

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

**Türk Demir Döküm Fabrikaları
Anonim Şirketi**

**Consolidated Interim Financial Statements
Together With Independent Auditors'
Limited Review Report
As of June 30, 2006**

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

TÜRK DEMİR DÖKÜM FABRİKALARI ANONİM ŞİRKETİ

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

**TÜRK DEMİR DÖKÜM FABRİKALARI ANONİM ŞİRKETİ
INDEPENDENT AUDITORS LIMITED REVIEW REPORT
FOR THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD OF JANUARY 1 - JUNE 30, 2006**

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

We have reviewed the accompanying consolidated interim balance sheet of Türk Demir Döküm Fabrikaları Anonim Şirketi (Demir Döküm - a Turkish corporation) as of June 30, 2006 and the related consolidated interim statement of income for the period then ended. Our review was made in accordance with the generally accepted principles and rules for review engagements issued by the Capital Market Board (CMB). Our review of the consolidated interim balance sheet and statement of income is limited as compared to the examination of the annual financial statements that are made in accordance with the generally accepted auditing standards. Our review is limited primarily to information gathering and analytical procedures applied to analyse the system underneath the preparation of the consolidated interim balance sheet and consolidated interim statement of income and is conducted in accordance with the review techniques required by review rules and principles. Therefore our limited review report should be considered on different grounds than the annual independents auditors' report.

As discussed in note 19, regarding the transaction made in 2005; the International Financial Reporting Standard 3, "Business Combinations", has not been applied as of June 30, 2006. The effects of not applying this standard to the financial statements could not been determined.

As discussed in note 16 (a), the Company has not reflected the fair value of Ram Dış Ticaret A.Ş which is presented as investments available for sale in the accompanying consolidated financial statements and carried at its cost value as of June 30, 2006. Analysis of whether any impairment occurs for such financial asset carried at cost, has not been performed by the Company.

As of June 30, 2006, Chung Mei Industries Limited and Tianjin Demrad International Trading Company Limited of which the Company owns 45% and 60% respectively, are not consolidated as to equity pick-up method and consolidation method respectively, and carried at cost.

Based on our review, except for the possible effects that are stated in the second, third and fourth paragraphs above, nothing has come to our attention that causes us to believe that the consolidated interim financial statements referred to above are not presented fairly, in accordance with the accounting standards issued by the CMB (Note 2) and with the generally accepted principles and rules for the review engagements.

Additional paragraph for convenience translation to English :

As of June 30, 2006, the accounting principles described in Notes 2 and 3 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Billur Demet Atan, SMMM
Engagement Partner

August 7, 2006
Istanbul, Turkey

Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2006

(Currency - New Turkish Lira (YTL))

ASSETS	Notes	Reviewed	Audited
		June 30,	December 31,
		2006	2005
Current assets		568.117.386	352.418.602
Cash and cash equivalents	4	19.870.337	12.659.746
Marketable securities, net	5	-	-
Trade receivables, net	7	351.743.684	215.816.008
Finance lease receivables, net	8	-	-
Due from related parties, net	9	29.319.282	10.151.210
Other receivables, net	10	6.609.193	77.191
Live stock, net	11	-	-
Inventories	12	144.964.806	101.153.075
Receivables from continuing construction contracts, net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	15.610.084	12.561.372
Non current assets		133.875.247	115.868.043
Trade receivables, net	7	-	-
Finance lease receivables, net	8	-	-
Due from related parties, net	9	-	-
Other receivables, net	10	-	-
Financial assets, net	16	44.506.150	40.852.024
Positive Goodwill (net)	17	5.493.474	4.369.869
Investment property, net	18	-	-
Property, plant and equipment, net	19	80.804.416	67.609.750
Intangibles, net	20	462.684	584.082
Deferred tax assets	14	2.608.523	2.452.318
Other non current assets	15	-	-
Total Assets		701.992.633	468.286.645

The accompanying policies and explanatory notes on pages 6 through 54 form an integral part of the financial statements

Türk Demir Döküm Fabrikaları Anonim Şirketi**CONSOLIDATED INTERIM BALANCE SHEET****As at June 30, 2006****(Currency - New Turkish Lira (YTL))**

LIABILITIES	Notes	Audited	Audited
		June 30, 2006	December 31, 2005
Current liabilities		424.088.216	251.996.094
Short term borrowings, net	6	120.882.256	49.775.887
Current portion of long term borrowings, net	6	11.916.990	11.385.740
Finance lease obligations, net	8	232.666	107.306
Other financial liabilities, net	10	-	-
Trade payables, net	7	111.712.930	106.345.098
Due to related parties, net	9	122.191.458	61.692.580
Advances taken	21	19.102.811	4.990.642
Payable from continuing construction contracts, net	13	-	-
Provisions	23	16.806.194	6.870.608
Deferred tax liability	14	-	-
Other liabilities	10	21.242.911	10.828.233
Non current liabilities		97.285.929	36.571.426
Long term borrowings, net	6	73.565.137	20.637.500
Finance lease obligations, net	8	154.946	114.093
Other financial liabilities, net	10	-	-
Trade payables, net	7	9.132.064	-
Due to related parties, net	9	7.484.495	8.930.486
Advances taken	21	-	-
Provisions	23	6.225.276	6.400.992
Deferred tax liability	14	724.011	488.355
Other liabilities, net	10	-	-
Minority interest	24	5.629.336	3.771.768
Equity		174.989.152	175.947.357
Share capital	25	45.000.000	45.000.000
Issued capital subsidiaries eliminated	25	-	-
Capital reserves	26	89.418.122	85.763.996
Share premium		-	-
Income on common stock disposals		-	-
Revaluation fund		-	-
Financial assets value increase fund	27	18.918.802	15.264.676
Equity restatement differences		70.499.320	70.499.320
Profit reserves	27	24.075.096	16.576.778
Legal reserves		7.132.344	4.611.451
Statutory reserves		-	-
General reserves		18.122.623	7.786.933
Special reserves		-	-
Gain on sale of participation and fixed assets to be transferred to the share capital		-	-
Currency translation differences		(1.179.871)	4.178.394
Net profit for the period		16.495.934	28.606.583
Retained earnings	28	-	-
Total liabilities and equity		701.992.633	468.286.645

The accompanying policies and explanatory notes on pages 6 through 54 form an integral part of the financial statements

Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED INTERIM INCOME STATEMENT

For the period ended June 30, 2006

(Currency - New Turkish Lira (YTL))

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
	Notes	January 1- June 30, 2006	April 1 - June 30, 2006	January 1- June 30, 2005	April 1 - June 30, 2005
Operating Income					
Net Sales	36	316.699.374	201.890.626	261.588.631	150.681.997
Cost of sales	36	(230.468.833)	(148.290.355)	(189.641.615)	(110.220.967)
Service income, net	36	-	-	-	-
Other income from operational activities, net	36	-	-	-	-
Gross Profit		86.230.541	53.600.271	71.947.016	40.461.030
Operating Expenses (-)	37	(51.083.750)	(27.990.862)	(44.222.168)	(27.052.187)
Profit from operations, net		35.146.791	25.609.409	27.724.848	13.408.843
Other operating income	38	16.486.759	15.333.699	1.003.078	(927)
Other operating expense (-)	38	(25.655.694)	(25.426.201)	(2.160.936)	(1.219.485)
Financial expense, net (-)	39	(3.181.588)	4.241.312	(10.145.265)	(3.297.981)
Operating profit		22.796.268	19.758.219	16.421.725	8.890.450
Monetary gain	40	-	-	-	-
Minority interest		(1.061.382)	(1.121.912)	(640.276)	(642.176)
Profit before tax		21.734.886	18.636.307	15.781.449	8.248.274
Tax	41	(5.238.952)	(3.753.032)	(4.852.129)	(2.510.015)
Net Profit		16.495.934	14.883.275	10.929.320	5.738.259
Basic earnings per share (full YTL)	42	0.366	0.330	0.2429	0.1275
Weighted average number of shares (0.01 YTL par value each)		4.500.000.000	4.500.000.000	4.500.000.000	4.500.000.000

The accompanying policies and explanatory notes on pages 6 through 54 form an integral part of the financial statements

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Türk Demir Döküm Fabrikaları Anonim Şirketi

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended June 30, 2006

(Currency - New Turkish Lira (YTL))

	Share Capital	Share Premium	Equity Restatement Differences	Financial Assets Value Increase Fund	Legal Reserves	General Reserves	Currency Translation Differences	Net Profit	Retained Earnings	Total Equity
Balance at January 1, 2005	45.000.000	7.039	186.945.982	-	2.321.871	(116.453.701)	1.935.791	25.076.513	-	144.833.495
Offsetting prior year losses	-	(7.039)	(116.446.662)	-	-	116.453.701	-	-	-	-
Transfer from to legal reserves	-	-	-	-	1.014.580	-	-	(1.014.580)	-	-
Financial assets value increase fund	-	-	-	4.845.720	-	-	-	-	-	4.845.720
Transfer from prior year profits to general reserves	-	-	-	-	-	24.061.933	-	(24.061.933)	-	-
Net change in currency translation differences	-	-	-	-	-	-	1.261.715	-	-	1.261.715
Dividends paid	-	-	-	-	-	(15.000.000)	-	-	-	(15.000.000)
Net profit for the period	-	-	-	-	-	-	-	10.929.320	-	10.929.320
Balance at June 30, 2005	45.000.000	-	70.499.320	4.845.720	3.336.451	9.061.933	3.197.506	10.929.320	-	146.870.250

	Share Capital	Share Premium	Equity Restatement Differences	Financial Assets Value Increase Fund	Legal Reserves	General Reserves	Currency Translation Differences	Net Profit	Retained Earnings	Total Equity
Balance at January 1, 2006	45.000.000	-	70.499.320	15.264.676	4.611.451	7.786.933	4.178.394	28.606.583	-	175.947.357
Transfer from to legal reserves	-	-	-	-	2.520.893	-	-	(2.520.893)	-	-
Financial assets value increase fund	-	-	-	3.654.126	-	-	-	-	-	3.654.126
Transfer from prior year profits to general reserves	-	-	-	-	-	26.085.690	-	(26.085.690)	-	-
Net change in currency translation differences	-	-	-	-	-	-	(5.358.265)	-	-	(5.358.265)
Dividends paid	-	-	-	-	-	(15.750.000)	-	-	-	(15.750.000)
Net profit for the period	-	-	-	-	-	-	-	16.495.934	-	16.495.934
Balance at June 30, 2006	45.000.000	-	70.499.320	18.918.802	7.132.344	18.122.623	(1.179.871)	16.495.934	-	174.989.152

The accompanying policies and explanatory notes on pages 6 through 54 form an integral part of the financial statements.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES

General

Türk Demir Döküm Fabrikaları Anonim Şirketi (Demir Döküm) was founded in 1954. 20% of the shares of Demir Döküm are listed on the Istanbul Stock Exchange. The address of the registered office of the Company is Kurtköy-Orhanlı Caddesi Mezarlık Yanı Pendik, İstanbul. Headquarters of the Company are located in İnegöl. The production facilities of Demir Döküm are located in Bozüyük and İnegöl.

As of November 22, 2001, Demir Döküm spun off its panel radiator production facilities that were located in Bozüyük and established Panel Radyatör Sanayi ve Ticaret A.Ş. (Panel) to carry on the production activities of panel radiators. Panel started its operations on December 24, 2001. Demir Döküm sold 50% of Panel to a group company, Beko UK, at an amount of U.S. Dollars 10.109.080 on December 28, 2001.

On January 1, 2003 the division of Beko UK which specialized in the sales and servicing of radiators was sold to DD Heating Limited (DD Heating) in which the Company owns 50%. Although the heat line radiator business dates back to 1980's it was properly established in 1990 and has become one of the fastest growing brands in the heating market. On May 1, 2003, the German heat line division of Beko was also transferred to DD Heating. DD Heating (registered in Bedford, UK) is engaged in trading of panel radiators, cost-iron radiators, combi boilers and towel radiators. DD Heating is established on January 1, 2003.

DD Heating has purchased the 50% of Panel shares from Beko UK funded by a loan obtained on May 1, 2003 at an amount of GBP 9.700.000 at 5%(Libor+1,25%) repayable by April 2008.

As of July 25, 2002, the Company also spun off its cast iron radiator production facilities that were located in İnegöl and established Demrad Döküm Ürünleri Sınai ve Ticaret Anonim Şirketi (Demrad) to carry on the production activities of cast iron radiator. The establishment has been realized through the transfer of the fixed assets of Demir Döküm to Demrad as capital in-kind. The Company owns 99.9% of Demrad.

According to the Board of Directors Resolution dated July 24, 2002, the Company has decided to separate its oiled radiator production facilities and establish a joint venture with 45% of Demir Döküm, 10% of Ram Pacific Ltd., and 45% Chung Mei Industries Limited participation of under the name of Chung Mei Industries Limited (Chung Mei). The new established Company will sell products under the brand name of Doka in China. The fixed assets of the radiator production facility with the historical cost value of YTL 89.289 as of December 31, 2002, have been used as capital in kind. The establishment has been realized as of March 5, 2004 and Chung Mei has started its operations in China. As of June 30, 2006, per the unaudited financial statements prepared in accordance with International Financial Reporting Standards of Chung Mei, the total assets is USD 5.659.569, total equity is USD 2.845.487 and net income for the period is USD 643.214. Chung Mei has not been consolidated as to equity pick-up method to the consolidated interim financial statements of Demir Döküm, since the reviewed financial statements could not be obtained as of the date of this report and it is carried at cost.

According to the Board of Directors resolution dated May 14, 2003, the Company has decided to operate its selling, marketing and warehousing facilities in China Tianjin Free Trade Zone. Demir Döküm participated in Tianjin Demrad International Trading Company Limited (Demiladi) which has a share capital of U.S. Dollar 200.000, with 60% participating share. Since the period end reviewed financial statements prepared in accordance with International Financial Reporting Standards of this Subsidiary could not be obtained as of June 30, 2006, it has not been consolidated and carried at cost of YTL 202.933. As of June 30, 2006 total assets of Demiladi in non-audited financial statements is USD 1.307.697, total equity is USD 122.906, and net loss for the period is USD 98.478.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES (continued)

The consolidated interim financial statements are authorized for issue by the Company Management on August 7, 2006. The General Assembly and certain regulatory bodies have the power to amend the consolidated and statutory financial statements after issue.

The parent of Demir Döküm is Koç Holding.

The average number of total employees is 1.651 out of which 292 is white collar workers and 1.359 is blue collar workers.

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

Nature of activities

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

2. BASIS OF PRESENTATION

Basis of Presentation

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

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

2. BASIS OF PRESENTATION (continued)

Such adjustments mainly comprise the effects of the followings;

- Consolidation of the subsidiary
- Deferred taxation
- Recognition and measurement of financial instruments
- Employee termination benefits.

Reclassifications Made in June 30, 2005 Financial Statements

Certain reclassifications have been made in the consolidated interim financial statements as of June 30, 2005 to be consistent with the current year presentation. In order to be consistent with the current period, bad debt provision expense amounting to YTL 672.704 has been reclassified to operating expenses from other operating expenses. Foreign exchange gain amounting to YTL 3.921 and foreign exchange losses amounting to YTL 1.205.297 which was previously disclosed in financial expenses, net have been reclassified to other operating income and other operating expense, respectively.

Functional and Reporting Currency

Functional and reporting currency of Demir Döküm and its subsidiaries which operate in Turkey is YTL. Functional and reporting currency of DD Heating which operates in Great Britain is Great Britain Pound and related balance sheet accounts are converted into YTL using the exchange rate at the date of the balance sheet and profit and loss accounts using the average buying exchange rates. (As of June 30, 2006, 1 Great Britain Pound - YTL 2,9066– with the average rate, Great Britain Pound - YTL 2,4824).

As of December 31, 2005, the three year cumulative inflation rate was 35,6% and annual inflation rate was 4,5% based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. As of June 30, 2006, the three year cumulative inflation rate was 35,8% and annual inflation rate was 13,07%. Consequently, in accordance with CMB announcement No. 7642 dated March 18, 2005; since the objective conditions for the restatement in hyperinflationary economies is no longer available, the financial statements are restated until December 31, 2004.

As of December 31, 2004, the restatement of financial statements was made in accordance with IAS 29 (“Financial Reporting in Hyperinflationary Economies”) which requires that the current period financial statements and previous period financial statements which are presented for comparison purposes have been restated with the conversion factor as of December 31, 2004.

The main guidelines for the above mentioned restatement are as follows:

- Non-monetary assets, liabilities and shareholders’ equity including share capital reported in the balance sheet as of June 30, 2006, are derived by indexing the additions occurred until December 31, 2004 to December 31, 2004 and carrying the additions after this date with their nominal amounts.
- All the items in the interim income statement for the period ended June 30, 2006 are stated with their historical values excluding depreciation and amortization expenses that is calculated based on gross book values of property, plant and equipment and intangible assets derived by indexing until December 31, 2004 and carrying the nominal values of additions after January 1, 2005; and gain /loss on sales of those assets.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

2. BASIS OF PRESENTATION (continued)

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

Foreign Currency Translation

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

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

The functional currency of the Subsidiary, DD Heating, is Great Britain Pound. As at the reporting date, the assets and liabilities of these subsidiary are translated into the presentation currency of Demir Döküm (YTL) at the rate of exchange ruling at the balance sheet date and its income statement is translated at the weighted average exchange rates for the year.

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

Offsetting

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

Use of Estimates

The preparation of financial statements, require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries drawn up to June 30, 2006.

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

2. BASIS OF PRESENTATION (continued)

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

Although the Company owns 60% of Demiladi, due to the fact that the reviewed financial statements of Demiladi could not be obtained, Demiladi has not been consolidated and stated at cost.

As of June 30, 2006, Chung Mei Industries Ltd, in which the Company has 45% ownership percentage, has not been consolidated according to equity pick-up method to the consolidated interim financial statements, since the Subsidiary's reviewed financial statements could not be obtained and carried at cost.

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

As of June 30, 2006 and December 31, 2005, consolidated interim financial statements include the accounts of Demrad, Panel and DD Heating in which the Company has an interest of 99,9%, 50,00% and 50,00% respectively. The Company's indirect participation percentage on Panel is 75%.

On January 1, 2003 DD Heating acquired Beko UK shares in Panel which constitute 50% of share capital of Panel. Since Demir Döküm owns 50% of DD Heating, the ownership percentage increased from 50% to 75% in DD Heating. As DD Heating and Panel are under the common control of Demir Döküm, and accordingly, DD Heating and Beko UK are under common control of Koç Holding, the excess of purchase price over the carrying value of the net assets acquired was recorded as a decrease in the equity in the consolidated financial statements. During the consolidation process all significant intercompany transactions and balances are eliminated.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of discounts and Value Added Tax (VAT) when delivery has taken place and transfer of risks and rewards has been completed.

i) Sales of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer at the invoiced values and the amount of revenue can be measured reliably. Net sales represent the invoiced value of goods shipped net of sales discounts and commission.

ii) Interest Income

Interest income is accounted on an accrual basis.

iii) Dividends

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

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

Foreign Currency Transactions

Transactions in foreign currencies are recorded as YTL, at the rate ruling at the date of transaction. Balance sheet items denominated in foreign currencies have been translated at the rates of exchange prevailing at the balance sheet dates. As of June 30, 2006 and December 31, 2005 assets and liabilities denominated in foreign currencies have been translated with the buying exchange rates declared by CMB, respectively. Exchange gains or losses arising on settlement and translation of foreign currency items have been included in the related income or expense accounts as appropriate.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, short-term deposits and other liquid assets. Other liquid assets mainly comprise of checks and notes maturing before June 30, 2006. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and that are subject to an insignificant risk of change in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, with an original maturity of three months or less.

Trade Receivables

Trade receivables which generally have 120-145 day terms are recognized at original invoice amount less for an allowance for any uncollectible amounts and for unearned interest income.

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

In case of uncollectibility of trade receivables, an estimation for amount of allowance for doubtful receivables is made. The allowance for doubtful receivables is established through a provision charged to expenses. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables.

Inventories

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

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

Raw materials - cost eliminated of imputed interest on a weighted average basis;

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

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

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

Financial assets

As of June 30, 2006, the equity investments of the Company, comprise of Chung Mei and Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş. in which the participation rate of the Company is 45% and 25,14 %, respectively, are carried at cost.

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

For investments where there is no quoted market price and where a reasonable estimate of the fair value could not be determined since other methods are inappropriate and unworkable, they are stated at cost.

Entek Elektrik Üretimi A.Ş. (Entek) and Koç Finansal Hizmetler A.Ş. (KFH), which are classified as investments available for sale as of June 30, 2006 are carried at their fair value, in accordance with the revised appraisal report as of June 30, 2006. In this respect, the differences occurred in the carrying value of the investments available for sale amounting to YTL 3.203.774 (December 31, 2005 - YTL 2.914.699) and YTL 15.715.028 (December 31, 2005 - YTL 12.349.977), respectively, are reflected as "Financial Assets Value Increase Fund" under shareholders' equity account.

Property, Plant and Equipment

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of PP&E. In this context, the Company, has reassessed the useful lives of property, plant and equipment. Based on this reassessment, the Company has changed the useful lives of property, plant and equipment and the effect of this change recognized in the current period interim income statement is a decrease in depreciation charge by YTL 1.065.129.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

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

Assets which are subject to depreciation are depreciated over the historical costs on a straight line basis using the below estimated useful lives:

	2005 and prior years	2006
Land improvements	25 years	30 years
Buildings	25 years	30 years
Furnitures and fixtures	5 years	12 years
Machinery and equipment	3-10 years	5-10 years
Moulds and models	2-5 years	3-6 years
Vehicles	3-5 years	3-5 years
Leasehold improvements	5 years	5 years

Intangible Assets

Intangible assets are initially stated at cost and are restated until December 31, 2004 with the index of the related purchase date. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets excluding development costs, created within the Company are not capitalized and expenditure is charged against profits and loss in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is 5 years.

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

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of subsidiaries and associates at the date of acquisition. Goodwill arose 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 January 1, 2005, goodwill is not amortized but reviewed for possible impairment.

Borrowings

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

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

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial Risk Management and Policies

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

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

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

Price Risk

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

Credit Risk

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

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

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

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Company also obtains collaterals when appropriate.

Liquidity Risk

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value

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

The 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 approximate to market rates.

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

Financial Assets

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

Financial Liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Borrowings are recognized at discounted cost and costs of transactions are added. 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.

Derivative Financial Instruments (Forward Agreements)

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

Fair values are obtained from quoted market prices, to the extent publicly available and discounted cash flows as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

Derivatives with unrealized gains are included in accrued income (prepayments and other current assets) and derivatives with unrealized losses are included in accrued expense in the consolidated balance sheet.

Borrowing Costs

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

Borrowing costs are capitalized until the assets are substantially ready for intended use.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets

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

Income Taxes

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

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

Deferred income tax assets are recognized for all deductible temporary differences, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Trade Payables

Liabilities for trade and other amounts which are normally settled up to 135 day terms are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))

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

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

(b) Defined Contribution Plans:

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

Recognition and Derecognition of Financial Assets and Liabilities

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

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

Earnings Per Share

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

Subsequent Events

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions, Contingent Liabilities and Assets

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Financial Leases

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

Statement of Cash Flows

Cash and cash equivalents presented in the statements of cash flow comprise cash on hand, cash at banks, checks and marketable securities with original maturities three months or less.

4. CASH AND CASH EQUIVALENTS

	June 30, 2006	December 31, 2005
Cash	4.238	5.628
Cash at bank		
- demand deposit	6.932.298	4.448.354
Other liquid assets	12.933.801	8.205.764
	19.870.337	12.659.746

As of June 30, 2006 and December 31, 2005, the Company does not have any time deposits at banks.

As of June 30, 2006 and December 31, 2005, there is not any blockage over cash and cash equivalents.

5. MARKETABLE SECURITIES, net

None (December 31, 2005 - None).

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the period ended June 30, 2006

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

6. FINANCIAL LIABILITIES, net

		June 30, 2006				December 31, 2005			
		Original Amount	Interest Rate	Maturity	Amount	Original Amount	Interest Rate	Maturity	Amount
Short-term									
Export Loans	YTL	-	11% - 14%	July 3, 2006 – December 4, 2006	11.802.404	-	12% - 15%	January 3, 2006 - May 22, 2006	10.864.001
Import Loans	YTL	-	14,9% - 20,25%	July 28, 2006 – December 31, 2006	56.362.809	-	13,5%-14,5%	-	12.664.000
	EUR	1.314.140	Euribor+0,8	September 16, 2006	2.640.763	EUR	1.311.482	Euribor+0,8	September 16, 2006
						USD	5.006.625	Libor+0,85	February 20, 2006
						EUR	5.003.400	Euribor+0,6	February 22, 2006
Working Capital Loans	USD	23.578.282	5,92% - 6,5%	December 4, 2006	37.793.629	-	-	-	-
Bank Overdrafts	GBP	4.066.726	-	-	12.282.651 (*)	GBP	4.060.806	-	9.505.121
					120.882.256				49.775.887
Long-term									
	EUR	25.277.707	Euribor+2,15	March 15, 2014	50.795.552	-	-	-	-
	GBP	7.539.050	Euribor+2	November 24, 2010	15.149.722	EUR	7.535.235	Euribor+2	November 24, 2010
	USD	5.188.326	6.73%	November 23, 2007	8.316.368	EUR	7.095.452	Euribor+1,6	February 20, 2006
	EUR	3.022.502	Euribor+1.10	April 20, 2007	6.073.718	EUR	3.019.241	Euribor+1,1	April 20, 2007
	EUR	2.561.218	Euribor+0.95	March 23, 2007	5.146.767	EUR	2.522.021	Euribor+0,95	March 23, 2007
					85.482.127				32.023.240
Current portion of long term borrowings					(11.916.990)				(11.385.740)
					73.565.137				20.637.500

(*) YTL 462.305 constitutes of YTL amounts (December 31, 2005 - YTL 116.132)

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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6. FINANCIAL LIABILITIES, net (continued)

As of June 30, 2006, mortgage amounting to Euro 25.000.000 has been given for the securization of the loan obtained from IFC, as presented on the consolidated balance sheet.

As of June 30, 2006 the Company has an amount of YTL 3.475.000 rotative loan and YTL 1.434.058 export loan from Koçbank A.Ş. As of December 31, 2005, the Company has an amount of YTL 4.790.000 rotative loan and YTL 550.000 export loan borrowed from Yapı ve Kredi Bankası A.Ş.

As of December 31, 2005, repayment schedule for long term financial liabilities are as follows:

	June 30, 2006	December 31, 2005
Payment due in 1 year	11.916.990	11.385.740
Payment due in 2 year	12.562.459	10.432.169
Payment due in 3 year	8.873.122	3.401.777
Payment due in 4 year	13.440.161	3.401.777
Payment due and more than 5 years	38.689.395	3.401.777
	85.482.127	32.023.240

7. TRADE RECEIVABLES AND PAYABLES, net

a) Trade receivables

	June 30, 2006	December 31, 2005
Account receivables	143.729.488	88.414.433
Notes receivables and post-dated checks	213.001.602	131.761.071
	356.731.090	220.175.504
Less : Allowance for doubtful receivables	(4.987.406)	(4.359.496)
	351.743.684	215.816.008

As of June 30, 2006 and December 31, 2005, the Company does not have any long-term trade receivables.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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7. TRADE RECEIVABLES AND PAYABLES, net (continued)

b) Trade payables

	June 30, 2006	December 31, 2005
Accounts payables	64.000.199	21.651.138
Notes payables	47.712.731	84.693.960
	111.712.930	106.345.098

Long-term trade payables

As explained in details in Note 19, the Company has a long-term trade payable amounting to YTL 9.132.064 (Euro 5.733.850) in accordance with the agreement signed in August 31, 2005 with Schaeffer Werke KG (December 31, 2005 - None).

8. FINANCE LEASE RECEIVABLES AND OBLIGATIONS, net

As of June 30, 2006, the Company does not have any short or long-term financial lease receivables. (December 31, 2005 - None).

As of June 30, 2006 the Company has YTL 232.666 short term finance lease obligations (December 31, 2005 - YTL 107.306) and YTL 154.946 long -term finance lease obligations of which the maturity is until November 2009 (December 31, 2005 - YTL 114.093).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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9. DUE FROM AND TO RELATED PARTIES

a) Due from related parties

Related parties	June 30, 2006	December 31, 2005
Equity Investments		
Demiladi	2.698.922	1.435.927
Chung Mei Industries Limited	-	75.132
Others		
Migros Türk T.A.Ş.	9.514.207	1.035.955
Kofisa Trading Company S.A.	8.130.183	3.921.934
Arçelik A.Ş.	4.644.509	2.811.387
Koçtaş Yapı Marketleri A.Ş.	2.719.186	-
Otokoç Otomotiv Tic. ve San. A.Ş. (Otokoç)	-	12.690
Akpa Dayanıklı Tüketim A.Ş. LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (Akpa)	704.473	652.109
Ram Trading	360.990	247.749
Beko UK	186.834	-
Koç Sistem A.Ş.	161.631	-
Ram Pacific Ltd.	160.290	-
Ramerica	41.629	3.624
Others	223.350	-
	29.546.204	10.196.507
Less: Allowance for unearned interest income	(226.922)	(45.297)
	29.319.282	10.151.210

As of June 30, 2006, the Company does not have any long-term trade receivables from related parties (December 31, 2005 - None).

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))****9. DUE FROM AND TO RELATED PARTIES (continued)****b) Due to related parties****Short Term Obligations***Short-term financial borrowings*

Related parties	June 30, 2006	December 31, 2005
Others		
Koç Faktoring Hizmetleri A.Ş.	86.963.080	18.968.595
Yapı Kredi Faktoring A.Ş.	14.095.263	12.641.225
Beko Plc	7.632.900	6.101.221
Kofisa Trading Company S.A.	2.403.568	5.240.433
Arçelik A.Ş.	2.276.362	2.114.904
Koçbank A.Ş.	1.490.318	2.350.800
	114.861.491	47.417.178

Short-term trade payables

	June 30, 2006	December 31, 2005
Shareholders		
Koç Holding A.Ş.	327.476	98.325
Financial Assets		
Ram Dış Ticaret A.Ş.	796.215	2.312.767
Entek Elektrik Üretimi A.Ş.	422.869	453.573
Equity Investments		
Chung Mei Industries Limited	1.947.292	8.026.499
Demiladi	-	141.330
Others		
Beko Ticaret A.Ş.	1.287.415	952.795
Ram Sigorta Aracılık Hizmetleri A.Ş.	830.245	130.426
Ram Pasific Ltd.	381.927	213.353
Aygaz A.Ş.	360.754	345.195
Eltek Elektrik	356.498	261.025
Palmira Turizm Ticaret A.Ş.	161.485	322.388
Ark İnşaat	113.078	703.460
Birleşik Oksijen Sanayi Gazlar A.Ş.	106.573	55.521
Turyat Setur Seyehat Acentesi İşl. A.Ş.	84.792	141.022
Koçnet Haberleşme Tekn. Ve İletişim Hizm. A.Ş.	52.357	17.108
Düzyer Tüketim Malları Pazarlama A.Ş.	46.476	29.519
Otokoç Otomotiv Tic. Ve San. A.Ş.	43.400	-
Beko UK	35.862	39.566
Koç Sistem A.Ş.	-	66.597
Koçtaş Yapı Marketleri A.Ş.	-	13.811
Migros Türk T.A.Ş.	-	17.898
Mogaz Petrol Gazları A.Ş.	-	29.228
Others	142.427	57.465
	7.497.141	14.428.871
Less : Allowance for unincurred interest expense	(167.174)	(153.469)
	7.329.967	14.275.402

Türk Demir Döküm Fabrikaları Anonim Şirketi

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9. DUE FROM AND TO RELATED PARTIES (continued)

As of December 31, 2005, the Company has factored checks and notes amounting to YTL 51.602.248 to Koç Faktoring Hizmetleri A.Ş and receivables amounting to YTL 6.756.647. Since those factoring transactions have been made in terms of factoring without recourse, the balances have not been reflected in the balance sheet.

Long term Payables

Long term payables due to related parties as of June 30, 2006 and December 31, 2005 are composed of borrowings from Beko Plc amounting GBP 2.575.000 with an interest rate of Libor+1,6 and maturity on April 30, 2008.

The repayment plan of the long-term borrowings due to related parties as of June 30, 2006 and December 31, 2005, is as follows:

	June 30, 2006	December 31, 2005
Due in 1 year	7.632.900	6.101.221
Due in 2 year	7.484.495	5.953.658
Due in 3 year	-	2.976.828
	15.117.395	15.031.707
Current portion of long-term borrowings (*)	(7.632.900)	(6.101.221)
	7.484.495	8.930.486

(*) Current portion of long term borrowings as of June 30, 2006 and December 31, 2005 are stated under short term due to related parties.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))****9. DUE FROM AND TO RELATED PARTIES (continued)****c) Transactions with related parties**

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

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))****9. DUE FROM AND TO RELATED PARTIES (continued)**

Related parties	June 30, 2005			
	Sales to related parties		Purchases to related parties	
	Inventories	Fixed Assets	Inventories	Services
Financial assets				
Entek Elektrik Üretim A.Ş.	-	-	-	32.708
Others				
Akpa Day. Tük	1.590.850	-	-	90.903
Ak-Yak Bursa Gaz A.Ş.	-	-	-	118.916
Arçelik	19.936.751	3.547	245	24.704
Arçelik A.Ş. Servis İşletmesi	-	-	-	1.272.004
Ark İnşaat	-	364.991	-	-
Aygaz A.Ş.	-	-	1.610.842	-
BEKO	-	-	-	1.193.434
Birleşik Oksijen Sanayi A.Ş.	-	-	164.345	314.998
Birmot A.Ş.	-	-	-	1.148
Bursa Gaz ve Ticaret A.Ş.	-	-	-	352
Chung Mei	-	-	-	-
Divan Otelleri	-	-	-	853.423
Düzyay A.Ş.	-	-	-	182.134
Ford Otosan	4.927	-	-	-
İzocam Ticaret ve Sanayi A.Ş.	-	-	64.722	-
Koç Allianz Sigorta A.Ş.	-	-	-	1.508
Koç Faktoring Hizmetler A.Ş.	-	-	-	3.805
Koç Lease Finansal Kiralama A.Ş.	-	-	-	67.739
Koç Sistem A.Ş.	-	110.415	-	87.868
Koçnet A.Ş.	-	4.440	-	160.105
Koç Bryce	-	-	-	2.567
Koçtaş Ticaret A.Ş.(Koçtaş Yapı Marketleri)	846.721	202	569	-
Migros A.Ş.	7.038.709	-	-	480
Mogaz Petrol Gazları	-	-	80.136	-
Otokoç Otomotiv A.Ş.	-	-	-	4.302
Porsuk Ticaret-Bursa Gaz A.Ş.	-	-	-	4.050
Ram Dış Ticaret A.Ş.	-	-	21.067.832	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7.266	104.605	92.798
Siemens	-	-	-	1.485
Set Air Hava Taşımacılığı	-	-	-	7.647
Set Oto Ticaret ve Turizm A.Ş.	-	-	-	44.949
Setur Servis Turistik A.Ş.	362.105	-	-	-
Turyat Setur Seyahat Acentesi İşl.A.Ş.	-	1.780	-	1.013.944
Others	60.122	-	-	-
	29.840.185	492.641	23.093.296	5.577.971

d) Others

	June 30, 2006	December 31, 2005
Counter guarantees given in favour of Ram Pacific	16.029.000	13.418.000
Bank deposits at Koçbank	2.896.739	2.120.111
Bank deposits at Yapı Kredi Bankası A.Ş.	7.998	53.249
Loan obtained from KFH	5.138.415	-
Interest expenses charged by Koç Faktoring	4.150.081	8.007.553
Interest expenses charged by Yapı Kredi Faktoring	493.828	80.252
Donations to Vehbi Koç Vakfı	-	1.150.000
Advertising expenses charged by Arçelik	395.361	1.055.919
Marketing expenses charged by Beko	162.095	-
Interest expense charged by Beko Plc	506.282	1.139.790
Loan obtained from Yapı Kredi Bankası A.Ş.	-	5.340.000

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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9. DUE FROM AND TO RELATED PARTIES (continued)

As of June 30, 2006 the Company has obtained dividend income amounting to YTL 45.180 from Kumsan (June 30, 2005 - Entek YTL 223.980 and from Kumsan YTL 45.180).

As of June 30, 2006 financing expenses paid to Koçbank A.Ş. and Yapı ve Kredi Bankası A.Ş. are YTL 2.324.464 (June 30, 2005 - YTL 1.244.203) and YTL 301.741 respectively (June 30, 2005 - None).

10. OTHER RECEIVABLES AND LIABILITIES, net

Breakdown of other receivables as of June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006	December 31, 2005
Forward income accrual	6.512.692	-
Due from personel	95.578	77.191
Others	923	-
	6.609.193	77.191

As of June 30, 2006, the Company has forward transactions of amounting to USD 25.000.000 and USD 3.000.000 with a maturity of December 4, 2006 and September 29, 2006 respectively. Difference amounting to YTL 6.512.692 occurring due to valuation of these forward transactions with current market value, is reflected in financial statements under other receivables and financial income.

Breakdown of other liabilities as of June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006	December 31, 2005
Deferred income	15.575.241	-
Taxes and duties payable	3.587.251	4.850.970
Due to employees	1.118.500	4.721.692
Value added tax	906.243	1.180.074
Other short term liabilities	55.676	75.497
	21.242.911	10.828.233

As of June 30, 2006 and December 31, 2005 the Company does not have any long term other liabilities.

11. LIVE STOCK, net

None (December 31, 2005 - None).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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12. INVENTORIES

	June 30, 2006	December 31, 2005
Raw materials	24.900.555	24.421.774
Work-in-process	5.312.415	4.078.634
Semi-finished goods	6.369.838	7.605.734
Finished goods	48.650.640	35.836.717
Merchandise	37.384.727	8.978.348
Goods in transit	8.287.690	16.844.263
Advances for purchase orders	14.249.505	3.559.869
	145.155.370	101.325.339
Less : Provisions for loss on inventories (merchandise)	(190.564)	(172.264)
	144.964.806	101.153.075

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

None (December 31, 2005 - None).

14. DEFERRED TAX ASSETS AND LIABILITIES

As of June 30, 2006 and December 31, 2005, distribution of deferred tax (liability)/asset calculated over temporary differences subject to deferred tax and effective tax rates is summarized below:

	Balance Sheet		Income Statement	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
Net temporary difference between the tax base and the carrying value of the property, plant and equipment	(119.705)	26.571	(146.276)	647.605
Provision for employee termination benefits	1.245.055	1.920.298	(675.243)	267.052
Allowance for unrealized interest expense	(2.605.317)	(3.129.722)	524.405	(440.294)
Allowance for unearned interest income	1.903.389	1.195.772	707.617	(1.243.935)
Temporary differences arising from inventory	19.156	234.131	(214.975)	141.551
Forward income accrual	(1.302.538)	-	(1.302.538)	(125.413)
Provisions	2.105.530	1.459.456	646.074	113.876
Other	638.942	257.457	381.485	217.468
	1.884.512	1.963.963	(79.451)	(422.090)

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

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

As of June 30, 2006 and December 31, 2005 deferred tax in consolidated financial statements is as follows:

	Deferred Tax	
	June 30, 2006	December 31, 2005
Deferred tax asset	2.608.523	2.452.318
Deferred tax liability	(724.011)	(488.355)
	1.884.512	1.963.963

The movement of deferred tax as of June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006	December 31, 2005
At January 1	1.963.963	2.386.053
Deferred tax benefit (expense)	(123.089)	(410.869)
Currency translation difference	43.638	(11.221)
	1.884.512	1.963.963

15. OTHER CURRENT AND NON CURRENT ASSETS

	June 30, 2006	December 31, 2005
VAT receivable	7.793.208	3.926.139
VAT deductible	6.013.090	6.359.874
Prepaid expenses	1.417.172	962.322
Job advances	309.327	9.004
Prepaid tax	-	1.304.033
Other	77.287	-
	15.610.084	12.561.372

As of June 30, 2006 and December 31, 2005 the Company has not any other non current assets.

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
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16. FINANCIAL ASSETS, net

a) Investments available for sale

Breakdown of investments available for sale as of June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006		December 31, 2005	
	Participation Percentage (%)	YTL	Participation Percentage (%)	YTL
Koç Finansal Hizmetler A.Ş. (KFH)	0,38	27.329.600	0,38	23.964.549
Ram Dış Ticaret A.Ş.	10,00	5.758.423	10,00	5.758.423
Entek Elektrik Üretimi A.Ş.	3,73	8.579.000	3,73	8.289.925
Isı Sanayii Araştırma ve Geliştirme A.Ş.	5,00	8.217	5,00	8.217
		41.675.240		38.021.114

As of June 30, 2006, the investment amounts in the above companies (except Entek and KFH) are carried at restated cost since their fair value could not be measured reliably.

KFH and Entek, which are classified as investments available for sale as of June 30, 2006 are carried at their fair value in accordance with the revised appraisal reports obtained from an independent valuation firm. In this respect, the differences occurred in the book value of the investments available for sale amounting to YTL 3.203.774 (December 31, 2005 - YTL 2.914.699) and YTL 15.715.028 (December 31, 2005 - YTL 12.349.977), respectively, are reflected as “Financial assets value increase fund” under shareholders' equity account.

b) Equity Investments

Breakdown of equity investments as of June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006		December 31, 2005	
	Participation Percentage (%)	YTL	Participation Percentage (%)	YTL
Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş.	25,14	873.086	25,14	873.086
Chung Mei	45,00	1.754.891	45,00	1.754.891
Demiladi	60,00	202.933	60,00	202.933
		2.830.910		2.830.910

In accordance with the Board of Directors meeting held on July 24, 2006, the Company decided to purchase 148.200 shares which corresponds to 10% of Chung Mei, in which the Company has 45% of shares, from Ram Pacific Ltd. established in Hong Kong, with payment in cash amounting to U.S. Dollar 2.000.000 based on valuation work made by K.Y. Ng&Company Ltd.

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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(Currency – Unless otherwise indicated New Turkish Lira (YTL))****17. POSITIVE GOODWILL, net**

Goodwill, as of June 30, 2006 and December 31, 2005 aroused from the purchase of “Heatline” business of Beko.

The movement of goodwill for June 30, 2006 and December 31, 2005 as follows:

	June 30, 2006	December 31, 2005
Beginning net book value	4.369.869	4.869.586
Currency translation reserve	1.123.605	(499.717)
Ending net book value	5.493.474	4.369.869

18. INVESTMENT PROPERTY, net

None (December 31, 2005 - None).

19. PROPERTY, PLANT AND EQUIPMENT, net

The movement of property, plant and equipment for the period ended June 30, 2006 and December 31, 2005 is as follows:

	January 1, 2006	Additions	Disposals	Transfers	Currency Translation	June 30, 2006
Cost						
Land and land improvements	3.385.018	-	-	-	-	3.385.018
Buildings	48.922.786	-	-	-	-	48.922.786
Machinery, installations and equipment	158.507.840	939.337	(480.197)	19.238.093	129.845	178.334.918
Motor vehicles	1.608.502	384.469	(329.890)	-	159.478	1.822.559
Furniture and fixtures	8.934.672	210.809	(9.149)	-	134.398	9.270.730
Leasehold improvements	154.262	-	-	-	-	154.262
Advances given	289.953	-	-	(289.953)	-	-
Construction in progress	10.739.745	16.532.374	-	(18.948.140)	-	8.323.979
	232.542.778	18.066.989	(819.236)	-	423.721	250.214.252
Land and land improvements	(1.846.498)	(23.471)	-	-	-	(1.869.969)
Buildings	(28.416.446)	(577.071)	-	-	-	(28.993.517)
Machinery, installations and equipment	(126.533.086)	(4.005.571)	475.465	-	(190.924)	(130.254.116)
Motor vehicles	(722.354)	(184.029)	171.698	-	(44.620)	(779.305)
Furniture and fixtures	(7.260.382)	(187.210)	3.518	-	85.407	(7.358.667)
Leasehold improvements	(154.262)	-	-	-	-	(154.262)
	(164.933.028)	(4.977.352)	650.681	-	(150.137)	(169.409.836)
Property, plant and equipment, net	67.609.750	13.089.637	(168.555)	-	273.584	80.804.416
					June 30, 2006	December 31, 2005
Gross amount of property, plant and equipment which are fully depreciated and still in use					106.086.853	105.494.099

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
For the period ended June 30, 2006
(Currency – Unless otherwise indicated New Turkish Lira (YTL))****19. PROPERTY, PLANT AND EQUIPMENT, net (continued)**

The useful life and depreciation method are reviewed periodically and based on that it has been reassessed whether method or depreciation term is in line with the benefits provided from assets or not. In this respect, the Company has reassessed the useful live of its tangible assets in 2006. As a result of this reassessment, some changes are made on useful lives and as the impact of such changes, the depreciation expense decreased by YTL 1.065.129 in current period income statement.

	January 1, 2005	Additions	Disposals	Transfers	Currency Translation	December 31, 2005
Cost						
Land and land improvements	3.380.881	4.137	-	-	-	3.385.018
Buildings	46.684.314	169.568	-	2.068.904	-	48.922.786
Machinery, installations and equipment	149.031.075	3.158.587	(213.895)	6.596.983	(64.910)	158.507.840
Motor vehicles	1.630.779	637.258	(574.745)	-	(84.790)	1.608.502
Furniture and fixtures	8.483.659	490.753	-	9.055	(48.795)	8.934.672
Leasehold improvements	154.262	-	-	-	-	154.262
Advances given	289.953	-	-	-	-	289.953
Construction in progress	1.985.895	17.428.792	-	(8.674.942)	-	10.739.745
	211.640.818	21.889.095	(788.640)	-	(198.495)	232.542.778
Accumulated depreciation						
Land and land improvements	(1.766.617)	(79.881)	-	-	-	(1.846.498)
Buildings	(26.608.510)	(1.807.936)	-	-	-	(28.416.446)
Machinery, installations and equipment	(118.347.999)	(8.427.968)	213.895	-	28.986	(126.533.086)
Motor vehicles	(703.827)	(306.620)	269.670	-	18.423	(722.354)
Furniture and fixtures	(6.605.678)	(708.209)	-	-	53.505	(7.260.382)
Leasehold improvements	(154.262)	-	-	-	-	(154.262)
	(154.186.893)	(11.330.614)	483.565	-	100.914	(164.933.028)
Property, plant and equipment, net	57.453.925	10.558.481	(305.075)	-	(97.581)	67.609.750

The Company has purchased machinery park of Schaeffer Panel Radiator production plant in Germany, FIX brand name and customer portfolio of Schaeffer regarding to the agreement signed with Schaeffer Werke KG on August 31, 2005. The amount of this purchase agreement is Euro 8.500.000 and some part of the fixed assets subject to the purchase agreement have been classified in machinery, installations and equipment as of June 30, 2006.

EUR 2.766.150 was paid in accordance with agreement and EUR 5.733.850 is accounted in long-term trade payable account.

Repayment plan of the agreement is as follows:

Maturity	Foreign Currency Type	Foreign Currency Amount
September 30, 2005	EURO	1.100.000
March 15, 2006	EURO	1.666.150
December 15, 2006	EURO	1.189.404
December 15, 2007	EURO	2.276.890
December 15, 2008	EURO	2.267.556
		8.500.000

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

As of June 30, 2006 and December 31, 2005, no study has been performed to determine the fair values of FIX brandname and fixed assets purchased from Schaeffer Company. Hence, as of June 30, 2006 and December 31, 2005, the necessary adjustments have not been made in accordance with IFRS 3 “Business Combinations”, however the Company will complete valuation work for this purchase agreement in compliance with IFRS 3 in a one year period and also reflect the possible effects of this valuation to the financial statements till the end of this year.

20. INTANGIBLES, net

The movement of intangibles as of June 30, 2006 and December 31, 2005 is as follows:

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

	December 31, 2004	Additions	Disposals	December 31, 2005
Cost Rights	1.746.654	269.525	-	2.016.179
Less: Accumulated amortization Rights	(1.086.216)	(345.881)	-	(1.432.097)
Net Book Value	660.438	(76.356)	-	584.082

21. ADVANCES TAKEN, net

The Company has notes receivables amounting to YTL 19.102.811 as advances taken from customers as of June 30, 2006 (December 31, 2005 - YTL 4.990.642). The Company has no long-term advances taken as of June 30, 2006 and December 31, 2005.

22. EMPLOYEE PENSION PLANS

As of June 30, 2006 and December 31, 2005, the Company does not have any employee pension plans.

Türk Demir Döküm Fabrikaları Anonim Şirketi

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23. PROVISIONS

a) Short Term Provisions

Provisions as of June 30, 2006 and December 31, 2005 are summarized as follows:

Tax Provision

Breakdown of corporate tax payable as of June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006	December 31, 2005
Corporate tax payable	5.130.554	12.651.470
Prepaid tax	(2.125.883)	(12.579.597)
Currency translation differences	-	(7.765)
	3.004.671	64.108

Other provisions

	December 31, 2005	December 31, 2004
Provision for warranty expense	5.768.082	4.910.145
Provision for sales premiums	5.756.917	908.232
Provision for personnel bonus	1.020.000	-
Provision for vacation pay	408.590	-
Provision for contingent liabilities	168.663	295.829
Other	679.271	692.294
	13.801.523	6.806.500

b) Provision for Employee Termination Benefits

In accordance with Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to the retirement after 25 years of service (20 years for women) or for reasons such as military obligation or death. Such payments are calculated on the basis of 30 days' pay and limited to a maximum historical YTL 1.770 (December 31, 2005 - YTL 1.727) at June 30, 2006.

The Company accounts for the employee termination benefits by using "Projected Unit Credit Method" in accordance with IAS 19 (Employee Benefits) based on employees' service period and assumptions by professional actuaries and reflects these figures on financial statements. Accordingly, retirement pay provision is set by calculating the present value of the contingent liability up on the retirement of employees. Actuarial assumptions to calculate liabilities as of June 30, 2006 and December 31, 2005 are as follows:

	June 30, 2006	December 31, 2005
Discount rate	%12	%12
Expected rates of salary / limit increases	%6,175	%6,175

As of July 1, 2006, ceiling value for retirement pay increased to YTL 1.815.

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23. PROVISIONS (continued)

The movement of provision for employee termination benefits for the period between June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006	December 31, 2005
Balance as of January 1	6.400.992	5.510.820
Charge for the period	1.342.720	1.802.543
Payments	(1.518.436)	(912.371)
Ending balance	6.225.276	6.400.992

24. MINORITY INTEREST

Movements of the minority interest during the periods ended June 30, 2006 and December 31, 2005 are as follows :

	June 30, 2006	December 31, 2005
At January 1	3.771.768	2.283.730
Currency translation difference	796.186	(345.984)
Share of net gain /(loss) of subsidiaries	1.061.382	1.834.022
	5.629.336	3.771.768

25. SHARE CAPITAL

The shareholders of the Company and their percentages of ownership as of June 30, 2006 and December 31, 2005, are as follows:

	June 30, 2006		December 31, 2005	
	Participation Amount	Participation Percentage	Participation Amount	Participation Percentage
Koç Holding A.Ş.	20.745.000	%46,10	20.745.000	%46,10
Temel Ticaret A.Ş	8.568.000	%19,04	8.568.000	%19,04
Publicly traded and others	15.687.000	%34,86	15.687.000	%34,86
	45.000.000	%100,00	45.000.000	%100,00

As of June 30, 2006 the registered share capital ceiling is YTL 100.000.000 (December 31, 2005 YTL 100.000.000). As of June 30, 2006 the Company's share capital consists of 4.500.000.000 shares of YTL 0.01 each (December 31, 2005 – 4.500.000.000).

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25. SHARE CAPITAL (continued)

The movement of the share capital (in numbers and in historical YTL) of the Company during June 30, 2006 and December 31, 2005 is as follows :

	June 30, 2006		December 31, 2005	
	Number	YTL	Number	YTL
January 1	4.500.000.000	45.000.000	4.500.000.000	45.000.000
Balance	4.500.000.000	45.000.000	4.500.000.000	45.000.000

As of June 30, 2006 accumulated losses from December 31, 2003 are offset against net profit of year 2004, legal reserve restatement difference, share premiums and share capital restatement difference, respectively.

As of December 31, 2004, the Company has offset its prior years losses amounting to YTL 116.453.701 by using YTL 7.039 of share premiums and for the remaining YTL 116.446.662 of equity restatement differences. Out of YTL 116.446.662, YTL 60.694.313 was offset against legal reserves restatement difference, YTL 880.501 against share premium restatement and YTL 54.871.848 against share capital restatement difference.

26. CAPITAL RESERVES

Share premiums represent the net proceeds from the sale of stocks at market value. This surplus is recorded in shareholders' equity and is not available for distribution. However, it may be used in future share capital increase. The share premiums amounting to YTL 7.039 as of June 30, 2006 are offset against the prior year losses. (December 31, 2005 –YTL 7.039)

As of June 30, 2006 and December 31, 2005, YTL 70.499.320 of equity restatement differences is the restatement differences arising from the restatement of share capital.

27-28. PROFIT RESERVES AND RETAINED EARNINGS

Legal reserves

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

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

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

Based on the CMB Communiqué Serial: XI, No: 25 part fifteen article 399, the amount included in "Prior Year Losses" account resulting from the first application of inflation accounting should be considered as a deduction during the identification of the profit to be distributed based on the inflation adjusted financial statements. In addition to that, the amount followed under "Prior Year Losses" account may be offset against period income and retained earnings if exists, and the remaining losses against general reserves, legal reserves and equity restatement differences, respectively.

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

Effective from January 1, 2004, in line with Communiqué X1-25, based on the profits calculated in accordance with IFRS financial statements, appropriation of 30% of the distributable profit is obligatory (2004 - 30%). Based on the decision of General Assembly the appropriation may be on cash basis or through the distribution of free shares not less than 30% of the distributable profit, or may be distributed both as cash and free shares. In addition, listed companies subject to CMB regulations can not distribute more than the net distributable profit stated in their financial statements prepared in accordance with Turkish Commercial Code and Tax Legislation.

The Company's share premiums in statutory books, legal reserves and accumulated profits (loss) as of June 30, 2006 and December 31, 2005 can be summarized as follows:

	June 30, 2006	December 31, 2005
Share premiums	7.039	7.039
Legal reserves	7.132.344	4.611.451
General reserves	48.692.231	43.545.263

Dividends

Dividend that has been declared and approved for the year 2005 is as follows:

	2005
--	------

Share

Nominal value per share, gross 0,35 YTL

The Company determined the profit appropriation of the year 2005 as YTL 15.750.000 in the General Shareholders Assembly meeting that held at April 5, 2006.

Based on the TCMB decision dated February 25, 2005 numbered 7/242;

- As of December 31, 2005, the Company's net distributable profit which is calculated by using the minimum profit distribution policy of CMB, over the net distributable profit realized in accordance with CMB regulations, can be totally provided by the net distributable profit in the statutory books of the Company.
- On the condition that, the consolidated subsidiary, joint venture and investments under CMB Communiqué XI: 21 and XI:25, have decided to distribute profit in the general assembly meetings and considering the profit of such entities based on their financial statements prepared in accordance with such regulations, which is reflected to the consolidated financial statements of the parent company, as the maximum limit, than in line with profit distribution decision of general assemblies, the profit of such entities reflected to the parent company is required to be considered in the distributable profit of the parent company.

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

Financial Assets Value Increase Fund

KFH and Entek, which are classified as investments available for sale as of June 30, 2006 are carried at their fair value in accordance with the revised appraisal reports obtained from an independent valuation firm. In this respect, the differences occurred in the book value of the investments available for sale amounting to YTL 3.203.774 (December 31, 2005 - YTL 2.914.699) and YTL 15.715.028 (December 31, 2005 - YTL 12.349.977), respectively, are reflected as “Financial assets value increase fund” under shareholders' equity account.

29. FOREIGN CURRENCY POSITION

ASSETS	Currency Type	June 30, 2006	
		Foreign Currency Amount	YTL
Cash and Cash Equivalents	EUR	2.084.478	4.188.759
	GBP	361.328	1.050.236
	USD	115.579	185.262
	CHF	1.443	1.850
			5.426.107
Trade Receivables	EUR	21.270.151	42.742.368
	GBP	6.018.722	17.494.018
	USD	4.206.655	6.742.848
			66.979.234
Due from Related Parties	EUR	4.473.764	8.990.029
	GBP	14.502	42.151
	USD	1.787.778	2.865.629
			11.897.809
Other Receivables	USD	4.063.068	6.512.692
			6.512.692
Other Current Assets	GBP	789.435	2.294.572
			2.294.572

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29. FOREIGN CURRENCY POSITION (continued)

LIABILITIES	June 30, 2006		
	Currency Type	Foreign Currency mount	YTL
Financial Borrowings (Short Term)	EUR	(1.825.476)	(3.668.294)
	GBP	(3.713.209)	(10.792.814)
	USD	(23.578.282)	(37.793.629)
			(52.254.737)
Current Portion of Short Borrowings	EUR	(5.900.478)	(11.857.010)
	USD	(37.420)	(59.980)
			(11.916.990)
Finance Lease Obligations (Short Term)	EUR	(11.980)	(24.074)
	GBP	(5.144)	(14.952)
			(39.026)
Trade Payables (Short Term)	EUR	(3.202.188)	(6.434.798)
	GBP	(2.228.658)	(6.477.819)
	USD	(4.932.992)	(7.907.093)
			(20.819.710)
Due to Related Parties (Short Term)	EUR	(4.913.678)	(9.874.036)
	GBP	(12.262.628)	(35.642.554)
	USD	(2.909.765)	(4.664.063)
			(50.180.653)
Provisions (Short Term)	EUR	(47.690)	(95.834)
	GBP	(863.509)	(2.509.875)
			(2.605.709)
Other Liabilities	GBP	(465.056)	(1.351.731)
			(1.351.731)
Financial Borrowings (Long Term)	EUR	(36.608.677)	(73.565.137)
			(73.565.137)
Finance Lease Obligations (Long Term)	GBP	(14.141)	(41.102)
			(41.102)
Due to Related Parties (Long Term)	GBP	(2.575.000)	(7.484.495)
			(7.484.495)
Trade Payables (Long Term)	EUR	(4.544.446)	(9.132.064)
			(9.132.064)
	EUR	(29.226.220)	(58.730.091)
	GBP	(15.335.638)	(43.434.365)
	USD	(21.285.380)	(34.118.334)
	CHF	1.443	1.850
Net			(136.280.940)

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29. FOREIGN CURRENCY POSITION (continued)

ASSETS	Currency Type	December 31, 2005	
		Foreign Currency mount	YTL
Cash and Cash Equivalents	EUR	1.252.989	1.989.121
	GBP	102.844	237.785
	USD	421.694	565.829
	CHF	1.093	1.113
			2.793.848
Trade Receivables	EUR	15.960.129	25.336.704
	GBP	6.147.281	14.213.128
	USD	2.740.382	3.677.045
			43.226.877
Due from Related Parties	EUR	2.563.340	4.069.302
	USD	1.264.404	1.696.577
			5.765.879
Other Current Assets	EUR	78.354	124.386
	GBP	823.318	1.903.594
	USD ₁	6.957	9.334
			2.037.314

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29. FOREIGN CURRENCY POSITION (continued)

LIABILITIES	December 31, 2005		
	Currency Type	Foreign Currency Amount	YTL
Financial Borrowings (Short Term)	EUR	(6.970.369)	(11.065.461)
	GBP	(3.610.745)	(8.348.404)
	USD	(5.006.625)	(6.717.889)
			(26.131.754)
Current Portion of Long Term Borrowings	EUR	(7.172.120)	(11.385.740)
			(11.385.740)
Due to Related Parties (Short Term)	EUR	(6.258.104)	(9.934.741)
	GBP	(9.576.613)	(22.142.087)
	USD	(7.334.533)	(9.841.476)
			(41.918.304)
Finance Lease Obligations (Short Term)	EUR	(17.601)	(27.942)
	GBP	(5.144)	(11.893)
			(39.835)
Trade Payables	EUR	(2.231.635)	(3.542.721)
	GBP	(1.749.720)	(4.045.528)
	USD	(2.940.803)	(3.945.970)
			(11.534.219)
Financial Borrowings (Long Term)	EUR	(13.000.000)	(20.637.500)
			(20.637.500)
Finance Lease Obligations (Long Term)	EUR	(3.186)	(5.058)
	GBP	(15.827)	(36.594)
			(41.652)
Due to Related Parties (Long Term)	GBP	(3.862.500)	(8.930.486)
			(8.930.486)
	EUR	(15.798.203)	(25.079.650)
	GBP	(11.747.106)	(27.160.485)
	USD	(10.848.524)	(14.556.550)
	CHF	1.093	1.113
Net			(66.795.572)

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30. GOVERNMENT INCENTIVES

Investment incentives

The Company has various investment incentives related with its capital expenditures. The Company has not utilized any investment incentive in 2006 and no deferred investment incentives by June 30, 2006 (In 2005 the Company has utilized YTL 6.493.193 of investment incentives).

31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

- a) As of June 30, 2006 total amount of guarantee letters given by the Company to the government authorities is YTL 41.056.456 (December 31, 2005 - YTL 40.576.587)
- b) As of June 30, 2006, there is a counter guarantee given by the Company in favour of Ram Pacific Ltd for its borrowing from Ranobank International in Hong Kong; which is amounting to USD 10.000.000 and maturity is December 31, 2006 (December 31, 2005 -USD 10.000.000).
- c) As of June 30, 2006, the lawsuits filed against the Company amounting to a total of approximately YTL 1.328.157 (December 31, 2005 YTL - 1.228.943). The Company has provided provisions amounting to YTL 168.663 (December 31, 2005 - YTL 295.829) against those lawsuit. Among these lawsuits, the Company has been found to be liable for an amount of USD 1.000.000. However, according to the decision of the Court held on February 27, 2004, the Company's liability has been changed to USD 800.000. The Company has objected to that decision. The Company has objected to report made by the investigation at April 27, 2006 and it is expected to reach a conclusion as being liable amounting to USD 50.000 if the Company's objection is approved, USD 100.000 if not approved. On the other hand, the Company has already provided a reserve for the amount of USD 100.000 equivalent of YTL 160.290 (December 31, 2005 - YTL 165.312) against this liability case. For the remaining portion of YTL 1.159.494, the Company believes that no material adverse outcome will result from these litigations accordingly; the Company does not reflect any accrual in the financial statements related with this lawsuit.
- d) The Company has the following obligations related with the long-term loan obtained on April 22, 2005 and in use by June 30, 2006 amounting to EUR 3.000.000.
 - i) The current ratio according to last audited financial statements has not to be less than 1,10
 - ii) The ratio of profit before depreciation, amortization, interest and tax to net sales has not to be less than 10%
 - iii) The ratio of total liabilities to the net value of tangible assets has to be between 1,00 and 2,00
- e) The Company has the following obligations related with the long-term loan obtained on November 24, 2005 and in use by June 30, 2006 amounting to EUR 7.500.000.
 - i) the ratio of consolidated total liabilities to profit before depreciation, amortisation, interest and tax has not to be more than 3.
 - ii) The ratio of total liabilities to the net value of tangible assets should not to be over 1,5
 - iii) The ratio of profit before depreciation, amortization, interest and tax to the interest expenses should not be less than 2.

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31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

- f) The Company has the following obligations related with the long term loan obtained on April 12, 2006 and in use by June 30, 2006 amounting to EUR 25.000.000.
- i) The current ratio according to last audited financial statements has not to be less than 1,3,
ii) The ratio of total liabilities to the net value of tangible assets has not to be more than 2,25,
iii) The ratio of financial liabilities to the profit before depreciation, amortization, interest and tax has not to be less than 2,25.
- g) Financial Instruments

The nominal amount of forward transactions realized through HSBC and Fortisbank, as of June 30, 2006, is as below:

Term	USD Amount	Agreed Foreign Currency Rate USD/YTL	YTL Amount
04/12/2006	10.000.000	1,4332	14.332.000
04/12/2006	15.000.000	1,4351	21.526.500
29/09/2006	3.000.000	1,6070	4.821.000
	28.000.000		40.679.500

As of June 30, 2006, the market price of the forward transactions amounting to YTL 6.512.692 has been reflected as a forward income accrual in the other receivables.

As of December 31, 2005 the Company does not have any forward agreement.

32. MERGERS AND ACQUISITIONS

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

EUR 2.766.150 has already been paid and the other part amounting to EUR 5.733.850 is accounted in long term trade payables account.

Repayment plan of the agreement is as follows:

Maturity	Foreign Currency Type	Foreign Currency Amount
September 30, 2005	EURO	1.100.000
March 15, 2006	EURO	1.666.150
December 15, 2006	EURO	1.189.404
December 15, 2007	EURO	2.276.890
December 15, 2008	EURO	2.267.556
		8.500.000

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32. MERGERS AND ACQUISITIONS (continued)

As of June 30, 2006 and December 31, 2005, no study has been performed to determine the fair values of FIX brandname and fixed assets purchased from Schaeffer Company. Hence, as of June 30, 2006 and December 31, 2005, the necessary adjustments have not been made in accordance with IFRS 3 “Business Combinations”, however the Company will complete valuation work for this purchase agreement in compliance with IFRS 3 until the end of the year 2006 and also reflect the possible effects of this valuation to the financial statements.

33. SEGMENT REPORTING

Consolidated income of the Company is realized from the operations in Turkey and England. As of June 30, 2006 and December 31, 2005 reporting information of the Company according to geographical segments is as follows :

June 30, 2006

	Turkey	England	Total	Elimination	Consolidated
Current Assets	620.606.802	66.240.058	686.846.860	(118.729.474)	568.117.386
Non Current Assets	82.001.791	7.002.260	89.004.051	365.046	89.369.097
Financial Assets	99.992.039	28.194.020	128.186.059	(83.679.909)	44.506.150
Total Assets	802.600.632	101.436.338	904.036.970	(202.044.337)	701.992.633
Current Liabilities	455.065.796	86.321.203	541.386.999	(117.298.783)	424.088.216
Non Current Liabilities	89.760.332	7.525.597	97.285.929	-	97.285.929
Minority Interest	-	-	-	5.629.336	5.629.336
Equity	236.732.793	8.173.427	244.906.220	(86.413.002)	158.493.218
Net Profit for the Period	21.041.711	(583.889)	20.457.822	(3.961.888)	16.495.934
Total Liabilities and Equity	802.600.632	101.436.338	904.036.970	(202.044.337)	701.992.633

December 31, 2005

	Turkey	England	Total	Elimination	Consolidated
Current Assets	378.141.706	49.876.392	428.018.098	(75.599.496)	352.418.602
Non Current Assets	96.337.913	22.427.370	118.765.283	(77.913.259)	40.852.024
Financial Assets	69.412.425	5.603.594	75.016.019	-	75.016.019
Total Assets	543.892.044	77.907.356	621.799.400	(153.512.755)	468.286.645
Current Liabilities	264.459.028	62.359.222	326.818.250	(74.822.156)	251.996.094
Non Current Liabilities	27.604.346	8.967.080	36.571.426	-	36.571.426
Minority Interest	-	-	-	3.771.768	3.771.768
Equity	220.042.712	5.501.313	225.544.025	(78.203.251)	147.340.774
Net Profit for the Period	31.785.958	1.079.741	32.865.699	(4.259.116)	28.606.583
Total Liabilities and Equity	543.892.044	77.907.356	621.799.400	(153.512.755)	468.286.645

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33. SEGMENT REPORTING (continued)

For the periods ended June 30, 2006 and 2005 reporting information of the Company according to geographical segments is as follows :

January 1 - June 30, 2006

	Turkey	England	Total	Elimination	Consolidated
Net Sales	405.071.857	41.360.230	446.432.087	(129.732.713)	316.699.374
Cost of Sales (-)	(325.029.055)	(34.726.193)	(359.755.248)	129.286.415	(230.468.833)
Service Income, net	-	-	-	-	-
Other Income from Operational Activities, net	-	-	-	-	-
Gross Profit	80.042.802	6.634.037	86.676.839	(446.298)	86.230.541
Operating Expenses (-)	(43.896.818)	(7.944.264)	(51.841.082)	757.332	(51.083.750)
Profit from Operations, net	36.145.984	(1.310.227)	34.835.757	311.034	35.146.791
Other Operating Income	18.675.265	1.390.125	20.065.390	(3.578.631)	16.486.759
Other Operating Expense (-)	(25.638.475)	(17.219)	(25.655.694)	-	(25.655.694)
Financial Expense, net (-)	(2.535.019)	(646.569)	(3.181.588)	-	(3.181.588)
Operating Profit	26.647.755	(583.890)	26.063.865	(3.267.597)	22.796.268

April 1 - June 30, 2006

	Turkey	England	Total	Elimination	Consolidated
Net Sales	259.839.345	19.411.416	279.250.761	(77.360.135)	201.890.626
Cost of Sales (-)	(207.889.857)	(17.491.443)	(225.381.300)	77.090.945	(148.290.355)
Service Income, net	-	-	-	-	-
Other Income from Operational Activities, net	-	-	-	-	-
Gross Profit	51.949.488	1.919.973	53.869.461	(269.190)	53.600.271
Operating Expenses (-)	(25.091.105)	(3.305.709)	(28.396.814)	405.952	(27.990.862)
Profit from Operations, net	26.858.383	(1.385.736)	25.472.647	136.762	25.609.409
Other Operating Income	17.172.103	1.388.847	18.560.950	(3.227.251)	15.333.699
Other Operating Expense (-)	(25.425.077)	(1.125)	(25.426.201)	-	(25.426.201)
Financial Expense, net (-)	4.556.796	(315.484)	4.241.312	-	4.241.312
Operating Profit	23.162.205	(313.498)	22.848.708	(3.090.489)	19.758.219

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NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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33. SEGMENT REPORTING (continued)

January 1 - June 30, 2005

	Turkey	England	Total	Elimination	Consolidated
Net Sales	334.917.169	40.641.013	375.558.182	(113.969.551)	261.588.631
Cost of Sales (-)	(273.056.338)	(31.130.337)	(304.186.675)	114.545.060	(189.641.615)
Service Income, net	-	-	-	-	-
Other Income from Operational Activities, net	-	-	-	-	-
Gross Profit	61.860.831	9.510.676	71.371.507	575.509	71.947.016
Operating Expenses (-)	(36.632.728)	(8.329.152)	(44.961.880)	739.712	(44.222.168)
Profit from Operations, net	25.228.103	1.181.524	26.409.627	1.315.221	27.724.848
Other Operating Income	2.685.876	1.280.098	3.965.974	(2.962.896)	1.003.078
Other Operating Expense (-)	(2.160.936)	-	(2.160.936)	-	(2.160.936)
Financial Expense, net (-)	(9.235.390)	(909.875)	(10.145.265)	-	(10.145.265)
Operating Profit	16.517.653	1.551.747	18.069.400	(1.647.675)	16.421.725

April 1 - June 30, 2005

	Turkey	England	Total	Elimination	Consolidated
Net Sales	189.272.363	20.012.789	209.285.152	(58.603.155)	150.681.997
Cost of Sales (-)	(153.097.269)	(15.726.853)	(168.824.122)	58.603.155	(110.220.967)
Service Income, net	-	-	-	-	-
Other Income from Operational Activities, net	-	-	-	-	-
Gross Profit	36.175.094	4.285.936	40.461.030	-	40.461.030
Operating Expenses (-)	(23.471.100)	(3.951.263)	(27.422.363)	370.176	(27.052.187)
Profit from Operations, net	12.703.994	334.673	13.038.667	370.176	13.408.843
Other Operating Income	1.312.335	1.280.098	2.592.433	(2.593.360)	(927)
Other Operating Expense (-)	(1.232.612)	13.127	(1.219.485)	-	(1.219.485)
Financial Expense, net (-)	(2.841.010)	(456.971)	(3.297.981)	-	(3.297.981)
Operating Profit	9.942.707	1.170.927	11.113.634	(2.223.184)	8.890.450

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NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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34. SUBSEQUENT EVENTS

In accordance with the Board of Directors meeting held on July 24, 2006, the Company decided to purchase 148.200 shares which corresponds to 10% of Chung Mei, in which the Company has 45% of shares, from Ram Pacific Ltd. established in Hong Kong, with payment in cash amounting to U.S. Dollar 2.000.000 based on valuation work made by K.Y. Ng&Company Ltd.

As of July 18, 2006 the Company realized forward foreign-currency transaction. The nominal amount of the transaction is as below.

Term	USD Amount	Agreed Foreign Currency Rate USD/YTL	YTL Amount
15/11/2006	2.000.000	1,6605	3.321.000

35. DISCONTINUED OPERATIONS

As of June 30, 2006 and December 31, 2005 Company does not have any discontinued operations.

36. OPERATING INCOME

a) Net Sales

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Domestic Sales	209.379.183	121.750.249	194.591.202	123.508.911
Export Sales	98.405.401	76.751.222	59.133.712	22.915.099
Other Sales	8.914.790	3.389.155	7.863.717	4.257.987
	316.699.374	201.890.626	261.588.631	150.681.997

b) Cost of Sales

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Raw material usage	126.951.272	70.944.354	122.208.963	56.879.088
Direct labor cost	9.877.952	5.179.991	10.273.763	5.066.671
Production overhead	23.050.919	13.481.547	21.684.603	11.123.367
Depreciation expenses	4.539.471	1.700.277	5.120.369	2.784.289
Beginning work-in-process and finished goods	39.743.087	12.516.740	30.541.431	13.062.910
Ending work-in-process and finished goods	(53.772.491)	(4.412.724)	(44.956.035)	(17.729.688)
Currency translation differences	5.198.873	7.958.744	(980.098)	(4.693.674)
Beginning trade goods	16.584.082	(27.966.839)	8.836.972	-
Purchase of trade goods	102.050.233	51.299.163	50.472.731	12.738.171
Ending trade goods	(43.754.565)	17.589.102	(13.561.084)	30.989.833
	230.468.833	148.290.355	189.641.615	110.220.967

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NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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36. OPERATING INCOME (continued)

c) Service income

None (June 30, 2005 - None).

d) Other income from operational activities

None (June 30, 2005 - None).

37. OPERATING EXPENSES

a) Operating expenses

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Selling and marketing expenses	31.098.394	17.740.940	27.018.005	18.044.057
General administrative expenses	17.415.453	8.604.738	15.153.466	7.789.894
Service station expenses	1.697.130	1.084.630	1.379.340	831.520
Research and development expenses	872.773	560.554	671.357	386.716
	51.083.750	27.990.862	44.222.168	27.052.187

b) Depreciation and amortization expenses

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Cost of production	4.539.471	1.700.277	5.120.369	2.784.288
General administrative expenses	624.873	347.578	412.201	59.441
	5.164.344	2.047.855	5.532.570	2.843.729

c) Personnel expenses and average number of employees

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Wages and salaries	11.027.479	4.600.556	10.135.813	4.954.065
Other social benefits	8.998.047	5.574.616	8.843.045	4.625.941
SSK employee contribution	3.173.116	1.793.533	2.644.833	1.325.760
Provision for employee termination benefits	1.342.720	43.834	1.010.336	826.416
	24.541.362	12.012.539	22.634.027	11.732.182

Average personnel of the Company is 1.651 for the period ended June 30, 2006 (December 31, 2005 – 1540).

The total amount of salaries, premiums or any other benefits paid to executive members of the Company is YTL 1.271.943 for the period ended June 30, 2006 (June 30, 2005 - YTL7.008.730).

Türk Demir Döküm Fabrikaları Anonim Şirketi

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

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38. OTHER OPERATING INCOME/EXPENSE

a) Other operating income:

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Foreign exchange gain	16.174.678	15.113.017	305.521	(660.844)
Dividend received	45.180	45.180	269.160	269.160
Unused allowance	-	(1.278)	106.271	106.271
Income from associates	-	-	24.999	24.999
Others	266.901	176.780	297.127	259.487
	16.486.759	15.333.699	1.003.078	(927)

b) Other operating expense:

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Foreign exchange loss	25.622.064	25.411.216	2.143.627	1.202.356
Prior year expenses	-	(2.550)	-	(180)
Loss on sale of fixed asset	33.630	17.535	17.309	17.309
	25.655.694	25.426.201	2.160.936	1.219.485

39. FINANCIAL EXPENSES

a) Financial Income

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Term difference income related to current period sales	7.322.469	7.058.786	4.219.009	188.276
Interest income	7.132	7.132	-	(3.831)
Forward income	6.512.692	6.512.692	-	-
	13.842.293	13.578.610	4.219.009	184.445

b) Financial Expense

	January 1 – June 30, 2006	April 1- June 30, 2006	January 1 – June 30, 2005	April 1- June 30, 2005
Interest expense	11.462.415	4.927.543	7.579.328	2.400.496
Term difference income related to current period purchases	3.328.782	2.177.063	4.728.689	(974.327)
Other financing expenses	2.232.684	2.232.692	2.056.257	2.056.257
	17.023.881	9.337.298	14.364.274	3.482.426
Financial expense, net	(3.181.588)	4.241.312	(10.145.265)	(3.297.981)

Türk Demir Döküm Fabrikaları Anonim Şirketi

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40. NET MONETARY GAIN / LOSS

With the decision taken on March 17, 2005 by CMB, inflation accounting is no longer required effective from January 1, 2005; so monetary gain/ loss has not occurred as of June 30, 2006.

41. INCOME TAXES

a) Current Tax and Tax Accruals

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

In Turkey, the corporation tax rate for the fiscal year ending December 31, 2005 was 30%. Effective from January 1, 2006 corporate tax rate is reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2005 - 30%) 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 purposes. Moreover, accumulated tax loss carry-forwards related to 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years. Inflation accounting application has ceased effective from January 1, 2005.

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008.

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.

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41. INCOME TAXES (continued)

As of June 30, 2006 and 2005 the analysis of current period tax charge is as follows:

	June 30, 2006	June 30, 2005
Profit before tax	21.734.886	15.781.449
Corporate tax 20% (2005 - 30%)	(4.346.977)	(4.734.435)
Tax effect of disallowable expenses	(571.570)	(17.778)
Effect of income not subject to tax	141.180	495.404
Other	65.554	(674.287)
Reversal of prior year tax correction	14.691	78.967
Change in tax rate effect	(541.830)	-
Total tax charge	(5.238.952)	(4.852.129)
- Current	(5.130.554)	(7.352.157)
- Deferred	(123.089)	2.421.061
- Reversal of prior year tax correction	14.691	78.967
	(5.238.952)	(4.852.129)

42. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through June 30, 2006.

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

Türk Demir Döküm Fabrikaları Anonim Şirketi**NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)
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	June 30, 2006	June 30, 2005
Cash flows from operating activities		
Profit before income tax and monetary gain (loss)	21.734.886	15.781.449
Adjustments to reconcile net income / (loss) to net cash flows from operating activities:		
Depreciation and amortization	5.164.344	5.532.570
Provision for employee termination benefits (long-term provisions)	1.342.720	1.439.025
Interest expense	11.462.415	5.568.295
Loss on sale of fixed assets	33.630	2.504
Gain on sale of fixed assets	-	(2.247)
Net change in foreign currency translation differences	(3.553.718)	1.200.406
Income from associates	-	(24.999)
Foreign exchange loss /(gain) raised from loans	21.865.168	(1.470.700)
Net profit adjusted for non-cash items	58.049.445	28.026.303
Changes in operating assets and liabilities:		
Trade receivables	(135.927.676)	(68.679.986)
Inventories	(43.811.731)	(12.948.562)
Due to / from related parties	38.619.751	(10.099.115)
Trade payables	14.499.896	4.951.685
Taxes paid	(2.175.300)	(3.873.764)
Net change in current and non current assets	(3.048.712)	(4.240.031)
Net change in provisions	6.995.023	4.549.082
Advances taken	29.687.410	19.282.609
Net change in other liabilities	(5.160.563)	(1.438.769)
Net change in other receivables	(6.532.002)	(198.564)
Retirement pay liability paid	(1.518.436)	(428.689)
Net cash used in operating activities	(50.322.895)	(45.097.801)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18.066.989)	(3.648.642)
Purchase of intangible assets	(65.594)	(255.479)
Cash received from sale of property, plant and equipment	134.925	96.426
Decrease in minority interest	1.061.382	640.276
Capital increase in associates	-	(225.738)
Net cash used in investing activities	(16.936.276)	(3.393.157)
Cash flows from financing activities:		
Repayment of borrowings	(220.652.877)	(225.443.565)
Net change in finance leasing liabilities	166.213	64.053
Proceeds from borrowings	318.427.738	301.739.619
Interest payments	(7.721.312)	(4.914.987)
Dividend payment	(15.750.000)	(15.000.000)
Net cash provided by financing activities	74.469.762	56.445.120
Net decrease in cash and cash equivalents	7.210.591	7.954.162
Cash and cash equivalents at beginning of year	12.659.746	7.581.750
Cash and cash equivalents at end of year	19.870.337	15.535.912
Cash received by the Company as interest	7.132	-
Dividend income received	45.180	269.160

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

Within the context of portfolio restructuring under Koç Group long term strategic planning, by Koç Holding A.Ş., parent company of the Company, it has been stated that, the necessary initiatives have been started to work with the consulting firms for performing preliminary studies on evaluating the shares of Company including the selling of the Koç Holding's shares invested in the Company, by using different alternative methods (December 31, 2005 - None).

Additional paragraph for convenience translation to English :

As of June 30, 2006 and December 31, 2005, the accounting principles described in Notes 2 and 3 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.