

**THE ANNUAL REPORT OF THE BOARD OF DIRECTORS
OF TAT KONSERVE SANAYİİ A.Ş.
SUBMITTED TO THE FORTY-FOURTH ORDINARY GENERAL ASSEMBLY HELD ON
21.03.2012**

Our esteemed shareholders,

We would like to salute all our shareholders on account of our Forty Fourth Ordinary General Assembly convening in order to examine and conclude the results of the operations in year 2011.

In addition to the suitable geographical conditions in Turkey, the potential of the agricultural and cattle breeding also provides considerable advantages to the food sector. The young population of the country, increasing level of income and increasing spendings on private consumption are the most critical elements to keep contributing positively to the growth of the sector. On the other hand, Turkey is surrounded by countries that are developing, with rapidly increasing levels of income and spendings. On the consumer side, the rapid increase in the demand to especially branded products underlines branding in the food sector and creates an important field for development for the economy in Turkey with new investments.

According to the data of 2010, food sector in Turkey provides employment to approximately 1.000.000 people, with a capacity of producing 186,4 million tons of food and 13,2 billion liters of drinks. The food sector with total 17 thousand 391 registered enterprises has a value of TL 160 billion, with a share of 28% in the GDP. According to State Planning Agency (DPT) data, it has a share of 18-20% as production value in the manufacturing industry.

The meat and dairy sector that reached a size of 10 billion dollars in 2010, 1 million 90 thousand 605 tons of milk, 780 thousand 718 tons of red meat, 908 thousand tons of yogurt, 473 thousand tons of cheese and 398 thousand tons of buttermilk were produced last year. The food sector covers the foreign trade with a high level such as 195%.

Tat remains the market leadership in tomato paste, tomato products, ketchup and premium pasta products in parallel with the goal and strategy to be closer to the consumer and to maintain a high level of consumer satisfaction with new packing designs and new products offered to the market in year 2011, and advances to become the market leader in the pasteurized milk category.

According to the third quarter results of year 2011 of the Customer Satisfaction Index of Turkey (TMME), which is a joint effort of the Quality Association of Turkey (Türkiye Kalite Derneği - KalDer) and the international survey organization KA Araştırma, Tat has the first place in canned food-tomato paste and sauce sector.

When changes in the food prices throughout the world are considered, there is a declining trend over the last 1 year as may be seen in the table below as well. The economic crisis that has impacts throughout the world resulted in a decline in the demand for food products and accordingly, food prices regressed.

Food Price Indexes in the World	Change During the Last 12 Months
Agricultural Raw Material Price Index	-14,1%
Food and Drink Price Index	-11,0%
Wheat	-15,8%
Sunflower oil	1,6%
Fertilizer	-11,0%
Soy	-13,6%

Source : IndexMundi Inc.

Food Price Indexes in Turkey	Change During the Last 12 Months
Meat	-11,4 %
Milk	-7,00%
Tomato	-20,3%
Wheat	20,40%

In Turkey, on the other hand, food prices change on the basis of product groups according to the changes in the supply and demand. The meat prices declined by 11,4% on average in 2011 as compared to 2010 as a result of the discount in customs duties that took place in September 2010. The prices also regressed by 7% for milk as the increase in supply exceeded the increase in demand. For tomato, the prices regressed by 20,3% as the production increased fast as compared to year 2010. In wheat, on the other hand, as the pasta export increased by 37% from 296 thousand tons to 406 thousand tons in 2011 as compared to 2010, the demand in wheat increased, resulting in a price increase of 20,4%.

The tomato agriculture and tomato paste production realized through Harranova Company provided great support to Tat in 2011 in domestic and foreign markets.

While the sales were realized by 13% above the figures of 2010 in the sector of tomato paste and can products, the gross profit performed 8% above the preceding year.

Offering new products to the market, especially products branded Sek, in year 2011; Tat marked some firsts for some products. The new generation daily milk was appreciated by the consumers with its technology, which is used for the first time in Turkey, and its packing and contributed to the growth of sale for Sek branded products. The sales for milk and dairy products grew by 14% as compared to the last year and the gross profit grew by 4%.

For meat and meat products, some customers caused a decrease in sales as some meat and hamburger meat sale agreements with the customers, which were in place in 2010, expired in 2011. Moreover, the radical change in customs import customs duty rates caused the local cattle breeding to shift to imported cattle and stocks with high cost had a negative impact on profitability during such period. Thus, the sales remains 38% less than the last year, while gross profit remained 49% less than last year.

The sales for the pasta products exceeded last year's figures by 23% and gross profit exceeded last year's figure by 7%. Being the market leader of the premium segment of the pasta sector with its Pastavilla brand, Tat continues the strategy to maintain its market share in this sector, keeping the profit margin high.

When the domestic sales in 2010 and 2011 are compared for our products, the growths by categories were realized as 60% for pasteurized milk, 36% for butter, 20% for mayonnaise, 38% for cream, 16% for paste and 24% for tomato products.

Our Company is the leader of the market in tomato paste, tomato products and ketchup with Tat brand and in premium pasta categories with Pastavilla brand as of 2011. In addition, it is listed as the second brand in categories mayonnaise, pasteurized milk and sausage.

Report Period : 01.01.2011 – 31.12.2011

Business Name of the Association : Tat Konserve Sanayii A.Ş.

Board of Directors, Auditors and Terms in Office:

Within the framework of the provisions of the Turkish Commercial Code and Articles of Association of our Company, the Board of Directors and the Auditors are elected by the General Assembly to act until the next Ordinary General Assembly.

The Members of the Board of Directors and Auditors elected during the Ordinary General Assembly held on 22.03.2011 are listed below. By the resolution regarding distribution of tasks made during the Meeting of the Board of Directors held on 07.04.2011, İbrahim Tamer Haşimoğlu was appointed as the Chairman of the Board of Directors, and Nevzat Tüfekçioğlu was appointed as the Deputy Chairman of the Board of Directors.

Güçlü Toker left his position as the Member of the Board of Directors and General Manager due to retirement on 01.11.2011. As of 14.12.2011, Arzu Aslan Kesimer was appointed as the Member of the Board of Directors.

Board of Directors as of 31.12.2011:

Chairman	:	İbrahim Tamer Haşimoğlu
Deputy Chairman	:	Nevzat Tüfekçioğlu
Member	:	Dr.Nüsret Arsel
Member	:	Mustafa Rahmi Koç
Member	:	Semahat Sevim Arsel
Member	:	Mustafa Vehbi Koç
Member	:	Mehmet Ömer Koç
Member	:	Yıldırım Ali Koç
Member	:	Ahmet Fadıl Ashaboğlu
Member	:	Ercan Bayramlı
Member	:	Kunihiko Sato
Member	:	Ali Güler
General Manager/Member	:	Arzu Aslan Kesimer

Limitations of Powers of the Board of Directors :

Determined by the provisions of article 14 of the Articles of Association of the Company and the Turkish Commercial Code.

Auditors as of 31.12.2011

İnanç Kiraz
Başar Engin

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Limitations of Powers of the Auditors

Determined within the framework of article 17 of the Articles of Association and the relevant articles of the Turkish Commercial Code.

Amendments to Articles of Association:

No amendments took place within year 2011.

Issued Securities:

There is no security issued by our Company.

Capital Movements

As of the end of 2011, the registered capital ceiling of our Company is TL 250.000.000 and the paid-in capital is TL 136.000.000 and there was no change that took place in the course of the year.

According to the day-end closing figures, the lowest value of our shares, which have been listed in Istanbul Stock Exchange starting from the date of 09.08.1993, was TL 1,81 and the highest value was TL 4,33 in 2011. The stock performance is summarized below for the last 5 years.

Stock Information	2011	2010	2009	2008	2007
The lowest price (*)	1,81	2,9	0,92	1,06	1,69
The highest price (*)	4,33	4,33	3,36	3,92	3,44
Year-end price (*)	1,85	4,3	3,06	1,21	3,1
Issued capital (Thousand TL)	136.000	136.000	136.000	136.000	136.000
Market value (thousand TL)	251.600	584.800	416.160	164.560	421.600
Market value (thousand USD)	133.199	378.266	276.390	108.814	361.982

(*) *Adjusted according to capital.*

In 2011, the average daily transaction volume of the Company stocks was approximately 225 thousand lots. By the end of year 2011, approximately 48,5% of the Company stocks listed in ISE are subject to custody by foreign investors.

Our shareholders holding more than 10% of our Company capital of TL 136.000.000:

Koc Holding A.S. Stock Amount: TL 59.364.947,17 Shareholding: 43,65%

Investments :

In 2011, an investment of total TL 15.546.303 was made within the scope of renewal and modernization. The details of the investment expenditures based on production are as follows.

	2011	2010
Tomato Products and Cans	5.290.208	10.653.667
Milk and Dairy Products	6.648.067	3.380.451
Meat and Meat Products	2.335.264	4.152.112
Pasta and Bakery Products	565.694	175.175
Other	707.070	250.882
TOTAL	15.546.303	18.612.287

Incentives

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Our Company received the following internal processing authorization certificates in year 2011:

2011/D1-0037 dated 04.01.2011 expiring on 03.10.2011,
 2011/D1-1072 dated 22.02.2011 expiring on 21.11.2011,
 2011/D1-3107 dated 30.05.2011 expiring on 29.02.2012,
 2011/D1-6045 dated 21.10.2011 expiring on 20.04.2012.

Such certificates provide VAT exemption for imports taking place within the scope thereof. The certificates expiring in 2011 were terminated in due time.

Investment Incentive Certificate dated 25.04.2011 and numbered 5748 was received for the Modernization and Quality Improvement investment in our Bursa Mustafakemalpaşa Canning Enterprise. Investments taking place within the scope of the certificate are exempt from VAT and Customs Duty.

With the “Development of Daily Pasteurized Milk with Extended Shelf Life and Pasteurization Process by Ceramic Microfiltration Technology” project taking place at our Sek Dairy Plant, incentive was received from TUBITAK within the scope of Technology and Innovation Support Program (Teydeb) of the Scientific and Technological Research Council of Turkey.

Movements Relating to Production of Goods:

Production Plants	Products
Mustafakemalpaşa/BURSA	Tomato products, Cans, Sauce, Jam Milk and Dairy Products, Fruit and Vegetable
Mustafakemalpaşa/BURSA	Juices
Karacabey/BURSA	Paste, Can
Torbalı/İZMİR	Paste
Bornova/İZMİR	Pasta and Bakery Products
Tuzla/İİSTANBUL	Meat and Meat Products
Harranova/ŞANLIURFA	Paste, Meat Production

In year 2011, 168 thousand tons of raw milk was processed and 155 thousand tons of dairy products and 10 thousand tons of fruit juice, 14 thousand tons of red meat and byproducts were evaluated, 5 thousand tons of meat, 9 thousand tons of meat products, 63 thousand tons of wheat were processed; 40 thousand tons of pasta, 25 thousand tons of pasta byproducts, 360 thousand tons of tomatoes, 7 thousand tons of fruits and vegetables were processed; and 58 thousand tons of paste, 6 thousand tons of tomato products, 10 thousand tons of ketchup, 6 thousand tons of mayonnaise, 10 thousand tons of other canned products were produced in 7 enterprises of our Company.

Production (Ton)

	31st December 2011	31st December 2010
Tat Products		
Paste	58.351	52.325
Diced and Peeled Tomatoes	5.745	3.976
Vegetables and Other Canned Products	25.512	23.875
Maret Products		
Sliced Meat and Meat Products	15.786	19.389
Sek Products		
Milk	83.196	70.896
Fruit Juice	10.608	10.445
Cream	1.293	1.010
Yogurt	50.640	45.175
Buttermilk	15.336	15.213
Salep	1.216	1.468
Other	4.171	3.308
Pastavilla Products		
Pasta	39.940	36.365
Other Byproducts	24.509	22.746
Net Sales	:	

	<u>2011</u>		<u>2010</u>		<u>Difference %</u>	
	TL	Ton	TL	Ton	TL	Ton
Tomato products and Canned Products	247.578.098	92.167	218.300.307	112.950	13,41	(18,40)
Milk and Dairy Products	284.406.654	161.846	249.001.413	144.714	14,22	11,84
Meat and Meat Products	166.916.020	13.423	271.349.011	23.680	(38,49)	(43,32)
Pasta and Bakery Products	59.514.904	40.828	48.244.737	37.147	23,36	9,91
Total	758.415.676	308.264	786.895.468	318.491	(3,62)	(3,21)

Key Performance Indicators

:

**Summary Income Statement
(Million TL)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income from Sales (Net)	758	787	694	629	547
Gross Real Operating Profit	136	144	140	114	97
EBITDA	36	58	70	51	40
Net Real Operating Profit *	21	42	56	38	31
Profit Before Tax	5	27	38	0	17
Net Period Profit	9	16	34	(4)	11

Key Indicators (%)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross Profit Margin	18,0	18,3	20,2	18,1	17,7
EBITDA Margin	4,8	7,4	10,1	8,1	7,2
Operating Profit Margin	2,7	5,4	8,0	6,1	5,7
Net Profit Margin	1,2	2,1	4,9	(0,7)	2,0
Current Rate	2,7	2,0	1,4	1,0	1,5
Liquidity Rate	1,3	0,8	0,6	0,4	0,5
Net Liability/Equity Rate	1,0	1,1	1,3	1,8	1,2

* Other Operating Income/Expense figures have been eliminated.

Company Management

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Name & Position	Education	Year of graduation	Professional experience
Arzu Aslan Kesimer (*) General Manager	Marmara Univ. / Bosphorus Univ.MBA	1991 1994	20 Years
Güçlü Toker (*) General Manager	Massachusetts Univ. / Koç Univ. MBA	1986 1996	25 Years
Çetin Türeç (**) Ass. General Manager, Production	METU	1981	29 Years
Tamer Soyupak Ass. General Manager, Accounting and Finance	Istanbul Univ. / Koç Univ. MBA	1986 1995	25 Years
Ahmet Tekin Özdener Ass. General Manager, Marketing and Trade	Gazi Univ. National Univ. MBA	1986 1988	22 Years
F.Okan Çığır Trade Marketing Director	9 Eylül Univ.	1982	30 Years

* Güçlü Toker retired on 31.10.2011 and Arzu Aslan Kesimer was appointed on 01.11.2011.

** Çetin Türeç left his position on 28.02.2011 due to retirement.

Employee Movements

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Number of employee as of 31.12.2011	: 1.096
Number of employee as of 31.12.2010	: 1.081

Collective Contract Practices

Following negotiations, our Company signed Collective Contract with Tek-Gıda İş Labor Union on 30.03.2011 in a manner to cover the period between 01.01.2011 and 31.12.2012.

Our Severance Pay Liability

As of 31.12.2011, our severance pay liability amounted to TL 10.149.256.

As of 31.12.2010, our severance pay liability amounted to TL 8.569.118.

Aids for Organizations with Social Purposes:

Social aid of TL 165.529 has been provided to organizations with social purposes.

Organization out of the Headquarters:

None.

Information Regarding the Affiliates Subject to Consolidation:

The shareholding rates of subsidiaries and affiliates as of 31st December 2011 are provided below:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Subsidiary:		
Harranova Besi ve Tarım Ürünleri A.Ş. (“Harranova Besi”)	58,2%	58,2%
Affiliate:		
Tat Tohumculuk A.Ş.	30,0%	30,0%

Distribution of Profit

In the Consolidated Balance Sheet of our Company prepared according to the Communiques of the Capital Market Board and submitted to your views, the Total Assets is found as TL 605.932.999 and Total Equities as TL 193.509.299 and the consolidated net period profit from activities in 2011 is found as TL 8.989.169; while a net period profit of TL 20.600.666 is gained according to legal records. We herewith seek your approval for reserving the consolidated profit of TL 8.989.169 created as reserve fund according to the Communiques of the Capital market Board and for deducting TL 19.062.127 out of the profit of TL 20.600.666 occurring according to the VUK records from the losses of the past years and for reserving the remaining TL 1.538.539 as reserve fund.

While concluding our report, we would like to thank the vendors of our Company, the competent authorities and our esteemed customers. Wishing that the current year of 2012 will bring better days to our country and our industry, we once more salute our shareholders respectfully.