

TAT GIDA SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2016
(ORIGINALLY ISSUED IN TURKISH)

1 August 2016

This report includes 2 page of independent auditors' report on condensed interim financial statements and 26 pages of convenience translation into English of condensed interim financial statements together with their explanatory notes.

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

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

To the Board of Directors of Tat Gıda Sanayi Anonim Şirketi

Introduction

We have reviewed the accompanying balance sheet of Tat Gıda Sanayi Anonim Şirketi ("the Company") as at 30 June 2016, and the interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with TAS 34, 'Interim Financial Reporting'.

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



Murat Alsan, SMMM
Partner
1 August 2016
İstanbul, Turkey

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

TAT GIDA SANAYİ A.Ş.

INTERIM BALANCE SHEET AS AT 30 JUNE 2016

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

ASSETS	Notes	Reviewed	Audited
		30 June 2016	31 December 2015
Current Assets		492.402.000	491.480.612
Cash and cash equivalents		59.686.297	17.844.634
Trade receivables		257.357.244	237.892.976
-Trade receivables from related parties	13	206.207.309	198.144.076
-Trade receivables from third parties	5	51.149.935	39.748.900
Other receivables		1.208.351	327.772
-Other receivables from third parties		1.208.351	327.772
Inventories	6	114.700.426	192.680.258
Prepaid expenses		29.928.526	26.549
Prepaid taxes		--	3.048.545
Other current assets	11	29.521.156	39.659.878
Non-Current Assets		174.667.060	163.103.510
Other receivables		83.528	83.528
-Other receivables from third parties		83.528	83.528
Financial investments		3.552.374	3.552.374
Property, plant and equipment	7	148.233.617	135.984.291
Intangible assets		923.499	1.154.601
Prepaid expenses		1.597.570	3.463.141
Deferred tax assets		6.686.472	5.275.575
Other non-current assets	11	13.590.000	13.590.000
TOTAL ASSETS		667.069.060	654.584.122

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

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

TAT GIDA SANAYİ A.Ş.

INTERIM BALANCE SHEET AS AT 30 JUNE 2016 (CONTINUED)

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

LIABILITIES	Notes	Reviewed	Audited
		30 June 2016	31 December 2015
Short Term Liabilities		199.293.951	205.536.127
Short-term financial borrowings	4	3.034.781	18.490.854
Short-term portion of long-term borrowings	4	53.267.429	50.198.400
Trade payables		123.741.892	108.552.888
- Trade payables to related parties	13	16.758.247	16.749.416
- Trade payables to third parties	5	106.983.645	91.803.472
Employee benefit obligations		2.830.270	3.678.530
Other payables		3.485.160	11.172.609
- Other payables from related parties	13	2.561.158	6.536.253
- Other payables from third parties		924.002	4.636.356
Deferred income		2.759.325	6.525.568
Short-term provisions		10.175.094	6.917.278
- Short-term provisions for employment benefits		2.424.000	900.000
- Other short-term provisions		7.751.094	6.017.278
Long Term Liabilities		28.387.311	30.774.304
Long-term financial borrowings	4	16.923.077	20.000.000
Long-term provisions		11.464.234	10.774.304
- Long-term provisions for employment benefits		11.464.234	10.774.304
EQUITY		439.387.798	418.273.691
Equity attributable to equity holders of the parent company	9	439.387.798	418.273.691
Share capital		136.000.000	136.000.000
Inflation adjustment to share capital		21.601.088	21.601.088
Share premiums		10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		1.969.091	1.969.091
- Financial assets revaluation reserve		1.969.091	1.969.091
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		517.230	517.230
- Actuarial losses in defined benefit plan		517.230	517.230
Restricted reserves		84.592.445	80.729.934
Prior years' profit		143.476.510	100.030.348
Profit for the period		41.123.625	67.318.191
TOTAL LIABILITIES		667.069.060	654.584.122

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

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

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

		Reviewed	Reviewed	Reviewed	Reviewed
	Notes	1 January- 30 June 2016	1 April- 30 June 2016	1 January - 30 June 2015	1 April- 30 June 2015
Profit or loss					
Sales	10	501.009.434	249.601.024	448.566.019	224.102.605
Cost of sales (-)	10	(379.167.589)	(188.731.462)	(345.198.497)	(173.829.507)
Gross profit		121.841.845	60.869.562	103.367.522	50.273.098
Marketing expenses (-)		(62.600.108)	(32.350.898)	(50.391.057)	(26.264.437)
General administrative expenses (-)		(20.809.438)	(9.820.907)	(16.014.956)	(7.659.974)
Research and development expenses (-)		(7.806)	(3.047)	(11.557)	(2.649)
Other income from operating activities		7.150.259	3.029.650	10.196.784	3.767.651
Other expenses from operating activities (-)		(3.191.352)	(1.332.062)	(4.950.557)	(2.864.990)
Operating profit		42.383.400	20.392.298	42.196.179	17.248.699
Income from investing activities		562	562	2.919.233	2.724.826
Expenses from investing activities (-)		--	6.169	(162.899)	--
Share of loss of investments accounted by the equity method		--	--	(189.863)	(236.593)
Operating profit before finance expense		42.383.962	20.399.029	44.762.650	19.736.932
Finance income		1.060.895	951.686	4.851.081	2.108.673
Finance expense (-)		(3.732.129)	(1.679.835)	(7.404.383)	(737.028)
Finance expense		(2.671.234)	(728.149)	(2.553.302)	1.371.645
Profit before tax		39.712.728	19.670.880	42.209.348	21.108.577
Tax income		1.410.897	1.228.238	2.198.641	6.697.444
Current tax income	12	--	--	809.609	5.524.670
Deferred tax income	12	1.410.897	1.228.238	1.389.032	1.172.774
Profit for the period		41.123.625	20.899.118	44.407.989	27.806.021
Allocation of profit for the period					
Owners of the company		41.123.625	20.899.118	44.407.989	27.806.021
Net profit for the period		41.123.625	20.899.118	44.407.989	27.806.021
Earnings per share		0,33	0,15	0,33	0,20
Other comprehensive income:					
Actuarial gain on employee benefits		--	--	135.617	37.671
Total other comprehensive income		--	--	135.617	37.671
Total comprehensive income		41.123.625	20.899.118	44.543.606	27.843.692
Total comprehensive income attributable to					
Owners of the company		41.123.625	20.899.118	44.543.606	27.843.692
Total comprehensive income		41.123.625	20.899.118	44.543.606	27.843.692

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

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

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

	Share capital	Inflation adjustments to share capital	Share premium	Items that may be reclassified subsequently to profit or loss Financial assets revaluation reserve	Items that will not be reclassified subsequently to profit or loss Actuarial gain/losses in defined benefit plans	Restricted reserves	Net profit for the period	Prior year's profit	Total equity
Balance at 1 January 2015	136.000.000	21.601.088	10.107.809	1.744.091	(250.666)	60.404	150.262.119	30.437.759	349.962.604
Transfers	--	--	--	--	--	80.545.818	(150.262.119)	69.716.301	--
Total comprehensive income	--	--	--	--	135.617	--	44.407.989	--	44.543.606
Balance at 30 June 2015	136.000.000	21.601.088	10.107.809	1.744.091	(115.049)	80.606.222	44.407.989	100.154.060	394.506.210
Balance at 1 January 2016	136.000.000	21.601.088	10.107.809	1.969.091	517.230	80.729.934	67.318.191	100.030.348	418.273.691
Transfers	--	--	--	--	--	3.862.511	(67.318.191)	63.455.680	--
Dividend payment	--	--	--	--	--	--	--	(20.009.518)	(20.009.518)
Total comprehensive income	--	--	--	--	--	--	41.123.625	--	41.123.625
Balance at 30 June 2016	136.000.000	21.601.088	10.107.809	1.969.091	517.230	84.592.445	41.123.625	143.476.510	439.387.798

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

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TAT GIDA SANAYİ A.Ş.

**INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTH
PERIOD ENDED 30 JUNE 2016**

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

	Reviewed	Reviewed
Notes	1 January- 30 June 2016	1 January- 30 June 2015
Profit before tax from continuing operations	39.712.728	42.209.348
Adjustments to reconcile profit for the period:		
Adjustments related to obsolete inventory	--	(741.706)
Adjustments related to depreciation and amortization expenses	3 4.269.646	3.955.059
Adjustments related to provision for employee termination benefit	2.090.256	3.146.632
Adjustments related to profit from sale of subsidiary	7 --	(2.919.233)
Profit / (loss) from sale of property, plant and equipment and intangible assets	(562)	2.787
Adjustments related to other provisions	1.733.816	14.896.452
Share of profit of investments accounted by the equity method	--	189.863
Adjustments related to income accruals	(2.184.667)	(352.189)
Financial liabilities and assets unrealized foreign exchange differences (net)	--	1.118.398
Discount income	(449.884)	(1.074.311)
Interest income	(1.060.895)	(9.088.551)
Interest expense	3.732.129	7.404.383
Changes in working capital	47.842.567	58.746.932
Changes in trade receivables and other receivables	(9.983.241)	(8.279.282)
Changes in due from related parties	(8.063.233)	(18.289.897)
Changes in inventories	77.979.832	72.997.602
Changes in prepaid expenses	(26.797.273)	(22.421.681)
Changes in other current and non-current assets	10.138.722	12.148.850
Changes in trade payables	15.180.173	(14.550.384)
Changes due to related parties	(3.966.264)	(8.555.243)
Changes in deferred income	(3.766.243)	(5.917.439)
Changes in employee benefit payables	(848.260)	(1.112.364)
Changes in other current liabilities	(3.712.354)	(2.841.135)
Changes in provisions for employee benefit	1.524.000	--
Cash flows from operating activities	95.528.426	61.925.959
Employee termination benefits paid	(1.459.769)	(2.862.612)
Taxes deducted / (paid)	3.048.545	3.397.876
Net cash flows from operating activities	97.117.202	62.461.223
Investing activities:		
Property, plant and equipment and intangible asset acquisitions	(17.315.235)	(7.586.985)
Cash generated from sale of property, plant and equipment and intangible assets	184.415	67.609
Sale of subsidiary	--	11.885.900
Interest received	1.060.895	9.088.551
Net cash used in investing activities	(16.069.925)	13.455.075
Financing activities:		
Cash inflows due to loan received	19.752.469	174.235.945
Cash outflows due to loan payments	(34.989.121)	(228.230.428)
Cash outflows due to bond repayment	--	(50.000.000)
Dividend payment	(20.009.518)	--
Interest paid	(3.959.444)	(7.746.002)
Net cash generated used in financing activities	(39.205.614)	(111.740.485)
Net change in cash and cash equivalents	41.841.663	(35.824.187)
Cash and cash equivalents at the beginning of the period	17.844.634	95.098.784
Cash and cash equivalents at the end of the period	59.686.297	59.274.597

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

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

TAT GIDA SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(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 1.236 employees at 30 June 2016. (31 December 2015: 1.068).

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 subsidiary of the Company; Moova Gıda Sanayi ve Ticaret A.Ş. (“Moova”) has operations in milk and diary products till 31 May 2015. Based on the decision taken at the meeting of Board of Directors on 1 July 2014, the Company signed share purchase and sale agreement to acquire the shares of Moova that representing 100% of the capital from Söktaş Tekstil Sanayi ve Ticaret A.Ş., Muharrem Hilmi Kayhan, Eyüp Hilmi Kayhan, Nihat Fadıl Erten ve Mehmet Yılmaz (“Sellers”) with amount of TL 32.271.190 (“Closing Payment”) that subjected to price adoption. The acquisition was completed at 20 August 2014. Company merged with Moova at 31 May 2015 and as a result of merger Moova’s legal entity had ended. Until the date of merger Company accounted Moova with full consolidation method so merger has no effect on financial statements.

The jointly controlled entity of the Company, Tedi İçecek Sanayi A.Ş. (“Tedi”) which had been sold at 29 May 2015, has operations in import and sale of fruit juice.

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

The registered office address of the Company is as follows:

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

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

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

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

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

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

TAT GIDA SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

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

2.1 Statement of Compliance (continued)

Approval of financial statements:

Interim condensed financial statements are authorized for issue by Board of Directors meeting on 1 August 2016.

Reporting and Functional Currency

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

Correction of financial statements of hyperinflation periods

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

2.2 Financial Statements of Comparative Information and Restatement of Prior Period

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

2.3 New and Revised International Financial Reporting Standards:

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the financial position or performance of the Company.

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 International Financial Reporting Standards ("IFRS") standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, 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.

IFRS 9 Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(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 15 Revenue from Contracts with Customers

The standard is the result of a joint project and IASB and Financial Accounting Standards Board (“FASB”) which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

IFRS 16 Leases

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

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB’s broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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

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

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TAT GIDA SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

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

2.4 Restatement and Errors in the Accounting Policies and Estimates

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

2.5 Summary of Significant Accounting Policies

According to CMB, the entities have option to prepare interim financial statements prepared according to IAS 34 “Interim Financial Statements” as condensed or full set. Therefore, the Company decided to prepare its interim financial statements as of 30 June 2016 as condensed.

Some of the disclosures and notes that are required to be included in IFRS financial statements under the CMB are summarized in accordance with IAS 34 or not included in the financial statements. The accompanying condensed financial statements should be presented with the audited financial statements and accompanying notes prepared as of 31 December 2015. The results of interim financial statements cannot be solely considered as the results of the entire financial period.

Accounting policies and accounting estimates disclosed in the 31 December 2015 financial statements are applied in the current period.

NOTE 3 – SEGMENT REPORTING

Primary Segmental Reporting Method - Industrial Segments

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

- 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 435.459.008 TL TL (30 June 2015: 375.765.063 TL)

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NOTE 3 - SEGMENT REPORTING (CONTINUED)

a) Revenue segmental analysis for the period ended 1 January - 30 June 2016 and 2015

	1 January- 30 June 2016	1 January- 30 June 2015
Tomato paste and canned products	203.325.893	177.799.962
Milk and dairy products	266.717.216	242.752.694
Pasta and bakery products	30.966.325	28.013.363
	501.009.434	448.566.019

b) Segment assets

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

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

As of 30 June 2016 and 31 December 2015, the recorded amounts of the segment assets according to industrial segments are as follows:

	30 June 2016	31 December 2015
Tomato paste and canned products	45.816.658	47.838.131
Milk and dairy products	95.199.163	81.380.454
Pasta and bakery products	5.732.562	5.908.706
Assets that cannot be allocated to segments	2.408.733	2.011.601
	149.157.116	137.138.892

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 for the periods ended 30 June 2016 and 30 June 2015 are as follows:

	1 January- 30 June 2016	1 January- 30 June 2015
Depreciation and Amortization		
Tomato paste and canned products	722.386	785.566
Milk and dairy products	2.999.113	2.731.230
Pasta and bakery products	286.147	240.905
Depreciation and amortization charges that cannot be allocated to segments	212.000	197.358
	4.269.646	3.955.059

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NOTE 3 – SEGMENTAL REPORTING (CONTINUED)

d) Depreciation and amortization and capital expenditures (continued)

For the periods ended 30 June 2016 and 2015, investment expenditures for the industrial segment assets are as follows:

	1 January- 30 June 2016	1 January- 30 June 2015
Investment Expenditures		
Tomato paste and canned products	3.862.106	1.203.920
Milk and dairy products	12.287.009	5.848.512
Pasta and bakery products	555.868	148.207
Investment expenditures that cannot be allocated to segments	610.252	386.346
	17.315.235	7.586.985

NOTE 4 – FINANCIAL BORROWINGS

The financial liabilities at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Short term borrowings	3.034.781	18.490.854
Short term portion of long term borrowings	3.174.604	105.575
Issued bonds	50.092.825	50.092.825
Total short term financial liabilities	56.302.210	68.689.254
Long term borrowings	16.923.077	20.000.000
Total long term financial liabilities	16.923.077	20.000.000
	73.225.287	88.689.254

The company issued bonds on 26 December 2014 amounting to TL 50.000.000, with a maturity of 23 December 2016 and 9,68% interest rate.

There are no pledges and mortgages given related to the Company's financial liabilities (31 December 2015: None).

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NOTE 4– FINANCIAL BORROWINGS (CONTINUED)

The company's loans have fixed interest rates. The details of financial borrowings as of 30 June 2016 are as follows:

	The weighted average interest rate	Original amount	30 June 2016 Book Value (TL)
Short term financial borrowings			
TL borrowings	6,59%	3.034.781	3.034.781
			3.034.781
Short-term portion of long term borrowings			
TL Borrowings	%10,25	3.174.604	3.174.604
Issued Bonds	%9,68	50.000.000	50.000.000
Interest of issued bonds		92.825	92.825
			53.267.429
Long term financial borrowings			
TL borrowings	%10,25	16.923.077	16.923.077
			16.923.077

The details of financial borrowings as of 31 December 2015 are as follows:

	The weighted average interest rate	Original amount	31 December 2015 Book Value (TL)
Short term financial borrowings			
TL borrowings	11,20%	18.490.854	18.490.854
			18.490.854
Short term portion of long term borrowings			
TL borrowings and interest	%10,25	105.575	105.575
Bonds issued	%9,68	50.000.000	50.000.000
Interest of bonds issued		92.825	92.825
			50.198.400
Long term financial borrowings			
TL borrowings	%10,25	20.000.000	20.000.000
			20.000.000

Repayment schedule of the long-term borrowings and bonds issued at 30 June 2016 and 31 December 2015 of are as follows:

	30 June 2016	31 December 2015
2017	3.076.923	6.153.846
2018	6.153.846	6.153.846
2019	6.153.846	6.153.846
2020	1.538.462	1.538.462
	16.923.077	20.000.000

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NOTE 5 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables

The analysis of trade receivables and trade payables at 30 June 2016 and 31 December 2015 is as follows:

	30 June 2016	31 December 2015
Due from related parties (note 13)	206.207.309	198.144.076
Notes and cheques receivables	35.890.060	25.938.188
Trade receivables	9.496.998	9.155.881
Income accruals	8.368.822	7.240.164
Provisions for doubtful receivables	(2.605.945)	(2.585.333)
	257.357.244	237.892.976

Movement of allowance for doubtful receivables of the Company for the period ended 30 June 2016 and 30 June 2015 is as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
Opening balance	(2.585.333)	(2.605.945)
Provisions made during period	(20.612)	--
Collections	--	20.612
	(2.605.945)	(2.585.333)

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

Trade Payables

As of 30 June 2016 and 31 December 2015, the details of trade payables are as follows:

	30 June 2016	31 December 2015
Domestic suppliers	106.983.645	91.803.472
Due to related parties (Note 13)	16.758.247	16.749.416
	123.741.892	108.552.888

NOTE 6 - INVENTORIES

As of 30 June 2016 and 31 December 2015, the details of inventories are as follows:

	30 June 2016	31 December 2015
Raw materials	38.256.201	40.562.832
Semi-finished goods	1.201.368	711.591
Finished goods	75.198.699	151.325.122
- <i>Tomato paste and canned products</i>	54.653.003	130.744.519
- <i>Milk and dairy products</i>	17.887.780	16.604.221
- <i>Pasta and bakery products</i>	2.657.916	3.976.382
Other inventory	44.158	80.713
	114.700.426	192.680.258

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NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

For the periods ended 30 June 2016 and 30 June 2015, property, plant and equipment movement are as follows:

	<u>2016</u>	<u>2015</u>
Net book value as of 1 January	135.984.291	130.506.378
Additions	17.299.609	6.266.041
Disposals	(42.955)	(70.396)
Current period depreciation	(5.007.328)	(4.825.239)
Net book value as of 30 June	<u>148.233.617</u>	<u>131.876.784</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

	<u>30 June</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>
A. On the behalf of legal entity	57.485.746	53.981.932
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	--	--
	<u>57.485.746</u>	<u>53.981.932</u>

Company has miscellaneous guarantee letters given to tax office (for VAT receivable), T.Ihracat Kredi Bankası A.Ş. and customs amounting to 57.485.746 TL (31 December 2015: 53.981.932 TL).

Total guarantees given by the Company are in TL currency and neither any pledges nor encumbrances are given by the Company. Ratio of commitments and contingencies given by the Company to the Shareholders Equity on 30 June 2016 is 0% (31 December 2015: 0%).

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NOTE 9 – SHAREHOLDER’S EQUITY

a) Share Capital

As of 30 June 2016 and 31 December 2015, the shareholders and paid-in capital with the historical values are as follows:

	30 June		31 December	
	%	2016	%	2015
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Shares publicly open in stock exchange	41,4	56.312.844	41,4	56.312.844
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Other	6,4	8.745.169	6,4	8.745.169
Total Share Capital	100	136.000.000	100	136.000.000
Inflation adjustments to share capital		21.601.088		21.601.088
Adjusted share capital		157.601.088		157.601.088

The company’s share capital of year 2016 consists of 13.600.000.000 number of shares and there is no preferred stock (31 December 2015: 13.600.000.000 number of shares)

b) Revaluation Fund

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

c) Restricted Reserves

Details of restricted reserves are as follows:

	30 June		31 December	
		2016		2015
Legal Reserves		14.676.742		10.814.231
Special Reserves		69.915.703		69.915.703
		84.592.445		80.729.934

Legal Reserves

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

Special Reserves

The Company has sold Maret assets in 2014 as described in note 12. The income from this sale was subjected to tax with exemptions as described in article 5/1-e of Corporate Tax Law No: 5520. According to the article 5/1-e of Corporate Tax Law No: 5520, 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years, and from the sales of founders’ shares, preference shares and preferred rights they have kept for same duration are exempted from corporate tax. This exception shall apply in the term the sale is made, and the part of the proceeds of the sale that have benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale. However, the sale price must be collected until the end of the second calendar year following the year the sale is made.

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NOTE 9 – SHAREHOLDER’S EQUITY (CONTINUED)

c) Restricted Reserves (continued)

Dividend Payment

In General Assamble Meeting of the Company on 30 March 2016;

It has been decided that, TL 6.800.000 as first dividend and TL 10.295.200 as second dividend which amount to TL 17.095.200 in total and dividend for holders of redeemed shares amounting to TL 2.914.318 will be paid in cash.

Dividend payments are completed on 8 April 2016.

NOTE 10 – SALES AND COST OF SALES

For the periods ended between 30 June 2016 and 30 June 2015, the details of operating income and cost of goods sold are as follows:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Domestic sales	500.032.505	249.030.563	465.432.116	230.531.676
Foreign sales	45.577.635	21.834.852	29.438.139	16.726.709
Rebates and sales discounts	(44.600.706)	(21.264.391)	(46.304.236)	(23.155.780)
Total operating revenue	501.009.434	249.601.024	448.566.019	224.102.605
Raw material costs	(262.914.478)	(131.775.747)	(252.038.221)	(131.349.415)
Labor costs	(10.153.271)	(5.571.557)	(8.628.040)	(4.865.172)
General production overheads	(26.853.529)	(14.062.002)	(24.191.639)	(13.328.595)
Depreciation cost	(3.472.097)	(1.860.206)	(3.172.215)	(1.737.349)
Change in inventory	(75.774.214)	(35.461.950)	(57.168.382)	(22.548.976)
Cost of sales	(379.167.589)	(188.731.462)	(345.198.497)	(173.829.507)
Gross profit	121.841.845	60.869.562	103.367.522	50.273.098

NOTE 11 – OTHER ASSETS

	30 June 2016	31 December 2015
Other current assets:		
Deferred value added tax (“VAT”)	26.590.124	27.080.886
VAT receivables arising from exports	1.782.360	3.027.598
Deductible VAT	--	9.173.870
Others	1.148.672	377.524
	29.521.156	39.659.878
Other non-current assets:		
Deferred VAT	13.590.000	13.590.000
	13.590.000	13.590.000

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NOTE 12 – TAX ASSETS AND LIABILITIES

	<u>1 January - 30 June 2016</u>	<u>1 January - 30 June 2015</u>
Current period tax income	--	809.609
-Prior period tax income	--	809.609
Deferred tax income	1.410.897	1.389.032
Total tax income	<u>1.410.897</u>	<u>2.198.641</u>

Reconciliation of effective tax rate

The Company's effective tax rate from continuous operations was negative 4% and negative %5 for the period ended 30 June 2016 and 2015 due to the usage of tax losses of Moova, the merged subsidiary, at the interim period for which no deferred tax was recognized in the previous year.

NOTE 13 – RELATED PARTY TRANSACTIONS

i) As of 30 June 2016 and 31 December 2015, the details of related party balances are as follows:

a) Deposits at Banks:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Yapı ve Kredi Bankası A.Ş.	52.656.489	17.362.920
	<u>52.656.489</u>	<u>17.362.920</u>

b) Financial liabilities:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Yapı ve Kredi Bankası A.Ş.	--	936.487
	--	<u>936.487</u>

c) Due from related parties:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Düzey (*)	201.554.339	191.693.518
Sc Foods	4.634.319	3.062.962
Sumitomo Corporation	--	3.344.106
Others	18.651	43.490
	<u>206.207.309</u>	<u>198.144.076</u>

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

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NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)

d) Due to related parties:

	30 June 2016	31 December 2015
Trade Payables		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14.458.863	14.146.036
Temel Ticaret ve Yatırım A.Ş.	760.811	727.226
Ram Sigorta Aracılık Hizmetleri A.Ş.	159.686	19.875
Otokoç Otomotiv Tic.ve San. A.Ş.	42.820	487.040
Setur Servis Turistik A.Ş.	126.810	342.915
Koç Sistem A.Ş.	107.137	362.719
Opet Petrolcülük A.Ş.	40.870	36.081
Others	1.061.250	627.524
	16.758.247	16.749.416
Other Payables		
Koç Holding A.Ş.	2.561.158	6.536.253
Total Payables	19.319.405	23.285.669

ii) For the periods ended 30 June 2016 and 2015, the details of significant sales to related parties and purchases from related parties are as follows:

a) Sales to related parties:

	1 January- 30 June 2016	1 January- 30 June 2015
Düzey (*)	435.459.008	375.765.063
Sc Foods	19.569.191	--
Sumitomo Corporation	9.949.785	17.295.994
Others	1.675	2.201
	464.979.659	393.063.258

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

b) Purchase from related parties:

	1 January- 30 June 2016	1 January- 30 June 2015
Zer Merkezi Hizmetler ve Ticaret A.Ş.	9.214.068	4.992.024
	9.214.068	4.992.024

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NOTE 15 – RELATED PARTY TRANSACTIONS (CONTINUED)

ii) For the periods ended 30 June 2016 and 2015, the details of significant sales to related parties and purchases from related parties are as follows (continued):

c) Services obtained from related parties:

	<u>1 January- 30 June 2016</u>	<u>1 January- 30 June 2015</u>
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	19.216.093	7.294.338
Koç Holding A.Ş. (**)	4.353.452	837.022
Aygaz Doğal Gaz Toptan Satış A.Ş.	2.916.850	2.487.647
Temel Ticaret ve Yatırım A.Ş.	973.185	953.055
Koç Sistem A.Ş.	779.330	608.498
Otokoç Otomotiv Tic. ve San. A.Ş.	628.113	526.063
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	572.196	27.390
Opet Petrolcülük A.Ş.	355.269	448.230
Setur Servis Turistik A.Ş.	352.478	244.490
Eltek Elektrik Enerjisi İth. İhr. Toptan Tic. A.Ş.	--	3.889.455
Others	203.014	495.524
	<u>30.349.980</u>	<u>17.811.712</u>

(*)In the context of insurance policies signed via acting as insurance agent Ram Insurance Brokerage Services A.Ş. and insurance companies, it includes the amount of premium paid accrued in the period ended June 30, 2016, respectively.

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

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

iii) For the periods ended 30 June 2015 and 2014, the details of financial expenses to related parties are as follows:

a) Interest Expenses:

	<u>1 January- 30 June 2016</u>	<u>1 January- 30 June 2015</u>
Yapı ve Kredi Bankası A.Ş.	10.894	424.521
	<u>10.894</u>	<u>424.521</u>

b) Interest Income:

	<u>1 January- 30 June 2016</u>	<u>1 January- 30 June 2015</u>
Yapı ve Kredi Bankası A.Ş.	1.018.664	790.904
	<u>1.018.664</u>	<u>790.904</u>

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NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)

iv) For the periods ended 30 June 2016 and 2015, the details of other income and expenses from / to related parties are as follows:

a) Rent Expenses:

	<u>1 January- 30 June 2016</u>	<u>1 January- 30 June 2015</u>
Temel Ticaret ve Yatırım A.Ş.	410.383	335.108
	<u>410.383</u>	<u>335.108</u>

b) Payments to key management:

	<u>1 January- 30 June 2016</u>	<u>1 January- 30 June 2015</u>
Wages and other short-term benefits	2.094.333	1.821.745
	<u>2.094.333</u>	<u>1.821.745</u>

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

a) Financial Risk Factors

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

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

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

a.1) Credit Risk Management

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

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

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

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

	Receivables				Deposits in bank	Other
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
30 June 2016						
Maximum net credit risk as of balance sheet date	206.207.309	51.149.935	--	1.291.879	59.678.844	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	181.031.556	50.447.871	--	1.291.879	59.678.844	110
B. Carrying value of financial assets that are past due but not impaired	25.175.753	702.064	--	--	--	-
C. Net book value of impaired assets						-
- Past due (gross carrying amount)	--	2.605.945	--	--	--	-
- Impairment	--	--	--	--	--	-
- The part of net value under guarantee with collateral etc.	--	(2.605.945)	--	--	--	-
- 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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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

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

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

	Receivables					
	Trade receivables		Other receivables		Deposits in bank	Other
	Related party	Third party	Related party	Third party		
31 December 2015						
Maximum net credit risk as of balance sheet date	198.144.076	39.748.900	--	411.300	17.844.524	110
-The part of maximum risk under guarantee with collateral etc.	--	6.151.445	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	149.518.635	38.683.438	--	411.300	17.844.524	110
B. Carrying value of financial assets that are past due but not impaired	48.625.441	1.065.462	--	--	--	--
C. Net book value of impaired assets						
- Past due (gross carrying amount)	--	2.585.332	--	--	--	--
- Impairment	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	(2.585.332)	--	--	--	--
- 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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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

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

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

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

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

30 June 2016	TL Equivalent	USD	EUR	GBP
1. Trade Receivables	8.914.621	2.421.116	586.644	7.505
2.a Monetary financial assets	13.966.483	4.790.618	32.565	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	22.881.104	7.211.734	619.209	7.505
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	22.881.104	7.211.734	619.209	7.505
10. Trade Payables	(683.307)	(134.199)	(83.243)	(7.300)
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(1.625.379)	(561.715)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(2.308.686)	(695.914)	(83.243)	(7.300)
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	(2.308.686)	(695.914)	(83.243)	(7.300)
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	20.572.418	6.515.820	535.966	205
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	20.572.418	6.515.820	535.966	205
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

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

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

31 December 2015	TL Equivalent	USD	EUR	GBP
1. Trade Receivables	10.346.775	2.584.581	877.065	10.437
2.a Monetary financial assets	12.739.629	3.828.200	489.843	12.144
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	23.086.404	6.412.781	1.366.908	22.581
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	23.086.404	6.412.781	1.366.908	22.581
10. Trade Payables	(570.219)	(149.858)	(35.391)	(5.123)
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(6.351.409)	(2.184.417)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(6.921.628)	(2.334.275)	(35.391)	(5.123)
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	(6.921.628)	(2.334.275)	(35.391)	(5.123)
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	16.164.776	4.078.506	1.331.517	17.458
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	16.164.776	4.078.506	1.331.517	17.458
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 14 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

Foreign currency sensitivity

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

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

	30 June 2016	
	Profit / Loss	
	<u>Appreciation of foreign currency</u>	<u>Devaluation of foreign currency</u>
In the case of appreciation of USD at 10% ratio compared to TL		
1 – USD net asset / liability	1.885.418	(1.885.418)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect	<u>1.885.418</u>	<u>(1.885.418)</u>
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	171.745	(171.745)
5 – Part of hedged from EUR risk (-)	--	--
6- EUR net effect	<u>171.745</u>	<u>(171.745)</u>
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	79	(79)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	<u>79</u>	<u>(79)</u>
TOTAL	<u>2.057.242</u>	<u>(2.057.242)</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

a) Financial Risk Factors (continued)

Foreign currency sensitivity (continued)

	31 December 2015	
	Profit / Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
In the case of appreciation of USD at 10% ratio compared to TL		
1 – USD net asset / liability	1.185.867	(1.185.867)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect	1.185.867	(1.185.867)
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	423.103	(423.103)
5 – Part of hedged from EUR risk (-)	--	--
6- EUR net effect	423.103	(423.103)
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	7.508	(7.508)
8 – Part of hedged from GBP risk (-)	--	--
9 - GBP net effect	7.508	(7.508)
TOPLAM (3+6+9)	1.616.478	(1.616.478)

NOTE 15 – SUBSEQUENT EVENTS

None.