

(Convenience Translation of a Report and Financial Statements
and Notes Originally Issued in Turkish)

**Türk Demir Döküm Fabrikaları
Anonim Şirketi**

**Review Report on Interim
Consolidated Financial Statements
As of June 30, 2007**

(Convenience Translation of a Report and Financial Statements and Notes Originally Issued in Turkish)

TÜRK DEMİR DÖKÜM FABRİKALARI ANONİM ŞİRKETİ

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(Convenience Translation of a Report and Financial Statements and Notes Originally Issued in Turkish)

INTERIM REVIEW REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD JANUARY 1 – JUNE 30, 2007

To the Board of Directors of
Türk Demir Döküm Fabrikaları Anonim Şirketi

Introduction

We have reviewed the accompanying financial statements of Türk Demir Döküm Fabrikaları Anonim Şirketi (Demir Döküm – the Company), which comprise the consolidated balance sheet as at June 30, 2007, the consolidated income statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards issued by Capital Market Board. Our responsibility is to express a conclusion based on our review of the interim financial statements.

The consolidated financial statements of the subsidiary, Demir Döküm Chung Mei Industries Limited, of which statements reflect total assets constituting 0,54% and net income constituting 13% of the related consolidated totals as of June 30, 2006, were reviewed by other auditors. Our review in so far as they relate to data included for the above mentioned company, is based solely on the review report of other auditor.

Scope of Review

We conducted our review in accordance with standards on auditing issued by Capital Market Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing issued by Capital Market Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 19; regarding the transaction done in 2005, International Financial Reporting Standard (IFRS) 3 on “Business Combinations” has not been applied as of June 30, 2007. The effects of not applying this standard to the financial statements could not have been determined.

As of June 30, 2007, Tianjin Demrad International Trading Company Limited, of which the Company owns 100%, is not consolidated as to consolidation method, and carried at cost. The cost value of the subsidiary is YTL 2.422.933 as of June 30, 2007.

As of December 31, 2006, the income accrued by DD Heating Ltd., a subsidiary of the Company, related with the Company amounting to YTL 2.049.096, could not have been eliminated at the consolidation level, since the Company has not reflected such accrued amount as an accrued expense in its financial statements. The Company has adjusted such amount as of June 30, 2007 and booked under general administrative expenses. Had such amount properly booked as of December 31, 2006; the general reserves of the Company would have been lower by 1.639.277 and the net income for the period would have been higher by YTL 1.639.277 on the financial statements of the Company as of June 30, 2007.

As of June 30, 2007, the assets and liabilities of the subsidiary of which the Company decided to sell in accordance with the share transfer agreement mentioned in Note 1 and the tangible assets of the Company, are not classified as assets held for sale and liabilities associated with these assets, as required by IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”. Mandatory adjustments that should have been made in the income statement as required by the same standard has not been made and the negative difference amounting to YTL 8.851.003 between the net asset value and the sales amount of the subsidiary has not been reflected into the equity of the Company.

Qualified Conclusion

Except for the effects of the matters explained in “Basis for Qualified Conclusion”, nothing has come to our attention that causes us to believe that the interim financial statements referred to above do not present fairly the financial position of Türk Demir Döküm Fabrikaları Anonim Şirketi as of June 30, 2007 and the results of operations for the six months period then ended in accordance with financial reporting standards (Note 2) issued by Capital Market Board.

Emphasis of Matters

Without further qualifying our conclusion, we would like to draw attention to the following:

The sales prices of the shares and the tangible assets mentioned above are determined in the context of the share purchase agreement signed with Vaillant GmbH through bargaining. Such share transfers made in the context of the agreement are subject to the approval of the Competition Board.

The average maturity of the trade receivables of the Company has increased to 215 days due to the conditions of the heating industry and the stagnation in the market. The Company management believes that such increase in the maturities do not have any negative impact on trade receivables.

Güney Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
An Affiliated Firm of Ernst & Young International

Billur Demet Atan, SMMM
Engagement Partner

August 10, 2007
(September 6, 2007, for Note 34-b)
İstanbul, Turkey

Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at June 30, 2007

(Currency - New Turkish Lira (YTL))

| | | Current Period | Prior Period |
|--|--------------|--------------------------|------------------------------|
| | | Reviewed | Audited (restated) |
| ASSETS | Notes | June 30, 2007 | December 31, 2006 |
| Current assets | | 701.449.106 | 574.102.564 |
| Cash and cash equivalents | 4 | 22.076.474 | 19.800.554 |
| Marketable securities, net | 5 | - | - |
| Trade receivables, net | 7 | 424.940.118 | 383.025.676 |
| Finance lease receivables, net | 8 | - | - |
| Due from related parties, net | 9 | 27.824.652 | 14.528.894 |
| Other receivables, net | 10 | 289.105 | 168.925 |
| Biological assets, net | 11 | - | - |
| Inventories | 12 | 179.565.240 | 129.014.060 |
| Costs and estimated earnings in excess of billings on uncompleted contracts, net | 13 | - | - |
| Deferred tax assets | 14 | - | - |
| Other current assets | 15 | 46.753.517 | 27.564.455 |
| Non current assets | | 130.643.190 | 129.879.948 |
| Trade receivables, net | 7 | 620.543 | - |
| Finance lease receivables, net | 8 | - | - |
| Due from related parties, net | 9 | - | - |
| Other receivables, net | 10 | - | - |
| Financial assets, net | 16 | 44.318.820 | 40.192.020 |
| Positive goodwill, net | 17 | 4.937.814 | 5.210.541 |
| Investment property, net | 18 | - | - |
| Property, plant and equipment, net | 19 | 76.596.805 | 79.864.206 |
| Intangibles, net | 20 | 476.087 | 395.118 |
| Deferred tax assets | 14 | 2.620.578 | 3.118.261 |
| Other non current assets | 15 | 1.072.543 | 1.099.802 |
| Total Assets | | 832.092.296 | 703.982.512 |

The accompanying policies and explanatory notes on pages 6 through 65 form an integral part of the financial statements.

Türk Demir Döküm Fabrikaları Anonim Şirketi**CONSOLIDATED BALANCE SHEET****As at June 30, 2007****(Currency - New Turkish Lira (YTL))**

| | Notes | Current Period | Prior Period |
|--|-------|---------------------------|---|
| | | Reviewed June 30, 2007 | Audited (restated) December 31, 2006 |
| LIABILITIES | | | |
| Current liabilities | | 555.770.544 | 427.843.673 |
| Short term borrowings, net | 6 | 247.560.938 | 90.648.592 |
| Current portion of long term borrowings, net | 6 | 11.476.527 | 20.429.311 |
| Finance lease obligations, net | 8 | 200.554 | 242.730 |
| Other financial liabilities, net | 10 | 6.030.270 | 1.047.159 |
| Trade payables, net | 7 | 130.328.617 | 191.083.222 |
| Due to related parties, net | 9 | 82.758.090 | 86.926.324 |
| Advances taken | 21 | 40.195.257 | 5.996.197 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 13 | - | - |
| Provisions | 23 | 12.901.818 | 12.757.689 |
| Deferred tax liability | 14 | - | - |
| Other liabilities | 10 | 24.318.473 | 18.712.449 |
| Non current liabilities | | 71.805.009 | 74.669.142 |
| Long term borrowings, net | 6 | 58.658.536 | 58.190.000 |
| Finance lease obligations, net | 8 | 71.285 | 76.599 |
| Other financial liabilities, net | 10 | - | - |
| Trade payables, net | 7 | 3.987.497 | 4.198.380 |
| Due to related parties, net | 9 | - | 3.549.509 |
| Advances taken | 21 | - | - |
| Provisions | 23 | 7.748.859 | 7.374.844 |
| Deferred tax liability | 14 | 1.338.832 | 1.279.810 |
| Other liabilities, net | 10 | - | - |
| Minority interest | 24 | 7.502.363 | 9.079.706 |
| Equity | | 197.014.380 | 192.389.991 |
| Share capital | 25 | 45.000.000 | 45.000.000 |
| Issued capital subsidiaries eliminated | 25 | - | - |
| Capital reserves | 26 | 92.057.672 | 89.065.522 |
| Share premium | | - | - |
| Income on common stock disposals | | - | - |
| Revaluation fund | | - | - |
| Financial assets value increase fund | 27 | 21.558.352 | 18.566.202 |
| Equity restatement differences | | 70.499.320 | 70.499.320 |
| Profit reserves | 27 | 59.244.040 | 17.300.855 |
| Legal reserves | | 8.873.883 | 7.132.344 |
| Statutory reserves | | - | - |
| General reserves | | 49.620.597 | 10.338.522 |
| Special reserves | | - | - |
| Gain on sale of participation and fixed assets to be transferred to the share capital | | - | - |
| Currency translation differences | | 749.560 | (170.011) |
| Net profit for the period | | 712.668 | 41.023.614 |
| Prior year profits | 28 | - | - |
| Total liabilities and equity | | 832.092.296 | 703.982.512 |

The accompanying policies and explanatory notes on pages 6 through 65 form an integral part of the financial statements.

Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED INCOME STATEMENT
For the interim period ended June 30, 2007
(Currency - New Turkish Lira (YTL))

| | Notes | Current Period | | Prior Period | |
|--|-------|---|--|---|--|
| | | Reviewed | Not Reviewed | Reviewed | Not Reviewed |
| | | Six month period ended at June 30, 2007 | Last three month period ended at June 30, 2007 | Six month period ended at June 30, 2006 | Last three month period ended at June 30, 2006 |
| Operating Income | | | | | |
| Net sales | 36 | 311.921.274 | 188.042.705 | 316.735.826 | 201.902.290 |
| Cost of sales | 36 | (238.565.239) | (151.922.780) | (229.851.621) | (148.228.439) |
| Service income, net | 36 | - | - | - | - |
| Other income from operational activities, net | 36 | - | - | - | - |
| Gross Profit | | 73.356.035 | 36.119.925 | 86.884.205 | 53.673.851 |
| Operating expenses (-) | 37 | (50.464.712) | (24.262.838) | (51.558.928) | (28.569.546) |
| Profit from operations, net | | 22.891.323 | 11.857.087 | 35.325.277 | 25.104.305 |
| Other operating income | 38 | 1.645.056 | 911.445 | 1.428.665 | 1.267.476 |
| Other operating expense (-) | 38 | (982.686) | (474.920) | (2.911.453) | (2.414.900) |
| Financial expense, net (-) | 39 | (22.647.522) | (14.060.061) | (10.846.649) | (4.350.789) |
| Operating profit | | 906.171 | (1.766.449) | 22.995.840 | 19.606.092 |
| Monetary gain | 40 | - | - | - | - |
| Minority interest | | 1.276.727 | 1.099.316 | (1.278.669) | (1.214.898) |
| Profit before tax | | 2.182.898 | (667.133) | 21.717.171 | 18.391.194 |
| Taxes | 41 | (1.470.230) | (680.701) | (5.168.228) | (3.239.744) |
| Net Profit for the period | | 712.668 | (1.347.834) | 16.548.943 | 15.151.450 |
| Basic earnings / (loss) per share (full YTL) | 42 | 0.0002 | (0.0003) | 0.0037 | 0,0034 |
| Weighted average number of shares (0.01 YTL par value each) | | 4.500.000.000 | 4.500.000.000 | 4.500.000.000 | 4.500.000.000 |

The accompanying policies and explanatory notes on pages 6 through 65 form an integral part of the financial statements.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS

For the period ended June 30, 2007

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES

General

Türk Demir Döküm Fabrikaları Anonim Şirketi (Demir Döküm) was founded in 1954. 20% of the shares of Demir Döküm 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 are located in İnegöl. The production facilities of Demir Döküm are located in Bozüyük and İnegöl.

As of June 30, 2007 and December 31, 2006; the list of subsidiaries and the direct and indirect participation percentages of Demir Döküm in those subsidiaries are as follows:

| | Direct Participation Percentage of Türk Demir Döküm Fabrikaları A.Ş. (%) | | Indirect Participation Percentage of Türk Demir Döküm Fabrikaları A.Ş. (%) | |
|--|---|----------------------|---|----------------------|
| | June 30, 2007 | December 31, 2006 | June 30, 2007 | December 31, 2006 |
| Panel Radyatör Sanayi ve Ticaret A.Ş. (Panel) | 50,00 | 50,00 | 75,00 | 75,00 |
| Demrad Döküm Ürünleri Sınai ve Ticaret A.Ş. (Demrad) | 99,90 | 99,90 | 99,90 | 99,90 |
| DD Heating Ltd. (DD Heating) (**) | 50,00 | 50,00 | 50,00 | 50,00 |
| Demir Döküm Chung Mei Industries Limited (*) | 55,00 | 55,00 | 55,00 | 55,00 |
| Tianjin Demrad Trading Company Limited (***) | 100,00 | 100,00 | 100,00 | 100,00 |

(*) As of June 30, 2006, the direct participation percentage of Demir Döküm was 45%. The Company fully consolidated the subsidiary by using the rate of 55% in accordance with the pooling of interests method as of June 30, 2006.

(**) As of June 30, 2007, and December 31, 2006, Demir Döküm uses its power to control the subsidiary's financial and policies although its participation percentage is 50%.

(***) As of June 30, 2007, and December 31, 2006, the subsidiary has not been consolidated in the accompanying consolidated financial statements.

As of November 22, 2001, Demir Döküm spun off its panel radiator production facilities that were located in Bozüyük by participating in the new Company as capital in kind and established Panel Radyatör Sanayi ve Ticaret A.Ş. (Panel) to carry on the production activities of panel radiators. As of December 28, 2001, 50% of Panel was sold to a group company, Beko UK. As of May 1, 2003, Beko UK sold 50% of its shares to DD Heating Limited.

On January 1, 2003 the division of Beko UK which specialized in the sales and servicing of radiators was sold to DD Heating Limited (DD Heating) of which Demir Döküm owns 50%. On May 1, 2003, the German heat line division of Beko UK was also transferred to DD Heating. The remaining 50% of DD Heating belongs to Temel Ticaret A.Ş.

As of July 25, 2002, the Company also spun off its cast iron radiator production facilities that were located in İnegöl and established Demrad Döküm Ürünleri Sınai ve Ticaret Anonim Şirketi (Demrad) to carry on the production activities of cast iron radiator. The establishment has been realized through the transfer of the fixed assets of Demir Döküm to Demrad as capital in-kind. The Company owns 99,9% of Demrad.

According to the Board of Directors Resolution dated July 24, 2002, it has been decided to separate its oiled radiator production facilities and establish a joint venture with 45% of Demir Döküm, 45% of Chung Mei Industries Limited and 10% of Ram Pacific Ltd., participation under the name of Demir Döküm Chung Mei Industries Limited (DD Chung Mei) by investing those mentioned production facilities as capital in kind. The new established Company would manufacture oiled radiators under the brand name of Doka in China. The establishment has been realized to operate as of March 5, 2004. According to the Board of Directors resolution dated July 24, 2006, the Company decided to acquire 10%, that is 148.200 shares of DD Chung Mei Industries Limited from Ram Pacific Limited located in Hong Kong for a cash payment of USD 2.000.000. As of June 30, 2007 and December 31, 2006, the participation percentage of the Company in DD Chung Mei is 55%.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES (continued)

According to the Board of Directors resolution dated May 14, 2003, the Company decided to operate its selling, marketing and warehousing facilities in China Tianjin Free Trade Zone. Demir Döküm participated in Tianjin Demrad International Trading Company Limited (Demiladi) which has a share capital of U.S. Dollar 200.000, with 60% participating share. According to the Board of Directors' resolution dated August 28, 2006, the Company resolved to acquire 40% of shares of Demiladi from Ram Pacific Ltd., which is located in Hong Kong, for a cash payment of USD 1.500.000. As a result, the participation percentage of Demir Döküm in Demiladi is 100% as of June 30, 2007 and December 31, 2006. Since the financial statements of this subsidiary, prepared in conformity with the same accounting policies of the Company could not be obtained as of June 30, 2007 and December 31, 2006, it has not been consolidated and carried at cost of YTL 2.422.933 as investments. As of June 30, 2007, the total assets of Demiladi in its non-reviewed financial statements is USD 1.574.592, total equity is USD 279.938 negative, and net loss for the period is USD 46.473.

Panel (registered in İstanbul) manufactures panel radiators. Panel was established on November 22, 2001, and started to operate on December 24, 2001.

Demrad (registered in İstanbul) manufactures cast iron radiators. Demrad was established on July 25, 2002.

DD Heating (registered in Bedford, UK) trades panel, cast iron, and towel radiators, and compact water heaters. DD Heating was established on January 1, 2003.

Demir Döküm Chung Mei Industries Limited (registered in Hong Kong) manufactures and sells durable consumer goods. The subsidiary of DD Chung Mei, Dongguan Dei Metal Appliances Limited, is registered in Dongguan.

A 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 of which above mentioned companies, real person shareholders and the charity foundation own.

According to the Share Transfer Agreement, the total value of the Company and the share transfer price for 3.918.451.072,32 number of shares of which the Sellers' have in Demir Döküm, are determined to be Euro 290.880.000 and Euro 211.073.897,76, respectively. The share transfer price for 2.489.209.192,08 number of shares of which Koç Holding A.Ş., one of the sellers, owns in Demir Döküm is Euro 134.085.401,81. The total share transfer amount is going to be paid as cash to Sellers at the closing which is determined through bargaining.

According to the declaration dated May 28, 2007, the Company declared that it will sell one of its subsidiaries, Demrad, which is subject to full consolidation in the financial statements, to Koç Holding A.Ş. an amount of YTL 8.924.000. The difference between net asset value and selling value of Demrad is YTL 8.851.003.

Furthermore, according to the declaration dated May 28, 2007, the Company declared that all the buildings and related assets registered in Demir Döküm assets which are located in İnegöl Organize Sanayi Bölgesi are going to be sold to Koç Holding at an amount of YTL 15.984.000 before the share transfer is realized. The net book value of such tangible assets is YTL 4.264.788.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES (continued)

In accordance with the price regulating mechanism stated in the Share Transfer Agreement, the sales price stated above is determined by assuming that the share transfer is going to be realized until September 30, 2007. In case that the share transfer is realized after September 30, 2007; a simple interest calculated over monthly Euribor+75 base point on October 1, 2007 is going to be applied on the sales price for the period between October 1, 2007 and the date that the share transfer is realized.

In addition, Vaillant Saunier Duval Iberica S.L., an affiliate firm of Vaillant Group signed a share transfer agreement on May 28, 2007 with Demirören Holding A.S. (Demiren) and Emiroglu Holding A.S. (Emiroglu) 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.

Demiroren and Emiroglu sell the shares which were formerly owned by Taylan Holding A.Ş. The total amount of shares that are going to be purchased by Vaillant represent 78,24% of Demir Döküm's share capital considering the ratios declared in the share transfer agreement signed and declared at the same date between Koç Holding A.Ş. (Koç), Temel Ticaret ve Yatırım A.Ş., Koç Holding Emekli ve Yardım Sandığı Vakfı, Semahat S. Arsel, Rahmi M. Koç, Suna Kıraç, Mustafa V. Koç and Ali Y. Koç (Koç Group).

Furthermore, the Company will buy 50% of the shares of DD Heating of which Temel Ticaret A.Ş. owns, with a cash price of EUR 28.120.000.

Related share transfers are subject to the approval of Competition Board.

The consolidated financial statements are authorized for issue by the Board of Directors' of the Company on August 10, 2007. The General Assembly and certain regulatory bodies have the power to amend the consolidated and statutory financial statements after issue.

The ultimate parent of Demir Döküm is Koç Holding.

The average number of total employees is 1.796 (December 31, 2006 – 1.826) out of which 286 (December 31, 2006 – 300) are white collar workers and 1.510 (December 31, 2006 – 1.526) are blue collar workers for the six months period ended June 30, 2007.

For the purpose of these consolidated financial statements, Demir Döküm and its consolidated subsidiaries, Panel, Demrad, DD Heating, and DD Chung Mei will be referred to as "the Company and its subsidiaries or the Company".

Nature of activities

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

2. BASIS OF PRESENTATION

Basis of Presentation

The financial statements of the Company have been prepared in accordance with accounting and reporting standards as prescribed by Turkish Capital Markets Board (“CMB Accounting Standards”). The CMB has issued Communiqué No. XI-25 “Communiqué on Accounting Standards in Capital Markets” which sets out a comprehensive set of accounting principles. In this Communiqué, the CMB stated that, as an alternative, application of accounting standards prescribed by the International Accounting Standards Board and the IASC will also be considered to be compliant with the CMB Accounting Standards. With the decision taken on March 17, 2005, the CMB has declared that application of inflation accounting is no longer required for companies operating in Turkey which are reporting in accordance to CMB Accounting Standards effective from January 1, 2005. The financial statements have been prepared under the alternative application defined by the CMB as explained above. The financial statements and explanatory notes are presented using the compulsory standard formats as prescribed by the CMB.

Demir Döküm and its subsidiaries, which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements in accordance with regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Markets Board (TCMB - only for Demir Döküm), Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the country where they are registered. The consolidated financial statements have been prepared from statutory financial statements of Demir Döküm and its subsidiaries and presented in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB as explained above.

Such adjustments mainly comprise the effects of the followings;

- consolidation of the subsidiaries
- deferred taxation
- recognition and measurement of financial instruments
- employee termination benefits

Restatement of Prior Period Financial Statements

As explained in detail in “Basis of Consolidation” section, the Company acquired 10% shares of Demir Döküm Chung Mei Industries Limited as of December 31, 2006. The Company has corrected the effect of this acquisition as of June 30, 2006 since this acquisition is performed within Koç Group Companies. Changes occurred due to this consolidation were reflected retrospectively in financial statements prepared for the six months period ended as of June 30, 2006.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

2. BASIS OF PRESENTATION (continued)

The effect of changes in the related income accounts arising from the consolidation of DD Chung Mei as of June 30, 2006 is as follows :

| Accounts subject to restatement | June 30, 2006 | Consolidation Effect of DD Chung Mei | Restated June 30, 2006 |
|---------------------------------|-------------------|--|---------------------------|
| Net sales (net) | 316.699.374 | 36.452 | 316.735.826 |
| Cost of sales (-) | (230.468.833) | 617.212 | (229.851.621) |
| Operating expenses (-) | (51.083.750) | (475.178) | (51.558.928) |
| Other operating income | 1.416.235 | 12.430 | 1.428.665 |
| Other operating expense | (2.910.453) | (1.000) | (2.911.453) |
| Financial expense (-) | (10.856.305) | 9.656 | (10.846.649) |
| Minority interest | (1.061.382) | (217.287) | (1.278.669) |
| Taxes | (5.238.952) | 70.724 | (5.168.228) |
| Net Income/ Loss | 16.495.934 | 53.009 | 16.548.943 |

Reclassifications in December 31, 2006 Financial Statements

Certain reclassifications have been made in the consolidated financial statements for the year ended December 31, 2006 to be consistent with the June 30, 2007 financial statements. In order to be consistent with current period, assets held for sale amounting to YTL 430.170 is reclassified to other non-current assets. Furthermore, notes payables which were previously booked under trade payables in the balance sheet amounting to YTL 1.952.868, are reclassified to due to related parties and receivables which were previously booked under due from related parties amounting to YTL 202.389 is netted-off from due to related parties.

Reclassifications in June 30, 2006 Financial Statements

Certain reclassifications have been made in the consolidated income statement for the year ended June 30, 2006 to be consistent with the June 30, 2007 financial statements. In order to be consistent with current period, foreign exchange gain which was previously booked under other operating income amounting to YTL 15.070.524 is reclassified to financial income, and foreign exchange loss arising from the borrowings which was previously booked under other operating expense amounting to YTL 22.745.241 is reclassified to financial expense.

Functional and Presentation Currency

Functional and presentation currency of Demir Döküm and its subsidiaries which operate in Turkey is YTL. Functional and presentation currency of DD Heating which operates in Great Britain is Great Britain Pound and related balance sheet accounts are converted into YTL using the exchange rate at the date of the balance sheet and profit and loss accounts using the average buying exchange rates. (As of June 30, 2007, 1 Great Britain Pound - YTL 2,6126 – and the average rate, Great Britain Pound - YTL 2,6933). Functional and presentation currency of DD Chung Mei, operating in Hong Kong, is Hong Kong Dollars and related balance sheet accounts are converted into YTL using the exchange rate at the date of the balance sheet and profit and loss accounts using the average buying exchange rates. (As of June 30, 2007, 1 Hong Kong Dollar - YTL 0,1676 – and the average rate, Hong Kong Dollar - YTL 0, 1761). The functional currency of Dongguan Dei Chung Metal Appliance Limited is Renminbi.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

2. BASIS OF PRESENTATION (continued)

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” referred by the CMB Communique Serial: XI, No: 25.

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 judgements 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.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

As of June 30, 2007, the Company reviewed the new and amended International Financial Reporting Standards (IFRS), the interpretations of International Financial Reporting Interpretations Committee (IFRIC) and International Accounting Standards Board (IASB).

Application of New and Revised International Financial Reporting Standards

IFRS 7, Financial Instruments: Disclosures and supplementary changes in IAS 1, Presentation of Financial Statements – Managing Capital .

IFRIC 7, Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*.

IFRIC 8, Scope of IFRS 2.

IFRIC 9, Reassessment of Embedded Derivatives.

IFRIC 10, Interim Financial Reporting and Impairment.

Adoption of these new and revised standards did not have any effect on the financial statements and disclosures of the Company, except for the disclosures made within the context of IFRS 7.

(Convenience Translation of a Report and Financial Statements and Notes Originally Issued in Turkish)

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

2. BASIS OF PRESENTATION (continued)

Standards and Interpretations that are not yet effective as of June 30, 2007

As of the date of authorization of the financial statements, the new standards and interpretations related with the existing standards reviewed by the Company, but not effective as of June 30, 2007 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)

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008)

IFRIC 13, Customer Loyalty Programmes Commitments (effective for annual periods beginning on or after July 1, 2008)

The Company did not early adopt those above mentioned standards.

In accordance with the Capital Markets Board's resolution dated March 17, 2005 and numbered 11/376, financial statements was 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 June 30, 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.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

Foreign Currency Translation

The consolidated financial statements are presented in YTL, which is Demir Döküm'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 financial expense in the income statement.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

2. BASIS OF PRESENTATION (continued)

The functional currencies of the subsidiaries, DD Heating and DD Chung Mei are Great Britain Pound and Hong Kong Dollars, respectively. As of the reporting date, the assets and liabilities of these subsidiaries are translated into the reporting currency of Demir Döküm (YTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year.

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.

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 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 expenses during the reporting period. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

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

Basis of Consolidation

As of June 30, 2007 and December 31, 2006, consolidated financial statements include Demir Döküm and its subsidiaries as Demrad, Panel, DD Heating, and DD Chung Mei in which the Company has an interest of 99,90%, 50,00%, 50,00%, and 55,00% respectively. The Company's indirect participation percentage on Panel is 75%.

The consolidated financial statements include the financial statements of the Company and its subsidiaries as of June 30, 2007. The financial statements of the subsidiaries are prepared for the same reporting period using the same accounting policies applied the Company.

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 out of the Company.

The consolidated financial statements include the financial statements of Demir Döküm and its subsidiaries, which it controls. This control is normally evidenced when Demir Döküm owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

2. BASIS OF PRESENTATION (continued)

Although Demiladi is 100% owned by the Company, due to the fact that financial statements of Demiladi prepared in conformity with the same accounting principles of Demir Döküm could not be obtained, Demiladi has not been consolidated and stated at cost.

According to the Board of Directors resolution dated July 24, 2006, the Company decided to acquire 148.200 shares, which accounts for 10%, of Demir Döküm Chung Mei Industries Ltd. from Ram Pacific Limited, located in Hong Kong, for a cash payment of USD 2.000.000. The Company's participation percentage in DD Chung Mei has increased to 55% as of December 31, 2006. As of June 30, 2007 and June 30, 2006, Ram Pacific Limited and Demir Döküm are controlled by Koç Holding. Therefore, the transaction stated above is excluded from the scope of IFRS 3 "Business Combinations" since the combining entities are ultimately controlled by the same party or parties both before and after the business combination and that the control is not transitory. The Company chose to apply the "pooling of interests" method regarding business combination involving entities under common control. According to this method;

- The assets and liabilities of DD Chung Mei are reflected at their carrying amounts and no adjustments are made to reflect fair values.
- No goodwill is recognized as a result of the combination,
- Comparative financial statements as of and for the period ended June 30, 2006 are restated in order to reflect the effect of the business combination and DD Chung Mei is fully consolidated as of June 30, 2007 and 2006.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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. Sales revenues are recognized net off discounts and Value Added Tax (VAT) when service has presented and transfer of risks and rewards has been completed.

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 consist of the invoiced value of goods shipped net off sales discounts and commissions.

ii) Interest Income

Interest income is recognized on an accrual basis.

iii) Dividends

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions

Transactions in foreign currencies occurred in the period are recorded as YTL, at the rate ruling at the date of transaction. Balance sheet items denominated in foreign currencies have been translated to YTL at the rates of exchange prevailing at the balance sheet date. As of June 30, 2007 and December 31, 2006, assets and liabilities denominated in foreign currencies have been translated with the buying exchange rates declared by Central Bank of the Republic of Turkey (TCB), respectively. Exchange gains or losses arising on settlement and translation of foreign currency items have been included in the related income or expense accounts as appropriate.

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 maturity before June 30, 2007. Cash equivalents are short-term highly liquid assets 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 shown as the total of cost of acquisition and accrued interest.

Trade Receivables

Trade receivables which generally have an average of 215 day terms are recognized at net value which is the original invoice amount less an allowance for any uncollectible.

Notes and post-dated checks which are classified within trade receivables are measured at amortized cost using the effective interest rate method.

The allowance for doubtful receivables is established through a provision charged to expenses. 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.

Inventories

Inventories are valued at the lower of cost or net realizable value.

Cost incurred in bringing each product to its present location and conditions are accounted as follows:

Raw materials – cash purchase cost on a weighted average basis;

Finished goods and work-in progress – cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity and average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets

As of June 30, 2007, the equity investments of the Company, comprise of Demiladi and Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş. (Kumsan) in which the participation percentage of the Company is 100% (2006 – 100,00%) and 25,14% (December 31, 2006 – 25,14%), respectively, are carried at cost.

All available for sale financial assets, are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments which are classified as "available-for-sale" are measured at fair value unless fair value cannot be reliably measured, which details are given in Note 16.

For the available for sale financial assets where there is no quoted market price and where a reasonable estimate of the fair value could not be determined since other methods are inappropriate and unworkable, they are stated at cost net off impairment.

Koç Finansal Hizmetler A.Ş. (KFH), which is classified as a financial asset available for sale as of June 30, 2007 is carried at fair value, in accordance with appraisal report issued by an independent firm. The Company has determined the estimated fair value of Entek Elektrik Üretimi A.Ş. (Entek) which is reflected at the balance sheets as of June 30, 2007 and December 31, 2006 based on the appraisal report dated January 29, 2007. The related appraisal is made on the basis of the statement of income and balance sheet projections prepared for 5 years and the value of Entek is calculated using the discounted cash flow method. In this respect, the differences occurred in the carrying value of the financial assets available for sale amounting to YTL 1.338.774 (net off deferred tax– YTL 1.271.835) (December 31, 2006 - YTL 1.338.774) and YTL 21.354.228 (net off deferred tax – YTL 20.286.517) (December 31, 2006 - YTL 17.227.428), respectively, are reflected as “Financial Assets Value Increase Fund” under shareholders' equity account.

The difference amounting to YTL 4.418.422 occurred in the cost value of Ram Dış Ticaret A.Ş. as of December 31, 2006, is reflected to the accompanying financial statements, retrospectively. As of June 30, 2007, the value of the above mentioned financial asset available for sale has not changed.

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, difference between the sales proceeds and the carrying value of the assets is recognized in the income statement. Assets held for sale are disclosed under other non-current assets.

Property, Plant and Equipment

All property, plant and equipment are initially stated at cost and then are carried at restated cost until December 31, 2004 with the index of the related purchase date. Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property, plant and equipment are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity.

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 PP&E. In this context, the Company, has reassessed the useful lives of property, plant and equipment in the year 2006.

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 | 5-10 years |
| Moulds and models | 3-6 years |
| Vehicles | 3-5 years |
| Leasehold improvements | 5 years |

Intangible Assets

Intangible assets are initially stated at cost and are restated 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 expenditure is charged against profits and loss in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is 5 years.

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.

Business Combinations

Business combinations are defined as the combination of two different legal entities or combination of a business as an one 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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 shareholders' equity.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of 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 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 is the greater of net selling price and value in use. 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 while 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-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 and the reversal is recorded in the statement of income. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Derivative Financial Instruments (Forward Agreements)

The Company enters into transactions with derivative instruments, including forwards, in the foreign exchange markets. These derivative transactions are considered as effective economic hedges under the Company's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39 ("Financial Instruments: Recognition and Measurement"), they are treated as derivatives held for trading and are reflected at fair values.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Derivative transactions are recognized at fair values. Derivatives with unrealized gains are included in accrued income (prepayments and other current assets) and derivatives with unrealized losses are included in other financial liabilities in the consolidated balance sheet.

Borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net off issue cost associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discounts or premiums on settlement.

Gain or loss are recognized when the obligations are derecognized or incur a loss, or in repayment process.

Borrowing Costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

Income Taxes

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

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. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade Payables

Liabilities for trade and other amounts which are normally settled up to 150-180 day terms are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Post-dated checks given which are classified within trade payables are measured at amortized cost.

Employee 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.

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.

Recognition and Derecognition of Financial Assets and Liabilities

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

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Company commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 chosen 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 33).

Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares that have been outstanding during the period. The weighted average number of shares outstanding during the year has been adjusted in respect of free shares issued without corresponding increase in resources.

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 cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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)

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

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. 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.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****4. CASH AND CASH EQUIVALENTS**

| | June 30, 2007 | December 31, 2006 |
|---------------------|--------------------------|----------------------|
| Cash | 5.348 | 3.951 |
| Cash at bank | | |
| - demand deposits | 4.876.772 | 11.399.033 |
| Other liquid assets | 17.194.354 | 8.397.570 |
| | 22.076.474 | 19.800.554 |

As of June 30, 2007 and December 31, 2006, the Company does not have any time deposits at banks.

As of June 30, 2007 and December 31, 2006, there is not any blockage over cash and cash equivalents.

5. MARKETABLE SECURITIES, net

None (December 31, 2006 - None).

6. FINANCIAL LIABILITIES, net

| | June 30, 2007 | | | | | December 31, 2006 | | | | |
|---|---------------|----------------------------------|----------------|---------------------------------------|---------------------|-------------------|----------------------------------|---------------|------------------------------------|---------------------|
| | | Amount in Foreign Currency | Interest Rate | Maturity | Amount | | Amount in Foreign Currency | Interest Rate | Maturity | Amount |
| Short Term | | | | | | | | | | |
| Export Loans | YTL | 4.384.978 | 15%-16% | August 20, 2007- December 14, 2007 | 4.384.978 | YTL | - | 15%-16% | January 22, 2007- June 12, 2007 | 7.254.353 |
| Finance Loans | YTL | - | 19,4%-21,9% | - | 211.611.105 | YTL | - | 19,6%-22,4% | - | 69.651.177 |
| | USD | 3.689.433 | Libor + 1,25 | September 10, 2007 | 4.813.234 | EUR | 3.572.411 | Libor+1,25 | September 10, 2007 | 5.021.381 |
| | USD | 12.957.418 | %5,90 | November 30, 2007 | 16.904.247 | | | | | |
| Bank Overdrafts | | (*) | Libor + 1,1% | - | 9.847.374 | | (**) | Libor+1,1% | | 8.721.681 |
| | | | | | 247.560.938 | | | | | 90.648.592 |
| Long Term | | | | | | | | | | |
| | USD | 5.187.987 | Libor + 1,40 | November 23, 2007 | 6.768.248 | USD | 5.188.739 | Libor + 1,40 | November 23, 2007 | 7.293.292 |
| | EUR | 3.029.600 | Euribor + 0,90 | October 10, 2008 | 5.327.551 | EUR | 2.530.625 | Euribor+0,95 | March 23, 2007 | 4.685.452 |
| | EUR | 7.547.931 | Euribor + 2,00 | November 24, 2010 | 13.273.035 | EUR | 3.026.262 | Euribor+1,10 | April 20, 2007 | 5.603.124 |
| | EUR | 25.457.054 | Euribor + 2,15 | March 15, 2014 | 44.766.229 | EUR | 7.544.130 | Euribor+2,00 | November 24, 2010 | 13.967.957 |
| | | | | | | | 25.422.353 | Euribor+2,15 | March 15, 2014 | 47.069.486 |
| | | | | | 70.135.063 | | | | | 78.619.311 |
| Current portion of long term borrowings | | | | | (11.476.527) | | | | | (20.429.311) |
| | | | | | 58.658.536 | | | | | 58.190.000 |

(*) Bank overdrafts are comprised of bank borrowings of YTL 1.469.064 and YTL 8.378.310 denominated in Euro and GBP balances respectively.

(**) Bank overdrafts are comprised of bank borrowings of YTL 56.952, YTL 8.586.615 and YTL 78.114 denominated in Euro, GBP and YTL balances, respectively.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

6. FINANCIAL LIABILITIES, net (continued)

As of June 30, 2007, mortgage amounting to Euro 25.000.000 has been given for the securization of the loan obtained from IFC, as presented on the consolidated balance sheet.

As of June 30, 2007, the Company has an amount of YTL 70.094.995 rotative loan borrowed from Yapı ve Kredi Bankası A.Ş. As of December 31, 2006, the Company has no financial borrowings from related parties.

As of June 30, 2007, repayment schedule for long term financial liabilities are as follows:

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|----------------------|
| To be paid in 1 year | 11.476.527 | 20.429.311 |
| To be paid in 2 year | 13.040.310 | 3.967.500 |
| To be paid in 3 year | 11.761.395 | 12.383.414 |
| To be paid in 4 year | 9.877.288 | 12.383.408 |
| To be paid in 5 year and further | 23.979.543 | 29.455.678 |
| | 70.135.063 | 78.619.311 |
| Less : Current portion of long term borrowings | (11.476.527) | (20.429.311) |
| | 58.658.536 | 58.190.000 |

The repricing terms for short-term and long-term financial liabilities with variable rates are six months.

7. TRADE RECEIVABLES AND PAYABLES, net

a) Trade receivables

| | June 30, 2007 | December 31, 2006 |
|---|--------------------------|----------------------|
| Account receivables | 243.308.695 | 187.914.161 |
| Notes receivables and post-dated checks | 188.374.170 | 201.704.255 |
| | 431.682.865 | 389.618.416 |
| Less : Allowance for doubtful receivables | (6.742.747) | (6.592.740) |
| | 424.940.118 | 383.025.676 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

7. TRADE RECEIVABLES AND PAYABLES, net (continued)

The movement of allowance for doubtful receivables for the period ended June 30, 2007 and June 30, 2006 are as follows:

| | June 30, 2007 | June 30, 2006 |
|----------------------------------|----------------------|---------------|
| Balance at beginning of period | 6.592.740 | 4.359.496 |
| Current period expense | 181.650 | 596.652 |
| Collections | (31.643) | - |
| Currency translation differences | - | 31.258 |
| Balance at end of period | 6.742.747 | 4.987.406 |

As of June 30, 2007, the Company has long-term trade receivables of YTL 620.543, comprised of post-dated checks and notes receivables. As of December 31, 2006, the Company does not have any long-term trade receivables.

The Company has a receivable amounting to YTL 1.338.142 which has been transferred to Kofisa Trading Company S.A as pledged as of June 30, 2007. Since such transaction has been settled as “irrevocable” transaction, it has not been reflected to the balance sheet.

b) Trade payables

| | June 30, 2007 | December 31, 2006 |
|-------------------|----------------------|-------------------|
| Accounts payables | 52.891.590 | 44.914.128 |
| Notes payables | 77.437.027 | 146.169.094 |
| | 130.328.617 | 191.083.222 |

As explained in detail in Note 19, the Company has a long-term trade payable amounting to YTL 3.987.497 in accordance with the agreement signed with Schaeffer Werke KG as of June 30, 2007 (December 31, 2006 – YTL 4.198.380).

8. FINANCE LEASE RECEIVABLES AND OBLIGATIONS, net

As of June 30, 2007, the Company does not have any short or long-term finance lease receivables (December 31, 2006 - None).

As of June 30, 2007, the Company has YTL 200.554 of short term finance lease obligations (December 31, 2006 - YTL 242.730) and YTL 71.285 long -term finance lease obligations which will be paid in four years (December 31, 2006 - YTL 76.599) to Yapı Kredi Finansal Kiralama A.O.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

9. DUE FROM AND TO RELATED PARTIES

a) Due from related parties

| Related Parties | June 30, 2007 | December 31, 2006 |
|---|--------------------------|------------------------------|
| Equity Investments | | |
| Demiladi | 2.076.152 | 1.952.761 |
| Others | | |
| Migros Türk T.A.Ş. | 12.556.340 | 5.985.387 |
| Arçelik A.Ş. | 5.705.641 | 1.953.761 |
| Koçtaş Yapı Malzemeleri Ticaret A.Ş. | 5.528.007 | 1.791.852 |
| Akpa Dayanımlı Tüketim A.Ş. LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (Akpa) | 1.431.081 | 665.556 |
| Beko UK | 253.014 | - |
| Ram Trading | 104.286 | 944.730 |
| Turyat Setur | 55.512 | - |
| Ramerica | 33.882 | 36.505 |
| Dongguan Meiqun Electric Appliances | 8.793 | - |
| Sanal Merkez | 8.478 | 14.197 |
| Arctic | 3.956 | 1.131.934 |
| Chung Mei Industries Limited | - | 57.579 |
| Others | 151.928 | 10.079 |
| | 27.917.070 | 14.544.341 |
| Less: Allowance for unearned interest income | (92.418) | (15.447) |
| | 27.824.652 | 14.528.894 |

As of June 30, 2007, the Company does not have any long-term trade receivables from related parties (December 31, 2006 - None).

b) Due to related parties

Short Term Liabilities

Short-term financial borrowings

| Related Parties | June 30, 2007 | December 31, 2006 |
|---------------------------|--------------------------|------------------------------|
| Others | | |
| Yapı Kredi Faktoring A.Ş. | 32.744.551 | 66.035.119 |
| Beko Plc | 6.802.621 | 7.213.149 |
| Arçelik A.Ş. | 1.342.163 | 1.766.553 |
| | 40.889.335 | 75.014.821 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

9. DUE FROM AND TO RELATED PARTIES (continued)

Trade payables

| Related Parties | June 30, 2007 | December 31, 2006 |
|--|--------------------------|------------------------------|
| Shareholders | | |
| Koç Holding A.Ş. | - | 179.289 |
| Financial Assets | | |
| Ram Dış Ticaret A.Ş. | 35.915.273 | 1.149.553 |
| Entek Elektrik Üretimi A.Ş. | - | 476.315 |
| Equity Investments | | |
| Demiladi | - | 398.157 |
| Others | | |
| Zer A.Ş. (*) | 1.728.909 | 1.731.775 |
| Chung Mei Industries Limited | 1.524.723 | 5.147.533 |
| Ram Pacific Ltd. | 718.275 | - |
| Aygaz A.Ş. | 542.378 | 526.098 |
| Koç Sistem A.Ş. | 475.739 | 4.461 |
| Palmira Turizm Ticaret A.Ş. | 447.695 | 629.494 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | 356.300 | 288.785 |
| Birleşik Oksijen Sanayi Gazlar A.Ş. | 168.752 | 322.873 |
| Beko Plc | 64.795 | 73.311 |
| Düzy Tüketim Malları Pazarlama A.Ş. | 45.983 | 30.908 |
| Koç Net | 31.759 | 67.027 |
| Mogaz Petrol Gazları A.Ş. | 31.426 | 136.049 |
| Otokoç | 26.127 | 2.110 |
| Tanı Pazarlama | 24.522 | 54.837 |
| Promena | 15.714 | 17.311 |
| Koç Allianz | 12.239 | 11.673 |
| Koç Sigorta | - | 309.617 |
| Ark İnşaat A.Ş. | - | 109.127 |
| Turyat Setur Seyahat Acentesi İşletmeleri A.Ş. | - | 176.253 |
| Others | 3.324 | 69.211 |
| | 42.133.933 | 11.911.767 |
| Less : Allowance for unincurred interest expense | (265.178) | (264) |
| | 41.868.755 | 11.911.503 |
| Total | 82.758.090 | 86.926.324 |

(*) The legal name of Beko Ticaret A.Ş. has been changed as Zer Merkezi Hizmetler ve Ticaret A.Ş. in March 2007.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

9. DUE FROM AND TO RELATED PARTIES (continued)

As of June 30, 2007, the Company has factored receivables amounting to YTL 6.114.725 (December 31, 2006 - YTL 13.052.298 receivables and YTL 48.382.045 cheques and notes) to Yapı Kredi Faktoring A.Ş. Since those factoring transactions have been settled as irrevocable, the balances have not been reflected in the balance sheets.

Long term borrowings

Long term borrowings due to related parties as of June 30, 2007 and December 31, 2006 are composed of borrowings from Beko UK with an interest rate of Libor+1,6 and maturity on April 30, 2008.

The repayment plan of the long-term borrowings due to related parties as of June 30, 2007 and December 31, 2006, is as follows:

| | June 30, 2007 | December 31, 2006 |
|---|----------------------|-------------------|
| To be paid in 1 year | 6.802.621 | 7.213.149 |
| To be paid in 2 years | - | 3.549.509 |
| | 6.802.621 | 10.762.658 |
| Current portion of long-term borrowings (*) | (6.802.621) | (7.213.149) |
| | - | 3.549.509 |

(*) Current portion of long term borrowings as of June 30, 2007 and December 31, 2006 are stated under short term due to related parties.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

9. DUE FROM AND TO RELATED PARTIES (continued)

c) Transactions with related parties

| Related Parties | June 30, 2007 | | | | |
|---|--------------------------|----------|--------------------------------|-------------------|------------------|
| | Sales to Related Parties | | Purchases from Related Parties | | |
| | Inventory | Service | Fixed Assets | Inventory | Service |
| Shareholders | | | | | |
| Koç Holding A.Ş. | - | - | - | - | 296.126 |
| Equity Investments | | | | | |
| Demiladi | 1.464.256 | - | - | - | - |
| Financial Assets | | | | | |
| Entek Elektrik Üretim A.Ş. | - | - | - | - | 1.513.196 |
| Ram Dış Ticaret A.Ş. | - | - | - | 31.668.975 | - |
| Others | | | | | |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | 1.682.475 | - | - | 38.008 | 340.317 |
| Aygaz A.Ş. | - | - | - | 2.292.118 | 30.080 |
| Arçelik A.Ş. | 16.817.906 | - | 2.313 | 87.884 | 839.405 |
| Ark İnşaat A.Ş. | 1.591 | - | - | 9.352 | 4.707 |
| Beko Ticaret A.Ş. | - | - | - | 36.739 | 3.387.807 |
| Birleşik Oksijen Sanayi A.Ş. | - | - | - | 265.836 | 176.024 |
| Birmot A.Ş. | - | - | - | 466 | 812 |
| Düzey Tüketim Malları Pazarlama A.Ş. | - | - | - | - | 232.951 |
| Elektrabregenz | 9.384 | - | - | - | - |
| Koç Allianz Sigorta A.Ş. | - | - | - | - | 16.040 |
| Koç Lease Finansal Kiralama A.Ş. | - | - | - | 389 | - |
| Koç Sistem A.Ş. | - | - | 191.936 | 55.959 | 261.796 |
| Koçtaş Yapı Marketleri San. ve Tic. A.Ş. | 5.421.202 | - | 5.036 | 161.930 | 1.700 |
| Koçnet A.Ş. | - | - | - | - | 142.121 |
| Migros A.Ş. | 8.834.511 | - | - | - | 50.000 |
| Otokoç Otomotiv A.Ş. | - | - | - | - | 130.360 |
| Opet Petrolculuk A.Ş. | - | - | - | - | 210.271 |
| Mogaz Petrol Gazları A.Ş. | - | - | - | 193.195 | - |
| Palmira Turizm Ticaret A.Ş. | - | - | - | - | 1.155.845 |
| Promena Elektronik Tic. A.Ş. | - | - | - | - | 68.862 |
| Ramerica | - | - | - | 22.233 | - |
| Ram Pacific | 38.771 | - | - | 18.688.111 | - |
| Ram Trading | 237.708 | - | - | - | - |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | - | - | - | - | 348.029 |
| Sanal Merkez Ticaret A.Ş. | 17.600 | - | 889 | 40.901 | 337 |
| Set Air Hava Taşımacılığı ve Hizm. A.Ş. | - | - | - | - | 14.332 |
| Setur Servis Turistik A.Ş. | - | - | 5.677 | - | 606.029 |
| Tanı Pazarlama İlet Hizm.A.Ş. | - | - | - | - | 52.947 |
| | 34.525.404 | - | 205.851 | 53.562.096 | 9.880.094 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

9. DUE FROM AND TO RELATED PARTIES (continued)

| Related Parties | June 30, 2006 | | | |
|---|--------------------------|--------------|--------------------------------|------------|
| | Sales to Related Parties | | Purchases from Related Parties | |
| | Inventory | Fixed Assets | Inventory | Service |
| Shareholders: | | | | |
| Koç Holding | - | - | - | 1.356.700 |
| Financial Assets: | | | | |
| Entek Elektrik Üretim A.Ş | - | - | 190 | 1.835.474 |
| Others: | | | | |
| Akpa Day. Tük | 1.305.909 | - | 79.210 | 51.385 |
| Arçelik | 28.308.908 | - | 1.674.215 | 1.391.819 |
| Arçelik A.Ş. Servis İşletmesi | - | - | - | - |
| Ark İnşaat | 1.611 | 711.900 | - | - |
| Aygaz A.Ş. | - | - | 1.703.138 | 8.295 |
| BEKO | - | - | 64.911 | 2.338.675 |
| Birleşik Oksijen Sanayi A.Ş | - | - | 309.314 | 209.539 |
| Birmot A.Ş | - | - | - | 4.958 |
| Blomberg Vertriebsges | 40.645 | - | - | 716 |
| Chung Mei | 109 | - | - | - |
| Demiladi | 1.931.295 | - | - | - |
| Düzye A.Ş | - | - | - | 287.044 |
| Elektra Bregenz | 19.360 | - | - | - |
| Eltek | - | - | - | 704.683 |
| İzocam Ticaret ve Sanayi A.Ş. | - | - | 51.627 | - |
| Koç Allianz Sigorta A.Ş | - | - | - | 27.047 |
| Koç Faktoring Hizmetler A.Ş | 3.390 | - | - | - |
| Koç Lease Finansal Kiralama A.Ş. | - | 1.369 | - | 1.466 |
| Koç Sistem A.Ş. | - | 107.757 | 1.894 | 205.983 |
| Koçbank | 67.049 | - | - | - |
| Koçnet A.Ş. | - | - | - | 175.680 |
| Koç Bryce | - | - | - | 962 |
| Koç Üniversitesi | - | - | - | 26.775 |
| Koçtaş Ticaret A.Ş.(Koçtaş Yapı Marketleri) | 5.879.329 | 12.922 | 176.669 | 2.644 |
| Kofisa | 9.896.151 | - | - | 432.110 |
| Migros A.Ş. | 7.373.203 | - | - | 15.241 |
| Mogaz Petrol Gazları | - | - | 164.725 | - |
| Opet | - | - | - | 185.628 |
| Otokoç Otomotiv A.Ş. | 93.677 | 36.889 | - | 84.771 |
| Palmira | - | - | 1.468 | 524.980 |
| Promena | - | - | - | 84.758 |
| Ram Dış Ticaret A.Ş | - | - | 3.702.365 | - |
| Ram Pacific | 26.110 | - | - | - |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | - | - | 181.373 | 418.623 |
| Ram Trading | 307.373 | - | - | - |
| Ramerica | 7.291 | - | 13.318 | - |
| Sanal Merkez | 48.950 | - | 37.752 | 277.206 |
| SC Artic SA | 545.100 | - | - | - |
| Set Air Hava Taşımacılığı | - | - | - | 13.397 |
| Set Oto Ticaret ve Turizm A.Ş. | - | - | - | 534 |
| Tanı Pazarlama İlet. Hiz. | - | - | - | 8.395 |
| Tansaş | 35.655 | - | - | - |
| Turyat Setur Seyahat Acentesi İşl.A.Ş | - | 1.013 | - | 1.572.824 |
| Others | - | - | 1.058 | 910 |
| | 55.891.115 | 871.850 | 8.163.227 | 12.249.222 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

9. DUE FROM AND TO RELATED PARTIES (continued)

d) Others

| | June 30, 2007 | December 31, 2006 |
|---|--------------------------|----------------------|
| Bank deposits at Yapı Kredi Bankası A.Ş. | 1.558.882 | 7.664.164 |
| Interest expenses charged by Yapı Kredi Faktoring | 8.286.147 | 11.185.309 |
| Donations to Vehbi Koç Vakfı | - | 1.100.000 |
| Advertising expenses charged by Arçelik | 460.649 | 1.295.146 |
| Interest expense charged by Beko Plc | 275.236 | 1.363.476 |
| Loan obtained from Yapı Kredi Bankası A.Ş. | 20.150.000 | 5.700.000 |
| Loan obtained from Yapı Kredi Faktoring A.Ş. | 49.944.995 | - |

As of June 30, 2007, the Company has received dividend income amounting to YTL 30.120 from Kumsan (June 30, 2006 - Kumsan YTL 45.180).

As of June 30, 2007 financing expenses paid to Yapı ve Kredi Bankası A.Ş. is YTL 3.168.915 (June 30, 2006 – YTL 2.626.205).

10. OTHER RECEIVABLES AND LIABILITIES, net

Breakdown of other receivables as of June 30, 2007 and December 31, 2006 is as follows:

| | June 30, 2007 | December 31, 2006 |
|--------------------|--------------------------|----------------------|
| Due from personnel | 289.105 | 168.925 |
| | 289.105 | 168.925 |

As of June 30, 2007, other financial liabilities comprise of forward expense accrual amounting to YTL 5.657.426 (December 31, 2006- YTL 640.255) and financial liabilities to Kofisa arising from irrevocable factoring transactions amounting to YTL 372.844 (December 31, 2006- YTL 406.904) .

As of June 30, 2007 and December 31, 2006, the Company does not have any long-term other financial liabilities.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

10. OTHER RECEIVABLES AND LIABILITIES, net (continued)

Breakdown of other liabilities as of June 30, 2007 and December 31, 2006 is as follows:

| | June 30, 2007 | December 31, 2006 |
|------------------------------|--------------------------|----------------------|
| Value added tax | 19.914.122 | 7.856.685 |
| Taxes and duties payable | 2.427.397 | 5.353.522 |
| Due to employees | 1.892.554 | 3.594.684 |
| Other short term liabilities | 84.400 | 1.907.558 |
| | 24.318.473 | 18.712.449 |

As of June 30, 2007 and December 31, 2006, the Company does not have any long term other liabilities.

11 BIOLOGICAL ASSETS, net

None (December 31, 2006 - None).

12. INVENTORIES

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|----------------------|
| Raw materials | 35.489.107 | 31.559.363 |
| Work-in-process | 5.025.667 | 4.170.923 |
| Semi-finished goods | 7.515.430 | 7.336.942 |
| Finished goods | 77.562.037 | 35.081.361 |
| Merchandise | 27.910.255 | 26.509.960 |
| Goods in transit | 15.620.387 | 20.752.026 |
| Advances for purchase orders | 10.831.418 | 3.846.486 |
| | 179.954.301 | 129.257.061 |
| Less : Provisions for impairment on inventories (finished goods) (*) | (389.061) | (243.001) |
| | 179.565.240 | 129.014.060 |

(*) As of June 30, 2007 and December 31, 2006, provision for impairment on finished goods are reflected under cost of goods sold.

(Convenience Translation of a Report and Financial Statements and Notes Originally Issued in Turkish)

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

13. COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS AND BILLINGS IN EXCESS OF COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS, NET

None (December 31, 2006 - None).

14. DEFERRED TAX ASSETS AND LIABILITIES

As of June 30, 2007 and December 31, 2006, the breakdown of deferred tax (liability)/asset calculated over temporary differences subject to deferred tax by using effective tax rates is summarized below:

| | Balance Sheet | | Income Statement, Financial Assets Value Increase Fund and Currency Translation Differences | |
|---|------------------|-------------------|---|----------------|
| | June 30, 2007 | December 31, 2006 | June 30, 2007 | June 30, 2006 |
| Net temporary difference between the tax base and the carrying value of the property, plant and equipment | (463.683) | (533.209) | 69.526 | (146.276) |
| Provision for employee termination benefits | 1.549.772 | 1.474.969 | 74.803 | (675.243) |
| Allowance for unrealized interest expense | (2.611.473) | (2.365.020) | (246.453) | 524.405 |
| Allowance for unearned interest income | 473.395 | 320.060 | 153.335 | 707.617 |
| Temporary differences arising from inventory | 1.072.280 | 707.254 | 365.026 | (1.656) |
| Forward expense accrual | 1.131.485 | 128.051 | 1.003.434 | (1.302.538) |
| Provisions | 1.549.257 | 1.522.372 | 26.885 | 646.074 |
| Temporary differences on available for sale financial assets | (940.354) | - | (940.354) | - |
| Allowance for deferred tax asset | (1.052.311) | - | (1.052.311) | - |
| Other | 573.378 | 583.974 | (10.596) | 381.485 |
| | 1.281.746 | 1.838.451 | (556.705) | 133.868 |

As of June 30, 2007 and December 31, 2006 deferred tax in consolidated financial statements is as follows:

| | Deferred Tax | |
|------------------------|------------------|-------------------|
| | June 30, 2007 | December 31, 2006 |
| Deferred tax asset | 2.620.578 | 3.118.261 |
| Deferred tax liability | (1.338.832) | (1.279.810) |
| | 1.281.746 | 1.838.451 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2007
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14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movement of deferred tax as of June 30, 2007 and June 30, 2006 is as follows:

| | June 30, 2007 | June 30, 2006 |
|--------------------------------------|--------------------------|------------------|
| At January 1 | 1.838.451 | 1.963.963 |
| Deferred tax benefit (expense) | 595.922 | 90.230 |
| Financial assets value increase fund | (1.134.650) | - |
| Currency translation difference | (17.977) | 43.638 |
| | 1.281.746 | 2.097.831 |

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

15. OTHER CURRENT AND NON CURRENT ASSETS

| | June 30, 2007 | December 31, 2006 |
|------------------|--------------------------|----------------------|
| VAT receivable | 40.755.551 | 16.065.443 |
| Prepaid expenses | 5.152.101 | 1.238.138 |
| Job advances | 490.632 | 17.709 |
| VAT deductible | 298.453 | 9.837.002 |
| Prepaid tax | 56.780 | 406.163 |
| | 46.753.517 | 27.564.455 |

According to a shareholders' agreement dated December 25, 2002, Chung Mei Industries Limited, which is the 45% shareholder of DD Chung Mei, agreed to transfer the property ownership certificate of the factory located in Dongguan to DD Chung Mei at an amount of Hong Kong Dollars 3.705.000. As of June 30, 2007 and December 31, 2006, other non current assets represent land and building use rights of the factory contributed by Chung Mei Industries Limited and vested in the Company which shall be entitled to use, deliver and provide its subsidiary with possession of the factory free of charge and free from encumbrance

As of June 30, 2007 other current assets include land and buildings amounting to YTL 451.520 (December 31, 2006 – YTL 430.170) taken customers in respect of their receivables through legal action for collection.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

16. FINANCIAL ASSETS, net

a) Available for sale financial assets

Breakdown of available for sale financial assets as of June 30, 2007 and December 31, 2006 is as follows:

| | June 30, 2007 | | December 31, 2006 | |
|---|------------------------------------|-------------------|------------------------------------|-------------|
| | Participation Percentage (%) | YTL | Participation Percentage (%) | YTL |
| Koç Finansal Hizmetler A.Ş. (KFH) | 0,38 | 32.968.800 | 0,38 | 28.842.000 |
| Ram Dış Ticaret A.Ş. (Ram Dış) | 10,00 | 5.758.423 | 10,00 | 5.758.423 |
| Entek Elektrik Üretimi A.Ş. (Entek) | 3,73 | 6.714.000 | 3,73 | 6.714.000 |
| Isı Sanayii Araştırma ve Geliştirme A.Ş. (Isısan) | 5,00 | 8.217 | 5,00 | 8.217 |
| | | 45.449.440 | | 41.322.640 |
| Less : Provision for impairment – Isısan | | (8.217) | | (8.217) |
| Less : Provision for impairment - Ram Dış | | (4.418.422) | | (4.418.422) |
| | | 41.022.801 | | 36.896.001 |

Koç Finansal Hizmetler A.Ş. (KFH), which is classified as a financial asset available for sale as of June 30, 2007, is carried at fair value, in accordance with appraisal report issued by an independent firm. The Company has determined the estimated fair value of Entek Elektrik Üretimi A.Ş. (Entek) which is reflected at the balance sheets as of June 30, 2007 and December 31, 2006 based on the appraisal report dated January 29, 2007. The related appraisal is made on the basis of the statement of income and balance sheet projections prepared for 5 years and the value of Entek is calculated using the discounted cash flow method. In this respect, the differences occurred in the carrying value of the financial assets available for sale amounting to YTL 1.338.774 (net off deferred tax– YTL 1.271.835) (December 31, 2006 - YTL 1.338.774) and YTL 21.354.228 (net off deferred tax – YTL 20.286.517) (December 31, 2006 - YTL 17.227.428), respectively, are reflected as “Financial Assets Value Increase Fund” under shareholders' equity account.

The difference amounting to YTL 4.418.422 occurred in the cost value of Ram Dış Ticaret A.Ş. as of December 31, 2006, is reflected to the accompanying financial statements, retrospectively. As of June 30, 2007, the value of the above mentioned available for sale financial asset has not changed.

Provision for impairment in the carrying value of Isısan in the balance sheet amounting to YTL 8.217, was reflected to the "Other operating expenses" account in the financial statements for the year ended December 31, 2006.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

16. FINANCIAL ASSETS, net (continued)

b) Equity Investments

Breakdown of equity investments as of June 30, 2007 and December 31, 2006 is as follows:

| | June 30, 2007 | | December 31, 2006 | |
|----------|---|------------------|------------------------------------|-----------|
| | Participation Percentage (%) | YTL | Participation Percentage (%) | YTL |
| Kumsan | 25,14 | 873.086 | 25,14 | 873.086 |
| Demiladi | 100,00 | 2.422.933 | 100,00 | 2.422.933 |
| | | 3.296.019 | | 3.296.019 |

According to the Board of Directors' resolution dated August 28, 2006, the Company decided to purchase 40% shares of Demiladi from Ram Pacific Ltd. established in Hong Kong, with payment in cash amounting to U.S. Dollar 1.500.000 equivalent of YTL 2.220.000. As of December 31, 2006, such amount is paid and the participation percentage of Company in Demiladi was increased to 100%.

The Company is going to sell its shares in Ram Dış, KFH, Kumsan and Demrad to Koç Holding with the fair values reflected in the financial statements as of December 31, 2006, before the share transfer in accordance with the "share transfer agreement" signed on May 28, 2007, is realized. Any change in the fair values of Ram and KFH is going to be reflected to the sales price.

17. POSITIVE GOODWILL, net

Goodwill, as of June 30, 2007 and December 31, 2006 arised from the purchase of "Heatline" business of Beko.

The movement of goodwill for June 30, 2007 and June 30, 2006 is as follows:

| | June 30, 2007 | June 30, 2006 |
|---------------------------------|----------------------|---------------|
| Beginning net book value | 5.210.541 | 4.369.869 |
| Currency translation difference | (272.727) | 1.123.605 |
| Ending net book value | 4.937.814 | 5.493.474 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2007
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18. INVESTMENT PROPERTY, net

None (December 31, 2006 - None).

19. PROPERTY, PLANT AND EQUIPMENT, net

The movement of property, plant and equipment for the periods ended June 30, 2007 and June 30, 2006 is as follows:

| | January 1, 2007 | Additions | Disposals | Currency Translation Difference | June 30, 2007 |
|---|----------------------|--------------------|------------------|---------------------------------------|----------------------|
| Cost | | | | | |
| Land and land improvements | 3.392.944 | - | - | - | 3.392.944 |
| Buildings | 57.764.043 | - | (60.000) | - | 57.704.043 |
| Machinery, installations and equipment | 182.805.172 | 2.724.683 | - | (160.216) | 185.369.639 |
| Motor vehicles | 1.528.731 | 189.165 | (171.963) | (39.532) | 1.506.401 |
| Furniture and fixtures | 10.736.529 | 248.992 | (10.357) | (84.535) | 10.890.629 |
| Leasehold improvements | 154.262 | - | - | - | 154.262 |
| Advances given and construction in progress | - | 99.826 | - | - | 99.826 |
| Total | 256.381.681 | 3.262.666 | (242.320) | (284.283) | 259.117.744 |
| Less: Accumulated depreciation | | | | | |
| Land improvement | (1.893.495) | (23.863) | - | - | (1.917.358) |
| Buildings | (29.677.223) | (723.147) | 2.796 | - | (30.397.574) |
| Machinery, installations and equipment | (136.232.431) | (4.990.852) | - | 101.772 | (141.121.511) |
| Motor vehicles | (641.002) | (166.637) | 87.621 | 15.495 | (704.523) |
| Furniture and fixtures | (7.919.062) | (352.115) | 3.719 | 41.747 | (8.225.711) |
| Leasehold improvements | (154.262) | - | - | - | (154.262) |
| Total | (176.517.475) | (6.256.614) | 94.136 | 159.014 | (182.520.939) |
| Property, plant and equipment, net | 79.864.206 | (2.993.948) | (148.184) | (125.269) | 76.596.805 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2007
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19. PROPERTY, PLANT AND EQUIPMENT, net (continued)

As of June 30, 2007 and December 31, 2006, mortgage amounting to Euro 25.000.000 (December 31, 2006 – Euro 25.000.000) has been given for the securitization of the loan obtained from IFC, which is presented on the consolidated balance sheet.

| | January 1, 2006 | Additions | Disposals | Transfers | Currency Translation Difference | June 30, 2006 |
|---|----------------------|--------------------|------------------|--------------|---------------------------------------|----------------------|
| Cost | | | | | | |
| Land and land improvements | 3.409.100 | - | (28.771) | - | 4.735 | 3.385.064 |
| Buildings | 48.922.786 | - | - | - | - | 48.922.786 |
| Machinery, installations and equipment | 159.970.959 | 939.337 | (482.309) | 19.238.093 | 417.529 | 180.083.609 |
| Motor vehicles | 1.608.502 | 384.469 | (329.890) | - | 159.478 | 1.822.559 |
| Furniture and fixtures | 9.209.839 | 210.809 | (9.149) | - | 188.502 | 9.600.001 |
| Leasehold improvements | 154.262 | - | - | - | - | 154.262 |
| Construction in progress | 11.029.698 | 16.532.374 | - | (19.238.093) | - | 8.323.979 |
| Total | 234.305.146 | 18.066.989 | (850.119) | - | 770.244 | 252.292.260 |
| Accumulated depreciation | | | | | | |
| Land improvements | (1.858.537) | (23.466) | 14.385 | - | (2.367) | (1.869.985) |
| Buildings | (28.416.446) | (577.071) | - | - | - | (28.993.517) |
| Machinery, installations and equipment | (127.182.941) | (4.220.758) | 475.465 | - | (322.084) | (131.250.318) |
| Motor vehicles | (722.354) | (184.029) | 171.698 | - | (44.620) | (779.305) |
| Furniture and fixtures | (7.397.968) | (227.534) | 3.518 | - | 55.770 | (7.566.214) |
| Leasehold improvements | (154.262) | - | - | - | - | (154.262) |
| Total | (165.732.508) | (5.232.858) | 665.066 | - | (313.301) | (170.613.601) |
| Property, plant and equipment, net | 68.572.638 | 12.834.131 | (185.053) | - | 456.943 | 81.678.659 |

According to the declaration dated May 28, 2007, the Company declared that all the buildings and related assets registered in Demir Döküm assets, which are located in İnegöl Organize Sanayi Bölgesi are going to be sold to Koç Holding, at an amount of YTL 15.984.000 before the share transfer is realized. The net book value of such tangible assets is YTL 4.264.788. Furthermore, net book value of tangible assets of Demrad is YTL 8.862.515. Such tangible assets are not classified as assets held for sale.

As discussed in detail in Note 32, the Company has purchased machineries of Schaeffer Panel Radiator production plant in Germany, FIX brand name and customer portfolio of Schaeffer regarding to the agreement signed with Schaeffer Werke KG on August 31, 2005. The amount of such purchase agreement is Euro 8.500.000 and the tangible assets purchased in respect of the purchase agreement are capitalized as of December 31, 2006.

As of June 30, 2007, no study has been performed to determine the fair values of FIX brandname and tangible assets purchased from Schaeffer Company. Hence, as of June 30, 2007 the necessary adjustments have not been made in accordance with IFRS 3 “Business Combinations”.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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19. PROPERTY, PLANT AND EQUIPMENT, net (continued)

As of June 30, 2007, motor vehicles with a net book value of YTL 391.507 (December 31, 2006 - YTL 392.467 YTL) are purchased by financial lease.

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|----------------------|
| The gross value of fully depreciated assets which are still in use | 111.785.966 | 107.875.724 |

20. INTANGIBLES, net

The movement of intangibles for the periods ended June 30, 2007 and June 30, 2006 is as follows:

| | December 31, 2006 | Additions | Disposals | June 30, 2007 |
|--|----------------------|---------------|-----------|--------------------------|
| Cost Rights | 2.196.906 | 182.418 | - | 2.379.324 |
| Less: Accumulated amortization Rights | (1.801.788) | (101.449) | - | (1.903.237) |
| Net Book Value | 395.118 | 80.969 | - | 476.087 |

| | December 31, 2005 | Additions | Disposals | June 30, 2006 |
|---------------------------------------|----------------------|-----------|-----------|------------------|
| Cost Rights | 2.016.179 | 65.594 | - | 2.081.773 |
| Less: Accumulated amortization Rights | (1.432.097) | (186.992) | - | (1.619.089) |
| Net Book Value | 584.082 | (121.398) | - | 462.684 |

21. ADVANCES TAKEN, net

The Company has advances taken from customers amounting to YTL 40.195.257 as of June 30, 2007 (December 31, 2006 - YTL 5.996.197).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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22. EMPLOYEE PENSION PLANS

As of June 30, 2007 and December 31, 2006, the Company does not have any employee pension plans.

23. PROVISIONS

a) Short Term Provisions

Provisions as of June 30, 2007 and December 31, 2006 are summarized as follows:

Tax Provision

Breakdown of corporate tax payable as of June 30, 2007 and December 31, 2006 is as follows:

| | June 30, 2007 | December 31, 2006 |
|----------------------------------|--------------------------|----------------------|
| Corporate tax payable | 2.214.140 | 10.989.013 |
| Prepaid tax | (655.901) | (10.322.464) |
| Currency translation differences | (2.786) | 2.869 |
| | 1.555.453 | 669.418 |

Other provisions

| | June 30, 2007 | December 31, 2006 |
|---|--------------------------|----------------------|
| Provision for warranty expense | 7.912.034 | 7.867.219 |
| Provision for sales premiums | 1.864.493 | 1.710.676 |
| Provision for lawsuits opened against the Company | 516.506 | 382.083 |
| Consultancy expense accrual | 230.337 | 242.607 |
| Freight expense accrual | 86.477 | 355.676 |
| Miscellaneous | 736.518 | 1.530.010 |
| | 11.346.365 | 12.088.271 |
| Total | 12.901.818 | 12.757.689 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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23. PROVISIONS (continued)

b) Provision for Employee Termination Benefits

In accordance with Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to the 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 historical YTL 1.961 as of June 30, 2007 (December 31, 2006 - YTL 1.857).

As of July 1, 2007, the retirement pay liability ceiling is increased to YTL 2.030.

In accordance with IAS 19 (Employee Benefits), actuarial calculations are necessary for determining the Company's liabilities. 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 by professional actuaries and reflects these figures on financial statements. Accordingly, retirement pay provision is set by calculating the present value of the contingent liability up on the retirement of employees. Actuarial assumptions to calculate liabilities as of June 30, 2007 and December 31, 2006 are as follows:

| | June 30, 2007 | December 31, 2006 |
|--|----------------------|-------------------|
| Discount rate | 11% | 11% |
| Expected rates of salary / limit increases | 5% | 5% |

The movement of provision for employee termination benefits for the periods ended June 30, 2007 and June 30, 2006 is as follows:

| | June 30, 2007 | June 30, 2006 |
|---------------------------------|----------------------|---------------|
| Balance at beginning of period | 7.374.844 | 6.400.992 |
| Interest expense | 405.616 | 384.060 |
| Current period service cost | 977.631 | 705.939 |
| Payments | (944.375) | (1.518.436) |
| Actuarial (gain) / loss | (64.857) | 252.721 |
| Balance at end of period | 7.748.859 | 6.225.276 |

24. MINORITY INTEREST

Movements of the minority interest for the periods ended June 30, 2007 and June 30, 2006 are as follows :

| | June 30, 2007 | June 30, 2006 |
|--|----------------------|---------------|
| At January 1 | 9.079.706 | 4.742.924 |
| Currency translation difference | (300.616) | 1.019.504 |
| Share of net gain / (loss) of subsidiaries | (1.276.727) | 1.278.669 |
| At December 31 | 7.502.363 | 7.041.097 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. SHARE CAPITAL

The shareholders of the Company and their percentages of ownership as of June 30, 2007 and December 31, 2006, are as follows:

| | June 30, 2007 | | December 31, 2006 | |
|----------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Amount | Participation Percentage | Amount | Participation Percentage |
| Koç Holding A.Ş. | 20.743.409 | 46,10% | 20.743.409 | 46,10% |
| Temel Ticaret A.Ş. | 8.633.346 | 19,19% | 8.633.346 | 19,19% |
| Publicly traded and others | 15.623.245 | 34,71% | 15.623.245 | 34,71% |
| | 45.000.000 | 100,00% | 45.000.000 | 100,00% |

As of June 30, 2007, the registered share capital ceiling of the Company is YTL 100.000.000 (December 31, 2006 - YTL 100.000.000). As of June 30, 2007 the Company's share capital consists of 4.500.000.000 shares of YTL 0.01 each (December 31, 2006 – 4.500.000.000 shares of the YTL 0.01).

The movement of the share capital (in numbers and in historical YTL) of the Company during 2007 and 2006 is as follows :

| | June 30, 2007 | | December 31, 2006 | |
|----------------|----------------------|-------------------|----------------------|-------------------|
| | Number | YTL | Number | YTL |
| January 1 | 4.500.000.000 | 45.000.000 | 4.500.000.000 | 45.000.000 |
| Balance | 4.500.000.000 | 45.000.000 | 4.500.000.000 | 45.000.000 |

According to the General Assembly Meeting resolution dated April 6, 2007, the Company resolved to distribute YTL 9.000.000 gross dividend as free shares by adding to share capital. Such share capital increase is not registered in trade registry as of the date of the report and is not reflected to financial statements.

26. CAPITAL RESERVES

As of June 30, 2007 and December 31, 2006, YTL 70.499.320 of equity restatement differences is the restatement differences arising from the restatement of share capital.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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27-28. PROFIT RESERVES AND RETAINED EARNINGS

Legal reserves

The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital.

Communiqué XI-25 "Communiqué Related with Accounting Standards on Capital Market" issued by the CMB stipulates that beginning from 2003 income, profit distributions will be based on net income reflected in the financial statements prepared in accordance with International Financial Reporting Standards.

Listed companies are subject to dividend requirements regulated by the CMB as follows :

In addition, 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 the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distribution should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

In accordance with the Communiqué 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. The 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 adjustment to share capital.

Based on the CMB Decree 2/53, dated January 18, 2007, the quoted companies are required to distribute a minimum of 20% (30% for the year 2005 profits) of their distributable 2006 profits over financial statements prepared in accordance with CMB Accounting Standards in accordance with Communiqué No: XI/25. This distribution may be made by either as cash or bonus shares or as a combination of both over the minimum limit of 20% depending on the decisions of the General Assemblies of the companies.

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.

The Company's share premiums in statutory books, legal reserves and accumulated profits (loss) as of June 30, 2007 and December 31, 2006 can be summarized as follows:

| | June 30, 2007 | December 31, 2006 |
|------------------------|----------------------|-------------------|
| Share premiums | 7.039 | 7.039 |
| Legal reserves | 8.873.883 | 7.132.344 |
| Extraordinary Reserves | 72.781.461 | 48.692.231 |

(Convenience Translation of a Report and Financial Statements and Notes Originally Issued in Turkish)

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27-28. PROFIT RESERVES AND RETAINED EARNINGS (continued)

Dividends

Dividend that has been declared and approved for the year 2006 is as follows:

| Share | |
|--------------------------------|-------|
| Nominal value per share, gross | 0,002 |

There is no dividend declared and approved related with 2007.

Financial Assets Value Increase Fund

Koç Finansal Hizmetler A.Ş. (KFH), which is classified as a financial asset available for sale as of June 30, 2007, is carried at fair value, in accordance with appraisal report issued by an independent firm. The Company has determined the estimated fair value of Entek Elektrik Üretimi A.Ş. (Entek) which is reflected at the balance sheets as of June 30, 2007 and December 31, 2006 based on the appraisal report dated January 29, 2007. The related appraisal is made on the basis of the statement of income and balance sheet projections prepared for 5 years and the value of Entek is calculated using the discounted cash flow method. In this respect, the differences occurred in the carrying value of the financial assets available for sale amounting to YTL 1.338.774 (net off deferred tax– YTL 1.271.835) (December 31, 2006 - YTL 1.338.774) and YTL 21.354.228 (net off deferred tax – YTL 20.286.517) (December 31, 2006 - YTL 17.227.428), respectively, are reflected as “Financial Assets Value Increase Fund” under shareholders' equity account.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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27–28. PROFIT RESERVES AND RETAINED EARNINGS (continued)

Statement of Changes in Shareholders' Equity

| | Share Capital | Share Premiums | Equity Restatement Differences | Financial Assets Value Increase Fund | Legal Reserves | General Reserves | Currency Translation Differences | Net Profit | Prior Year Profits | Total Equity |
|--|-------------------|-------------------|--------------------------------------|--|-------------------|---------------------|--|-------------------|-----------------------|--------------------|
| Balance at January 1, 2007 | 45.000.000 | - | 70.499.320 | 18.566.202 | 7.132.344 | 10.338.522 | (170.011) | 41.023.614 | - | 192.389.991 |
| Transfer to legal reserves | - | - | - | - | 1.741.539 | - | - | (1.741.539) | - | - |
| Financial assets value increase fund (net of deferred tax) | - | - | - | 2.992.150 | - | - | - | - | - | 2.992.150 |
| Transfer to extraordinary reserves | - | - | - | - | - | 39.282.075 | - | (39.282.075) | - | - |
| Net change in currency translation differences | - | - | - | - | - | - | 919.571 | - | - | 919.571 |
| Net profit for the period | - | - | - | - | - | - | - | 712.668 | - | 712.668 |
| Balance at June 30, 2007 | 45.000.000 | - | 70.499.320 | 21.558.352 | 8.873.883 | 49.620.597 | 749.560 | 712.668 | - | 197.014.380 |

According to the General Assembly Meeting resolution dated April 6, 2007, the Company resolved to distribute YTL 9.000.000 gross dividend as free shares by adding to share capital. Such share capital increase is not registered in trade registry as of the date of the report and is not reflected to financial statements.

| | Share Capital | Share Premiums | Equity Restatement Differences | Financial Assets Value Increase Fund | Legal Reserves | General Reserves | Currency Translation Differences | Net Profit | Prior Year Profits | Total Equity |
|--|-------------------|-------------------|--------------------------------------|--|-------------------|---------------------|--|-------------------|-----------------------|--------------------|
| Balance at January 1, 2006 | 45.000.000 | - | 70.499.320 | 15.264.676 | 4.611.451 | 3.361.516 | 3.589.375 | 28.349.500 | - | 170.675.838 |
| Transfer to legal reserves | - | - | - | - | 2.520.893 | - | - | (2.520.893) | - | - |
| Financial assets value increase fund | - | - | - | 3.654.126 | - | - | - | - | - | 3.654.126 |
| Transfer to extraordinary reserves | - | - | - | - | - | 25.828.607 | - | (25.828.607) | - | - |
| Net change in currency translation differences | - | - | - | - | - | - | (5.085.323) | - | - | (5.085.323) |
| Dividends paid | - | - | - | - | - | (15.750.000) | - | - | - | (15.750.000) |
| Net profit for the period | - | - | - | - | - | - | - | 16.548.943 | - | 16.548.943 |
| Balance at June 30, 2006 | 45.000.000 | - | 70.499.320 | 18.918.802 | 7.132.344 | 13.440.123 | (1.495.948) | 16.548.943 | - | 170.043.584 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

29. FOREIGN CURRENCY POSITION (continued)

| LIABILITIES | Currency Type | June 30, 2007 | |
|---|---------------|-------------------------|---------------------|
| | | Foreign currency amount | YTL |
| Finance Lease Obligations (Short-Term) | EUR | (8.590) | (15.106) |
| | | | (15.106) |
| Trade Payables | EUR | (5.673.719) | (9.977.235) |
| | GBP | (1.249.827) | (3.265.298) |
| | USD | (2.132.800) | (2.782.451) |
| | HKD | (55.000) | (9.218) |
| | | | (16.034.202) |
| Trade Payables (Long-Term) | EUR | (2.267.556) | (3.987.497) |
| | | | (3.987.497) |
| Financial Borrowings (Long-Term) | EUR | (33.357.143) | (58.658.536) |
| | | | (58.658.536) |
| Financial Lease Obligations (Long-Term) | EUR | (7.042) | (12.383) |
| | GBP | (16.927) | (44.223) |
| | | | (56.606) |
| | EUR | (29.383.632) | (51.671.117) |
| | GBP | 309.001 | 807.298 |
| | USD | (23.944.045) | (31.237.401) |
| | CHF | 1.454 | 1.541 |
| | HKD | 672.247 | 112.669 |
| Net | | | (81.987.010) |

As discussed in detail in Note 31, as of June 30, 2007, the Company entered into forward agreements with various maturities in 2007 amounting to USD 27.950.000 (December 31, 2006- Euro 5.500.000 and USD 8.500.000) in order to hedge its foreign currency position.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****29. FOREIGN CURRENCY POSITION (continued)**

| ASSETS | Currency Type | December 31, 2006 | |
|---------------------------|----------------|-------------------------|------------|
| | | Foreign currency amount | YTL |
| Cash and Cash Equivalents | EUR | 2.952.536 | 5.466.620 |
| | GBP | 942.706 | 2.598.946 |
| | USD | 1.009.803 | 1.419.379 |
| | CHF | 2.220 | 2.554 |
| | (Renminbi) RMB | 12.683 | 2.263 |
| | | | 9.489.762 |
| Trade Receivables | EUR | 25.571.691 | 47.345.986 |
| | GBP | 8.216.467 | 22.651.978 |
| | USD | 2.809.915 | 3.949.617 |
| | | | 73.947.581 |
| Due from Related Parties | EUR | 543.048 | 1.005.453 |
| | GBP | 43.409 | 119.674 |
| | USD | 1.691.602 | 2.377.716 |
| | | | 3.502.843 |
| Other Receivables | EUR | 46.475 | 86.048 |
| | GBP | 639.808 | 1.763.887 |
| | RMB | 586.994 | 104.736 |
| | | | 1.954.671 |

| LIABILITIES | Currency Type | December 31, 2006 | |
|---|---------------|-------------------------|--------------|
| | | Foreign currency amount | YTL |
| Financial Borrowings (Short-Term) | EUR | (30.760) | (56.952) |
| | GBP | (3.114.591) | (8.586.615) |
| | USD | (3.572.411) | (5.021.381) |
| | | | (13.664.948) |
| Current Portion of Long-Term Borrowings | EUR | (7.094.798) | (13.136.019) |
| | USD | (5.188.739) | (7.293.292) |
| | | | (20.429.311) |
| Due to Related Parties (Short-Term) | EUR | (4.588.375) | (8.495.376) |
| | GBP | (18.694.633) | (51.539.234) |
| | USD | (5.754.769) | (8.088.904) |
| | RMB | (599.713) | (107.005) |
| | | | (68.230.519) |
| Finance Lease Obligations (Short-Term) | EUR | (3.186) | (5.899) |
| | GBP | (5.144) | (14.181) |
| | | | (20.080) |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

29. FOREIGN CURRENCY POSITION (continued)

| LIABILITIES | Currency Type | December 31, 2006 | |
|---|---------------|-------------------------|--------------|
| | | Foreign currency amount | YTL |
| Trade Payables | EUR | (6.036.745) | (11.177.033) |
| | GBP | (1.565.083) | (4.314.777) |
| | USD | (1.917.725) | (2.695.554) |
| | HKD | (190.000) | (34.340) |
| | | | (18.221.704) |
| Trade Payables(Long-Term) | EUR | (2.267.556) | (4.198.380) |
| | | | (4.198.380) |
| Financial Borrowings (Long-Term) | EUR | (31.428.571) | (58.190.000) |
| | | | (58.190.000) |
| Financial Lease Obligations (Long-Term) | GBP | (12.364) | (34.086) |
| | | | (34.086) |
| Due to Related Parties (Long-Term) | GBP | (1.287.500) | (3.549.509) |
| | | | (3.549.509) |
| | EUR | (22.336.241) | (41.355.552) |
| | GBP | (14.836.925) | (40.903.917) |
| | USD | (10.922.324) | (15.352.419) |
| | CHF | 2.220 | 2.554 |
| | RMB | (36) | (6) |
| | HKD | (190.000) | (34.340) |
| Net | | | (97.643.680) |

30. GOVERNMENT INCENTIVES

Investment incentives

The Company has 1 (one) investment incentive certificate related to its capital expenditures. The Company has not utilized any investment incentive in 2007 and in 2006. There is no unused investment incentive as of June 30, 2007 and as of December 31, 2006.

The Company has not utilized any research and development incentive as of June 30, 2007 (December 31, 2006 - YTL 485.914).

The Company has no research and development incentives received as cash as of June 30, 2007 (December 31, 2006 - YTL 242.549).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

- a) As of June 30, 2007 total amount of letters of guarantee given by the Company to the various government authorities is YTL 40.850.582 (December 31, 2006 - YTL 40.116.056)
- b) As of June 30, 2007, there are lawsuits filed against the Company amounting to a total of YTL 1.429.726 (December 31, 2006 - YTL 1.375.538). The Company has provided provision amounting to YTL 516.506 (December 31, 2006 - YTL 382.083) against those lawsuits. Among these lawsuits, according to the decision of the court dated February 27, 2005 related with the case opened for compensation, the Company has been found to be liable for an amount of USD 800.000. The Company has applied for appeal and Supreme Court has approved in favour of the Company. The court has agreed with the decision of annulment and decided to an expert investigation. The expert has concluded that the Company is liable for USD 100.000, however the Company has objected the decision of the expert and claimed to be liable for USD 50.000. The case will be reinvestigated by an expert. The Company has booked USD 100.000 provision for the related lawsuit. The Company has not provided any provision for the remaining cases amounting to YTL 913.320, since the Company management does not expect any negative outcome against those lawsuits.
- d) The Company has the following obligations related to the long-term loan obtained on April 22, 2005 amounting to EUR 3.000.000;
- i) The current ratio according to last audited financial statements should not be less than 1,10,
 - ii) The ratio of earnings before depreciation, amortization, interest and tax to net sales should not be less than 10%,
 - iii) The ratio of liabilities to the tangible assets net worth ratio should be between 1,00 and 2,00.
- The Company has paid the above mentioned loan on April 20, 2007.
- d) The Company has the following obligations related with the long-term loan obtained on November 24, 2005 amounting to EUR 7.500.000.
- i) The ratio of consolidated total liabilities to earnings before depreciation, amortisation, interest and tax has should not be more than 3,
 - ii) The ratio of total liabilities to the tangible net worth ratio should not be over 1,5,
 - iii) The ratio of earnings before depreciation, amortization, interest and tax to the interest expenses should not be less than 3.
- e) The Company has the following obligations related with the long term loan obtained on April 12, 2006 amounting to EUR 25.000.000;
- i) The current ratio according to last audited financial statements should not be less than 1,3,
 - ii) The ratio of total liabilities to the tangible net worth ratio should not be more than 2,25,
 - iii) The ratio of financial debt to the earnings before depreciation, amortization, interest and tax should not be more than 2,25.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2007
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

As of June 30, 2007, the ratios calculated within the liabilities defined in (d) clause are as follows;

- the calculated ratio stated in (i) item is 10,69,
- the calculated ratio stated in (ii) item is 1,73,
- the calculated ratio stated in the item (iii) is 1,41. YTL 9.420.536 of such loan is disclosed under long term financial borrowings.

As of June 30, 2007, the ratios calculated within the liabilities defined in (e) clause are as follows;

- the calculated ratio stated in (i) item is 1,26,
- the calculated ratio stated in (ii) item is 3,19,
- the calculated ratio stated in item (iii) is 10,64. YTL 43.962.500 of such loan is disclosed under long term financial borrowings.

The Company management stated that the evaluation process for these loans are performed based on the year end financial statements. The Company management does not foresee any risk related with these loans.

f) Forward Agreements

The nominal amount of forward transactions realized through HSBC, as of June 30, 2007, is as below:

| Term | Currency | Amount | Agreed Foreign Currency Rate | Fair Value Rate | YTL Amount |
|------------|----------|------------|---------------------------------|--------------------|---------------|
| 30/11/2007 | USD | 16.000.000 | 1,5524 | 1,3705 | 24.838.400 |
| 30/11/2007 | USD | 3.300.000 | 1,5235 | 1,3705 | 5.027.550 |
| 10/09/2007 | USD | 3.500.000 | 1,5940 | 1,3310 | 5.579.000 |
| 23/11/2007 | USD | 5.150.000 | 1,6430 | 1,3670 | 8.461.450 |
| | | 27.950.000 | | | 43.906.400 |

The nominal amount of forward transactions realized through HSBC, as of December 31, 2006, is as below:

| Term | Currency | Amount | Agreed Foreign Currency Rate | Fair Value Rate | YTL Amount |
|------------|----------|-----------|---------------------------------|--------------------|---------------|
| 23/03/2007 | Euro | 2.500.000 | 1,9915 | 1,9390 | 4.978.750 |
| 20/04/2007 | Euro | 3.000.000 | 2,0177 | 1,9615 | 6.053.100 |
| 10/09/2007 | USD | 3.500.000 | 1,5940 | 1,5581 | 5.579.000 |
| 23/11/2007 | USD | 5.150.000 | 1,6430 | 1,6013 | 8.461.450 |
| | | | | | 25.072.300 |

As of June 30, 2007, the fair value of the forward transactions amounting to YTL 5.657.426 (December 31, 2006 – YTL 640.255) has been reflected in the other financial liabilities in the consolidated financial statements.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

g) Operational Lease Agreements:

| | June 30, 2007 |
|------------------|---------------|
| Less than 1 year | 36.931 |
| 1 year and more | 62.196 |
| | 99.127 |

32. BUSINESS COMBINATIONS

The Company has purchased machinery park of Schaeffer Panel Radiator production plant in Germany, FIX brand name and customer portfolio of Schaeffer regarding to the agreement signed with Schaeffer Werke KG on August 31, 2005. The amount of this purchase agreement is Euro 8.500.000 and the tangible assets subject to the purchase agreement have been capitalized as of December 31, 2006.

As of June 30, 2007, YTL 19.749.810 of machinery and equipment are fixed assets purchased in accordance with the agreement mentioned above. Based on the agreement conditions, Euro 3.955.554 is paid and Euro 2.267.556 and Euro 2.276.890 of remaining part is accounted in long-term trade payables account and short-term trade payables account, respectively. Repayment plan of the agreement is as follows:

| Term | Foreign Currency Type | Foreign Currency Amount |
|--------------------|--------------------------|----------------------------|
| September 30, 2005 | EURO | 1.100.000 |
| March 15, 2006 | EURO | 1.666.666 |
| December 15, 2006 | EURO | 1.188.888 |
| December 15, 2007 | EURO | 2.276.890 |
| December 15, 2008 | EURO | 2.267.556 |
| | | 8.500.000 |

Furthermore, the Company has purchased the inventory from Schaeffer as of December 31, 2005 with the invoice amounting to Euro 1.598.697. As of June 30, 2007 the amount of inventories on hand purchased from Schaeffer is YTL 712.192 (December 31, 2006 - YTL 1.248.876)

As of December 31, 2006, no study has been performed to determine the fair values of FIX brand name and fixed assets purchased from Schaeffer Company. Hence, as of December 31, 2006, the necessary adjustments have not been made in accordance with IFRS 3 “Business Combinations”.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****33. SEGMENT REPORTING**

The consolidated revenue of the Company is realized from the operations in Turkey, China and England. As of June 30, 2007 and June 30, 2006 segment reporting information of the Company according to geographical segments is as follows:

| June 30, 2007 | Turkey | England | China | Total | Elimination | Consolidated |
|-------------------------------------|--------------------|--------------------|------------------|----------------------|----------------------|--------------------|
| Current Assets | 744.518.410 | 74.328.311 | 3.322.238 | 822.168.959 | (120.719.853) | 701.449.106 |
| Non-Current Assets | 76.501.536 | 7.793.629 | 1.136.462 | 85.431.627 | 892.743 | 86.324.370 |
| Financial Assets, net | 104.661.179 | 25.342.220 | - | 130.003.399 | (85.684.579) | 44.318.820 |
| Total Assets | 925.681.125 | 107.464.160 | 4.458.700 | 1.037.603.985 | (205.511.689) | 832.092.296 |
| Short-term Obligations | 571.442.746 | 99.722.523 | 1.737.065 | 672.902.334 | (117.131.790) | 555.770.544 |
| Long-term Obligations | 71.760.786 | 44.223 | - | 71.805.009 | - | 71.805.009 |
| Minority interest | - | - | - | - | 7.502.363 | 7.502.363 |
| Equity | 281.043.026 | 9.225.479 | 2.590.448 | 292.858.953 | (96.557.241) | 196.301.712 |
| Net profit | 1.434.567 | (1.528.065) | 131.187 | 37.689 | 674.979 | 712.668 |
| Total Liabilities and Equity | 925.681.125 | 107.464.160 | 4.458.700 | 1.037.603.985 | (205.511.689) | 832.092.296 |

| December 31, 2006 | Turkey | England | China | Total | Elimination | Consolidated |
|-------------------------------------|--------------------|--------------------|------------------|--------------------|----------------------|--------------------|
| Current Assets | 664.897.304 | 73.891.343 | 6.767.778 | 745.556.425 | (171.453.861) | 574.102.564 |
| Non-Current Assets | 80.446.605 | 7.065.524 | 1.368.627 | 88.880.756 | 807.172 | 89.687.928 |
| Financial Assets, net | 100.534.380 | 26.741.930 | - | 127.276.310 | (87.084.290) | 40.192.020 |
| Total Assets | 845.878.289 | 107.698.797 | 8.136.405 | 961.713.491 | (257.730.979) | 703.982.512 |
| Short-term Obligations | 496.741.867 | 94.428.473 | 5.341.436 | 596.511.776 | (168.668.103) | 427.843.673 |
| Long-term Obligations | 71.085.547 | 3.583.595 | - | 74.669.142 | - | 74.669.142 |
| Minority interest | - | - | - | - | 9.079.706 | 9.079.706 |
| Equity | 231.961.772 | 7.927.771 | 2.264.005 | 242.153.548 | (90.787.171) | 151.366.377 |
| Net profit | 46.089.103 | 1.758.958 | 530.964 | 48.379.025 | (7.355.411) | 41.023.614 |
| Total Liabilities and Equity | 845.878.289 | 107.698.797 | 8.136.405 | 961.713.491 | (257.730.979) | 703.982.512 |

Other Information

| June 30, 2007 | Turkey | England | China | Total |
|--------------------------|-----------|-----------|---------|-----------|
| Tangible Asset Purchases | 1.665.655 | 1.478.963 | 118.048 | 3.262.666 |

| June 30, 2006 | Turkey | England | China | Total |
|--------------------------|------------|---------|-------|------------|
| Tangible Asset Purchases | 17.799.506 | 267.483 | - | 18.066.989 |

| June 30, 2007 | Turkey | England | China | Total | Elimination | Consolidated |
|--|-------------------|--------------------|----------------|-------------------|--------------------|-------------------|
| Net Sales | 395.376.952 | 53.073.111 | 6.752.703 | 455.202.766 | (143.281.492) | 311.921.274 |
| Cost of Sales (-) | (329.154.718) | (44.849.624) | (6.090.122) | (380.094.464) | 141.529.225 | (238.565.239) |
| Service Income (net) | - | - | - | - | - | - |
| Other Income from Operational Activities, interest + dividend + rent (net) | - | - | - | - | - | - |
| Gross Profit / (Loss) | 66.222.234 | 8.223.487 | 662.581 | 75.108.302 | (1.752.267) | 73.356.035 |
| Operating Expenses (-) | (42.819.154) | (9.101.313) | (484.089) | (52.404.556) | 1.939.844 | (50.464.712) |
| Profit from Operations, net | 23.403.080 | (877.826) | 178.492 | 22.703.746 | 187.577 | 22.891.323 |
| Other Operating Income | 2.481.278 | 31.641 | 5.009 | 2.517.928 | (872.872) | 1.645.056 |
| Other Operating Expenses | (909.131) | (70.943) | (2.612) | (982.686) | - | (982.686) |
| Financial Expenses (-) | (22.044.804) | (610.936) | 8.218 | (22.647.522) | - | (22.647.522) |
| Operating Profit / (Loss) | 2.930.423 | (1.528.064) | 189.107 | 1.591.466 | (685.295) | 906.171 |

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****33. SEGMENT REPORTING (continued)**

| April 1 – June 30, 2007 | Turkey | England | China | Total | Elimination | Consolidated |
|--|-------------------|------------------|----------------|-------------------|--------------------|---------------------|
| Net Sales | 244.533.836 | 24.403.172 | 2.979.105 | 271.916.113 | (83.873.408) | 188.042.705 |
| Cost of Sales (-) | (210.427.362) | (20.457.474) | (2.658.613) | (233.543.449) | 81.620.669 | (151.922.780) |
| Service Income, (net) | - | - | - | - | - | - |
| Other Income from Operational Activities, interest+dividend+rent (net) | - | - | - | - | - | - |
| Gross Profit | 34.106.474 | 3.945.698 | 320.492 | 38.372.664 | (2.252.739) | 36.119.925 |
| Operating Expenses (-) | (21.344.305) | (4.243.239) | (223.693) | (25.811.237) | 1.548.399 | (24.262.838) |
| Profit from Operations, net | 12.762.169 | (297.541) | 96.799 | 12.561.427 | (704.340) | 11.857.087 |
| Other Operating Income | 1.364.755 | 31.641 | (3.523) | 1.392.873 | (481.428) | 911.445 |
| Other Operating Expense (-) | (401.365) | (70.943) | (2.612) | (474.920) | - | (474.920) |
| Financial Expense (-) | (13.763.288) | (306.980) | 10.207 | (14.060.061) | - | (14.060.061) |
| Operating Profit | (37.729) | (643.823) | 100.871 | (580.681) | (1.185.768) | (1.766.449) |

| June 30, 2006 | Turkey | England | China | Total | Elimination | Consolidated |
|---|-------------------|--------------------|------------------|-------------------|--------------------|---------------------|
| Net Sales | 405.071.856 | 41.360.230 | 10.177.768 | 456.609.854 | (139.874.028) | 316.735.826 |
| Cost of Sales (-) | (325.029.055) | (34.726.193) | (9.098.217) | (368.853.465) | 139.001.844 | (229.851.621) |
| Service Income, (net) | - | - | - | - | - | - |
| Other Income from Operational Activities, interest+dividend+rent, (net) | - | - | - | - | - | - |
| Gross Profit | 80.042.801 | 6.634.037 | 1.079.551 | 87.756.389 | (872.184) | 86.884.205 |
| Operating Expenses (-) | (43.896.818) | (7.944.264) | (475.178) | (52.316.260) | 757.332 | (51.558.928) |
| Profit from Operations, net | 36.145.983 | (1.310.227) | 604.373 | 35.440.129 | (114.852) | 35.325.277 |
| Other Operating Income | 3.604.741 | 1.390.125 | 12.430 | 5.007.296 | (3.578.631) | 1.428.665 |
| Other Operating Expense (-) | (2.893.234) | (17.219) | (1.000) | (2.911.453) | - | (2.911.453) |
| Financial Expense (-) | (10.209.732) | (646.569) | 9.652 | (10.846.649) | - | (10.846.649) |
| Operating Profit | 26.647.758 | (583.890) | 625.455 | 26.689.323 | (3.693.483) | 22.995.840 |

| April 1 – June 30, 2006 | Turkey | England | China | Total | Elimination | Consolidated |
|---|-------------------|--------------------|----------------|-------------------|--------------------|---------------------|
| Net Sales | 259.839.345 | 19.411.414 | 4.261.116 | 283.511.875 | (81.609.585) | 201.902.290 |
| Cost of Sales (-) | (207.889.857) | (17.491.442) | (3.761.650) | (229.142.949) | 80.914.510 | (148.228.439) |
| Service Income, (net) | - | - | - | - | - | - |
| Other Income from Operational Activities, interest+dividend+rent, (net) | - | - | - | - | - | - |
| Gross Profit | 51.949.488 | 1.919.972 | 499.466 | 54.368.926 | (695.075) | 53.673.851 |
| Operating Expenses (-) | (25.441.105) | (3.305.709) | (228.684) | (28.975.498) | 405.952 | (28.569.546) |
| Profit from Operations, net | 26.508.383 | (1.385.737) | 270.782 | 25.393.428 | (289.123) | 25.104.305 |
| Other Operating Income | 3.111.557 | 1.388.847 | (5.677) | 4.494.727 | (3.227.251) | 1.267.476 |
| Other Operating Expense (-) | (2.412.776) | (1.124) | (1.000) | (2.414.900) | - | (2.414.900) |
| Financial Expense (-) | (4.044.958) | (315.483) | 9.652 | (4.350.789) | - | (4.350.789) |
| Operating Profit | 23.162.206 | (313.497) | 273.757 | 23.122.466 | (3.516.374) | 19.606.092 |

As of June 30, 2007 and December 31, 2006, all sales of China are realized to Turkey. Therefore, Turkey and China is grouped together based on location of customers. Customers exceeding 10% of Turkey's export sales are located in Italy. As of June 30, 2007 and December 31, 2006, sales realized to customers in Italy constitute 12% of total export sales.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

34. SUBSEQUENT EVENTS

- a) According to Board of Director resolution dated July 12, 2007, the Company resolved to sell 73.852.800 shares of Entek to Aygaz A.Ş. with a nominal value of YTL 3.692.640 with YTL 0,05 par value each at an amount of YTL 6.714.000. The transfer of the related shares is realized in July and the amount is collected as of July 13, 2007.
- b) According to the share transfer agreement signed and announced to public on May 28, 2007 and approved by the Competition Board on August 27, 2007, the Company resolved to sell its 1.117.171.122 number of shares in the share capital of Demrad to Koç Holding A.Ş. with a nominal value of YTL 11.171.711, with YTL 0,01 par value each, at an amount of YTL 8.924.000. The Company management is authorized to carry out necessary transactions regarding the share transfer according to the resolution dated September 4, 2007 and numbered 17.

According to Board of Director's resolution dated September 4, 2007 and numbered 18, the Company decided to sell all the buildings and related assets of the Company which are located over the land of 168.614 square meters, plot 93, 94, 96, 97, 554 block and 208 parcel, in İnegöl Organize Sanayi Bölgesi, to Demrad amounting to YTL 15.984.000.

Per General Assembly Meeting held at April 6, 2007, it has been decided to increase the share capital of the Company by YTL 9.000.000 through transfer from gross dividend, which is registered on August 28, 2007.

35. DISCONTINUED OPERATIONS

None (December 31, 2006 – None).

36. OPERATING INCOME

a) Net Sales

| | January 1 – June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|----------------|--------------------------------------|------------------------------------|------------------------------|----------------------------|
| Domestic Sales | 188.178.539 | 107.108.392 | 219.556.951 | 131.928.017 |
| Export Sales | 102.238.696 | 70.608.810 | 88.264.085 | 66.585.119 |
| Other Sales | 21.504.039 | 10.325.503 | 8.914.790 | 3.389.154 |
| | 311.921.274 | 188.042.705 | 316.735.826 | 201.902.290 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

36. OPERATING INCOME (continued)

b) Cost of Sales

| | January 1 – June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|--|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Raw Material Consumption | 173.075.011 | 85.023.159 | 133.551.232 | 62.649.512 |
| Direct labor cost | 13.302.487 | 7.190.809 | 12.376.209 | 7.678.248 |
| Production overhead | 27.448.564 | 12.506.897 | 23.050.919 | 13.481.547 |
| Depreciation | 5.798.953 | 3.161.581 | 4.539.471 | 1.700.277 |
| Beginning work-in-process inventory and finished goods | 39.009.283 | 64.622.373 | 39.743.087 | 49.359.767 |
| Ending work-in-process inventory and finished goods | (82.198.643) | (82.198.643) | (53.772.491) | (53.772.491) |
| Currency translation differences | (1.309.581) | (3.436.558) | 5.198.873 | 7.958.743 |
| Beginning trade goods | 33.846.902 | 48.577.779 | 16.584.082 | 61.343.667 |
| Purchase of trade goods | 65.017.948 | 51.901.068 | 92.334.804 | 41.583.734 |
| Ending trade goods | (35.425.685) | (35.425.685) | (43.754.565) | (43.754.565) |
| | 238.565.239 | 151.922.780 | 229.851.621 | 148.228.439 |

c) Service Income

None (June 30, 2006 - None).

d) Other Income From Operational Activities

None (June 30, 2006 - None).

37. OPERATING EXPENSES

a) Operating expenses

| | January 1 – June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|-----------------------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Selling and marketing expenses | 32.012.831 | 16.063.032 | 31.349.210 | 17.745.263 |
| General administrative expenses | 15.555.663 | 6.902.662 | 17.639.815 | 9.179.099 |
| Service station expenses | 1.677.139 | 835.784 | 1.697.130 | 1.084.630 |
| Research and development expenses | 1.219.079 | 461.360 | 872.773 | 560.554 |
| | 50.464.712 | 24.262.838 | 51.558.928 | 28.569.546 |

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****37. OPERATING EXPENSES (continued)****b) Depreciation and amortization expenses**

| | January 1– June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|---------------------------------|-------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Cost of production | 5.798.953 | 3.161.581 | 4.539.471 | 1.700.277 |
| General administrative expenses | 582.245 | 158.354 | 810.669 | 425.972 |
| Currency translation difference | (23.135) | (23.135) | 69.710 | 69.710 |
| | 6.358.063 | 3.296.800 | 5.419.850 | 2.195.959 |

c) Personnel expenses and average number of employees

| | January 1– June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|---|-------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Wages and salaries | 15.939.913 | 5.677.207 | 11.027.479 | 4.600.556 |
| Other social benefits | 2.116.592 | 1.130.445 | 8.998.047 | 5.574.616 |
| SSK employee contribution | 3.703.271 | 1.840.853 | 3.173.116 | 1.793.533 |
| Provision for employee termination benefits | 1.318.390 | 534.220 | 1.342.720 | 43.834 |
| | 23.078.166 | 9.182.725 | 24.541.362 | 12.012.539 |

The total amount of salaries, premiums or any other benefits paid to executive members of the Company is YTL 1.403.923 for the period ended June 30, 2007 (June 30, 2006 - YTL 1.271.943).

38. OTHER OPERATING INCOME/EXPENSE**a) Other operating income**

| | January 1– June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|-----------------------------|-------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Foreign exchange gain | 1.388.077 | 654.466 | 1.104.152 | 1.052.468 |
| Dividend income | 30.120 | 30.120 | 45.180 | 45.180 |
| Other income | 214.483 | 214.483 | 279.333 | 169.828 |
| Gain on sale of fixed asset | 12.376 | 12.376 | - | - |
| | 1.645.056 | 911.445 | 1.428.665 | 1.267.476 |

b) Other operating expense

| | January 1– June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|-----------------------------|-------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Foreign exchange loss | (951.325) | (435.502) | (2.877.823) | (2.749.915) |
| Loss on sale of fixed asset | (26.520) | (26.841) | (33.630) | (17.535) |
| Others | (4.841) | (12.577) | - | 352.550 |
| | (982.686) | (474.920) | (2.911.453) | (2.414.900) |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

39. FINANCIAL EXPENSES

a) Financial Income

| | January 1– June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|--|-------------------------------------|------------------------------------|------------------------------|----------------------------|
| Term difference income related to current year sales | 10.471.178 | 8.366.455 | 7.322.469 | 7.058.786 |
| Interest income | 11.020 | 11.020 | 19.534 | 19.534 |
| Forward gain | - | - | 6.512.692 | 6.512.692 |
| Foreign exchange gain | 4.437.465 | 2.188.418 | 15.070.526 | 14.060.548 |
| | 14.919.663 | 10.565.893 | 28.925.221 | 27.651.560 |

b) Financial Expense

| | January 1– June 30, 2007 | April 1 - June 30, 2007 | January 1 – June 30, 2006 | April 1 - June 30, 2006 |
|---|-------------------------------------|------------------------------------|------------------------------|----------------------------|
| Interest expense | (23.964.082) | (12.922.385) | (11.462.415) | (4.927.543) |
| Term difference expense related to current year purchases | (3.962.192) | (3.515.884) | (3.328.782) | (2.177.063) |
| Other financial expenses | (1.683.154) | (1.683.152) | (2.235.434) | (2.235.444) |
| Foreign exchange loss | (2.940.586) | (2.940.586) | (22.745.239) | (22.662.299) |
| Forward expense | (5.017.171) | (3.563.947) | - | - |
| | (37.567.185) | (24.625.954) | (39.771.870) | (32.002.349) |
| Financial expense, net | (22.647.522) | (14.060.061) | (10.846.649) | (4.350.789) |

40. NET MONETARY GAIN / LOSS

In accordance with the decision taken on March 17, 2005 by CMB, effective from January 1, 2005 inflation accounting is no longer required; so monetary gain/ loss has not occurred for the interim period ended June 30, 2007 and June 30, 2006.

41. INCOME TAXES

a) Current Tax

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, effective from January 1, 2006 corporate tax rate 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% (2006 - 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.

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.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****41. INCOME TAXES (continued)**

In addition, 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 June 30, 2007 there is no transferred incentive of the Company. The Company opted not to utilize investment incentive exemption and rather preferred to benefit from 20% tax rate.

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

Corporate tax rate for Hong Kong and England is 17,5% and 30% respectively, as of June 30, 2007.

The subsidiary of DD Chung Mei operating in PRC was entitled to the exemptions from income tax for two years starting from their first profit-making year followed by a 50% tax relief for next three years.

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.

As of June 30, 2007 and June 30, 2006, the analysis of current period tax charge is as follows:

| | June 30, 2007 | June 30, 2006 |
|--|----------------------|---------------|
| Profit before tax and minority interest | 906.171 | 22.995.840 |
| Corporate tax 20% (2006 - 20%) | (181.234) | (4.599.168) |
| Tax effect of disallowable expenses | (111.296) | (608.663) |
| Effect of income not subject to tax | - | 141.180 |
| The effect of different tax rates | (52.087) | (86.743) |
| The effect of change in tax rates | - | (368.344) |
| Others | (73.302) | 338.818 |
| Adjustment in respect of prior year tax charge | - | 14.692 |
| Allowance for deferred tax asset | (1.052.311) | - |
| Total Tax Charge | (1.470.230) | (5.168.228) |
| - Current | (2.066.152) | (5.273.150) |
| - Deferred | 595.922 | 90.230 |
| - Adjustment in respect of prior year tax charge | - | 14.692 |
| | (1.470.230) | (5.168.228) |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

42. EARNINGS PER SHARE

Earnings per share are determined by dividing net income / loss by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the period ended June 30, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****43. CASH FLOW STATEMENT**

| | June 30, 2007 | June 30, 2006 |
|---|----------------------|---------------------|
| Cash flows from operating activities | | |
| Profit before income tax and minority interest | 906.171 | 22.995.840 |
| Adjustments to reconcile net income / (loss) to net cash flows from operating activities: | | |
| Depreciation and amortization | 6.381.198 | 5.350.140 |
| Provision for employee termination benefits (long term provisions) | 1.318.390 | 1.342.720 |
| Interest expense | 23.964.082 | 11.462.415 |
| Forward accrual | 5.017.171 | (6.512.692) |
| Interest Income | (11.020) | (19.534) |
| Dividend income | (30.120) | (45.180) |
| Loss on sale of fixed assets | 26.520 | 33.630 |
| Gain on sale of fixed assets | (12.376) | - |
| Net change in currency translation differences | 443.347 | (3.078.143) |
| Unrealised foreign exchange loss on loans | 116.259 | 21.865.168 |
| Warranty provision | 8.209.250 | 7.048.320 |
| Net profit adjusted for non-cash items | 46.328.872 | 60.442.684 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (42.534.985) | (135.871.583) |
| Inventories | (50.551.180) | (45.451.251) |
| Due to / from related parties | (19.930.519) | 42.573.554 |
| Trade payables | (60.965.488) | 12.346.911 |
| Warranty expense paid | (8.128.656) | (6.260.913) |
| Taxes paid | (1.234.113) | (2.175.300) |
| Net change in current and non current assets | (19.083.673) | 10.456.436 |
| Net change in provisions | (786.721) | 6.139.414 |
| Advances taken | 34.199.060 | 29.687.410 |
| Net change in other liabilities | 5.606.024 | (18.760.554) |
| Net change in other receivables | (120.180) | (19.310) |
| Retirement pay liability paid | (944.375) | (1.518.436) |
| Net cash (used in) provided by operating activities | (118.145.934) | (48.410.938) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (3.262.666) | (18.066.989) |
| Purchase of intangible assets | (182.418) | (65.594) |
| Cash received from sale of property, plant and equipment | 134.040 | 151.423 |
| Cash received from interest income | 11.020 | 19.534 |
| Dividend received | 30.120 | 45.180 |
| Net cash used in investing activities | (3.269.904) | (17.916.416) |
| Cash flows from financing activities: | | |
| Repayment of borrowings | (197.847.985) | (220.652.876) |
| Net change in financial leasing liabilities | (47.490) | 166.213 |
| Proceeds from borrowings | 344.251.970 | 318.427.738 |
| Interest payments | (22.630.677) | (7.721.312) |
| Dividend paid | - | (15.750.000) |
| Change in other financial liabilities | (34.060) | - |
| Net cash provided by financing activities | 123.691.758 | 74.469.763 |
| Net increase in cash and cash equivalents | 2.275.920 | 8.142.379 |
| Cash and cash equivalents at beginning of year | 19.800.554 | 13.134.048 |
| Cash and cash equivalents at end of year | 22.076.474 | 21.276.427 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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44. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES

Financial Risk Management Policies and Procedures

The Company's principal financial instruments comprise bank borrowings, cash and short-term deposits. The main purpose of 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.

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.

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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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

44. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Fair Value

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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.

As of June 30, 2007 and December 31, 2006, KFH, included in "financial assets available for sale" has been carried at the fair value in accordance with appraisal report issued by an independent firm. According to the appraisal report issued as of January 29, 2007, the Company has determined the value of Entek as YTL 6.714.000 carried in the balance sheet as of June 30, 2007 and December 31, 2006. The related appraisal is made on the basis of the statement of income and balance sheet projections for 5 years prepared by the management of Entek and the value of Entek is calculated using the discounted cash flow method.

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.

In the scope of IFRS 7 "Financial Instruments" effective by January 1, 2007, the effect of possible changes in interest rates of the Company's loans, determined by using sensitivity analysis for the period ended June 30, 2007 is as follows:

| | Interest rate change | (Income)/Loss effect | Interest expense change (*) |
|----------------------|---------------------------------|------------------------------------|--|
| June 30, 2007 | 20% (15%) | 536.812 (416.223) | 20% (121%) |
| December 31, 2006 | 20% (15%) | 513.188 (399.241) | 2% (19%) |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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44. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

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.

| | June 30, 2007 | December 31, 2006 |
|---|--------------------------|----------------------|
| Interest bearing loans and borrowings | 359.230.017 | 248.481.867 |
| Trade and other payables | 216.380.126 | 213.189.302 |
| Less: Cash and cash equivalents | (22.076.474) | (19.800.554) |
| Net liabilities | 553.533.669 | 441.870.615 |
| Equity | 197.014.380 | 192.389.991 |
| Financial assets value increase fund | (21.558.332) | (18.566.202) |
| Total equity | 175.456.048 | 173.823.789 |
| Equity and net liabilities | 728.989.717 | 615.694.404 |
| Ratio of financial liabilities to equity | 76% | 72% |

As of June 30, 2007 and as of December 31, 2006, the maturity profile of undiscounted trade receivables and payables is as follows :

| | 0-1 month | 1-3 months | 3-12 months | More than 1 year | Total |
|---|-------------------|--------------------|--------------------|-----------------------------|--------------------|
| <u>June 30, 2007</u> | | | | | |
| Trade receivables and due from related parties | 65.228.586 | 147.335.730 | 242.567.430 | - | 455.131.746 |
| Trade payables and due to related parties | 60.325.290 | 96.144.081 | 58.091.056 | 3.987.497 | 218.547.924 |
| <u>December 31, 2006</u> | | | | | |
| Trade receivables and due from related parties | 130.315.515 | 148.269.017 | 120.772.729 | - | 399.357.261 |
| Trade payables and due to related parties | 56.569.701 | 113.085.433 | 108.861.049 | 7.747.889 | 286.264.072 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2007

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44. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

As of June 30, 2007 and as of December 31, 2006, the sensitivity of the Company's profit before tax to a possible change in USD, Euro and GBP, with all other variables held constant, is as follows:

| | | | Increase in foreign exchange rates (loss)/income | | Decrease in foreign exchange rates (loss)/income |
|----------------------|--------------|------------|---|-------------|---|
| June 30, 2007 | USD | +5% | (1.561.870) | (5%) | 1.561.870 |
| | EUR | +5% | (2.583.556) | (5%) | 2.583.556 |
| | GBP | +5% | 40.365 | (5%) | (40.365) |
| | Total | | (4.105.061) | | 4.105.061 |
| December 31, 2006 | USD | +5% | (767.621) | (5%) | 767.621 |
| | EUR | +5% | (2.067.778) | (5%) | 2.067.778 |
| | GBP | +5% | (2.045.196) | (5%) | 2.045.196 |
| | Total | | (4.880.595) | | 4.880.595 |

| | | | Increase in foreign exchange rates (loss)/income | | Decrease in foreign exchange rates (loss)/income |
|----------------------|--------------|------------|---|-------------|---|
| June 30, 2007 | USD | +5% | 1.941.330 | (5%) | (2.021.615) |
| Derivatives | Total | | 1.941.330 | | (2.021.615) |
| December 31, 2006 | USD | +5% | 545.687 | (5%) | 533.103 |
| Derivatives | Euro | +5% | 652.337 | (5%) | 673.560 |
| | Total | +5% | 1.198.024 | (5%) | 1.206.663 |

45. OTHER MATTERS WHICH ARE SINGNIFICANT TO THE FINANCIAL STATEMENTS OR WHICH SHOULD BE DISCLOSED FOR THE PURPOSE OF TRUE AND FAIR INTERPRETATION OF THE FINANCIAL STATEMENTS

None.