

**TAT GIDA SANAYİ A.Ş.**

CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE SIX MONTH PERIOD  
ENDED 30 JUNE 2017  
(ORIGINALLY ISSUED IN TURKISH)

7 August 2017

This report includes 2 page of independent auditors' report on condensed interim financial statements and 27 pages of convenience translation into English of condensed interim financial statements together with their explanatory notes.



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(CONVENIENCE TRANSLATION INTO ENGLISH OF REVIEW REPORT  
ON CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH)

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED  
INTERIM FINANCIAL STATEMENTS**

To the Board of Directors of Tat Gıda Sanayi Anonim Şirketi

*Introduction*

We have reviewed the accompanying balance sheet of Tat Gıda Sanayi Anonim Şirketi ("the Company") as at 30 June 2017, and the interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2017 is not prepared, in all material respects, in accordance with TAS 34, 'Interim Financial Reporting'.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative



Hatice Nesrin Tuncer, SMMM  
Partner  
7 August 2017  
İstanbul, Turkey

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(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

**TAT GIDA SANAYİ A.Ş.**

**INTERIM BALANCE SHEET AS AT 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated)

<b>ASSETS</b>	<b>Notes</b>	<b>Reviewed 30 June 2017</b>	<b>Audited 31 December 2016</b>
<b>Current Assets</b>		<b>511.063.025</b>	<b>500.086.681</b>
Cash and cash equivalents		25.173.585	43.117.818
Trade receivables		273.008.213	230.378.112
-Trade receivables from related parties	13	219.496.856	161.030.182
-Trade receivables from third parties	5	53.511.357	69.347.930
Other receivables		645.115	1.492.423
-Other receivables from third parties		645.115	1.492.423
Inventories	6	147.035.810	202.755.689
Prepaid expenses		28.502.504	706.813
Other current assets	11	36.697.798	21.635.826
<b>Non-Current Assets</b>		<b>193.773.069</b>	<b>191.380.111</b>
Other receivables		90.690	90.690
-Other receivables from third parties		90.690	90.690
Financial investments		2.877.374	2.877.374
Property, plant and equipment	7	160.528.398	153.518.066
Intangible assets		645.637	841.586
Prepaid expenses		8.438.167	1.751.436
Deferred tax assets		1.210.922	2.488.034
Other non-current assets	11	19.981.881	29.812.925
<b>TOTAL ASSETS</b>		<b>704.836.094</b>	<b>691.466.792</b>

The accompanying notes form an integral part of these condensed interim financial statements.

**TAT GIDA SANAYİ A.Ş.**

**INTERIM BALANCE SHEET AS AT 30 JUNE 2017 (CONTINUED)**

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated)

<b>LIABILITIES</b>	<b>Notes</b>	<b>Reviewed</b>	<b>Audited</b>
		<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Short Term Liabilities</b>		<b>178.058.071</b>	<b>153.333.404</b>
Short-term financial borrowings	4	2.028.008	3.036.428
Short-term portion of long-term borrowings	4	6.771.177	6.809.594
Trade payables		140.752.625	118.083.935
- <i>Trade payables to related parties</i>	13	<i>17.554.093</i>	<i>23.077.774</i>
- <i>Trade payables to third parties</i>	5	<i>123.198.532</i>	<i>95.006.161</i>
Employee benefit obligations		6.808.469	5.826.823
Other payables		5.095.678	8.075.405
- <i>Other payables from related parties</i>	13	<i>109.834</i>	<i>5.605.300</i>
- <i>Other payables from third parties</i>		<i>4.985.844</i>	<i>2.470.105</i>
Deferred income		4.691.930	4.706.985
Short-term provisions		11.910.184	6.794.234
- <i>Short-term provisions for employment benefits</i>		<i>2.700.000</i>	<i>900.000</i>
- <i>Other short-term provisions</i>		<i>9.210.184</i>	<i>5.894.234</i>
<b>Long Term Liabilities</b>		<b>75.000.821</b>	<b>77.173.021</b>
Long-term financial borrowings	4	60.769.231	63.846.154
Long-term provisions		14.231.590	13.326.867
- <i>Long-term provisions for employment benefits</i>		<i>14.231.590</i>	<i>13.326.867</i>
<b>EQUITY</b>		<b>451.777.202</b>	<b>460.960.367</b>
<b>Equity attributable to equity holders of the parent company</b>	9	<b>451.777.202</b>	<b>460.960.367</b>
Share capital		136.000.000	136.000.000
Inflation adjustment to share capital		21.601.088	21.601.088
Share premiums		10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		1.294.091	1.294.091
- <i>Financial assets revaluation reserve</i>		<i>1.294.091</i>	<i>1.294.091</i>
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(812.136)	(812.136)
- <i>Actuarial losses in defined benefit plan</i>		<i>(812.136)</i>	<i>(812.136)</i>
Restricted reserves		89.949.523	84.592.445
Prior years' profit		172.819.429	143.476.510
Profit for the period		20.817.398	64.700.560
<b>TOTAL LIABILITIES</b>		<b>704.836.094</b>	<b>691.466.792</b>

The accompanying notes form an integral part of these condensed interim financial statements.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

**TAT GIDA SANAYİ A.Ş.**

**INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

		<b>Reviewed</b>	<b>1 April-</b>	<b>Reviewed</b>	<b>1 April-</b>
	<b>Notes</b>	<b>1 January-</b>	<b>30 June 2017</b>	<b>1 January -</b>	<b>30 June 2016</b>
<b>Profit or loss</b>					
Sales	10	515.863.508	250.731.448	501.009.434	249.601.024
Cost of sales (-)	10	(404.668.310)	(197.074.193)	(379.167.589)	(188.731.462)
<b>Gross profit</b>		<b>111.195.198</b>	<b>53.657.255</b>	<b>121.841.845</b>	<b>60.869.562</b>
Marketing expenses (-)		(68.033.626)	(32.961.252)	(62.600.108)	(32.350.898)
General administrative expenses (-)		(24.470.163)	(12.204.919)	(20.809.438)	(9.820.907)
Research and development expenses (-)		(44.231)	(26.959)	(7.806)	(3.047)
Other income from operating activities		15.964.121	8.555.209	7.150.259	3.029.650
Other expenses from operating activities (-)		(5.864.752)	(3.275.399)	(3.191.352)	(1.332.062)
<b>Operating profit</b>		<b>28.746.547</b>	<b>13.743.935</b>	<b>42.383.400</b>	<b>20.392.298</b>
Income from investing activities		1.054.404	86.070	562	562
Expenses from investing activities (-)		(5.215)	316	--	6.169
<b>Operating profit before finance expense</b>		<b>29.795.736</b>	<b>13.830.321</b>	<b>42.383.962</b>	<b>20.399.029</b>
Finance income		3.209.263	306.992	1.060.895	951.686
Finance expense (-)		(6.568.776)	(2.598.148)	(3.732.129)	(1.679.835)
<b>Finance expense</b>		<b>(3.359.513)</b>	<b>(2.291.156)</b>	<b>(2.671.234)</b>	<b>(728.149)</b>
<b>Profit before tax</b>		<b>26.436.223</b>	<b>11.539.165</b>	<b>39.712.728</b>	<b>19.670.880</b>
<b>Tax income / (expense)</b>		<b>(5.618.825)</b>	<b>(2.370.338)</b>	<b>1.410.897</b>	<b>1.228.238</b>
Current period tax expense	12	(4.341.713)	(2.392.289)	--	--
Deferred tax income / (expense)	12	(1.277.112)	21.951	1.410.897	1.228.238
<b>Profit for the period</b>		<b>20.817.398</b>	<b>9.168.827</b>	<b>41.123.625</b>	<b>20.899.118</b>
<b>Allocation of profit for the period</b>					
Owners of the company		20.817.398	9.168.827	41.123.625	20.899.118
<b>Net profit for the period</b>		<b>20.817.398</b>	<b>9.168.827</b>	<b>41.123.625</b>	<b>20.899.118</b>
<b>Earnings per share</b>		0,15	0,07	0,30	0,15
<b>Other comprehensive income:</b>					
Actuarial gain on employee benefits		--	--	--	--
<b>Total other comprehensive income</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total comprehensive income</b>		<b>20.817.398</b>	<b>9.168.827</b>	<b>41.123.625</b>	<b>20.899.118</b>
<b>Total comprehensive income attributable to</b>					
Owners of the company		20.817.398	9.168.827	41.123.625	20.899.118
<b>Total comprehensive income</b>		<b>20.817.398</b>	<b>9.168.827</b>	<b>41.123.625</b>	<b>20.899.118</b>

The accompanying notes form an integral part of these condensed interim financial statements.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

**TAT GIDA SANAYİ A.Ş.**

**INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

	Share capital	Inflation adjustments to share capital	Share premium	Items that may be reclassified subsequently to profit or loss Financial assets revaluation reserve	Items that will not be reclassified subsequently to profit or loss Actuarial gain/losses in defined benefit plans	Restricted reserves	Net profit for the period	Prior year's profit	Total equity
<b>Balance at 1 January 2016</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>1.969.091</b>	<b>517.230</b>	<b>80.729.934</b>	<b>67.318.191</b>	<b>100.030.348</b>	<b>418.273.691</b>
Transfers	--	--	--	--	--	3.862.511	(67.318.191)	63.455.680	--
Dividend payment	--	--	--	--	--	--	--	(20.009.518)	(20.009.518)
Total comprehensive income	--	--	--	--	--	--	41.123.625	--	41.123.625
<b>Balance at 30 June 2016</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>1.969.091</b>	<b>517.230</b>	<b>84.592.445</b>	<b>41.123.625</b>	<b>143.476.510</b>	<b>439.387.798</b>
<b>Balance at 1 January 2017</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>1.294.091</b>	<b>(812.136)</b>	<b>84.592.445</b>	<b>143.476.510</b>	<b>64.700.560</b>	<b>460.960.367</b>
Transfers	--	--	--	--	--	5.357.078	59.343.482	(64.700.560)	--
Dividend payment	--	--	--	--	--	--	(30.000.563)	--	(30.000.563)
Total comprehensive income	--	--	--	--	--	--	--	20.817.398	20.817.398
<b>Balance at 30 June 2017</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>1.294.091</b>	<b>(812.136)</b>	<b>89.949.523</b>	<b>172.819.429</b>	<b>20.817.398</b>	<b>451.777.202</b>

The accompanying notes form an integral part of these condensed interim financial statements.



(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

**TAT GIDA SANAYİ A.Ş.**

**INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

		<b>Reviewed</b>	<b>Reviewed</b>
	<b>Notes</b>	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
Net profit for the priod		20.817.398	41.123.625
<b>Adjustments to reconcile profit for the period:</b>			
Adjustments related to depreciation and amortization expenses	3	4.741.253	4.269.646
Adjustments related to provision for employee termination benefit		5.024.246	2.149.699
Profit / (loss) from sale of property, plant and equipment and intangible assets		(60.918)	(562)
Adjustments related to other provisions		3.318.938	1.733.816
Adjustments related to income accruals		(1.648.953)	(2.184.667)
Deferred financial expense due to purchases with maturity		974.190	599.571
Unearned financial income due to sales with maturity		(1.133.466)	(573.711)
Interest income		(3.209.263)	(1.060.895)
Interest expense		6.568.776	3.732.129
Dividend income		(937.378)	(918.567)
<b>Changes in working capital</b>		<b>34.454.823</b>	<b>48.870.084</b>
Changes in trade receivables and other receivables		18.329.846	(10.096.947)
Changes in due from related parties		(57.333.208)	(8.662.804)
Changes in inventories		55.719.879	77.979.832
Changes in prepaid expenses		(26.144.709)	(28.263.522)
Changes in other current and non-current assets		(5.230.928)	10.138.722
Changes in trade payables		27.218.181	15.753.884
Changes due to related parties		(11.019.147)	(3.966.264)
Changes in deferred income		(15.054)	(3.766.243)
Changes in employee benefit payables		981.645	(848.260)
Changes in other current liabilities		2.515.739	(3.712.354)
Changes in provisions for employee benefit		1.800.000	1.524.000
<b>Cash flows from operating activities</b>		<b>41.277.067</b>	<b>94.950.128</b>
Employee termination benefits paid		(4.119.523)	(1.459.769)
Taxes paid		1.277.112	1.637.648
<b>Net cash flows from operating activities</b>		<b>38.434.656</b>	<b>95.128.007</b>
<b>Investing activities:</b>			
Property, plant and equipment and intangible asset acquisitions	3	(19.907.774)	(16.244.607)
Cash generated from sale of property, plant and equipment and intangible assets		75.343	184.415
Interest received		3.209.263	1.060.895
Dividend received		937.378	918.567
<b>Net cash used in investing activities</b>		<b>(15.685.790)</b>	<b>(14.080.730)</b>
<b>Financing activities:</b>			
Cash inflows due to loan received		34.420.607	19.752.469
Cash outflows due to loan payments		(37.899.029)	(34.989.121)
Interest paid		(7.214.114)	(3.959.444)
Dividend payment		(30.000.563)	(20.009.518)
<b>Net cash used in financing activities</b>		<b>(40.693.099)</b>	<b>(39.205.614)</b>
<b>Net change in cash and cash equivalents</b>		<b>(17.944.233)</b>	<b>41.841.663</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>43.117.818</b>	<b>17.844.634</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>25.173.585</b>	<b>59.686.297</b>

The accompanying notes form an integral part of these condensed interim financial statements.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

#### **NOTE 1 – ORGANISATION AND OPERATIONS OF THE COMPANY**

Tat Gıda Sanayi A.Ş. (“Tat Gıda” or “the Company”) was established in 1967 with the name Tat Konserve Sanayii A.Ş., the name change of the Company was decided at the extraordinary assembly meeting on 30 October 2013 and registered on 15 November 2013. The Company is engaged in production, distribution, marketing, domestic and foreign trade and brokerage of semi-finished goods and finished goods of such products; merchandise goods, food, beverage, juice, agricultural and animal products, frozen foods, dried goods, including pulverized goods and raw and primitive form of materials recipient and additives, sweet and sugar free juice and canned goods. The Company is registered in Turkey and is operating in accordance with the Turkish Commercial Code.

The Company had 1.136 employees as at 30 June 2017. (31 December 2016: 1.115). The average number of employees of company is 1.154 (31 December 2016: 1.305)

The domestic marketing and sales activities of the Company are performed by Düzey Tüketim Malları Sanayi Pazarlama A.Ş. (“Düzey”), a Koç Group company.

Koç Holding A.Ş. is the main shareholder and the ultimate owner of the Company.

The shares of the Company are quoted to Istanbul Stock Exchange Market since 1993.

The registered office address of the Company is as follows:

Taşdelen Çamlık Mah. Sırrı Çelik Bulvarı No: 7 34788  
Çekmeköy / İstanbul / Turkey

#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

##### **2.1 Statement of Compliance**

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation.

The considered financial statements and notes have been represented in accordance with the communique numbered II, 14.1 “Communique on the Principles of Financial Reporting in Capital Markets” (“the Communique”) announced by Capital Market Boards (“CMB”) on 13 June 2013 which is published on official Gazette numbered 28676. In accordance with article 5th of communique, Turkish Accounting Standards/Turkish Financial Reporting standards and interpretations (“TAS/TFRS”) are applied.

Additionally, financial statements and footnotes have prepared in accordance with formats issued by CMB on 7 June 2013.

The interim condensed financial statements are prepared on historical cost basis except for the financial assets and liabilities measured at fair value of considerations paid for the assets is considered in determining the historical cost.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

##### **2.1 Statement of Compliance (continued)**

###### Approval of financial statements:

Interim condensed financial statements are authorized for issue by Board of Directors meeting on 7 August 2017.

##### **Reporting and Functional Currency**

The condensed interim financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the functional and presentation currency of the Company is TL.

##### **Correction of financial statements of hyperinflation periods**

With the decision taken on 17 March 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with Turkish accounting standards. Accordingly, TMS 29 is not applied starting from 1 January 2005.

##### **2.2 Financial Statements of Comparative Information and Restatement of Prior Period**

In order to allow the determination of the financial position and performance of the Company's financial statements have been prepared comparatively with the prior period. In order to comply with the presentation of the financial statements of the current period necessary, comparative figures are reclassified, and significant differences are explained.

##### **2.3 New and Revised International Financial Reporting Standards:**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

###### **(a) Standards issued but not yet effective and not early adopted**

###### **IFRS 9 Financial Instruments (2017 version)**

IFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. This version includes referrals in earlier versions of IFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

###### **IFRS 15 Revenue from Contracts with Customers**

As issued in September 2016 by POA, the new standard replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

###### **(b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to IFRS by the POA, thus they do not constitute part of IFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The [Group/Company] will make the necessary changes to its [consolidated] financial statements after the new standards and interpretations are issued and become effective under IFRS.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish)

**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 New and Revised International Financial Reporting Standards (continued)**

**(a) Standards issued but not yet effective and not early adopted (continued)**

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)**

**Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 2.

**Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments for IFRS 12 are effective as of 1 January 2017, and other amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

***Annual Improvements to IFRSs 2014-2016 Cycle***

***IFRS 1 “First Time Adoption of International Financial Reporting Standards”***

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

***IFRS 12 “Disclosure of Interests in Other Entities”***

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

***IAS 28 “Investments in Associates and Joint Ventures”***

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 New and Revised International Financial Reporting Standards (continued)**

**(a) Standards issued but not yet effective and not early adopted (continued)**

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)**

**Improvements to IFRSs (continued)**

**Annual Improvements to IFRSs 2014-2016 Cycle (continued)**

**IAS 28 “Investments in Associates and Joint Ventures”**

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

**IAS 40 – Transfers of Investment Property**

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 40.

**IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 22.

**IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

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## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

##### **2.5 New and Revised International Financial Reporting Standards (continued)**

###### **(a) Standards issued but not yet effective and not early adopted (continued)**

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)**

###### **IFRIC 23 –Uncertainty Over Income Tax Treatments**

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

###### **IFRS 17 –Insurance Contracts**

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 17.

##### **2.4 Restatement and Errors in the Accounting Policies and Estimates**

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. There is no change in accounting policies of the Company in the current period.

##### **2.5 Summary of Significant Accounting Policies**

According to CMB, the entities have option to prepare interim financial statements prepared according to IAS 34 “Interim Financial Statements” as condensed or full set. Therefore, the Company decided to prepare its interim financial statements as of 30 June 2017 as condensed.

Some of the disclosures and notes that are required to be included in IFRS financial statements under the CMB are summarized in accordance with IAS 34 or not included in the financial statements. The accompanying condensed financial statements should be presented with the audited financial statements and accompanying notes prepared as of 31 December 2016. The results of interim financial statements cannot be solely considered as the results of the entire financial period.

Accounting policies and accounting estimates disclosed in the 31 December 2016 financial statements are applied in the current period.

#### **NOTE 3 – SEGMENT REPORTING**

##### **Primary Segmental Reporting Method - Industrial Segments**

The products of the Company have different risks and returns, then the below segments have been accepted by the Company. The Company have identified relevant operating segments based on internal reports about the components of the Company that are regularly reviewed by the chief operating decision maker of the Company.

**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 3 - SEGMENT REPORTING (CONTINUED)**

- Tomato paste and canned foods
- Milk and dairy products
- Pasta and mealy products

The Company also evaluated disclosure of geographical distribution of revenues for the period in addition to industrial segments. However, the Company's concluded that there is no geographical reporting segments since the big chain groceries and Düzey is the main customer of the Company. The Company Management evaluates financial results and performance based of TAS financial statements. Therefore, TAS financial statements are the basis of segmental reporting.

Domestic selling and marketing activities are operated by the Düzey which is a member of Koç Group. Sales amount to the Düzey is 456.416.784 TL (30 June 2016: 435.459.008 TL)

**a) Revenue segmental analysis for the period ended 1 January - 30 June 2017 and 2016**

	<b>1 January- 30 June 2017</b>	<b>1 April-30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April-30 June 2016</b>
Tomato paste and canned products	178.907.829	85.409.233	203.325.893	165.992.548
Milk and dairy products	301.025.711	149.988.730	266.717.216	68.599.500
Pasta and bakery products	35.929.968	15.733.485	30.966.325	15.008.976
	<b>515.863.508</b>	<b>250.731.448</b>	<b>501.009.434</b>	<b>249.601.024</b>

**b) Segment assets**

The assets of the entity that are directly employed in the operating activities of the segment can be allocated to the segment on a reasonable basis are defined as segment assets.

Sales network and property, plant and equipment and intangibles in terms of the organizational structure of Tat Gıda Sanayi A.Ş. is described as segment assets.

As of 30 June 2017 and 31 December 2016, the recorded amounts of the segment assets according to industrial segments are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Tomato paste and canned products	51.377.325	51.720.519
Milk and dairy products	96.731.695	93.461.001
Pasta and bakery products	6.129.073	6.181.779
Assets that cannot be allocated to segments	6.935.942	2.996.353
	<b>161.174.035</b>	<b>154.359.652</b>

**c) Segment liabilities**

Described as liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

In the general framework of the organizational structure of the Company and its internal financial reporting system, trade and other payables are analyzed in the basis of industrial segments. As a result, reporting of segment liabilities are not required.

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## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

#### NOTE 3 – SEGMENTAL REPORTING (CONTINUED)

##### d) Depreciation and amortization and capital expenditures

Depreciation and amortization of the industrial segment assets for the periods ended 30 June 2017 and 30 June 2016 are as follows:

<b>Amortization and depreciation costs</b>	<b>1 January-30 June 2017</b>	<b>1 April-30 June 2017</b>	<b>1 January-30 June 2016</b>	<b>1 April-30 June 2016</b>
Tomato paste and canned products	767.540	456.947	772.386	432.373
Milk and dairy products	3.408.692	1.726.107	2.999.113	1.557.352
Pasta and bakery products	308.220	155.298	286.147	143.769
Assets that cannot be allocated to segments	256.801	133.214	212.000	109.822
	<b>4.741.253</b>	<b>2.471.566</b>	<b>4.269.646</b>	<b>2.243.316</b>

For the periods ended 30 June 2017 and 2016, investment expenditures for the industrial segment assets are as follows:

<b>Investment expenditures</b>	<b>1 January-30 June 2017</b>	<b>1 April-30 June 2017</b>	<b>1 January-30 June 2016</b>	<b>1 April-30 June 2016</b>
Tomato paste and canned products	9.444.134	8.974.780	2.528.714	1.769.251
Milk and dairy products	7.673.809	6.548.514	12.549.772	10.171.126
Pasta and bakery products	255.515	156.640	555.868	167.950
Assets that cannot be allocated to segments	2.534.316	1.109.316	610.253	242.844
	<b>19.907.774</b>	<b>16.789.250</b>	<b>16.244.607</b>	<b>12.351.171</b>

#### NOTE 4 – FINANCIAL BORROWINGS

The financial liabilities at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Short term borrowings	2.028.008	3.036.428
Short term portion of long term borrowings	6.226.122	6.247.690
Bonds issued	545.055	561.904
<b>Total short term financial liabilities</b>	<b>8.799.185</b>	<b>9.846.022</b>
Long term borrowings	10.769.231	13.846.154
Issued bonds	50.000.000	50.000.000
<b>Total long term financial liabilities</b>	<b>60.769.231</b>	<b>63.846.154</b>
	<b>69.568.416</b>	<b>73.692.176</b>

The company issued bonds on 29 November 2016 amounting to TL 50.000.000, with a maturity of 27 November 2018 and 12,43% interest rate.

There are no pledges and mortgages given related to the Company's financial liabilities (31 December 2016: None).



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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 4- FINANCIAL BORROWINGS (CONTINUED)**

The company's loans have fixed interest rates. The details of financial borrowings as of 30 June 2017 are as follows:

	<b>The weighted average interest rate</b>	<b>Original amount</b>	<b>30 June 2017 Book Value (TL)</b>
<b>Short term financial borrowings</b>			
TL borrowings	% 9,05	8.254.130	8.254.130
Bonds Issued	%12,43	545.055	545.055
			<b>8.799.185</b>
<b>Long term financial borrowings</b>			
TL borrowings	% 10,25	10.769.231	10.769.231
Bonds Issued	% 12,43	50.000.000	50.000.000
			<b>60.769.231</b>

The details of financial borrowings as of 31 December 2016 are as follows:

	<b>The weighted average interest rate</b>	<b>Original amount</b>	<b>31 December 2016 Book Value (TL)</b>
<b>Short term financial borrowings</b>			
TL borrowings	9,05%	9.284.118	9.284.118
Bonds issued	12,43%	561.904	561.904
			<b>9.846.022</b>
<b>Long term financial borrowings</b>			
TL borrowings	10,25%	13.846.154	13.846.154
Bonds issued		50.000.000	50.000.000
			<b>63.846.154</b>

Repayment schedule of the long-term borrowings and bonds issued at 30 June 2017 and 31 December 2016 of are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
2018	53.076.923	56.153.846
2019	6.153.846	6.153.846
2020	1.538.462	1.538.462
	<b>60.769.231</b>	<b>63.846.154</b>

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**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 5 – TRADE RECEIVABLES AND PAYABLES**

**Trade Receivables**

The analysis of trade receivables and trade payables at 30 June 2017 and 31 December 2016 is as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Due from related parties (note 13)	219.496.856	161.030.182
Notes and cheques receivables	36.364.023	50.954.445
Trade receivables	11.006.697	13.898.813
Income accruals	8.792.879	7.143.926
Provisions for doubtful receivables	(2.652.242)	(2.649.254)
	<b>273.008.213</b>	<b>230.378.112</b>

Movement of allowance for doubtful receivables of the Company for the period ended 30 June 2017 and 30 June 2016 is as follows:

	<b>1 January - 30 June 2017</b>	<b>1 January - 30 June 2016</b>
Opening balance	2.649.254	2.585.333
Provisions made during period	2.988	20.612
Collections	--	--
	<b>2.652.242</b>	<b>2.605.945</b>

The explanations related to quality and level of risks at trade receivables are explained at note 14.

**Trade Payables**

As of 30 June 2017 and 31 December 2016, the details of trade payables are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Domestic suppliers	123.198.532	<b>95.006.161</b>
Due to related parties (Note 13)	17.554.093	<b>23.077.774</b>
	<b>140.752.625</b>	<b>118.083.935</b>

**NOTE 6 - INVENTORIES**

As of 30 June 2017 and 31 December 2016, the details of inventories are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Raw materials	43.561.141	43.242.090
Semi-finished goods	610.382	668.443
Finished goods	102.536.637	158.572.255
- <i>Tomato paste and canned products</i>	78.725.284	139.040.327
- <i>Milk and dairy products</i>	19.767.811	15.688.647
- <i>Pasta and bakery products</i>	4.043.542	3.843.281
Other inventory	327.650	272.901
	<b>147.035.810</b>	<b>202.755.689</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**

For the periods ended 30 June 2017 and 30 June 2016, property, plant and equipment movement are as follows:

	<u>2017</u>	<u>2016</u>
Net book value as of 1 January	153.518.066	135.984.291
Additions	13.080.150	17.299.609
Disposals	(14.425)	(42.955)
Current period depreciation	(6.055.393)	(5.007.328)
<b>Net book value as of 30 June</b>	<b><u>160.528.398</u></b>	<b><u>148.233.617</u></b>

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The detail of the Company's and its subsidiaries' guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
A. On the behalf of legal entity	59.192.589	59.192.589
B. On the behalf of associations that included in full consolidation	--	--
C. On the behalf of third parties' liabilities within the context of business operations	--	--
-Given on the behalf of parent company	--	--
-Given on the behalf of other group companies which are not included in B and C clauses	--	--
-Given on the behalf of third parties which are not included in C clause	--	--
D. Others	--	--
	<b><u>59.192.589</u></b>	<b><u>59.192.589</u></b>

Company has miscellaneous guarantee letters given to tax office (for VAT receivable), T.Ihracat Kredi Bankası A.Ş. and customs amounting to 59.192.589 TL (31 December 2016: 59.192.589 TL).

Total guarantees given by the Company are in TL currency and neither any pledges nor encumbrances are given by the Company. Ratio of commitments and contingencies given by the Company to the Shareholders Equity on 30 June 2017 is 0% (31 December 2016: 0%).

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## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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#### NOTE 9 – SHAREHOLDER’S EQUITY

##### a) Share Capital

As of 30 June 2017 and 31 December 2016, the shareholders and paid-in capital with the historical values are as follows:

	<b>30 June</b>		<b>31 December</b>	
	%	<b>2017</b>	%	<b>2016</b>
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Shares publicly open in stock exchange	41,4	56.312.844	41,4	56.312.844
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Other	6,4	8.745.169	6,4	8.745.169
<b>Total Share Capital</b>	<b>100</b>	<b>136.000.000</b>	<b>100</b>	<b>136.000.000</b>
Inflation adjustments to share capital		21.601.088		21.601.088
Adjusted share capital		<b>157.601.088</b>		<b>157.601.088</b>

The company’s share capital of year 2017 consists of 13.600.000.000 number of shares with a par value TL 0.01 and there is no preferred stock (31 December 2016: 13.600.000.000 number of shares)

##### b) Defined benefit plans

As a result of the adoption of standards recognized in other comprehensive income is comprised of actuarial gains and losses.

##### c) Restricted Reserves

Details of restricted reserves are as follows:

	<b>30 June</b>		<b>31 December</b>	
		<b>2017</b>		<b>2016</b>
Legal Reserves		20.033.820		14.676.742
Special Reserves		69.915.703		69.915.703
		<b>89.949.523</b>		<b>84.592.445</b>

##### *Legal Reserves*

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

##### *Special Reserves*

The Company has sold Maret assets in 2014. The income from this sale was subjected to tax with exemptions as described in article 5/1-e of Corporate Tax Law No: 5520. According to the article 5/1-e of Corporate Tax Law No: 5520, 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years, and from the sales of founders’ shares, preference shares and preferred rights they have kept for same duration are exempted from corporate tax. This exception shall apply in the term the sale is made, and the part of the proceeds of the sale that have benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale.

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**NOTE 9 – SHAREHOLDER’S EQUITY (CONTINUED)**

**c) Restricted Reserves (continued)**

*Dividend Payment*

In General Assemble Meeting of the Company on 27 March 2017;

It has been decided that, TL 12.454.252 as first dividend and TL 14.772.748 as second dividend which amount to TL 27.227.000 in total and dividend for holders of redeemed shares amounting to TL 2.773.563 will be paid in cash.

Dividend payments are completed on 5 April 2017.

**NOTE 10 – SALES AND COST OF SALES**

For the periods ended between 30 June 2017 and 30 June 2016, the details of operating income and cost of goods sold are as follows:

	<b>1 January - 30 June 2017</b>	<b>1 April - 30 June 2017</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>
Domestic sales	515.974.462	247.900.077	500.032.505	249.030.563
Foreign sales	39.185.824	20.427.240	45.577.635	21.834.852
Rebates and sales discounts	(39.296.778)	(17.595.869)	(44.600.706)	(21.264.391)
<b>Total operating revenue</b>	<b>515.863.508</b>	<b>250.731.448</b>	<b>501.009.434</b>	<b>249.601.024</b>
Raw material costs	(299.669.291)	(151.030.694)	(262.914.478)	(131.775.747)
Labor costs	(14.087.792)	(8.298.357)	(10.153.271)	(5.571.557)
General production overheads	(31.002.757)	(16.034.369)	(26.853.529)	(14.062.002)
Depreciation cost	(3.953.409)	(2.085.290)	(3.472.097)	(1.860.206)
Change in inventory	(55.955.061)	(19.625.483)	(75.774.214)	(35.461.950)
<b>Cost of sales</b>	<b>(404.668.310)</b>	<b>(197.074.193)</b>	<b>(379.167.589)</b>	<b>(188.731.462)</b>
<b>Gross profit</b>	<b>111.195.198</b>	<b>53.657.255</b>	<b>121.841.845</b>	<b>60.869.562</b>

**NOTE 11 – OTHER ASSETS**

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Other current assets:</b>		
Deferred value added tax (“VAT”)	32.189.141	18.500.000
VAT receivables arising from exports	3.224.331	2.275.421
Others	1.284.326	18.500.000
	<b>36.697.798</b>	<b>21.635.826</b>
<b>Other non-current assets:</b>		
Deferred VAT	19.981.881	29.812.925
	<b>19.981.881</b>	<b>29.812.925</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 12 – TAX ASSETS AND LIABILITIES**

	<u>1 January - 30 June 2017</u>	<u>1 January - 30 June 2016</u>
Current period tax expense	(4.341.713)	--
Deferred tax income / (expense)	(1.277.112)	1.410.897
<b>Total tax income / (expense)</b>	<b><u>(5.618.825)</u></b>	<b><u>1.410.897</u></b>

**NOTE 13 – RELATED PARTY TRANSACTIONS**

i) As of 30 June 2017 and 31 December 2016, the details of related party balances are as follows:

**a) Deposits at Banks:**

	<u>30 June 2017</u>	<u>31 December 2016</u>
Yapı ve Kredi Bankası A.Ş.	9.346.258	24.124.539
	<b><u>9.346.258</u></b>	<b><u>24.124.539</u></b>

**b) Due from related parties:**

	<u>30 June 2017</u>	<u>31 December 2016</u>
Düzey (*)	218.637.210	158.334.803
Ram Dış Ticaret A.Ş.	841.400	2.659.335
Sc Foods	--	117.984
Others	18.246	18.060
	<b><u>219.496.856</u></b>	<b><u>161.030.182</u></b>

(\*) The Company's domestic selling and marketing operations are carried out by the Koç Group Company, Düzey.

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**NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)**

**c) Due to related parties:**

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Trade Payables</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	15.341.910	20.482.086
Koç Sistem A.Ş.	899.325	912.484
Otokoç Otomotiv Tic.ve San. A.Ş.	697.340	581.724
Temel Ticaret ve Yatırım A.Ş.	224.553	225.283
Ram Sigorta Aracılık Hizmetleri A.Ş.	201.776	39.964
Setur Servis Turistik A.Ş.	49.628	107.021
Opet Petrolcülük A.Ş.	35.305	58.006
Aygaz Doğalgaz Toptan Satış A.Ş.	--	588.014
Others	104.256	83.192
	<b>17.554.093</b>	<b>23.077.774</b>
<b>Other Payables</b>		
Koç Holding A.Ş.	109.834	5.605.300
<b>Total Payables</b>	<b>17.663.927</b>	<b>28.683.074</b>

ii) For the periods ended 30 June 2017 and 2016, the details of significant sales to related parties and purchases from related parties are as follows:

**a) Sales to related parties:**

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
Düzey (*)	456.416.784	435.459.008
Sc Foods	--	19.569.191
Sumitomo Corporation	--	9.949.785
Others	2.843	1.675
	<b>456.419.627</b>	<b>464.979.659</b>

(\*) The Company's domestic selling and marketing operations are carried out by the Koç Group Company, Düzey. Average maturity date for Düzey is 85 days.

**b) Purchase from related parties:**

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
Zer Merkezi Hizmetler ve Ticaret A.Ş.	11.077.681	9.214.068
	<b>11.077.681</b>	<b>9.214.068</b>

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)**

ii) For the periods ended 30 June 2017 and 2016, the details of significant sales to related parties and purchases from related parties are as follows (continued):

c) Services obtained from related parties:

	<u>1 January- 30 June 2017</u>	<u>1 January- 30 June 2016</u>
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	23.046.631	19.216.093
Koç Holding A.Ş. (**)	3.291.204	4.353.452
Koç Sistem A.Ş.	2.933.024	779.330
Aygaz Doğal Gaz Toptan Satış A.Ş.	2.748.753	2.916.850
Temel Ticaret ve Yatırım A.Ş.	1.141.788	973.185
Otokoç Otomotiv Tic. ve San. A.Ş.	707.439	628.113
Setur Servis Turistik A.Ş.	610.956	352.478
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	567.153	572.196
Opet Petrolcülük A.Ş.	416.837	355.269
Others	147.646	203.014
	<u><b>35.611.431</b></u>	<u><b>30.349.980</b></u>

(\*)In the context of insurance policies signed via acting as insurance agent Ram Insurance Brokerage Services A.Ş. and insurance companies, it includes the amount of premium paid accrued in the period ended June 30, 2017, respectively.

(\*\*)The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by the Company's parent company "Koç Holding A.Ş." regarding their related services according to the distribution described in Regulation No:11 "Intra Group Services" of "General Communiqué No:1 related to Disguised Profit Distribution via Transfer Pricing".

(\*\*\*) The Company, obtains logistic, media and packaging services from Zer Merkezi Hizmetler ve Ticaret A.Ş.

iii) For the periods ended 30 June 2017 and 2016, the details of financial expenses to related parties are as follows:

a) Interest Expenses:

	<u>1 January- 30 June 2017</u>	<u>1 January- 30 June 2016</u>
Yapı ve Kredi Bankası A.Ş.	3.083.151	10.894
	<u><b>3.083.151</b></u>	<u><b>10.894</b></u>

b) Interest Income:

	<u>1 January- 30 June 2017</u>	<u>1 January- 30 June 2016</u>
Yapı ve Kredi Bankası A.Ş.	163.895	1.018.664
	<u><b>163.895</b></u>	<u><b>1.018.664</b></u>



**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)**

iv) For the periods ended 30 June 2017 and 2016, the details of other income and expenses from / to related parties are as follows:

a) Rent Expenses:

	<u>1 January- 30 June 2017</u>	<u>1 January- 30 June 2016</u>
Temel Ticaret ve Yatırım A.Ş.	489.944	410.383
	<u><b>489.944</b></u>	<u><b>410.383</b></u>

b) Payments to key management:

	<u>1 January- 30 June 2017</u>	<u>1 January- 30 June 2016</u>
Wages and other short-term benefits	2.355.246	2.094.333
	<u><b>2.355.246</b></u>	<u><b>2.094.333</b></u>

**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS**

a) Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company's financial risk policies and credit risk management practices has not been a significant change compared to previous periods.

a.1) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Company according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

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**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Financial Risk Factors (continued)**

*a.1) Foreign Currency Management*

<u>30 June 2017</u>	<u>Receivables</u>				<u>Deposits in bank</u>	<u>Other</u>
	<u>Trade receivables</u>		<u>Other receivables</u>			
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>		
Maximum net credit risk as of balance sheet date	219.496.856	53.511.357	--	735.805	25.157.022	110
-The part of maximum risk under guarantee with collateral etc.	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	209.204.066	53.176.221	--	735.805	25.157.022	110
B. Carrying value of financial assets that are past due but not impaired	10.292.790	335.136	--	--	--	--
C. Net book value of impaired assets						
- Past due (gross carrying amount)	--	--	--	--	--	--
- Impairment	--	2.652.242	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	(2.652.242)	--	--	--	--
- Not past due ( gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--	--

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**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

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**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Financial Risk Factors (continued)**

*a.1) Foreign Currency Management*

	<u>Receivables</u>					
	<u>Trade receivables</u>		<u>Other receivables</u>		<u>Deposits in bank</u>	<u>Other</u>
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>		
<b>31 December 2016</b>						
Maximum net credit risk as of balance sheet date	161.030.182	69.347.930	--	1.583.113	43.117.708	110
-The part of maximum risk under guarantee with collateral etc.	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	94.127.480	58.070.241	--	1.583.113	43.117.708	110
B. Carrying value of financial assets that are past due but not impaired	66.902.702	11.277.689	--	--	--	--
C. Net book value of impaired assets						
- Past due (gross carrying amount)	--	--	--	--	--	--
- Impairment	--	2.649.354	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	(2.649.354)	--	--	--	--
- Not past due ( gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk						

**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Financial Risk Factors (continued)**

*a.2) Foreign Currency Management*

Foreign currency transactions lead to Exchange risk for company. Exchange risk is managed with forward foreign exchange purchase/sale contracts based on authorized policies.

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

<b>30 June 2017</b>	<b>TL Equivalent</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
1. Trade Receivables	6.886.446	1.355.000	528.675	3.973
2.a Monetary financial assets	16.257.993	4.562.775	23.294	35.812
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
<b>4. CURRENT ASSETS</b>	<b>23.144.439</b>	<b>5.917.775</b>	<b>551.969</b>	<b>39.875</b>
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON-CURRENT ASSETS</b>	--	--	--	--
<b>9. TOTAL ASSETS</b>	<b>23.144.439</b>	<b>5.917.775</b>	<b>551.969</b>	<b>39.875</b>
10. Trade Payables	(4.106.734)	(250.437)	(803.230)	(2.883)
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(4.011.860)	(1.143.925)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
<b>13. CURRENT LIABILITIES</b>	<b>(8.118.594)</b>	<b>(1.394.362)</b>	<b>(803.230)</b>	<b>(2.883)</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
<b>17. NON CURRENT LIABILITIES</b>	--	--	--	--
<b>18. TOTAL LIABILITIES</b>	<b>(8.118.594)</b>	<b>(1.394.362)</b>	<b>(803.230)</b>	<b>(2.883)</b>
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	15.025.845	4.523.413	(251.261)	36.902
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	<b>15.025.845</b>	<b>4.523.413</b>	<b>(251.261)</b>	<b>36.902</b>
22. Fair value of foreign currency hedged financial assets	(6.249.000)	(1.750.000)	--	--
23. Hedged foreign currency assets	--	--	--	--

**TAT GIDA SANAYİ A.Ş.**

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**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Financial Risk Factors (continued)**

*a.2) Foreign Currency Management*

31 December 2016	TL			
	Equivalent	USD	EUR	Other
1. Trade Receivables	11.883.095	2.400.336	920.420	4.876
2.a Monetary financial assets	20.980.685	5.854.508	58.583	37.084
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	32.863.780	8,254.844	979.003	41.960
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	<b>32.863.780</b>	<b>8.254.844</b>	<b>979.003</b>	<b>41.960</b>
10. Trade Payables	(1.952.845)	(84.385)	(446.340)	--
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(4.529.242)	(1.287.009)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(6.482.087)	(1.371.394)	(446.340)	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	<b>(6.482.087)</b>	<b>(1.371.394)</b>	<b>(446.340)</b>	<b>--</b>
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	26.381.693	6.883.450	532.663	41.960
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	<b>26.381.693</b>	<b>6.883.450</b>	<b>552.663</b>	<b>41.960</b>
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Financial Risk Factors (continued)**

*Foreign currency sensitivity*

The Company is mainly exposed to foreign currency risk in USD, EUR and British Pound (“GBP”).

The following table details the Company’s sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit / loss and other equity.

	<b>30 June 2017</b>	
	Profit / Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
In the case of appreciation of USD at 10% ratio compared to TL		
1 – USD net asset / liability	1.586.406	(1.586.406)
2- Part of hedged from USD risk (-)	--	--
<b>3- USD net effect</b>	<b>1.586.406</b>	<b>(1.586.406)</b>
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	(100.580)	100.580
5 – Part of hedged from EUR risk (-)	--	--
<b>6- EUR net effect</b>	<b>(100.580)</b>	<b>100.580</b>
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	16.758	(16.758)
8 – Part of hedged from GBP risk (-)	--	--
<b>9 – GBP net effect</b>	<b>16.758</b>	<b>(16.758)</b>
<b>TOTAL</b>	<b>1.502.584</b>	<b>(1.502.584)</b>

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**NOTE 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Financial Risk Factors (continued)**

*Foreign currency sensitivity (continued)*

	<b>31 December 2016</b>	
	Profit / Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
In the case of appreciation of USD at 10% ratio compared to TL		
1 – USD net asset / liability	2.422.435	(2.422.435)
2- Part of hedged from USD risk (-)	--	--
<b>3- USD net effect</b>	<b>2.422.435</b>	<b>(2.422.435)</b>
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	197.613	(197.613)
5 – Part of hedged from EUR risk (-)	--	--
<b>6- EUR net effect</b>	<b>197.613</b>	<b>(197.613)</b>
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	18.122	(18.122)
8 – Part of hedged from GBP risk (-)	--	--
<b>9 - GBP net effect</b>	<b>18.122</b>	<b>(18.122)</b>
<b>TOPLAM (3+6+9)</b>	<b>5.078.726</b>	<b>(5.078.726)</b>

**NOTE 15 – SUBSEQUENT EVENTS**

None.