

**Türk Demirdöküm Fabrikaları
Anonim Şirketi**

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

December 31, 2009

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REPORT OF INDEPENDENT AUDITORS

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” or “the Company”), which comprise the consolidated balance sheet, the consolidated income statement, statement of cash flows, statement of changes in equity, summary of significant accounting policies and other explanatory notes as of and for the year ended December 31, 2009.

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 Markets Board of Turkey. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and, making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and the audits of the other auditors. We conducted our audit in accordance with auditing standards issued by Capital Markets Board of 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 is sufficient and appropriate to provide a basis for our audit opinion.

The financial statements of foreign subsidiaries DD Heating Limited (UK), and Tianjin Demrad (PRC) that represent 8.4% of assets, 0.5% of equity, 10.8% of period loss and 11.5% of sales have been audited by other auditors.

Opinion

In our 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, 2009, and its financial performance and cash flows for the year then ended in accordance with financial reporting standards published by Capital Markets Board of Turkey.



Matter of emphasis

In our audit and review reports for the periods ended 31 December 2008 and 30 June 2009 we had issued qualified opinion/conclusion on the grounds that there was an ongoing dispute between the joint venture DD Chung Mei Limited where the Group has an equity interest of 55% accounted by equity method and the venturer Chung Mei Industries Limited and that therefore the financial statements of the joint venture had been included in consolidation without an external audit and that up-to-date financial statements of the joint venture were not made available.. In the current period, as disclosed in Note 4: *Joint Ventures*, an impairment loss of TL 1,758,355 has been recognised on the assumption that the value of the investment could have impaired.

Baylan Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Musa Erol, SMMM
Engagement Partner

April 8, 2010
İstanbul, Turkey

Türk Demirdöküm Fabrikaları Anonim Şirketi**CONSOLIDATED BALANCE SHEET****As at December 31, 2009****(Currency –Turkish Lira (TL))**

		Audited	
	Note	31.12.2009	31.12.2008
ASSETS			
Current Assets			
Cash and cash equivalents	6	16.345.702	32.070.143
Trade receivables, net	9	296.180.674	328.389.969
- <i>Due from related parties, net</i>	30	42.052.140	16.485.637
- <i>Other trade receivables, net</i>	9	254.128.534	311.904.332
Other receivables, net	10	17.678.198	36.189.693
- <i>Due from related parties, net</i>	30	13.650.000	32.154.249
- <i>Other receivables, net</i>	10	4.028.198	4.035.444
Inventories	11	70.942.683	85.620.508
Other current assets	20	52.098.153	47.129.194
Sub total		453.245.410	529.399.507
Assets Held For Sales	20	849.843	882.473
Non Current Assets			
Trade receivables, net	9	17.781.059	4.868.624
Investments accounted for using the equity method	12	-	1.758.355
Property, plant and equipment, net	13	69.444.042	64.663.969
Intangibles, net	14	1.363.660	330.168
Positive goodwill, net	15	-	4.143.636
Deferred tax assets	28	14.901.284	11.682.918
Other noncurrent assets	20	2.344	2.344
TOTAL ASSETS		557.587.642	617.731.994

The accompanying explanatory notes on pages 6 through 52 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi**CONSOLIDATED BALANCE SHEET****As at December 31, 2009****(Currency –Turkish Lira (TL))**

		Audited	
	Note	31.12.2009	31.12.2008
LIABILITIES			
Current Liabilities			
Financial liabilities	7	110.424.906	87.523.525
Other financial liabilities	8	27.808	46.988
Trade payables, net	9	173.796.364	217.641.311
- <i>Due to related parties, net</i>	30	15.295.746	3.997.581
- <i>Other trade payables, net</i>	9	158.500.618	213.643.730
Other payables, net	10	30.901.978	32.987.528
- <i>Due to related parties, net</i>	30	28.096.356	31.104.891
- <i>Other payables, net</i>	10	2.805.622	1.882.637
Current Year's Taxes and Other Legal Liabilities Provisions		1.234.755	360.590
Provisions	17	33.888.954	29.186.888
Other liabilities, net	20	11.487.612	46.621.880
Non Current Liabilities			
Financial liabilities	7	105.124.843	98.738.550
Retirement pay provision	19	6.191.714	6.288.938
Deferred tax liability	28	806.460	878.274
EQUITY			
Share capital	21	83.702.248	97.457.522
Equity restatement differences		54.000.000	54.000.000
Premium in excess of par		70.499.320	70.499.320
Other Comprehensive Income, expense-Cash Flow Hedge-		7.039	7.039
Currency translation differences		(2.266.885)	488.921
Profit reserves		4.891.988	4.508.560
Prior year profit / (loss)		8.877.587	8.877.587
Net profit / (loss) for the period		(40.923.905)	(15.958.560)
		(11.382.896)	(24.965.345)
TOTAL LIABILITIES		557.587.642	617.731.994

The accompanying policies and explanatory notes on pages 6 through 52 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi

CONSOLIDATED INCOME STATEMENT
For The Period Ended December 31, 2009
(Currency –Turkish Lira (TL))

	Note	Audited	
		Year Ended Dec 31, 2009	Year Ended Dec 31, 2008
CONTINUING OPERATIONS			
Net sales	22	494.114.497	651.355.280
Cost of sales (-)	22	(384.679.023)	(539.129.948)
GROSS PROFIT		109.435.474	112.225.332
Selling and marketing expense (-)	23	(67.030.886)	(69.869.897)
General and administrative expense (-)	23	(39.188.385)	(56.837.783)
Research and development expense (-)	23	(2.086.765)	(1.538.895)
Other operating income	25	26.760.689	40.149.871
Other operating expense (-)	25	(13.665.941)	(8.444.198)
PROFIT FROM OPERATING		14.224.186	15.684.430
Equity income from associate	12	(1.758.355)	331.768
Financial income	26	26.132.580	26.805.372
Financial expense (-)	27	(56.045.017)	(78.133.878)
(LOSS) / PROFIT BEFORE TAX		(17.446.606)	(35.312.308)
Tax charge from continuing operations		6.063.710	10.346.963
- Tax for the period	28	3.340.251	7.623.996
- Deferred tax income / (charge)	28	2.723.459	2.722.967
(LOSS) / PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		(11.382.896)	(24.965.345)
NET (LOSS) / PROFIT		(11.382.896)	(24.965.345)
Other Comprehensive (Loss), Profit :			
Cash Flow Hedge (Net of Tax Effect)		(2.755.806)	488.921
Currency translation differences		383.428	1.433.259
OTHER COMPEREHENSIVE (LOSS), PROFIT (AFTER TAX)		(2.372.378)	1.922.180
TOTAL COMPEREHENSIVE (LOSS), PROFIT		(13.755.274)	(23.043.165)
Allocation of (Loss), Profit for The Year From Continuing Operations		(11.382.896)	(24.965.345)
Minority Interest		-	-
Parent company		(11.382.896)	(24.965.345)
Allocation of Total Comprehensive (Loss), Profit		(13.755.274)	(23.043.165)
Minority Interest		-	-
Parent company		(13.755.274)	(23.043.165)
Basic (loss) / earnings per share from continuing operations (Krs)		(0,21079)	(0,46232)

The accompanying explanatory notes on pages 6 through 52 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended December 31, 2009
(Currency - Turkish Lira (TL))

	Share Capital	Share Premium	Equity restatement differences	Legal reserves	Retained earnings	Currency translation difference	Net profit / (loss)	OCI Cash Flow hedge	Total equity
January 01, 2009	54.000.000	7.039	70.499.320	8.877.587	(15.958.560)	4.508.560	(24.965.345)	488.921	97.457.522
Cash flow hedge	--	--	--	--	--	--	--	(2.755.806)	(2.755.806)
Net change in currency translation differences	--	--	--	--	--	383.428	--	--	383.428
Net loss for the year	--	--	--	--	--	--	(11.382.896)	--	(11.382.896)
Transfer from net profit to extraordinary reserves	--	--	--	--	(24.965.345)	--	24.965.345	--	-
December 31, 2009	54.000.000	7.039	70.499.320	8.877.587	(40.923.905)	4.891.988	(11.382.896)	(2.266.885)	83.702.248
January 01, 2008	54.000.000	7.039	70.499.320	8.873.883	(10.182.236)	3.075.301	(5.772.620)	--	120.500.687
Cash flow hedge	--	--	--	--	--	--	--	488.921	488.921
Net change in currency translation differences	--	--	--	--	--	1.433.259	--	--	1.433.259
Net loss for the year	--	--	--	--	--	--	(24.965.345)	--	(24.965.345)
Transfer from net profit to legal reserves	--	--	--	3.704	--	--	(3.704)	--	--
Transfer from net profit to extraordinary reserves	--	--	--	--	(5.776.324)	--	5.776.324	--	--
December 31, 2008	54.000.000	7.039	70.499.320	8.877.587	(15.958.560)	4.508.560	(24.965.345)	488.921	97.457.522

The accompanying policies and explanatory notes on pages 6 through 52 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi

CONSOLIDATED CASH FLOW STATEMENT
For the period ended December 31, 2009
(Currency - Turkish Lira (TL))

		Audited	
	Note	31.12.2009	31.12.2008
Cash flow from operating activities			
Loss before income tax from continued operations		(17.446.606)	(35.312.308)
Adjustments to reconcile net income / (loss) to net cash flows from operating activities:			
Depreciation and amortisation	24	11.307.424	13.397.407
Provision for employee termination benefit	19	2.147.081	2.102.215
Interest expenses	27	25.312.921	46.543.860
Interest income		-	(213.099)
Loss on sale of fixed assets	25	99.824	18.024
Gains on sale of fixed assets	25	(320.743)	(223.167)
Net change in foreign currency translation differences		1.017.948	(1.240.881)
Equity income/ (loss) from associate	12	1.758.355	(331.768)
Increase of inventory provisions	11	1.605.007	7.341.816
Increase of allowance for doubtful receivables	9	12.406.591	15.477.149
Increase of first ignition provisions	17	4.474.712	2.295.000
Warranty provisions	23	11.811.514	23.433.627
Goodwill provisions	25	4.560.928	-
Net profit adjusted for non-cash items		58.734.956	73.287.875
Changes in operating assets and liabilities			
Inventories		12.526.825	79.882.325
Trade receivables and due from related parties		6.147.010	(24.924.570)
Trade payables and due to related parties		(47.898.076)	68.332.821
Warranty expense paid		(13.799.340)	(18.638.233)
Assets held for sales		32.630	164.134
Net changes in current and noncurrent assets		(4.968.958)	(13.464.920)
Net changes in provisions		1.860.686	7.008.450
Advances taken		794.417	(4.936.649)
Net changes in other liabilities		(33.086.942)	2.424.109
Net changes in other receivables		21.851.746	(28.346.083)
Employee termination benefit paid		(2.244.305)	(2.407.315)
Net cash (used in) provided by operating activities		(49.351)	138.381.944
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(15.842.530)	(15.414.865)
Purchase of intangible assets	14	(1.277.565)	(160.193)
Proceeds from sale of property, plant and equipment		245.237	355.689
Net cash provided by (used in) investing activities		(16.874.858)	(15.219.369)
Cash flow from financing activities			
Net change in borrowings		30.019.458	(59.953.759)
Net change in finance lease obligations		(37.790)	(91.081)
Interest payment		(28.762.720)	(43.378.770)
Net changes in financial liabilities		(19.180)	(718.640)
Net cash provided by (used in) financing activities		1.199.768	(104.142.250)
Net increase/ (decrease) in cash and cash equivalents		(15.724.441)	19.020.325
Cash and cash equivalents at beginning of year		32.070.143	13.049.818
Cash and cash equivalents at end of year		16.345.702	32.070.143

The accompanying explanatory notes on pages 6 through 52 form an integral part of these financial statements.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2009 (Currency – Unless otherwise indicated Turkish Lira (TL))

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES

General

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

As of December 31, 2009 and 2008, 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
DD Heating Ltd. (DD Heating)	Distribution of radiators and water boilers	England	2003
Tianjin Demrad Trading Company Limited (Demiladi) (Not 2)	Sales marketing and warehouse activities	China	2003
Joint Ventures			
Demirdöküm Chung Mei Industries Ltd (DD Chung Mei)	Production of durable consumer goods	Hong-Kong	2002

As of 31 December 2009, there are 201 white collar (31.12.2008: 277) and 898 blue collar (31.12.2008: 928) and 1.099 total employees (31.12.2008: 1.250)

As of December 31, 2009 and 2008, direct equity investments and ultimate shareholding including indirectly owned interests of Demirdöküm are as follows:

	Direct Equity Interest of Türk Demirdöküm Fabrikaları A.Ş. (%)		Total Equity Interest of Türk Demirdöküm Fabrikaları A.Ş. (%)	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Panel	50,00	50,00	100,00	100,00
DD Heating	100,00	100,00	100,00	100,00
Demiladi	100,00	100,00	100,00	100,00
DD Chung Mei (*)	55,00	55,00	55,00	55,00

(*) DD Chung Mei is a jointly controlled entity according to the provisions of the Shareholders Agreement and Management Agreement entered into with the venturer Chung Mei Industries Limited domiciled in People's Republic of China. The Company management preferred to account for this investment based on equity method in the consolidated financial statements.

The shareholding interest of Vaillant Saunier Duval Iberica S.L. (Vaillant) has increased to 96.19% as a result of the closing of the Purchase agreement between Vaillant (the Buyer) and Koç Holding A.Ş., Temel Ticaret ve Yatırım A.Ş., Rahmi M. Koç, Semahat S. Arsel, Suna Kırac, Mustafa V. Koç, Y. Ali Koç and Koç Holding Emekli ve Yardım Sandığı Vakfı as of October 5, 2007 for 72.56% of shares and as a result of the compulsory call that has been completed as of May 26, 2008 in connection with the Communiqué Serial IV: Number 8: Principles Regarding Proxy Voting and Tender Offer of Capital Markets Board of Turkey.

The Company has purchased 50% percent of its subsidiary, DD Heating, which was owned by Temel Ticaret A.Ş. for Euro 28.120.000. Euro 8.120.000 of such amount was paid on October 5, 2007. Remaining amount Euro 20.000.000 (TL 34.382.862 discounted) has been paid on March 5, 2009.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2009 (Currency – Unless otherwise indicated Turkish Lira (TL))

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

Nature of activities

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

2. BASIS OF PRESENTATION

Basis of Presentation

The Capital Markets Board (CMB) has issued Communiqué No. XI-29 “Communiqué on Financial Reporting in Capital Markets” which sets out the concepts that underlie the preparation and presentation of financial statements to the related users.

According to article 5 of the Communiqué, Companies prepare their financials in accordance with International Financial/Accounting Reporting Standards (IFRS/IAS) in its form accepted by European Union. In this context, the Company prepared its financial statements and disclosures in accordance with IFRS/IAS.

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

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

The consolidated financial statements have been prepared from statutory financial statements of Demirdöküm and its subsidiaries and presented in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB regulations.

Functional and Presentation Currency

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

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 TL by using the buying exchange rate on December 31, 2009 and profit and loss accounts by using the average exchange rate for the period.

The exchange rates were as follows:

	December 31, 2009	December 31, 2009	December 31, 2008	December 31, 2008
	Balance Sheet Rate	Average Rate	Balance Sheet Rate	Average Rate
Great Britain Pound	2,3892	2,4132	2,1924	2,3831
Euro	2,1603	2,1505	2,1408	1,8958
Renminbi	0,2206	0,2261	0,2179	0,1786

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2009
(Currency – Unless otherwise indicated Turkish Lira (TL))

Foreign Currency Translation

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

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

Accounting Policies, Changes in Accounting Estimates and Errors

In the preparation and presentation of the financial statements, the principles, the rules, and the estimates are being derived from the accounting standards issued by the Capital Markets Board of Turkey and to the communiqué Serial:XI, No:29 which refer to International Financial Reporting Standards; and are being consistently applied.

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

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

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

Standards, amendments and interpretation effective from 1 January 2009

- IFRS 1 (Amendment) "First time Application of IFRS" and IAS 27 "Consolidated and Separate Financial Statements"
- IAS 1(Amendment), "Presentation of Financial Statements"
- IAS 19(Amendment), "Employee Benefit"
- IAS 23(Amendment), "Borrowing Costs"
- IAS 28(Amendment), "Investment in Associates" (and accordingly, amendments in IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments - Disclosures")
- IAS 32 (Amendment), "Financial Instruments: Presentation"
- IAS 36 (Amendment), "Impairment of Assets"
- IAS 38 (Amendment), "Intangible Assets"
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement"
- IFRS 2 (Amendment), "Share Based Payment"
- IFRS 8, "Operating Segment"
- IFRIC 15, "Agreements for the Construction of Real Estate"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2009
(Currency – Unless otherwise indicated Turkish Lira (TL))

Amendments and interpretations effective from 1 January 2010

- IAS 27 (Amendment), “Consolidated and Separate Financial Statements”
- IAS 31 (Amendment), “Interests in Joint Ventures”
- IFRS 3 (Amendment), “Business Combinations”
- IFRS 5 (Amendment), “Non-current Assets Held for Sale and Discontinued Operations”
- IFRIC 17, “Distributions of Non-cash Assets to Owners”
- IFRIC 18, “Transfers of Assets from Customers”

The above standards and interpretations shall have no important affects on company’s 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 expense during the reporting period. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are taken to the consolidated financials in period in which they become known.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections under "Significant Accounting Policies" Note.

Basis of Consolidation

As of December 31, 2009, the consolidated financial statements comprise of financial statements of Demirdöküm and its subsidiaries; Panel, DD Heating and Demiladi and these companies are presented as a single business entity.

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
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SIGNIFICANT ACCOUNTING POLICIES

Discontinued operations

The Company has no discontinued operations as in 2009 and 2008.

Revenue Recognition

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

i) Sale of Goods

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

ii) Interest Income

Interest income is accounted on an accrual basis.

iii) Dividends

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

Foreign Currency Transactions

Transactions in foreign currencies are being recorded at the rate ruling at the date of transaction and foreign currency denominated assets and liabilities in the consolidated balance sheet are being translated at the rates of exchange prevailing at the balance sheet dates. As of December 31, 2009 and 2008, assets and liabilities denominated in foreign currencies have been translated with the buying exchange rates declared by Central Bank of the Republic of Turkey (CBRT). Exchange gains or losses arising on settlement and translation of foreign currency items have been included in the consolidated income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, short-term deposits and other liquid assets. Other liquid assets mainly comprise of maintenance contract sales with credit cards. 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.

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

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Inventories

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

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

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

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

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. 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.

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 organized financial markets is determined by reference to quoted market bid prices or prices declared by Stock Exchange at the balance sheet date.

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

Loans and Receivables

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

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2009 (Currency – Unless otherwise indicated Turkish Lira (TL))

Trade Receivables

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

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

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

Financial Liabilities

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

Recognition and Derecognition of Financial Assets and Liabilities

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

Impairment of Financial Assets

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

Assets carried at amortized cost

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

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

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

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Borrowing Costs

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

Assets Held for Sale

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

Property, Plant and Equipment

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment has been put into 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 capitalized as an additional cost of property, plant and equipment.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

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

Intangible Assets

Intangible assets are initially stated at cost and are restated for inflation until December 31, 2004 with the index of the related purchase date. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets excluding development costs, created within the Company are not capitalized and are directly charged to

NOTES TO FINANCIAL STATEMENTS (Continued)
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profit and loss when incurred. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a business, subsidiaries and associates at the date of acquisition. Goodwill arising from the business combinations before April 1, 2004 is amortized on a straight-line basis over its useful economic life up to a presumed maximum of 20 years and goodwill is reviewed for possible impairment when events and changes in circumstances indicate that the carrying value may not be recoverable. Beginning from April 1, 2004, goodwill is not amortized but reviewed for possible impairment. As of December 31, 2009, the Company has recognized an impairment loss for goodwill based on its evaluation.

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.

Income Taxes

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

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

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

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

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

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

- is not a business combination,

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- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

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

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

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

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

Employee Termination Benefits

(a) Defined Benefit Plans:

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

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

(b) Defined Contribution Plans:

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

Segment Reporting

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

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

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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.

Provisions, Contingent Liabilities and Assets

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future expense. Provisions are revised at each balance sheet date and amended in order to reflect management’s recent estimations.

ii) Contingent Liabilities and Assets

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

Related Parties

Parties are considered related to the Company if;

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

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

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Cash Flow Statement

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

Leases

Financial Leases

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

Operating Leases

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

Cash Flow Hedges

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

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

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

3. BUSINESS COMBINATIONS

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

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

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

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

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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 recognized 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.

4. JOINT VENTURES

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

As of September 2008, DD Chung Mei Industries Ltd has ceased its operations. Due to the ongoing legal proceedings, financial statements of the joint venture could not be obtained. The equity interest of Demirdöküm was calculated TL 1.758.355 based on 55% of shares in 31st of December 2009. However, due to the current legal issues and the possibility of arising financial burden later on, provision for impairment was issued for the initial amount. (Note 12)

As of December 31, 2008, balance of Chung Mei is as follows:

	31.12.2008
Current assets	7.002.401
Noncurrent assets	991.508
Total assets	7.993.909
Current liabilities	3.964.352
Noncurrent liabilities	--
Equity	4.029.557
Total Liabilities	7.993.909

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5. SEGMENT REPORTING

The consolidated revenue of the Company is realized from the operations in Turkey, China and the UK. As of December 31, 2009 and 2008 segment reporting information of the Company according to geographical segments are as follows:

December 31, 2009	Turkey	UK	China	Total	Elimination	Consolidated
Current Assets	486.915.297	36.579.128	2.534.817	526.029.242	(71.933.989)	454.095.253
Non-Current Assets	102.547.086	39.260	354.622	102.940.968	551.421	103.492.389
Financial Assets, (net)	98.392.426	23.175.240	-	121.567.666	(121.567.666)	-
Total Assets	687.854.809	59.793.628	2.889.439	750.537.876	(192.950.234)	557.587.642
Current Liabilities	368.752.105	59.790.536	3.183.252	431.725.893	(69.963.516)	361.762.377
Non-Current Liabilities	112.123.017	-	-	112.123.017	-	112.123.017
Equity	216.526.282	1.013.509	(142.810)	217.396.981	(122.311.837)	95.085.144
Net loss	(9.546.595)	(1.010.417)	(151.003)	(10.708.015)	(674.881)	(11.382.896)
Total Liabilities	687.854.809	59.793.628	2.889.439	750.537.876	(192.950.234)	557.587.642

December 31, 2008	Turkey	England	China	Total	Elimination	Consolidated
Current Assets	551.285.622	47.903.707	2.894.809	602.084.138	(71.802.158)	530.281.980
Non-Current Assets	80.614.914	4.392.190	364.093	85.371.197	320.462	85.691.659
Financial Assets, (net)	100.150.781	21.266.280	-	121.417.061	(119.658.706)	1.758.355
Total Assets	732.051.317	73.562.177	3.258.902	808.872.396	(191.140.402)	617.731.994
Current Liabilities	406.875.576	74.727.068	3.399.580	485.002.224	(70.633.514)	414.368.710
Non-Current Liabilities	105.893.652	12.110	-	105.905.762	-	105.905.762
Equity	235.304.147	8.180.637	(494.720)	242.990.064	(120.567.197)	122.422.867
Net loss	(16.022.058)	(9.357.638)	354.042	(25.025.654)	60.309	(24.965.345)
Total Liabilities	732.051.317	73.562.177	3.258.902	808.872.396	(191.140.402)	617.731.994

1 January- 31 December 2009	Turkey	UK	China	Total	Elimination	Consolidated
Net Sales	596.953.260	53.607.647	3.360.059	653.920.966	(159.806.469)	494.114.497
Cost of Sales (-)	(483.760.783)	(57.032.957)	(3.362.918)	(544.156.658)	159.477.635	(384.679.023)
Gross Profit	113.192.477	(3.425.310)	(2.859)	109.764.308	(328.834)	109.435.474
Marketing and Selling Expense (-)	(58.788.678)	(8.009.582)	(232.626)	(67.030.886)	-	(67.030.886)
General and Administrative Expense (-)	(37.726.475)	(2.175.872)	(323.990)	(40.226.337)	1.037.952	(39.188.385)
Research and Development Expense (-)	(2.086.765)	-	-	(2.086.765)	-	(2.086.765)
Other Operating Income	10.171.218	17.789.807	414.622	28.375.647	(1.614.958)	26.760.689
Other Operating Expense (-)	(4.083.591)	(9.582.350)	-	(13.665.941)	-	(13.665.941)
Profit from Operations, net	20.678.186	(5.403.307)	(144.853)	15.130.026	(905.840)	14.224.186
Equity Income from Affiliates	(1.758.355)	-	-	(1.758.355)	-	(1.758.355)
Financial Income	26.136.143	-	(3.563)	26.132.580	-	26.132.580
Financial Expense (-)	(55.860.314)	(184.703)	-	(56.045.017)	-	(56.045.017)
Profit/(Loss) of the period before tax	(10.804.340)	(5.588.010)	(148.416)	(16.540.766)	(905.840)	(17.446.606)

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1 January- 31 December 2008	Turkey	UK	China	Total	Elimination	Consolidated
Net Sales	810.156.906	108.385.192	3.750.738	922.292.836	(270.937.556)	651.355.280
Cost of Sales (-)	(698.509.276)	(104.804.232)	(3.373.058)	(806.686.566)	267.556.618	(539.129.948)
Gross Profit	111.647.630	3.580.960	377.680	115.606.270	(3.380.938)	112.225.332
Marketing and Selling Expense (-)	(58.439.549)	(14.744.915)	(252.335)	(73.436.799)	3.566.902	(69.869.897)
General and Administrative Expense (-)	(34.582.093)	(22.954.713)	(219.589)	(57.756.395)	918.612	(56.837.783)
Research and Development Expense (-)	(1.538.895)	-	-	(1.538.895)	-	(1.538.895)
Other Operating Income	11.933.626	20.066.233	127.288	32.127.147	8.022.724	40.149.871
Other Operating Expense (-)	(8.426.174)	(18.024)	-	(8.444.198)	-	(8.444.198)
Profit from Operations, net	20.594.545	(14.070.459)	33.044	6.557.130	9.127.300	15.684.430
Equity Income from Affiliates	-	-	331.768	331.768	-	331.768
Financial Income	35.598.703	148.005	-	35.746.708	(8.941.336)	26.805.372
Financial Expense (-)	(74.897.638)	(3.228.124)	(3.346)	(78.129.108)	(4.770)	(78.133.878)
Profit /(Loss) of the period before tax	(18.704.390)	(17.150.578)	361.466	(35.493.502)	181.194	(35.312.308)

Company's core business related production and sales figures for the years ended both 31st of December 2009 and 31st of December 2008 are as follows:

	<u>January 1st</u> <u>December 31st 2009</u>	<u>January 1st</u> <u>December 31st 2008</u>
<u>Sales</u>		
Water and air heaters	509.846	603.609
Natural Gas Stove (unit)	12.690	88.198
Panel Radiator (m)	1.919.596	2.418.694
Air Condition(unit)	81.227	126.147
Towel Heater(unit)	31.243	189.164
Cast Iron Radiator(m2)	336.470	688.604
Cast Iron Boiler	5.321	15.694
<u>Production</u>		
Water and air heaters	510.218	578.246
Natural Gas Stove (unit)	13.104	79.943
Panel Radiator (m)	1.908.616	2.259.024
Air Condition (unit)	85.548	61.744

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6. CASH AND CASH EQUIVALENTS

	December 31,2009	December 31,2008
Cash	47.824	32.706
Cash at banks		
- demand deposit	13.161.431	3.589.188
- time deposit	1.944.270	28.150.130
Other liquid assets	1.192.177	298.119
	16.345.702	32.070.143

As of December 31, 2009, interest rate for time deposit is 0.5% per year for EURO.

7. FINANCIAL LIABILITIES

	December 31,2009	December 31,2008
Short term borrowings	110.410.687	87.485.692
Long term borrowings	105.124.843	98.724.331
Total Borrowings	215.535.530	186.210.023
Short term finance lease obligations	14.219	37.833
Long term finance lease obligations	–	14.219
Total Finance Lease Obligations	14.219	52.052
	215.549.749	186.262.075

a) Borrowings

December 31, 2009					
		Amount in Foreign currency	Interest Rate	Maturity	Amount
Short Term					
Finance Loans	EUR	33.021.137	1,28%	05.05.2010 / 07.06.2010	71.335.561
	GBP	17.421	1,31%	31.01.2010	41.621
Operating Loans	TL	38.209.386	7.80%-8.40%	01.01.2010 / 01.03.2010	38.209.386
Other Loans (SSK)	TL	824.119	–	05.01.2010	824.119
					110.410.687
Long Term					
Finance Loans	GBP	44.000.000	1,31%	05.05.2012	105.124.843
					105.124.843
TOTAL					215.535.530

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December 31, 2008					
		Amount in Foreign currency	Interest Rate	Maturity	Amount
Short Term					
Export Loans	TL	4.499.434	17,50%	16.03. 2009 – 29.03.2009	4.499.434
Finance Loans	EUR	20.352.506	5,93%	20.03.2009	43.570.644
Operating Loans	TL	38.491.060	24,00%	01.06. 2009	38.491.060
Other Loans (SSK)	TL	924.554	0,00%	02.02. 2009	924.554
					87.485.692
Long Term					
Finance Loans	GBP	45.030.255	6,36%	05.05. 2012	98.724.331
TOTAL					186.210.023

As of December 31, 2009 and 2008, the Company has no financial borrowings from related parties.

As of December 31, 2009 and 2008, repayment schedule for financial liabilities is as follows:

	December 31,2009	December 31,2008
1 year	110.410.687	87.485.692
1-3 years	105.124.843	98.724.331
	215.535.530	186.210.023

b) Financial Lease Obligations

Interest rates of related finance lease obligations are 8% for Euro finance lease obligations.

As of December 31, 2009 and 2008, the payment plan of finance lease obligations including principal and interests is as follows:

	December 31,2009	December 31,2008
Payable within 1 year	15.785	40.304
Payable longer than 1 shorter than 2 years	--	14.464
	15.785	54.768
Less: Interest to be paid	(1.566)	(2.716)
	14.219	52.052

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8. OTHER FINANCIAL LIABILITIES

As of December 31, 2009, other financial liabilities comprise of financial liabilities to Yapı ve Kredi Faktoring and Kofisa arising from revocable factoring transactions amounting to TL 27.808 (December 31, 2008 - TL 46.988).

9. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	December 31,2009	December 31,2008
Account receivables	185.042.216	213.948.364
Due from related parties	42.052.140	16.485.637
Post-dated checks and notes receivables	136.578.329	133.979.405
	363.672.685	364.413.406
Less: Unearned interest on receivables	(7.329.969)	(1.923.680)
Less : Allowance for doubtful receivables	(42.380.983)	(29.231.133)
	313.961.733	333.258.593

	December 31,2009	December 31,2008
Short term trade receivables	296.180.674	328.389.969
Long term trade receivables	17.781.059	4.868.624
	313.961.733	333.258.593

Long-term trade receivables of the Company comprise post-dated checks and notes receivables.

As of December 31, 2009 and 2008, movement of deferred interest income is as follows:

	December 31,2009	December 31, 2008
Deferred interest income from prior year	1.923.680	2.556.937
Prior year deferred interest income realised in current year	(1.923.680)	(2.556.937)
Deferred interest income recognised in the current year	21.317.912	23.855.165
Current year deferred interest income realised in the same year	(13.987.943)	(21.931.485)
	7.329.969	1.923.680

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For the years ended December 31, 2009 and 2008, the movements of provision for doubtful receivables are as follows:

	December 31,2009	December 31, 2008
Balance at the beginning of year	29.231.133	14.161.519
Current year expense	15.155.443	15.513.731
Recoveries from doubtful receivables	(95.625)	(36.582)
Doubtful receivables written off	(2.653.227)	--
Currency translation differences	743.259	(407.535)
Balance at the end of year	42.380.983	29.231.133

As of December 31, 2009, securities received from local customers are TL 92.268.024 (December 31, 2008: TL 74.252.932). The Company has legal right to enforce these securities in the case of default by customers. Amount of securities received from foreign customers is TL 18.926.353 (December 31, 2008: TL 33.313.842).

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

List of securities are listed below,

Guarantee received from local customers	December 31,2009	December 31, 2008
Bank letters of guarantee	24.384.314	28.988.675
Mortgages on real estate	67.883.710	45.264.257
	92.268.024	74.252.932

Guarantee received from export customers	December 31,2009	December 31, 2008
Letters of credit	4.812.589	4.986.135
Letters of guarantee	3.197.067	8.686.483
Received personnel securities	1.708.896	1.582.937
Insurance for receivables	9.207.801	18.058.287
	18.926.353	33.313.842

As of December 31, 2009 and 2008, the analysis of trade receivables based on their maturities is as follows;

Past due but not impaired				
	1 month	1-3 months	3-12 months	Total
31.12.2009	15.668.290	7.101.567	34.390.217	57.160.074
31.12.2008	14.640.329	9.100.258	4.965.882	28.706.469

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

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b) Trade Payables

	December 31,2009	December 31, 2008
Trade payables	34.133.291	25.127.342
Due to related parties (note:30)	15.295.746	3.997.581
Payments order given	127.024.645	189.129.055
	176.453.682	218.253.978
Less: Unrealized interest on payables	(2.657.318)	(612.667)
	173.796.364	217.641.311

As of December 31, 2009 and 2008, movement of unearned interest on payables is as follows:

	December 31,2009	December 31, 2008
Prior year deferred interest expense	612.667	1.041.337
Prior year interest expense realised in the current year	(612.667)	(1.041.337)
Deferred interest expense recognised in the current year	8.191.937	8.749.764
Current year interest expense realised in the same year	(5.534.619)	(8.137.097)
	2.657.318	612.667

The Company has bank letters of guarantee issued to suppliers in the amount of USD 4.000.000 as of December 31, 2009 (December 31 2008: USD 5.000.000).

10. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	December 31,2009	December 31, 2008
Due from personnel	202.182	283.520
Due from related parties (note:30)	13.650.000	32.154.249
Order advances given	1.013.692	3.751.924
Order advances given for importation	2.812.324	--
	17.678.198	36.189.693

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b) Other payables

	December 31,2009	December 31, 2008
Due to personnel	832.210	475.416
Order advances received	1.967.580	1.173.163
Due to related parties (not:30)	28.096.356	31.104.891
Other	5.832	234.058
	30.901.978	32.987.528

11. INVENTORIES

	December 31,2009	December 31, 2008
Raw materials	27.500.009	29.314.265
Work-in-process	2.096.124	3.074.960
Semi-finished goods	6.635.328	7.134.953
Finished goods	38.079.791	43.671.097
Merchandise	6.231.429	8.955.325
Goods in transit	732.504	1.651.411
	81.275.185	93.802.011
Less: Allowance for net realizable value of raw materials	(2.279.323)	(255.285)
Less: Allowance for net realizable value of finished goods	(5.662.932)	(6.447.004)
Less: Allowance for net realizable value of merchandise	(2.390.247)	(1.479.214)
	(10.332.502)	(8.181.503)
	70.942.683	85.620.508

As of December 31, 2009 and 2008, movement of allowance for net realizable value of inventories is as follows:

	01.01.- 31.12.2009	01.01.- 31.12.2008
Balance as of January 01	8.181.503	872.233
Additions	5.209.257	7.309.270
Disposals	(3.604.250)	-
Foreign currency differences	545.992	-
Balance as of December 31	10.332.502	8.181.503

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12. INTEREST IN JOINTLY CONTROLLED ASSETS

	December 31, 2008
Current Assets	7.002.401
Non Current Assets	991.508
Short Term Liabilities	3.964.352
Long Term Liabilities	--
Equity	4.029.557
Net Sales	8.297.807
Net Profit	603.214

	December 31, 2009		December 31, 2008	
	Participation Percentage (%)	TL	Participation Percentage (%)	TL
Chung Mei	55%	1.758.355	55%	1.426.587
Equity income from joint venture		--		331.768
Impairment of investment in joint venture		(1.758.355)		--
		--		1.758.355

As had been explained in Note 4, an impairment loss by 100% has been provided for the investment in DD Chung Mei based on the assessment that the carrying value of the investment might have impaired in consideration of the facts that the financial statements of the joint venture for the year ended December 31, 2009 could not be obtained, that the joint venture ceased its operations since August 2008, that there is an ongoing legal proceeding with the venturer Chung Mei which may have negative impact on the financial position of the joint venture.

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13. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended December 31, 2009 and December 31, 2008 is as follows:

	January 1, 2009	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2009
Cost						
Land and land improvement	2.686.820	216.136	-	-	-	2.902.956
Buildings	31.324.349	965.760	-	-	-	32.290.109
Machinery, installations and equipment	167.649.439	9.045.357	(1.504.386)	-	183.810	175.374.220
Motor vehicles	1.218.695	-	(339.039)	-	45.507	925.163
Furniture and fixtures	11.732.750	983.610	(120.239)	-	85.912	12.682.033
Leasehold improvements	2.980.396	-	-	-	-	2.980.396
Advances given and construction in progress	341.349	4.631.667	-	-	-	4.973.016
Total	217.933.798	15.842.530	(1.963.664)	-	315.229	232.127.893
Less: Accumulated depreciation						
Land and land improvement	(1.006.986)	(21.966)	-	-	-	(1.028.952)
Buildings	(11.962.857)	(903.839)	-	-	-	(12.866.696)
Machinery, installations and equipment	(131.466.470)	(8.414.233)	1.480.381	-	(180.302)	(138.580.624)
Motor vehicles	(891.667)	(175.255)	339.039	-	(38.949)	(766.832)
Furniture and fixtures	(7.586.991)	(951.979)	119.926	-	(70.766)	(8.489.810)
Leasehold improvements	(354.858)	(596.079)	-	-	-	(950.937)
Total	(153.269.829)	(11.063.351)	1.939.346	-	(290.017)	(162.683.851)
Property, plant and equipment, net	64.663.969					69.444.042

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

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14. INTANGIBLE ASSETS

The movement of intangibles as of December 31, 2009 and 2008 is as follows;

	January 1, 2009	Addition	Disposal	December 31, 2009
Cost				
Rights	2.520.628	239.421	-	2.760.049
Development expenses	-	1.038.144	-	1.038.144
Less: Accumulated amortization				
Rights	(2.190.460)	(244.073)	-	(2.434.533)
Net Book Value	330.168			1.363.660
	January 1, 2008	Addition	Disposal	December 31, 2008
Cost				
Rights	2.360.435	160.193	--	2.520.628
Less: Accumulated amortization				
Rights	(1.975.885)	(214.575)	--	(2.190.460)
Net Book Value	384.550			330.168

Intangible assets comprise of software license.

15. GOODWILL

As of December 31, 2009 and 2008, the goodwill has arisen from the purchase of “Heatline” business of Beko.

The movement of goodwill in 2009 and 2008 is as follows:

	December 31,2009	December 31,2008
Beginning net book value	4.143.636	4.395.951
Currency translation difference	417.292	(252.315)
Less: Impairment of goodwill (-)	(4.560.928)	--
	--	4.143.636

As of 31 December 2009 projected goodwill impairment is TL 4,560,928.

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NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2009 (Currency – Unless otherwise indicated Turkish Lira (TL))

16. GOVERNMENT GRANTS

Research and Development Grants: Research and development incentives received in cash is TL 459.989 (December 31, 2008 - TL 983.871).

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

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short Term Provisions

	December 31, 2009	December 31, 2008
Provision for warranty expense	12.490.708	14.124.039
Provision for sales premium	2.702.352	2.807.195
Provision for contingent liabilities	3.413.297	293.619
Premium, annual leave, and severance payment accrual	479.456	1.837.537
First ignition and assembly cost accrual	4.474.712	2.295.000
Warranty expense accrual	7.875.491	6.165.737
Accrual for service contracts from related parties	1.280.000	--
Other	1.172.938	1.663.761
	33.888.954	29.186.888

b) As of December 31, 2009 total amount of guarantee letters given by the Company to the government authorities is TL 28.936.542 (December 31, 2008 - TL 26.445.355)

c) As of December 31, 2009, there are lawsuits filed against the Company amounting to a total of TL 6.546.482 (December 31, 2008 - TL 1.113.899). The Company has provided provisions amounting to TL 3.413.297 (December 31, 2008 - TL 293.619) for those lawsuits.

18. COMMITMENTS

In connection with the loan utilized by the Company in 20 August 2008 under the Multicurrency Revolving Facility Agreement regarding Euro 600.000.000 Facility dated 3 May 2005 and executed for Vaillant GmbH (in its capacity as the Original Guarantor and one of the Original Borrowers) arranged by Commerzbank Aktiengesellschaft, HSBC Bank Plc, and The Royal Bank of Scotland Plc as Mandated Lead Arrangers; with Commerzbank International S.A., Luxembourg as the Agent, the Company approves the utilisation subject to the terms and conditions of the Facility Agreement as an "Additional Guarantor". In this respect The Board approved to Accede the Facility Agreement in its capacity as the "Additional Borrower" as of February 13th, 2009. Demirdöküm has received portions of GBP 45.000.000 in 2008 and EUR 20.000.000 on March 5, 2009 from the Vaillant Group financing facility.

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

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

Total amount of the related commitment as of 31 December 2009 is TL 14,633,199.

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

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

Total amount of the related commitment as of 31 December 2009 is TL 10,422,038.

As of 31 December 2009, the remaining balance of lease commitments relating to facilities used by the Company is TL 22.984.813.

19. PROVISION FOR EMPLOYEE TERMINATION BENEFITS

In accordance with Turkish Labour Law, the Company is required to make lump-sum termination indemnity payments to each employee whose employment is terminated due to retirement after 25 years of service (20 years for women) or for reasons such as military obligation or death. Such payments are calculated on the basis of 30 days' pay and limited to a maximum TL 2,365.16 (December 31, 2008 - TL 2,173.19) at December 31, 2009.

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 provided on the basis of net present value of the obligation that will become due upon retirement of the employee.

Accordingly, actuarial assumptions to calculate liabilities as of December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
Interest rate	%11.0	%12.0
Expected rates of salary / limit increases	%4.8	%5.4
Discount rate	%5.92	%6.26

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As of December 31, 2009 and December 31, 2008, the movement of provision for employee termination benefits is as follows:

	December 31, 2009	December 31, 2008
Balance at January 1	6.288.938	6.594.038
Current year service cost	2.147.081	2.102.215
Payments	(2.244.305)	(2.407.315)
	6.191.714	6.288.938

20. OTHER ASSETS AND LIABILITIES

	December 31, 2009	December 31, 2008
Other current assets		
VAT deductible	25.902.320	21.314.817
VAT receivable	16.749.300	17.543.743
Prepaid tax	1.259.121	60.110
Prepaid expense	655.976	492.451
Income accruals	--	116.714
Business advance	282.126	7.600
Order advances given	6.878.773	2.776.194
Other	370.537	4.817.565
	52.098.153	47.129.194
Other noncurrent assets		
Deposits given	2.344	2.344
Other Assets	52.100.497	47.131.538

Assets for held	December 31, 2009	December 31, 2008
Land and buildings available for sale (*)	981.346	1.013.976
Impairment of land available for sale	(131.503)	(131.503)
	849.843	882.473

(*)Impairment loss of TL 131.503 has been reduced from the carrying value of property held for sale in connection with the market value derived from external appraisal reports.

Other current liabilities	December 31, 2009	December 31, 2008
Taxes and duties payable	3.179.760	3.531.040
Payables to Temel Ticaret(*)	--	42.431.895
Deferred income (**)	7.907.238	186.750
VAT payables	306.675	--
Other	93.939	472.195
	11.487.612	46.621.880

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2009 (Currency – Unless otherwise indicated Turkish Lira (TL))

(*) As of December 31, 2008, short 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 (TL 42.431.895, discounted) with due date of March 5, 2009. The balance has been settled on due date.

(**) TL 6.129.494 of the TL 7.907.238 deferred income is the return of goods procured from DD Chung Mei. Because the return is subject of counterclaim in connection with ongoing legal proceedings, the amount has not been posted in income statement; but deferred in the balance sheet. The remaining TL 1.777.744 is deferred amount of the service contract revenue due to the matching principle of accounting.

21. EQUITY

a) Share Capital

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

	December 31, 2009		December 31, 2008	
	TL Amount	Shareholding Percentage	TL Amount	Shareholding Percentage
Vaillant Saunier Duval Iberica SL	51.937.200	%96,19	51.937.200	%96,19
Publicly traded	2.062.800	%3,81	2.062.800	%3,81
	54.000.000	%100,00	54.000.000	%100,00

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

As of December 31, 2009 authorized share capital is TL 100,000,000 (December 31, 2008 TL 100,000,000). As of December 31, 2009, the share capital consists of 5,400,000,000 ordinary shares of TL 0.01 par value (December 31, 2008 – 5,400,000,000).

The movement of the paid share capital (in numbers and in historical TL) of the Company in years 2009 and 2008 is as follows:

	December 31, 2009		December 31, 2008	
	Number	TL	Number	TL
1 January	5.400.000.000	54.000.000	5.400.000.000	54.000.000
Movement	--	--	--	--
	5.400.000.000	54.000.000	5.400.000.000	54.000.000

b) Equity Restatements Differences

As of December 31, 2009 and 2008, TL 70.499.320 of equity restatement differences arose from the restatement differences of share capital.

NOTES TO FINANCIAL STATEMENTS (Continued)
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c) Profit Reserves and Retained Earnings

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Demirdöküm's paid-in share capital (restated share capital in accordance with CMB Communiqué 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 Markets Board for their dividend distributions as follows:

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

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

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

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

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

As of December 31, 2009 and December 31, 2008, premium in access par, legal reserves, cumulative profit (losses) and special funds are as follows:

	December 31, 2009	December 31, 2008
Premium in access par	7.039	7.039
Legal reserves	12.980.311	12.980.311
Special funds	26.293.925	26.293.925
Extraordinary reserves	72.781.461	72.781.461

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22. SALES AND COST OF SALES

a) Sales

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Domestic sales	376.929.339	448.885.974
Export sales	166.857.042	245.207.912
Other sales	21.473.121	26.212.850
	565.259.502	720.306.736
Domestic sales returns and discount (-)	(19.720.068)	(9.119.290)
Export sales returns and discount (-)	(7.813.167)	(6.336.157)
After sales first ignition (-)	(13.025.197)	(18.131.108)
Export freight (-)	(9.268.661)	(11.329.075)
Other deduction	-	(180.661)
	(49.827.093)	(45.096.291)
NET SALES	515.432.409	675.210.445
Less: Unearned interest income (-) (*)	(21.317.912)	(23.855.165)
TOPLAM	494.114.497	651.355.280

(*) Term sales are discounted using effective interest rate (factoring interest rate). Calculated maturity is booked as financial income based on the term date. (Note 26)

b) Cost of Sales

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Raw material consumption	261.008.806	336.605.482
Direct labour cost	18.687.392	19.647.388
Production overhead	34.051.176	42.109.488
Depreciation	9.286.860	9.223.643
Beginning work-in-process inventory and finished goods	40.299.053	61.953.537
Ending work-in-process inventory and finished goods	(34.512.983)	(40.299.053)
Currency translation differences	1.500.204	570.162
Beginning trade goods	16.262.475	49.352.158
Purchase of trade goods	57.496.989	84.979.381
Ending trade goods	(11.209.014)	(16.262.475)
	392.870.958	547.879.711
Less: Unearned interest expense (-) (*)	(8.191.935)	(8.749.763)
	384.679.023	539.129.948

(*) Term purchasing is discounted using effective interest rate (factoring interest rate). Calculated maturity is booked as financial income based on the term date. (Note 27)

NOTES TO FINANCIAL STATEMENTS (Continued)
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23. RESEARCH AND DEVELOPMENT EXPENSE, MARKETING AND SELLING EXPENSE, GENERAL ADMINISTRATIVE EXPENSE

a) Research and Development Expense

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Personnel expenses	650.179	1.069.101
Consultancy expenses	388.760	158.186
R&D materials	130.087	203.717
Depreciation	184.046	--
Export certification expenses	209.377	--
Travelling expenses	190.527	83.154
Motor vehicle	87.623	8.009
Other	246.166	16.728
	2.086.765	1.538.895

b) Selling and Marketing Expense

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Warranty	11.811.514	23.433.627
Dealer and service premium	14.104.596	5.394.707
Transportation and insurance	13.055.632	12.411.572
Advertisement expense	3.347.397	4.180.944
Warehousing expense	6.444.521	7.406.158
Personnel expense	4.898.071	4.666.389
Rent expense	400.480	3.453.692
Fair and exhibition expense	1.213.811	964.208
Travelling expense	1.888.983	532.390
Securitization expense	681.222	717.552
Export sales expense	1.883.457	5.455.135
Dealers meeting expenses	1.536.269	311.443
Others	5.764.933	942.080
	67.030.886	69.869.897

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c) General and Administrative Expense

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Personnel expense	8.997.379	20.127.035
Provision expense for doubtful receivables	15.155.443	15.513.731
Insurance expense	471.415	819.113
Consultancy expense	856.900	1.476.287
Taxes and duties expense	949.797	982.640
Depreciation and amortization expense	1.836.518	4.173.764
Travelling expense	375.527	1.165.050
Cleaning and maintenance expense	155.336	1.707.163
Mechanization expense	419.869	2.180.855
Personnel transportation expense	292.780	703.878
Rent expense	1.367.942	1.338.602
Service meeting expense	546.074	--
Service procurement from related parties	1.280.000	--
Law suit provisions	3.129.274	--
Impairment of land and buildings	--	131.503
Personnel accruals for annual leaves	47.201	420.780
Donation expense	5.670	17.545
Transportation expense	16.418	159.206
Others	3.284.842	5.920.631
	39.188.385	56.837.783

24. CLASSIFICATION BASED ON NATURE OF EXPENSE

a) Personnel Expense

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Wages and salaries	22.192.187	32.954.650
Other social benefits	10.329.798	12.757.884
SSK employee contribution	5.946.009	6.907.119
Provision for employee termination benefits	2.147.081	2.102.215
	40.615.075	54.721.868

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b) Depreciation and amortization expense

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
<i>Property ,Plant and Equipment</i>	11.063.351	13.182.832
Cost of sales	9.286.860	9.223.643
Research and development expenses	184.046	
General and administrative expense	1.592.445	3.959.189
<i>Intangible assets</i>	244.073	214.575
Cost of sales	--	--
General and administrative expense	244.073	214.575
	11.307.424	13.397.407

25. OTHER OPERATING INCOME/EXPENSE

a) Other operating income

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Foreign exchange gains	5.566.471	15.049.691
Gain on sale of property, plant and equipment	320.743	223.167
Discount due to 5510 legislation	1.117.332	267.918
R&D government subsidy income	459.989	983.871
Stock count differences	205.759	990.787
Write down of intercompany loan(*)	14.018.217	20.066.233
Provisions released	3.867.216	36.582
Others	1.204.962	2.531.622
	26.760.689	40.149.871

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

b) Other operating expense

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Foreign exchange losses	3.324.101	7.257.813
Loss on sale of property, plant and equipment	99.824	18.024
Stock count differences	311.455	952.310
Impairment of goodwill	4.560.928	--
Supplier annulment indemnity	3.712.795	--
Others	1.656.838	216.051
	13.665.941	8.444.198

NOTES TO FINANCIAL STATEMENTS (Continued)
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26. FINANCIAL INCOME

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Term difference income related to sales	15.911.622	24.488.422
Foreign exchange gains (Cash Flow Hedge)	3.322.526	--
Interest gains	6.898.432	2.316.950
	26.132.580	26.805.372

Explanation of activities that formed the financial income

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

27. FINANCIAL EXPENSE

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Interest expense	15.372.343	38.682.479
Term difference expense related to current year purchases	6.147.285	9.178.434
Other financial expense	2.859.665	4.725.595
Early payment interest expense	10.810.816	
Factoring expense	9.940.578	7.861.381
Deferred interest expense	2.026.733	--
Foreign exchange loss from cash flow hedge	--	488.921
Foreign exchange loss from loans	8.887.597	17.197.068
	56.045.017	78.133.878

Explanation of activities that formed the financial expense:

Interest expense: Interest expense from loans.

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

Foreign exchange loss: Foreign exchange loss from loans.

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

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Expense charged in notes collection	1.171.763	1.768.537
Letter of guarantee commission expense	398.257	327.707
Foreign exchange transaction tax	--	169.416
Discount of short term other liabilities	384.105	1.437.033
Bank commission expense	631.331	421.183
Other	274.209	601.719
	2.859.665	4.725.595

28. TAX ASSETS AND LIABILITIES

As of December 31, 2009 and 2008, 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, 2009	December 31, 2008	01.01 - 31.12.2009	01.01 - 31.12.2008
Tax losses carried forward	6.697.790	8.028.203	(1.330.413)	1.304.488
Temporary difference between the tax base and the carrying value of the property, plant and equipment	(1.701.779)	(1.481.482)	(220.297)	(126.419)
Provision for employee termination benefits	1.238.343	1.257.788	(19.445)	(61.020)
Allowance for unrealized interest expense	1.465.994	384.736	1.081.258	(126.651)
Allowance for unearned interest income	(2.035.600)	(1.929.132)	(106.468)	33.884
Temporary differences arising from inventory	643.511	602.983	40.528	75.319
Provisions	6.897.265	3.603.889	3.293.376	1.464.384
Allowance for deferred tax asset	--	--	2.044.771	--
Currency translation difference	--	--	--	177.845
Other	1.456.021	2.382.430	(1.493.130)	2.203.752
	14.661.545	12.849.415	3.290.180	4.945.582
Deferred tax effect of cash flow hedge	(566.721)	--	(566.721)	--
Allowance for deferred tax asset (-)	--	(2.044.771)	--	(2.222.615)
TOTAL	14.094.824	10.804.644	2.723.459	2.722.967

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The net changes in cash flow hedge reserve and foreign currency translation reserve for the years ended December 31, 2009 and December 31, 2008 are as follows:

	01.01 - 31.12.2009	01.01 - 31.12.2008
Change in Cash Flow Hedge reserve		
Cash flow hedge reserve, gross	3.322.527	(488.921)
Tax Effect	(566.721)	-
	2.755.806	(488.921)

	01.01 - 31.12.2009	01.01 - 31.12.2008
Currency translation differences		
Currency translation differences	383.428	1.433.259
Tax Effect	-	-
	383.428	1.433.259

As of December 31, 2009 and 2008, deferred tax reflected to consolidated financial statements is as follows:

	Deferred Tax	
	December 31, 2009	December 31, 2008
Deferred tax asset	14.901.284	11.682.918
Deferred tax liability	(806.460)	(878.274)
	14.094.824	10.804.644

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

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

In Turkey, the corporation tax rate for the fiscal year starting from January 1, 2006 is 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2008 - 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.

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

Corporate tax rate for Hong Kong and England is 25% and 28% respectively, as of December 31, 2009. (December 31, 2008 – 25% and 28%)

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The sources and uses of tax losses and the estimated year of utilisation of tax-loss carry forward are as follows:

	2007	2008	2009	2010 budget*
Tax losses	31.650.386	8.490.631		
Utilisation of tax losses			(6.652.068)	(20.000.000)

(*) The projected years when the Company will be able to utilise the tax loss carry forward.

	December 31, 2009	December 31, 2008
Tax Loss Carry forward	33.488.949	40.141.017

29. EARNINGS PER SHARE

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

	December 31, 2009	December 31, 2008
Number of ordinary shares	5.400.000.000	5.400.000.000
Net loss for the year attributable to equity holders	(11.382.896)	(24.965.345)
Basic (loss) earnings per share	(0,21079)	(0,46232)

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31. RELATED PARTY TRANSACTIONS

a) Due from related parties

Related Parties	December 31, 2009	December 31, 2008
DemirDöküm ChungMei Industries Ltd.	1.835.377	--
Vaillant Serbia d.o.o.	336.025	1.027.379
Vaillant d.o.o. Bosnia-Herzegovina	561.115	1.096.750
Vaillant d.o.o. Croatia	527.901	421.502
Vaillant Isı Sanayi ve Tic. Ltd. Şti.	36.128.064	39.967.693
Vaillant SD Italia S.P.A	65.338	1.222.283
Vaillant GmbH Industrial	422.032	86.342
Vaillant Group Romania SRL	1.004.449	2.037.093
Vaillant Spain	--	369.142
Vaillant Group Ukraine	467.511	157.169
Vaillant Spareparts	9.320	11.754
Vaillant Group UK Ltd	13.452.501	1.256.298
Vaillant(Wuxi) Heating Equipment Co.	--	--
Saunier Duval Dicoso SA	645.571	806.322
Saunier Duval Eau Chaude Chauffage France SA	5.303	--
Vaillant S.L.	134.207	--
Others	107.426	180.159
	55.702.140	48.639.886

b) Due to related parties

Related Parties	December 31, 2009	December 31, 2008
Vaillant Management Ltd.	22.599.591	22.396.143
Vaillant GmbH Ltd.	5.496.766	8.708.748
DemirDöküm ChungMei Industries Ltd.	--	3.646.378
Vaillant (Wuxi) Heating Equipment Co.	3.825.393	335.324
Vaicon Vaillant Cons.	496.694	12.550
Vaillant Group UK Ltd.	10.732.186	--
Vaillant Isı Sanayi ve Ticaret Ltd.	1.280.000	--
Others	241.472	3.329
	44.672.102	35.102.472

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c) Transactions with related parties

	January 1, 2009–December 31, 2009	
	Purchases from related parties	Sales to related parties
Related Parties		
Vaillant Isı Sanayi ve Ticaret Ltd.	--	27.305.750
Vaillant Group UK Ltd.	--	21.747.188
Vaillant Group Romania SRL	--	3.359.097
Vaillant d.o.o., Croatia	--	2.234.290
Saunier Duval Dicoso SA	6.517	1.935.109
Vaillant d.o.o. Bosnia-Herzegovina	--	1.801.047
Vaillant GmbH -Industrial	900	1.513.091
Vaillant S.L.	--	1.510.863
Saunier Duval Eau Chaude Chauffage France SA	2.172.376	1.340.137
Vaillant Serbia d.o.o	--	867.725
Vaillant Group Ukraine	--	463.171
Saunier Duval Pierces De Rechange	--	330.268
Vaillant Duval (Beijing) Heating Equipment Co. Ltd.	--	29.188
Vaillant Saunier Duval Polska SPZOO	--	4.501
Vaillant Industrial Slovakia sro	6.320	--
Vaillant Werkzeugbau GmbH	16.087	--
TOTAL	2.202.200	64.441.425

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

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d) Benefit Paid to Top Management

As of December 31, 2009 and 2008, the total amount of benefits paid to executive members of the Company is as below:

	01.01 - 31 .12.2009	01.01 - 31 .12.2008
Short term benefits		
a-) Wages, salaries, and social benefits	897.541	1.090.071
b-) Paid vacation	15.429	25.978
c-) Bonuses and premium	277.227	1.362.630
d-) Benefits in kind	136.164	174.687
Termination and post employment benefits		
a-) Personnel retirement plan	15.552	18.432
b-) Severance pay	--	32.909

d) Company uses “Comparable Pricing Method” as the transfer pricing method

32. FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES

Foreign Currency Position;

December 31, 2009	USD	EUR	GBP	CHF	RNM	TL
Cash and cash equivalents	106.054	2.258.515	255.484	1.702	--	5.651.623
Trade receivables	2.729.100	12.363.166	2.761.911	--	--	37.416.110
Other receivables	21.380	135.089	--	--	--	324.024
Other current assets	7.412	--	--	--	--	11.161
Foreign currency assets	2.863.946	14.756.770	3.017.395	1.702	--	43.402.918
Short term financial liabilities	--	33.021.137	17.421	--	--	71.377.183
Trade payables	764.841	1.571.278	186.220	4.772	--	4.997.886
Long term financial liabilities	--	--	44.000.000	--	--	105.124.800
Other financial liabilities	2.700	10.990	0	--	--	27.808
Other payables	--	--	--	--	--	--
Other current liabilities	--	--	--	--	202.734	44.721
Foreign currency liabilities	767.541	34.603.405	44.203.641	4.772	202.734	181.572.398
Foreign currency position, net	2.096.405	(19.846.635)	(41.186.246)	(3.070)	(202.734)	(138.169.480)

Türk Demirdöküm Fabrikaları Anonim Şirketi

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

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

	31.12.2009	31.12.2008
Foreign currency trade receivables	37.751.295	110.555.802
Foreign currency financial assets	5.651.623	5.630.789
Foreign currency trade payables	5.042.607	81.994.695
Foreign currency financial liabilities	176.529.791	142.368.630
Total Export	149.775.214	238.871.755
Total Import	87.125.175	98.261.613
Total Assets	557.587.642	617.731.994
Total Shareholders' Equity	83.702.248	97.457.522
Hedging instruments	(2.266.885)	488.921

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2009
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Credit Risk;

The carrying value of the financial assets represents maximum level of credit risk exposure to at the reporting date. As of the reporting date the maximum level of risk exposure is detailed below:

31.12.2009	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk exposed by the reporting date (A+B+C+D)	42.052.140	271.909.593	13.650.000	4.028.198	15.105.701
- secured by the guarantee	-	111.194.377	-	-	-
A. Net book value of not-due current or non-impaired financial assets.	42.052.140	199.719.344	13.650.000	4.028.198	15.105.701
B. Net book value of past due but not impaired assets	-	57.160.074	-	-	-
C. Net book value of impaired assets	-	15.030.175	-	-	-
- Past due (book value)	-	57.411.158	-	-	-
-Impairment(-)	-	(42.380.983)	-	-	-
D. Credit items Off balance sheet	-	-	-	-	-

31.12.2008	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk exposed by the reporting date (A+B+C+D)	16.485.637	302.280.991	32.154.249	4.035.444	31.739.318
- secured by the guarantee	-	107.566.774	-	-	-
A. Net book value of not-due current or non-impaired financial assets.	16.485.637	263.112.858	32.154.249	4.035.444	31.739.318
B. Net book value of past due but not impaired assets	-	28.706.469	-	-	-
C. Net book value of impaired assets	-	10.461.664	-	-	-
- Past due (book value)	-	39.692.797	-	-	-
-Impairment(-)	-	(29.231.133)	-	-	-
D. Credit items Off balance sheet	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2009
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32. FINANCIAL INSTRUMENTS

Financial Risk Management Policies and Procedures

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

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

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

Price Risk

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

Cash Flow Hedge Transaction

	Loan Pound (the amount to be hedged)	Spot exchange rate at the date of the transaction	Loan denominated in TL	Exchange Rate at the date of Reporting	Loan in TL as at December 31,2009	Exchange differences
(Profit)/Loss arising from cash flow hedge transaction recognised under other comprehensive income(OCI)	45.000.000	2,2050	99.225.000	2,3892	107.514.000	8.289.000

	Repaid Loan Amount- Pound	Issued exchange rate	Loan Amount TL	Closure Exchange rate	Closure amount	Foreign Exchange loss
Transfer to period Profit/Loss	26.365.248	2,2050	58.135.372	2,4119	63.590.766	5.455.394

OCI in Equity as at December 31,2009	2.833.606
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As part of the Company's risk management strategies, Exchange rate risk arising from its capital structure is hedged by using its forecasted sales denominated in pound to DD Heating as a hedging tool.

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

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended December 31, 2009 (Currency – Unless otherwise indicated Turkish Lira (TL))

Type of Risk and Hedging relationship

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

Effectiveness

Annual average export volume to UK market is being realised as GBP 40,000,000. The potential of cash flow hedge has been calculated as GBP 62,000,000 based on the annual factors of 80% for the first year; 50% for the second year, and 25% for the third year. The loan amount designated as the hedging instrument is GBP 45,000,000 and the projected annual export is GBP 40,000,000. Accordingly, the hedging transaction is effective.

Credit Risk

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

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

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

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

Liquidity Risk

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

Fair Value

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, arm's length transaction. Fair value is best evidenced by a quoted market price, if 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.

Türk Demirdöküm Fabrikaları Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)
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Financial Assets

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

Financial Liabilities

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

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

	December 31, 2009	December 31, 2008
Interest bearing liabilities	215.577.557	186.309.063
Trade and other payables	173.796.366	217.641.311
Less: Cash and cash equivalents	(16.345.702)	(46.562.108)
Net liabilities	373.028.221	357.388.266
Equity	83.702.247	97.457.522
Financial assets value increase fund	-	-
Total equity	83.702.247	97.457.522
Equity and net liabilities	456.730.468	454.845.788
Ratio of financial liabilities to equity	82%	79%

As of December 31, 2009 and 2008, the maturity profile of undiscounted trade receivables and payables is as follows:

	0-1 month	1-3 month	3-12 month	More than 1 year	Total
<u>December 31, 2009</u>					
Trade payables and due to Related Parties	34.063.086	52.985.819	89.404.777	-	176.453.682
Finance Lease Obligations	14.207	1.578	-	-	15.785
Financial Borrowings	8.016.433	31.058.693	71.335.561	105.124.843	215.535.530
<u>December 31, 2008</u>					
Trade payables and due to Related Parties	115.585.435	50.738.525	51.930.018	--	218.253.978
Finance Lease Obligations	2.237	18.832	19.238	14.461	54.768
Financial Borrowings	924.554	47.501.344	39.059.794	98.724.331	186.210.023

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As of December 31, 2009 and 2008, the sensitivity of the Company's profit before tax to a possible change in USD, Euro, GBP, Renminbi, Hong Kong Dollar and CHF with all other variables held constant, is as follows:

		Increase in foreign exchange rates (loss)/income		Decrease in foreign exchange rates (loss)/income	
December 31, 2009	US Dollar	%20	631.312	(%20)	(631.312)
	EURO	%20	(8.574.938)	(%20)	8.574.938
	GB Pounds	%20	(19.680.436)	(%20)	19.680.436
	Swiss Francs	%20	(890)	(%20)	890
	Renminbi	%20	(8.944)	(%20)	8.944
	Total		(27.633.896)		27.633.896
December 31, 2008	US Dollar	%20	(203.720)	(%20)	203.720
	EURO	%20	(1.860.468)	(%20)	1.860.468
	GB Pounds	%20	(19.601.363)	(%20)	19.601.363
	Renminbi	%20	30.204	(%20)	(30.204)
	Total		(21.635.347)		21.635.347

33. PRIOR YEAR ADJUSTMENTS

- a) In the statement of financial position as of 31 December, 2008, cheques and notes that were due as of December 31, 2008 (TL 14,191,965) have been reclassified from *cash and cash equivalents* into *trade receivables* (Notes 6 and 9)
- b) In the statement of financial position as of 31 December, 2008, real estate (TL 882,473) acquired from confiscation office in relation to overdue customer debts have been reclassified from *other non-current assets* into *assets held for sale*. (Note 20)
- c) In the statement of financial performance for the year ended December 31, 2008, the valuation difference of cash flow hedge (TL 78,079) that had been included in *net sales* has been reclassified into *financial result*. (Notes 22 and 26)
- d) In the statement of financial performance for the year ended December 31, 2008, the interest revenue (TL 2,316,950) from the loan granted to the group company Vaillant Isı Sanayi ve Ticaret Ltd. Şti. has been reclassified from *interest expense* to *interest income*.
- e) In the statement of financial position as of 31 December, 2008, goods in transit (TL 9,230,216) that had been included in *other current assets* has been reclassified into *inventories*.

34. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

In connection with import of air conditioners and other components from Malaysia in the fiscal year 2007, several Customs Directorates have sent penalty accrual notifications in February 2010 for an amount of TL 16,616,831 principal and TL 2,261,067 penalty involving dumping tax, value added tax, and special consumption tax claiming that the goods imported were of Chinese origin. We are in the process of taking legal actions for the cancellation of the accruals and subsequent payment orders on the basis that the goods imported were of Malaysian origin as had been evidenced with the authenticated Certificate of Origin and that the imports were done within the frame of Investment Incentive Certificate relating to our air conditioner investment project, and accordingly, no provision has been recognised in our financial statements for the inquired tax claims.

NOTES TO FINANCIAL STATEMENTS (Continued)
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In connection with tax investigation for the fiscal year 2007, we have received a tax assessment notice on April 8, 2010 regarding interim corporate taxation amounts of TL 2,016,247 being the tax amount and TL 3,024,247 being the penalty amount derived from the related tax inspection report. However, because the claim arises only from quarterly interim taxation, the only claim is the default interest that has not yet been calculated. We have not yet given our final evaluation about whether the claim will be disputed or the claim will be settled through arbitration, and if we would go for arbitration, this could result with an outflow of approximately TL 300,000. No provision has been recognised for the claim.

35. OTHER DISCLOSURES THAT HAVE A MATERIAL IMPACT ON THE FINANCIAL STATEMENTS OR THAT ARE REQUIRED FOR CLARITY AND TRANSPARENCY OF FINANCIAL STATEMENTS

a) Loss Compensation of DD Heating Ltd.

The operations of our subsidiary DD Heating Ltd. based in the United Kingdom have resulted in losses for the years 2008 and 2009, and its equity has turned to be minus. A Vaillant Group entity Vaillant Management Ltd. has forgiven part of its loan to recover the negative equity of DD Heating by the amounts of negative equity as per statutory financial statements drawn up according to UK GAAP. The loans written off for the years 2009 and 2008 are GBP 5,908,000 and GBP 8,420,275, respectively. The order and business termination claim by a supplier, Vaillant (Wuxi) Heating Equipment Co. based in PRC, which is another Vaillant Group Company, has been accrued for in the financial statements of DD Heating Ltd., and such claim has also been included in the subsidy amount by Vaillant Management Ltd. by an amount of GBP 1,538,543.

b) UK Tax Credit

According to UK corporate tax rules, the tax losses of DD Heating give rise for a tax claim and reimbursed against tax liabilities of other group entities based in the UK tax jurisdiction. In connection therewith, TL 3,340,251 tax charge (credit) for the year includes the TL 4,577,593 (or GBP 1,896,906) tax credit recoverable from UK operations.