	YTL Amount	Shareholding Percentage	YTL Amount	Shareholding Percentage
Vaillant Saunier Duval Iberica SL	51.937.200	96,19%	42.250.112	78,24%
Publicly traded	2.062.800	3,81%	11.749.888	21,76%
	54.000.000	100,00%	54.000.000	100,00%

There are no privileges or restrictions per class of shares. All shares are ordinary common shares, and there are no preferred stocks.

A share transfer agreement (Share Transfer Agreement) is signed between Koç Holding A.Ş., Temel Ticaret ve Yatırım A.Ş., Rahmi M. Koç, Semahat S. Arsel, Suna Kırac, Mustafa V. Koç, Y. Ali Koç, Koç Holding Emekli ve Yardım Sandığı Vakfı (Sellers) and Vaillant Saunier Duval Iberica S.L. (Buyer) as Vaillant GmbH being the guarantor, on May 28, 2007, for the sale of the shares which represent 72,56% of Company's share capital.

In addition, Vaillant Saunier Duval Iberica S.L., an affiliate firm of Vaillant Group signed a share transfer agreement on May 28, 2007 with Demiren Holding A.Ş. (Demiren) and Emiroğlu Holding A.S. (Emiroğlu) through the ownership of Demiren and Emiroğlu via Taylan Holding A.Ş. for 306.560.143 number of shares which represents 5,68% of the shares owned by Demiren and Emiroğlu in the Company's share capital.

The total amount of shares that are going to be purchased by Vaillant represent 78,24% of Demirdöküm's share capital.

Related transaction is completed as of October 5, 2007.

Shares owned by Vaillant Saunier Duval Iberica S.L. reached to 96.19% as a result of a compulsory offer. The offer made in accordance with Serial :IV, notice No:8, that regulates the voting in Capital Market Board's General Assembly of Public Incorporated Companies per deed of trust and collection of deed of trust and shares via call.

As of December 31, 2008 the registered share capital ceiling of the Company is YTL 100.000.000 (December 31, 2007 YTL 100.000.000). As of December 31, 2008, the Company's share capital consists of 5.400.000.000 shares of YTL 0,01 par value (December 31, 2007 – 5.400.000.000).

The movement of the paid share capital (in numbers and in historical YTL) of the Company in years 2008 and 2007 is as follows:

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	December 31, 2008		December 31, 2007	
	Number	YTL	Number	YTL
January 1	5.400.000.000	54.000.000	4.500.000.000	45.000.000
Share capital increase from internal sources	--	--	900.000.000	9.000.000
	5.400.000.000	54.000.000	5.400.000.000	54.000.000

b) Equity Restatements Differences

As of December 31, 2008 and 2007, YTL 70.499.320 of equity restatement differences arose from the restatement differences of share capital.

c) Profit Reserves and Retained Earnings

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Demirdöküm's paid-in share capital (restated share capital in accordance with CMB Communique and declarations). The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital (restated share capital in accordance with CMB). Under the Turkish Commercial Code, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

Based on the CMB Decree 7/242, dated February 25, 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, then the whole amount of distributable profit could be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit could be distributed. If accumulated deficit exists in the financial statements prepared in accordance with CMB regulations or in the statutory financial statements in any period, then the profit may not be distributed.

In accordance with the Communique No:XI/25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with CMB's profit distributions are considered to be deductible when computing the distributable profit. Furthermore, such amounts net are followed under "accumulated deficit" will first be netted-off from net income and retained earnings and the remaining amount of deficit from extraordinary reserves, legal reserves and equity inflation reserves. Also, the lower of the amount in the financial statements prepared in accordance with CMB accounting principles and Turkish Commercial Code is going to be considered in capital increases made from internal sources.

According to Communiqué Serial: IV, No:27 on "Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by the Listed Companies Subject to Capital Market Law", first dividend distribution of the listed companies cannot be lower than 20% of the distributable profit following the deductions of legal reserves, tax provision and netting of prior year losses, if any. Per the resolution of General Assembly Meeting of the companies, the listed companies are free to decide to distribute dividend as full in cash, or distribute dividend as cash or as fully bonus shares to be issued to the shareholders, or partially in cash, partially in bonus shares and to keep the remaining portion in the reserves, or fully keep in the reserve without distribution as cash or bonus shares. If the resolution of general assembly of the companies is not to distribute first dividend, then the amount is added to extraordinary reserves.

In the calculation of net distributable profit, the profit of the subsidiaries, the participations under common

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NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

control and the participations which exist in the consolidated financial statements are not considered if the general assemblies of such companies did not decide to distribute profits.

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.

As of December 31, 2007 and December 31, 2008, premium in access par, legal reserves, cumulative profit(losses) and special funds are as follows:

	December 31, 2008	December 31, 2007
Premium in access par	7.039	7.039
Legal reserves	12.980.311	12.980.311
Special funds	26.293.925	26.293.925
Extraordinary reserves	72.781.461	72.781.461

22. SALES AND COST OF SALES

a) Sales

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Domestic sales	448.885.974	429.292.063
Export sales	245.207.912	291.568.439
Other sales	26.290.929	23.024.884
	720.384.815	743.885.386
Domestic sales returns and discount (-)	(9.119.290)	(69.541.069)
Export sales returns and discount (-)	(6.336.157)	(43.855.583)
Other deduction	(29.640.844)	(30.968.393)
	(45.096.291)	(144.365.045)
NET SALES	675.288.524	599.520.341
Less: Unearned interest income (-)	(23.855.165)	(10.642.826)
TOTAL	651.433.359	588.877.515

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NOTES TO FINANCIAL STATEMENTS (Continued)

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b) Cost of Sales

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Raw material consumption	336.605.482	278.509.635
Direct labor cost	19.647.388	19.479.108
Production overhead	42.109.488	40.017.610
Depreciation	9.223.643	10.508.272
Beginning work-in-process inventory and finished goods	61.953.537	34.141.642
Ending work-in-process inventory and finished goods	(31.734.226)	(61.890.471)
Currency translation differences	570.162	(4.408.644)
Beginning trade goods	49.352.158	33.846.902
Purchase of trade goods	76.242.357	157.615.303
Ending trade goods	(16.090.278)	(49.352.158)
	547.879.711	458.467.199
Less: Unearned interest expense (-)	(8.749.763)	(4.149.405)
	539.129.948	454.317.794

23. RESEARCH AND DEVELOPMENT EXPENSE, MARKETING AND SELLING EXPENSE, GENERAL ADMINISTRATIVE EXPENSE

a) Research and Development Expense

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Personnel	1.069.101	1.126.742
Consultancy	158.186	701.693
R&D materials	203.717	110.315
Other	107.891	40.144
	1.538.895	1.978.894

b) Selling and Marketing Expense

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Warranty	23.433.627	18.149.898
Dealer and service premium	5.394.707	15.590.498
Transportation and insurance	12.411.572	12.282.863
Advertisement expense	4.180.944	7.576.609
Warehousing expense	7.406.158	7.485.395
Personnel expense	4.666.389	3.814.611
Rent expense	3.453.692	2.175.162
Fair and exhibition expense	964.208	1.434.564
Traveling expense	532.390	1.224.975
Guarantee expense	717.552	631.563
Others	6.708.658	7.580.963

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	69.869.897	77.947.101
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c) General and Administrative Expense

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Personnel expense	20.127.035	16.050.897
Provision expense for doubtful receivables	15.513.731	7.722.761
Insurance expense	819.113	2.014.663
Consultancy expense	1.476.287	1.926.938
Taxes and duties expense	982.640	1.677.348
Depreciation and amortization expense	4.173.764	1.734.648
Traveling expense	1.165.050	1.474.133
Cleaning and maintenance expense	1.707.163	1.454.322
Mechanization expense	2.180.855	615.650
Personnel transportation expense	703.878	593.982
Koç Holding service fee expense	--	281.060
Donation expense	17.545	199.898
Rent expense	1.338.602	24.442
Transportation expense	159.206	711.465
Impairment of land and buildings	131.503	--
Personnel accruals	420.780	--
Others	5.920.631	4.063.043
	56.837.783	40.545.250

24. CLASSIFICATION BASED ON NATURE OF EXPENSE

a) Personnel Expense

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Wages and salaries	32.954.650	28.201.067
Other social benefits	12.757.884	9.288.190
SSK employee contribution	6.907.119	6.184.708
Provision for employee termination benefits	2.102.215	1.931.244
	54.721.868	45.605.209

b) Depreciation and amortization expense

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
<i>Property ,Plant and Equipment</i>	13.182.832	12.039.673
Cost of sales	9.223.643	10.508.272
General and administrative expense	3.959.189	1.531.401
<i>Intangible assets</i>	214.575	203.247
Cost of sales	--	--
General and administrative expense	214.575	203.247
	13.397.407	12.242.920

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NOTES TO FINANCIAL STATEMENTS (Continued)

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25. OTHER OPERATING INCOME/EXPENSE

a) Other operating income

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Gain on sale of available for sale financial assets	--	22.705.672
Foreign exchange gains	15.049.691	16.578.107
Gain on sale of property, plant and equipment	223.167	11.855.571
Write down of intercompany loan(*)	20.066.233	--
R&D government subsidy income	983.871	388.878
Stock count differences	990.787	599.693
Income from reversal of provisions	36.582	62.869
Dividend received	--	30.120
Interest income	213.099	7.911
Others	2.586.441	272.430
	40.149.871	52.501.251

(*) Income raised by DD Heating as a result of intercompany loan write-off by Vaillant Management Ltd.

b) Other operating expense

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Foreign exchange losses	7.257.813	776.121
Loss on sale of property, plant and equipment	18.024	13.593
Stock count differences	952.310	--
Others	216.051	--
	8.444.198	789.714

26. FINANCIAL INCOME

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Term difference income related to sales	24.488.422	9.686.191
	24.488.422	9.686.191

Explanation of activities that formed the Financial income

Interest income recognised from term sales: Discounting of term sales to cash price and the portion there from attributable to current year interest income.

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27. FINANCIAL EXPENSE

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Interest expense	44.226.910	49.502.610
Term difference expense related to current year purchases	9.178.434	14.878.517
Other financial expense	5.292.595	4.275.656
Foreign exchange loss from loans	17.197.068	10.679.799
Forward loss	--	10.786.070
	75.895.007	90.122.652

Explanation of activities that formed the financial expense:

Interest expense: Interest expense from loans.

Term difference expense related to purchases: Discounting of term purchases to cash price and the portion there from attributable to current year interest expense

Foreign exchange loss : Foreign exchange loss from loans.

Forward Loss: Loss originated as a result of a forward agreement for the Aircon purchasing.

Other financial expense: Detail of other financial expense is as below;

	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Expense charged in notes collection	1.768.537	2.168.796
Letter of guarantee commission expense	327.707	361.174
Foreign exchange transaction tax	169.416	293.927
Discount of short term other liabilities	1.437.033	356.498
Bank commission expense	421.183	112.213
Cash Flow hedge adjustment	567.000	--
Other	601.719	983.048
	5.292.595	4.275.656

28. NON-CURRENT ASSETS HELD FOR SALE AND DISCOUNTED OPERATIONS

As of December 31,2008 and 2007 there are no non-current assets held for sale.

According to the special declaration dated May 28, 2007, the Company declared that Demrad, the 100% owned and fully consolidated subsidiary in the financial statements, would be sold to Koç Holding with a sales price of YTL 8.924.000. The Company has sold Demrad A.Ş. to the Koc Holding A.Ş. with the Board resolution dated 4 September 2007.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

As of September 30, 2007, income statement of Demrad is as follows;

	September 30, 2007
Revenue (*)	47.985.786
Expense	(44.265.805)
Gross Profit	3.719.981
Operating Expense, net (**)	(524.229)
Other Expense, net	(15.631)
Financial Expense, net	(185.588)
Profit before tax	2.994.533
Tax charge	(1.236.012)
Profit/(loss) from discontinued operations	1.758.521

(*) Revenue is the sales of Demrad goods realized by Demirdöküm to third parties.

(**) Operating expense include operating expense of Demrad after the expense charged by Demirdöküm for the services performed on behalf of Demrad is eliminated.

As of September 30 2007, the affect of a Demiladi- the Company holds 100% of shares- was reflected in the income statement.

As of September 30, 2007 , income statement of Demiladi is as follows;

	September 30, 2007
Revenue	2.002.285
Expense	(1.770.647)
Gross Profit	231.638
Operating Expense, net	(330.837)
Other Expense, net	36.548
Financial Expense, net	(2.784)
Profit before tax	(65.435)
Tax charge	--
Profit/(loss) from operations	(65.435)

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

(Currency – Unless otherwise indicated New Turkish Lira (YTL))

29. TAX ASSETS AND LIABILITIES

As of December 31, 2008 and 2007, the breakdown of deferred tax (liability)/asset computed using the current effective tax rates are as follows:

	Balance Sheet		Income Statement and Currency Translation Reserve Differences	
	December 31, 2008	December 31, 2007	01.01 - 31 .12.2008	01.01 - 31 .12.2007
Tax losses carried forward	8.028.203	6.723.715	1.304.488	6.723.715
Temporary difference between the tax base and the carrying value of the property, plant and equipment	(1.481.482)	(1.339.085)	(126.419)	(805.876)
Provision for employee termination benefits	1.257.788	1.318.808	(61.020)	(156.161)
Allowance for unincurred interest expense	384.736	511.387	(126.651)	191.327
Allowance for unearned interest income	(1.929.132)	(1.963.016)	33.884	402.004
Temporary differences arising from inventory	602.983	527.664	75.319	(186.588)
Forward expense accrual	--	--	--	(128.051)
Provisions	3.603.889	1.912.753	1.464.384	390.381
Currency translation difference	--	--	177.845	--
Other	2.382.430	389.450	2.203.752	(194.524)
	12.849.415	8.081.676	4.945.582	6.236.227
Allowance for deferred tax asset (-)	(2.044.771)	--	(2.222.615)	--
TOTAL	10.804.644	8.081.676	2.722.967	6.236.227

As of December 31, 2008 and 2007, deferred tax reflected to consolidated financial statements is as follows:

	Deferred Tax	
	December 31, 2008	December 31, 2007
Deferred tax asset	11.682.918	9.276.972
Deferred tax liability	(878.274)	(1.195.296)
	10.804.644	8.081.676

Deferred tax assets and liabilities are based on the temporary differences arising between the financial statements as reported for CMB Accounting Standards and for Tax Legislations. Such differences usually result in recognition of income and expense in different reporting periods for CMB Accounting Standards and Tax Legislation.

The Company is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Company operates.

In Turkey, the corporation tax rate for the fiscal year starting from January 1, 2006 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% (2007 - 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.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

Additionally, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008. As of December 31, 2007, there is no transferred investment incentive. The Company opted not to utilize investment incentive exemption and rather preferred to benefit from 20% tax rate.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, the statutory financial statements from which taxable income is derived are adjusted for inflation. Accumulated earnings arising from the first application of inflation accounting on the December 31, 2003 balance sheet are not subject to corporation tax, and similarly accumulated deficits arising from such application are not deductible for tax purpose. Moreover, accumulated tax loss carry-forwards related to 2003 and prior years will be utilized at their historical (nominal) values in 2004 and future years.

The foreign subsidiaries of the Company, DD Heating and Demiladi, are subject to taxation in accordance with the tax regulations and the legislation effective in England and Hong Kong, respectively.

Corporate tax rate for Hong Kong and England is 25% and 28% respectively, as of December 31, 2008. (December 31, 2007 – 17,5% and 30%)

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.

The Company's fiscal loss, the last year that loss can be carried forward and the expected years that the losses can be recovered. are as follows;

	Fiscal Loss	Latest year loss can be carried forward	Expected years that the losses can be recovered
2008	8.490.631	2013	2012
2007	31.650.386	2012	2011
		2008	2007
Cumulative Fiscal Loss		40.141.017	31.650.386

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

As of December 31, 2008 and 2007, the analysis of current tax charge is as follows:

	December 31, 2008	December 31, 2007
Loss before tax and minority interest	(35.312.308)	(11.574.772)
Corporate tax 20% (2007 - 20%)	8.535.615	2.314.954
Tax effect of disallowable expense	(1.125.345)	(459.841)
Effect of income not subject to tax	5.917.033	6.024
Effect of research and development benefit	-	-
Effect of change in tax rate	9.953	(110.429)
Effect of sale of available for sale financial asset	-	3.366.103
Effect of sale of property, plant and equipment	-	1.670.270
Tax charge disclosed under shareholders' equity	-	124.831
Currency translation	170.913	
Others	(118.744)	(89.432)
Adjustment of income tax of previous years	(819.847)	-
Impairment on deferred tax	(2.222.615)	(944.358)
Total tax benefit	10.346.963	5.878.122
-Current	(168.944)	(609.467)
-Current tax receivable (*)	7.792.940	-
-Deferred	2.722.967	6.362.758
-Tax classified in Equity	-	124.831
-Adjustment in respect of prior year tax charge	-	-
-Tax charge of discontinued operation	-	1.236.012
Tax charge of continued operations	10.346.963	7.114.134
(Loss)/Profit before tax and minority interest from continued operations	-	(14.569.304)
Profit before tax from discontinued operations (Note:28)	-	2.994.532
(Loss)/Profit before tax and minority interest	10.346.963	(11.574.772)

(*) Because of the tax grouping in the UK, tax is levied on consolidated group results of Vaillant Group companies. The tax losses of DD Heating will therefore be utilised and recovered.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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30. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders is as follows:

	December 31, 2008	December 31, 2007
Number of ordinary shares	5.400.000.000	5.400.000.000
Net loss for the year attributable to equity holders	(24.965.345)	(5.772.620)
Less: Net (loss)/profit for the year from discontinued operation	--	1.758.520
Net (loss)/profit for the year from continued operations used in the calculation of earnings per share	(24.965.345)	(7.531.140)
Basic (loss) earnings per share	(0,00462)	(0,00107)
Earnings/(loss) per share from continued operations	(0,00462)	(0,00139)
Earnings/(loss) per share from discontinued operation	0,00000	0,00033

31. RELATED PARTY TRANSACTIONS

a) Due from related parties

Related Parties	December 31, 2008	December 31, 2007
Shareholders		
Vaillant Saunier Duval Iberica S.L.	806.322	1.777.563
Other Related Parties		
DemirDöküm ChungMei Industries Ltd.	--	164.781
Vaillant Serbia d.o.o	1.027.379	--
Vaillant d.o.o. Bosnia-Herzegovina	1.096.750	--
Vaillant d.o.o., Croatia	421.502	34.819
Vaillant Isı Sanayi ve Tic.Ltd.Şti.	39.967.693	--
Vaillant SD Italia S.P.A	1.222.283	--
Vaillant GmbH Industrial	86.342	--
Vaillant Group Romania SRL	2.037.093	--
Vaillant Spain	369.142	--
Vaillant Group Ukraine	157.169	--
Vaillant Spareparts	11.754	--
Vaillant Group UK Ltd	1.256.298	--
Others	180.159	--
	48.639.886	1.977.163

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NOTES TO FINANCIAL STATEMENTS (Continued)

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b) Due to related parties

Related Parties	December 31, 2008	December 31, 2007
Shareholders		
Vaillant Saunier Duval Iberica S.L.	--	11.654.973
Others		
Vaillant Management Ltd.	22.396.143	--
Vaillant GmbH Ltd.	8.708.748	--
DemirDöküm ChungMei Industries Ltd.	3.646.378	2.428.160
Vaillant (Wuxi) Heating Equipment Co.	335.324	--
Vaicon Vaillant Cons.	12.550	--
Others	3.329	--
	35.102.472	14.083.133

c) Transactions with related parties

	January 1, 2008–December 31, 2008	
Related Parties	Purchases from related parties	Sales to related parties
Shareholders		
Vaillant Saunier Duval Iberica S.L.	3.811.416	714.044
Others		
Vaillant Isı Sanayi ve Ticaret Ltd.	--	--
Vaillant Group UK	--	3.618.690
Vaillant d.o.o. Bosnia-Herzegovina	--	1.749.169
Vaillant Serbia d.o.o	--	1.958.129
Vaillant d.o.o.,Croatia	--	1.297.182
Vaillant Group Romania SRL	--	2.619.155
Vaillant SD Italia S.p.A	--	1.085.348
Vaillant GmbH Ltd	--	931.144
Vaillant Group Ukraine	--	134.368
Vaillant Spain	1.657.111	326.896
DemirDöküm ChungMei Industries Ltd.	8.055.661	--
Others	360.246	285.541
	13.884.434	14.719.666

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008

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d) Benefit Paid to Top Management

As of December 31, 2008 and 2007, the total amount of benefits paid to executive members of the Company is as below:

	01.01 - 31 .12.2008	01.01 - 31 .12.7
Short term benefits		
a-) Wages, salaries, and social benefits	1.090.071	974.245
b-) Paid vacation	25.978	62.290
c-) Bonuses and premium	1.362.630	325.600
d-) Benefits in kind	174.687	155.955
Termination and post employment benefits		
a-) Personnel retirement plan	18.432	12.150
b-) Severance pay	32.909	--

32. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES

Foreign Currency Position;

December 31, 2008	USD	EUR	GBP	CHF	RNM	YTL
Cash and cash equivalents	749.141	1.862.226	43.515	--	1.908.100	5.630.789
Trade receivables	1.634.957	23.829.462	8.737.655	--	--	72.643.092
Other receivables	--	14.850.000	--	--	--	31.790.880
Other current assets	538	627.444	2.179.248	--	--	6.121.830
Foreign currency assets	2.384.636	41.169.132	10.960.418	--	1.908.100	116.186.591
Short term financial liabilities	--	20.352.506	6.640	--	--	43.585.202
Trade payables	3.022.596	4.844.542	10.619.589	--	--	38.224.653
Long term financial liabilities	--	--	45.035.778	--	--	98.736.440
Other financial liabilities	4.025	17.761	1.314	--	--	46.988
Other payables	--	--	--	--	--	--
Other current liabilities	31.557	20.299.589	77	--	1.215.086	43.770.042
Foreign currency liabilities	3.058.178	45.514.398	55.663.398	--	1.215.086	224.363.325
Foreign currency position, net	(673.542)	(4.345.266)	(44.702.980)	--	693.014	(108.176.734)

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For the year ended December 31, 2008

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December 31, 2007	USD	EUR	GBP	CHF	RNM	YTL
Cash and cash equivalents	600.533	1.702.968	430.378	1.483	2.603.996	5.013.850
Trade receivables	2.091.175	20.533.565	11.978.157	--	281.206	65.455.226
Other receivables	--	--	--	--	--	--
Other current assets	19.597	205.297	617.932	--	2.442.497	2.185.850
Foreign currency assets	2.711.305	22.441.830	13.026.467	1.483	5.327.699	72.654.926
Short term financial liabilities	30.956.252	29.286.712	3.474.971	--	--	94.223.317
Trade payables	11.365.000	3.190.285	3.181.390	--	--	26.092.435
Long term financial liabilities	6.090.000	573.732	13.159	--	--	8.104.827
Other financial liabilities	--	--	--	--	--	--
Other payables	--	--	5.010.952	--	--	11.654.973
Other current liabilities	--	--	--	--	--	--
Foreign currency liabilities	48.411.252	33.050.729	11.680.472	--	--	140.075.552
Foreign currency position, net	(45.699.947)	(10.608.899)	1.345.995	1.483	5.327.699	(67.420.626)

As of December,31 2008 and 2007, total foreign currency position is as below :

	31.12.2008	31.12.2007
Trade Receivables denominated in Foreign Currency	110.555.802	67.641.076
Financial Assets denominated Foreign Currency	5.630.789	5.013.850
Trade Payables denominated Foreign Currency	81.994.695	37.747.408
Financial Liability denominated Foreign Currency	142.368.630	102.328.144
Total Export	238.871.755	247.712.856
Total Import	98.261.613	164.664.732
Total Assets	617.731.994	614.108.712
Total Shareholders Equity	97.457.522	120.500.687
Hedging instruments	488.921	--

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NOTES TO FINANCIAL STATEMENTS (Continued)

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Credit Risk;

Book value of the financial assets represent maximum exposure to credit risk at the reporting date. As of the reporting date the risk exposed is detailed below:

31.12.2008	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk exposed by the reporting date (A+B+C+D+E)	16.485.637	304.204.671	32.154.249	4.035.444	31.739.318
-secured by the guarantee	-	107.566.774	-	-	-
A. Net book value of not-due current or non-impaired financial assets.	16.485.637	304.729.335	32.154.249	4.035.444	31.739.318
B. Other	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	28.706.469	-	-	-
D. Net book value of impaired assets	-	(29.231.133)	-	-	-
-Past due (book value)	-	(29.231.133)	-	-	-
-Impairment(-)	-	(29.231.133)	-	-	-
E. Credit items Off balance sheet	-	-	-	-	-

31.12.2007	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk exposed by the reporting date (A+B+C+D+E)	1.977.163	321.119.353	-	3.083.671	6.322.836
-secured by the guarantee	-	92.306.376	-	-	-
A. Net book value of not-due current or non-impaired financial assets.	1.977.163	229.702.570	-	3.083.671	6.322.836
B. Other	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	105.578.302	-	-	-
D. Net book value of impaired assets	-	(14.161.519)	-	-	-
-Past due (book value)	-	(14.161.519)	-	-	-
-Impairment(-)	-	(14.161.519)	-	-	-
E. Credit items Off balance sheet	-	-	-	-	-

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33. FINANCIAL INSTRUMENTS

Financial Risk Management Policies and Procedures

The Company's principal financial instruments comprise bank borrowings, cash and short-term deposits. The main purpose of using these financial instruments is to raise funds for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments can be identified as interest rate risk, foreign currency risk, liquidity risk and credit risk. The Company management reviews and agrees policies for managing each of these risks. The Company also monitors the market price risk arising from all financial instruments.

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated assets and liabilities and also through the impact of rate changes at the transactions of foreign currency denominated sales and purchases. These risks are monitored and limited by the analysis of foreign currency position.

Price Risk

This is a combination of currency, interest and market risks which the Company manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

Cash Flow Hedge Transaction

	Loan Pound (the amount to be hedged)	Spot exchange rate at the date of the transaction	Loan denominated in YTL	Exchange Rate at the date of Reporting	Loan in YTL as at december 31,2008	Exchange differences
(Profit)/Loss arising from cash flow hedge transaction recognised under other comprehensive income(OCI)	45.000.000	2,2050	99.225.000	2,1924	98.658.000	(567.000)

	Realized Sale of goods to DD Heating pound	Transaction date Exchange rate	Realized Sale of goods to DD Heating YTL	Exchange Rate at the date of Reporting	Realized Sale of goods as at december 31,2008	Exchange differences
Realised exports	10.684.109	2,3530	25.139.795	2,1924	23.423.840	(1.715.955)
Hedging factor for the first year	58%					
Hedged portion of realized sale of goods.(Profit and Loss transfer from OCI)	6.196.783	2,2050	13.663.907	2,1924	13.585.827	(78.079)

OCI in Equity as at December 31,2008	(488.921)
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As part of the Company's risk management strategies, Exchange rate risk arising from its capital structure is hedged by using its forecasted sales denominated in pound to DD Heating as a hedging tool.

In this frame, a loan of GBP 45 million was received on 20 August 2008, and was converted into YTL on the spot market. The spot rate of YTL 2.2050 per GBP is deemed to be the hedging tool.

Underlying transaction is the forecast sales to UK market where the hedged exposure is 80% of sales for the next 12 months, %50 for the months 13 to 24 and %25 for months 25 to 36 beginning from September 1, 2008. (Example: 1.year hedged factor = (%80)/(%80+%50+%25) x (GBP45.000.000/GBP40.000.000) = %58

Type of Risk and Hedging relationship

Hedging against changes in currency rates in respect of budgeted currency receipts/turnover, by selling currency on the spot market and simultaneously being refinanced by foreign currency loan.

Effectiveness

Annual receipts from the sale of goods denominated in pound of DD Heating Ltd (UK) to third parties are about GBP 40 million. It is expected occurring GBP 62 million cash flows during cash flow hedge period according to basic calculation based on %80, %50 and %25 assumption for year1, year2 and year3 respectively. With the amount of GBP 45.000.000 loan and GBP 40.000.000 annual sales forecast, the effectiveness of the hedged transaction can be assumed to be highly effective without further calculation. It is considered very likely that actual future cash flows will exceed the amounts hedged at any one time.

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 Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Company also obtains collaterals when appropriate. The Company's maximum exposure to the credit risk is equal to the carrying amount of the financial instruments followed in the consolidated financial statements.

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.

Fair Value

Fair 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, arm's length transaction. Fair value is best evidenced by a quoted market price, if it exists. The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value.

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Financial assets and liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximates to market rates.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument for which it is practicable to estimate a fair value.

Financial Assets

The fair values of cash and cash equivalents together with their accrued interests and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit risk. Trade receivables are considered to approximate their respective carrying values after deducting the allowance for bad debt.

Financial Liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Borrowings are recognized at discounted cost and costs of transactions are added to the cost of credits. The fair values of borrowings are considered to reflect their respective carrying values since related interest rates are updated according to the changing market conditions.

The primary objective of the Company's capital management is to plan cash flows in the medium and long term maturity. Therefore, the Company monitors the ratio of its financial liabilities to equity.

	December 31, 2008	December 31, 2007
Interest bearing liabilities	186.309.063	265.680.574
Trade and other payables	217.641.311	151.745.317
Less: Cash and cash equivalents	(46.562.108)	(13.049.818)
Net liabilities	357.388.266	404.376.073
Equity	97.457.522	120.500.687
Financial assets value increase fund	-	-
Total equity	97.457.522	120.500.687
Equity and net liabilities	454.845.788	524.876.760
Ratio of financial liabilities to equity	79%	%77

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2008 (Currency – Unless otherwise indicated New Turkish Lira (YTL))

As of December 31, 2008 and 2007, the maturity profile of undiscounted trade receivables and payables is as follows:

	0-1 month	1-3 month	3-12 month	More than 1 year	Total
December 31, 2008					
Trade payables and due to Related Parties	115.585.435	50.738.525	51.930.018	--	218.253.978
Finance Lease Obligations	2.237	18.832	19.238	14.461	54.768
Financial Borrowings	924.554	47.501.344	39.059.794	98.724.331	186.210.023
December 31, 2007					
Trade payables and due to Related Parties	71.491.382	43.856.401	49.093.845	-	164.441.628
Finance Lease Obligations	17.440	28.007	86.151	31.137	162.735
Financial Borrowings	146.763.778	38.860.093	32.005.544	7.842.298	225.471.713

As of December 31, 2008 and 2007, the sensitivity of the Company's profit before tax to a possible change in USD, Euro, GBP, Renminbi, Hong Kong Dollar and CHF with all other variables held constant, is as follows:

		Increase in foreign exchange rates (loss)/income	Decrease in foreign exchange rates (loss)/income	
December 31, 2008	USD	%20	(203.720)	(%20) 203.720
	EURO	%20	(1.860.468)	(%20) 1.860.468
	GBP	%20	(19.601.363)	(%20) 19.601.363
	Renminbi	%20	30.204	(%20) (30.204)
	Total		(21.635.347)	21.635.347
December 31, 2007	USD	%20	(10.645.345)	(%20) 10.645.345
	EURO	%20	(3.628.668)	(%20) 3.628.668
	GBP	%20	626.130	(%20) (626.130)
	Renminbi	%20	163.454	(%20) (163.454)
	Hong Kong Dollar	%20	-	(%20) -
	CHF	%20	305	(%20) (305)
	Total		(13.484.124)	13.484.124

34. POST BALANCE SHEET DATE EVENTS

According to the law, number 5083 about the monetary unit of the Republic of Turkey, and the Cabinet decision, date April 4, 2007 and number 2007/11963, the "New" statement is removed from the New Turkish Lira and the New Kuruş as from January 1, 2009. Beginning from January 1, 2009, the "New Turkish Lira" is replaced with the "Turkish Lira" in terms of keeping the records and financial statements.

Financial tables were signed and authorized by the Mr. Orhan Ercek, the Financial Director, and Alper Avdel, the Budget and Control Director of the Company on April 9, 2009. However, the General Assembly of Shareholders has the ultimate authorization power. The General Assembly of Shareholders is expected to be held within May, 2009.