

# Innovation is our lifeblood



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## Foreword



I live and prosper with my country. As long as democracy exists and thrives, so do we.  
We shall do our utmost to strengthen our economy.  
As our economy prospers, so will democracy and our standing in the world.

**Vehbi Koç**

## History

### 1967 Tat Konserve founded

Tat Konserve was founded in Mustafakemalpaşa, Bursa in 1967. Today, Tat continues to produce tomato paste, ketchup, mayonnaise, tomato products, and canned vegetables at its Mustafakemalpaşa and Karacabey plants in Bursa, and Torbalı plant in Izmir. In 1989, company brought diced tomato production technology to Turkey and began producing canned diced tomatoes as well as peeled whole tomatoes on the same production line. In 1997-98, the jar, ketchup and mayonnaise filling lines were set up using state-of-the-art technology. In 2003, with intent to reduce the risk of air penetration into aseptically diced tomato products to one in a billion, the Magnum diced tomato line was commissioned using welded-lid technology that exists in a limited number of facilities in the US, and only at the Turkish company Tat in Europe.

### 1995 Pastavilla acquired by Koç Group

Pastavilla plant which was established in 1928 in Kemeraltı by İsmail Hakkı Ulukartal moved to its new facilities in Bornova, Izmir in 1960. There it continues to produce pasta, semolina, durum clear flour and batter flour. In 1995, the company was fully acquired by the Koç Group. Its Pastavilla, Kartal and Lunch&Dinner brands offer pasta lovers high quality pasta with a whole new taste beyond traditional pasta.

### 1997 SEK acquired by Koç Group

SEK was founded by the Ministry of Agriculture and Rural Affairs in 1963 to offer consumers the highest quality of healthy, safe and natural products. In 1997, Koç Group acquired 68 percent of SEK shares in an effort to spearhead a business model in which small and big businesses work together. Since May 2005, the production of milk and dairy products has been carried out at the Mustafakemalpaşa plant in Bursa. The plant introduced its first pasteurized milk products in 1968, homogenized yogurt in 1972, string cheese in 1979, and salep in 2001.

Thanks to technological investments undertaken in 2011, SEK introduced micro-filtration technology in pasteurized milk production, firstly in Turkey. In addition, the shelf-life of pasteurized milk to be extended from five days to 10 days with the ultra clean filling machinery investment done by SEK for the first time in Turkey.

With its new and modern plant commissioned in 2014 in Söke, Aydın, that is equipped with advanced technology and is fully dedicated to cheese production, the company is currently operating in two plants including its plant in Mustafakemalpaşa, Bursa.

### 2013 The Company's name was changed to Tat Gıda Sanayi A.Ş. in 2013

The Tat, SEK and Pastavilla brands were consolidated under Tat Konserve Sanayi A.Ş. in order to create synergy among the brands, cut costs, and utilize resources more efficiently.

Under the name of Tat Gıda Sanayi A.Ş. since November 15, 2013, Tat Gıda now operates as one of the biggest food companies in Turkey.

# Vision

Create regional and global brands by offering products and services that add value to consumers' lives and strengthen brands' loyalty overtime.

# Mission

Ensure sustainable growth in the industries in which we operate both in Turkey and preferred foreign markets by offering consumers innovative products under our brands.

## 2017 in Numbers

We entered millions of kitchens with powerful brands.

We produced



**52 million**  
cans of tomato paste



**20 million**  
bottles of ketchup



**45 million**  
packages of pasta



**136 million**  
packages of milk.

**7.500 FARMERS  
PRODUCE MILK FOR US.**

We processed  
**236.000 tons of**  
milk.

We grew  
**319.000 tons of**  
tomatoes,  
**on 45.000 hectares of**  
land.



**A TOTAL OF 1.000 FARMERS  
INCLUDING 650  
CONTRACTED FARMERS  
PRODUCED TOMATOES  
FOR US.**

We export our branded products to **40 countries.**



Our brands are on the shelves of  
key supermarket chains abroad.







# General Meeting of Shareholders

One of our most basic principles is to establish transparent communication with our investors and shareholders in accordance with our code of conduct.

## Tat Gıda Sanayi A.Ş. Agenda for the Ordinary General Meeting of Shareholders on 13 March 2018

1. Opening and election of the Meeting Council Chairman;
2. Read out, discuss and approve the 2017 Annual Report prepared by the company's Board of Directors,
3. Read out the Independent Auditor's Report Summary for fiscal year 2017;
4. Read out, discuss and approve of the Financial Statements for fiscal year 2017;
5. Discharge the Members of the Board jointly and individually from any liability arising from the operations of the company in 2017;
6. Resolve to accept, amend or decline the proposal prepared by the Board of Directors in accordance with the company's profit distribution policy to distribute the profit for the year 2017 and to set the date of said profit distribution;
7. Determine the number of members in the Board of Directors and their term in office; elect the stipulated number of members as well as other Independent Members of the Board of Directors;
8. Report to shareholders and obtain their approval on the "Remuneration Policy" to apply to the Members of Board of Directors and Senior Executives and on any stipulated payments made in the year in accordance with the Corporate Governance Principles;
9. Determine the annual gross compensation for the Members of Board of Directors;
10. Approve of the Board of Directors' selection of the Independent Audit Company made in accordance with the Turkish Commercial Code and Capital Markets Board regulations;
11. Report to shareholders any donations made by the company in 2017; set the upper limit for any donations to be made in 2018;
12. Report to shareholders any warrants, pledges, mortgages, or guarantees issued by the company to third parties as well any revenues and benefits earned in 2017, in accordance with Capital Markets Board regulations;
13. Authorize the shareholders with controlling interest, Members of the Board of Directors, Senior Executives and their spouses and relatives by blood or marriage (up to the second degree) to conduct business in accordance with Articles 395 and 396 of the Turkish Commercial Code; report to shareholders any transactions carried out in 2017 in this respect in accordance with the Capital Markets Board's Corporate Governance Communiqué;
14. Wishes and comments.

## Independent Auditor's Report on the Annual Report of the Board of Directors

### To the Board of Directors of Tat Gıda Sanayi Anonim Şirketi

#### Opinion

We have audited the annual report of Tat Gıda Sanayii Anonim Şirketi for the accounting period of January 1, 2017 - December 31, 2017. According to the report, the financial information included in the annual report of the Board of Directors and the explanations of the Board of Directors about the financial position of the company reflect reality and are consistent in all material aspects with the information we have obtained during our independent audit of the full set of financial statements audited.

#### Basis of the Opinion

We have conducted the audit in accordance with the independent auditing standards issued by the Capital Markets Board (CMB) and with the Independent Auditing Standards (IAS), part of the Turkish Audit Standards issued by the Public Oversight, Accounting and Auditing Standards Agency (POA). Our responsibilities under these standards are explained in detail in our report in the section entitled "Responsibilities of the Independent Auditor for the Independent Audit of the Annual Report." Pursuant to the Code of Ethics for Independent Auditors (Code of Ethics) issued by the POA and the ethical provisions stipulated by the legislation related to independent auditing, we hereby declare that we are independent from the company. The Ethical Rules and other ethical responsibilities under the legislation have also been fulfilled by us. We believe that the independent audit evidence we have obtained during the independent audit construes a sufficient and appropriate basis for our opinion.

#### Our Auditor's Opinion on the Full Set of Financial Statements

In our auditor's report dated February 13, 2018, we express an unqualified opinion on the full set of financial statements for the accounting period of January 1, 2017 - December 31, 2017.

#### Responsibilities of the Board of Directors on the Annual Report

According to the provisions of Articles 514 and 516 of Turkish Commercial Code (TCC) No. 6102 and the Communiqué on Principles Regarding Financial Reporting in Capital Markets (No. II-14.1) of the Capital Markets Board, the Board of Directors is responsible for:

- a. Preparing the annual report within the first three months following the balance sheet date and presenting it at the general meeting of shareholders..
- b. Preparing the annual report to reflect the flow of the company's activities and the financial position of the company in an accurate, complete, direct, faithful manner and with professional integrity. The financial position in this report is evaluated

based on the financial statements. The report should also clearly flag any potential risks to the company's development. The evaluation of the Board of Directors on these matters is also included in the report.

**C.** The annual report also includes:

- Any specific material events occurring past the end of the operational period;
- Any research and development work carried out by the company;
- Financial benefits such as wages/salaries, fees and bonuses paid to board members and top level managers as well as other allowances, travel, accommodation and representation expenses, cash and in-kind payments, and insurance and similar guarantee coverage.

When preparing the annual report, the Board of Directors shall also take into account the secondary legislative stipulations of the Ministry of Customs and Trade and related institutions.

### **Responsibility of the Independent Auditor for the Independent Audit of the Annual Report**

Our aim is: first, to give an opinion as to whether the financial information contained in the annual report and the explanations entered by the Board of Directors about the financial position of the company are consistent with the information we obtained during the independent auditing and with the audited financial statements of the company, all within the scope of provisions of the Turkish Commercial Code and the applicable Communiqués, and then to prepare a report covering our opinion.

The independent audit we have conducted has been carried out in accordance with the independent auditing standards issued by the CMB and the IAS. These standards are planned and applied in order to obtain reasonable assurance that compliance with ethical provisions and the independent audit are consistent with the financial information included in the annual report and the financial statements of the Board of Directors and the financial position of the company.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member of KPMG International Cooperative)

Hatice Nesrin Tuncer,  
Partner

February 15,  
2018, İstanbul,  
Turkey

## Tat Gıda Sanayi A.Ş.

### The Annual Report Presented by the Board of Directors of Tat Gıda Sanayi A.Ş. at the company's 50<sup>th</sup> Ordinary General Meeting of Shareholders that Convened on March 13, 2018

We would like to welcome all our shareholders convened to review and resolve our company's 2017 operating results on this occasion of our 50<sup>th</sup> Ordinary General Meeting of Shareholders.

#### Reporting Period:

January 1, 2017 – December 31, 2017

#### Company Information

**Title** : Tat Gıda Sanayi A.Ş.  
**Trade Registry No** : 96638  
**Address** : Taşdelen Mahallesi  
 Sırrı Çelik Bulvarı No:7  
 Çekmeköy / İstanbul  
**Telephone** : +90 216 430 00 00  
**Website** : www.tatgida.com

#### Capital and Shareholding Structure

As of the end of 2017, the upper limit of our company's registered (authorized) capital and the paid-up capital of our company stood at 250.000.000,00 Turkish lira and 136.000.000,00 Turkish lira, respectively, with no changes occurring during the year. Our company has no preferred shares issued.

#### Securities Issued

A 24-month 50 million Turkish lira nominal bond issue aimed at domestic qualified investors was launched on November 29, 2016, based on the CMB approval dated April 14, 2016, with the principal payable at maturity and three-month coupons at a 12,43 percent per annum fixed interest rate.

Name/Title of Shareholder	Amount of Share (Turkish lira)	%
Koç Holding A.Ş.	59.364.947,17	43,7
Temel Ticaret Yat. A.Ş.	4.427.888,60	3,3
Kagome Co Ltd.	5.071.168,20	3,7
Sumitomo Corp.	2.077.9830,34	1,5
Other	8.745.168,72	6,4
Public	56.312.843,97	41,4
<b>Total</b>	<b>136.000.000,00</b>	<b>100,0</b>

#### Amendments to the Articles of Association

Article 6 of our company's Articles of Association, entitled "Capital", was amended upon approval of our shareholders at our March 27, 2017 Ordinary General Meeting of Shareholders in accordance with the authorizations granted by the Capital Markets Board on February 24, 2017, and the T.R. Ministry of Customs and Trade Directorate of Domestic Trade on March 1, 2017. With this amendment, the validity period of our registered (authorized) capital has been extended to December 31, 2021.

#### Changes in Staff and Labor Force

Number of staff as of December 31, 2017: 1.056  
 Number of staff as of December 31, 2016: 1.115

#### Collective Labor Agreement Practices

The 24<sup>th</sup> Term Enterprise-wide Collective Labor Agreement was signed by and

between our company and the Tekgıda-İş Union, covering the period January 1, 2017 through December 31, 2018.

#### Severance Pay Liability

Our severance pay liability stood at 14.444.956,00 Turkish lira, and 13.326.867,00 Turkish lira, as of December 31, 2017 and December 31, 2016, respectively.

#### Compensation and Financial Benefits Provided to the Members of Board of Directors and Senior Executives

Chairman and Members of the Board of Directors are compensated through monthly attendance fees and the company's executive management through monthly remuneration plus a performance-based annual bonus as set forth by the General Meeting of Shareholders. Furthermore, any payments made are disclosed to the public in our footnotes to financial statements.

There are no transactions that would create a conflict of interest due to any

company loans or advances given to the Members of our Board of Directors or executives.

The sum of all compensation and financial benefits provided to the Members of Board of Directors and Senior Executives amounted to 8.801.805 Turkish lira in 2017.

### Donations and Charitable Contributions, Expenditures Involving Social Responsibility Projects

A total of 417.948 Turkish lira was donated or otherwise paid as a charitable contribution to various social organizations and societies.

### Research and Development

The objective of our R&D activities is to develop new products along the lines of market and customer expectations by ensuring the continuity of product and service quality. With this objective in mind, we invested 1.535.238 Turkish lira in R&D activities in 2017.

### 2017 Investments

A total of 45.257.209,00 Turkish lira was invested in 2017 for renovation and modernization projects. The capital expenditures per production site are as follows:

Investments (Turkish lira)	2017	2016
Tomato Products and Canned Goods	21.550.177	9.630.908
Milk and Dairy Products	16.909.952	15.149.438
Pasta and Baked Goods	941.736	865.047
Other	5.855.344	3.126.953
<b>Total</b>	<b>45.257.209</b>	<b>28.772.346</b>

### Incentives

Investment Incentive Certificate No. 119435, dated June 5, 2015, was issued for the modernization investment in our SEK Dairy Plant, in Mustafakemalpaşa, Bursa. A 50% Tax Credit, VAT and Customs Tax Exemptions and Support for Employer Share of Insurance Premiums apply to investments covered under the certificate.

Investment Incentive Certificate No. 110684, dated September 4, 2014, was issued for the modernization investment in our canned goods operation in Torbalı, Izmir. VAT and Customs Tax Exemptions apply to investments covered under the certificate.

Investment Incentive Certificate No. 110685, dated June 14, 2013, was issued for the modernization investment in our canned goods operation in Karacabey, Bursa. VAT and Customs Tax Exemptions apply to investments covered under the certificate.

Investment Incentive Certificate No. 118929, dated June 25, 2015, was issued for the modernization investment in our SEK dairy operation in Söke, Aydın. A 55% Tax Credit, VAT and Customs Tax Exemptions and Support for Employer Share of Insurance Premiums apply to investments covered under the certificate.

Investment Incentive Certificate No. 129499, dated April 28, 2017, was issued for the modernization investment in our canned goods operation, in Mustafakemalpaşa, Bursa. A 50-percent Tax Credit, VAT and Customs Tax Exemptions and Support for Employer Share of Insurance Premiums apply to investments covered under the certificate.

### The Board of Directors' Opinion on the Internal Control System and the Internal Audit Activities

At our company, the operating principles of the Audit Committee established by the Board of Directors resolution dated April 26, 2012, was revised after a comprehensive review of the changes in Capital Markets Board regulations, ensuring the administration of accounting and reporting systems in accordance with the related laws and regulations, disclosure of financial information to the public, and supervision of administration and effectiveness of the independent audit and internal control system. The Audit Committee convenes at least four times a year on a quarterly basis, and the outcome of these meetings is presented to the Board of Directors in the form of the minutes of the meeting. The committee immediately reports to the Board of Directors, in writing, any observations or suggestions related to its sphere of activity and responsibility.

The Committee in Charge of the Audit function reviews and evaluates the observations communicated to the committee by the independent audit company within the scope of independent audit activity, key issues involving the accounting policy and practices of the company, available alternative practices and public disclosure options communicated by the independent auditor to the company's management earlier in accordance with the CMB's accounting standards and accounting principles, along with their outcome and consequences as well as any implementation suggestions and other significant correspondence with the company's management.

After consulting with the company's executives and independent auditors on whether annual and interim financial



statements to be disclosed to the public portray a true and fair representation and are accurate, complying with the accounting principles followed by the company, the Audit Committee reports to the Board of Directors its findings in writing, incorporating its own assessment.

### Direct and Indirect Subsidiaries of the Company and its Share Ratios

The company has the following shareholder ratios in its subsidiaries as of December 31, 2017:

Title	December 31, 2017
Alaşehir Alk. İçk. A.Ş.	8,50%
Ram Dış Ticaret A.Ş.	7,50%
Düzye Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş.	1,12%

### Report on the Affiliated Companies Prepared in Accordance with Article 199 of the Turkish Commercial Code

The Board of Directors of Tat Gıda Sanayi A.Ş. is required by law (Article 199 of Turkish Commercial Code No. 6102 put into effect on July 1, 2012) to prepare a report in the first quarter of its operating year regarding its relations in the prior operating period with its controlling shareholder (parent company) and any of that party's affiliated entities, and to incorporate this report's conclusion in this annual report. The required disclosures regarding the transactions conducted by Tat Gıda Sanayi A.Ş. with its affiliated entities are included in footnote no. 25 of the financial report.

In its meeting held on February 15, 2018, our company's Board of Directors approved the report disclosing our relationship with our controlling shareholders within the scope of Article 199 of the TCC (Turkish Commercial Code), where the concluding section reads as follows:

"In all the transactions Tat Gıda Sanayi A.Ş. conducted in 2017 with its controlling shareholder and any of that party's affiliated entities, it has been concluded that, based on the circumstances and conditions known to us at the time of carrying out the transaction or taking or otherwise avoiding the precautions, a proper counter deed/compensation was secured in each of the transactions and there was no need for taking or otherwise avoiding any measures to prevent the company from incurring a loss in such transactions, and there was no need for any compensating counter transaction or measure to be effected."

### Management's Evaluation and Assessment and Factual Observations as to Whether the Company's Capital Has Been Eroded or the Company Has Been Heavily Leveraged

The Risk Management Committee has evaluated whether the company's capital has been eroded within the context of Article 376 of the TCC and it has concluded that the issued capital of Tat Gıda Sanayi A.Ş., which stood at 136.000.000 Turkish lira as of December 31, 2017, continued to preserve its value given the majority equity stake of 492.975.635 Turkish lira owned/held by the controlling shareholder and that the company's debt structure is suitable for a healthy operation due to the Net Financial Leverage (Debt/Equity) Ratio of 0,20.

### Risk Management Policy

#### a. Capital Risk Management

The company aims to maximize its profits by maintaining an optimal debt to equity balance in an effort to sustain operational continuity.

The capital structure of the company comprises its debts including loans and

its equity items including, in order of importance, cash and cash equivalents, issued capital and reserves as well as prior period retained earnings. The company's objective in managing its capital centers around sustaining the optimum capital structure that provides returns to shareholders and reduces its cost of capital simultaneously, ensuring the continuity of company's operations.

#### b. Financial Risk Management

The company is exposed to market risks, credit risks and liquidity risks given its operational activities. The risk management program of the company focuses on the minimization of potential adverse effects of the uncertainties in the market in general and on the company's performance.

Risk management is administered by the Risk Management Committee in line with the policies approved by the Board of Directors.

### Information on the Early Detection of Risk as well as the Work and Reports of the Risk Management Committee, if One is Established

Taking into account the provisions stipulated by Turkish Commercial Code No. 6102 and the Capital Markets Board's Corporate Governance Principles, the Board of Directors of our company resolved to form a Risk Management Committee in its meeting held on July 25, 2012 to help provide the Board of Directors with the recommendations and suggestions it needed to ensure early detection of risk and to establish an effective risk management system. In its meeting held on April 11, 2017, the Board of Directors appointed Arif Nuri Bulut, an Independent Member of the Board of Directors, to chair the committee, and Ibrahim Tamer Haşimoğlu, member of the Board of Directors, as a member.

The objective of the Risk Management Committee is to ensure the early detection, assessment and calculation of the effects and possibilities of risks of any kind, be it strategic, operational, financial, legal or otherwise that could threaten the company's existence, development or continuity; managing and reporting these risks in accordance with the institutional risk-taking profile of the company; implementing the necessary measures to counter the risks detected; taking such risks into consideration in the decision making processes, and forming and integrating effective internal control systems to address such issues and providing recommendations and suggestions to the Board of Directors in that regard. The Committee convened seven times throughout the operating cycle, once every two months, and the meeting results are submitted to the Board of Directors in the form of the minutes of the meeting.

#### Forward-looking Risks Involving Sales, Productivity, Revenue Generation Capacity, Profitability, Debt/Equity Ratio and Similar Topics

The company's sales and gross profits increased 9% and 4%, respectively, on a year-over-year (YOY) basis, and the debt/equity ratio stood at 0,2 percent. There are no forward-looking risks addressed at the Board of Directors level.

#### Management's Analysis and Assessment of the Financial Position and the Operating Results of the Company, the Degree of Realization of the Planned Activities, and the Company's Position in Respect of the Strategic Objectives Set

In this respect, the company's sales turnover from its existing business segments increased to 1.074.034.710 Turkish lira, up 9.5% compared to 2016.

Production (Tons)	December 31, 2017	December 31, 2016
<b>Tat Products</b>		
Tomato Paste	60.294	64.138
Diced and Peeled Tomatoes	5.804	4.427
Canned Vegetables and Other Canned Food	28.087	28.684
<b>SEK Products</b>		
Milk	121.605	113.358
Cheese	5.416	4.544
Fruit Juice	20.314	13.057
Cream	1.245	1.354
Yogurt	53.592	55.931
Ayran	29.453	26.144
Salep	1.162	1.573
Other	3.750	3.293
<b>Pastavilla Products</b>		
Pasta	26.662	25.383
Other Products and Byproducts	14.373	14.981

#### Information on the Company Regarding its Sales Performance, Productivity, Revenue Generation Capacity, Profitability and Debt/Equity Ratio as well as its Operating Results in the Current Period in Comparison to the Previous Periods in the Current Period in Comparison to the Previous Periods

Based on a year-over-year comparison, 2017 sales were down 1 percent in the tomato paste and canned products business segment, up 17 percent in the milk and dairy products business segment, and up 12 percent in the pasta products business segment.

As of 2017, our company is the market leader in the tomato paste, tomato products and ketchup business segment with its Tat brand. Our SEK brand is the market leader in the pasteurized milk segment. Our Pastavilla brand ranks second in the premium pasta market and the Tat brand ranks second in the mayonnaise and red pepper paste market segment.

When we compare our domestic sales turnovers in 2016 and 2017, we see that our growth rates in each product segment are as follows: 46% in fruit juices, 35% in cheese, 19% in pasteurized milk, 18% in ayran, 18% in butter, and 10% in mayonnaise.

#### Production Information

In 2017, we processed in our six plants a total of 236.000 tons of raw milk, 319.000 tons of tomatoes, 3.000 tons of fruits and vegetables, and 42.000 tons of wheat. We produced 216.000 tons of dairy products, 20.000 tons of fruit juice, 27.000 tons of pasta, 14.000 tons of pasta by-products, 60.000 tons of tomato paste, 6.000 tons of tomato by-products, 10.000 tons of ketchup, 6.000 tons of mayonnaise, and 11.000 tons of other canned products.

## Information About Sales and Marketing Activities

Net Sales (TL Million)	2017		2016		% Difference	
	Amount	Thousand Tons	Amount	Thousand Tons	Amount	Thousand Tons
Tomato Products and Canned Goods	374	92	379	99	-1,34	-6,22
Milk and Dairy Products	635	228	544	212	16,79	7,36
Pasta and Baked Goods	65	27	58	26	11,70	5,85
<b>Total</b>	<b>1.074</b>	<b>347</b>	<b>981</b>	<b>336</b>	<b>9,47</b>	<b>3,26</b>

## Operating Results

Summary Income Statement (TL Million)	2017	2016	2015	2014*	2013*
Sales Revenues (Net)	1.074	981	911	817	696
Gross Profit	239	230	205	172	158
EBITDA	63	74	68	51	53
Operating Profit	50	63	58	42	39
Earnings Before Tax (EBT)	65	69	64	35	32
Net Income for the Period (Share of the Parent Company)	61	65	67	150	2

Key Indicators (%)	2017	2016	2015	2014*	2013*
Gross Profit Margin	22,2	23,5	22,5	21,1	22,7
EBITDA Margin	5,9	7,6	7,5	6,2	7,6
Operating Profit Margin	4,7	6,4	6,4	5,1	5,6
Net Profit Margin	5,7	6,6	7,4	18,4	0,3
Current Ratio	2,1	3,3	2,4	2,0	1,9
Liquidity ratio	1,2	1,9	1,5	1,3	1,2
Net Financial Debt/Equity Ratio	0,2	0,1	0,1	0,3	1,0

\* Harranova Besi ve Tarım Ürünleri A.Ş. was divested on October 1, 2014, and the Maret operation on August 4, 2014. In line with this, the numbers representing the Harranova and Maret operations have been removed from the adjusted 2014 and 2013 Income Statements.

## Legal Disclosures

The company has no treasury stock re-acquired.

Our company received no fines of a material nature in 2017 under any special and public audits conducted.

There are no litigation proceedings pursued against our company that are potentially capable of affecting the company's financial standing.

There are no administrative or judicial sanctions imposed on the company or the members of the board of directors on account of practices violating regulatory provisions.

There was no Extraordinary General Meeting of Shareholders convened in 2017. The resolutions adopted the Ordinary General Meeting of Shareholders held on March 27, 2017, were implemented.

Pursuant to Articles 395 and 396 of the Turkish Commercial Code, an approval is sought from the Ordinary General Meeting of Shareholders to authorize any shareholder with a controlling interest, Member of the Board of Directors, Senior Executive as well as their spouses and relatives by blood or marriage (up to the second degree) to engage in any competitive business or to otherwise create a potential conflict of interest with the company and its affiliates.

There are no branch organizations.

## Dividend Distribution Policy

Our company pays out dividends to its shareholders in accordance with the relevant provisions of the Turkish Commercial Code, capital markets regulations, tax legislation, and other related rules and regulations, as well as the sections of our Articles of Association regarding dividend payouts. In this respect, our dividend payout policy is balanced and consistent, heeding the interests of both shareholders and the company in line with the Corporate Governance Principles.

According to Article 19 of our Articles of Association, the General Meeting of Shareholders is entitled to adopt a resolution for the distribution of dividends to members of the Board of Directors, employees and workers, foundations established for various purposes, and persons (legal and real) of similar nature, from the profit balances remaining after setting aside 5% of the earnings before tax (EBT), as the first legal reserves, as well as the statutory amounts required for financial liabilities and the first dividend stipulated by the Capital Markets Legislation. In this context, holders of founder share certificates are paid an amount equal to 5% of the profit balances remaining after deducting 5% of the paid-up capital from the statutory basis of the first dividends stipulated by Capital Markets Legislation. As a general principle, 20% of the distributable net income (DNI) at the least shall be distributed in the form of cash and/or bonus shares, calculated in accordance with the Capital Markets Board's communiqués, provided that it is permitted by the relevant regulations and funded through available financial means or otherwise the resources stipulated by our legal records by taking into account our company's long term strategies, investment and financing policies,

profitability and cash position.

The General Meeting of Shareholders has the authority to set the dividend payout date, which as a rule should be within one month of the General Meeting of Shareholders at the latest. The General Meeting of Shareholders, or alternatively the Board of Directors if so authorized, may resolve to distribute the dividends in installments in accordance with Capital Markets Regulations. Pursuant to the Company's Articles of Association, the Board of Directors may declare and distribute dividend advances provided it is authorized by the General Meeting of Shareholders and acts in compliance with Capital Markets regulations.

## Profit Distribution

At its meeting held on February 13, 2018, the Financial Reports for the accounting period of January 1 – December 31, 2017, were reviewed and accepted in accordance with the TAS/TFRS, and found to be suitable for submission to the General Meeting of Shareholders by our Board of Directors, as prepared by the management of Tat Gıda Sanayi A.Ş. and based on the Turkish Accounting / Financial Reporting Standards (TAS/TFRS) and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member of KPMG International Cooperative).

After reviewing said Financial Reports and the Financial Reports of Tat Gıda Sanayi A.Ş. derived from the legal records maintained in accordance with the provisions of Tax Procedure Law (TPL):

Because it was observed that the parent company's share of the net income for the period is 61.183.525,00 Turkish lira according to the Financial Reports prepared in accordance with the TFRS/

TAS, while the TPL records state the net income for the current period as 51.378.941,32 Turkish lira, the following decisions were made:

- a.** Set aside 2.568.947,07 Turkish lira as the 5-percent general statutory reserves, in accordance with Article 519 of the Turkish Commercial Code, from the net income for the period stated on the TPL records;

Because the dividend basis is set as 59.032.525,93 Turkish lira after deducting 2.568.947,07 Turkish lira as the 1<sup>st</sup> Tranche of general statutory reserves from the net income for the period of 61.183.525,00 Turkish lira and adding back the 417.948,00 Turkish lira donations shown in the Financial Reports prepared in accordance with the TFRS/TAS; and the distributable net income (DNI) is calculated as 48.809.994,25 Turkish lira after deducting 2.568.947,07 Turkish lira as the 1<sup>st</sup> Tranche of general statutory reserves from the net income for the period of 51.378.941,32 Turkish lira shown on the Financial Reports prepared in accordance with the TPL records;

- b.** In accordance with the Capital Markets Legislation and Article 19 of the Company's Articles of Association and the Dividend Distribution Policy of our company approved by the shareholders at the General Meeting of Shareholders held on March 27, 2017, the dividend distribution shall be as follows:

11.806.505,19 Turkish lira shall be distributed to the shareholders as the first dividend;

2.611.626,30 Turkish lira shall be distributed to the holders of founder share certificates as dividend;

15.581.994,81 Turkish lira shall be

distributed to the shareholders as the second dividend;

2.320.012,63 Turkish lira shall be set aside as the 2<sup>nd</sup> Tranche of general statutory reserves;

and

- c.** The sum of the first and the second dividends to be paid to the shareholders (27.388.500,00 Turkish lira) and the amount of 2.611.626,30 Turkish lira to be paid to the holders of founder share certificates shall all be paid in cash;

- d.** If the dividend distribution proposal outlined above is approved by the General Meeting of Shareholders, then based on our records prepared in accordance with the TPL, the 1<sup>st</sup> and the 2<sup>nd</sup> tranches of general statutory reserves, the dividend total of 27.388.500,00 Turkish lira to be paid to the shareholders and the sum of 2.611.626,30 Turkish lira to be paid to the holders of founder share certificates, shall all be funded through the current period earnings;

- e.** Set aside the sum of 16.489.855,32 Turkish lira as the extraordinary general statutory reserves, after deducting the 1<sup>st</sup> and the 2<sup>nd</sup> tranches of general statutory reserves set aside from the net income for the current period based on the Platform (PDP). TPL records paid to the shareholders and the holders of founder share certificates, respectively, and allocate the balance of 26.294.439,00 Turkish lira shown on the Financial Reports prepared in accordance with the TAS/TFRS as extraordinary reserves;

- f.** Pay to our shareholders who are either a fully-liable resident taxpayer or otherwise a limited liability taxpayer generating dividends through a resident business or a permanent representation in Turkey, a gross = net cash dividend of 20,139 percent for each 1.00 Turkish lira par value share and 0,201386 Turkish lira for any 100 share at 1 Turkish lira par value;

Pay to our other shareholders a gross cash dividend of 20,139 percent for each 1,00 Turkish lira par value share and 0,201386 Turkish lira for any 100 share at 1 Turkish lira par value; corresponding to a net cash dividend of 17,118 percent and 0,171178 Turkish lira, respectively;

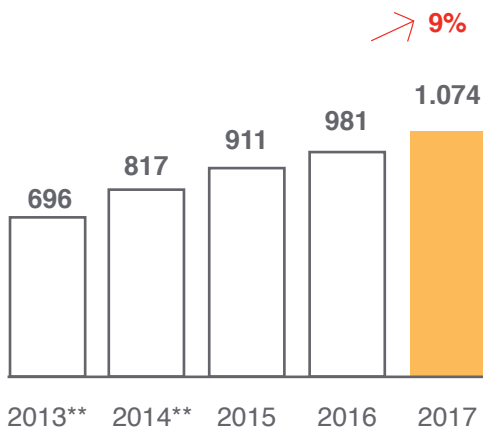
- g.** The dividend distribution date is to be set as March 20, 2018;

The proposal is to be submitted for approval at our company's Ordinary General Meeting of Shareholders to be held in March.

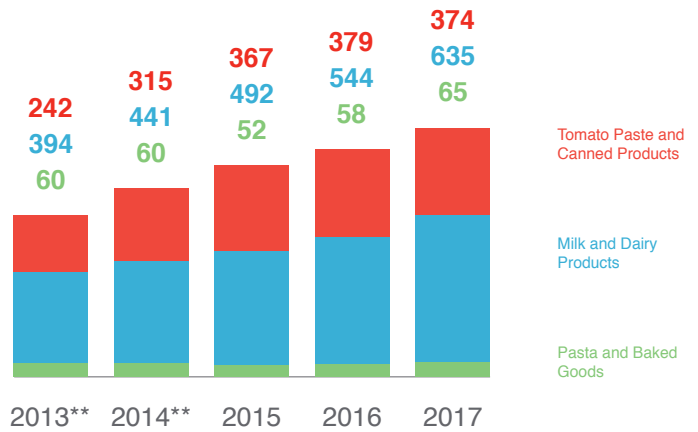
It has also been decided that the Dividend Distribution proposal shall be made available at the company headquarters for the review of our shareholders at least 21 days before the date of the General Meeting of Shareholders as well as on the company's website at [www.tatgida.com](http://www.tatgida.com), and it shall be disclosed to the public through the Public Disclosure.

<p>2017 Net Sales</p> <h1>1.074</h1> <p>Million Turkish lira</p>	<p>2017 Operating Profit</p> <h1>50</h1> <p>Million Turkish lira</p>	<p>2017 Net Profit</p> <h1>61</h1> <p>Million Turkish lira</p>
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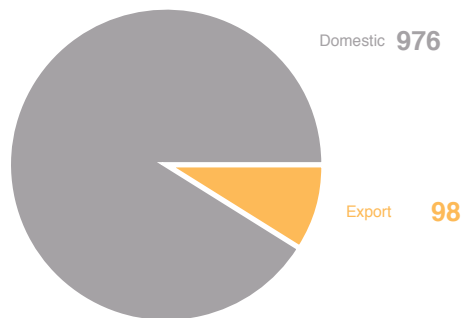
2017 Net Sales  
Million Turkish lira



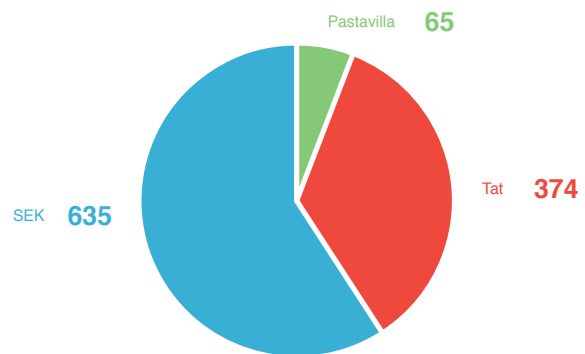
Net Sales by Product Group  
Million Turkish lira



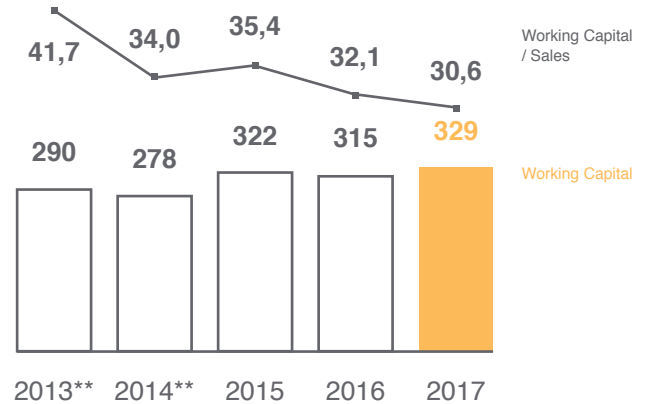
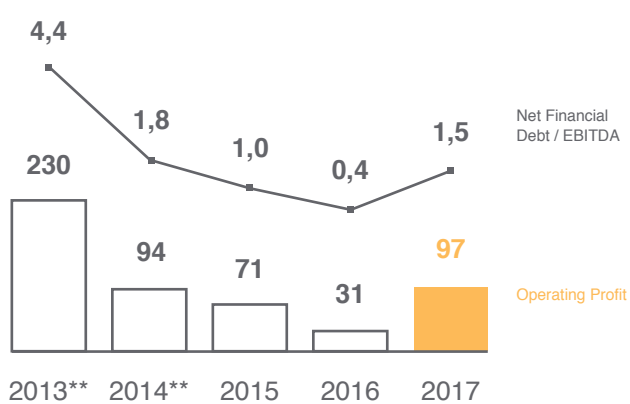
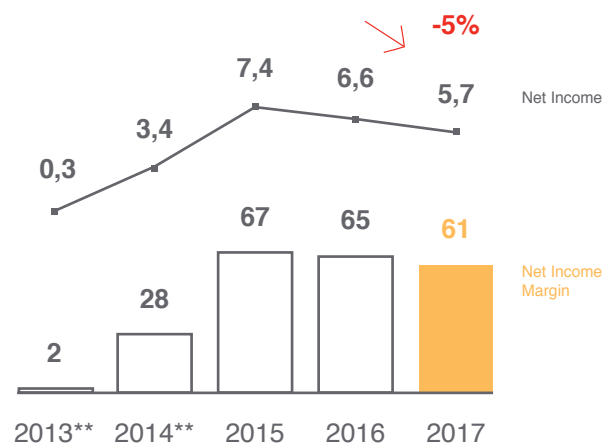
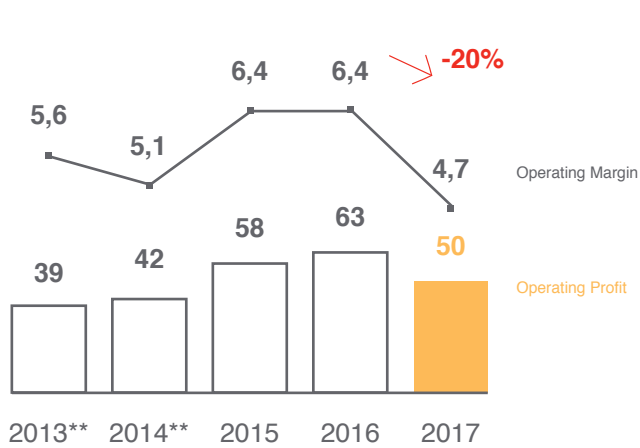
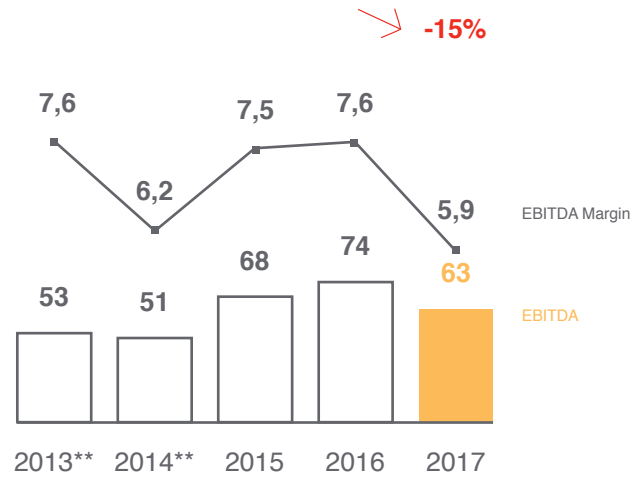
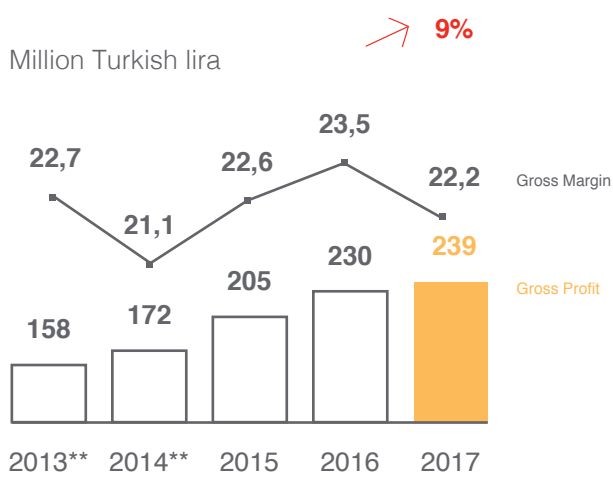
Regional Distribution of Net Sales  
Million Turkish lira



Distribution of Net Sales by Product Group  
Million Turkish lira







\*Harranova livestock financial data is excluded due to discontinued operations.  
 \*\*Harranova tomato and Maret financial data are excluded due to discontinued operations.



# Management and Reviews

We have put our brands on the shelves of major supermarket chains abroad. We adorn tables in 40 different countries.



## General Manager's Message



### **Dear Shareholders and Stakeholders,**

We left behind a challenging year for the whole world. The geopolitical developments in the Middle East, which is neighboring to Turkey, fluctuations in exchange rates and oil prices continued to affect not only the industries but the world economy as well. Despite these developments, however, we were happy to achieve success in many areas during Tat Gıda's 50<sup>th</sup> Anniversary.

As a result of this success based on superior performance and devoted work, we increased our sales turnover 9 percent in 2017 compared to the previous year. Our operating profit was 71 million Turkish lira, over the previous year, and our earnings before tax (EBT) was 65 million Turkish lira.

We continued to add strength to our activities in our business segments, with our high product quality, and service understanding based on consumer and supplier satisfaction. In the domestic market, we were again the market leader with a turnover share of 64 percent in tomato products, 32 percent in tomato paste, 31 percent in ketchup, 39 percent in pasteurized milk, as well as the quantity share of 47 percent in premium pasta.

We also carried our success in the domestic market to the international arena. We exported branded goods to 40 countries. We carried to the kitchens around the world, the tastes we created, right from the shelves of key supermarket chains in the world, such as Tesco, Asda, Auchan.

In 2017, we met the domestic and international demand for tomato products as well as milk and dairy products, from our advanced-technology plants in three different locations. In this context, we processed last year, 319.000 tons of fresh tomatoes, and 236.000 tons of milk, offering our products to consumers' taste.

As the leading food company of Turkey, we continued to support the agricultural production last year, as we always do. Within the scope of "Pioneers of Tomato" project, which started in 2016, we advanced our activities aimed at developing the Turkish tomato farming. In 2017, we continued to contribute to the sustainable agricultural production by focusing on farmer training and farmer communication with the help of projects undertaken for this purpose.

On the other hand, we have increased the share of our investments in Industry 4.0 and digitalization, significantly. Our investment in digital transformation and modernization has reached 45 million Turkish lira. This investment will help carry Tat Gıda brands to wider markets by increasing our production capacity and productivity. In addition to our ongoing TPM efforts, aimed at increasing competence in our production processes, we have also launched a Six Sigma initiative in our operations. We have advanced our activities in this area by establishing a new R&D Center in our Mustafakemalpaşa facilities, for undertaking projects in the product, process and agricultural areas. In this initiative, we have selected the SAP as the enterprise resource planning platform and completed the transition studies.

I would like to strongly emphasize that these successful results and technological investments realized in 2017, the year we celebrate the 50th anniversary of Tat Gıda's founding, represent the firm steps we have taken to the dynamic future. Working every day for half a century with the passion for delivering a better service to our consumers, we had the honor of sharing our happiness for our 50<sup>th</sup> anniversary with the esteemed employees of the Tat Gıda Family, our valued stakeholders and loyal fellow farmers.

We delivered the story of Tat's "50 Years of Uncompromising Tomato Passion" to our consumers through the advertising campaign casting real Tat farmers. We carried our campaign on our half a century long story, all around the country through different channels. At this point,

as Tat, I can summarize our long-term vision as being the biggest brand that operates in tomato production in Turkey.

In addition to these, SEK, a strong brand in the milk and dairy products market, owns the basketball platform in line with its brand positioning: "Nourishing with goodness." SEK became the first Turkish dairy product brand to sponsor the Euroleague Basketball. In this context, we believe our brand value will strengthen even more with SEK's brand awareness, thanks to our communication initiative helping us emphasize our sponsorship in different marketing channels for three years.

Likewise, we continued to add momentum to our SEK brand with innovative product launches. At SEK, we introduced Turkey's first Lactose-free Pasteurized Milk for lactose intolerant people, and launched the "SEK Pasteurized Probiotic Beverage" product series by drawing attention to the growing importance of probiotics. After SEK Quark, launched in 2016 and has since won many awards, SEK Quark Mousse varieties met with people who like healthy sweets in 2017.

I would like to share with you how proud I felt when SEK, boasting its long-term vision of being the leader in the fresh/cold category, was elected last year, as one of Turkey's super brands by Superbrands.

Apart from these developments, Tat Gıda undertook an important project in the field of Human Resources last year, presenting our "Employer Brand" initiative. We have decided to paraphrase the employee value proposition—the cornerstone of the "Employer Brand" initiative—as "People are the Essence," after various surveys and focus group work performed with members of the Tat Gıda Family.

The phrase "People are the Essence," not only embodies solidarity and team spirit, but also being an expert and a leader in your work, valuing and growing through innovation." We believe that we will be among the leading companies in our industry in this field as well with the help of the communication efforts of our project.

With this belief, we would like to extend our gratitude to our consumers and all our stakeholders for their strong support of our brands, as we declare that we will continue our work with great energy within the scope of our vision: "Creating regional / world brands that provide products and services adding value to the consumer."

Best regards,

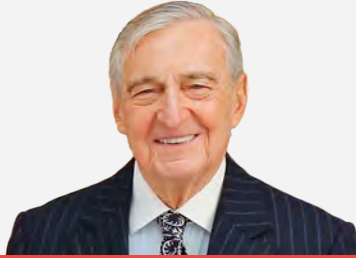
**Arzu Aslan Kesimer**  
General Manager

## Board of Directors



### Semahat S. Arsel

She began her career in 1964 as a member of Koç Holding Board of Directors, a position she continues to hold. In addition, she is the Chairman of the Board of Directors of Vehbi Koç Foundation, Chairman of the Divan Group Board of Directors, Chairman of Semahat Arsel Nursing Education and Research Center and Second Chairman of Florence Nightingale Foundation. She is also the founder of Koç University School of Nursing.



### Rahmi M. Koç

A graduate of Johns Hopkins University in Business Administration, he joined Koç Group in 1958 at Otokoç. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. In addition, Rahmi M. Koç is or has been affiliated with the philanthropic, social and professional organizations including; The Metropolitan Museum of Art, New York City, Honorary Trustee, Co-Chairman of the Business Advisory Council for South East Europe (BAC SEE), Vice Chairman of the Board of Trustees of the Vehbi Koç Foundation, Honorary Chairman of the Board of Trustees of the Koç University, Founder and Chairman of the Board of the Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of the Vehbi Koç Foundation American Hospital, Honorary Chairman and Founding Member of TURMEPA, The Turkish Marine and Environment Protection Association, Honorary President of the Advisory Board of the Turkish Industrialists' and Businessmen's Association, Member of the Advisory Board of the Turkish Employers Association, Founding Chairman of the Global Relations Forum, Former President of the International Chamber of Commerce (President from 1.1.1995-31.12.1996), Former President of the Turkish Greek Business Council (1992-1999), Former member of the Allianz Aktiengesellschaft International Advisory Board, Former member of the JP Morgan International Council, Former member of the International Advisory Board of the US Council on Foreign Relations.



### Ömer M. Koç

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year. He completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of Energy Group. He became member of Board of Directors in 2004 and Vice Chairman in May 2008. On February 22, 2016, he was appointed as the Chairman of Koç Holding. He is also Chairman of Turkish Educational Foundation Board of Trustees, Chairman of Koç University Board of Trustees, President of Geyre Foundation and Chairman of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Tüpraş Board of Directors. On April 6, 2017, he was appointed as the Chairman of Tofaş.





### Ali Y. Koç

He graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. He attended the American Express Bank Management Trainee program between 1990 and 1991 and worked as an analyst at Morgan Stanley Investment Bank between 1992 and 1994. He held various senior positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group between 1997 and 2006. He was the President of the Corporate Communications and Information Technology Group between 2006 and 2010. He has been a member of Koç Holding Board of Directors since 30 January 2008 and was named Vice Chairman on February 22, 2016. Koç is also the Chairman at various Koç Group companies. Ali Y. Koç also contributes to the country's social and economic development at URAK (International Competition Research Association) as President, Endeavor Association and DEİK (Foreign Economic Relations Board) as Board Member. He is also the Vice Chairman of TÜSİAD – Turkish Industry and Business Association and Member of the Global Advisory Council of Bank of America, Harvard University and CFR.



### Caroline N. Koç

After graduating from high school at Switzerland's St. George's School, Ms. Koç went on to receive a Bachelor's degree in Business Administration from Babson College, USA. Ms. Koç started her professional career in 1992 at Edwards of Hisar, where she acted as the managing director until 1998. Subsequently, she founded "İlkadım Play and Education Center for Kids" in 1998. She was the acting manager of the Center until 2003. She is the founder and the current Chairwoman of "Haremlique İstanbul" and "Selamlıque Turkish Coffee" brands since 2008. Ms. Koç has always been an active contributor to philanthropic organizations. She is the Chairwoman of Turkish Family Health and Planning Foundation, President of İstanbul Golf Club, a Board Member at Tohum Autism Foundation, a Founding Member of Tina Foundation and a Founding Member of the Contemporary Education Foundation. She has been a member of Koç Holding Board of Directors since 2016.



### Levent Çakıroğlu

Levent Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He earned a Master's degree at the University of Illinois. Mr. Çakıroğlu began his professional career as an Auditor at the Ministry of Finance in 1988. From 1997 to 1998, he taught as a part-time instructor at Bilkent University, and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Financial Coordinator. Subsequently, he served as the General Manager of Koçtaş (2002-2007), General Manager of Migros (2007-2008), General Manager of Arçelik (2008-2015), and President of the Consumer Durables Group at Koç Holding (2010-2015). In February 2015, Mr. Çakıroğlu was appointed Deputy Chief Executive Officer of Koç Holding, and he has been the Chief Executive Officer of Koç Holding since April 2015. He has been a member of Koç Holding Board of Directors since 2016.

## Board of Directors



### Tamer Haşimoğlu

He graduated from Istanbul Technical University in Mechanical Engineering and earned a Master's degree in International Business from Istanbul University, Institute of Business Administration and Economics. He started his career in 1989 at Koç Holding as a Management Trainee in the Planning Department and later became Specialist, Manager and Coordinator of the Strategic Planning Department. He was appointed Koç Holding Strategic Planning Group Acting President in January 2004 and he served as the President of Strategic Planning Group between May 2004 and April 2011. He has been serving as the President of Tourism, Food and Retailing Group at Koç Holding since April 2011. He has also been serving as a Board member of some Koç Group companies. In addition, he has been a Vice Chairman of YASED, member of TÜSİAD, member of the Board of Tourism Investors' Organization and member of the Board of HEV.



### Arif Nuri Bulut

Mr. Arif Nuri Bulut graduated from the Istanbul Technical University Institute in Mechanical Engineering and then went on to receive his master's degree at the same university. He also completed the Executive MBA Program at Koç University. He started his professional career in 1981 at İzocam Ticaret ve Sanayii A.Ş., one of the Koç Group companies. He served first as Production Supervisor and then as Technical General Manager. Since 2002, he has been serving as the General Manager of İzocam Ticaret ve Sanayii A.Ş. and is also the member of the Board of Directors of the company. He is currently an independent member of the Board of Directors at Tat Konserve A.Ş., and serves as Member of the Board of Presidents in İzocam Ticaret ve Sanayi A.Ş., Saint-Gobain Rigips Alçı Sanayi ve Ticaret A.Ş., Saint-Gobain Weber Yapı Kim. San. ve Tic. A.Ş., Saint-Gobain İnovatif Malzemeler ve Aşındırıcılar San. Tic. ve A.Ş., Atlas Zımpara Sanayi ve Ticaret A.Ş., İzoder and as Member of the Board of Directors in İMSAD.



### Mansur Özgün

Mansur Özgün received a degree in industry management and accounting from Ankara Economics and Trade Academy. He started his career at Directorate General of Foundations and worked as Auditor at the Ministry of Finance until 1970. He joined Koç Group in 1971, where he worked as Assistant Manager of Finance of Koç Holding, Assistant General Manager of Ormak A.Ş. and Finance Coordinator of Koç Holding. Mr. Özgün worked as a Certified Public Accountant from 2000 to 2004. He is currently a Board Member of Aygaz A.Ş.



### Katsuyuki Miwa

Katsuyuki Miwa received his bachelor's degree in Chemistry from Tohoku University. He started working at Kagome Co., Ltd. in 1979. He served as Project Director of Kagome Labio in 2002, Director of Yukijirushi Labio Co., Ltd. from 2002 to 2005, Representative Director and Chairman of Kagome Labio Co. from 2005 until 2009, Factory Manager of Kagome Komaki Production and Procurement Department from 2009 to 2010. He acted as Executive Director and General Manager of the Division of Production and Procurement, Production Department at Kagome Co., Ltd. from 2010 to 2012, as Executive Director and General Manager of the Division of Production and Procurement, Procurement Department at Kagome Co., Ltd. from 2012 to 2013, and Managing Executive Officer, Director of Production and Procurement Department at Kagome Co., Ltd. in 2013. He has been serving as Kagome Co. Ltd. Director and Managing Executive Officer, Director of Production & Procurement Department since June 2013.



### Arzu Aslan Kesimer

Arzu Aslan Kesimer received her degree in Economics (in English) from Marmara University and completed her postgraduate studies in Economics at Boğaziçi University, Faculty of Social Sciences. Having started her career at Marmara Bank in 1992, she joined Koç Group at Koçtaş Yapı Marketleri A.Ş. in 1995, where she worked as Marketing Manager, Marketing and Store Planning Director until 2010. From 2010 to 2011, she served as Assistant General Manager of Commerce at Koçtaş Yapı Marketleri A.Ş. She has been the General Manager of Tat Gıda A.Ş. since 1 November 2011. Arzu Aslan Kesimer is a Founder Member and Vice Chair of Women in Board of Directors Association. Ms. Kesimer is also a member of the TOBB Women Entrepreneurs Board, TÜSİAD, ISO Assembly and President of the Professional Committee.

## Executive Management



### Arzu Aslan Kesimer

Arzu Aslan Kesimer received her degree in Economics (in English) from Marmara University and completed her postgraduate studies in Economics at Boğaziçi University, Faculty of Social Sciences. Having started her career at Marmara Bank in 1992, she joined Koç Group at Koçtaş Yapı Marketleri A.Ş. in 1995, where she worked as Marketing Manager, Marketing and Store Planning Director until 2010. From 2010 to 2011, she served as Assistant General Manager of Commerce at Koçtaş Yapı Marketleri A.Ş. She has been the General Manager of Tat Gıda A.Ş. since 1 November 2011. Arzu Aslan Kesimer is a Founder Member and Vice Chair of Women in Board of Directors Association. Ms. Kesimer is also a member of the TOBB Women Entrepreneurs Board, TÜSIAD, ISO Assembly and President of the Professional Committee.



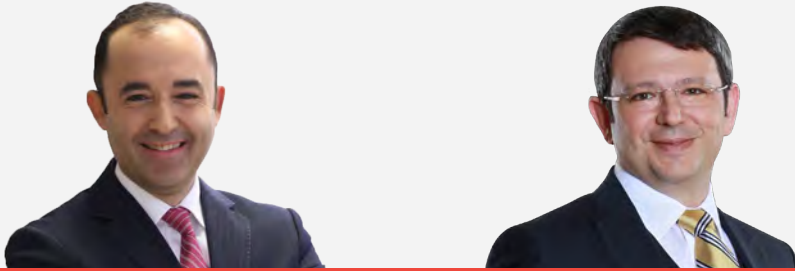
### Ahmet Çağışan Yılmaz

Ahmet Çağışan Yılmaz received his degree in Business Engineering from Istanbul Technical University and completed the MBA Program at Koç University. He started his career in the Audit and Finance Group of Koç Holding in 2001, where he worked as Auditor, Senior Auditor and Audit Group Manager until 2011. From 2011 to 2014, he worked as Assistant General Manager of Accounting and Finance at Beko LLC. He has been serving as Assistant General Manager of Accounting and Finance of Tat Gıda Sanayi A.Ş. since 1 July 2014.



### Hakan Turan

Hakan Turan received his degree in Mechanical Engineering from Istanbul Technical University and completed MSc in Mechanical Engineering from Boğaziçi University. He started his career at Arçelik A.Ş. in 1991, where he worked as Project Engineer, Production Team Leader and Production Manager in the Washing Machine Plant and as Business Manager and Product Director in the Electrical Engine Plant until 2008. He then served as Consumer Services Director from 2008 to 2012 at Arçelik A.Ş. Since May 7, 2012 he has been serving as Assistant General Manager of Production at Tat Gıda Sanayi A.Ş.



### Mehmet Refik Öner

Mehmet Refik Öner received his degree in Industrial Engineering from the Middle East Technical University. He started his professional career in 1997 as Brand Manager at Procter and Gamble. He worked as Brand Manager Assistant, Senior Brand Manager and Brand Manager at P&G between 1997-2001. He worked as Brand Manager at Danone between 2001 and 2002 and then as Marketing Manager (Ireland-UK), Global Category Marketing Manager, Marketing Director (North America), Marketing Director (Middle East-Dubai) Regional Marketing Director (Middle East, Dubai, Africa, Russia, Pakistan). Since January 25, 2016, he has been the Executive Vice President of Marketing and Commerce at Tat Gıda Sanayi A.Ş.

### Sertaç Erenmemişoğlu

Sertaç Erenmemişoğlu received his degree in Industrial Engineering from İstanbul Technical University and completed his graduate studies in Management Engineering at the same university. He began his career as a Management Trainee at Koç Holding in 1995, where he later worked as Human Resources Specialist and Project Manager until 2003. After working as Human Resources Manager at Opet Petrolcülük A.Ş. from 2003 to 2009, he acted as Human Resources Coordinator at Koç Holding from 2009 to 2014. He has been Human Resources Director at Tat Gıda A.Ş. since 13 January 2014.





# Tat Gıda in 2017

We have adorned tables with  
52 million cans of tomato paste,  
20 million bottles of ketchup,  
45 million packages of pasta,  
and 136 million packages of milk.







## Tat: 50 Years of Endless Passion for Tomato



With its uncompromising passion for tomatoes, Tat has produced 2 billion cans of tomato paste and 500 million bottles of ketchup over 50 years.

The leading brand in the tomato paste, tomato products and ketchup markets, Tat has always offered delicious, natural, and quality products to consumers. Since 1967, Tat has been working with the vision of making the Turkish canning industry more competitive in the global market by improving tomato farming.

Since its founding, Tat has offered many innovations to consumers in both the tomato product and the vegetable and convenience food categories. In addition to the first diced tomatoes and peeled tomatoes produced in Turkey, Tat produced the first mayonnaise and ketchup products and mixed tomato-red pepper paste mix in glass jars. Tat also produced the first tomato products in glass jars in Turkey.

### 50<sup>th</sup> anniversary of Tat

Celebrating its 50<sup>th</sup> anniversary in 2017, Tat has made great efforts to make this special year an unforgettable one for its consumers.

In celebrating its 50th anniversary, Tat presented consumers with "50 Years of Uncompromising Passion for Tomatoes," a story told through eight Tat farmers. The campaign was supported by television, digital, radio and printed media. The story of five Tat farmers circulated over digital media between September and December. It was watched 16.5 million times, receiving over 20 million views.

The farmer theme was also displayed on tomato paste packaging, enabling the campaign to reach an even wider audience through effective POP merchandising applications and displays. The story of our farmers reached millions of consumers thanks to the QR codes printed on our product packaging.

### Support for the Pioneers of Tomato Project continues

Achieving another first in its industry with the "Pioneers of Tomato," project, which focuses on farmer development as well as communication and digitalization of tomato farming and agriculture, Tat continued to support the project this year as well. Tat has pioneered mobile applications and has led the sector in investing in agriculture by launching "Tat Farm Leader" for farmers and "Tat Agricultural Leader," for agricultural teams.

For the Pioneers of Tomato project, Tat's 650 contracted farmers were trained for 2.000 hours per person in 2017.

### The 50<sup>th</sup> Year Almanac is Ready

An almanac of “50 Years of Endless Passion for Tomatoes,” was prepared to help make our fifty-year-old historical adventure an unforgettable effort. It symbolizes the hard work we have put behind our uncompromising passion for tomatoes so we can provide better service to the consumer on a daily basis.

Please visit the TAT website for more details: <https://www.tat.com.tr>

### Guinness World Record

Another first was marked at the Tat Tomato Festival, which was organized specifically for Tat’s 50<sup>th</sup> anniversary: 634 Tat employees simultaneously spread tomato paste on a slice of bread, breaking the world record in the category of “the number of people simultaneously spreading a product on a slice of bread.”



# 634

Guinness Record: the number of people simultaneously spreading a product on a slice of bread

Almanac of

# 50

Years of Uncompromising Passion for Tomatoes

# 12

New products special for 50<sup>th</sup> anniversary



### CANNED GOODS

- Tomato Paste
- Vegetables
- Peas
- Tomato Products
- Ready Foods
- Pickles
- Delicatessen
- Boiled Food
- Fish
- Jam

### SAUCES

- Ketchup
- Mayonnaise
- Mustard
- Condiment Sauces

### 50<sup>th</sup> Anniversary Special Products

Four new products were specially launched to celebrate Tat's 50<sup>th</sup> anniversary:

- Special hot pepper paste produced from peppers grown in Azatlı,
- Special tomato paste produced from tomatoes grown in Karacabey,
- Peti diced tomatoes,
- High-lycopene tomato paste.



#### In the sauce category,

five new sauce varieties were launched in order to expand the product portfolio and add flavor to consumer menus:

- Barbecue sauce,
- Ranch sauce,
- Kebab sauce,
- Peri peri sauce,
- and Mango-curry sauce found their way to supermarket shelves as flavorful sauce varieties.

#### In the ready foods category,

- Hummus,
- Babagannus,
- and Fava dish (mashed favas) were launched to add to Tat's family of appetizers.

## Turkey's Most Sincere Brand Tat Ketchup



Tat Ketchup was selected as Turkey's most sincere brand in the "Turkey's Most Sincere Brands Survey" conducted by Ipsos for MediaCat.

## 3 Crystal Apple Awards

At the 2017 Crystal Apple Awards, Tat won three awards with the billboard and outdoor advertisements it prepared for the ready food category.







yeni

seK

LAKTOZSUZ

günlük  
süt

Laktoz hassasiyeti  
olanlar için  
kolay sindirime  
yardımcı olur.

## A Pioneering Brand



Tat Gıda produced 136 million cartons of milk under the SEK brand in 2017. Having already introduced many firsts for the industry, SEK made many innovations in 2017 as well.

A key player in the development of milk production in Turkey and manufacturer of the natural and fresh flavors we put on our tables, SEK has endeavored since 1968 to put only the most natural, healthiest and the most delicious products on our tables.

SEK introduced the first pasteurized milk in 1968, the first homogenized yogurt in 1972, and string cheese in 1979. SEK was the first brand to introduce kasseri and feta cheese in vacuum-sealed packaging that suited to the palate of the discriminating consumer. SEK was also the brand to produce packaged salep in Turkey in 2001.

In 2011, the micro-filtration production and the Ultra Clean Filling technology used by SEK for the first time in Turkey. It helped to extend the shelf life of pasteurized milk.

SEK continued its innovations in 2012 with mint-flavored ayran (yogurt drink). In 2014, SEK launched chocolate, banana and strawberry flavored pasteurized milk for children and latte, caramel macchiato and chocolate mocha flavors for adults.

In 2014, SEK expanded its cheese range by building a new and modern 100 percent cheese-dedicated factory equipped with advanced technology in Söke, Aydın.

In 2015, SEK added a new product to the SEK Pasteurized Milk family by launching Yogurt Making Milk.

In 2016, SEK marked another first in Turkey with its “Good Dessert” SEK Quark, which is produced especially for the discriminating consumer. In that same year, SEK further expanded its cheese range by introducing SEK Fresh Cheese varieties, offering plenty of deliciousness. In addition SEK launched its extra delicious full-fat Pasteurized Farm Milk and offered consumers full-fat milk, which smells and tastes just like the milk from our childhood.

### The firsts launched 2017 were won great recognition

SEK marked many other firsts in Turkey in 2017 as it has the vision of becoming an “opinion leader” in the sector.

SEK introduced Turkey's first Lactose-Free Pasteurized Milk for lactose intolerant consumers. Endorsed and promoted by various social media icons and SEK's healthy nutrition consultant Dilara Koçak, SEK Lactose-Free Pasteurized Milk quickly became popular.

SEK next brought Probiotic Beverage products to the consumer, helping to strengthen their immune systems by regulating the digestive system.



- PASTEURIZED MILK
- UHT MILK
- MILK BEVERAGES
- AYRAN (YOGURT DRINK)
- PROBIOTIC BEVERAGE
- HOMOGENIZED YOGURT
- QUARK
- QUARK MOUSSE
- CREAM
- CHEESE
- BUTTER
- FRUIT JUICES
- BREAKFAST FOODS



In addition to the Pasteurized Farm Milk launched in 2016, SEK expanded its farm product range further by introducing Farm Butter and Farm Yogurt.

These Migros-specific products launched in 2017 and met with great acclaim.

SEK introduced Quark Mousse varieties for discriminating dessert-lovers. SEK carried its Quark Mousse launch events with product tasting activities and digital communications in November followed by TV, radio and digital commercials in December.

SEK won many awards in 2017 for its product, packaging and communication efforts.

- SEK was selected as one of Turkey's super brand by Superbrands.



- SEK's Farm Milk, Chocolate Milk and Fruit-based Pasteurized Dairy products won the Outstanding Taste Award.



- SEK was also awarded the Golden Effie and Felis First Prize for its Quark campaign.



- SEK's renovated website was selected as the third prize winner in the Crystal Apple competition.



- SEK's 2 liter ayran packaging won the Worldstar Award given by the World Packaging Organization in the Packaging Stars contest in 2017.



# SEK

## Euroleague Basketball's Nourish with Goodness Sponsor

Undertaking projects that support both the physical and the social development of children through the approach embodied by its motto of “SEK Nourish Goodness for Growth,” SEK became an official sponsor of Euroleague Basketball, one of the most prestigious basketball organizations in Europe.

As much as it contributes to the growth of children with high quality natural dairy products, SEK is also a brand that promotes good nutrition, caring not only about the physical but also about the social development of children. Supporting sports for the healthy development of children, SEK signed a three-year agreement with Euroleague Basketball. SEK joined the Euroleague Basketball family as the Good Nourish Sponsor of EuroLeague, an organization that organizes competitions, sporting events, corporate social responsibility programs and training initiatives and activities.

Announcing a three-year sponsorship agreement at the press conference it held before the Final Four in 2017 in Istanbul, SEK has achieved effective visibility during the games since the Final Four 2017.

In October 2017, SEK was on the game-field with the SEK Children and basketball players at the start of the EuroLeague and EuroCup games.

At the same time, the EuroLeague-themed POP merchandising applications and displays that were prepared to increase awareness of SEK Pasteurized and UHT Milk hit the shelves at supermarkets.









## Flavor is Hidden Deep Within

Thanks to the 45 million packs of pasta produced in 2017, Tat Gıda has become the taste people of all ages across Turkey prefer.

### PASTAVILLA

Pasta  
Noodles  
Special Varieties  
Junior  
Pasta  
Whole Wheat Pasta  
Pasta Sauce  
Semolina  
Batter Flour  
Grissini

### KARTAL

Pasta Noodles Semolina

### LUNCH & DINNER

Pasta Noodles

Ever since the day it was founded, Pastavilla has been offering high quality, delicious pasta made of durum wheat carefully selected from farms in Turkey.

Our brand, one of the leading manufacturers of pasta and semolina products in Turkey, continues its international-standard production at our modern production facility in Izmir.

Pastavilla products offer all the classic varieties of pasta world. Pasta expert Pastavilla's drying method ensures that durum wheat stays as natural and pure as the day it was made. Our pasta, made from the finest wheat, transforms every table into a delicious feast.

### There is a variety of flavors to suit any taste

Pasta expert Pastavilla's product range includes all the pasta varieties you could imagine to suit the taste of every discriminating pasta lover. Catering to the demands and needs of the Turkish people, Pastavilla produces, in addition to noodles and semolina, 17 varieties of regular pasta and three varieties of whole wheat pasta as well as other special pasta varieties for discriminating consumers who have different tastes and who enjoy a variety of flavors.

### Turkey's first pasta for children

Turkey's first pasta for children manufacturer, Pastavilla's Junior pasta popularizes the taste among children

with four different fun pasta shapes and its colorful packaging. Pastavilla has four kinds of children's pasta.

### Four different sauces

Pastavilla's four varieties of sauces are prepared from carefully picked tomatoes, which are steam-peeled, so untouched by human hands, and sliced by automated machines and then enhanced by various spices. Pastavilla sauces, which contain no preservatives, are a healthy homemade food and they retain the flavor, vitamins and freshness they had on the day they were made to enhance the flavor of the pasta.

### Pastavilla in 2017

The year 2017 was a year marked with in-store visibility for Pastavilla, the leading brand in the premium pasta category. Consumer campaigns were conducted year round to increase visibility and shelf-life at sales points.

Pastavilla's old-fashioned nostalgic packages were re-designed by enriching them with an Italian touch.



## Human Resources

Operating with more than 2.000 employees seasonally in six different locations, the Tat family regularly monitors its systems and processes and continuously takes further steps to improve.



Effective training of human resources and developing people to ensure sustainable competition in the future is of vast strategic importance for Tat Gıda. In line with this goal, all systems and processes related to the management of human resources are managed in an integrated manner.

### 90% of our employees were given Gender Equality training

The seniority average of the employees at Tat Gıda Sanayi A.Ş. is 8 years and the average age is 36,36'dir. In order

to support the effort to increase the participation of women in the economy, special emphasis is placed on increasing the female employee ratio at Tat Gıda. All company employees are set to attend "Societal Gender Equality" seminars. To this end, we continued to train internal trainers in 2017 to give seminars to our employees. 90% of our employees were given Gender Equality training. Placing great importance on the participation of women in the business world, Tat Gıda attained a female employee ratio of 30% this year.

In our businesses that operates in different food segments and in different geographic areas in Turkey, our culture also reflects diversity. In order to transform this cultural diversity into a driving force, emphasis is given to joint projects in different fields. This way, any employee can improve him or herself in different areas through rotation and projects even if he or she starts in a different line of business. Tat Food is a company that can offer its employees career development in diverse food areas such as milk/dairy, canned foods and pasta.

At our company, there is a planning process to identify potential candidates to help select and train future leaders, and continuity/back-up plans are in place for the managerial staff. Special development plans are prepared by the Human Resources department for employees identified as candidates for such positions.

### TAT Gıda values the development of its employees

Training and development at Tat Gıda is one of the important activities on the agenda of the company. In 2017, training programs were prioritized to focus on coaching, leadership, communication and in-house entrepreneurship and lean 6 sigma. The total training period per person is 47 hours and 16 hours for office workers and field workers, respectively.

The goals of Tat Food are tricked down to all employees through the Performance Management System, starting from the top management. This system makes it possible for employees to adopt corporate goals and work with a culture that is focused on success throughout the year.

## We're dynamic

1.363

Number of employees

30%

Our female employee ratio

64%

Our Y-generation ratio

47  
hours

Office  
workers

16  
hours

Field  
workers

Per Person Training

Koç Kariyerim, an internal advertisement system used for all Koç Group companies, is also actively used by Tat Gıda. Open positions are advertised on the Koç Kariyerim first, and not only Tat Gıda employees, but also all eligible employees within the Koç Group companies with proper qualifications may apply. With this system, employees of our company also have the opportunity to apply to vacant positions announced on the internal advertisement system within the group and continue developing careers not only within our company but also within our group.

Our aim is to bring the company into the future and hire candidates with the appropriate competencies, developing them quickly so they can contribute to our business's results. Our screening and placement process is based on our capabilities. Candidates who are found to be eligible for the position in the application evaluation process are invited for an interview. The suitability of the candidate for the position is assessed using different tools and methods. In the case of two candidates found to possess equal qualifications at the recruitment evaluations, female candidates are preferred in order to strengthen their participation in the workforce.

An employee engagement survey is conducted every year in order to obtain the views of our employees and measure their loyalty and satisfaction. Survey results are analyzed and improvement plans are determined and applied within the year.



7

Number of employees rewarded by Instant Rewarding

6

Number of projects shortlisted for the finals in the "Project Awards of the Year" system



### The Thank You Platform is launched

Our company has several rewarding processes to recognize the success of our employees, allowing us to appreciate and reward them and share in their happiness.

The Thank You Platform was put into practice in 2017. With this platform, our employees can thank one other in a fast and fun way through an app they download to their phones. Among our targets in particular is to bring our employees who work in different locations closer together.

Our employees who receive the most thank you points are rewarded. In addition to the Thank You practice, seven employees were awarded instant rewards in 2017. In the "Project of the Year Awards" system, another awarding process, six projects were short listed to compete in the finals in 2017. Furthermore, among these projects, the SEK Quark New Product Project was included in the "Most Successful Koç Employees" process organized by Koç Holding in the category of innovative innovations.

### Our Employer Brand Project was launched

The Employer Brand Project, created through various questionnaires and focus group work initiated in 2017, was introduced at a launch event. The cornerstone of employer brand work, our Employee Value Proposition communication, started this year and also helped Tat Gıda become one of the leading companies in this field in Turkey.

### People are the Essence

Tat Gıda's Employee Value Proposition was determined to be "People are the Essence."

With this understanding and approach that reflects the founding beliefs of both Tat Gıda and the Koç Group, we emphasized the principle encapsulated in the words of our esteemed founder, Vehbi Koç, who stated that, "Our most important capital is our human resources."

Tat Gıda respects workers' right to unionize. Our aim is to ensure the continuity of calm and peaceful working conditions in accordance with the legal and collective bargaining requirements within the framework of the trust-based relationship established with trade unions and employees. The Collective Labor Agreement negotiations, which started between Tat Gıda Sanayi A.Ş. and Tekgıda-İş Sendikası (a labor union) on February 9, 2017, was concluded on June 6, 2017, with the parties agreeing on and signing the "Business Collective Labor Agreement" effective for the period between January 1, 2017, and December 31, 2018.

Tat Gıda cares about the health and safety of its employees. We adhere to legislation and regulations in line with our employee health and work safety policies and we develop workers in this respect.

## Quality

A company which combines health and taste in all its products, Tat Gıda produces in compliance with all quality and hygiene standards and values this as one of its most important principles. Tat Gıda also documents the importance it attaches to quality and the environment in all its businesses.



Production at Tat plants is done in compliance with the Turkish Food Codex and Turkish standards. In exports, specifications of foreign companies are taken into account. The international documents obtained also attest to the quality and reliability of Tat. Tat Gıda is the holder of the “Japanese Agricultural Standard” certification, which determines the Japanese standard for food and agricultural products, and the TS EN ISO 9001-2008, FSSC 22000: Version 3 Quality Management, BRC British Retail Consortium Standard and the Halal Food Certificate in all its businesses.

### We are considerate of the environment

Acting with the awareness of our social responsibility, Tat is a brand that has made it a principle to be sensitive to the environment. Tat, which is the leading establishment in the agricultural industry, attaches importance not only to the development of agriculture but also to the protection of the environment. Technologies and innovations that will enable production without damaging the environment are implemented at all facilities. Because the raw materials used are of agricultural grade, they do not produce any waste or pollution. Despite this, Tat informs and educates the contracted farmers and their families about the environment and about their use of fertilizers and pesticides.

# 832

Number of milk producers we have trained

TAT KÖY (village) Tomato paste received the Outstanding Taste Award by the International Institute of Taste and Quality “ITQI.”

In order to reduce air pollution, all our facilities have been converted to natural gas; measures are taken by calculating the annual greenhouse gas emission values.

TAT has the ISO 50001 Energy Management System certification and the ISO 14001 Environmental Management System certification for all its plants.

Installation of water treatment plants at all TAT plants is also an indication of their sensitivity towards the environment. The biological waste water treatment facility at the Tat Mustafakemalpaşa Plant is the largest such facility in the private sector. At this facility, the waste water of both the Mustafakemalpaşa plant and the SEK Milk plant is treated.

In 2011, our facilities received the Environmental permit, a first in the region. Discharge limits specific to the receiving zone in the region where the facilities are located are applied in accordance with the Water Pollution Control Regulation while the discharging standards of the treatment plant are controlled by the Provincial Environment and Urban Planning Directorate. Wastewater processed by all on-site treatment facilities at Tat Gıda are checked by both the company and by independent, accredited laboratories.

### We built 25 decares of woodland

Tat has attached great importance to the forestation and landscaping of its facilities from day one and strives to create an aesthetic and ergonomic environment around the facility. A 25-decare grove area was developed around the Tat Konserve facility in Mustafakemalpaşa, Bursa with the support of its employees.

## Environmental Facilities Award

As part of the global program of the World Health Organization, SEK Dairy Plant received the “2017 Environmental Facility Award,” chosen from among 40 different companies and under the leadership of the Healthy Cities Association and the Bursa Metropolitan Municipality.

The grove area where there were pine, chestnut, cedar, blue spruce, fir, cypress, ash, plum, loquat, and palm trees was expanded before opening the plant. Cooperation with Bursa Environmental Protection Services was sought in the sapling planting project in 2014. In 2016, a test plantation ground was built within the Mustafakemalpaşa facility and a good agricultural certificate was received. Forestation work also continued at the Karacabey and Torbalı Facilities.

Our facilities promote natural wildlife. A biodiversity project was developed for the protection of the Anatolian squirrels of the Sciurus Anomalus genus, a natural wildlife population at the Mustafakemalpaşa facilities, and a ‘squirrel crossing bridge’ and ‘squirrel houses’ were built in the trees at the facilities.





Our trainings have reached 832 producers. Through our efforts involving the promotion of feed plants and biodiversity, we intend to increase the awareness of milk producers about clover, corn and wheat silage.

All kinds of raw materials used in our operations is subject to careful analysis and examination and each stage of production is controlled and monitored through various analyses and measurements. This way, the marketing of products that do not meet legal requirements and consumer expectations is prevented. The accuracy of analyses and measurements is confirmed by sending samples to accredited laboratories.

### We recycle our packaging waste

Since 1997, the packaging materials disposed of as waste in the market have been collected by authorized organizations within the quotas set by the Ministry of Environment and Urbanization and recycled as part of the collecting and recycling of packaging waste. For various productions, the amount of plastic packaging is reduced and environmentally-friendly glass bottle packaging is emphasized. Waste management at our plants is carried out by storing and disposing of recyclable waste and hazardous waste, which are especially important in terms of their environmental effects, in accordance with technical and legal standards.

Awarded the "Environmental Charter" by the Ministry of Environment for its environmental sensitivity, Tat received the "Environment Encouragement Award" from the Istanbul Chamber of Industry in 1995.

### We trained 832 milk producers

Likewise, the SEK Milk plant serves its customers with a quality approach that traces the entire process chain from milk production to the table. Every stage in this chain is painstakingly monitored using our quality approach. SEK Milk Plant holds TS EN ISO 9001: 2008 and FSSC 22000: Version 3 Quality Management System ISO 50001 Energy Management System and 14001 Environmental Management System. This is a customer satisfaction-oriented food business operating under the supervision of food engineers and agricultural engineers who are experts in the production performed in full compliance with legal requirements as attested by these documents. At Tat Gıda, we have been giving training to our milk producers under the roof of SEK Milk about feeding, milking, milk composition and raw milk hygiene since 2009.

### Quality difference in pasta

Since 1928, Pastavilla has added a new dimension to the sector by offering its customers a selection of pasta varieties, including whole wheat, vitamin-enriched, vegetable and egg pasta with different flavors and product alternatives. The TS EN ISO 9001: 2008 Quality Certificate, FSSC 22000: Version 3 Food Safety Certificate, ISO 50001: 2011 Certificate, TSI ISO EN 14001 Environmental Management System Certificate and Halal Certificates from Gimdes, issued by the Turkish Standards Institute, attests to the importance we place on quality. With its many years of experience and wide product range, Pastavilla offers pasta lovers natural flavor and quality.

## R&D and Innovation

A pioneer of many firsts in its sector, Tat Food inaugurated its R&D Center in 2017. Aiming to spread innovation to the corporate culture and to make it sustainable, Tat Gıda continued to work in this area in 2017 as well.



Opened in 2017, Tat Gıda's R&D Center, located at its Bursa Mustafakemalpaşa campus, was registered as the 30<sup>th</sup> R&D Center in the country accredited within the scope of Law to support R&D and Design Centers.

A pioneer of many firsts in the sector thanks to the products it has developed since its establishment and the production technologies it uses, Tat Gıda aims to provide "product innovation" services both to its plants and its customers with the new R&D Center.

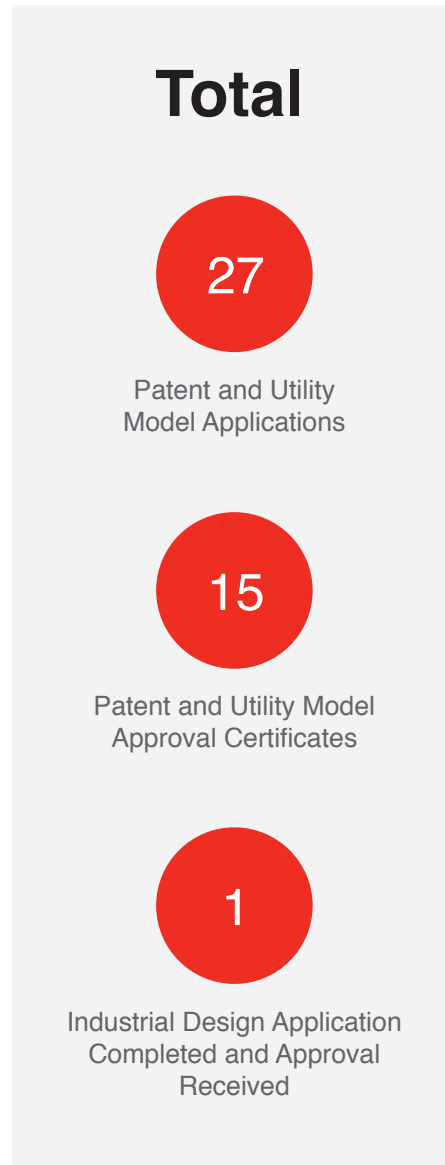
With the establishment of its R&D Center, Tat has adopted a model to help national and international collaborations deliver high added value, support R&D and innovation work, and nurture entrepreneurship and R&D activities. Having successfully completed and commercialized state-supported projects since 2010, Tat Gıda established a business partnership with United Genetics this year and realized its new project application supported by TÜBİTAK TEYDEB.

A workshop was conducted with the participation of top/mid-level management to identify Tat's innovation strategy areas in line with the activities of the Koç Innovation Program as well as the new focus, taking into account current trends, technological developments and competitor investments that could directly or indirectly affect Tat's future business.

### Two in-house entrepreneurship and innovation programs were launched in 2017

Tat Food has been working since 2015 to transform innovation into a skill, spreading it to the corporate culture and towards sustainability. In 2017, two in-house entrepreneurship and innovation programs that were focused on innovation areas were initiated. The projects that are the results of these programs continue to mature.

At Tat Gıda, activities related to the identified needs within the open innovation strategy are determined by identifying potential cooperation opportunities through interacting with the startups and then assessing how to make use of these collaborations afterwards. In addition, the Tat Gıda web page contains our processes and activities on innovation.



### Good Idea Platform



"Innovation" is a key factor in keeping pace with the changing world and ensuring a competitive advantage. Companies that are open to change, take fast action, and produce customized solutions to customers ensure their success through innovation and continuity by setting themselves apart from their competitors. Tat Gıda's vision of innovation is to gain the flexibility required to quickly respond to the changing demands of customers through new products and technologies that build a committed bond to the consumer by ensuring sustainable innovation that is spread as a culture within the enterprise.

The Tat Good Idea Platform is an idea-gathering platform where everyone who has creative and innovative ideas at the company enable to share their ideas with the slogan: "Everything starts with a good idea; projects developed by people with creative ideas who desire to manifest the will only be realized through a good idea." On this platform, where commercialization studies of the ideas to give life to new projects are conducted, the idea-owners and teams that develop the ideas in the process are rewarded.

In 2017, employees were presented with awards for their contributions to the idea portal.





# Corporate Governance

Our strong brand investments are supported by creative ideas and good governance and are backed by prizes.

## Corporate Governance Principles Compliance Report

### Part I

#### Corporate Governance Principles Compliance Statement

In addition to complying with the compulsory principles of “Corporate Governance Communiqué” No. II-17.1, which was put into force in 2017, compliance with most of the non-compulsory principles were also achieved. Full compliance with the non-mandatory Corporate Governance Principles is the goal in the coming periods. Principles not yet put into practice are currently under study, with implementation planned after all administrative, legal and technical infrastructure work that would contribute to the effective management of our company is completed. The following are comprehensive studies conducted within the scope of the corporate governance principles of our company and any related conflicts arising from the current principles and any other related principles that have not yet been harmonized in the related departments.

Among the activities in the field of Corporate Governance in 2017, major ones involved the work performed related to the Capital Markets Law, which contains the regulations regarding the CMB’s corporate governance principles, as well as work on the issue of compliance with the communiqués

prepared based on this law. Our Board of Directors and Board of Directors Committees are formed in accordance with the regulations of the Corporate Governance Communiqué. The established board committees continue to operate effectively. The remuneration policy for the Board of Directors and top management was determined and presented to shareholders at the general meeting.

The information document prepared for the general meeting of shareholders, which includes the General Meeting of Shareholders-related information required by the principles, also included information such as the privileged shares, voting rights, organizational changes, and resumes of Board of Directors candidates, the remuneration policy for the Board of Directors and top management, and the reports to be prepared on any related party transactions as well as the necessary disclosures. The document was presented to our investors three weeks before the general meeting. In addition, the company’s corporate website and annual report were revised in order to ensure full compliance with the principles.

In the forthcoming period, necessary studies will be conducted that take into consideration the developments and applications in the legislation for full

compliance with the principles.

Out of the Corporate Governance Principles that are not mandatory as per the regulations, the key principles that are not yet fully complied with are stated below and further explanations on the subject are given in the related sections below.

- Concerning Principle 1.3.11: even though the general shareholders’ meetings of our company are open to public, including the media and all beneficiaries with no say, no provision has yet been added to our Articles of Association in this regard.
- Concerning Principle 1.5.2: even though no minority rights have been granted to shareholders with less than one-twentieth of a share as per the Articles of Association, such minority rights have been granted under the general provisions in line with general practices.
- Concerning Principle 4.4.7: board members are not restricted from taking other duties outside the company as explained in Section 5.1 below.

There is no conflict of interest our company has been exposed to due to partial compliance with the non-mandatory principles.

## Part II

### Shareholders

#### 2.1. Investor Relations Department

Relations with the shareholders at Tat Gıda Sanayii A.Ş. are managed by the responsible unit established within the Office of the Assistant General Manager in charge of Financial Affairs and Finance.

The Investor Relations Report prepared on the activities performed by the Investor Relations Department was approved by the Corporate Governance Committee and accepted by the Board of Directors resolution dated February 15, 2018.

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Among the main activities performed by the unit responsible for investor relations are:

- Introducing our company to individual and institutional investors and providing information to potential investors and shareholders;

- Meeting information requests from undergraduate and graduate students and university faculty members doing research on our company and the sector;
  - Concluding the meeting preparations before the General Meeting of Shareholders, preparing the related documents, obtaining the preliminary permissions for the amendments to the Articles of Association, and submitting them to the General Meeting of Shareholders;
  - Carrying out the Company's General Meeting of Shareholders, preparing the documents that benefit shareholders, preparing the minutes;
  - Announcing the necessary material disclosures through the Public Disclosure Platform taking into account the CMB Communiqué Series II-15.1;
  - Realizing transactions on any capital increases or dividend distributions;
  - Following up on any changes to the legislation on the Capital Markets Law and disseminating them to the relevant units of the company;
  - Performing necessary studies on stock market indexes;
- Updating and making available to shareholders on the company's website any information or explanations that may affect the exercise of shareholder rights.

#### 2.2. Use of Shareholders' Right to Information

No discrimination is made between the right of the shareholders to receive and review information, and all information other than trade secrets is shared with shareholders. Questions to the Investor Relations Unit are answered in writing, with the exception of confidential and trade secret information, by talking to the person who is most concerned about the issue. As explained in Section 3.1 of this report, all information and explanations that may affect the use of shareholder rights are included on the corporate website.

Although the right to request a special auditor is not regulated in our Articles of Association as an individual right, provided the right of shareholders to exercise shareholders' rights have been used earlier, any shareholder may request, if necessary, the clarification of certain specific events through a special audit to obtain or review any related information, even if it is not on the agenda, in accordance with Article 438 of the Turkish Commercial Code. Up to this point, shareholders have not made any such requests in this regard. In addition, the activities of the company are periodically audited by the Independent Auditor selected at the General Meeting of Shareholders.



### 2.3. General Meeting of Shareholders

The 2017 Ordinary General Meeting of Shareholders was held on March 27, 2017.

Seventy-one percent of the shareholders attended the Ordinary General Meeting of Shareholders held on March 27, 2017, where activities for the year 2016 were discussed. The company's shareholders, stakeholders, media and auditors as well as a representative audience from various banking and brokerage institutions that provide exchange and custodian services attended the meeting. At the Ordinary General Meeting of Shareholders in 2017, all questions put forth by the shareholders were answered and the suggestions they made were taken into consideration.

Invitation to the General Meeting of Shareholders is made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code (TCC), Capital Markets Law and the Articles of Association of the company. The general public is informed immediately by issuing a statement through the Public Disclosure Platform the moment the Board of Directors adopts a resolution to convene the General Meeting of Shareholders.

In addition, the venue where the General Meeting of Shareholders will take place, its agenda, draft amendments to the Articles of Association, if any, and sample power of attorney documents are announced at the Trade Registry Gazette at least 21 days before the General Meeting of Shareholders. Likewise, the

Annual Report of the Board of Directors, the Auditor's Report, the Dividend Distribution Proposal, the Corporate Governance Principles Compliance Report and Disclosure Policy Information are made available to shareholders at the company's headquarters, at the Electronic General Shareholders' Meeting portal of the Central Registry Agency, and on the company's website.

Any shareholder who has the right to vote at the General Meeting of Shareholders is entitled to express his/her opinion on the company's activities and ask for more information from the management of the company; any issues they bring up are duly responded to. Each item of the business on the agenda is voted separately at the meeting and voting is recorded in the minutes.

Our General Meeting of Shareholders is held under the supervision of the representative from the Ministry of Customs and Trade.

Minutes of the General Meeting of Shareholders are made available on our website and on the Electronic General Shareholders' Meeting Portal of the Central Registry Agency. These minutes are made available at the company headquarters for the review of shareholders and are provided on demand as well. At the General Meeting of Shareholders held in 2017, information on donations and grants/aids made in 2016 was given in a separate agenda item and the donation limit for the year 2017 was set at 1.000.000 Turkish lira, with no changes made to the donation policy.

Some of the shareholders, board members, and managers with administrative responsibilities as well as their spouses and up to the second degree blood and marital relatives of those who have management control of the company, are also members of the board of directors of some other Koç Group companies, including those engaged in similar business activities as our company. In 2017, there was no significant transaction that could cause conflict of interest between such persons and publicly held companies or their affiliates within the scope of the Corporate Governance Communiqué No. 1.3.6.

### 2.4. Voting Rights

No privileges have been instituted in the Articles of Association of our company for the use of voting rights. Our shareholders do not include any legal persons who are our affiliates. Every shareholder, including those living abroad, are given the opportunity to use their votes in the easiest and most convenient way possible. The voting procedure at the General Meeting of Shareholders is explained to shareholders at the beginning of the meeting.

### 2.5. Minority Rights

Even though no arrangements have been made regarding minority rights in our Articles of Association, we give utmost care to the use minority rights in accordance with the regulations of TCC and CMB. In 2017, our company did not receive any criticism or complaints in this regard.



## 2.6. Right to Dividends

Our company has not instituted any privileges in regards to dividend distribution. Announced to the public by our company and explained to our shareholders at the General Meeting of Shareholders, our dividend distribution policy is applied within the framework of Article 19 of the Articles of Association regarding the "Determination and Distribution of Dividends."

Pursuant to the company's Articles of Association, the Board of Directors may declare and distribute dividend advances provided they are authorized by the General Meeting of Shareholders and that they act in compliance with the Capital Markets/CMB Law and the regulations issued by the CMB on the subject. The authorization granted to the Board of Directors by the General Meeting of Shareholders is limited to the year for which this authority was granted.

Pursuant to our Dividend Distribution Policy approved at our March 27, 2017, Ordinary General Meeting of Shareholders to be applicable for 2017 and used as a general principle, 20 percent of the distributable net income (DNI) at the least shall be distributed in the form of cash and/or bonus shares, calculated in accordance with the Capital Markets Board's communiqués, provided that it is permitted by relevant regulations and funded through available financial means or otherwise the resources stipulated by our legal records, by taking into account our company's long term strategies, investment and financing policies, profitability and cash position.

## 2.7. Transfer of Shares

The Articles of Association of our company do not contain any stipulations that prevent shareholders from freely transferring their shares nor any provisions that restrict share transfer. The Capital Markets Board's regulations apply to the transfer of the company's registered shares traded on the stock exchange.

### PART III

## Public Disclosure and Transparency

### 3.1. Corporate Website and Content

The company's website (<http://www.tatgida.com>) is actively used for public disclosure. The website contains current and historical information in Turkish and English. A separate Investor Relations section is provided on the website to provide more comprehensive information flow to existing and potential investors and brokerage institutions. The information stipulated by the CMB Corporate Governance Principles is also made available to the investors on the website. The following are some of the important topics found on our company website:

- Stock Information
- Trade Registry Information
- The Company's Articles of Association
- The Shareholder Structure of the Company
- The Board of Directors and Their Curriculum Vitae
- Committees and Working Principles

- The Company's Organizational Chart and Top Management's Curriculum Vitae
- Human Resources Policy
- Announcements on the General Meeting Date, Agenda, and Items of Business
- Sample Power of Attorney
- Minutes of the General Meeting of Shareholders and List of Attendees
- Corporate Governance Principles Compliance Report
- Disclosure Policy
- Annual Reports
- Dividend Distribution Policy
- Quarterly Financial Reports
- CMB Material Disclosures
- Investor Presentation
- Sustainability Management
- Tat Gıda Code of Ethics
- Our Environmental Concern
- Our Employees
- Supply Chain Policy

### 3.2. Annual Report

Our company's annual report is prepared in accordance with all relevant legislation in enough detail to ensure the public's ability to obtain full and accurate information about the activities of the company.

### PART IV

## Beneficiaries

### 4.1. Informing the Beneficiaries

The stakeholders of the company are informed by inviting them to the meetings as needed or through various telecommunication tools used. The Audit Committee reviews and concludes any

complaints received by the company in relation to the accounting, reporting and internal control systems and the independent audit processes of the company. The company evaluates the notifications made to employees on matters of accounting, reporting, internal control and independent auditing within the framework of the confidentiality principle.

It is possible for the company to present any non-compliant practices and ethically unfit transactions of the stakeholders to the responsible managers of the company to be transmitted to the Audit Committee through the Internet and via intranet communication forms.

In addition, the "methods and criteria to be applied to the review, evaluation and conclusion procedures applicable for the complaints received by the company regarding its accounting and internal control system and independent audit, as well as to the evaluation of any accounting and independent audit issues raised by the company's employees, shall be determined by the committee responsible for the audit within the framework of the confidentiality principle as set forth by CMB regulations."

#### **4.2. Participation of Beneficiaries in Management**

Even though there is no specific mechanism for stakeholder participation in management, the views and suggestions expressed by the stakeholders are taken into account by our management to the extent that they overlap with our long-term strategies.

The views and consensus of the worker's union on working conditions, work environment and employee rights are taken into consideration and all decisions are formed together. In addition, we have a non-discriminating suggestion system in place that can be used by all our employees for all activities.

Our company organizes meetings with customers and suppliers during the year to promote the mutual exchange of ideas. We work on the recommendations of our customers and suppliers that we receive at these meetings. Improvement efforts are carried out for customer and supplier satisfaction.

#### **4.3. Human Resources Policy of the Company**

Within the scope of our human resources policy, the criteria for recruitment and promotion mechanisms have been determined in writing. Our goal in the Human Resources process is:

- To hire employees to carry our company into the future;
- To establish fair wage policies;
- To evaluate individual performance;
- To reward / recognize successful employees;
- To continually improve the competencies of our human resources and to maintain a permanent edge in the globally-competitive environment

by adhering to the principles promoted in line with the company's goals and business requirements. The functioning of the human resources systems established for this purpose is defined through the relevant procedures and are

communicated to all employees.

The necessary communication with all the employees regarding Human Resources Strategies and Policies is carried out by the Human Resources Department.

Tat Gıda respects workers' right to unionize. The Collective Labor Agreement negotiations, which started between our company and Tekgıda-İş Sendikası (a labor union), was concluded on June 6, 2017, with the parties agreeing on and signing the "Collective Labor Agreement" effective for the period between January 1, 2017, and December 31, 2018. During the year, no employee complaints were received by our Human Resources department or by the Company Ethics Board for any discrimination practice.

#### **4.4. Code of Ethics and Social Responsibility**

The booklet on the "Principles of Ethical Practice and Code of Conduct," published on September 24, 2010 and distributed to all employees, is signed by every employee hired in 2017 and the practice is continued.

Our company aspires to conduct its business responsibly by consistently improving environmental performance in production with all environmental dimensions taken into consideration in compliance with all relevant legislation and regulations. Necessary measures are taken in production in order to conserve natural resources and reduce waste production and to constantly monitor and preserve air, water and soil

characteristics. Preventive operations are undertaken at the source of pollution and improvements are made to minimize gas, liquid and solid waste below the legal limits. Awareness-raising trainings are given to employees on environmental issues, and joint social responsibility projects are undertaken with the schools and municipalities in the regions in which we operate.

## PART V

### Board of Directors

#### 5.1. Structure and Formation of the Board of Directors

The Board of Directors defines the objectives of the company and supervises the company management's performance in terms of its compliance with legislation and the policies set forth in accordance with the Articles of Association.

The Board of Directors of our Company is structured in accordance with the provisions of Articles 11, 12 and 13 of our Articles of Association.

The Board of Directors convenes as often as it can to effectively fulfill its duties. The agenda of the Board of Directors is determined through the relevant units notifying the company's top management and board members of the issues to be resolved by the Board of Directors in accordance with what is stipulated in the Articles of Association of the company. Apart from that, the agenda of the meeting is revised when any member of the Board of Directors notifies the company's top management of a resolution required on a specific issue. The items of business to be discussed at the company's Board of Directors meetings are sent to the Financial Affairs and Finance Department where the agenda is consolidated.

Tat Gıda Sanayi A.Ş., It is the responsibility of Tat Gıda Sanayi A.Ş.'s Assistant General Manager in charge of Financial Affairs and Finance to consolidate and set the agenda of the Board of Directors meetings, to prepare the resolutions of the Board of Directors to be taken as per the provisions of Article 390 of the TCC, and to communicate with and inform the members of the Board of Directors in this regard.

The Board of Directors resolves each case to the extent required by the business, keeping the number of total resolutions to a minimum as determined by the company's Articles of Association. Meeting and quorum requirements are stated in the company's Articles of Incorporation.

At the board meetings, each member has one vote. Voiced differences of opinion and grounds for dissenting

Board Member's Full Name	Independence Status	Date of Appointment	Term	Duties on the Board and Committees	Duties Outside the Company
Semahat S. Arsel	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Chairman	In-group - Chairman or Member of the Board of Directors
Rahmi M. Koç	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Deputy Chairman of Board of Directors	In-group - Chairman or Member of the Board of Directors
Ömer M. Koç	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board of Directors and Corporate Governance	In-group - Chairman or Member of the Board of Directors
Ali Y. Koç	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board of Directors and Risk Management Committee Member	In-group - Chairman or Member of the Board of Directors
Caroline N. Koç	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board Member	Non-group - Chairman/Board Member
Levent Çakıroğlu	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board Member	In-group - Koç Holding A.Ş., CEO and Board Member
Tamer Haşimoğlu	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board Member	In-group - Koç Holding A.Ş., Turizm, Gıda ve Perakende Group Head
Arif Nuri Bulut	Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board of Directors, Audit/Oversight Committee and Risk Management Committee Member	Non-group - İzocam A.Ş., CEO / Member
Mansur Özgün	Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board of Directors, Audit Committee and Corporate Governance Committee Member	Aygaz A.Ş., Independent Board Member
Katsuyuki Miwa	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board Member	Non-group - Kagome Co.Ltd. Production and Purchasing Department / Administrative Executive Manager
Arzu Aslan Kesimer	Not an Independent Member	March 27, 2017	Until the Ordinary General Meeting of Shareholders	Board Member/General Manager	In-group - Board Member

votes are recorded in the Resolution Book. Public disclosures are made when necessary.

Members of the Board of Directors do not vote on the resolutions that involve themselves as per Article 393 of the Turkish Commercial Code.

The table below summarizes the information about our current members of the Board of Directors – apart from Company General Manager Arzu Aslan Kesimer – with no executive roles assigned according to the definition in the CMB Corporate Governance Principles.

The chairman and the general manager are different persons. The members of the Board of Directors are committed to allocating the time required for corporate affairs and there are no restrictions on the assignment of any duties outside the company. Particularly because of the significant contribution made by the independent members to the Board of Directors in terms of their work and sector experience, no such limitation is needed. The specific member's resume and his or her duties carried out outside the company are also disclosed to shareholders in advance of the General Meeting of Shareholders.

The duties of the Nomination Committee in our company are fulfilled by the Corporate Governance Committee.

The number of independent candidates nominated by the Corporate Governance Committee for the year 2018 was two, and their nominations and resumes were evaluated at the February 8 and February 9, 2018 meetings of the Board of

Directors and the Corporate Governance Committee, respectively, and it was resolved that all candidates should be appointed as independent candidates.

All Independent Members of the Board of Directors submit a declaration of independence to the Corporate Governance Committee. In the year 2017, there was no case involving a violation of independence. Providing diversity in terms of knowledge, experience and perspective at the Board of Directors is believed to contribute positively to the company's operations and the effective conduct of the Board of Directors. We have been striving to set a target for representation of female board members, which is an instrument for representing different opinions on the board of directors. Currently 27% of the members of our Board of Directors are female.

## **5.2. Operating Principles of the Board of Directors**

The company's Board of Directors conducts its business in a transparent, accountable, fair and responsible manner. The powers and responsibilities of the members of the Board of Directors are determined in the company's Articles of Association. Authorities are detailed in the signature circular of the company.

Risks are addressed and assessed in detail in the prepared reports and at meetings. The risks that the company is exposed to are monitored by the Risk Management Committee and the Board of Directors is informed about these risks.

When supervising the company's operations, the Board of Directors

assesses whether there are any potential conflicts of interest in its operations, and in the event of a conflict of interest, passes the necessary resolutions acting in the best interests of the company. In addition, the Board of Directors assesses the compliance of related party transactions with all regulations as well as the risks of possible misconduct and any related party transactions are handled with due care.

Our directors and executive managers are covered under management liability insurance.

## **5.3. Number, Structure and Independence of the Committees Established under the Board of Directors**

An Audit Committee has been established in accordance with the Capital Markets Board's Communiqué No. II-14.1 to supervise the conduct of accounting and reporting systems at our company within the framework of related laws and regulations, as well as the conduct and effectiveness of the public disclosure of financial information and the independent audit and internal control system. Our Directors, Arif Nuri Bulut and Tamer Haşimoğlu, were appointed as Chairman and Member of the Committee, respectively.

In accordance with the Corporate Governance Communiqué No. II-17.1 issued by the Capital Markets Board, the Board of Directors resolved to establish the Corporate Governance Committee in order to improve compliance, to make recommendations to improve the corporate governance practices in the Board of Directors, and to perform the



duties of the Nomination Committee and the Remuneration Committee within the scope of the Communiqué. Our Directors Mansur Özgün, Levent Çakıroğlu and Ahmet Çağışan Yılmaz were appointed as Chairman and Members of the Committee, respectively.

In accordance with Article 378 of the Turkish Commercial Code, the Risk Management Committee has been established to undertake studies to perform early detection of the risks that would jeopardize the existence, development and continuation of the company, and the implementation of the necessary measures related to the identified risks and the management of risk.

Our Directors, Arif Nuri Bulut and Tamer Haşimoğlu, were appointed as Chairman and Member of the Committee, respectively. Our company does not have committees other than the Audit Committee, the Corporate Governance Committee and the Risk Management Committee. Within the scope of the related communiqué, all Audit Committee members were elected from independent members, the Chairmen of the Corporate Governance Committee and the Risk Management Committee were elected from the independent board members. Executive directors and the general managers are not appointed to the committees formed within the scope of the relevant communiqués.

The working principles of the committees are determined and published on the company website. The committees invite to the meetings any managers relevant to the specific case if necessary within the scope of the working principles. They may get consulting services or independent expert opinion when they need it.

#### **5.4. Risk Management and Internal Control Mechanism**

The Risk Management Committee has been established to make recommendations and proposals to the Board of Directors for the purpose of establishing an effective risk management system by taking into account the provisions of Turkish Commercial Code No. 6102 and Capital Market Board Corporate Governance Principles. It consists of two members in total.

The objective of the Risk Management Committee is to ensure the early detection, assessment and calculation of the effects and possibilities of risks of any kind, be it strategic, operational, financial, legal or otherwise that could threaten the company's existence, development or continuity; managing and reporting these risks in accordance with the institutional risk-taking profile of the company; implementing the necessary measures to counter the risks detected; taking such risks into consideration in the decision making processes, and forming and integrating effective internal control systems to address such issues and providing recommendations and suggestions to the Board of Directors in that regard.

The committee convenes as often as required by the task assigned to it.

The Audit Committee operates in order to ensure proper functioning of the accounting and reporting systems within the framework of related laws and regulations, punctual public disclosure of financial information, supervision of the operation and effectiveness of independent audit and internal control system. It meets at least four times a year, every three months, and the results of the meetings are presented to

the Board of Directors. The committee immediately reports to the Board of Directors, in writing, any observations or suggestions related to its sphere of activity and responsibility.

#### **5.5. Company's Strategic Goals**

The mission, vision and values of our company have been prepared by the top management of the company and determined within the knowledge of the Board of Directors and published in the annual report and on the website. It is revisited and revised depending on developments. The work of the relevant units involved in the formulation and implementation of the company's strategic objectives is presented to the Board of Directors and followed up by the top management. At the meetings of the Board of Directors, which are held periodically, company targets and actual activities are followed in a way that covers the performance of the previous period. The current status of the company is reviewed and new targets and strategies are developed if necessary depending on current circumstances.

#### **5.6. Financial Rights**

Our company's "Remuneration Policy for Members of the Board of Directors and Top Management", which includes all rights, benefits and remunerations provided to the members of the Board of Directors and senior executives, as well as the criteria and the remuneration principles used in their determination, was submitted for review by our shareholders in the "Information Document" published on our corporate website three weeks before the general meeting of shareholders convened on March 25, 2014 and was put into effect upon approval by the general assembly. Disclosed to the public on the

company's website and in the annual report and included in the agenda as an item of business, this policy will also be submitted for review by the ordinary general meeting of shareholders to convene on March 13, 2018, where 2017 activities will be discussed. Total payments made within the framework of the Remuneration Policy for the Members of the Board of Directors and Top Management is evaluated annually by the Corporate Governance Committee and the Board of Directors.

Payments made to the members of the Board of Directors and senior executives are disclosed to the public collectively in our notes to the financial statements in parallel with the general practices. There are no transactions that would create a conflict of interest due to any company loans or advances given to or guarantees issued in favor of the Members of our Board of Directors or executives.

# Financial Report

TAT GIDA SANAYİ A.Ş.

Convenience Translation into English of  
Financial Statements as at and  
For the Year Ended 31 December 2017  
(Originally Issued In Turkish)



## Independent Auditor's Report

To the Shareholders of Tat Gıda Sanayi Anonim Şirketi

### A. Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Tat Gıda Sanayi Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

#### *Basis for Opinion*

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Revenue recognition*

Refer to Note 2.5 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.



The key audit matter	How the matter was addressed in our audit
<p>The Company's revenue is primarily generated from product sales to related parties. These sales comprises 88% of the total revenue.</p> <p>As explained in Note 2.5, revenue is recognized over the fair value of the considered receivable which is taken on the accrual basis of the financial statement when the delivery is made, the amount of income can be reliably determined and it is probable that the Company will obtain economic benefits related to these transactions.</p> <p>The accounting for the revenue for the accounting period in which the product is sold depends on an appropriate assessment of whether it relates to the product's sales contract. As the commercial arrangements can be complex, significant judgment is applied in selecting the accounting basis in each case. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and involves significant management judgment.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <p>The risk of "material misstatement" in the recognition of revenue in the financial statements is considered as a serious risk.</p> <ul style="list-style-type: none"> <li>• Assessing the appropriateness of the revenue recognition policy of the Company and inspection of the customer sales agreements;</li> <li>• Testing of controls, assisted by our own IT specialists, including, among others, those over: input of individual advertising campaigns' terms and pricing; comparison of those terms and pricing data against the related overarching contracts with customers; and linkage to viewer data,</li> <li>• Detailed analysis of revenue and the timing of its recognition based on expectations derived from our industry knowledge and external market data, following up variances from our expectations,</li> <li>• Substantive testing of sales to related parties, which comprise a significant portion of the company's sales, have been confirmed.</li> </ul>

*Provision for the impairment of inventories*

Refer to Note 2.5 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for Provision for the impairment of inventories.



<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Company's inventories, amounting to TL 231.676.801 as of 31 December 2017, carry a risk of diminution in value due to microbial or non-microbial deterioration and improper storage. In addition, determining the provision for such reasons in value involves judgments and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit.</p>	<p>Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows:</p> <ul style="list-style-type: none"><li>• Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance,</li><li>• Inquiry with the Company management about the risk of diminution in value,</li><li>• Analytical procedures on inventory turnover rates compared to the prior year,</li><li>• Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period,</li><li>• Observation of obsolete and damaged inventories during inventory counts,</li><li>• Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories.</li></ul>

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

##### *Responsibilities of auditors in an audit are as follows*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## B. Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 8 February 2018.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member of KPMG International Cooperative

Hatice Nesrin Tuncer, SMMM  
Partner

13 February 2018  
Istanbul, Turkey

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

## TAT GIDA SANAYİ A.Ş.

### BALANCE SHEETS AS OF 31 DECEMBER 2017

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

Assets	Notes	Audited	Audited
		31 December 2017	31 December 2016
<b>Current Assets</b>		<b>563.452.240</b>	<b>500.086.681</b>
Cash and cash equivalents	4	13.025.751	43.117.818
Trade receivables	7	281.425.149	230.378.112
-Trade receivables from related parties	25	244.725.130	161.030.182
-Trade receivables from third parties	7	36.700.019	69.347.930
Other receivables		165.847	1.492.423
-Other receivables from third parties	8	165.847	1.492.423
Derivatives		453.194	--
Inventories	9	231.676.801	202.755.689
Prepaid expenses	10	2.760.369	706.813
Other current assets	17	33.945.129	21.635.826
<b>Non-Current Assets</b>		<b>222.537.003</b>	<b>191.380.111</b>
Other receivables		88.233	90.690
-Other receivables from third parties	8	88.233	90.690
Financial investments	5	3.177.374	2.877.374
Property, plant and equipment	11	185.506.697	153.518.066
Intangible assets	12	1.241.169	841.586
Prepaid expenses	10	1.933.563	1.751.436
Deferred tax assets	24	151.381	2.488.034
Other non-current assets	17	30.438.586	29.812.925
<b>TOTAL ASSETS</b>		<b>785.989.243</b>	<b>691.466.792</b>

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

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

**TAT GIDA SANAYİ A.Ş.**  
**BALANCE SHEETS AS OF 31 DECEMBER 2017 (CONTINUED)**

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

Liabilities	Notes	Audited	Audited
		31 December 2017	31 December 2016
<b>Short Term Liabilities</b>		<b>270.876.344</b>	<b>153.333.404</b>
Short-term financial borrowings	6	45.140.855	3.036.428
Short-term portion of long-term borrowings	6	56.799.986	6.809.594
Trade payables		141.140.183	118.083.935
- Trade payables to related parties	25	18.958.312	23.077.774
- Trade payables to third parties	7	122.181.871	95.006.161
Employee benefit obligations	16	5.981.742	5.826.823
Other payables		11.447.176	8.075.405
- Other payables from related parties	25	5.565.583	5.605.300
- Other payables from third parties	8	5.881.593	2.470.105
Deferred income	10	5.515.635	4.706.985
Current tax liabilities		130.838	--
Short-term provisions		4.719.929	6.794.234
- Short-term provisions for employment benefits	16	900.000	900.000
- Other short-term provisions	14	3.819.929	5.894.234
<b>Long Term Liabilities</b>		<b>22.137.264</b>	<b>77.173.021</b>
Long-term financial borrowings	6	7.692.308	63.846.154
Long-term provisions		14.444.956	13.326.867
- Long-term provisions for employment benefits	16	14.444.956	13.326.867

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

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

## TAT GIDA SANAYİ A.Ş. BALANCE SHEETS AS OF 31 DECEMBER 2017 (CONTINUED)

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

Equity	Notes	Audited	Audited
		31 December 2017	31 December 2016
<b>EQUITY</b>		<b>492.975.635</b>	<b>460.960.367</b>
<b>Equity attributable to equity holders of the parent company</b>		<b>492.975.635</b>	<b>460.960.367</b>
Share capital	18	136.000.000	136.000.000
Inflation adjustment to share capital	18	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		1.594.091	1.294.091
- <i>Financial assets revaluation reserve</i>		<i>1.594.091</i>	<i>1.294.091</i>
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(279.830)	(812.136)
- <i>Actuarial gains / (losses) in defined benefit plan</i>		<i>(279.830)</i>	<i>(812.136)</i>
Restricted reserves	18	89.949.523	84.592.445
Prior years' profit		172.819.429	143.476.510
Profit for the period		61.183.525	64.700.560
<b>TOTAL LIABILITIES</b>		<b>785.989.243</b>	<b>691.466.792</b>

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

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

**TAT GIDA SANAYİ A.Ş.****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Profit or loss	Notes	Audited	Audited
		1 January- 31 December 2017	1 January- 31 December 2016
<b>Continuing operations</b>			
Sales	19	1.074.034.710	981.120.246
Cost of sales (-)	19	(835.401.871)	(750.790.672)
<b>Gross profit</b>		<b>238.632.839</b>	<b>230.329.574</b>
Marketing expenses (-)	20	(140.086.877)	(124.194.750)
General administrative expenses (-)	20	(47.521.854)	(43.329.583)
Research and development expenses (-)		(903.188)	(28.248)
Other income from operating activities	21	36.894.456	13.650.178
Other expenses from operating activities (-)	21	(16.361.322)	(6.224.265)
<b>Operating profit</b>		<b>70.654.054</b>	<b>70.202.906</b>
Income from investing activities	22	1.178.830	1.217.885
Expenses from investing activities (-)	22	(120.364)	(33.574)
<b>Operating profit before finance expense</b>		<b>71.712.520</b>	<b>71.387.217</b>
Finance income	23	7.829.980	6.502.671
Finance expense (-)	23	(14.817.057)	(8.551.313)
<b>Finance expense, net</b>		<b>(6.987.077)</b>	<b>(2.048.642)</b>
<b>Profit before tax</b>		<b>64.725.443</b>	<b>69.338.575</b>
<b>Tax expense</b>		<b>(3.541.918)</b>	<b>(4.638.015)</b>
<i>Current tax expense</i>	24	<i>(1.338.341)</i>	<i>(1.518.132)</i>
<i>Deferred tax expense</i>	24	<i>(2.203.577)</i>	<i>(3.119.883)</i>
<b>Profit for the period</b>		<b>61.183.525</b>	<b>64.700.560</b>

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



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

**TAT GIDA SANAYİ A.Ş.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

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

Profit or loss	Notes	Audited	Audited
		1 January- 31 December 2017	1 January- 31 December 2016
<b>Allocation of profit for the period</b>			
Owners of the company		61.183.525	64.700.560
<b>Net profit for the period</b>		<b>61.183.525</b>	<b>64.700.560</b>
Earnings per share		0,45	0,48
<b>Other comprehensive income</b>			
Gain / (loss) in revaluation reserve		300.000	(675.000)
Actuarial gain / (loss) on employee benefits		532.306	(1.329.366)
<b>Total other comprehensive income / (loss)</b>		<b>832.306</b>	<b>(2.004.366)</b>
<b>Total comprehensive income</b>		<b>62.015.831</b>	<b>62.696.194</b>
<b>Total comprehensive income attributable to</b>			
Owners of the company		62.015.831	62.696.194
<b>Total comprehensive income</b>		<b>62.015.831</b>	<b>62.696.194</b>

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

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

**TAT GIDA SANAYİ A.Ş.****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Share Capital	Inflation Adjustments To Share Capital	Share Premium	Financial Assets Revaluation Reserve
<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>
Transfers	--	--	--	--
Dividend payment	--	--	--	--
Total comprehensive income	--	--	--	(675.000)
<b>Balance at 31 December 2016</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>1.294.091</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>
Transfers	--	--	--	--
Dividend payment	--	--	--	--
Total comprehensive income	--	--	--	300.000
<b>Balance at 31 December 2017</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>1.594.091</b>

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

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

**TAT GIDA SANAYİ A.Ş.****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Actuarial Gain / Losses In Defined Benefit Plans	Restricted Reserves	Net Profit For The Period	Prior Year's Profit	Total Equity
517.230	80.729.934	67.318.191	100.030.348	418.273.691
--	3.862.511	(67.318.191)	63.455.680	--
--	--	--	(20.009.518)	(20.009.518)
(1.329.366)	--	64.700.560	--	62.696.194
<b>(812.136)</b>	<b>84.592.445</b>	<b>64.700.560</b>	<b>143.476.510</b>	<b>460.960.367</b>
<b>(812.136)</b>	<b>84.592.445</b>	<b>64.700.560</b>	<b>143.476.510</b>	<b>460.960.367</b>
--	5.357.078	(64.700.560)	59.343.482	--
--	--	--	(30.000.563)	(30.000.563)
532.306	--	61.183.525	--	62.015.831
<b>(279.830)</b>	<b>89.949.523</b>	<b>61.183.525</b>	<b>172.819.429</b>	<b>492.975.635</b>

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

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

**TAT GIDA SANAYİ A.Ş.****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

		Audited	Audited
	Notes	1 January - 31 December 2017	1 January - 31 December 2016
Profit for the period		61.183.525	64.700.560
<b>Adjustments to reconcile profit for the period:</b>			
Adjustments related to depreciation and amortization expenses	11-12	12.857.436	11.433.799
Adjustments related to provision for employee termination benefit	16	7.661.943	4.477.501
Provision for doubtful receivables	7	166.604	63.922
Gain on sales of property, plant and equipment	22	8.055	(50.173)
Adjustments related to other provisions	14	(2.074.305)	(123.044)
Adjustments related to income accruals	7	(1.910.468)	96.237
Adjustments related to increase in fair value of derivatives		453.194	--
Unrealized foreign exchange loss		1.263.500	--
Discount expense		197.856	450.617
Discount income		(1.248.700)	(2.318.440)
Interest income	23	(1.822.966)	(3.103.746)
Dividend income		(937.378)	(918.567)
Interest expense	23	9.540.713	8.169.128
<b>Changes in working capital</b>		<b>85.339.009</b>	<b>82.877.794</b>
Changes in trade receivables and other receivables		34.814.419	(28.992.095)
Changes in due from related parties		(82.446.248)	37.113.894
Changes in inventories		(28.921.112)	(10.075.431)
Changes in prepaid expenses		(2.235.683)	1.031.441
Changes in other current and non-current assets		(12.934.964)	1.884.874
Changes in trade payables		26.977.854	2.995.177
Changes due to related parties		(4.159.179)	5.397.405
Changes in deferred income		808.650	(1.818.583)
Changes in employee benefit payables		154.919	2.148.293
Changes in other current liabilities		3.411.488	(2.166.251)

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



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

**TAT GIDA SANAYİ A.Ş.****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

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

		Audited	Audited
	Notes	1 January - 31 December 2017	1 January - 31 December 2016
<b>Cash flows from operating activities</b>		<b>20.809.153</b>	<b>90.396.518</b>
Employee termination benefits paid	16	(5.878.471)	(3.586.646)
Taxes refund / (paid)		2.334.416	6.168.428
<b>Net cash flows from operating activities</b>		<b>17.265.097</b>	<b>92.978.300</b>
<b>Investing activities:</b>			
Property, plant and equipment and intangible asset acquisitions	11-12	(45.257.209)	(28.772.346)
Cash generated from sale of property, plant and equipment and intangible assets		3.504	1.971.799
Dividend received		937.378	918.567
Interest received		1.822.966	3.103.746
<b>Net cash (used in)/from investing activities</b>		<b>(42.493.361)</b>	<b>(22.778.234)</b>
<b>Financing activities:</b>			
Cash inflows due to loan received		134.437.733	77.732.387
Cash outflows due to loan received		(98.832.765)	(93.788.446)
Cash provided from bond issue		--	50.000.000
Cash paid for bond issue	6	--	(50.000.000)
Dividend paid		(30.000.563)	(20.009.518)
Interest paid		(10.468.208)	(8.861.305)
<b>Net cash used in financing activities</b>		<b>(4.863.803)</b>	<b>(44.926.882)</b>
<b>Net change in cash and cash equivalents</b>		<b>(30.092.067)</b>	<b>25.273.184</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4</b>	<b>43.117.818</b>	<b>17.844.634</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>13.025.751</b>	<b>43.117.818</b>

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

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

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 1.056 employees at 31 December 2017 (31 December 2016: 1.115).

The average number of employee of company is 1.243 as of 31 December 2017 (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 Mah. Sırrı Çelik Bulvarı No: 7  
34788 Çekmeköy / İstanbul / Turkey

## **Note 2 – Basis of Presentation of Financial Statements**

### **2.1 Statement of Compliance to TAS**

The Company maintains its books of account and prepares its 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 5<sup>th</sup> 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.

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

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 to TAS (Continued)

Approval of financial statements:

Financial statements are authorized for issue by Board of Directors meeting on 13 February 2018. The General Assembly has authority to amend these financial statements.

#### Principles of measurement

Financial statements have been prepared on the historical cost basis except for the available for sale financial asset that is measured at fair value. Fair value of considerations paid for the assets is considered in determining the historical cost.

#### Reporting and Functional Currency

Şirket'in finansal tabloları faaliyette bulunduğu temel ekonomik çevrede geçerli olan para birimi (geçerli para birimi) ile The 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 Financial Reporting Standards

The following new and revised standards have been applied in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other new and revised standards and interpretations applied in these financial statements that have had no material impact on the financial statements are also set out below.

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

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

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

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 Financial Reporting Standards (Continued)**

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

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

As issued in September 2016 by POA, the new standard replaces existing TFRS 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 companies to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

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

TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

##### **TFRS Interpretation 22 – Foreign Currency Transactions and Advance Consideration**

TFRS Interpretation 22 “Foreign Currency Transactions and Advance Consideration” has been published by POA in December 2017 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 Interpretation 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 TFRS Interpretation 22.

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

POA has issued amendments to TFRS 2 Share-Based Payment in December 2017 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 the amendments to TFRS 2.

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## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 Financial Reporting Standards (Continued)

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

##### TAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by POA in December 2017 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 does not expect that application of these amendments to TAS 40 will have significant impact on its financial statements.

##### Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014–2016 Cycle for applicable standards. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

##### **Annual Improvements to TFRSs 2014-2016 Cycle**

###### *TFRS 1 "First Time Adoption of International Financial Reporting Standards"*

TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

###### *TAS 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 TFRS 9.

##### **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 TFRS by the POA, thus they do not constitute part of TFRS. 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 Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.



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## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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)***

##### **IFRS 16 Leases**

On 13 January 2016, IASB issued 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 Leases 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.

##### **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.

#### ***Annual Improvements to IFRSs 2015-2017 Cycle***

##### **Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

##### ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements***

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

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

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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)*****Improvements to IFRSs (Continued)***IAS 12 Income Taxes*

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

*IAS 23 Borrowing Costs*

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

**Amendments to TAS 28 Long-term interests in Associates and Joint Ventures**

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 28.

**Amendments to IFRS 9 - Prepayment features with negative compensation**

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

**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

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## **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)**

##### **IFRS 17 Insurance Contracts (Continued)**

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 IFRS 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 significant change in accounting policies and estimations of the Company in the current period.

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

The accounting policies considered during the preparation of the financial statements are as follows:

#### **Cash and cash equivalents**

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 4).

#### **Related parties**

For the purpose of these financial statements, Koç Holding A.Ş., shareholders, key management personnel and Board members, in each case together with their families and companies, associates and joint ventures controlled by or affiliated with them are considered and referred to as related parties (Note 25).

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down (Note 9).

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## Note 2 – Basis of Presentation of Financial Statements (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

#### Inventories (Continued)

The cost of inventories is based on weighted average method and includes expenditure incurred in acquiring inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity.

#### Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the financial statements. Depreciation is provided on property, plant and equipment on a straight-line basis.

Tangible assets acquired before 1 January 2005 are measured at cost of restated for the effects of inflation as at 31 December 2004 less accumulated depreciation and impairment losses.

Depreciation is not calculated for land due to indefinite useful life estimation.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. .

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

#### Intangible assets

##### *Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (4-8 years).

#### Corporate income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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## **Note 2 – Basis of Presentation of Financial Statements (Continued)**

### **2.5 Summary of Significant Accounting Policies (Continued)**

#### **Corporate income taxes (Continued)**

##### *Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

These types of investments and interest associated with the taxable temporary differences arising from the deferred tax asset in the near future taxable sufficient to obtain profit in the above mentioned differences can be utilized is probable and the future of the differences on the disappearance is probable that the conditions are calculated.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### *Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.



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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## Note 2 – Basis Of Presentation Of Financial Statements (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

#### Financial instruments

##### Financial assets

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

##### The effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

##### Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

##### Available-for-sale financial assets

Investments other than (a) held-to-maturity debt securities or (b) held for trading securities are classified as available-for-sale. Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power.

Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

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## **Note 2 – Basis of Presentation of Financial Statements (Continued)**

### **2.5 Summary of Significant Accounting Policies (Continued)**

#### **Financial instruments (Continued)**

##### **Available-for-sale financial assets (Continued)**

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

##### **Trade receivables**

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

##### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

##### **Financial liabilities**

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## Note 2 – Basis of Presentation of Financial Statements (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

#### Financial instruments (Continued)

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

##### Share Capital

The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

#### Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

The Company measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

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## **Note 2 – Basis of Presentation of Financial Statements (Continued)**

### **2.5 Summary of Significant Accounting Policies (Continued)**

#### **Financial instruments (Continued)**

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

#### **Provision for employee termination benefits**

Employment termination benefits, represents the present value of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law, employment termination without due cause, call up for military service and death of the employees after at least one year work (Note 16).

#### **Classified assets held for sale and discontinued operations**

A disposal group is a separate part of the Company in terms of its operations and cash flows, which is classified as held for sale or disposed of by the Company. A disposal group can be a separate operational or geographical segment, a part of a separate plan for the purpose of sale or disposal, or a subsidiary acquired for purpose of sale. The Company measures a non-current asset or a disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

#### **Provisions, Contingent assets and liabilities**

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities.

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## Note 2 – Basis of Presentation of Financial Statements (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

#### Revenue

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

#### *Sale of the products*

Revenues from sale of tomato paste and canned foods, milk and dairy products, meat and meat products and pasta and mealy products are recognized when all the following conditions are satisfied:

- The Company transfers the significant risks and rewards of ownership of the goods to the buyer,
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Dividend and interest income*

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Finance income and costs

Finance income is comprised of interest income and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs are comprised of interest expense on borrowings, transaction costs, coupon payments of bond, impairment losses recognized on financial assets (except for trade receivables). Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Discount, late payment and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

#### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in profit or loss.



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## **Note 2 – Basis of Presentation of Financial Statements (Continued)**

### **2.5 Summary of Significant Accounting Policies (Continued)**

#### **Foreign currency transactions (Continued)**

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

#### **Earnings / (loss) per share**

The basic earnings/ (loss) per share is calculated by dividing the profit/ (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

#### **Statement of Cash Flows**

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from the sales of goods and commodities of the Company.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

#### **Offsetting**

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

### **2.6 Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **(a) Useful lives of property, plant and equipment**

The depreciation on property, plant and equipment is provided using the useful lives discussed in Note 12 to the financial statements.

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**Note 2 – Basis of Presentation of Financial Statements (Continued)****2.5 Summary of Significant Accounting Policies (Continued)****(b) Deferred tax assets**

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. The Company has recognized provision for a certain portion of loss carry-forwards of Moova, the subsidiary purchased in 2014 and merged with in the current year, in accordance with its profitability projections.

**Note 3 – Segment Reporting****Primary reporting format - Business segment**

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.

- 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 TL 942.968.424 (31 December 2016: TL 873.593.810).

**a) Revenue segmental analysis for the year ended 1 January - 31 December 2017 and 2016**

	2017	2016
Tomato paste and canned products	373.939.588	379.196.939
Milk and dairy products	635.311.535	544.060.956
Pasta and bakery products	64.783.587	57.862.351
	<b>1.074.034.710</b>	<b>981.120.246</b>

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**Note 3 – Segment Reporting (Continued)****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 at 31 December, the recorded amounts of the segment assets according to industrial segments are as follows:

	2017	2016
Tomato paste and canned products	67.438.722	51.720.519
Milk and dairy products	102.720.548	93.461.001
Pasta and bakery products	6.497.576	6.181.779
Assets that cannot be allocated to segments	10.091.020	2.996.353
	<b>186.747.866</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.

**d) Depreciation and amortization and capital expenditures**

Depreciation and amortization of the industrial segment assets as at 31 December, are as follows:

Depreciation and amortization	2017	2016
Tomato paste and canned products	4.725.292	4.219.718
Milk and dairy products	7.046.050	6.182.355
Pasta and bakery products	625.939	591.974
Depreciation and amortization charges that cannot be allocated to segments	460.155	439.752
	<b>12.857.436</b>	<b>11.433.799</b>

As at 31 December, investment expenditures for the industrial segment assets are as follows:

Investment expenditures	2017	2016
Tomato paste and canned products	21.550.177	9.630.908
Milk and dairy products	16.909.952	15.149.438
Pasta and bakery products	941.736	865.047
Investment expenditures that cannot be allocated to segments	5.855.344	3.126.953
	<b>45.257.209</b>	<b>28.772.346</b>

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**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Note 4 – Cash And Cash Equivalents**

The details of cash and cash equivalents as at 31 December are as follows:

	2017	2016
Banks	13.025.751	43.117.708
-Time deposit – TL	780.000	22.175.720
-Demand deposit – TL	11.684	2.851
-Time deposit - foreign currency	11.949.742	20.409.056
-Demand deposit - foreign currency	284.325	530.081
Others	--	110
	<b>13.025.751</b>	<b>43.117.818</b>

Maturity of time deposit is 2 January 2018, 15 January 2018 and 26 January 2018 and the interest rates are 13,2% for TL, 4% for USD. (31 December 2016: Maturity of time deposits are 2 January 2017 and the interest rates are 9,72% for TL and 1,58% for USD). There is no blockage or restriction on the use of cash and cash equivalents as at 31 December 2017 (31 December 2016: None).

Nature and level of risks associated with Cash and Cash Equivalents have been explained in Note 26.

**Note 5 – Financial Assets**

The details of financial assets as at 31 December are as follows:

	%	2017	%	2016
<u>Available for sale financial investments</u>				
Ram Dış Ticaret A.Ş.	7,5	2.625.000	7,5	2.325.000
Düzye Tüketim Malları Sanayi Pazarlama A.Ş.	1,1	544.641	1,1	544.641
Others		7.733		7.733
		<b>3.177.374</b>		<b>2.877.374</b>

**Note 6 – Financial Borrowings**

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

	2017	2016
Short-term borrowings	45.140.855	3.036.428
Short-term portion of long-term borrowings	6.220.865	6.247.690
Short-term portion of long-term bonds	50.579.121	561.904
<b>Total short-term borrowings</b>	<b>101.940.841</b>	<b>9.846.022</b>

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**Note 6 – Financial Borrowings (Continued)**

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

	2017	2016
Long-term borrowings	7.692.308	13.846.154
Bonds issued	--	50.000.000
<b>Total long-term borrowings</b>	<b>7.692.308</b>	<b>63.846.154</b>
	<b>109.633.149</b>	<b>73.692.176</b>

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

There is no mortgage or collateral given related to the Company's financial liabilities (31 December 2016: None).

The Company has local currency unsecured loans with fixed interest rates. The details of financial liabilities as at 31 December are as follows:

	The weighted average interest rate	Original Amount	31 December 2017 (TL)
<b>Short term financial borrowings</b>			
TL borrowings	13,83%	32.502.220	32.502.220
USD borrowings	2,13%	5.000.000	18.859.500
Bonds issued	12,43%	50.579.121	50.579.121
			<b>101.940.841</b>
<b>Long term financial borrowings</b>			
TL borrowings	10,25%	7.692.308	7.692.308
			<b>7.692.308</b>

	The weighted average interest rate	Original Amount	31 December 2016 (TL)
<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>

As at 31 December, long-term loans denominated in TL currency payment plan is as follows:

	2017	2016
2018	--	56.153.846
2019	6.153.846	6.153.846
2020	1.538.462	1.538.462
	<b>7.692.308</b>	<b>63.846.154</b>



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**Note 7 – Trade Receivables And Payables****Trade receivables**

The details of trade receivables are as follows as at 31 December:

	2017	2016
Trade receivables from related parties (Note 25)	244.725.130	161.030.182
Notes and cheques receivable	18.894.685	50.954.445
Trade receivables	11.566.798	13.898.813
Income accruals	9.054.394	7.143.926
Provisions for doubtful receivables	(2.815.858)	(2.649.254)
	<b>281.425.149</b>	<b>230.378.112</b>

Movement of provision for doubtful receivables as of 31 December 2017 and 31 December 2016 are as follows:

The nature and level of risk in trade receivables are given in Note 26.

	2017	2016
Opening balance	(2.649.254)	(2.585.332)
Provisions made during the year	(166.604)	(63.922)
Collections	--	--
	<b>(2.815.858)</b>	<b>(2.649.254)</b>

**Trade Payables**

As at 31 December, details of trade payables are as follows:

	2017	2016
<b>Suppliers</b>	122.181.871	95.006.161
Trade payables to related parties (Note 25)	18.958.312	23.077.774
	<b>141.140.183</b>	<b>118.083.935</b>

**Note 8 – Other Receivables And Payables**

As at 31 December, other receivables and payables are as follows:

	2017	2016
<b>Short term other receivables</b>		
Other receivables	165.847	1.492.423
	<b>165.847</b>	<b>1.492.423</b>

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**Note 8 – Other Receivables And Payables (Continued)**

As at 31 December, other receivables and payables are as follows:

	2017	2016
<b>Long term other receivables</b>		
Deposits and guarantees given	88.233	90.690
	<b>88.233</b>	<b>90.690</b>

	2017	2016
<b>Payables to third parties:</b>		
Accrual for selling expenses	2.930.747	--
Taxes and funds payable	2.762.203	2.334.517
Others	188.643	135.588
	<b>5.881.593</b>	<b>2.470.105</b>

**Note 9 – Inventories**

As at 31 December, details of inventories are as follows:

	2017	2016
Raw material	55.686.159	43.242.090
Semi-finished goods	325.587	668.443
Finished goods	175.221.730	158.572.255
-Tomato paste and canned products	150.364.482	139.040.327
-Milk and dairy products	20.405.178	15.688.647
-Pasta and bakery products	4.452.070	3.843.281
Other inventory	443.325	272.901
	<b>231.676.801</b>	<b>202.755.689</b>

**Note 10 – Prepaid Expenses And Deferred Income**

As at 31 December, details of prepaid expense and deferred income is as follows:

	2017	2016
<b>Short-term prepaid expenses</b>		
Advances given for the purchase of inventory	1.463.569	706.813
Expenses related to future months	1.296.800	--
	<b>2.760.369</b>	<b>706.813</b>

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**Note 10 – Prepaid Expenses And Deferred Income (Continued)**

As at 31 December, details of prepaid expense and deferred income is as follows:

	2017	2016
<b>Long-term prepaid expenses</b>		
Advances given for fixed asset purchases	1.933.563	1.449.747
Expenses related to future years	--	301.689
	<b>1.933.563</b>	<b>1.751.436</b>

	2017	2016
<b>Short-term deferred income</b>		
Income related to future months	277.171	87.508
Sales advances received	5.238.464	4.619.477
	<b>5.515.635</b>	<b>4.706.985</b>

**Note 11 – Property, Plant and Equipment**

The movements of property, plant and equipment and depreciation as of 31 December 2017 and 31 December 2016 are as follows:

	1 January 2017	Additions	Disposals	Transfers	Corrections (*)	31 December 2017
<b>Cost</b>						
Land	16.850.999	--	--	--	--	16.850.999
Land improvements	6.881.093	139.085	--	--	--	7.020.178
Buildings	58.571.524	2.265.578	--	1.179.761	--	62.016.863
Machinery and equipment	370.098.697	11.536.108	(1.135.267)	22.264.430	(52.235.679)	350.528.289
Vehicles	1.037.602	32.895	--	--	(409.571)	660.926
Furniture and fixtures	42.040.064	3.614.485	(702.170)	502.789	(10.863.791)	34.591.377
Leasehold improvements	8.678.063	181.073	--	--	--	8.859.136
Construction in progress	2.888.957	26.889.865	--	(24.083.213)	--	5.695.609
	<b>507.046.999</b>	<b>44.659.089</b>	<b>(1.837.437)</b>	<b>(136.233)</b>	<b>(63.509.041)</b>	<b>486.223.377</b>

(\*) As of 31 December 2017, the Company has eliminated the effects of the fixed assets that it has completed the useful life and has not continued to use. The total cost of fixed assets that the Company has completed the useful life and does not continue to use is 63.509.041 TL.

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**Note 11 – Property, Plant and Equipment (Continue)**

The movements of property, plant and equipment and depreciation as of 31 December 2017 and 31 December 2016 are as follows:

<b>Accumulated depreciation:</b>	<b>1 January 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Corrections (*)</b>	<b>31 December 2017</b>
Land improvements	2.729.927	252.651	--	--	--	2.982.578
Buildings	31.068.652	1.555.041	--	--	--	32.623.693
Machinery and equipment	279.183.417	9.103.403	(1.135.267)	--	(52.235.679)	234.915.874
Vehicles	937.511	19.454	--	--	(409.571)	547.394
Furniture and fixtures	31.222.163	1.490.706	(690.611)	--	(10.863.791)	21.158.467
Leasehold improvements	8.387.263	101.411	--	--	--	8.488.674
	<b>353.528.933</b>	<b>12.522.666</b>	<b>(1.825.878)</b>	<b>--</b>	<b>(63.509.041)</b>	<b>300.716.680</b>
<b>Net book value</b>	<b>153.518.066</b>					<b>185.506.697</b>

(\*) As of 31 December 2017, the Company has eliminated the effects of the fixed assets that it has completed the useful life and has not continued to use. The total cost of fixed assets that the Company has completed the useful life and does not continue to use is 63.509.041 TL.

	<b>1 January 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2016</b>
<b>Cost:</b>					
Land	16.850.999	--	--	--	16.850.999
Land improvements	6.480.830	123.586	--	276.677	6.881.093
Buildings	56.811.070	1.048.821	--	711.633	58.571.524
Machinery and equipment	348.589.984	3.256.009	(1.802.960)	20.055.664	370.098.697
Vehicles	1.027.041	17.145	(6.584)	--	1.037.602
Furniture and fixtures	39.163.279	2.625.519	(194.131)	445.397	42.040.064
Leasehold improvements	8.569.747	110.014	(1.698)	--	8.678.063
Construction in progress	2.952.306	21.426.022	--	(21.489.371)	2.888.957
	<b>480.445.256</b>	<b>28.607.116</b>	<b>(2.005.373)</b>	<b>--</b>	<b>507.046.999</b>

<b>Accumulated depreciation:</b>	<b>1 January 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2016</b>
Land improvements	2.526.093	203.834	--	--	2.729.927
Buildings	29.598.289	1.470.363	--	--	31.068.652
Machinery and equipment	272.975.687	7.934.961	(1.727.231)	--	279.183.417
Vehicles	927.078	17.017	(6.584)	--	937.511
Furniture and fixtures	30.132.259	1.241.977	(152.073)	--	31.222.163
Leasehold improvements	8.301.559	87.402	(1.698)	--	8.387.263
	<b>344.460.965</b>	<b>10.955.554</b>	<b>(1.887.586)</b>	<b>--</b>	<b>353.528.933</b>
<b>Net book value</b>	<b>135.984.291</b>				<b>153.518.066</b>

Depreciation expense amounting to TL 11.173.305 (2016: TL 7.900.620) is recognized in the cost of goods sold, amounting to TL 1.349.361 (2016: TL 977.309) is recognized in general and administrative expenses (2016: TL 2.077.625 is recognized in inventory),

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**Note 11 – Property, Plant and Equipment (Continue)**

The movements of property, plant and equipment and depreciation as of 31 December 2017 and 31 December 2016 are as follows:

The estimated useful lives of tangible assets are as follows:

Land and land improvements	30 years
Buildings	15-50 years
Machinery and equipment	15-30 years
Furniture and fixtures	10-12 years
Vehicles	9 years
Leasehold improvements	5-8 years

**Note 12 – Intangible Assets**

As of 31 December 2017 and 31 December 2016, intangible assets are composed of software licenses and the movements in intangible assets and accumulated amortization as of these years ended are as follows:

	1 January 2017	Additions	Transfers	Corrections (*)	31 December 2017
Costs	25.043.374	598.120	136.233	(20.743.892)	5.033.835
Accumulated Amortization	(24.201.788)	(334.770)	--	20.743.892	(3.792.666)
<b>Net Book Value</b>	<b>841.586</b>	<b>263.350</b>	<b>136.233</b>	<b>--</b>	<b>1.241.169</b>

	1 January 2016	Additions	Transfers	Corrections (*)	31 December 2016
Costs	24.878.144	165.230	--	--	25.043.374
Accumulated Amortization	(23.723.543)	(478.245)	--	--	(24.201.788)
<b>Net Book Value</b>	<b>1.154.601</b>	<b>(313.015)</b>	<b>--</b>	<b>--</b>	<b>841.586</b>

Total of amortization expenses amounted to TL 334.770 are included in general administrative expenses (2016: TL 478.245).

(\*) As of 31 December 2017, the Company has eliminated the effects of intangible assets that it has completed the useful life and can not continue to use. The total cost of fixed assets that the Company has completed the useful life and does not continue to use is 20.743.892 TL

With the approval granted by the Ministry of Science, Industry and Technology as of October 6, 2017, the Company's R & D Center started its activities to benefit from incentives and exemptions under the scope of No. 5746. As of 31 December, 2017, TL 632.050 arrears were capitalized in intangible assets.



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**Note 13 – Government Incentives And Grants**

The Company has been granted with investment tax credits (ITC) with respect to the certain investment expenditures. Such ITCs are evaluated within the scope of TAS 12 Income Taxes standard and are recognized as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused ITCs can be utilized.

As at 31 December 2017, the ITC amount to be reduced from future income tax payments is TL 18.887.669 (31 December 2016: 13.533.772). The Company has not recognized a deferred tax asset with respect to ITCs since the proportion of investment with ITC is very low (approximately 2% to 3%) and there is unused tax losses.

**Note 14 – Commitments And Contingent Assets And Liabilities**

As at 31 December, the details of the provisions are as follows:

Provisions	2017	2016
Provisions for lawsuits	3.570.304	5.789.073
Other provisions	249.625	105.161
	<b>3.819.929</b>	<b>5.894.234</b>

The movements of provisions as of 31 December 2017 and 31 December 2016 are as follows:

	2017	2016
Opening balance	5.894.234	6.017.278
Additions during the period	144.464	101.170
Provisions no longer required	(2.218.769)	(224.214)
	<b>3.819.929</b>	<b>5.894.234</b>

**Note 15 – Commitments and Contingencies**

The detail of the Company's 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:

	2017	2016
A. On the behalf of legal entity	80.256.938	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>80.256.938</b>	<b>59.192.589</b>

The Company has miscellaneous guarantee letters given to tax authorities (related to VAT return receivables), T. İhracat Kredi Bankası A.Ş. and customs which are amounting to TL 80.256.938 (31 December 2016: TL 59.192.589).

All guarantees are given by the company are in local currency and there is no any pledges and mortgages given.

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**Note 16 – Employee Benefits****Short term employee benefits**

<b>Employee benefit payables</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Due to personnel	4.234.280	3.656.313
Social security withholdings payable	1.747.462	2.170.510
	<b>5.981.742</b>	<b>5.826.823</b>

<b>Short-term provisions for employment benefits:</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Provision for unused vacation	900.000	900.000
	<b>900.000</b>	<b>900.000</b>

**Long-term employee benefits****Severance pay liability:**

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of 4.732,48 TL for each period of service at 31 December 2017 (31 December 2016: 4.297,21 TL).

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 6,50% and a discount rate of 11,77%, resulting in a real discount rate of approximately 4,95% (31 December 2016: 4,50%).

As the maximum liability is revised semiannually, the maximum amount of 4.732,48 TL effective from 31 December 2017 is taken into consideration in the calculation of provision from employment termination benefits.

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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**Note 16 – Employee Benefits (Continued)****Long-term employee benefits (Continued)****Severance pay liability: (Continued)**

The movement of employment termination provision as of 31 December is presented below:

	2017	2016
Opening balance	13.326.867	10.774.304
Service cost	7.062.234	3.980.832
Interest cost	599.709	496.669
Paid in the period	(5.878.472)	(3.586.646)
Actuarial gains / (losses)	(665.382)	1.661.708
	<b>14.444.956</b>	<b>13.326.867</b>

**Note 17 – Other Assets and Liabilities**

As at 31 December, other current / non-current assets and short / long-term liabilities are as follows:

	2017	2016
<b>Other current assets</b>		
Deferred value added tax "VAT"	28.381.332	18.500.000
VAT receivables arising from exports	4.306.342	2.275.421
Others	1.257.455	860.405
	<b>33.945.129</b>	<b>21.635.826</b>

	2017	2016
<b>Other non-current assets:</b>		
Deferred VAT	30.438.586	29.812.925
	<b>30.438.586</b>	<b>29.812.925</b>

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**Note 18 – Shareholders' Equity****a) Share Capital**

As at 31 December, the shareholders and paid-in capital with the historical values are as follows:

	%	2017	%	2016
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
Others	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>

As at 31 December 2017, inflation adjustment to share capital is TL 21.601.088. (31 December 2016: TL 21.601.088)

The Company's share capital of year 2017 consists of 13.600.000.000 number of shares and there is no preferred stock (2016: 13.600.000.000 number of shares).

**b) Actuarial gain/losses in defined benefit plans**

Comprised of actuarial gains and losses recognized in other comprehensive income, as a result of the adoption of standards IAS 19 (2011).

**c) Restricted reserves**

Details of restricted reserves are as follows:

	31 Aralık 2017	31 Aralık 2016
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.

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## **Note 18 – Shareholders' Equity (Continued)**

### **c) Restricted reserves (Continued)**

#### *Legal Reserves (Continued)*

In accordance with the Communiqué No:XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences resulted due to the application of the requirements set out in the communiqué (such as, inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";
- If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

#### *Dividend Payment*

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

It has been decided that, TL 12.454.251,68 as first dividend and TL 14.772.748,32 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 6 April 2017.

#### *Special Reserves*

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 benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale. However, the sale price must be collected until the end of the second calendar year following the year the sale is made.

#### *Revaluation surplus of financial assets*

As of 31 December 2017, revaluation on fair value of available for sale financial assets amounting to TL 300.000 increase is recognized in financial assets revaluation reserve in equity (31 December 2016: TL 675.000 decrease).



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**Note 19 – Sales And Cost Of Sales**

As at 31 December, details of revenue and sales cost are as follows:

	2017	2016
Domestic sales	1.060.016.417	983.433.916
Foreign sales	95.008.384	84.977.934
Rebates and sales discounts	(80.990.091)	(87.291.604)
<b>Total operating revenue</b>	<b>1.074.034.710</b>	<b>981.120.246</b>
Raw material costs	(716.769.114)	(640.755.176)
Labor costs	(40.132.811)	(29.936.428)
General production expenses	(83.695.686)	(76.885.139)
Depreciation costs	(11.173.305)	(9.858.174)
Change in inventory	16.369.045	6.644.245
<b>Cost of sales</b>	<b>(835.401.871)</b>	<b>(750.790.672)</b>
<b>Gross profit</b>	<b>238.632.839</b>	<b>230.329.574</b>

**Note 20 – Expenses by Nature**

As at 31 December, details of marketing, selling and distribution expenses are as follows:

	2017	2016
<b>Marketing, Selling and Distribution Expenses:</b>		
Sales incentive and gondola participation expenses	(50.943.960)	(46.195.040)
Transportation and insurance expenses	(42.978.611)	(34.855.414)
Advertisement, and promotion expenses	(21.034.842)	(18.831.292)
Personnel expenses	(8.913.081)	(8.790.979)
Sales support expenses	(8.434.217)	(8.094.311)
Subcontracting expenses	(2.985.258)	(2.730.912)
Export expenses	(2.235.350)	(2.221.371)
Others	(2.561.558)	(2.475.431)
	<b>(140.086.877)</b>	<b>(124.194.750)</b>

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**Note 20 – Expenses by Nature (Continued)**

As at 31 December, the details of general and administrative expenses are as follows:

	2017	2016
<b>General and administrative expenses:</b>		
Personnel expenses	(19.510.474)	(19.768.416)
Employee termination benefits	(7.755.555)	(3.977.501)
Consultancy and lawsuit expenses	(7.256.785)	(8.364.769)
Administrative expenses	(4.262.749)	(2.921.824)
IT expenses	(2.325.367)	(1.895.305)
Depreciation and amortization expenses	(1.684.131)	(1.455.554)
Taxes and duties expenses	(949.303)	(1.041.926)
Transportation, travel expenses	(945.643)	(577.248)
Repair and maintenance expense	(298.616)	(754.861)
Others	(2.533.231)	(2.572.179)
	<b>(47.521.854)</b>	<b>(43.329.583)</b>

**Note 21 – Other Income And Expenses From Operating Activities**

As at 31 December, details of other income and profits are as follows:

	2017	2016
<b>Other Operating Income</b>		
Exchange differences from commercial activities	1.693.188	623.910
Income from maturity differences	30.185.000	10.828.634
Provisions released	3.868	--
Others	5.012.400	2.197.634
	<b>36.894.456</b>	<b>13.650.178</b>

As at 31 December, details of other expenses are as follows:

	2017	2016
<b>Other Operating Expense</b>		
Exchange differences from commercial activities	(1.906.485)	(677.117)
Expense from maturity differences	(11.598.490)	(3.165.283)
Others	(2.856.347)	(2.381.865)
	<b>(16.361.322)</b>	<b>(6.224.265)</b>

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**Note 22 – Income And Expenses From Investing Activities**

As at 31 December, investment income and profits from operations is as follows:

	2017	2016
<b>Income from Investing Activities</b>		
Dividend income	937.378	918.567
Gain on sale of property, plant and equipment	112.309	83.747
Other	129.143	215.571
	<b>1.178.830</b>	<b>1.217.885</b>

As at 31 December, investment loss and expense from operations is as follows:

	2017	2016
<b>Expenses from investing activities</b>		
Loss on sale of property, plant and equipment	(120.364)	(33.574)
	<b>(120.364)</b>	<b>(33.574)</b>

**Note 23 – Financial Income And Expenses**

As at 31 December, financial incomes are as follows:

	2017	2016
Foreign exchange gains	6.007.014	3.398.925
Interest income on bank loans	1.822.966	3.103.746
	<b>7.829.980</b>	<b>6.502.671</b>

As at 31 December, financial expenses are as follows:

	2017	2016
Foreign exchange expenses, net	(5.276.344)	(382.185)
Interest expense on bank loans	(9.540.713)	(8.169.128)
	<b>(14.817.057)</b>	<b>(8.551.313)</b>

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**Note 24 – Tax Assests and Liabilities**

	1 January- 31 December 2017	1 January- 31 December 2016
Current tax expense	(1.338.341)	(1.518.132)
Deferred tax expense	(2.203.577)	(3.119.883)
<b>Total tax expense</b>	<b>(3.541.918)</b>	<b>(4.638.015)</b>

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Current tax liability</b>		
Corporate tax provision	130.838	--
	<b>130.838</b>	<b>--</b>

Corporate Tax

The Company is subject to corporate tax applicable in Turkey.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2017 is 20% (2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2017 (2016: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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**Note 24 – Tax Assests and Liabilities (Continued)*****Income withholding tax (Continued)***

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

***Deferred Tax:***

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2016: 20%) is used.

As of 31 December 2017 the effective tax rate in Turkey is 20%. However, according to new Corporate Tax Law which is published on official Gazette numbered 30261 on 5 December 2017, corporate tax rate will be 22% for fiscal years 2018, 2019 and 2020 in Turkey. Due to this change will be effective on 1 January 2018, the Company used 20% rate for its interim financial statements. Under the law numbered 30261 mentioned above tax assets and liabilities are recognized in the financial statements by using 20% tax rate for the portion that will generate tax impact in 2018, 2019, and 2020 as of 31 December 2017. On the other hand, for the portion that will generate tax impact after 2021 is calculated by using 20% tax rate.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2017 and 2016 using the enacted tax rates is as follows.

	2017	2016
<b>Deferred tax assets / (liabilities):</b>		
Tax receivable from carry forward tax losses	--	1.721.784
Severance pay liability	2.888.991	2.665.373
Difference between tax base and carry value of Property, plant and equipment	(4.584.607)	(2.868.625)
Difference between tax base and carrying value of inventories	709.340	276.389
Doubtful receivables provisions	53.312	47.817
Provision for unused vacation	180.000	180.000
Provision for scraps	49.925	--
Sales expense accruals	586.149	225.110
Others	268.271	240.186
	<b>151.381</b>	<b>2.488.034</b>

There is no carry forward tax losses has been recognized as of 31 December 2017 (31 December: 2016: TL 8.608.918)

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**Note 24 – Tax Assets and Liabilities (Continued)**

Movement of the deferred tax for the years ended 31 December 2017 and 31 December 2016 is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Deferred tax movements:</b>		
Opening balance as of January 1	2.488.034	5.275.575
Recognized directly in equity	(133.076)	332.342
Deferred tax income	(2.203.577)	(3.119.883)
	<b>151.381</b>	<b>2.488.034</b>

Total charge for the year can be reconciled to the accounting profit as follows:

<b>The reconciliation of tax:</b>	1 January- 31 December 2017	1 January- 31 December 2016
<b>Profit for the period from continuing operations</b>	64.725.443	69.338.575
Income tax rate 20 % (2016: 20%)	(12.945.089)	(13.867.715)
Tax effect of:		
- Nondeductible expenses	(261.966)	(36.748)
- Tax - exempt income	1.037.858	183.713
- Effect of deferred tax assets and carry forward losses for which provision had been recognized in the previous periods	1.721.784	11.433.128
- Tax effect of government incentives and grants	8.187.461	--
- Additional corporate tax charge for prior period	(1.338.341)	(1.518.132)
- Permanent differences	(58.871)	(772.823)
- Effect of change in statutory tax rate on deferred tax amount	33.802	--
- Others	81.445	(59.438)
Tax expense in the income statement	<b>(3.541.918)</b>	<b>(4.638.015)</b>

**Note 25 – Related Party Transactions**

i) As at 31 December, the details of receivables and payables from related parties are as follows:

a) Bank deposits:

	2017	2016
<b>Yapı ve Kredi Bankası A.Ş.</b>	4.698.072	24.124.539
	<b>4.698.072</b>	<b>24.124.539</b>



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**Note 25 – Related Party Transactions (Continued)****i) As at 31 December, the details of receivables and payables from related parties are as follows (Continued):**

b) Financial borrowings:

	2017	2016
<b>Yapı ve Kredi Bankası A.Ş.</b>	25.262.500	--
	<b>25.262.500</b>	<b>--</b>

c) Receivables from related parties:

	2017	2016
Düzey (*)	240.938.220	158.234.803
Ram Dış Ticaret A.Ş.	3.767.865	2.659.335
Sc Foods	--	117.984
Others	19.045	18.060
	<b>244.725.130</b>	<b>161.030.182</b>

(\*) Domestic sales and marketing activities of the Company are operated by Düzey which is a member of Koç Group.

d) Payables to related parties:

<b>Trade Payables</b>	2017	2016
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14.267.889	20.482.086
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.435.126	912.484
Ram Sigorta Aracılık Hizmetleri A.Ş.	900.757	39.964
Otokoç Otomotiv Tic.ve San.A.Ş.	811.941	581.724
Aygaz Doğalgaz Toptan Satış A.Ş.	539.225	588.014
Setur Servis Turistik A.Ş.	445.432	107.021
Temel Ticaret Yatırım A.Ş.	193.250	225.283
Divan Turizm İşletmeleri A.Ş.	59.637	23.623
Opet Petrolcülük A.Ş.	40.218	58.006
Others	264.837	59.569
	<b>18.958.312</b>	<b>23.077.774</b>
<b>Other Payables</b>		
Koç Holding A.Ş.	5.565.583	5.605.300
<b>Total Trade and Payables</b>	<b>24.523.895</b>	<b>28.683.074</b>

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**Note 25 – Related Party Transactions (Continued)**

ii) As at 31 December, the details of significant sales to related parties and purchases from related parties are as follows:

a) Sales to related parties:

	2017	2016
Düzey (*)	942.968.424	873.593.810
Ram Dış Ticaret A.Ş.	30.778.309	4.889.304
Sc Foods	--	22.044.314
Sumitomo Corporation	--	9.949.785
	<b>973.746.733</b>	<b>910.477.213</b>

(\*) Domestic sales and marketing activities of the Company are operated by Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş., which is a member of Koç Group. Average maturity for the sales to Düzey Tüketim Malları Sanayi Pazarlama A.Ş. is 85 days.

b) Purchases from related parties:

	2017	2016
Zer Merkezi Hizmetler ve Ticaret A.Ş.	26.771.849	21.021.170
Aygaz A.Ş.	13.364.801	14.852.946
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	4.096.340	--
Opet Petrolcülük A.Ş.	861.792	762.919
Otokoç Otomotiv Tic. ve San. A.Ş.	261.070	--
Divan Turizm İşletmeleri	62.462	75.683
	<b>45.418.314</b>	<b>36.712.718</b>

c) Service purchases from related parties:

	2017	2016
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	57.695.097	46.900.830
Koç Holding A.Ş. (**)	4.628.718	8.174.380
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	2.463.954	601.572
Temel Ticaret ve Yatırım A.Ş.	2.283.590	1.999.549
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.527.630	2.093.409
Setur Servis Turistik A.Ş.	1.505.471	963.535
Otokoç Otomotiv Tic. ve San. A.Ş.	1.448.049	1.429.980
Others	607.032	378.849
	<b>72.159.541</b>	<b>62.542.104</b>

(\*) Amount represents accrued premium amount as of 31 December 2017, which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

(\*\*) 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.

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**Note 25 – Related Party Transactions (Continued)****iii) As at 31 December, the details of financial income and expenses from/to related parties are as follows:**

a) Interest expense:

	2017	2016
<b>Yapı ve Kredi Bankası A.Ş.</b>	275.625	19.066
	<b>275.625</b>	<b>19.066</b>

b) Interest income:

	2017	2016
<b>Yapı ve Kredi Bankası A.Ş.</b>	174.884	2.078.596
	<b>174.884</b>	<b>2.078.596</b>

**iv) As at 31 December, the details of other expenses to related parties are as follows:**

a) Rent expense:

	2017	2016
<b>Temel Ticaret ve Yatırım A.Ş.</b>	979.887	850.797
	<b>979.887</b>	<b>850.797</b>

b) Payments to key management:

Tat Gıda's senior managers are the Chairman and Members of the Board of Directors, the General Manager, the Assistant General Managers and the general directors. In 2017, the total benefits provided to the senior management of Tat Gıda is TL 8.801.805 (31 December 2016: TL 7.758.766). All of this amount consists of short-term benefits. The costs incurred by Tat Gıda were realized as TL 7.008.750 (31 December 2016: TL 6.556.877) after the costs reflected to the companies served by Tat Gıda.

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**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments****a) Capital Risk Management**

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 6, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Company controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As at 31 December the debt to equity ratio is as follows:

	2017	2016
Total Liabilities	109.633.149	73.692.176
Negative: Cash and cash equivalents (Note 4)	(13.025.751)	(43.117.818)
Net Debt	96.607.398	30.574.358
Total Equity	492.975.635	460.960.367
Net Liability/Equity	0,1960	0,0663

**b) Financial Risk Factors**

The risks of the Company, resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Company. The Company uses derivative financial instruments in order to safeguard itself from different financial risks.

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Company's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity. There are not any changes in financial risk factors and credit risk management of the Company as compared to previous year.

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**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)***b.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.

31 December 2017	Receivables					
	Trade Receivables		Other Receivables		Deposits in Banks	Others
	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date	244.725.130	36.700.019	--	254.080	13.025.751	453.194
- The part of maximum risk under guarantee with collateral etc.	--	2.130.744	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	195.089.657	34.368.336	--	254.080	13.025.751	453.194
B. Carrying value of financial assets that are past due but not impaired	49.635.473	2.331.683	--	--	--	--
C. Net book value of impaired assets	--	2.815.858	--	--	--	--
- Past due (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	(2.815.858)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- 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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**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)***b.1) Credit risk management (Continued)*

	Receivables					
	Trade Receivables		Other Receivables		Deposits in Banks	Others
	Related Party	Third Party	Related Party	Third Party		
<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	--	2.649.354	--	--	--	--
- Past due (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	(2.649.354)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--	--

<b>31 December 2017</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>	<b>Deposits in banks</b>	<b>Others</b>
Past due 1-30 days	40.865.657	--	--	--
Past due 1-3 months	11.000.102	--	--	--
Past due 3-12 months	101.397	--	--	--
<b>Total past due receivables</b>	<b>51.967.156</b>	<b>--</b>	<b>--</b>	<b>--</b>

<b>31 December 2016</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>	<b>Deposits in banks</b>	<b>Others</b>
Past due 1-30 days	57.012.534	--	--	--
Past due 1-3 months	20.830.170	--	--	--
Past due 3-12 months	337.688	--	--	--
<b>Total past due receivables</b>	<b>78.180.392</b>	<b>--</b>	<b>--</b>	<b>--</b>



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**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)***b.1) Credit risk management (Continued)*

As of 31 December, letter of guarantees held for the trade receivables that are past due as but not provision booked is as follows:

	2017	2016
	Nominal Value	Nominal Value
The part under guarantee with collateral	2.130.744	19.020.815

*b.2) Liquidity risk management*

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2017						
Contractual Maturity Analysis	Carrying Value	Total Cash Outflows in accordance with contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank borrowings and issued bonds	109.633.149	120.878.778	48.722.737	63.866.693	8.289.348	--
Trade payables	122.181.871	122.181.871	122.181.871	--	--	--
Trade payables to related parties	18.958.312	18.958.312	18.958.312	--	--	--
<b>Total liabilities</b>	<b>250.773.332</b>	<b>262.018.961</b>	<b>189.862.920</b>	<b>63.866.693</b>	<b>8.289.348</b>	<b>--</b>

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

**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)***b.1) Liquidity risk management (Continued)*

31 December 2016						
Contractual Maturity Analysis	Carrying Value	Total Cash Outflows in accordance with contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank borrowings and issued bonds	73.692.176	89.261.671	1.031.800	2.100.000	86.129.871	--
Trade payables	95.006.161	95.006.161	95.006.161	--	--	--
Trade payables to related parties	23.077.774	23.077.774	23.077.774	--	--	--
<b>Total liabilities</b>	<b>191.776.111</b>	<b>207.345.606</b>	<b>119.115.735</b>	<b>2.100.000</b>	<b>86.129.871</b>	<b>--</b>

*b.3) Market risk management*

The Company's activities expose it to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Company uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. Market risk exposures are also measured by sensitivity analysis and stress scenarios.

There has been no change in the Company's exposure to market risks or the manner which it manages and measures the risk.

*b.4) Foreign currency risk management*

Transactions in foreign currencies cause foreign currency risk. Currency risk is managed by foreign currency purchase/sale contracts based on the approved policies.

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**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)****b.4) Foreign currency risk management (Continued)**

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

31 December 2017	TL Equivalent	USD	Euro	Others
1. Trade Receivables	9.491.770	1.391.276	917.729	19.686
2.a Monetary financial assets	12.234.069	3.168.096	62.967	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	21.725.839	4.559.372	980.696	19.686
5. Trade Receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS				
9. TOTAL ASSETS	<b>21.725.839</b>	<b>4.559.372</b>	<b>980.696</b>	<b>19.686</b>
10. Trade Payables	(10.079.284)	(1.166.257)	(1.254.935)	(2.681)
11. Financial Liabilities	(18.859.500)	(5.000.000)	--	--
12.a Other Monetary Financial Liabilities	(4.938.824)	(1.309.373)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(33.877.608)	(7.475.630)	(1.254.935)	(2.681)
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>(33.877.608)</b>	<b>(7.475.630)</b>	<b>(1.254.935)</b>	<b>(2.681)</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	(12.151.769)	(2.916.258)	(274.239)	17.005
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	<b>(12.151.769)</b>	<b>(2.916.258)</b>	<b>(274.239)</b>	<b>17.005</b>
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)****b.4) Foreign currency risk management (Continued)**

<b>31 December 2016</b>	<b>TL Equivalent</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>
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	--	--	--	--
<b>4. CURRENT ASSETS</b>	<b>32.863.780</b>	<b>8.254.844</b>	<b>979.003</b>	<b>41.960</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>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	--	--	--	--
<b>13. CURRENT LIABILITIES</b>	<b>(6.482.087)</b>	<b>(1.371.394)</b>	<b>(446.340)</b>	<b>--</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>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. TOTAL LIABILITIES</b>	<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>532.663</b>	<b>41.960</b>
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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

**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)**

## Currency risk sensitivity

The Company is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Company's sensitivity to a 10% increase and decrease in the USD, GBP 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.

31 December 2017		
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of Foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	(1.099.983)	1.099.983
2- Part of hedged from US Dollar risk (-)	--	--
<b>3- US Dollar net effect</b>	<b>(1.099.983)</b>	<b>1.099.983</b>
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	(123.833)	123.833
5 – Part of hedged from EURO risk (-)	--	--
<b>6- Euro net effect</b>	<b>(123.833)</b>	<b>123.833</b>
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	8.639	(8.639)
8 – Part of hedged from GBP risk (-)	--	--
<b>9 – GBP net effect</b>	<b>8.639</b>	<b>(8.639)</b>
<b>TOTAL</b>	<b>(1.215.177)</b>	<b>1.215.177</b>

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**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**Note 26 – Nature And The Level Of Risk Resulted From Financial Instruments (Continued)****b) Financial Risk Factors (Continued)**

31 December 2016		
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of Foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	2.422.434	(2.422.434)
2- Part of hedged from US Dollar risk (-)	--	--
<b>3- US Dollar net effect</b>	<b>2.422.434</b>	<b>(2.422.434)</b>
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	197.613	(197.613)
5 – Part of hedged from EURO risk (-)	--	--
<b>6- Euro 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>TOTAL</b>	<b>2.638.169</b>	<b>(2.638.169)</b>

**Interest rate risk management**

The Company borrows funds at fixed and variable rates that the Company is exposed to interest rate risk. By the Company, such risk is managed between fixed and variable rate debt by making an appropriate distribution with the interest rate swap contracts and term interest rate contracts. Hedging strategies, with the interest rate expectations and defined risk, is evaluated on a regular basis. Thus, the creation of an optimal hedging strategy, is intended to control review to balance sheet position and interest payments with different interest rates.

The following sensitivity analysis is determined on the exposure to interest rate risks of non-derivative instruments in the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The Company management expects a floatation in interest rates of 1%. The respective amount is used in reporting to the top management within the Company.

Interest rate statement of position		
	31 December 2017	31 December 2016
<b>Fixed interest instruments</b>		
Financial Liabilities	109.633.149	73.692.176

If the interest rates were higher/lower by 1%, the Company's interest expenses before tax would be higher/lower by TL 93.032 (31 December 2016: TL 76.276); and interest expenses after tax would be higher/lower by TL 74.426 (31 December 2016: TL 61.021).



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**Note 27 – Financial Instruments****Financial Instruments' Classification and Fair Value**

31 December 2017	Financial assets at amortized cost	Loans and Receivables (cash and cash equivalents included)	Available for sale financial assets	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Carrying Value	Note
<b>Financial Assets</b>							
Cash and cash equivalents	13.025.751	--	--	--	--	13.025.751	4
Trade receivables	--	36.700.019	--	--	--	36.700.019	7
Receivables from related parties	--	244.725.130	--	--	--	244.725.130	25
Other financial assets	--	--	3.177.374	--	--	3.177.374	5
<b>Financial Liabilities</b>							
Loans and borrowings	--	--	--	109.633.149	--	109.633.149	6
Trade payables	--	--	--	122.181.871	--	122.181.871	7
Payables to related parties	--	--	--	18.958.312	--	18.958.312	25
<b>31 December 2016</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	43.117.818	--	--	--	--	43.117.818	4
Trade receivables	--	69.347.930	--	--	--	69.347.930	7
Receivables from related parties	--	161.030.182	--	--	--	161.030.182	25
Other financial assets	--	--	2.877.374	--	--	2.877.374	5
<b>Financial Liabilities</b>							
Loans and borrowings	--	--	--	73.692.176	--	73.692.176	6
Trade payables	--	--	--	95.006.161	--	95.006.161	7
Payables to related parties	--	--	--	23.077.774	--	23.077.774	25

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**Note 27 – Financial Instruments (Continued)****Fair value of financial instruments**

Estimated fair values of financial instruments have been determined by the Company by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

**Financial assets**

Carrying values of cash and cash equivalents and trade receivables are assumed to reflect their fair values due to their short-term nature.

**Financial liabilities**

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Bank borrowings are measured at their amortized cost. It is estimated that the borrowings' fair values approximate to their carrying values.

The fair value of financial assets and financial liabilities are determined as follows:

- 1) First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued at the quoted prices.
- 2) Second level: Financial assets and liabilities and the related assets or liabilities other than quoted prices in first level directly or indirectly observable market prices are used to determine valuation.
- 3) Third level: Financial assets and liabilities, assets or liabilities that are used in determining the fair value observed in the market valuation is based on the data.

The fair values of the financial assets and liabilities classification level are as follows:

	Level of fair value as of reporting date		
<b>31 December 2017</b>	1 <sup>st</sup> Level	2 <sup>nd</sup> Level	3 <sup>rd</sup> Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	3.177.374
<b>Total</b>	--	--	<b>3.177.374</b>

	Level of fair value as of reporting date		
<b>31 December 2016</b>	1 <sup>st</sup> Level	2 <sup>nd</sup> Level	3 <sup>rd</sup> Level
<b>Financial Assets at fair value through profit or loss</b>	TL	TL	TL
Available for sale financial assets	--	--	2.877.374
<b>Total</b>	--	--	<b>2.877.374</b>

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## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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## **Note 28 – Subsequent Events**

As of 31 December 2017 the effective tax rate in Turkey is 20%. However, according to new Corporate Tax Law which is published on official Gazette numbered 30261 on 5 December 2017, corporate tax rate will be 22% for fiscal years 2018, 2019 and 2020 in Turkey. Due to this change will be effective on 1 January 2018, the Company used 20% rate for its interim financial statements.

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This Annual Report ("Report"), including the Board of Directors' Report about the operations and financials of 2017, Auditors' Report, Financial Statements and the Independent Audit Report, was prepared in compliance with the legal regulations in force, to be presented to the Ordinary General Assembly of Ford Otosan A.Ş. (Company) to take place on the 13<sup>th</sup> of March 2017 Tuesday at 13.30 in Divan Hotel Istanbul, Elmadağ at the address Asker Ocağı Caddesi No. 1, 34367 Şişli, Istanbul. The Report was written only to inform the shareholders, and does not serve the purpose to lay the ground for any investment decision. The opinions stated in the Report regarding the future and projections reflect the Company Management's view on the future situation; their materialization may differ depending on the variables and assumptions that yield the projections. Accordingly, the Company or Members of the Board of Directors, advisors or employees cannot be held liable for any information or communication conveyed as part of this Report or for any direct or indirect loss and damages that may be incurred on any individual because of information based on/omitted from the content of this report. It is believed that all information in the Report was accurate at the time of preparation. The Company rejects any responsibility for errors that may occur during writing or printing.

