

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

**Türk Demir Döküm Fabrikaları
Anonim Şirketi**

**Consolidated Financial Statements
Together With
Report of Independent Auditors
December 31, 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)

INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying financial statements of Türk Demir Döküm Fabrikaları Anonim Şirketi (Demir Döküm – Şirket - a Turkish corporation), which comprise the consolidated balance sheet as at December 31, 2007, the consolidated income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements of the subsidiary, Tianjin Demrad International Trading Company Limited, of which statements reflect total assets constituting 0,38%, net sales constituting 0,50%, and net loss constituting 1,44% of the related consolidated totals as of December 31, 2007, were audited by other auditors. The consolidated financial statements of the associate, Demir Döküm Chung Mei Industries Limited (DD Chung Mei), of which statements reflect total assets constituting 0,22% of the related consolidated totals as of December 31, 2007, were audited by other auditors (DD Chung Mei is the associate which is consolidated with equity pick-up method). Equity income from DD Chung Mei amounting to YTL 67.144 is included in consolidated income statement. Our opinion in so far as they relate to data included for the above mentioned companies, is based solely on the report of other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained and the reports of other auditors as mentioned above, are sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As explained in Note 19; regarding the transactions done in 2005, International Financial Reporting Standard 3 on “Business Combinations” has not been applied as of December 31, 2007. The effects of not applying this standard to the financial statements could not be determined.

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 December 31, 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 YTL 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 December 31, 2007.

As of December 31, 2007, Demir Döküm Chung Mei Industries Limited, of which the Company owns 55%, is excluded from the consolidation since the control over the subsidiary is ceased due to change in shareholding structure of the Company and accounted in accordance with equity-pick up method in the accompanying consolidated financial statements (Note 16). As of the date of this report, we were unable to review the details of the adequate assessment that the control of the Company over the related subsidiary is ceased.

Qualified Opinion

In our opinion, and based the reports of the other auditors, except for the effects of the matters explained in “Basis for Qualified Opinion”, the consolidated financial statements, present fairly in all material respects, the financial position of Türk Demir Döküm Fabrikaları Anonim Şirketi as of December 31, 2007, and its financial performance for the year then ended in accordance with financial reporting standards (Note 2) published by Capital Market Board in Turkey.

Matter of Emphasis

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

The sales price of the shares of Demrad Döküm Ürünleri Sınai ve Ticaret A.Ş. which is sold to Koç Holding A.Ş. in 2007, and the sales price of real estates in assets of Demir Döküm are determined through as a bargaining component within the context of the sale agreement between Koç Holding A.Ş., which was the ultimate parent of Demir Döküm at the time of sale, and Vaillant Saunier Duval Iberica S.L.

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

Billur Demet Atan, SMMM
Engagement Partner

April 10, 2008
İstanbul, Turkey

Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2007

(Currency - New Turkish Lira (YTL))

| | | Current Period | Prior Period |
|--|--------------|--------------------------|---------------------------|
| | | Audited | Audited (restated) |
| ASSETS | Notes | December 31, 2007 | December 31, 2006 |
| Current assets | | 539.502.724 | 573.549.785 |
| Cash and cash equivalents | 4 | 13.049.818 | 23.758.142 |
| Marketable securities, net | 5 | - | - |
| Trade receivables, net | 7 | 317.941.543 | 379.457.996 |
| Finance lease receivables, net | 8 | - | - |
| Due from related parties, net | 9 | 1.977.163 | 12.576.133 |
| Other receivables, net | 10 | 219.614 | 168.925 |
| Biological assets, net | 11 | - | - |
| Inventories | 12 | 163.581.885 | 129.809.922 |
| Costs and estimated earnings in excess of billings on uncompleted contracts, net | 13 | - | - |
| Deferred tax assets | 14 | - | - |
| Other current assets | 15 | 42.732.701 | 27.778.667 |
| Non current assets | | 82.551.993 | 127.468.048 |
| Trade receivables, net | 7 | 3.484.930 | - |
| Finance lease receivables, net | 8 | - | - |
| Due from related parties, net | 9 | - | - |
| Other receivables, net | 10 | - | - |
| Financial assets, net | 16 | 1.426.587 | 37.769.087 |
| Positive goodwill, net | 17 | 4.395.951 | 5.210.541 |
| Investment property, net | 18 | - | - |
| Property, plant and equipment, net | 19 | 62.536.396 | 79.589.290 |
| Intangibles, net | 20 | 384.550 | 395.118 |
| Deferred tax assets | 14 | 9.276.972 | 3.125.259 |
| Other non current assets | 15 | 1.046.607 | 1.378.753 |
| Total Assets | | 622.054.717 | 701.017.833 |

The accompanying policies and explanatory notes on pages 6 through 70 form an integral part of these financial statements

Türk Demir Döküm Fabrikaları Anonim Şirketi**CONSOLIDATED BALANCE SHEET****As at December 31, 2007****(Currency - New Turkish Lira (YTL))**

| | | Current Period | Prior Period |
|---|--------------|--------------------------|--------------------|
| | | Audited | Audited (restated) |
| LIABILITIES | Notes | December 31, 2007 | December 31, 2006 |
| Current liabilities | | 453.277.007 | 427.651.376 |
| Short term borrowings, net | 6 | 202.017.856 | 90.648.592 |
| Current portion of long term borrowings, net | 6 | 54.690.224 | 20.429.311 |
| Finance lease obligations, net | 8 | 112.523 | 242.730 |
| Other financial liabilities, net | 10 | 755.144 | 1.047.159 |
| Trade payables, net | 7 | 149.317.157 | 191.136.960 |
| Due to related parties, net | 9 | 14.083.133 | 86.528.167 |
| Advances taken | 21 | 6.109.812 | 6.130.857 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 13 | - | - |
| Provisions | 23 | 15.352.955 | 12.757.689 |
| Deferred tax liability | 14 | - | - |
| Other liabilities, net | 10 | 10.838.203 | 18.729.911 |
| Non current liabilities | | 48.277.023 | 74.669.142 |
| Long term borrowings, net | 6 | 8.074.220 | 58.190.000 |
| Finance lease obligations, net | 8 | 30.607 | 76.599 |
| Other financial liabilities, net | 10 | - | - |
| Trade payables, net | 7 | - | 4.198.380 |
| Due to related parties, net | 9 | - | 3.549.509 |
| Advances taken | 21 | - | - |
| Provisions | 23 | 6.594.038 | 7.374.844 |
| Deferred tax liability | 14 | 1.195.296 | 1.279.810 |
| Other liabilities, net | 10 | 32.382.862 | - |
| Minority interest | 24 | - | 9.079.706 |
| Equity | | 120.500.687 | 189.617.609 |
| Share capital | 25 | 54.000.000 | 45.000.000 |
| Issued capital subsidiaries eliminated | 25 | - | - |
| Capital reserves | | 70.499.320 | 89.065.522 |
| Share premium | | - | - |
| Income on common stock disposals | | - | - |
| Revaluation fund | | - | - |
| Financial assets value increase fund | 27 | - | 18.566.202 |
| Equity restatement differences | 26 | 70.499.320 | 70.499.320 |
| Profit reserves | 27 | 1.773.987 | 14.797.806 |
| Legal reserves | | 8.873.883 | 7.132.344 |
| Statutory reserves | | - | - |
| General reserves | | (10.175.197) | 7.877.113 |
| Special reserves | | - | - |
| Gain on sale of participation and fixed assets to be transferred to the share capital | | - | - |
| Currency translation differences | | 3.075.301 | (211.651) |
| Net profit for the period | | (5.772.620) | 40.754.281 |
| Prior year profits | 28 | - | - |
| Total liabilities and equity | | 622.054.717 | 701.017.833 |

The accompanying policies and explanatory notes on pages 6 through 70 form an integral part of these financial statements

Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED INCOME STATEMENT
For the period ended December 31, 2007
(Currency - New Turkish Lira (YTL))

| | | Current Period | Prior Period |
|---|--------------|-----------------------|---------------------------|
| | Notes | Audited | Audited (restated) |
| | | December 31, | December 31, |
| | | 2007 | 2006 |
| Continuing Operations | | | |
| Operating Income | | | |
| Net sales | 36 | 588.877.515 | 684.396.910 |
| Cost of sales (-) | 36 | (454.317.794) | (489.162.019) |
| Service income, net | 36 | - | - |
| Other income from operational activities, net | 36 | - | - |
| Gross Profit | | 134.559.721 | 195.234.891 |
| Operating expenses (-) | 37 | (120.471.245) | (118.156.638) |
| Profit from operations, net | | 14.088.476 | 77.078.253 |
| Equity income from associate | | 67.144 | - |
| Other operating income | 38 | 52.501.251 | 13.945.718 |
| Other operating expense (-) | 38 | (789.714) | (2.359.122) |
| Financial expense, net (-) | 39 | (80.436.461) | (34.463.222) |
| Operating (loss) / profit | | (14.569.304) | 54.201.627 |
| Monetary gain | 40 | - | - |
| Minority interest | 24 | (75.970) | (3.615.777) |
| (Loss) / Profit before tax | | (14.645.274) | 50.585.850 |
| Taxes | 41 | 7.114.134 | (9.504.602) |
| (Loss) / Profit for the year from continuing operations | | (7.531.140) | 41.081.248 |
| Discontinued Operation | | | |
| Profit / (Loss) after tax for the year from a discontinued operation | 35 | 1.758.520 | (326.967) |
| Net (Loss) / Profit | | (5.772.620) | 40.754.281 |
| Basic (loss) / earnings per share (full YTL) | 42 | (0,00120) | 0,00848 |
| Basic (loss) / earnings per share from continuing operations | 42 | (0,00157) | 0,00854 |
| Weighted average number of shares (0,01 YTL par value each) | 42 | 4.808.219.178 | 4.808.219.178 |

The accompanying policies and explanatory notes on pages 6 through 70 form an integral part of these financial statements

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 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 established in 1954. 21,76% 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. Headquarter of the Company is located in İstanbul. The production facilities of Demir Döküm are located in Bozüyük.

As of December 31, 2007 and 2006, the subsidiaries, their fields of activities, country of incorporation, and year of establishment are as below:

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

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

Consolidated financial statements are authorized for issue by the Board of Directors of the Company on April 10, 2008. The General Assembly and certain regulatory bodies have the power to amend the consolidated and statutory financial statements after issue.

In 2007, the average number of total employees is 1.260 (December 31, 2006 - 1.826) out of which 282 are white collar workers (December 31, 2006 - 300) and 978 are blue collar workers (December 31, 2006 - 1.526).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES (continued)

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

| | Direct Participation | | Indirect Participation | |
|------------------|--|--------|--|--------|
| | Percentage of Türk Demir Döküm Fabrikaları A.Ş.(%) | 2007 | Percentage of Türk Demir Döküm Fabrikaları A.Ş.(%) | 2006 |
| Panel | 50,00 | 50,00 | 100,00 | 75,00 |
| DD Heating | 100,00 | 50,00 | 100,00 | 50,00 |
| Demiladi | 100,00 | 100,00 | 100,00 | 100,00 |
| DD Chung Mei (*) | 55,00 | 55,00 | 55,00 | 55,00 |
| Demrad (**) | - | 99,90 | - | 99,90 |

(*) As of December 31, 2007, the Company has no control over the subsidiary as a result of transfer of ownership of the Company to Vaillant Saunier Duval Iberica S.L. on October 5, 2007, and the subsidiary has been consolidated with equity pick-up method.

(**) The Company sold its subsidiary to Koç Holding A.Ş. based on the Board of Directors' resolution dated September 4, 2007. Consequently, as of December 31, 2007, the Company has no control over that subsidiary.

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 number of shares of which the Sellers' have in Demir Döküm, are determined to be Euro 290.880.000 and Euro 211.073.898, respectively. The share transfer price for 2.489.209.192 number of shares of which Koç Holding A.Ş., one of the sellers, owns in Demir Döküm is Euro 134.085.402.

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

Demiren 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 Kırac, Mustafa V. Koç and Ali Y. Koç (Koç Group).

The Company has purchased 50% percent of its subsidiary, DD Heating, which was owned by Temel Ticaret A.Ş. for Euro 28.120.000 (YTL 47.567.792). Euro 8.120.000 of such amount was paid on October 5, 2007. Remaining amount Euro 20.000.000 (YTL 34.382.862 discounted) would be paid on March 5, 2009. Such liability is included in other long term liabilities as of December 31, 2007.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES (continued)

For the purpose of these consolidated financial statements, Demir Döküm and its consolidated subsidiaries, Panel, Demiladi, Demrad (sold to Koç Holding A.Ş. on September 4, 2007), DD Heating, and DD Chung Mei (the control over this subsidiary is ceased as of October 5, 2007) 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.

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.

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

The consolidated financial statements have been prepared from statutory financial statements of 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. Such adjustments mainly comprise the effects of the followings;

- IAS 27 “Consolidated and Separate Financial Statements”
- IAS 12 “Income Taxes”
- IAS 39 “Recognition and Measurement of Financial Instruments”
- IAS 19 “Employee Benefits”
- IAS 16 “Property, Plant and Equipment”, depreciation provided based on the useful lives of property, plant and equipment on a pro-rata basis
- IFRS 3 “Business Combinations”
- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

2. BASIS OF PRESENTATION (continued)

Restatement of Prior Year Financial Statements

As of December 31, 2007, the Company has consolidated its subsidiary, Tianjin Demrad International Trading Company Limited which was carried and reflected at cost in the consolidated financial statements in previous periods. Such change is reflected to consolidated financial statements effective from December 31, 2005. The effect of consolidation, in the related accounts before reclassifications, as of December 31, 2006 financial statements which are presented for comparative purposes as follows:

| | Previously Reported 2006 | Consolidation Effect of Demiladi | Restated 2006 |
|------------------------------------|--------------------------------|--|------------------|
| Accounts subject to restatement | | | |
| Cash and cash equivalents | 19.800.554 | 389.908 | 20.190.462 |
| Due from related parties | 14.731.283 | (1.952.761) | 12.778.522 |
| Inventories | 129.014.060 | 795.862 | 129.809.922 |
| Other current assets | 27.564.455 | 214.212 | 27.778.667 |
| Financial assets, net | 40.192.020 | (2.422.933) | 37.769.087 |
| Property, plant and equipment, net | 80.294.376 | 4.035 | 80.298.411 |
| Other non-current assets | 3.118.261 | 6.998 | 3.125.259 |
| | 314.715.009 | (2.964.679) | 311.750.330 |
| Trade payables, net | 193.036.090 | 53.738 | 193.089.828 |
| Due to related parties, net | 85.175.845 | (398.157) | 84.777.688 |
| Advances received | 5.996.197 | 134.660 | 6.130.857 |
| Other current liabilities, net | 18.712.449 | 17.462 | 18.729.911 |
| Extraordinary reserves | 10.338.522 | (2.461.409) | 7.877.113 |
| Currency translation differences | (170.011) | (41.640) | (211.651) |
| Net profit for the year | 41.023.614 | (269.333) | 40.754.281 |
| | 354.112.706 | (2.964.679) | 351.148.027 |

Reclassifications made to the December 31, 2006 Financial Statements

In order to be consistent with the consolidated financial statements as of December 31, 2007, certain reclassifications have been made in the consolidated balance sheet as of December 31, 2006 and income statement for the year ended December 31, 2006. In order to be comparative with current year presentation, assets held for sale amounting to YTL 709.121 is reclassified to other non-current assets from property, plant and equipment; amounts included in export blocked accounts amounting to YTL 3.567.680 is reclassified to cash and cash equivalents from trade receivables; notes payables which were previously presented under trade payables amounting to YTL 1.952.868 are reclassified to due to related parties; foreign currency exchange gain amounting to YTL 10.277.964 and interest income amounting to YTL 78.111 are reclassified to other operating income from financial expense. Furthermore, receivables which were previously presented under due from related parties amounting to YTL 202.389 are netted-off from due to related parties.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

2. BASIS OF PRESENTATION (continued)

Functional and Presentation Currency

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

Functional and presentation currency of DD Heating, DD Chung Mei and Demiladi, is Great Britain Pound; Hong Kong Dollars and Renminbi, respectively. The functional currency of Dongguan Dei Chung Metal Appliance Limited which is subsidiary of DD Chung Mei is Renminbi. Related balance sheet accounts are converted into YTL by using the exchange rate on December 31, 2007 and profit and loss accounts by using the average buying exchange rate.

As of December 31, 2007 and 2006 foreign currency buying rates on balance sheet date and average rates are as follows;

| | December 31, 2007 | | December 31, 2006 | |
|---------------------|---------------------------|---------------------|--------------------|--------------|
| | Balance Sheet Rate | Average Rate | Balance Sheet Rate | Average Rate |
| Great Britain Pound | 2,3259 | 2,5982 | 2,7569 | 2,6360 |
| Hong-Kong Dolar | 0,1496 | 0,1671 | 0,1807 | 0,1840 |
| Renminbi | 0,1534 | 0,1672 | 0,1765 | 0,1773 |

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

In accordance with the Capital Markets Board's resolution dated March 17, 2005 and numbered 11/376, financial statements were restated in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004 since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of December 31, 2007 and 2006 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

Foreign Currency Translation

The consolidated financial statements are presented in YTL, which is 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 other operating income/expense, in the income statement.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 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 (IFRS)” referred by the CMB Communiqué 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.

Application of New and Revised International Financial Reporting Standards

IFRS 7, Disclosures regarding Financial Instruments.

IAS 1, Amendment - Capital disclosure requires the Company to take new disclosures to enable the users of the financial statements to evaluate to the Company’s objectives, policies and processes for 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 on Assets

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 and IAS 1. As of December 31, 2007, IFRS 7 which is effective from January 1, 2007 is applied for the first time by giving necessary disclosure details in prior year disclosures.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

2. BASIS OF PRESENTATION (continued)

Standards and Interpretations that are not yet effective as of December 31, 2007

As of the date of authorization of the consolidated financial statements, the new standards and interpretations related with the existing standards reviewed by the Company, but not effective as of December 31, 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 (effective for annual periods beginning on or after March 1, 2007)

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

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

IFRIC 14, IAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction effective for financial years beginning on or after January 1, 2008)

IAS 1, Presentation of Financial Statements (New) (effective for annual periods beginning on or after January 1, 2008)

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

IFRS 3, Business Combinations and IAS 27 Consolidated and Separate Financial Statements (revised) (effective for annual periods beginning on or after July 1, 2009)

IAS 32 and IAS 1, Financial Instruments: Disclosure and Presentation (New) (effective for annual periods beginning on or after January 1, 2009)

The Company did not early adopt those above mentioned standards and predict that related standards will not have important effect on the consolidated financial statements.

Offsetting

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

Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements, require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and 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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

As of December 31, 2007, the consolidated financial statements comprise of financial statements of Demir Döküm and its subsidiaries; Panel, DD Heating and Demiladi and these companies are presented as a single business entity. As of December 31, 2006, the consolidated financial statements comprise of financial statements of Demir Döküm and its subsidiaries; Panel, DD Heating, Demrad, DD Chung Mei and Demiladi.

Consolidated financial statements comprise of financial statements of Demir Döküm, DD Heating, Panel and Demiladi as of December 31, 2007 and operating results of Demrad until August 31, 2007 and operating results of DD Chung Mei until September 30, 2007.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred from the Company. Demrad, on which the Company has ownership of %99,9 was sold to Koç Holding A.Ş. on September 4, 2007. Related subsidiary was consolidated on financial statements till the control was transferred.

The consolidated financial statements include Demir Döküm and its subsidiaries, which it controls. This control is evidenced when Demir Döküm owns, either directly or indirectly, more than 50% of the voting rights is able to govern the financial and operating policies of the subsidiary to benefit from its activities. The equity and net income attributable to minority shareholders' interests are presented separately in the balance sheet and income statement.

According to the resolution of Board of Directors 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 US Dollars 2.000.000. The Company's participation percentage in DD Chung Mei has increased to 55% as of December 31, 2006. As of December 31, 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.

As of December 31, 2006, DD Chung Mei was fully consolidated. However, Koç Holding A.Ş. has transferred its shares in Demir Döküm to Vaillant Saunier Duval Iberica S.L. on October 5, 2007. Due to the related share transfer, the new ultimate parent of the Company, Vaillant, has determined that the operational control is owned by Chung Mei Industries Ltd. As a result, DD Chung Mei was consolidated until the date of transfer of the shares of the Company to Vaillant in the consolidated financial statements and after this date, accounted for with equity pick-up method.

According to the resolution of Board of Directors' dated August 28, 2006, the Company decided to purchase 40% shares of Demiladi from Ram Pacific Ltd. established in Hong Kong, for a cash payment of US Dollars 1.500.000 equivalent of YTL 2.220.000. As of acquisition date, Ram Pacific and the Company are both controlled by Koç Holding. As a result, the Company chose to apply "the pooling of interests" method regarding business combination involving entities under common control.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

2. BASIS OF PRESENTATION (continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Discontinued operations

The Company has discontinued operations as of December 31, 2007 and 2006. Net profit / loss for the period from these operations is presented under the heading of “Discontinued Operations” in the consolidated income statement and profit/loss from transfer of the operations is presented under the heading of “dividend as distribution in kind” in equity (Note 27 - 28).

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 are recognized net of discounts and Value Added Tax (VAT) when delivery has taken place 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 represent the invoiced value of goods shipped net of sales discounts and commission.

ii) Interest Income

Interest income is accounted on an accrual basis.

iii) Dividends

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

Foreign Currency Transactions

Transactions in foreign currencies are recorded as YTL, at the rate ruling at the date of transaction and foreign currency denominated assets and liabilities in the consolidated balance sheet have been translated at the rates of exchange prevailing at the balance sheet dates. As of December 31, 2007 and 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). Exchange gains or losses arising on settlement and translation of foreign currency items have been included in the consolidated income statement.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, short-term deposits and other liquid assets. Other liquid assets mainly comprise of checks and notes with maturities before December 31, 2007. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and that are subject to an insignificant risk of change in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, with an original maturity of three months or less.

Cash and cash equivalents are shown as the total of cost of acquisition and accrued interest.

Trade Receivables

Trade receivables and notes and post-dated checks classified within trade receivables which are recognized at original invoice amount less for an allowance for any uncollectible amounts are measured at amortized cost using the effective interest rate method.

As of December 31, 2007 and 2006, the Company collects a part of its checks and receivables through factoring. The Company has revocable transactions of which the collection risk belongs to the Company and irrevocable transactions of which the collection risk belongs to the factoring company until the related receivables are collected from customers. Irrevocable transactions are netted-off from trade receivables on balance sheet. Factoring expenses are accounted as financial expenses on an accrual basis.

The allowance for doubtful receivables is reflected 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. Bad debt is written off when identified.

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 - on a weighted average basis according to cost eliminated imputed interest

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.

Financial assets

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Available-for-sale financial assets

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

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

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

Loans and Receivables

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

Financial Liabilities

Trade and other payables are carried at amortised cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company. Checks with a long-term maturity are classified to trade payables and valued with amortised cost. Bank loans are stated with discounted values and expenses related maturity to loans are added to the cost of initial recognition value.

Recognition and Derecognition of Financial Assets and Liabilities

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

Impairment of Financial Assets

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets carried at amortized cost

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

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

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

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, in which case they are capitalized as part of the cost of that asset.

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 consolidated income statement. Assets held for sale are disclosed under other non-current assets.

Property, Plant and Equipment

All property, plant and equipment are initially 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.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. In this context, the Company, has reassessed the useful lives of property, plant and equipment. Based on this reassessment, the Company has changed the useful lives of property, plant and equipment and the effect of this change recognized in December 31, 2006 income statement is a decrease in depreciation charge by YTL 2.268.481.

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

| | Useful Lives |
|-------------------------|--------------|
| Land improvements | 30 years |
| Buildings | 30 years |
| Furniture and fixtures | 12 years |
| Machinery and equipment | 5-10 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.

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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Non-Financial Assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount of property and equipment is the greater of net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at end of its useful life while the net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. The reversal is recorded in the statement of income. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Derivative Financial Instruments (Forward Agreements)

The Company entered into transactions with derivative instruments, including forwards, in the foreign exchange markets during the years ended December 31, 2007 and 2006. 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.

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

Employee Termination Benefits

(a) Defined Benefit Plans:

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

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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Defined Contribution Plans:

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

Segment Reporting

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

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

The Company has determined geographical segments as the Company's primary segment reporting format based on the fact that risks and returns on products are especially affected by the differences in geographical areas (Note 33).

Earnings Per Share

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

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

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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenses. Provisions are revised at each balance sheet date and amended in order to reflect management's recent estimations.

ii) Contingent Liabilities and Assets

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

Related Parties

Parties are considered related to the Company if;

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

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

Cash Flow Statement

Cash and cash equivalents in the consolidated cash flow statement comprise of cash at banks and on hand, short term deposits with an original maturity of three months or less.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Financial Leases

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

Operating Leases

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

4. CASH AND CASH EQUIVALENTS

| | December 31, 2007 | December 31, 2006 |
|---------------------|--------------------------|-------------------|
| Cash | 23.358 | 3.951 |
| Cash at bank | | |
| - demand deposit | 6.322.836 | 15.356.621 |
| Other liquid assets | 6.703.624 | 8.397.570 |
| | 13.049.818 | 23.758.142 |

As of December 31, 2007 and 2006, there is no time deposits.

As of December 31, 2007, the Company has blocked amounts in export accounts amounting to YTL 3.252.496 (December 31, 2006 – YTL 3.567.680).

5. MARKETABLE SECURITIES, net

None (December 31, 2006 - None).

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****6. FINANCIAL LIABILITIES, net**

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

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

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

| December 31, 2006 | | | | | |
|--|-----|----------------------------------|------------------|----------------------------------|---------------------|
| | | Amount in Foreign Currency | Interest Rate | Maturity | Amount |
| Short Term | | | | | |
| Export Loans | YTL | 7.254.353 | 15%-16% | January 22, 2007 - June 12, 2007 | 7.254.353 |
| Funding Loans | YTL | 69.651.177 | 19,6%-22,4% | - | 69.651.177 |
| | USD | 3.572.411 | Libor+1,25% | September 10, 2007 | 5.021.381 |
| Bank Overdrafts | | (*) | Libor+1,1% | | 8.721.681 |
| | | | | | 90.648.592 |
| Long Term | | | | | |
| | USD | 5.188.739 | Libor + 1,40% | November 23, 2007 | 7.293.292 |
| | EUR | 2.530.625 | Euribor+0,95% | March 23, 2007 | 4.685.452 |
| | EUR | 3.026.262 | Euribor+1,10% | April 20, 2007 | 5.603.124 |
| | EUR | 7.544.130 | Euribor+2,00% | November 24, 2010 | 13.967.957 |
| | EUR | 25.422.353 | Euribor+2,15% | March 15, 2014 | 47.069.486 |
| | | | | | 78.619.311 |
| Current portion of long term borrowings | | | | | (20.429.311) |
| | | | | | 58.190.000 |

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

6. FINANCIAL LIABILITIES, net (continued)

As of December 31, 2007 and 2006, land and buildings are mortgaged amounting to Euro 25.000.000 against the securization of the loan obtained from International Finance Corporation, as presented on the consolidated balance sheet. In 2008, the Company has paid this loan and applied for the release of the mortgage.

As of December 31, 2007 and 2006, the Company has no financial borrowings from related parties.

As of December 31, 2007 and 2006, repayment schedule for long term financial liabilities is as follows:

| | December 31, 2007 | December 31, 2006 |
|--|--------------------------|-------------------|
| 2007 | - | 20.429.311 |
| 2008 | 54.690.224 | 3.967.500 |
| 2009 | 8.074.220 | 12.383.414 |
| 2010 | - | 12.383.408 |
| 2011 | - | 8.415.908 |
| 2012 and later | - | 21.039.770 |
| | 62.764.444 | 78.619.311 |
| Less : Current portion of long term borrowings | (54.690.224) | (20.429.311) |
| | 8.074.220 | 58.190.000 |

7. TRADE RECEIVABLES AND PAYABLES, net

a) Trade receivables

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Account receivables | 144.071.306 | 184.463.289 |
| Post-dated checks and notes receivables | 188.031.756 | 201.704.255 |
| | 332.103.062 | 386.167.544 |
| Less : Allowance for doubtful receivables | (14.161.519) | (6.709.548) |
| | 317.941.543 | 379.457.996 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

7. TRADE RECEIVABLES AND PAYABLES, net (continued)

For the years ended December 31, 2007 and 2006, the movements of provision for doubtful receivables are as follows:

| | December 31, 2007 | December 31, 2006 |
|-----------------------------------|--------------------------|-------------------|
| Balance at the beginning of year | 6.709.548 | 4.359.496 |
| Current year expense | 7.722.761 | 2.359.056 |
| Recoveries | (223.863) | (31.048) |
| Currency translation differences | (46.927) | 22.044 |
| Balance at the end of year | 14.161.519 | 6.709.548 |

As of December 31, 2007 and 2006, the analysis of trade receivables based on their maturities is as follows;

| | Post due but not impaired | | | | Total |
|-------------|-------------------------------|-------------------|-------------------|-------------------|--------------------|
| | Neither post due nor impaired | 1 month | 1-3 month | 3-12 month | |
| 2007 | 216.897.340 | 39.359.949 | 25.085.929 | 41.132.424 | 322.475.642 |
| 2006 | 230.129.770 | 22.223.790 | 53.152.348 | 88.128.523 | 393.634.431 |

As of December 31, 2007, the long-term trade receivables of the Company comprise post-dated checks and notes receivables amounting to YTL 3.484.930. As of December 31, 2006, the Company does not have any long-term trade receivables.

As of December 31, 2007, the Company has receivable amounting to YTL 4.303.918 (December 31, 2006- YTL 4.685.537) which has been transferred to Kofisa Trading Company S.A. Also, as of December 31, 2007 the Company has receivables amounting to YTL 9.271.885 transferred to Yapı Kredi Faktoring A.Ş. Such transaction has not been reflected to the balance sheet as of December 31, 2007, since it is irrevocable.

b) Trade payables

| | December 31, 2007 | December 31, 2006 |
|----------------|--------------------------|-------------------|
| Trade payables | 63.019.838 | 43.014.998 |
| Notes payable | 86.297.319 | 148.121.962 |
| | 149.317.157 | 191.136.960 |

As of December 31, 2007, the Company has no long term trade payables. As of December 31, 2006, the long-term trade payables comprise trade payables amounting to YTL 4.198.380 to Schaeffer Werke KG as explained in Note 19 in detail.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

8. FINANCE LEASE RECEIVABLES AND OBLIGATIONS, net

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

As of December 31, 2007, the Company has short term finance lease obligations amounting to YTL 112.523 (December 31, 2006 - YTL 242.730) and long -term finance lease obligations amounting to YTL 30.607 (December 31, 2006 - YTL 76.599) which will be paid in four years to Koç Finansal Kiralama A.Ş.

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

As of December 31, 2007 and 2006, the payment plan of finance lease obligations including principal and interests is as follows:

| | December 31, 2007 | December 31, 2006 |
|-----------------------------|--------------------------|-------------------|
| Payable within 1 year | 131.598 | 242.730 |
| Payable within 1 to 5 years | 31.137 | 152.742 |
| | 162.735 | 395.472 |
| Less: Interest to be paid | (19.605) | (76.143) |
| | 143.130 | 319.329 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

9. DUE FROM AND DUE TO RELATED PARTIES

a) Due from related parties

| Related Parties | December 31, 2007 | December 31, 2006 |
|---|--------------------------|--------------------------|
| Shareholders | | |
| Vaillant Saunier Duval Iberica S.L. | 1.777.563 | - |
| Others | | |
| Chung Mei Industries Limited | 164.781 | 57.579 |
| Vaillant D.O.O. | 34.819 | - |
| Migros Türk T.A.Ş. (*) | - | 5.985.387 |
| Arçelik A.Ş. (*) | - | 1.953.761 |
| Koçtaş Yapı Malzemeleri Ticaret A.Ş. (*) | - | 1.791.852 |
| Arctic (*) | - | 1.131.934 |
| Ram Trading (*) | - | 944.730 |
| Akpa Dayanıklı Tüketim A.Ş. LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (Akpa) (*) | - | 665.556 |
| Ramerica (*) | - | 36.505 |
| Sanal Merkez (*) | - | 14.197 |
| Others (*) | - | 10.079 |
| | 1.977.163 | 12.591.580 |
| Less: Allowance for unearned interest income | - | (15.447) |
| | 1.977.163 | 12.576.133 |

(*) Since the control of Koç Group over the Company is ceased due to the transfer of shares in 2007, such companies are not considered as related party as of December 31, 2007.

As of December 31, 2007, there is no long-term receivables from related parties (December 31, 2006 - None).

b) Due to related parties

Short Term Liabilities

Short-term financial borrowings

| Related parties | December 31, 2007 | December 31, 2006 |
|-------------------------------------|--------------------------|--------------------------|
| Shareholders | | |
| Vaillant Saunier Duval Iberica S.L. | 11.654.973 | - |
| Others | | |
| Yapı Kredi Faktoring A.Ş. (*) | - | 66.035.119 |
| Beko Plc (*) | - | 7.213.149 |
| Arçelik A.Ş. (*) | - | 1.766.553 |
| | 11.654.973 | 75.014.821 |

(*) Since the control of Koç Group over the Company is ceased due to the transfer of shares in 2007, such companies are not considered as related party as of December 31, 2007.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****9. DUE FROM AND DUE TO RELATED PARTIES (continued)***Trade payables*

| Related Parties | December 31, 2007 | December 31, 2006 |
|--|--------------------------|--------------------------|
| Shareholders | | |
| Koç Holding A.Ş. (*) | - | 179.289 |
| Financial Assets | | |
| Ram Dış Ticaret A.Ş. (*) | - | 1.149.553 |
| Entek Elektrik Üretimi A.Ş. (*) | - | 476.315 |
| Others | | |
| DD Chung Mei | 2.428.160 | - |
| Chung Mei Industries Limited | - | 5.147.533 |
| Zer A.Ş. (*) | - | 1.731.775 |
| Palmira Turizm Ticaret A.Ş. (*) | - | 629.494 |
| Aygaz A.Ş. (*) | - | 526.098 |
| Birleşik Oksijen Sanayi Gazlar A.Ş. (*) | - | 322.873 |
| Koç Sigorta (*) | - | 309.617 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (*) | - | 288.785 |
| Turyat Setur Seyahat Acentesi İşletmeleri A.Ş. (*) | - | 176.253 |
| Mogaz Petrol Gazları A.Ş. (*) | - | 136.049 |
| Ark İnşaat A.Ş. (*) | - | 109.127 |
| Beko Plc (*) | - | 73.311 |
| Koçnet Haberleşme Tekn. Ve İletişim Hizm. A.Ş. (*) | - | 67.027 |
| Tanı Pazarlama (*) | - | 54.837 |
| Düzye Tüketim Malları Pazarlama A.Ş. (*) | - | 30.908 |
| Promena | - | 17.311 |
| Koç Allianz (*) | - | 11.673 |
| Koç Sistem A.Ş. (*) | - | 4.461 |
| Eltek Elektrik (*) | - | - |
| Ram Pacific Ltd. (*) | - | - |
| Migros Türk T.A.Ş. (*) | - | - |
| Koçtaş Yapı Malzemeleri Ticaret A.Ş. (*) | - | - |
| Others (*) | - | 71.321 |
| | 2.428.160 | 11.513.610 |
| Less : Allowance for unincurred interest expense | - | (264) |
| | 2.428.160 | 11.513.346 |
| Total | 14.083.133 | 86.528.167 |

(*) Since the control of Koç Group on the Company is ceased due to the transfer of shares in 2007, such companies are not considered as related party as of December 31, 2007.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

9. DUE FROM AND DUE TO RELATED PARTIES (continued)

As of December 31, 2007 the Company has no irrevocable transactions from related parties which were not reflected to balance sheet. As of December 31, 2006, the Company has transferred checks and notes receivables amounting to YTL 48.382.045 and receivables amounting to YTL 13.052.298 to Yapı Kredi Faktoring Hizmetleri A.Ş. Since those transactions are irrevocable, the balances have not been reflected to the balance sheet.

Long Term Payables

As of December 31, 2007, the Company has no long-term payables to related parties. As of December 31, 2006, the long-term payables to related parties are financial liabilities to Beko UK. The maturity of related liabilities is April 30, 2008 and the interest rate is Libor+1,6%. Such liability is paid in 2007.

As of December 31, 2006, the repayment plan of the long-term borrowings due to related parties is as follows:

| | December 31, 2006 |
|---|-------------------|
| 2007 | 7.213.149 |
| 2008 | 3.549.509 |
| | 10.762.658 |
| Current portion of long-term borrowings (*) | (7.213.149) |
| | 3.549.509 |

(*) As of December 31, 2006, the current portion has been presented under short term payables to related parties.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****9. DUE FROM AND DUE TO RELATED PARTIES (continued)****c) Transactions with related parties**

| Related parties | January 1, 2007 - September 30, 2007 | | | |
|---|--------------------------------------|----------------|--------------------------------|-------------------|
| | Sales to related parties | | Purchases from related parties | |
| | Inventories | Fixed Assets | Inventories | Services |
| Shareholders | | | | |
| Koç Holding A.Ş. | - | - | - | 347.740 |
| Financial assets | | | | |
| Entek Elektrik Üretim A.Ş. | - | - | - | 1.513.196 |
| Ram Dış Ticaret A.Ş. | - | - | 39.405.850 | - |
| Others | | | | |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | 2.276.309 | - | 66.427 | 451.494 |
| Aygaz A.Ş. | - | - | 3.035.574 | 30.080 |
| Arçelik A.Ş. | 25.587.641 | 2.313 | 87.421 | 1.565.379 |
| Ark İnşaat A.Ş. | - | - | 25.936 | 4.707 |
| Beko Ticaret A.Ş. | - | - | 1.268.837 | 3.853.025 |
| Birleşik Oksijen Sanayi A.Ş. | - | - | 404.718 | 220.105 |
| Birmot A.Ş. | - | - | 466 | 931 |
| Düzey Tüketim Malları Pazarlama A.Ş. | - | - | - | 232.951 |
| Elektrabregenz | 2.786.118 | - | - | - |
| Koç Allianz Sigorta A.Ş. | - | - | - | 16.040 |
| Koç Lease Finansal Kiralama A.Ş. | - | 43 | 389 | - |
| Koç Sistem A.Ş. | - | 200.438 | 56.219 | 382.636 |
| Koçtaş Yapı Marketleri San. ve Tic. A.Ş. | 7.579.533 | 5.036 | 252.008 | 1.700 |
| Koçnet A.Ş. | - | 1.410 | - | 231.374 |
| Migros A.Ş. | 8.889.824 | - | - | 50.000 |
| Otokoç Otomotiv A.Ş. | - | - | - | 155.071 |
| Opet Petrolculuk A.Ş. | - | - | - | 335.728 |
| Mogaz Petrol Gazları A.Ş. | - | - | 279.884 | - |
| Palmira Turizm Ticaret A.Ş. | - | - | - | 1.765.558 |
| Promena Elektronik Tic. A.Ş. | - | - | - | 120.605 |
| Ram Pacific | 38.771 | - | 40.444.898 | - |
| Ram Trading | 237.708 | - | - | - |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | - | - | 79.581 | 492.001 |
| Sanal Merkez Ticaret A.Ş. | 31.736 | 889 | 70.036 | 337 |
| Set Air Hava Taşımacılığı ve Hizm. A.Ş. | - | - | - | 14.332 |
| Setur Servis Turistik A.Ş. | - | 6.437 | - | 987.855 |
| Demrad | - | - | 9.488.036 | 70.161 |
| | 47.427.640 | 216.566 | 94.966.280 | 12.843.006 |

| Related Parties | Sales of Financial Assets | |
|--|-----------------------------------|-------------------|
| | Available for Sale | Selling amount |
| Aygaz A.Ş. | Entek Elektrik Üretim A.Ş. | 6.714.000 |
| Koç Holding A.Ş. | Koç Finansal Hizmetler A.Ş. (KFH) | 32.968.800 |
| Koç Holding A.Ş. | Ram Dış Ticaret A.Ş. | 1.340.000 |
| Koç Holding A.Ş. | Isısan | 12.670 |
| Sale of Subsidiary | | |
| Koç Holding A.Ş. | Demrad | 8.924.000 |
| Sale of Investment in Associate | | |
| Demrad | Kumsan | 873.086 |
| | | 50.832.556 |

The Company has sold property, plant and equipments, which has a net book value of YTL 4.180.903 to Demrad with a sales price of YTL 15.984.000 on September 5, 2007.

| | December 31, 2007 |
|------------------------|-------------------|
| Gain on sale of KFH | 21.354.228 |
| Gain on sale of Entek | 1.338.774 |
| Gain on sale of Isısan | 12.670 |
| | 22.705.672 |

Gain on sale of financial assets available for sale amounting to YTL 22.705.672 is disclosed under other operating income.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****9. DUE FROM AND DUE TO RELATED PARTIES (continued)**

| Related Parties | October 1, 2007 – December 31, 2007 | |
|---------------------------------------|-------------------------------------|--------------------------------|
| | Sales to Related Parties | Purchases from Related Parties |
| | Inventories | Inventories |
| Shareholders | | |
| Vaillant Duval Iberica S.L. | - | 1.203.575 |
| Others | | |
| Vaillant Isı Sanayi ve Tic. Ltd. Şti. | 1.739.202 | - |
| Vaillant D.O.O. | 34.819 | - |
| Vaicon Vaillant | - | 255 |
| | 1.774.021 | 1.203.830 |

| Related parties | December 31, 2006 | | | |
|----------------------------------|--------------------------|--------------------------------|-------------------|-------------------|
| | Sales to related parties | Purchases from related parties | | |
| | Inventories | Fixed Assets | Inventories | Service |
| <i>Shareholders</i> | | | | |
| Koç Holding | - | - | - | 2.076.953 |
| <i>Financial Assets</i> | | | | |
| Ram Dış Ticaret A.Ş. | - | - | 5.125.392 | - |
| Entek Elektrik | - | - | - | 4.087.309 |
| <i>Others</i> | | | | |
| Akpa(Bursagaz) | 2.827.849 | 7.675 | 121.352 | 625.101 |
| Arçelik | 62.366.338 | - | 2.716.595 | 2.978.312 |
| Ark İnşaat | 10.258 | 1.212.735 | - | 132.373 |
| Aygaz | - | - | 3.597.597 | 8.295 |
| Beko Elektronik | 958 | - | - | 6.151 |
| Beko Ticaret A.Ş. | - | - | 65.110 | 5.985.559 |
| Beko Uk | - | - | - | 416.978 |
| Birleşik Oksijen Sanayi | - | - | 733.956 | 332.215 |
| Birmot A.Ş. | - | - | - | 5.320 |
| Düzey | - | - | - | 500.448 |
| Elttek | - | - | - | 1.057.348 |
| Koç Allianz Sigorta A.Ş. | - | - | - | 29.817 |
| Koç Bryce | - | - | - | 1.032 |
| Yapı Kredi Faktoring A.Ş. | 3.390 | - | 473.903 | 40.369 |
| Yapı Kredi Leasing | - | 1.447 | - | 1.550 |
| Koç Sistem | - | 302.492 | 245.821 | 624.035 |
| Yapı ve Kredi Bankası | 91.420 | - | - | - |
| Koçnet A.Ş. | - | - | - | 336.166 |
| Koçtaş Yapı Market | 11.446.979 | 12.922 | 176.669 | 32.858 |
| Migros A.Ş. | 10.720.503 | - | - | 53.792 |
| Mogaz Petrol Gazları | - | - | 361.531 | - |
| Opet | - | - | - | 359.812 |
| Otokoç Oto Tic.A.Ş. | 93.677 | 36.899 | - | 169.770 |
| Palmira | - | - | 1.468 | 2.250.233 |
| Promena | - | - | - | 172.968 |
| Ram Pacific | 177.160 | - | 14.659.872 | - |
| Ram Sigorta Aracılık Hizmet A.Ş. | - | - | 296.034 | 775.087 |
| Ram Trading | 1.242.753 | - | - | - |
| Ramerica | 7.291 | - | 13.318 | 34.978 |
| Sanal Merkez | 135.046 | - | 77.958 | 277.206 |
| Sc Arctic Sa | 3.112.709 | - | - | - |
| Set Oto | - | - | 13.581 | 534 |
| Setair Hava Taşımacılığı | - | - | - | 52.508 |
| Tanı | - | - | - | 94.815 |
| Setur A.Ş. | - | 2.517 | - | 2.155.401 |
| Koç Üniversitesi | - | - | - | 28.636 |
| Bloomberg | 55.316 | - | - | 716 |
| Elektra Bregenz | 18.894 | - | - | - |
| Tansaş | 35.655 | - | - | - |
| | 92.346.196 | 1.576.687 | 28.680.157 | 25.704.645 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

9. DUE FROM AND DUE TO RELATED PARTIES (continued)

d) Others

| | January 1, 2007 - September 30, 2007 | January 1, 2006 - December 31, 2006 |
|---|---|--|
| Bank deposits at Yapı Kredi Bankası A.Ş. | 890.952 | 7.664.164 |
| Interest expenses charged by Yapı Kredi Faktoring | 10.444.288 | 11.185.309 |
| Donations to Vehbi Koç Vakfı | - | 1.100.000 |
| Advertising expenses charged by Arçelik | 452.987 | 1.295.146 |
| Interest expense charged by Beko Plc | 238.931 | 1.363.476 |
| Loan obtained from Yapı Kredi Bankası A.Ş. | 12.900.000 | 5.700.000 |
| Loan obtained from Yapı Kredi Faktoring A.Ş. | 93.400.000 | - |

As of December 31, 2007, the dividend income amounting to YTL 30.120 is obtained from Kumsan (December 31, 2006 - Kumsan YTL 45.180).

As of September 30, 2007, financial expenses paid to Yapı ve Kredi Bankası A.Ş. is YTL 2.647.945 (December 31, 2006 - YTL 4.736.124).

10. OTHER RECEIVABLES AND LIABILITIES, net

As of December 31, 2007 and 2006, the details of other receivables is as follows:

| | December 31, 2007 | December 31, 2006 |
|--------------------|--------------------------|-------------------|
| Due from personnel | 219.614 | 168.925 |
| | 219.614 | 168.925 |

As of December 31, 2007, other financial liabilities comprise of financial liabilities to Yapı ve Kredi Faktoring and Kofisa arising from revocable transactions amounting to YTL 755.144 (December 31, 2006 - YTL 406.904). As of December 31, 2006, the forward loss accrual amounting to YTL 640.255 is included in other financial liabilities.

As of December 31, 2007 and 2006, there is no long-term other financial liabilities.

As of December 31, 2007 and 2006, other liabilities are as follows:

| | December 31, 2007 | December 31, 2006 |
|------------------------------|--------------------------|-------------------|
| Value added tax | 7.946.005 | 7.856.685 |
| Taxes and duties payable | 2.140.624 | 5.353.522 |
| Due to employees | 536.174 | 3.594.684 |
| Other short term liabilities | 215.400 | 1.925.020 |
| | 10.838.203 | 18.729.911 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

10. OTHER RECEIVABLES AND LIABILITIES, net (continued)

As of December 31, 2007, long term other liabilities comprise of the payables to Temel Ticaret related to acquisition of shares of DD Heating which amounts to Euro 20.000.000 (YTL 32.382.862, discounted) and has a maturity of March 5, 2009. As of December 31, 2006, there are no long term other liabilities.

11. BIOLOGICAL ASSETS, net

None (December 31, 2006 - None).

12. INVENTORIES

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|--------------------------|
| Raw materials | 38.495.323 | 31.559.363 |
| Work-in-process | 3.337.509 | 4.170.923 |
| Semi-finished goods | 6.530.142 | 7.336.942 |
| Finished goods | 57.276.224 | 35.877.223 |
| Merchandise | 42.822.016 | 26.509.960 |
| Goods in transit | 10.404.133 | 20.752.026 |
| Purchase advances | 5.588.771 | 3.846.486 |
| | 164.454.118 | 130.052.923 |
| Less : Allowance for net realizable value of finished goods | (872.233) | (243.001) |
| | 163.581.885 | 129.809.922 |

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).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

14. DEFERRED TAX ASSETS AND LIABILITIES

As of December 31, 2007 and 2006, the breakdown of deferred tax (liability)/asset computed using the current effective tax rates are as follows:

| | Balance Sheet | | Income Statement and Currency Translation Reserve Differences | |
|---|--------------------------|--------------------------|--|--------------------------|
| | December 31, 2007 | December 31, 2006 | December 31, 2007 | December 31, 2006 |
| Tax losses carried forward | 6.723.715 | - | 6.723.715 | - |
| Temporary difference between the tax base and the carrying value of the property, plant and equipment | (1.339.085) | (533.209) | (805.876) | (559.780) |
| Provision for employee termination benefits | 1.318.808 | 1.474.969 | (156.161) | (445.329) |
| Allowance for unincurred interest expense | 511.387 | 320.060 | 191.327 | 764.702 |
| Allowance for unearned interest income | (1.963.016) | (2.365.020) | 402.004 | (875.712) |
| Temporary differences arising from inventory | 527.664 | 714.252 | (186.588) | 470.327 |
| Forward expense accrual | - | 128.051 | (128.051) | 128.051 |
| Provisions | 1.912.753 | 1.522.372 | 390.381 | 62.916 |
| Other | 389.450 | 583.974 | (194.524) | 326.517 |
| | 8.081.676 | 1.845.449 | 6.236.227 | (128.308) |

As of December 31, 2007 and 2006, deferred tax reflected to consolidated financial statements is as follows:

| | Deferred Tax | |
|------------------------|--------------------------|--------------------------|
| | December 31, 2007 | December 31, 2006 |
| Deferred tax asset | 9.276.972 | 3.125.259 |
| Deferred tax liability | (1.195.296) | (1.279.810) |
| | 8.081.676 | 1.845.449 |

As of December 31, 2007 and 2006, the movement of deferred tax is as follows:

| | December 31, 2007 | December 31, 2006 |
|----------------------------------|--------------------------|--------------------------|
| At January 1 | 1.845.449 | 1.973.757 |
| Deferred tax benefit / (expense) | 6.362.758 | (167.149) |
| Currency translation difference | (126.531) | 38.841 |
| | 8.081.676 | 1.845.449 |

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

15. OTHER CURRENT AND NON CURRENT ASSETS

| | December 31, 2007 | December 31, 2006 |
|------------------|--------------------------|-------------------|
| VAT deductible | 25.324.785 | 9.837.002 |
| VAT receivable | 14.018.576 | 16.065.443 |
| Prepaid tax | 1.859.674 | 406.163 |
| Prepaid expenses | 806.237 | 1.452.350 |
| Job advances | 76.901 | 17.709 |
| Other | 646.528 | - |
| | 42.732.701 | 27.778.667 |

According to 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 December 31, 2006, other non current assets amounting to YTL 669.632 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 December 31, 2007, other non current assets include the land and buildings amounting to YTL 1.046.607 (December 31, 2006 - YTL 709.121) taken from customers in respect of their receivables through legal action for collection.

16. FINANCIAL ASSETS, net

a) Available for sale financial assets

As of December 31, 2007, the Company does not have any available for sale financial assets. As of December 31, 2006, available for sale financial assets are as follows:

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

16. FINANCIAL ASSETS, net (continued)

The Company has sold KFH and Ram Dış of which the Company has ownership of 0,38% and 10%, respectively, to Koç Holding within the scope of share transfer agreement dated May 28, 2007 with a sales amount of YTL 32.968.800 and YTL 1.340.000, respectively. In addition, , according to the resolution of Board of Directors dated July12, 2007, the Company has sold Entek of which the Company has ownership of 3,73%, to Aygaz A.Ş. with a sales amount of YTL 6.714.000. The Company has reflected the increase in the value of KFH as of June 30, 2007, to the sales amount amounting to YTL 4.126.800.

b) Investments in associates

As of December 31, 2007 and 2006, the breakdown of investments in associates is as follows:

| | December 31, 2007 | | December 31, 2006 | |
|-----------|------------------------------|------------------|------------------------------|----------------|
| | Participation Percentage (%) | YTL | Participation Percentage (%) | YTL |
| Kumsan | - | - | 25,14 | 873.086 |
| Chung Mei | 55,00 | 1.426.587 | - | - |
| | | 1.426.587 | | 873.086 |

The Company has sold Kumsan of which the Company has ownership of 25,14% to Demrad with a sales amount of YTL 873.086 on September 11, 2007.

With the transfer of 78,24% of Company's shares to new parent, Vailant, on October 5, 2007, the Company has determined that the operational activities of DD Chunig Mei is controlled by Chung Mei Industries Ltd. As a result, DD Chung Mei is fully consolidated in the consolidated financial statements until the date of share transfer, and then consolidated with equity pick-up method. The portion of the Company in the current year net profit of the related associate amounting to YTL 67.144 is presented as equity income from associate in the consolidated income statement.

As of December 31, 2007, the total assets, liabilities and shareholders' equity and the net income for the nine months period ended September 30, 2007 and for the year ended December 31, 2007, of DD Chung Mei are as follows:

| | |
|---------------------------------|-----------|
| Assets | 5.034.643 |
| Liabilities | 2.440.849 |
| Shareholders' Equity | 2.593.794 |
| Net Income (September 30, 2007) | 168.821 |
| Net Income (December 31, 2007) | 290.801 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

17. POSITIVE GOODWILL, net

As of December 31, 2007 and 2006, the goodwill arised from the purchase of “Heatline” business of Beko.

The movement of goodwill in 2007 and 2006 is as follows:

| | December 31, 2007 | December 31, 2006 |
|---------------------------------|--------------------------|-------------------|
| Beginning net book value | 5.210.541 | 4.369.869 |
| Currency translation difference | (814.590) | 840.672 |
| | 4.395.951 | 5.210.541 |

18. INVESTMENT PROPERTY, net

None (December 31, 2006 - None).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

19. PROPERTY, PLANT AND EQUIPMENT, net

The movement of property, plant and equipment for the years ended December 31, 2007 and December 31, 2006 is as follows:

| | January 1, 2007 | Additions | Disposals | Disposals Due to Discontinued Operations | Disposals Due to Subsidiary which is not Consolidated (Note 35) | Currency Translation Difference | December 31, 2007 |
|---|----------------------|---------------------|---------------------|--|--|---------------------------------------|----------------------|
| Cost | | | | | | | |
| Land and land improvements | 3.392.947 | - | (1.252.174) | (19.137) | - | - | 2.121.636 |
| Buildings | 57.408.080 | - | (7.496.552) | (22.031.594) | - | - | 27.879.934 |
| Machinery, installations and equipment | 182.812.583 | 6.784.035 | (7.223.459) | (15.411.810) | (1.617.995) | (602.521) | 164.740.833 |
| Motor vehicles | 1.528.731 | 300.598 | (326.991) | - | - | (119.279) | 1.383.059 |
| Furniture and fixtures | 10.736.529 | 541.446 | (552.379) | (572.548) | (254.536) | (251.211) | 9.647.301 |
| Leasehold improvements | 154.262 | - | - | - | - | - | 154.262 |
| Construction in progress | - | 1.174.339 | - | - | - | - | 1.174.339 |
| Total | 256.033.132 | 8.800.418 | (16.851.555) | (38.035.089) | (1.872.531) | (973.011) | 207.101.364 |
| Less: Accumulated depreciation | | | | | | | |
| Land improvements | (1.893.495) | (37.927) | 930.719 | 12.546 | - | - | (988.157) |
| Buildings | (29.600.214) | (1.199.507) | 3.617.363 | 15.653.706 | - | - | (11.528.652) |
| Machinery, installations and equipment | (136.235.807) | (9.772.107) | 7.104.850 | 13.352.821 | 1.276.839 | 331.683 | (123.941.721) |
| Motor vehicles | (641.002) | (318.009) | 236.981 | - | - | 51.192 | (670.838) |
| Furniture and fixtures | (7.919.062) | (712.123) | 537.486 | 428.681 | 237.559 | 146.121 | (7.281.338) |
| Leasehold improvements | (154.262) | - | - | - | - | - | (154.262) |
| Total | (176.443.842) | (12.039.673) | 12.427.399 | 29,447.754 | 1.514.398 | 528.996 | (144.564.968) |
| Property, plant and equipment, net | 79.589.290 | (3.239.255) | (4.424.156) | (8.587.335) | (358.133) | (444.015) | 62.536.396 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2007
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

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

| | January 1, 2006 | Additions | Disposals | Transfers | Currency Translation Difference | December 31, 2006 |
|---|----------------------|---------------------|--------------------|--------------|---------------------------------|----------------------|
| Cost | | | | | | |
| Land and land improvement | 3.409.100 | 7.928 | (25.149) | - | 1.068 | 3.392.947 |
| Buildings | 48.566.823 | 128.254 | (66.926) | 8.779.929 | - | 57.408.080 |
| Machinery, installations and equipment | 159.975.750 | 3.457.008 | (553.844) | 19.749.810 | 183.859 | 182.812.583 |
| Motor vehicles | 1.608.502 | 553.193 | (753.633) | - | 120.669 | 1.528.731 |
| Furniture and fixtures | 9.209.839 | 1.059.339 | (11.248) | 365.264 | 113.335 | 10.736.529 |
| Leasehold improvements | 154.262 | - | - | - | - | 154.262 |
| Advances given and construction in progress | 11.029.698 | 17.865.305 | - | (28.895.003) | - | - |
| Total | 233.953.974 | 23.071.027 | (1.410.800) | - | 418.931 | 256.033.132 |
| Less: Accumulated depreciation | | | | | | |
| Land improvement | (1.858.537) | (46.999) | 12.575 | - | (534) | (1.893.495) |
| Buildings | (28.339.429) | (1.274.245) | 13.460 | - | - | (29.600.214) |
| Machinery, installations and equipment | (127.185.359) | (9.348.502) | 508.161 | - | (210.107) | (136.235.807) |
| Motor vehicles | (722.354) | (305.394) | 421.479 | - | (34.733) | (641.002) |
| Furniture and fixtures | (7.397.968) | (618.752) | 4.189 | - | 93.469 | (7.919.062) |
| Leasehold improvements | (154.262) | - | - | - | - | (154.262) |
| Total | (165.657.909) | (11.593.892) | 959.864 | - | (151.905) | (176.443.842) |
| Property, plant and equipment, net | 68.296.065 | 11.477.135 | (450.936) | - | 267.026 | 79.589.290 |

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. In this context, the Company, has reassessed the useful lives of property, plant and equipment. Based on this reassessment, the Company has changed the useful lives of property, plant and equipment and the effect of this change recognized in the 2006 income statement is a decrease in depreciation charge by YTL 2.268.481.

As of December 31, 2007, land and buildings are mortgage amounting to Euro 25.000.000 against the securitization of the loan obtained from IFC, which is presented in the consolidated balance sheet. The Company has paid this loan in 2008 and applied for the release of the mortgage.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

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 December 31, 2007, no study has been performed to determine the fair values of FIX brandname and tangible assets purchased from Schaeffer Company. Hence, as of December 31, 2007 the necessary adjustments have not been made in accordance with IFRS 3 “Business Combinations”.

As of December 31, 2007, motor vehicles with a net book value of YTL 335.953 (December 31, 2006 - YTL 392.467) are purchased by finance lease.

| | December 31, 2007 | December 31, 2006 |
|--|------------------------------|----------------------|
| The gross value of fully depreciated assets which are still in use | 96.466.672 | 107.875.724 |

20. INTANGIBLES, net

The movement of intangibles as of December 31, 2007 and 2006 is as follows:

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

| | January 1, 2006 | Additions | Disposals | December 31, 2006 |
|---|----------------------------|------------------|------------------|------------------------------|
| Cost Rights | 2.016.179 | 180.727 | - | 2.196.906 |
| Less:Accumulated amortization Rights | (1.432.097) | (369.691) | - | (1.801.788) |
| Net Book Value | 584.082 | | | 395.118 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

21. ADVANCES TAKEN, net

As of December 31, 2007, the advances taken from customers are amounting to YTL 6.109.812 (December 31, 2006 - YTL 6.130.857).

22. EMPLOYEE PENSION PLANS

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

23. PROVISIONS

a) Short Term Provisions

As of December 31, 2007 and 2006, the provisions are as follows:

Tax Provision

As of December 31, 2007 and 2006, the analysis of corporate tax payable is as follows :

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Corporate tax payable | 609.467 | 10.989.013 |
| Prepaid tax | (374.593) | (10.322.464) |
| Tax provision of discontinued operation | (234.874) | - |
| Currency translation differences | - | 2.869 |
| | - | 669.418 |

Other provisions

| | December 31, 2007 | December 31, 2006 |
|--------------------------------------|--------------------------|-------------------|
| Provision for warranty expense | 9.155.076 | 7.867.219 |
| Provision for sales premiums | 2.452.858 | 1.710.676 |
| Provision for contingent liabilities | 403.197 | 382.083 |
| Freight expense accrual | 830.033 | 355.676 |
| Provision for late delivery charges | 744.288 | - |
| Consultancy expense accrual | 255.382 | 242.607 |
| Other | 1.512.121 | 1.530.010 |
| | 15.352.955 | 12.088.271 |
| Total | 15.352.955 | 12.757.689 |

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 YTL 2.030 (December 31, 2006 - YTL 1.857) at December 31, 2007.

As of January 1, 2008, the retirement pay liability ceiling is increased to YTL 2.088.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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23. PROVISIONS (continued)

The Company accounts for the employee termination benefits by using “Projected Unit Credit Method” in accordance with IAS 19 (Employee Benefits) based on employees’ service period and assumptions based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and reflects these figures to the financial statements. Retirement pay provision is set by calculating the present value of the contingent liability up on the retirement of employees. Accordingly, actuarial assumptions to calculate liabilities as of December 31, 2007 and 2006 are as follows:

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

As of December 31, 2007 and December 31, 2006, the movement of provision for employee termination benefits is as follows:

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Balance at January 1 | 7.374.844 | 6.400.992 |
| Interest expense | 811.233 | 768.119 |
| Current year service cost | 1.772.597 | 1.411.877 |
| Payments | (1.499.464) | (2.204.158) |
| Employee termination benefits transferred due to discontinued operation | (1.542.476) | - |
| Actuarial (gain) / loss | (322.696) | 998.014 |
| Balance at December 31 | 6.594.038 | 7.374.844 |

24. MINORITY INTEREST

As of December 31, 2007 and 2006, the movement of the minority interest is as follows :

| | December 31, 2007 | December 31, 2006 |
|--|--------------------------|-------------------|
| At January 1 | 9.079.706 | 4.742.924 |
| Currency translation differences | (187.327) | 721.005 |
| Profit share of subsidiaries | 75.970 | 3.615.777 |
| Effect of change in minority shareholding interest | (8.968.349) | - |
| At December 31 | - | 9.079.706 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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25. SHARE CAPITAL

As of December 31, 2007 and 2006, the shareholders of the Company and the percentages and amounts of ownerships are as follows:

| | December 31, 2007 | | December 31, 2006 | |
|-----------------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Amount | Participation Percentage | Amount | Participation Percentage |
| Vaillant Saunier Duval Iberica SL | 42.250.112 | 78,24% | - | - |
| Publicly traded | 11.749.888 | 21,76% | 9.791.573 | 21,76% |
| Koç Holding A.Ş. | - | - | 20.743.409 | 46,10% |
| Temel Ticaret A.Ş. | - | - | 8.633.346 | 19,19% |
| Others | - | - | 5.831.672 | 12,95% |
| | 54.000.000 | 100,00% | 45.000.000 | 100,00% |

A “share transfer agreement” (Share Transfer Agreement) is signed between Koç Holding A.Ş., Temel Ticaret ve Yatırım A.Ş., Rahmi M. Koç, Semahat S. Arsel, Suna Kıraç, 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 number of shares of which the Sellers’ have in Demir Döküm, are determined to be Euro 290.880.000 and Euro 211.073.898, respectively. The share transfer price for 2.489.209.192 number of shares of which Koç Holding A.Ş., one of the sellers, owns in Demir Döküm is Euro 134.085.402.

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

Demiren 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).

As of December 31, 2007 the registered share capital ceiling of the Company is YTL 100.000.000 (December 31, 2006 YTL 100.000.000). As of December 31, 2007, the Company's share capital consists of 5.400.000.000 shares of YTL 0,01 par value (December 31, 2006 – 4.500.000.000).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

25. SHARE CAPITAL (continued)

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

| | December 31, 2007 | | December 31, 2006 | |
|--|--------------------------|-------------------|-------------------|------------|
| | Number | YTL | Number | YTL |
| January 1 | 4.500.000.000 | 45.000.000 | 4.500.000.000 | 45.000.000 |
| Share capital increase from internal sources | 900.000.000 | 9.000.000 | - | - |
| December 31 | 5.400.000.000 | 54.000.000 | 4.500.000.000 | 45.000.000 |

26. CAPITAL RESERVES

As of December 31, 2007 and 2006, YTL 70.449.320 of equity restatement differences arose from the restatement differences of share capital.

27-28. PROFIT RESERVES AND RETAINED EARNINGS

Legal reserves

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

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

Based on the CMB Decree 7/242, dated February 25, 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit 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. If loss exists in the financial statements prepared in accordance with CMB regulations and statutory financial statements in any period, then the profit is not going to be distributed.

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

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

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

In the calculation of net distributable profit, the profit of the subsidiaries, the participations under common control and the participations which exist in the consolidated financial statements are not considered if the general assemblies of such companies did not decide to distribute profits.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders.

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

| | December 31, 2007 | December 31, 2006 |
|--|--------------------------|-------------------|
| Share premiums | 7.039 | 7.039 |
| Legal reserves | 8.873.883 | 7.132.344 |
| Special funds (Gain on sale of sale of associates and property, plant and equipment) | 26.293.925 | - |
| Retained earnings | 72.781.461 | 48.692.231 |

Special funds can be distributed if taxes are paid.

Dividends

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

| | 2006 |
|--|------|
|--|------|

Share

Nominal value per share, gross

YTL 0,002

There is no dividend declared and approved related with 2007.

Financial Assets Value Increase Fund

As of December 31, 2006, Entek and KFH, which are classified as financial assets available for sale were carried at their fair value in accordance with the appraisal reports obtained from an independent valuation firm. In this respect, the differences occurred in the book value of the financial assets available for sale amounting to YTL 1.338.774 and YTL 17.227.428, respectively, were reflected as “Financial assets value increase fund” under shareholders' equity as of December 31, 2007. Related financial assets are sold in 2007 as explained in detail in Note 16. Financial asset value increase fund regarding these financial assets are accounted under other operating income in the consolidated income statement.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2007
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

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 | Retained earnings | Currency translation differences | Net (loss)/profit | Prior year profits | Total equity |
|---|-------------------|-------------------|--------------------------------------|--|-------------------|----------------------|--|----------------------|-----------------------|--------------------|
| Balance as of December 31, 2005 | 45.000.000 | - | 70.499.320 | 15.264.676 | 4.611.451 | 3.361.516 | 3.589.375 | 28.349.500 | - | 170.675.838 |
| Effect of restatement (Note 2) | - | - | - | - | - | (78.435) | (40.689) | (218.719) | - | (337.843) |
| Restated Balance as of December 31, 2005 | 45.000.000 | - | 70.499.320 | 15.264.676 | 4.611.451 | 3.283.081 | 3.548.686 | 28.130.781 | - | 170.337.995 |
| Transfer from net profit to legal reserves | - | - | - | - | 2.520.893 | - | - | (2.520.893) | - | - |
| Financial assets value increase fund | - | - | - | 3.301.526 | - | - | - | - | - | 3.301.526 |
| Transfer from net profit to extraordinary reserves | - | - | - | - | - | 25.609.888 | - | (25.609.888) | - | - |
| Net change in currency translation differences | - | - | - | - | - | - | (3.759.386) | - | - | (3.759.386) |
| Amount paid for the increase in shareholding percentage of the consolidated subsidiary | - | - | - | - | - | (3.101.601) | - | - | - | (3.101.601) |
| Dividends paid | - | - | - | - | - | (15.750.000) | - | - | - | (15.750.000) |
| Net profit for the year | - | - | - | - | - | - | - | 41.023.614 | - | 41.023.614 |
| Balance as of December 31, 2006 | 45.000.000 | - | 70.499.320 | 18.566.202 | 7.132.344 | 10.041.368 | (210.700) | 41.023.614 | - | 192.052.148 |
| Effect of restatement (Note 2) | - | - | - | - | - | 55.745 | (951) | (269.333) | - | (214.539) |
| Amount paid for the increase in shareholding percentage of the consolidated subsidiary | - | - | - | - | - | (2.220.000) | - | - | - | (2.220.000) |
| Restated Balance as of December 31, 2006 | 45.000.000 | - | 70.499.320 | 18.566.202 | 7.132.344 | 7.877.113 | (211.651) | 40.754.281 | - | 189.617.609 |
| Transfer from net profit to legal reserves | - | - | - | - | 1.741.539 | - | - | (1.741.539) | - | - |
| Transfer from net profit to extraordinary reserves | - | - | - | - | - | 30.012.742 | - | (30.012.742) | - | - |
| Increase in share capital | 9.000.000 | - | - | - | - | - | - | (9.000.000) | - | - |
| Financial assets value increase fund (net off deferred tax) | - | - | - | 4.126.800 | - | - | - | - | - | 4.126.800 |
| Decrease in financial assets value increase fund due to sale of financial assets available for sale | - | - | - | (22.693.002) | - | - | - | - | - | (22.693.002) |
| Dividend as distribution in kind (Note 35) | - | - | - | - | - | (10.371.205) | - | - | - | (10.371.205) |
| Amount paid for the increase in shareholding percentage of the consolidated subsidiary | - | - | - | - | - | (45.390.156) | - | - | - | (45.390.156) |
| Change in minority shareholding interest | - | - | - | - | - | 7.696.309 | - | - | - | 7.696.309 |
| Net change in currency translation differences | - | - | - | - | - | - | 3.286.952 | - | - | 3.286.952 |
| Net loss for the year | - | - | - | - | - | - | - | (5.772.620) | - | (5.772.620) |
| Balance as of December 31, 2007 | 54.000.000 | - | 70.499.320 | - | 8.873.883 | (10.175.197) | 3.075.301 | (5.772.620) | - | 120.500.687 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

29. FOREIGN CURRENCY POSITION

| ASSETS | December 31, 2007 | | |
|---------------------------|-------------------|-------------------------------|-------------------|
| | Currency type | Foreign currency amount | YTL |
| Cash and Cash Equivalents | EUR | 1.702.968 | 2.912.416 |
| | GBP | 430.378 | 1.001.017 |
| | USD | 600.533 | 699.441 |
| | CHF | 1.483 | 1.523 |
| | (Renminbi) RMB | 2.603.996 | 399.453 |
| | | | 5.013.850 |
| Trade Receivables | EUR | 20.460.874 | 34.992.187 |
| | GBP | 11.946.909 | 27.787.315 |
| | USD | 2.091.175 | 2.435.591 |
| | RMB | 281.206 | 43.137 |
| | | | 65.258.230 |
| Due from Related Parties | EUR | 72.691 | 124.316 |
| | GBP | 31.248 | 72.680 |
| | | | 196.996 |
| Other Current Assets | EUR | 205.297 | 351.099 |
| | GBP | 617.932 | 1.437.247 |
| | USD | 19.597 | 22.825 |
| | RMB | 2.442.497 | 374.679 |
| | | | 2.185.850 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

29. FOREIGN CURRENCY POSITION (continued)

| LIABILITIES | Currency type | December 31, 2007 | |
|---|---------------|-------------------------|--------------|
| | | Foreign currency amount | YTL |
| Financial Borrowings (Short-Term) | GBP | (3.474.971) | (8.082.435) |
| | USD | (27.001.761) | (31.448.951) |
| | | | (39.531.386) |
| Current Portion of Long-Term Borrowings | EUR | (29.285.714) | (50.084.428) |
| | USD | (3.954.491) | (4.605.796) |
| | | | (54.690.224) |
| Due to Related Parties (Short-Term) | GBP | (5.010.952) | (11.654.973) |
| | USD | (2.084.584) | (2.427.915) |
| | | | (14.082.888) |
| Finance Lease Obligations (Short-Term) | EUR | (998) | (1.707) |
| | | | (1.707) |
| Trade Payables | EUR | (3.190.285) | (5.456.025) |
| | GBP | (3.181.390) | (7.399.594) |
| | USD | (9.280.416) | (10.808.901) |
| | | | (23.664.520) |
| Financial Borrowings (Long-Term) | EUR | (573.732) | (981.197) |
| | USD | (6.090.000) | (7.093.023) |
| | | | (8.074.220) |
| Financial Lease Obligations (Long-Term) | GBP | (13.159) | (30.607) |
| | | | (30.607) |
| Due to Related Parties (Long-Term) | GBP | - | - |
| | | | - |
| | EUR | (10.608.899) | (18.143.339) |
| | GBP | 1.345.995 | 3.130.650 |
| | USD | (45.699.948) | (53.226.729) |
| | CHF | 1.483 | 1.523 |
| | RMB | 5.327.699 | 817.269 |
| Net | | | (67.420.626) |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

29. FOREIGN CURRENCY POSITION (continued)

| ASSETS | December 31, 2006 | | |
|---------------------------|-------------------|-------------------------------|------------|
| | Currency type | 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 |
| | RMB | 2.222.310 | 392.171 |
| | | | 9.879.670 |
| 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 | 547.363 | 769.374 |
| | | | 1.894.501 |
| Other Current Assets | EUR | 46.475 | 86.048 |
| | GBP | 639.808 | 1.763.887 |
| | RMB | 1.807.389 | 318.950 |
| | | | 2.168.885 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

29. FOREIGN CURRENCY POSITION (continued)

| 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) | (8.495.377) |
| | GBP | (18.694.633) | (51.539.236) |
| | USD | (5.754.769) | (8.088.904) |
| | RMB | (599.713) | (107.005) |
| | | | (68.230.522) |
| Finance Lease Obligations (Short-Term) | EUR | (3.186) | (5.899) |
| | GBP | (5.144) | (14.181) |
| | | | (20.080) |
| Trade Payables | EUR | (6.036.745) | (11.177.034) |
| | GBP | (1.565.083) | (4.314.777) |
| | USD | (1.917.725) | (2.695.555) |
| | HKD | (190.000) | (34.340) |
| | | | (18.221.706) |
| 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 | (20.068.685) | (37.157.174) |
| | GBP | (14.836.925) | (40.903.919) |
| | USD | (12.066.563) | (16.960.762) |
| | CHF | 2.220 | 2.554 |
| | RMB | 3.429.386 | 604.116 |
| | HKD | (190.000) | (34.340) |
| Net | | | (94.449.525) |

As discussed in detail in Note 31, as of December 31, 2006 the Company entered into forward agreements with various maturities in 2007 amounting to Euro 5.500.000 and USD 8.650.000 in order to hedge its foreign currency position.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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30. GOVERNMENT INCENTIVES

Investment incentives

The Company has 1 (one) investment incentive certificate related to its capital expenditures and applied for its closing. The Company has not utilized any investment incentive and there is no unused investment incentive in 2007 and 2006.

The Company has utilized YTL 63.177 (December 31, 2006 - YTL 485.914) research and development incentive as of December 31, 2007 and research and development incentives received as cash is amounting to YTL 388.879 (December 31, 2006 - YTL 242.549).

31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

- a) As of December 31, 2007 total amount of guarantee letters given by the Company to the government authorities is at the amount of YTL 29.844.182 (December 31, 2006 - YTL 40.116.056)
- b) As of December 31, 2007, there are lawsuits filed against the Company amounting to a total of YTL 1.333.515 (December 31, 2006 - YTL 1.375.538). The Company has provided provisions amounting to YTL 403.197 (December 31, 2006 - YTL 382.083) for those lawsuits. Among these lawsuits, according to the decision of the court 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. The case was reinvestigated by an expert and the it is decided that the Company will be liable for YTL 1.442.
- c) The Company has the following obligations related with the long-term loan obtained on November 24, 2005 amounting to Euro 7.500.000.
 - i) The ratio of consolidated total liabilities to earnings before depreciation, amortisation, interest and tax 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.

As of December 31, 2007, ratios related to loan mentioned in item (c) above are realized as 10,67; 2,72 and 0,53 respectively. The Company can not fulfill its liabilities and has not received any waiver from the lender. The Company has classified the related loan to current portion of long-term borrowings since the Company is planning to pay and close this loan in 2008.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) The Company has the following obligations related with the long term loan obtained on April 12, 2006 amounting to Euro 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.

As of December 31, 2007, ratios related to loan mentioned in item (d) above are realized as 1,19; 4,33 and 8,967. The Company paid the related loan on March 2008 and classified the loan to the current portion of long-term borrowings in consolidated financial statements.

e) Forward Agreements

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

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

As of December 31, 2006, the fair value of the forward transactions amounting to YTL 640.255 has been reflected in the other financial liabilities.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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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 December 31, 2006, 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. As of December 31, 2006 machinery and equipment in the amount of YTL 4.290.267 accounted in construction in progress account is the amount purchased in accordance with the agreement. As of December 31, 2006, the payable amounting to Euro 1.325.000 is accounted in trade payables. 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 December 31, 2006, no study has been performed to determine the fair values of FIX brandname 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 FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 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 December 31, 2007 and 2006 segment reporting information of the Company according to geographical segments is as follows:

December 31, 2007

| | Turkey | England | China | Total | Elimination | Consolidated |
|--------------------------|--------------------|-------------------|------------------|--------------------|----------------------|---------------------|
| Current Assets | 554.372.387 | 67.120.179 | 2.335.591 | 623.828.157 | (84.325.433) | 539.502.724 |
| Non-Current Assets | 73.635.944 | 7.038.609 | 4.736 | 80.679.289 | 446.117 | 81.125.406 |
| Financial Assets, (net) | 99.819.014 | 22.561.229 | - | 122.380.243 | (120.953.656) | 1.426.587 |
| Total Assets | 727.827.345 | 96.720.017 | 2.340.327 | 826.887.689 | (204.832.972) | 622.054.717 |
| Current Liabilities | 444.766.230 | 88.804.465 | 2.691.939 | 536.262.634 | (82.985.627) | 453.277.007 |
| Non-Current Liabilities | 48.245.889 | 31.134 | - | 48.277.023 | - | 48.277.023 |
| Minority Interest | - | - | - | - | - | - |
| Equity | 240.912.150 | 8.206.065 | (268.306) | 248.849.909 | (122.576.602) | 126.273.307 |
| Net loss | (6.096.924) | (321.647) | (83.306) | (6.501.877) | 729.257 | (5.772.620) |
| Total Liabilities | 727.827.345 | 96.720.017 | 2.340.327 | 826.887.689 | (204.832.972) | 622.054.717 |

December 31, 2006

| | Turkey | England | China | Total | Elimination | Consolidated |
|--------------------------|--------------------|--------------------|------------------|--------------------|----------------------|---------------------|
| Current Assets | 665.099.693 | 73.891.346 | 8.212.985 | 747.204.024 | (173.654.239) | 573.549.785 |
| Non-Current Assets | 80.446.605 | 7.065.520 | 1.372.661 | 88.884.786 | 814.175 | 89.698.961 |
| Financial Assets, net | 100.534.379 | 26.741.930 | - | 127.276.309 | (89.507.222) | 37.769.087 |
| Total Assets | 846.080.677 | 107.698.796 | 9.585.646 | 963.365.119 | (262.347.286) | 701.017.833 |
| Current Liabilities | 496.944.256 | 94.428.473 | 7.107.331 | 598.480.060 | (170.828.684) | 427.651.376 |
| Non-Current Liabilities | 71.085.547 | 3.583.595 | - | 74.669.142 | - | 74.669.142 |
| Minority Interest | - | - | - | - | 9.079.706 | 9.079.706 |
| Equity | 231.961.771 | 7.927.771 | 2.229.672 | 242.119.214 | (93.255.886) | 148.863.328 |
| Net Profit | 46.089.103 | 1.758.957 | 248.643 | 48.096.703 | (7.342.422) | 40.754.281 |
| Total Liabilities | 846.080.677 | 107.698.796 | 9.585.646 | 963.365.119 | (262.347.286) | 701.017.833 |

Discontinued operations of the Company are in Turkey.

Other Information

| December 31, 2007 | Turkey | England | China | Total |
|---|---------------|----------------|--------------|--------------|
| Purchase of Property, Plant and Equipment | 6.427.319 | 2.249.118 | 123.981 | 8.800.418 |
| Purchase of Intangible Assets | 195.234 | - | - | 195.234 |
| Amortization and Depreciation Expenses | 11.055.674 | 792.613 | 394.633 | 12.242.920 |

| December 31, 2006 | Turkey | England | China | Total |
|---|---------------|----------------|--------------|--------------|
| Purchase of Property, Plant and Equipment | 21.927.296 | 942.348 | 201.383 | 23.071.027 |
| Purchase of Intangible Assets | 180.727 | - | - | 180.727 |
| Amortization and Depreciation Expenses | 10.891.029 | 557.671 | 514.883 | 11.963.583 |

| December 31, 2007 | Turkey | England | China | Total |
|------------------------------|---------------|----------------|--------------|--------------|
| Equity income from associate | - | - | 67.144 | 67.144 |

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****33. SEGMENT REPORTING (continued)**

| December 31, 2007 | Turkey | England | China | Total | Elimination | Consolidated |
|---|---------------------|-------------------|------------------|------------------------------|--------------------|---------------------|
| Net Sales | 794.815.239 | 119.758.219 | 13.142.609 | 927.716.067 ⁽²⁾ | (338.838.552) | 588.877.515 |
| Cost of Sales (-) | (675.304.261) | (98.812.900) | (11.927.682) | (786.044.843) ⁽³⁾ | 331.727.049 | (454.317.794) |
| Service Income, (net) | - | - | - | - | - | - |
| Other Income from Operational Activities, interest+dividend+rent, (net) | - | - | - | - | - | - |
| Gross Profit | 119.510.978 | 20.945.319 | 1.214.927 | 141.671.224 | (7.111.503) | 134.559.721 |
| Operating Expenses (-) | (105.127.275) | (20.134.264) | (1.113.305) | (126.374.844) ⁽⁴⁾ | 5.903.599 | (120.471.245) |
| Profit from Operations, net | 14.383.703 | 811.055 | 101.622 | 15.296.380 | (1.207.904) | 14.088.476 |
| Equity Income from Affiliates | - | - | - | - | 67.144 | 67.144 |
| Other Operating Income | 41.195.760 | - | 81.168 | 41.276.928 ⁽⁵⁾ | (1.193.886) | 40.083.042 |
| Other Operating Expenses (-) | (822.807) | 7.205 | - | (815.602) ⁽⁶⁾ | 25.888 | (789.714) |
| Financial Expense (-) | (67.082.151) | (1.117.254) | (4.437) | (68.203.842) ⁽⁷⁾ | 185.590 | (68.018.252) |
| Operating Profit/(Loss) | (12.325.495) | (298.994) | 178.353 | (12.446.136) | (2.123.168) | (14.569.304) |

| December 31, 2006 | Turkey | England | China | Total (1) | Elimination | Consolidated |
|---|--------------------|-------------------|------------------|------------------------------|--------------------|---------------------|
| Net Sales | 1.009.780.083 | 95.724.067 | 22.867.922 | 1.128.372.072 ⁽²⁾ | (443.975.162) | 684.396.910 |
| Cost of Sales (-) | (827.890.635) | (78.553.055) | (21.030.238) | (927.473.928) ⁽³⁾ | 438.311.909 | (489.162.019) |
| Service Income, (net) | - | - | - | - | - | - |
| Other Income from Operational Activities, interest+dividend+rent, (net) | - | - | - | - | - | - |
| Gross Profit | 181.889.448 | 17.171.012 | 1.837.684 | 200.898.144 | (5.663.253) | 195.234.891 |
| Operating Expenses (-) | (104.797.352) | (15.437.949) | (1.464.265) | (121.699.566) ⁽⁴⁾ | 3.542.928 | (118.156.638) |
| Profit from Operations, net | 77.092.096 | 1.733.063 | 373.419 | 79.198.578 | (2.120.325) | 77.078.253 |
| Other Operating Income | 6.889.068 | 1.465.480 | 85.897 | 8.440.445 ⁽⁵⁾ | (4.850.802) | 3.589.643 |
| Other Operating Expense (-) | (3.085.060) | (26.268) | (72.722) | (3.184.050) ⁽⁶⁾ | 824.928 | (2.359.122) |
| Financial Expense (-) | (23.007.236) | (1.427.427) | 11.813 | (24.422.850) ⁽⁷⁾ | 315.703 | (24.107.147) |
| Operating Profit | 57.888.868 | 1.744.848 | 398.407 | 60.032.123 | (5.830.496) | 54.201.627 |

- 1) Income regarding discontinued operations is stated under "Profit/loss after tax from a discontinued operation", in the financial statements.
- 2) Includes income from discontinued operation amounting to YTL 47.985.784 (December 31, 2006 / YTL 91.755.569) for the year ended December 31, 2007.
- 3) Includes cost of sales amount of discontinued operations amounting to YTL 44.265.805 (December 31, 2006 – YTL 88.634.009) for the year ended December 31, 2007.
- 4) Includes operating expenses amounting to YTL 524.227 (December 31, 2006 – YTL 1.005.762) for the year ended December 31, 2007.
- 5) Includes other operating income amounting to YTL 10.257 (December 31, 2006 – YTL 322.263) for the year ended December 31, 2007.
- 6) Includes other operating expenses amounting to YTL 25.888 (December 31, 2006 – YTL 184.673) for the year ended December 31, 2007.
- 7) Includes financial expense amounting to YTL 185.589 (December 31, 2006 – YTL 955.958) for the year ended December 31, 2007.

As of December 31, 2007 and 2006 all sales of China are realized to Turkey. Therefore, Turkey and China are considered together based on location of customers. Customers exceeding 10% of Turkey's export sales are located in Italy. As of December 31, 2007 sales made to customers in Italy constitutes 11% of total export sales (December 31, 2006 - 12%).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

34. SUBSEQUENT EVENTS

The Company paid the loan amounting to Euro 25.000.000, which is obtained from International Finance Corporation with the maturity of March 15, 2014, on March 14, 2008 and March 17, 2008 with two installments. The Company has paid a penalty amounting to Euro 187.500 for the early closing of the loan.

35. DISCONTINUED OPERATIONS

As of December 31, 2007, the breakdown of net assets of Demrad is as follows:

| | August 31, 2007 |
|-------------------------|-------------------|
| Current Assets | 42.805.786 |
| Non-Current Assets | 8.589.890 |
| Current Liabilities | (30.682.826) |
| Non-Current Liabilities | (1.542.476) |
| Net Assets | 19.170.374 |
| Sales Price | (8.924.000) |
| | 10.246.374 |
| Tax Effect (*) | 124.831 |
| | 10.371.205 |

(*) The Company has profit amounting to YTL 624.155 regarding related sales and calculated tax amounting to YTL 124.831 related to this profit in its statutory books. Such tax amount is accounted under equity in the consolidated financial statements.

According to the special declaration dated May 28, 2007, the Company declared that Demrad, the 100% owned and fully consolidated subsidiary in the financial statements, would be sold to Koç Holding with a sales price of YTL 8.924.000. This transaction was considered as a transaction realized between the Company and its shareholders and made by shareholders' will. As a result of transfer of net assets to Koç Holding, the difference amounting to YTL 10.371.205 arising from the difference between the sales amount and net assets of Demrad including receivables and payables which were not eliminated in consolidated balance sheet was disclosed as "dividend as distribution in kind" under equity.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

35. DISCONTINUED OPERATIONS (continued)

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Revenue (*) | 47.985.784 | 91.755.569 |
| Expenses | (44.265.805) | (88.634.009) |
| Gross Profit | 3.719.979 | 3.121.560 |
| Operating Expenses (**) | (524.227) | (1.005.762) |
| Other Expenses, net | (15.631) | 137.590 |
| Financial Expenses, net | (185.589) | (955.957) |
| Profit before tax | 2.994.532 | 1.297.431 |
| Tax charge | (1.236.012) | (1.624.398) |
| Profit/(loss) from discontinued operations | 1.758.520 | (326.967) |

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

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

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Net cash used in investing activities | (268.173) | (473.808) |
| Net cash used in operating activities | (7.920) | 469.537 |
| Net cash provided by financing activities | 271.019 | - |

36. OPERATING INCOME

a) Net Sales

| | December 31, 2007 | December 31, 2006 |
|----------------|--------------------------|-------------------|
| Domestic Sales | 330.495.182 | 413.315.492 |
| Export Sales | 247.712.856 | 231.374.330 |
| Other Sales | 10.669.477 | 39.707.088 |
| | 588.877.515 | 684.396.910 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

36. OPERATING INCOME (continued)

b) Cost of Sales

| | December 31, 2007 | December 31, 2006 |
|--|--------------------------|-------------------|
| Raw material consumption | 274.360.230 | 293.908.889 |
| Direct labor cost | 19.479.108 | 19.590.755 |
| Production overhead | 40.017.610 | 36.786.321 |
| Depreciation | 9.660.816 | 8.181.068 |
| Beginning work-in-process inventory and finished goods | 34.141.642 | 32.615.999 |
| Ending work-in-process inventory and finished goods | (61.890.471) | (34.141.642) |
| Currency translation differences | (4.408.644) | 3.167.494 |
| Beginning trade goods | 33.846.902 | 16.584.082 |
| Purchase of trade goods | 158.462.759 | 146.315.955 |
| Ending trade goods | (49.352.158) | (33.846.902) |
| | 454.317.794 | 489.162.019 |

c) Service income

None (December 31, 2006 - None).

d) Other income from operational activities

None (December 31, 2006 - None).

37. OPERATING EXPENSES

a) Operating expenses

| | December 31, 2007 | December 31, 2006 |
|-----------------------------------|--------------------------|-------------------|
| Selling and marketing expenses | 77.947.101 | 75.533.605 |
| General administrative expenses | 37.188.616 | 36.862.247 |
| Service station expenses | 3.356.634 | 3.835.929 |
| Research and development expenses | 1.978.894 | 1.924.857 |
| | 120.471.245 | 118.156.638 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

37. OPERATING EXPENSES (continued)

i) Selling and marketing expenses

| | December 31, 2007 | December 31, 2006 |
|---------------------------------------|--------------------------|-------------------|
| Warranty expenses | 18.149.898 | 15.721.563 |
| Customer premiums | 15.590.498 | 18.197.061 |
| Transportation and insurance expenses | 12.282.863 | 12.366.559 |
| Advertisement expenses | 7.576.609 | 9.911.004 |
| Warehousing expenses | 7.485.395 | 5.083.944 |
| Personnel expenses | 3.814.611 | 2.744.991 |
| Rent expenses | 2.175.162 | 1.191.247 |
| Fair and exhibition expenses | 1.434.564 | 2.589.387 |
| Traveling expenses | 1.224.975 | 1.227.379 |
| Guarantee expenses | 631.563 | 708.429 |
| Other expenses | 7.580.963 | 5.792.041 |
| | 77.947.101 | 75.533.605 |

ii) General administrative expenses

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Personnel expenses | 14.970.483 | 18.369.509 |
| Provision expense for doubtful receivable | 7.722.761 | 2.359.056 |
| Insurance expenses | 2.014.663 | 1.924.382 |
| Consultancy expenses | 1.926.938 | 2.033.629 |
| Taxes and duties expenses | 1.677.348 | 489.245 |
| Depreciation and amortization expenses | 1.734.648 | 2.219.515 |
| Traveling expenses | 1.380.661 | 1.384.291 |
| Cleaning and maintenance expenses | 1.249.233 | 1.262.185 |
| Mechanization expenses | 615.650 | 980.947 |
| Personnel transportation expenses | 593.982 | 565.402 |
| Koç Holding service fee expenses | 281.060 | 1.928.946 |
| Donation expenses | 199.898 | 1.134.501 |
| Other expenses | 2.821.291 | 2.210.639 |
| | 37.188.616 | 36.862.247 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

37. OPERATING EXPENSES (continued)

b) Depreciation and amortization expenses

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Cost of production | 9.660.816 | 8.181.068 |
| General administrative expenses | 1.734.648 | 2.219.515 |
| Depreciation expenses of discontinued operation | 847.456 | 1.563.000 |
| | 12.242.920 | 11.963.583 |

c) Personnel expenses

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Wages and salaries | 28.201.067 | 40.173.243 |
| Other social benefits | 9.288.190 | 12.814.986 |
| SSK employee contribution | 6.184.708 | 7.811.980 |
| Provision for employee termination benefits | 1.931.244 | 3.178.010 |
| | 45.605.209 | 63.978.219 |

The total amount of salaries, premiums or any other benefits paid to executive members of the Company is amounting to YTL 2.836.468 for the year ended December 31, 2007 (December 31, 2006 - YTL 6.163.153).

38. OTHER OPERATING INCOME/EXPENSE

a) Other operating income:

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Gain on sale of available for sale financial assets | 22.705.672 | - |
| Foreign exchange gains | 16.578.107 | 12.781.646 |
| Gain on sale of property, plant and equipment | 11.855.571 | 111.256 |
| Provisions no longer required | 62.869 | 5.025 |
| Dividend received | 30.120 | 45.180 |
| Interest income | 7.911 | 78.111 |
| Other income | 1.261.001 | 924.500 |
| | 52.501.251 | 13.945.718 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

38. OTHER OPERATING INCOME/EXPENSE (continued)

b) Other operating expense:

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Foreign exchange losses | (776.121) | (1.841.108) |
| Loss on sale of property, plant and equipment | (13.593) | (119.886) |
| Provision for impairment on available for sale financial assets | - | (8.217) |
| Other expense | - | (389.911) |
| | (789.714) | (2.359.122) |

Impairment provided for the carrying amount of Isısan as presented on the balance sheet as of December 31, 2006, at an amount of YTL 8.217 was reflected in "Other Operating Expenses" account in the financial statements.

39. FINANCIAL EXPENSES

a) Financial Income

| | December 31, 2007 | December 31, 2006 |
|--|--------------------------|-------------------|
| Term difference income related to current year sales | 9.686.191 | 26.087.453 |
| | 9.686.191 | 26.087.453 |

b) Financial Expense

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Interest expense | (49.502.610) | (29.683.901) |
| Term difference expense related to current year purchases | (14.878.517) | (13.623.691) |
| Foreign exchange loss | (10.679.799) | (11.506.734) |
| Forward loss | (10.786.070) | (640.255) |
| Other financial expenses | (4.275.656) | (5.096.094) |
| | (90.122.652) | (60.550.675) |
| Financial expense, net | (80.436.461) | (34.463.222) |

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 years 2007 and 2006.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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41. INCOME TAXES

a) Current Tax and Tax Accruals

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

In Turkey, the corporation tax rate for the fiscal year starting from January 1, 2006 is 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (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.

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 December 31, 2007, there is no transferred investment incentive. The Company opted not to utilize investment incentive exemption and rather preferred to benefit from 20% tax rate.

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

Corporate tax rate for Hong Kong and England is 17,5% and 30% respectively, as of December 31, 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.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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41. INCOME TAXES (continued)

According to “The Transfer Pricing, Controlled Foreign Corporation and Thin Capitalization General Communiqué (serial no:1)” published on November 2007, the required reporting documentation have to be prepared by the Company until the submission of corporate tax declaration. As of the date of approval of consolidated financial statements, the Company continues to work on such reporting documentation.

As of December 31, 2007 and 2006, the analysis of current period tax charge is as follows:

| | December 31, 2007 | December 31, 2006 |
|--|------------------------------|----------------------|
| (Loss)/Profit before tax and minority interest | (11.574.772) | 55.499.058 |
| Corporate tax 20% (2006 - 20%) | 2.314.954 | (11.099.812) |
| Tax effect of disallowable expenses | (459.841) | (87.696) |
| Effect of income not subject to tax | 6.024 | 166.642 |
| Effect of research and development benefit | - | 97.183 |
| Effect of change in tax rate | (110.429) | (485.660) |
| Effect of sale of available for sale financial asset | 3.366.103 | - |
| Effect of sale of property, plant and equipment | 1.670.270 | - |
| Tax charge disclosed under shareholders' equity | 124.831 | (1.643) |
| Others | (89.432) | 267.294 |
| Adjustment of income tax of previous years | - | 14.692 |
| Impairment on deferred tax | (944.358) | - |
| Total tax benefit / (charge) | 5.878.122 | (11.129.000) |
| - Current | (609.467) | (10.976.543) |
| - Deferred | 6.362.758 | (167.149) |
| - Tax charge presented under shareholders' equity | 124.831 | - |
| - Adjustment in respect of prior year tax charge | - | 14.692 |
| - Tax charge of discontinued operation | 1.236.012 | 1.624.398 |
| Tax charge of continued operations | 7.114.134 | (9.504.602) |
| (Loss)/Profit before tax and minority interest from continued operations | (14.569.304) | 54.201.627 |
| Profit before tax from discontinued operations (Note 35) | 2.994.532 | 1.297.431 |
| (Loss)/Profit before tax and minority interest | (11.574.772) | 55.499.058 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 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 through December 31, 2007.

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.

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

| | December 31, 2007 | December 31, 2006 |
|--|------------------------------|----------------------|
| Weighted average number of ordinary shares outstanding during the year | 4.808.219.178 | 4.808.219.178 |
| Net (loss)/profit for the year attributable to equity holders | (5.772.620) | 40.754.281 |
| Less: Net (loss)/profit for the year from discontinued operation | 1.758.520 | (326.967) |
| Net (loss)/profit for the year from continued operations used in the calculation of earnings per share | (7.531.140) | 41.081.248 |
| Basic (loss)/earnings per share | (0,00120) | 0,00848 |
| Earnings/(loss) per share from discontinued operation | (0,00157) | 0,00854 |
| Earnings/(loss) per share from continued operations | 0,00037 | (0,00007) |

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2007****(Currency – Unless otherwise indicated New Turkish Lira (YTL))****43. CASH FLOW STATEMENT**

| | Notes | December 31, 2007 | December 31, 2006 |
|---|------------|----------------------|---------------------|
| Cash flows from operating activities | | | |
| Loss/(profit) before income tax from discontinued operations | | 2.994.532 | 1.297.431 |
| Profit/(loss) before income tax and minority interest from continued operations | | (14.569.304) | 54.201.627 |
| Adjustments to reconcile net income / (loss) to net cash flows from operating activities: | | | |
| Depreciation and amortization | 19, 20, 37 | 12.242.920 | 11.963.583 |
| Provision for employee termination benefit | 23 | 2.261.134 | 3.178.010 |
| Interest expense | 39 | 49.502.610 | 29.683.901 |
| Forward accrual | 10 | - | 640.255 |
| Interest income | 38 | (7.911) | (78.111) |
| Dividend income | 38 | (30.120) | (45.180) |
| Loss on sale of fixed assets | 38 | 13.593 | 119.886 |
| Gain on sale of fixed assets | 38 | (11.855.571) | (111.256) |
| Net change in foreign currency translation differences | | 11.493.326 | (2.461.173) |
| Gain on sale of available for sale financial assets | 38 | (22.705.672) | - |
| Equity income from associate | | (67.144) | - |
| Unrealized foreign exchange loss /(gain) on loans | | (12.426.411) | 7.580.634 |
| Foreign exchange loss from acquisition of subsidiary | | 372.000 | - |
| Unearned interest income | | 356.498 | - |
| Allowance for impairment in affiliates | | - | 8.217 |
| Warranty provision | | 18.868.337 | 16.872.252 |
| Net profit adjusted for non-cash items | | 36.442.817 | 122.850.076 |
| Changes in operating assets and liabilities: | | | |
| Inventories | | (50.514.764) | (27.812.849) |
| Trade receivables and due from related parties | | 69.695.092 | (167.438.531) |
| Trade payables and due to related parties | | (121.471.785) | 107.530.870 |
| Warranty expense paid | | (17.445.864) | (13.915.178) |
| Taxes paid | | (1.066.470) | (10.371.880) |
| Net change in current and non current assets | | (26.801.911) | (1.992.526) |
| Net change in provisions | | 2.266.757 | 2.324.698 |
| Advances taken | | 2.900.140 | 1.061.868 |
| Net change in other liabilities | | (803.587) | (5.698.312) |
| Net change in other receivables | | (114.000) | (91.734) |
| Employee termination benefit paid | 23 | (1.499.464) | (2.204.158) |
| Net cash (used in) provided by operating activities | | (108.413.039) | 4.242.344 |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | 19 | (8.800.418) | (23.071.027) |
| Purchase of intangible assets | 20 | (195.234) | (180.727) |
| Proceeds from sale of property, plant and equipment | | 16.266.134 | 442.306 |
| Cash used in acquisition of shares of subsidiary | | (13.735.792) | (5.321.601) |
| Proceeds from sale of available for sale financial assets | | 41.035.471 | - |
| Proceeds from sale of associate | | 873.086 | - |
| Interest received | 38 | 7.911 | 78.111 |
| Dividend received | 38 | 30.120 | 45.180 |
| Net cash generated from discontinued operations | | 8.917.254 | - |
| Cash and cash equivalents of a subsidiary which is not consolidated | | (1.179.239) | - |
| Net cash provided by (used in) investing activities | | 43.219.293 | (28.007.758) |
| Cash flows from financing activities: | | | |
| Repayment of borrowings | | (591.420.985) | (439.677.961) |
| Net change in finance lease obligations | | (176.199) | 97.931 |
| Proceeds from borrowings | | 701.723.055 | 516.912.002 |
| Interest payments | | (51.226.568) | (27.896.387) |
| Dividends paid | | - | (15.750.000) |
| Net change in other financial liabilities | | (846.201) | 406.904 |
| Net cash provided by financing activities | | 58.053.102 | 34.092.489 |
| Net (decrease)/ increase in cash and cash equivalents | | (7.140.644) | 10.327.075 |
| Cash and cash equivalents at beginning of year | 4 | 20.190.462 | 13.431.067 |
| Cash and cash equivalents at end of year | 4 | 13.049.818 | 23.758.142 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

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 using these financial instruments is to raise funds for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

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

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

Price Risk

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties.

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

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

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

Liquidity Risk

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 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 a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, arm's length transaction. Fair value is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value.

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 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 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 December 31, 2007 is as follows:

| | Interest rate change | (Income)/Loss effect |
|--------------------------|---------------------------------|---------------------------------|
| December 31, 2007 | (5) | 6.769.127 |
| | (5) | (6.769.127) |
| December 31, 2006 | +5 | 3.505.548 |
| | +5 | (3.505.548) |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

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.

| | December 31, 2007 | December 31, 2006 |
|---|--------------------------|-------------------|
| Interest bearing loans and borrowings | 265.680.574 | 249.198.721 |
| Trade and other payables | 163.400.290 | 285.413.016 |
| Less: Cash and cash equivalents | (13.049.818) | (20.190.462) |
| Net liabilities | 416.031.046 | 514.421.275 |
| Equity | 120.500.687 | 189.617.609 |
| Financial assets value increase fund | - | (18.566.202) |
| Total equity | 120.500.687 | 171.051.407 |
| Equity and net liabilities | 536.531.733 | 685.472.682 |
| Ratio of financial liabilities to equity | 78% | 75% |

As of December 31, 2007, 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>December 31, 2007</u> | | | | | |
| Trade Payables and due to Related Parties | 71.491.382 | 43.856.401 | 49.093.845 | - | 164.441.628 |
| Finance Lease Obligations | 17.440 | 28.007 | 86.151 | 31.137 | 162.735 |
| Financial Borrowings | 146.763.778 | 38.860.093 | 32.005.544 | 7.842.298 | 225.471.713 |
| <u>December 31, 2006</u> | | | | | |
| Trade Payables and due to Related Parties | 56.569.701 | 113.085.433 | 108.861.049 | 7.747.889 | 286.264.072 |
| Finance Lease Obligations | 67.267.568 | 21.262.806 | 26.009.532 | 78.359.176 | 192.899.082 |
| Financial Borrowings | 15.795 | 37.631 | 176.361 | 165.685 | 395.472 |

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2007

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

44. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

As of December 31, 2007, 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 |
|------------------------|--------------|-----|---|---------------------|---|
| December 31, 2007 | USD | 20% | (10.645.345) | (20%) | 10.645.345 |
| | EUR | 20% | (3.628.668) | (20%) | 3.628.668 |
| | GBP | 20% | 626.130 | (20%) | (626.130) |
| | RMB | 20% | 163.454 | (20%) | (163.454) |
| | HK Dollar | 20% | - | (20%) | - |
| | CHF | 20% | 305 | (20%) | (305) |
| | Total | | | (13.484.124) | |
| December 31, 2006 | USD | 20% | (3.392.152) | (20%) | 3.392.152 |
| | EUR | 20% | (7.431.435) | (20%) | 7.431.435 |
| | GBP | 20% | (8.180.784) | (20%) | 8.180.784 |
| | RMB | 20% | 120.823 | (20%) | (120.823) |
| | HK Dollar | 20% | (6.868) | (20%) | 6.868 |
| | CHF | 20% | 511 | (20%) | (511) |
| | Total | | | (18.889.905) | |
| | | | Increase in foreign exchange rates (loss)/income | | Decrease in foreign exchange rates (loss)/income |
| December 31, 2006 | USD | 20% | 2.740.009 | (20%) | (2.740.009) |
| Derivative instruments | EUR | 20% | 2.146.400 | (20%) | (2.146.400) |
| | Total | 20% | 4.886.409 | (20%) | (4.886.409) |

As of December 31, 2007, the Company does not have any derivative instruments.

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

None.