ENRICHING LIVES

Tat Gıda **2018** Annual Report

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Tat Gıda 2018 Annual Report

Vision and Values

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

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.

In 2018, Tat made its way into millions of kitchens with 36 million cans of tomato paste and 18 million bottles of ketchup.

SEK was on the tables of consumers of every age with 105 million cartons of milk.

Pastavilla transformed tables into a delicious feast with 28 million bags of pasta.

About Tat Gıda

History

1963

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.

1967

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.

1968

Became the first facility to produce pasteurized milk in 1968.

1972

The plant introduced its first homogenized yogurt in 1972.

1995

Pastavilla acquired by Koç Group.
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.
In 1997, Koç Group acquired 68 percent of SEK's shares in an effort to spearhead a business model in which small and big businesses work together.

2003

In 2003, Tat commissioned the Magnum diced tomato line that uses welded-lid technology to reduce the risk of air penetration into aseptically diced tomato products to one in a billion. This technology exists in a limited number of facilities in the US, and only at the Turkish company Tat in Europe.

2011

Thanks to technological investments undertaken in 2011, SEK introduced micro-filtration technology in pasteurized milk production, a first in Turkey. This allowed the shelf-life of pasteurized milk to be extended with the ultra clean filling machinery used by SEK for the first time in Turkey.

2013

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

2014

In 2014, SEK built a new and modern factory in Söke, Aydın, equipped with advanced technology with a focus on value added products. SEK is currently operating in two plants including its plant in Mustafakemalpaşa, Bursa.

2015

In 2015, SEK Turkey became the first brand to produce Quark with the line and product development investment for ultrafiltration technology that enables the production of high-protein products.

2017

In 2017, TAT achieved yet another first in Turkey by commissioning a PET bottle filling line with ultra clean filling capability. The line enabled the company to fill the transparent ketchup and mayonnaise bottles through cold fill technology.

Highlights of 2018

PEOPLE ARE THE ESSENCE

TAT Gıda launched its Employee Brand project and became one of the leading companies in Turkey in this field by performing communication projects within the value proposition of "People are the Essence."

SEK NOURISHES WITH GOODNESS

Euroleague's "Nourishing with Goodness" sponsor, SEK released a commercial that featured kids who want to grow fast and strong taking the field with Euroleague Basketball stars.

SEK ATTENDED THE FINAL FOUR

SEK, along with press members from Turkey, participated in the 31st Final Four of Euroleague Basketball, Europe's most prestigious basketball organization, played at the Štark Arena in Belgrade, the capital of Serbia.

WOMEN EMPOWERED BOARD AWARD

As a company listed on the Star Market of Borsa Istanbul, Tat Gıda was granted the Women Empowered Board Award by the Independent Women Directors' Project.

THE "FROM SEEDS TO THE FUTURE" CONFERENCE

Pioneering many innovations in the industry, Tat Gıda Sanayi A.Ş. launched its R&D center, established within the incentive of the Ministry of Science, Industry and Technology at the conference titled: "From Seeds to the Future."

TAT KETCHUP IN ITS NEW BOTTLE

Having made ketchup popular in Turkey with the slogan "Dök Dök Ye," Tat has renewed its ketchup bottles. Tat Ketchup released an entertaining commercial for its new bottle.

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LEAN SIX SIGMA PROGRAM

In the Lean Six Sigma Program aiming to improve technical competencies, 35 engineers have received Green Belt Certification and seven engineers have received Black Belt Certification.

TAT CREATED A DIGITAL AGRICULTURE FIELD

Leading digitalization in agriculture, Tat created the "Digital Agriculture Field" in 2018 by utilizing its digital agriculture technologies to achieve more efficient and higher quality tomato production. The company shared relevant projects with partners and farmers at an event.

SEK RELEASED FARM YOGURT

SEK introduced the rich flavored SEK Farm Yogurt, expanding the Farm product line.

SEK NAMED ONE OF "THE MOST ADMIRED COMPANIES" IN TURKEY

SEK was named "The Most Admired Company" by Capital magazine in the category "Milk and Dairy Products" and received an award.

PASTAVILLA GOLD LAUNCHED

Pastavilla launched its "Gold" series comprised of Pappardelle, Rotini, Spaghetti and Lasagne, fascinating the consumers with flavorsome pasta types and sauces.

PROJECTS RECEIVED INVESTMENT

In 2018, eight intrapreneurship projects were granted committee investment within Tat Gıda's ongoing internal entrepreneurship and innovation program. The relevant project teams will utilize their resources from the program to carry out their project.

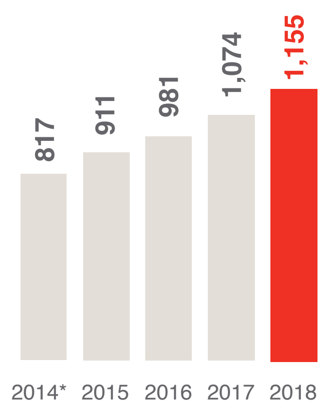
2018 in Numbers

2018 Net Sales
1,155
Million TRY

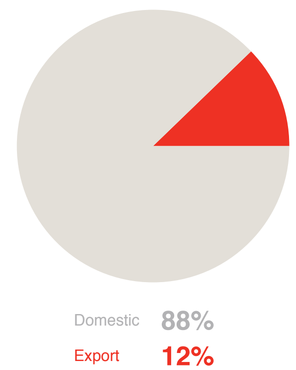
2018 Operating Profit
60
Million TRY

2018 Net Profit
39
Million TRY

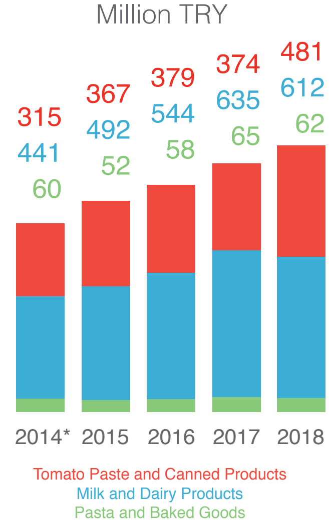
2017 Net Sales
Million TRY



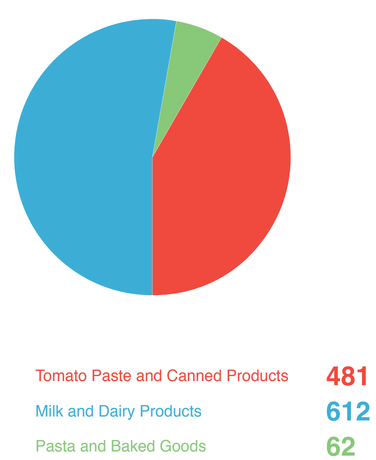
Regional Distribution of Net Sales (%)



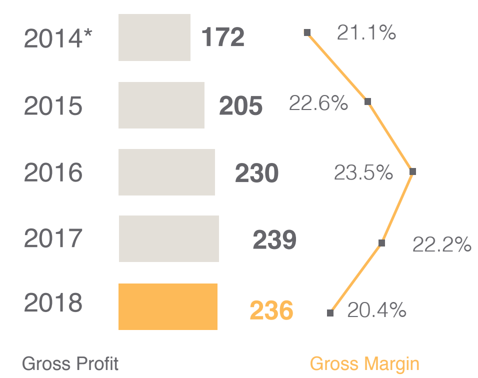
Net Sales Based on Product Groups
Million TRY

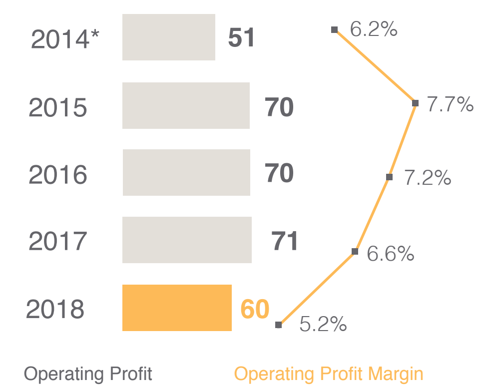


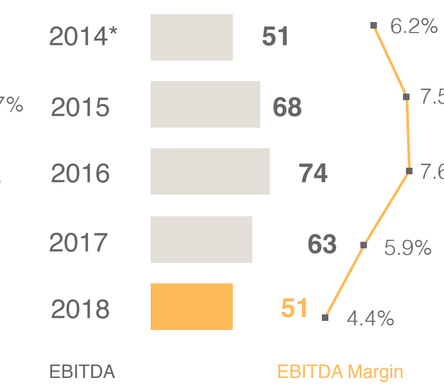
Net Sales Distribution Based on Product Groups
Million TRY

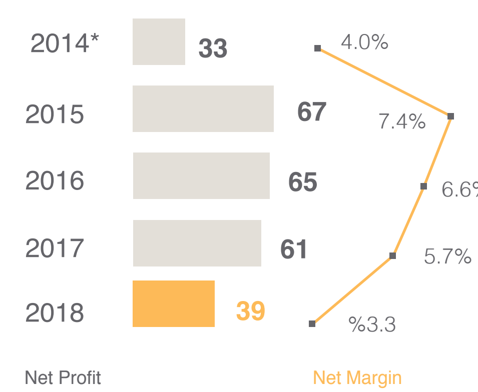


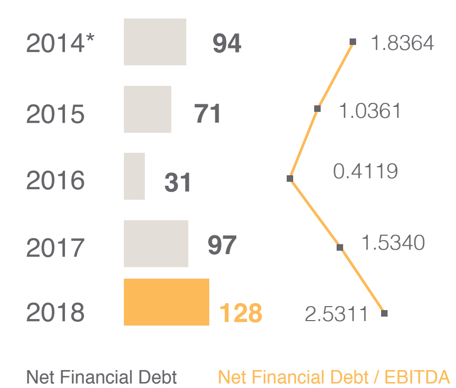
*Harranova tomato and Maret financial data (2014) are excluded due to discontinued operations.

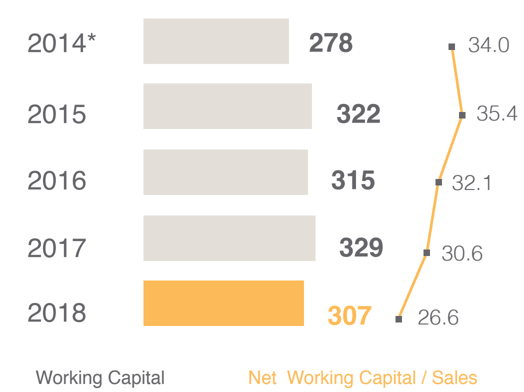












*Harranova tomato and Maret financial data (2014) are excluded due to discontinued operations.

Operating Results

Summary Income Statement (TL Million)	2018	2017	2016	2015	2014*
Sales Revenues (Net)	1,155	1,074	981	911	817
Gross Profit	236	239	230	205	172
EBITDA	51	63	74	68	51
Operating Profit	60	71	70	70	51
Earnings Before Tax	41	65	69	64	35
Net Income for the Period (Share of the parent company	39	61	65	67	33

Key Indicators (%)	2018	2017	2016	2015	2014*
Gross Profit Margin	20.4%	22.2%	23.5%	22.5%	21.1%
EBITDA Marjin	4.4%	5.9%	7.6%	7.5%	6.2%
Operating Profit Margin	5.2%	6.6%	7.2%	7.7%	6.2%
Net Profit Margin	3.3%	5.7%	6.6%	7.4%	4.0%
Current Ratio	2.6	2.1	3.3	2.4	2.0
Liquidity Ratio	1.6	1.2	1.9	1.5	1.3
Net Financial Debt/Equity Ratio	0.3	0.2	0.1	0.1	0.3

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Production and Sales

In 2018, we processed in our six plants a total of 190.000 tons of raw milk, 218.000 tons of tomatoes, 3.000 tons of fruits and vegetables, and 32.000 tons of wheat. We produced 169.000 tons of dairy products, 13.000 tons of fruit juice, 22.000 tons of pasta, 11.000 tons of pasta by-products, 35.000 tons of tomato paste, 4.000 tons of tomato by-products, 9.000 tons of ketchup, 5.000 tons of mayonnaise, and 9.000 tons of other canned products.

Net Sales (TL Million)	2018		2017		Difference %	
Product Groups	Net Sales	Thousand Tons	Net Sales	Thousand Tons	Net Sales	Thousand Tons
Tomato Products and Canned Goods	481	83	374	92	28,69	-9,24
Milk and Dairy Products	612	171	635	228	-3,7	-25,02
Pasta and Baked Goods	62	23	65	27	-3,75	-16,49
Total	**1,155**	**277**	**1,074**	**347**	**7.57**	**-20.17**

Research and Development

Ensuring the continuity of product and service quality and to develop new products we invested 1,696,416 TL (31 December 2017: 1,535,238 TL) in R&D activities in 2018.

Investments

The capital expenditures per production site are as follows:

Investments (TL)	2018	2017
Tomato Products and Canned Goods	6,731,270	21,550,177
Milk and Dairy Products	15,033,308	16,909,952
Pasta and Baked Goods	581,345	941,736
Other	3,874,771	5,855,344
Total	**26,220,694**	**45,257,209**

Popular in Turkey with the slogan **"Dök Dök Ye,"** Tat has renewed its ketchup bottles. The product is now offered in a transparent bottle, distinctly reflecting its color and ingredients.

In 2018, SEK launched the Protein Family, comprised of **Protein Milk** and **Protein Quark,** in an effort to meet athletes' protein requirements.

The Conference **"From Seeds to the Future"** discusses the future of food, from field to tables, and marks the first step of the R&D Center's strategy of performing science-based projects in cooperation with academia.

General Meeting of Shareholders

Agenda of the Ordinary General Meeting of Shareholders

Independent Auditor’s Compliance Opinion on the Annual Report

Board of Directors Annual Report

Tat Gıda Sanayi A.Ş.
Agenda for the Ordinary General Meeting of Shareholders on 11 March 2019

1. Opening and election of the Meeting Council Chairman;

2. Read out, discuss and approve the 2018 Annual Report prepared by the company's Board of Directors,

3. Read out the Independent Auditor's Report Summary for fiscal year 2018;

4. Read out, discuss and approve of the Financial Statements for fiscal year 2018;

5. Discharge the Members of the Board jointly and individually from any liability arising from the operations of the company in 2018;

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 2018 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 2018; set the upper limit for any donations to be made in 2019;

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 2018, 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 2018 in this respect in accordance with the Capital Markets Board's Corporate Governance Communiqué;

14. Wishes and comments.

Convenience Translation Into English Of Independent Auditor's Report On The Board Of Directors' Annual Report Originally Issued In Turkish

To the Shareholders of Tat Gıda Sanayi Anonim Şirketi

Opinion

We have audited the annual report of Tat Gıda Sanayi Anonim Şirketi (the "Company") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued 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 Annual Report 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.

Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the period between 1 January 2018 and 31 December 2018 on 14 February 2019.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 (the "Communiqué"), the Company's management is responsible for the following regarding the annual report:

a. The Company's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b. The Company's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's financial statements. The annual report shall also clearly indicates the details about the Company's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c. The annual report also includes the matters below:

- Significant events occurred in the Company after the reporting period,
- The Company's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

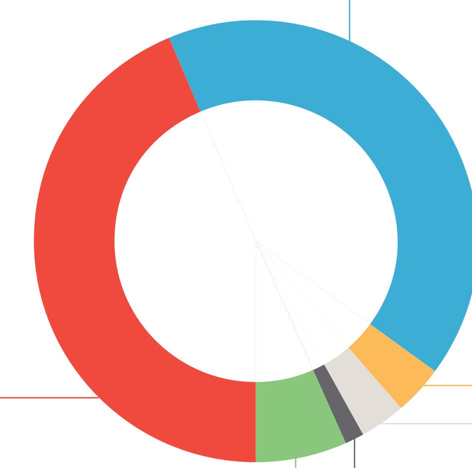
We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

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

Hatice Nesrin Tuncer, SMMM
Partner
15 February 2019
İstanbul, Türkiye

Capital and Shareholding Structure

As of the end of 2018, 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.



Name/Title of Shareholder	Amount of Share (TL)	%
Koç Holding A.Ş.	59,364,947.17	43.7
Public	56,312,843.97	41.4
Kagome Co Ltd.	5,071,168.20	3.7
Temel Ticaret Yat. A.Ş.	4,427,888.60	3.3
Sumitomo Corp.	2,077,983.34	1.5
Other	8,745,168.72	6.4
Total	**136,000,000.00**	**100.0**

As of December 31, 2018, the capital inflation adjustment difference is TL 21,601,088. (2017: TL 21,601,088)
The Company's capital on 31 December 2018 consists of 13,600,000,000 shares. There are no preference shares
(31 December 2017: 13,600,000,000 shares)

Direct and Indirect Subsidiaries of the Company and its Share Ratios

Titlle	31.12.2018
Ram Dış Ticaret A.Ş.	7.5%
Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş.ve Ticaret A.Ş.	1.2%

Legal Disclosures

Extraordinary General Meetings of Shareholders During The Year (If any)

There was no Extraordinary General Meeting of Shareholders convened in 2018. The resolutions adopted the Ordinary General Meeting of Shareholders held on March 13, 2018, were implemented.

Report on the Subsidiaries

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 into 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 2018 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."

Evaluation under Article 376 of the Turkish Commercial Code

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, 2018, continued to preserve its value given the majority equity stake of 500,875,426 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 0.26.

Information on the Amendments to the Articles of Association during the reporting period

No amendments were made to the Articles of Association in 2018.

Disclosure on the administrative or judicial sanctions imposed on the company or the members of the management on account of practices violating regulatory provisions

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.

Donations and Charity

A total of 696,360 Turkish lira was donated or otherwise paid as a charitable contribution to various social organizations and societies.

Collective Labor Agreement Practices

The 25th Collective Labor Agreement negotiations commenced between Tat Gıda Sanayi A.Ş. and Tekgıda-İş Sendikası (a labor union) on February 6, 2019.

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

The Chairman and Members of the Board of Directors, the General Manager, Assistant General Managers and the Directors who directly report to the general manager are designated as the senior executives of Tat Gıda. The information on benefits provided in 2018 is included in footnote no. 25 of the financial statements which were disclosed to the public. (see page 120)

Other Legal Disclosures

The company has no re-acquired treasury stock.

Our company received no fines of a material nature in 2018 under any special and public audits conducted.

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

Pursuant to Articles 395 and 396 of the Turkish Commercial Code, an approval must be 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 percent 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 percent of the profit balances remaining after deducting 5 percent of the paid-up capital from the statutory basis of the first dividends stipulated by Capital Markets Legislation. As a general principle, at least 20% of the distributable net income (DNI) 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 the Board of Directors meeting held on February 14, 2019, the Financial Reports for the accounting period of January 1 – December 31, 2018, 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 records maintained in accordance with the provisions of Tax Procedure Law (TPL):

Because it was observed that the net income for the period is 38,576,777.00 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 15,650,772.95 Turkish lira, the following decisions were made:

a. Set aside 782,538.65 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;

b. Because the dividend basis is set as 38,576.777 Turkish lira after deducting 782,538.65 Turkish lira as the 1st Tranche of general statutory reserves from the net income for the period of 38,490,598.41 Turkish lira and adding back the 696,360.06 Turkish lira donations shown in the Financial Reports prepared in accordance with the TFRS/TAS;

and the distributable net income (DNI) is calculated as 15,650,772.95 Turkish lira after deducting 782,538.65 Turkish lira as the 1st Tranche of general statutory reserves from the net income for the period of 14,868,234.30 Turkish lira shown on the Financial Reports prepared in accordance with the

TPL records;

c. 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 as presented to the shareholders at the General Meeting of Shareholders held on March 11, 2018, the dividend distribution shall be as follows:

Set aside the sum of 14,868,234.30 Turkish lira as the extraordinary general statutory reserves, after deducting the 1st and the 2nd tranches of general statutory reserves set aside from the net income for the current period based on the TPL records, and allocate the balance of 37,794,238.35 Turkish lira shown on the Financial Reports prepared in accordance with the TAS/TFRS as extraordinary reserves.

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, and it shall be disclosed to the public through the Public Disclosure Platform (PDP).

SEK founded the **SEK Barista Club** to enrich the coffee culture in Turkey and provide baristas with a platform to improve their skills.

The company created a "Digital Tomato Field" as part of smart farming practice on a **40,000**-square-meter area within the Mustafakemalpaşa plant.

SEK Farm Yogurt series have expanded the farm product range.

Management and Reviews

General Manager's Message

We will keep growing by closely monitoring and correctly interpreting the changing conditions.

Dear Shareholders and Stakeholders,

This year, we were all influenced by developments in the world and Turkey. While the issues like growth, indebtedness, rising interest rates and employment were discussed in world economy, Turkey experienced difficult times due to the volatile exchange rates and increase in financial costs.

However, at Tat Gıda, we focused on what we could achieve and generated 8 percent increase in our sales turnover in 2018. Our operating profit was 60 million Turkish lira and earnings before tax was 41 million Turkish lira with the share of foreign revenues at 12 percent.

Driven by our passion and strong sense of responsibility, we maintained our efforts without giving up on any of our goals and ideals. We lead the industry with a turnover share of 71 percent in tomato products, 34 percent in tomato paste, 26 percent in ketchup and 38 percent in pasteurized milk. We sustained our competitive edge in 33 countries with branded exports.

We boast a world-class infrastructure as one of the largest food production companies in Turkey. In 2018, we primarily focused on digitalization, productivity, and communication efforts with our farmers. We discussed the future of food with national and international experts at the "From Seeds to the Future" conference held in the first half of the year by R&D center. We cultivated tomatoes to produce tomato paste on the 40,000 square-meter digital agriculture field, established in line with our vision of Digital Transformation in Agriculture. We held the Field Day event to bring together the digital solution suppliers with farmers, creating an opportunity to share their experiences. We generated 3.1 million Turkish lira EBITDA through over 20 automation projects performed throughout the last two years within the digital transformation program.

We launched two products to respond to the ever-increasing consumer demand for natural foods. We introduced the diced and grated organic tomato product range within the tomato products category. We redesigned the bottle of Tat Ketchup, which made ketchup popular in Turkey with the slogan "Dök Dök Ye," and released an entertaining commercial.

Since day one, qualified human resources have been our core capital. Last year, we launched our "Employer Brand" project in line with the value proposition of "People are the Essence." In 2018, we became one of the leading companies in Turkey in terms of employer brand by performing communication projects on internal communications, training and development.

We always value our employees' ideas. Thus, we regularly monitored our systems and processes and strived to take steps to improve further. In 2018, eight intrapreneurship projects were granted committee investment within our internal entrepreneurship and innovation program, one of the platforms to make use of new ideas and which aims to achieve full employee participation.

SEK was named "The Most Admired Company" by Capital magazine in the category "Milk and Dairy Products" and received an award. As a company listed on the Star Market of Borsa Istanbul, Tat was granted Women Empowered Board Award held annually by the Independent Women Directors' Project. We take pride and pleasure in having been granted these awards in different fields.

We continued developing healthy and delicious products with our innovative brand of SEK in the milk and dairy market. We introduced the Farm UHT Whole Milk and SEK Farm Yogurt, expanding the Farm product line. We launched Protein Milk and Protein Quark to help athletes meet their protein requirement.

As the first Turkish dairy product brand sponsored Euroleague, SEK continued performing communication activities throughout the year that bring together star basketball players with children. We have been enthusiastic about our new project: The SEK Barista Club. SEK founded the SEK Barista Club to enrich the coffee culture in Turkey and provide baristas with a platform to improve their skills. This platform aims to create a broad coffee community by improving coffee recipes leveraging the delicious harmony between milk and coffee.

Strongly adhering to quality and hygiene standards, Tat Gıda has adopted environmental sustainability as a guiding principle. We lead the change in the work environment by adapting to the global trends. We are determined to reinforce our position in Turkey and primary overseas markets, increase our sales volume, continue sustainability-focused projects, and develop products for different segments of the food industry with our three brands, as well as to continue to pursue innovations.

We will keep growing by closely monitoring and correctly interpreting the changing conditions. In 2019, we set bigger goals and we are proudly committed to carry our brands and country to better positions.

I would like to thank our farmers, employees and stakeholders who have stood by us on our 50-year journey and our customers who have constantly encouraged us to improve ourselves.

Best regards,

Arzu Aslan Kesimer
General Manager

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Board of Directors

Semahat S. Arsel
Chairman

She began her career in 1964 as a Member of the Board of Directors of Koç Holding, a position she continues to hold. In addition, she is Chairman of the Board of Directors of Vehbi Koç Foundation and the Divan Group, President of the Semahat S. Arsel Nursing Education and Research Center and Founder of the Koç University School of Nursing. She also serves as Member of the Board of Directors of other Koç Group companies. She is Second Chairman of the Florence Nightingale Foundation as well as Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV). Semahat S. Arsel has received an "Honorary Doctorate" degree from Istanbul University.

Rahmi M. Koç
Vice Chairman

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 Directors of the Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital, Honorary Chairman and Founding Member of TURMEPA, The Turkish Marine and Environment Protection Association, Honorary Chairman of the Advisory Board of the Turkish Industry and Business Association (TÜSİAD), 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
Member

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, 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
Member

Mr. Ali Y. Koç received his bachelor's degree at Management Faculty of Rice University. He earned an MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Mr. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 including new business development and information technologies. He was the President of Corporate Communications and IT Group. He served as a Board Member at Koç Holding for over 8 years. In addition, he was elected as Vice Chairman on February 2016. Mr. Ali Y. Koç serves as Chairman of the Board of Koç Financial Services and Yapı Kredi Bank since 1 April 2016. Currently, Ali Y. Koç is the Chairman of Ark İnşaat, Bilkom, Digital Panorama, Ford Otosan, Koç Information and Defence Technologies, Koç Sistem, Koçtaş, Otokar, Otokoç, Setur. In addition to being Chairman and Vice Chairman at Turkey's biggest companies and financial institutions, Ali Y. Koç also contributes to country's social and economic development and currently is the President of Fenerbahçe Sports Club and the National Competition Research Association (URAK), the Vice Chairman of Turkish Industry and Business Association (TÜSİAD), a Board Member at the Foreign Economic Relations Board (DEİK), a member of the Global Advisory Council of Bank of America, Harvard University and Council on Foreign Relations. He is also a member of Panel of Senior Advisers at Chatham House and recently joined Trade and Investment Council at the Confederation of British Industry.

Caroline N. Koç
Member

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 Istanbul" and "Selamlique Turkish Coffee" brands since 2008. Ms. Koç has always been an active contributor to philanthropic organizations. She is 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
Member

Born in 1967 in Ankara, Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as Part Time Instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002-2007 and the CEO of Migros between 2007-2008. He has been assigned as the CEO of Arçelik since 2008 and has been the President of the Durable Goods Group of Koç Holding A.Ş. since April 2010. He was appointed as the CEO of Arçelik in 2008, and also served as the President of Koç Holding Durable Goods Group from 2010. Çakıroğlu has been appointed as the CEO of Koç Holding A.Ş. at April, 2015. He currently serves as the CEO and Board Member of Koç Holding A.Ş. since April 2016.

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Board of Directors

Tamer Haşimoğlu
Member

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 member of Turkish Industry and Business Association (TÜSİAD), member of the Board of Tourism Investors' Organization, member of the Board of HEV and member of the board of Turkish Chamber Of Shipping.

Fatma Füsun Akkal Bozok
Member

Graduated from Business Administration at Istanbul University, Fatma Füsun Akkal Bozok holds an MBA from Boğaziçi University and a PhD in Business Administration from Istanbul University. In 1980, she embarked on her career at Arthur Andersen and served as an Auditor in the Internal Audit Department of Koç Holding between 1983-1992. From 1992 to 2003, Bozok worked as an Audit Coordinator and was appointed as Finance Director in 2003. Bozok also served as a Project Manager between 1995 and 1996 under Koç Group's MIS Project. Bozok continued her career as a faculty member teaching IT Audit and International Accounting courses at Koç University from 2006 to 2008. Since 2008, she has been a faculty member at Sabancı University teaching International Finance and Auditing courses. In 2004, she was appointed a Board Member at Yapı Kredi Bank. She has also been serving as a Board Member at Akiş GYO and Bizim Toptan since 2017, and at Tat Gıda, İzocam and Ford Otosan since 2018. Bozok also holds Credit Rating, Corporate Governance Rating, and Advanced Derivative Instruments licenses from the Capital Markets Board of Turkey.

M. Sait Tosyalı
Member

Sait Tosyalı started his high school education at Tarsus American College and went to Texas, USA, for an AFS project at Columbia High School. He holds a BA in Industrial Engineering and an MBA from Boğaziçi University. Tosyalı then joined Koç Holding and specialized in Strategic Planning and Project Management. He was involved in the feasibility, tender and management processes of the privatization, growth and company acquisition projects carried out by the Consumer Durables Group in line with the strategies of Koç Holding. He served in executive positions in companies with foreign shareholders established to operate in the packaging and real estate industries. Tosyalı acted as General Manager in Consumer Durables, Energy and Construction companies of the Group and managed the Turkey, Kazakhstan and Jordan operations of Linde Group, a German industrial gas manufacturer. Immersed in different cultures, he has also taken part in merging and management of multinational and cross-border companies. He served as the Vice Chairman and Managing Director of Linde Gaz A.Ş. Since September 2017, Sait Tosyalı has been the General Manager of the Educational Volunteers Foundation of Turkey. He is also a Member to the Board of Trustees at the Health and Education Foundation, where he previously served as a Member of the Board of Directors and Chairman of the Supervisory Board. Tosyalı is an Independent Board Member at Tat Gıda Sanayii A.Ş. and Yapı Kredi Koray GYO A.Ş. He is married with one child.

Takashi Hashimoto
Member

Takashi Hashimoto holds a master's degree in agricultural sciences from the Gifu University, Japan. He joined Kagome Co. Ltd in April 1983, and started working as the Plant Manager of the Kagome Shizuoka Plant in April 2001 and of the Kagome Kozakai Plant in April 2003. In April 2005, he was appointed as the General Manager of the Production Technology Department and became the General Manager of the Production and Purchasing Planning Department in October 2008. He then went on to be the General Manager of the Corporate Planning Department in April 2012. In April 2013, Hashimoto became an Executive Board Member of Kagome Co. Ltd. As of October 2017, Takashi Hashimoto has been an Executive Board Member and Director of Production and Purchasing Department.

Arzu Aslan Kesimer
Member / General Manager

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 Entreprenuers Board, Turkish Industry and Business Association (TÜSİAD), ISO Assembly and President of the Professional Committee.

Executive Management

Arzu Aslan Kesimer
General Manager

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 Entreprenuers Board, Turkish Industry and Business Association (TÜSİAD), ISO Assembly and President of the Professional Committee.

Ahmet Çağasan Yılmaz
CFO

Ahmet Çağaşan Yılmaz received his degree in Management 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 CFO at Beko LLC. He has been serving as CFO of Tat Gıda Sanayi A.Ş. since 1 July 2014.

** Mr. Ahmet Çağaşan Yılmaz resigned from his position on 31.01.2019*

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Hakan Turan
Assistant General Manager
Production

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.

Sertaç Erenmemişoğlu
Director
Human Resources

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.

Independency Declaration

I hereby declare that I'm a candidate for taking office as the "independent member" at Board of Directors of Tat Gıda Sanayi A.Ş. (The Company) under the criteria stipulated by the regulations, articles of association and Corporate Governance Communique of the Capital Markets Board and within this scope,

a) Within the last five years, there hasn't been any employment relation in executive position bearing material duties and responsibilities between me, my spouse and blood or other relatives up to the second degree and the Company, any of the affiliates, in which the Company control or materially effects the control and the partners controlling the management of the Company or the legal persons, the managements of which are controlled by the shareholders; that I neither hold, either jointly or individually, more than 5 % of the capital or voting rights or privileged shares, nor have established ay material commercial relations with them,

b) Within the last five years, I haven't been partners (5% or more), worked at or carried out duty in executive position bearing material duties and responsibilities or as the Board Member of companies, especially in the companies which carry out the auditing (including tax audit, legal audit ad internal audit), evaluation and consultancy of the company and from which the company purchases significant quantities of services or goods under the agreements made, during the periods when such services and goods purchasing took place,

c) I have professional training, knowledge and experience in order to duly perform the duties that I shall undertake as an Independent Board Member.

ç) I will not work full time at public and private institutions, excluding working as lecturer at the university according to the legislation, after I'm selected as the member.

d) I am deemed to reside in Turkey pursuant to the Income Tax Law (ITL) dated 31/12/1960 and with the number 193,

e) I have the strong ethical standards, professional prestige and experience that can make positive contribution to the company's operations, retain my objectivity in case of any interest disagreements between the company's partners and freely take resolution in consideration of the rights of the stake holders.

f) I can allocate time sufficient for following the progress of the company's operation and in a manner that is suitable for fully performing the duties undertaken,

g) I haven't carried out duty as the member of the Company for a period of more than 6 years within the last ten years,

ğ) I am not carrying out duty as independent board member of more than three companies held by the partners controlling or holding the management control of the Company and in total, not carrying out duty as independent board member of more than five companies quoted in stock exchange,

h) I haven't been registered and announced on behalf of the legal entity, who has been appointed as the Board member.

F. FÜSUN AKKAL BOZOK

Independency Declaration

I hereby declare that I'm a candidate for taking office as the "independent member" at Board of Directors of Tat Gıda Sanayi A.Ş. (The Company) under the criteria stipulated by the regulations, articles of association and Corporate Governance Communique of the Capital Markets Board and within this scope,

a)Within the last five years, there hasn't been any employment relation in executive position bearing material duties and responsibilities between me, my spouse and blood or other relatives up to the second degree and the Company, any of the affiliates, in which the Company control or materially effects the control and the partners controlling the management of the Company or the legal persons, the managements of which are controlled by the shareholders; that I neither hold, either jointly or individually, more than 5 % of the capital or voting rights or privileged shares, nor have established ay material commercial relations with them,

b) Within the last five years, I haven't been partners (5% or more), worked at or carried out duty in executive position bearing material duties and responsibilities or as the Board Member of companies, especially in the companies which carry out the auditing (including tax audit, legal audit ad internal audit), evaluation and consultancy of the company and from which the company purchases significant quantities of services or goods under the agreements made, during the periods when such services and goods purchasing took place,

c) I have professional training, knowledge and experience in order to duly perform the duties that I shall undertake as an Independent Board Member.

ç) I will not work full time at public and private institutions, excluding working as lecturer at the university according to the legislation, after I'm selected as the member.

d) I am deemed to reside in Turkey pursuant to the Income Tax Law (ITL) dated 31/12/1960 and with the number 193,

e) I have the strong ethical standards, professional prestige and experience that can make positive contribution to the company's operations, retain my objectivity in case of any interest disagreements between the company's partners and freely take resolution in consideration of the rights of the stake holders.

f) I can allocate time sufficient for following the progress of the company's operation and in a manner that is suitable for fully performing the duties undertaken,

g) I haven't carried out duty as the member of the Company for a period of more than 6 years within the last ten years,

ğ) I am not carrying out duty as independent board member of more than three companies held by the partners controlling or holding the management control of the Company and in total, not carrying out duty as independent board member of more than five companies quoted in stock exchange,

h) I haven't been registered and announced on behalf of the legal entity, who has been appointed as the Board member.

M. SAİT TOSYALI

In 2018, SEK continued to be the **"Nourishing with Goodness" sponsor** of Euroleague.

Tat Gıda has adopted the employee value proposition of **"People are the Essence"** and accordingly held many activities in 2018 towards internal communication, and training and development.

In 2018, Pastavilla joined Instagram, the most influential social media platform, with the username **"pastavillatr"**

Tat Gıda in 2018

Tat

SEK

Pastavilla

Human Resources

Quality

R&D and Innovation

Real Flavors are Under Our Protection!

With its uncompromising passion for tomatoes, Tat produced 36 million cans of tomato paste and 18 million bottles of ketchup in 2018.

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. The company receives the biggest support from the farmers growing the highest quality tomatoes in Turkey for Tat.

Tat helps farmers improve through training programs to most effectively carry out contracted agriculture. Responsible tomato production is made possible by providing the right fertilizers and seedlings to farmers and with the dedication and support of Tat's expert agricultural team of engineers and technicians. Tat trains the farmers on cultivation methods and determines the best variety of tomatoes. Then, it supplies the highest quality tomatoes from the local villages to nearby plants to produce tomato paste.

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.

Tat Gıda carries over its domestic success to international markets. The company exports branded goods to over 33 countries including Japan and the United States. The prioritized markets include the European ethnic market and the Arabian Peninsula. Tat remains committed to reaching different cuisines around the world by delivering its flavors to international consumers.

Digital Transformation in Agriculture

Tat continues to carry out projects in line with the vision of digital transformation in agriculture. Launched in 2017, the Tat Digital Agriculture Project expanded in 2018 with two major sub-projects.

In the first project, we periodically collected satellite images from the contracted fields selected as a reference for each region. The plant development and health were analyzed through the NDVI, an image processing technology. The results of the analyses were shared with the farmers.

The second project established the concept of "Digital Agriculture Field." We cultivated tomatoes to produce tomato paste on R&D fields through digital technologies to achieve a more efficient, high quality and low-cost crop and showcase the potential of Digital Transformation in Agriculture to farmers. We shared the project experience with farmers and technological/digital solution suppliers at the Field Day event.

Tat launched the mobile apps "Tat Leader Farmer" and "Tat Agriculture Leaders" for the use of farmers and agricultural teams. We have been advancing towards the vision of digitalization in agriculture through these projects launched in early 2017.

Tat Ketchup Redesigned a New Bottle!

Having made ketchup popular in Turkey with the slogan "Dök Dök Ye," Tat has renewed its ketchup bottles in 2018. The first and only brand in Turkey to produce ketchup in transparent bottles, Tat has redesigned its bottles with a modern look. The preservative-free Tat Ketchup is now offered in a transparent bottle, clearly reflecting its color and ingredients. The new bottle maintains the freshness of Tat Ketchup through low oxygen permeability while a cold filling process preserves the color of the product.

Tat Ketchup, a staple on tables, is the first condiment brand that comes to mind. This year, Tat released an entertaining commercial featuring the product in its new bottle
. The commercial covers many flavors from pasta to pizza, hamburger to chickpea pilaf and is aimed to reach a younger audience with a dynamic tone featuring the reinterpreted version of the legendary slogan "Dök Dök Ye."

New Products of 2018 Up on the Shelves!

Tat has launched the diced and grated organic tomato product range within the category of tomato products, recognizing the ever-increasing significance of natural products among consumers.

In 2017, Tat launched five different sauces, such as Peri Peri, Mango Curry, Barbecue, Ranch and Kebab, to expand the condiment portfolio. In 2018, the company released a viral ad for its Mango Curry sauce with the slogan "Lezzete Doyuş, Sosa Doyuş" by taking inspiration from the meme culture.

CANNED GOODS

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

SAUCES

Ketchup
Mayonnaise
Mustard
Condiment Sauces

A Brand of Constant Innovation

Having already introduced many firsts for the industry, SEK made many innovations in 2018 as well.

A key player in the development of milk production in Turkey and manufacturer of natural and fresh flavors, SEK has endeavored since 1968 to put only the most natural, the 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. The company achieved two firsts by offering vacuum-packed kashar cheese and white cheese, and introducing packed salep in 2001.

In 2011, the micro-filtration production technology and the Ultra Clean Filling first used by SEK in Turkey helped 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 2015, SEK added a new product to the SEK Pasteurized Milk family by launching Milk for Making Yogurt.

In 2016, SEK marked another first in Turkey with its "Good Dessert" SEK Quark, in line with the mission of sustainable profitable growth through innovative products. 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 pasteurised farm milk ad offered consumers full fat milk which smells and tastes just like the milk from our childhoods.

In 2017, the company extended its Farm product range with butter and yogurt. In the same year, SEK introduced Turkey's first Lactose-Free Pasteurized Milk for lactose intolerant consumers.

In 2017 SEK also brought Probiotic Drink products to the consumer, helping to strengthen their immune systems by regulating the digestive system. SEK Probiotic Drink is recommended by the Probiotics and Prebiotics Association in Turkey.

SEK: Turkey's Most Admired Company

Capital Magazine rewarded SEK for "The Most Admired Company" in dairy category.

2018's New Products Won Great Recognition

SEK introduced Protein Series in 2018 for the athletes to help them to meet their protein requirement. The new product range consists of Protein Milk and Protein Quark.

The SEK Protein Milk has the highest amount of protein with 30.5 grams and also has the lowest amount of calories among other ready to drink protein milks. The SEK Protein Milk comes in two flavours: cocoa and coconut.

In 2018, SEK launched the Farm UHT Whole Milk and the 4% Fat SEK Farm Yogurt, introducing a unique flavor and texture which is produced with fresh milk.

SEK launched the Quark Muesli Bar, marking another first in Turkey. Quark Muesli Bar is a healthy and delicious snack that combines fruits, chocolate, oats and whole grains.

Communication Efforts Continued in Full Swing

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

Within the scope of sponsorship in 2018, SEK had a commercial on TV, radio and digital media featuring the stars of Euroleague. In SEK's new commercial, the kids who want to grow fast and strong take the field with Euroleague stars, emphasizing the contribution of milk for physical growth.

SEK has released a limited edition - 200 ml plain daily milk in a new package design which resembles a basketball ball.

In 2018, the company conducted a digital communication campaign with influencers in sports and underscored the "The Power Is Within You" motto to promote the newly launched Protein family.

PRODUCT GROUPS

Pasteurized Milk
UHT Milk
Milk Drink
Ayran (Yogurt Drink)
Probiotic Drink
Yogurt
Quark
Quark Mousse
Quark Muesli Bar
Cream
Cheese
Butter
Fruit Juices
Breakfast Foods

The Quark commercial was also broadcast on television, radio and digital media. SEK also held sampling events in stores and companies throughout the year.

SEK Barista Club Founded

SEK founded the SEK Barista Club to enrich the coffee culture in Turkey and provide baristas with a platform to improve their skills. This platform aims to create a broad coffee community by developing coffee recipes leveraging the perfect harmony between milk and coffee.

The Star of Tables

Thanks to the 28 million packs of pasta it produced in 2018, Tat Gıda has become the taste that people of all ages across Turkey prefer. The "Gold" Series proudly transforms tables into a banquet.

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.

The 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 the pasta world. Pasta expert Pastavilla's drying method ensures that the durum wheat stays as natural and pure as the day it was made. Pastavilla pasta, made from wheat, transforms every table into a delicious feast.

The Pasta That Appeals to All Tastes

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.

Pastavilla Gold: The Star of Tables

Boasting flavorsome pasta types and sauces, Pastavilla launched its "Gold" series comprised of Pappardelle, Rotini, Spaghetti and Lasagne.

All varieties in the Pastavilla Gold Series, including Pappardelle, Rotini and Spaghetti, have a high protein content, and are produced from 100 percent natural durum wheat semolina. These are double packed in a plastic bag and a cardboard box for hygiene purposes. The Pastavilla Gold Lasagne is an oven-ready pasta that doesn't require boiling. Boasting high protein content, the Lasagne is produced in Italy with the highest quality durum wheat, in perfect harmony with the Turkish food taste.

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Four Varieties of Children's Pasta

Turkey's first pasta manufacturer brand which has junior line; Pastavilla Junior. It popularizes pasta among children with its colorful packaging and fun pasta shapes. Pastavilla has four kinds of children's pasta.

Sauces Enhance the Flavor of Pasta.

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 mixed with various spices. Enhancing the flavor of pasta dishes, Pastavilla sauces contain no preservatives and are healthy condiments that retain the flavor, vitamins and freshness they had on the day they were made.

Pastavilla

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

Kartal

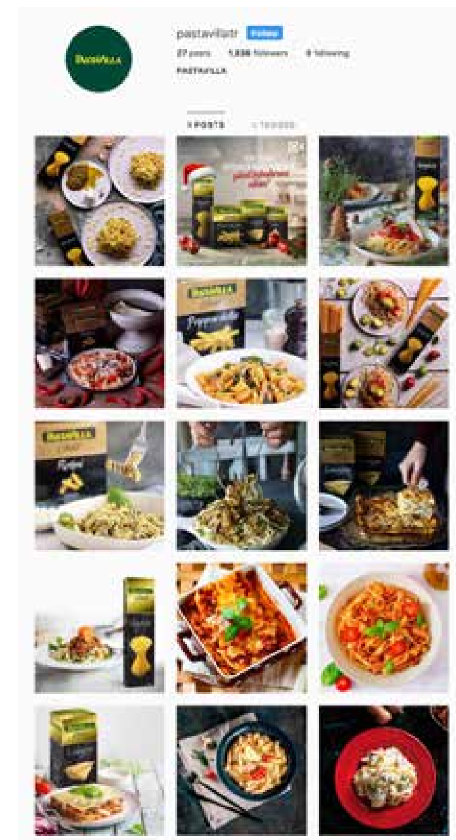
Pasta
Noodles
Semolina

Lunch & Dinner

Pasta
Noodles

Pastavilla on Instagram

In 2018, Pastavilla joined Instagram, the most influential social media platform, with the username "pastavillatr." Pastavilla shares delicious looking photos of the Gold series and continues to perform digital communication activities through influencer collaborations.



Human Resources

In 2018, Tat launched the Employer Brand project to employers at an event and had an active year to achieve the employee value proposition of "People are the Essence."

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.

30% of Employees are Women

The average seniority of the employees at Tat Gıda Sanayi A.Ş. is nine years and the average age is 36. 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 2018 to give seminars to our employees. Placing great importance on the participation of women in the business world, Tat Gıda attained a female employee ratio of 30 percent this year.

In the businesses that operates in different food segments and in different geographic areas in Turkey, the 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 Tat Gıda, 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 Launched the Internal Trainer Project

Training and development at Tat Gıda is one of the important activities on the agenda of the company. In 2018, Tat Gıda primarily focused on coaching, leadership, communication, intrapreneurship and lean six sigma training programs. We offered training and self-improvement programs for employees through internal resources and launched the "Internal Trainer" project that aimed to create an opportunity for the high-potential employees with critical knowledge to share their experiences and know-how. Within the project, a total of 30 employees volunteered and completed the "Train the Trainer" program. In 2019, Tat Gıda plans to hold 70 internal training sessions (in-class) by internal trainers.

Success Oriented Culture

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.

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, the employees 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 the company, but also within the 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 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 the employees and measure their loyalty and satisfaction. Survey results are analyzed and improvement plans are determined and applied within the year.

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. Our Employee Value Proposition, the cornerstone of the project, also helped Tat Gıda become one of the leading companies in this field in Turkey.

Value Proposition: People are the Essence

In 2018, Tat Gıda adopted the employee value proposition of "People are the Essence" and performed a total of 37 projects of internal communications and training and development. In 2019, we aim to maintain our efforts with new activities and projects to improve the recognition of employer brand among external candidates.

This project once again underlined the core principle "Our most important asset is our people" of Tat Gıda and Koç Group within the Employer Brand activities.

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.

Attaching importance to the health and safety of its employees, Tat Gıda adheres to legislation and regulations in line with our employee health and work safety policies and we develop workers in this respect.

Stronger Together

1,114
Average Number of Employees in 2018

30%
Female employee ratio

67%
Y-generation ratio

Quality

Strongly adhering to quality and hygiene standards, Tat has adopted environmental sustainability as a guiding principle. Technologies and innovations that will enable production without damaging the environment are implemented at all facilities.

Production at all 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 holds the “Japanese Agricultural Standard” certification, which determines the Japanese standard for food and agricultural products, and the TS EN ISO 9001-2015, FSSC 22000: Version 4 Quality Management, the British Retail Consortium Standard (BRC) and the Halal Food Certificate in all its businesses. In 2018, the company acquired the "Organic Agriculture Entrepreneurship Certificate" for diced and grated tomato products produced in the Mustafakemalpaşa plant and Kosher Certificate for the plant in Karacabey.

Acting with the awareness of our social responsibility, Tat adopted 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. In order to reduce air pollution, all of the 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.

Tat Boasts Water Treatment Plant in All 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, the 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.

Water and Raw Material Savings Through Production Technologies

Effective conservation and management of water resources and sustainable food production have recently gained great significance both locally and globally.

At our plants, we have created savings projects to address these issues. Tat achieved a 1.5 percent savings in raw materials by incorporating tomato residues into the pressing process thanks to the changes made in the production technologies aimed at the effective use of natural resources. These projects have increased the efficiency of using raw materials, helping us save water and raw materials.

The Digital Tomato Field

The company created the "Digital Tomato Field" as part of smart farming practice on a 40,000-square-meter area within the Mustafakemalpaşa plant. The field is equipped with an automatic steering system, automatic planting machine, pest monitoring system, automated irrigation system, phenological camera network and meteorological climate station technologies. The digital tomato field was created to achieve higher quality and high-efficiency tomatoes by using digital technologies. The concept was presented to farmers at the "Field Day Event." Within the same project, we monitored the tomato fields through periodic satellite images starting from October until the harvest date, evaluated the plant health and development by analyzing those satellite images through the image procession technology of the NDVI and informed our farmers on the associated risks.

Tat Gıda started selling feed to milk suppliers with an effort to increase milk quality and efficiency and started utilizing a compound feeding process, a crucial element of stockbreeding.

"Organic Farming Master Certificate"

In 2018, Tat Gıda acquired the "Organic Farming Master Certificate" for diced and grated tomato products produced in the Mustafakemalpaşa plant and Kosher Certificate for the plant in Karacabey.

Reforestation Efforts at Plants Continue

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. 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 plant and a good agricultural practices certificate was received. Tat continued its reforestation efforts in the Karacabey and Torbalı plants.

The 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.

No Compromise on Waste Management

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 the plants is carried out by separately 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 867 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. The SEK Milk Plant holds TSI ISO 9001:2015 and FSSC 22000: Version 4.1 Quality Management System TSEN ISO 50001 Energy Management System, 14001-2015 Environmental Management System and EU-Russia Business License for Milk and Dairy Products Export. 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 training our milk producers under the umbrella of SEK Milk about feeding, milking, milk composition and raw milk hygiene since 2009. So far, the training program has reached 867 producers. Through our efforts involving the promotion of feed plants and biodiversity, we aim to raise awareness among milk producers of clover, corn and wheat silage.

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Tat achieved a **1.5 percent** savings in raw materials by incorporating tomato residues into the pressing process thanks to the changes made in the production technologies aimed at the effective use of natural resources.

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.

As part of the global program of the World Health Organization, SEK Dairy Plant received the "Environmental Facility Award" from Bursa Metropolitan Municipality for respecting the environment and adhering to legal regulations. The event was held under the leadership of the Healthy Cities Association to create livable and healthy environments in cities.

Quality Difference in Pasta

The TS EN ISO 9001: 2015 Quality Certificate, FSCC 22000: Version 4 Food Safety Certificate, TSI ISO EN 14001: 2015 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 quality and natural flavor.

R&D and Innovation

Operating as an R&D center for over a year now, Tat Gıda has intensified its efforts with the aim of developing outstanding products and processes that add value to consumers.

Opened in 2017, Tat Gıda's R&D Center located at its Bursa Mustafakemalpaşa campus, was registered as the 30th R&D Center in its sector 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 reinforce entrepreneurship and R&D activities. In addition to expanding university and industry collaborations, increasing joint projects and developing innovative products, the R&D Center aims to develop products and processes that add value to the consumer by providing an environment for the development of innovative ideas and projects with strong collaborations by understanding consumer needs and expectations.

Tat Established an Academic Board

Tat Gıda established an Academic Board to set out a road map and shape the future together. The Academic Board consists of local and international academics from different universities in countries such as Switzerland and the Netherlands. Held in April with the attendance of academics, the Conference "From Seeds to the Future" marked the first step of these efforts. The Conference "From Seeds to the Future" discusses the future of food, from field to tables, and marks the first step of the R&D Center's strategy of performing science-based projects in cooperation with academia.

The R&D actively performs over 10 projects with a team of 20 postgraduate professionals including engineers, researchers in basic sciences, and technicians. Throughout 2018, the percentage of graduate and postgraduate researchers within the R&D rose to 30 percent. The R&D Center serves as a hub for collaborations between industry and academia, technoparks, and start-ups and entrepreneurs. It has been participated with oral and poster presentations at the Third International Congress on Food Technology held in Cappadocia on October 10-12.

20	30%	10
Number of Team Members	Percentage of Graduate Researchers	Number of Projects

First Internationally-Funded Project Approval

Tat Gıda has successfully been completing and commercializing state-supported projects since 2010, and kept on creating new projects this year too. Developed in cooperation with United Genetics, the TUBITAK TEYDEB 1511 project was approved in 2018. Tat Gıda has made three additional TUBITAK TEYDEB applications. The EUROPIDES project received its first label to be carried out with international support by five partners from three countries.

Everything Begins with a Good Idea

Tat Gıda values employees' ideas and considers their success as the key to our success. Thus, we regularly monitor our systems and processes and strive to take steps to improve further. Tat Gıda uses specific platforms to make use of new ideas and aims to achieve full employee participation.

Leveraging support of Koç Innovation Program led by Koç Group, Tat Gıda established the "Good Idea Platform" that adopts the slogan: "Everything starts with a good idea; projects developed by people with creative ideas who desire to manifest them will only be realized through a good idea." Through the platform, Tat Gıda collects innovative creative ideas from not only employees, but also all external shareholders. Tat Gıda focuses on the main areas below to implement new ideas with the contributions of the employees on the Good Idea platform:

• Supporting intrapreneurs
• Integrating innovation into all of the processes, not just product development
• Adopting open innovation as the business model
• Creating the right innovation processes
• Striving to incorporate innovation into the core principles of corporate culture

Project Committee to Invest in Eight Intrapreneurship Projects

Tat Gıda strives to organize training programs on innovation for its employees and this year was no exception with the intrapreneurship and innovation program. Currently, eight intrapreneurship projects have received the Committee's investment and teams will utilize their resources from the program to carry out their project.

Apart from internal entrepreneurship, Tat Gıda endeavors to actively invest in open innovation projects. We identify new focus areas by considering the trends and technological developments that may directly or indirectly affect Tat Gıda's future field of activity. Tat Gıda interacts with local and global start-ups to support the development in those designated focus areas and explores the cooperation possibilities and the ways to maintain a win-win relationship.

Pastavilla launched its **"Gold"** series comprised of Pappardelle, Rotini, Spaghetti and Lasagne.

Tat launched **"Organic Grated Tomato"** to meet increasing consumer needs for natural products

Introduced in 2018,
SEK Quark Muesli Bar
has garnered great attention from consumers, being the first of its kind in Turkey.

Corporate Governance

Risk Management

Corporate Governance Principles Compliance Report

Risk Management

1. 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 Company's capital risk includes short and long term financial liabilities, cash and cash equivalents and equity. 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.

2. 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.

Activities of the Risk Management Committee

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 March 28, 2018, the Board of Directors appointed M. Sait Tosyalı, 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 six times throughout the operating cycle, 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 takes necessary actions to minimize the credit, market and liquidity risks that it is exposed to as part of its risk management policy.

In 2018, net sales were 8 percent higher than the previous year. Net sales were up 29 percent in the Tomato Paste and Canned Products business segment, down 4 percent in the Milk and Dairy Products business segment, and down 4 percent in the Pasta Products business segment.
As of 2018, the company is the market leader in the tomato paste, tomato products and ketchup business segment with its Tat brand, excluding discount markets. 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.

The debt/equity ratio is 26 percent (2017: 20 percent). There are no significant forward-looking risks.

Internal Control System and the Internal Audit Activities

The Internal Control System established within the Company aims to ensure efficiency and effectiveness of the activities, the reliability of the financial reporting system and its compliance with legal regulations. The Internal Control System consists of the standard definitions, job descriptions, authorization system, policies and written procedures that are included in the workflows.

Assessment of the Internal Control System and the Internal Audit Activities

The Internal Audit unit regularly monitors the Internal Control System and evaluates its effectiveness. The Audit Committee is periodically briefed about the Internal Control System and Internal Audit activities.

Disclosures on Auditing

The company did not go through any private or public audits in 2018.

Working Principles and Activities of the Audit Committee

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.

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 2018, 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 2018, 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 content 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 complied with are stated below and further explanations on the subject are given in the related sections below.

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.

Regarding principle No. 4.4.5, while there are procedures on how to run board meetings that have been followed by our company consistently for years, there are no written internal regulations on this matter.

With regards to the principle No. 4.5.5, appointments to committees are made in accordance with the relevant regulations and knowledge and experience of our board members, and some of our board members are assigned in more than one committee. Members assigned in different committees provide communication between the committees about related matters and increase the opportunities for cooperation.

Regarding principle No. 4.6.1, no specific activity has been carried out to assess the performance of board members.

Payments made to the members of the Board of Directors and managers with administrative responsibilities are disclosed to the public collectively at the Ordinary General Meeting and in our footnotes to the financial statements in parallel with the Principle No. 4.6.1.

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

The Corporate Governance Compliance Report and Corporate Governance Information Form for 2018 will be publicly disclosed on the Public Disclosure Platform within the time deemed appropriate by the Capital Markets Board. The report and form will comply to the new reporting formats of Tat Gıda A.Ş. that will be prepared in accordance with the CMB's resolution No. 2/49 dated January 10, 2019.

Part II
Shareholders

2.1. Investor Relations Department

Relations with the shareholders at Tat Gıda Sanayii A.Ş. are managed by the responsible unit estabilished within the CFO office.

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 11, 2019.

Investor Relations department and contact information below:

Başak TEKİN ÖZDEN
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Sertaç Semiz
sertac.semiz@tat.com.tr / Capital Market Activities Level 3 License

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Fax : 0216 430 80 15

* As of February 1, 2019, Ahmet Çağaşan Yılmaz has resigned from his position at our company and Başak Tekin Özden has been appointed to the position. 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 as to 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 questions concerning confidential and trade secret information, which are answered 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.

- Though our Articles of Association does not govern the right of individual shareholders to demand a special auditor, under the Turkish Commercial Code (TCC) Article 438, any shareholder can request from the General Assembly clarification of an issue via a special audit, even if the issue is not on the agenda. This request can be made provided it is necessary for the exercise of shareholder rights, and the right to receive and evaluate information concerning the events in question has previously been exercised. To date, no shareholder has submitted such a request. The company's activities are audited periodically by an Independent Auditor elected at the General Assembly.
- In 2018, six requests were received from shareholders via telephone; necessary actions were taken in this respect. The requests and questions were primarily about share price movements.

2.3. General Meeting of Shareholders

The 2018 Ordinary General Meeting of Shareholders was held on March 13, 2018.

Sixty-four percent of the shareholders attended the Ordinary General Meeting of Shareholders held on March 13, 2018, where activities for the year 2017 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, all questions put forth by the shareholders were answered.

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 2018, information on donations and grants/aids made in 2017 was given in a separate agenda item and the donation limit for the year 2018 was set at 0.2 percent of the upper limit of donations in the previous year, with no changes made to the donation policy.

Some of the shareholders who have management control of the company, board members, and managers with administrative responsibilities as well as their spouses and up to the second degree blood and marital relatives of those are also members of the board of directors or executives of some other Koç Group companies, including those engaged in similar business activities as our company. In 2018, 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. All shareholders, 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. With a share of 43.7 percent, Koç Holding A.Ş. is the biggest shareholder who holds more than 10 percent of the shares of our company.

2.5. Minority Rights

Even though no arrangements have been made regarding minority rights in our Articles of Association, we give utmost care to minority rights in accordance with the regulations of TCC and CMB. In 2018, 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 13, 2018, Ordinary General Meeting of Shareholders to be applicable for 2018 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
- Capital Increases and Dividends
- 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 Presentations
- Teleconferences
- Investor Agenda
- Sustainability Management
- Tat Food Code of Ethics
- Our Environmental Concern
- Our Employees
- Supply Chain Policy
- Recent Developments
- Frequently Asked Questions

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

Stakeholders

4.1. Informing the Stakeholders

The stakeholders of the company are informed by inviting them to the meetings as needed or through various telecommunication tools. 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.

By using the contact form on the company's website and intranet sites, stakeholders can report practices that violate regulations and ethically inappropriate transactions to the the responsible managers of the company to be investigated by the Audit Committee.

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 ofStakeholders 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.

On issues related to working conditions, work environment and employee rights the views and consensus of the worker' s union 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 goals in Human Resources are:

- To hire employees who 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 25th Collective Labor Agreement negotiations between our company and Tekgıda-İş Sendikası (a labor union) is in progress. 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, was signed by every employee hired in 2018 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 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 to 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's 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. Additionally, 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 where the agenda is consolidated.

It is the responsibility of Tat Gıda Sanayi A.Ş.'s CFO 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 physically convenes when necessitated by the businesses of the company in accordance with the Turkish Commercial Code and the relevant articles of our Articles of Association; also, when necessary, the decisions are taken by obtaining the written approval of a majority of all members as pursuant to Article 390/4 of the Turkish Commercial Code. Twenty decisions were taken by the Board of Directors in 2018, in this context.

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

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 13, 2018	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 13, 2018	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 13, 2018	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 13, 2018	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 13, 2018	Until the Ordinary General Meeting of Shareholders	Board Member	In-group - Chairman or Member of the Board of Directors
Levent Çakıroğlu	Not an Independent Member	March 13, 2018	Until the Ordinary General Meeting of Shareholders	Board Member	In-group - Koç Holding A.Ş. CEO and Board Member
Tamer Haşımoğlu	Not an Independent Member	March 13, 2018	Until the Ordinary General Meeting of Shareholders	Board Member	In-group - Koç Holding A.Ş. Turizm, Gıda ve Perakende Group Head
F. Füsun Akkal Bozok	Independent Member	March 13, 2018	Until the Ordinary General Meeting of Shareholders	Board of Directors, Audit/Oversight Committee and Risk Management Committee Member	Non-group - İzocam A.Ş. Independent Board Member In-group - Ford Otomotiv Sanayi A.Ş. Independent Board Member - Yapı ve Kredi Bankası A.Ş. Board Member
M. Sait Tosyalı	Independent Member	March 13, 2018	Until the Ordinary General Meeting of Shareholders	Board of Directors, Audit Committee and Corporate Governance Committee Member	In-group - Yapı Kredi Koray A.Ş. Independent Board Member
Takashi Hashimoto	Not an Independent Member	March 13, 2018	Until the Ordinary General Meeting of Shareholders	Board Member	Kagome Co. Ltd. Production and Purchasing Department / Administrative Executive Manager
Arzu Aslan Kesimer	Not an Independent Member	March 13, 2018	Until the Ordinary General Meeting of Shareholders	Board Member/General Manager	In-group - Tat Gıda SAnayi A.Ş. Board Member

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 2019 was two, and their nominations and resumes were evaluated at the February 11 and February 12, 2019, meetings of the Board of Directors and the Corporate Governance Committee, respectively, and it was resolved that the two 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 2018, 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 percent 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. Board Member F. Füsun Akkal Bozok was appointed as the Chairman of the Committee and M. Sait Tosyalı was appointed as a committee member. 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. Board Member F. Füsun Akkal Bozok was appointed as Committee Chairman, and Levent Çakıroğlu and Ahmet Çağaşan Yılmaz were appointed as Committee Members. Ahmet Çağaşan Yılmaz has resigned from his position in our company and Başak Tekin Özden was appointed as Committee Member as of February 1, 2019, replacing him.

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. M. Sait Tosyalı 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, on a quarterly basis, 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 Senior Managers," 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, has been 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 put into effect following the general meeting of shareholders. 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 11, 2019, where 2018 activities will be discussed. The sum of the 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 announced to the public collectively in our financial statement disclosures 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.

Finally, as we end our report, we would like to express our gratitude to all our shareholders, customers, employees and all other persons and organizations that contribute to our company. We respectfully extend our best wishes to our shareholders, again hoping and wishing 2019 brings better days to our country.

Financial Report

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 2018, 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 2018, 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 2.6 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
The Company's revenue is primarily generated from product sales to related parties. These sales comprises 88% of the total revenue. As explained in Note 2.6, 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. 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	We have performed the following audit procedures to be responsive to this area: The risk of "material misstatement" in the recognition of revenue in the financial statements is considered as a serious risk. • Assessing the appropriateness of the revenue recognition policy of the Company and inspection of the customer sales agreements; • 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, • 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, • Substantive testing of sales to related parties, which comprise a significant portion of the company's sales, have been confirmed.

Provision for the impairment of inventories

Refer to Note 2.6 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for Provision for the impairment of inventories.

The key audit matter	How the matter was addressed in our audit
The Company's inventories, amounting to TL 271.813.206 as of 31 December 2018, 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.	• Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows: • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Company management about the risk of diminution in value, • Analytical procedures on inventory turnover rates compared to the prior year, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories.

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 2018, 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
14 February 2019
Istanbul, Turkey

Contents

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

TAT GIDA SANAYİ A.Ş.
BALANCE SHEETS AS OF 31 DECEMBER 2018

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

		Audited	Audited
ASSETS	**Notes**	**31 December 2018**	**31 December 2017**
Current Assets		**641.100.927**	**563.452.240**
Cash and cash equivalents	4	27.697.717	13.025.751
Trade receivables	7	323.463.202	272.370.755
-Trade receivables from related parties	*7-25*	*301.504.094*	*244.725.130*
-Trade receivables from third parties	*7*	*21.959.108*	*27.645.625*
Other receivables		57.495	165.847
-Other receivables from third parties	*8*	*57.495*	*165.847*
Derivatives		--	453.194
Inventories	9	237.813.206	231.676.801
Current Tax Asset	24	807.523	--
Prepaid expenses	10	2.802.504	2.760.369
Other current assets	17	48.459.280	42.999.523
Non-Current Assets		**223.209.193**	**222.537.003**
Other receivables		68.085	88.233
-Other receivables from third parties	*8*	*68.085*	*88.233*
Financial investments	5	1.815.749	3.177.374
Property, plant and equipment	11	189.547.315	185.506.697
Intangible assets	12	7.474.977	1.241.169
Prepaid expenses	10	51.874	1.933.563
Deferred tax assets	24	994.868	151.381
OTHER NON-CURRENT ASSETS	17	23.256.325	30.438.586
TOTAL ASSETS		**864.310.120**	**785.989.243**

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 2018 (CONTINUED)

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

LIABILITIES	Notes	Audited 31 December 2018	Audited 31 December 2017
Short Term Liabilities		**246.759.458**	**270.876.344**
Short-term financial borrowings	6	48.338.499	45.140.855
Short-term portion of long-term borrowings	6	6.153.846	56.799.986
Trade payables		166.845.335	141.140.183
- Trade payables to related parties	7-25	*39.726.677*	*18.958.312*
- Trade payables to third parties	7	*127.118.658*	*122.181.871*
Employee benefit obligations	16	7.088.508	5.981.742
Other payables		9.090.481	11.447.176
- Other payables from related parties	25	*4.977.767*	*5.565.583*
- Other payables from third parties	8	*4.112.714*	*5.881.593*
Deferred income	10	4.609.695	5.515.635
Current tax liabilities	24	--	130.838
Short-term provisions		4.633.094	4.719.929
- Short-term provisions for employment benefits	16	*900.000*	*900.000*
- Other short-term provisions	14	*3.733.094*	*3.819.929*
Long Term Liabilities		**116.675.236**	**22.137.264**
Long-term financial borrowings	6	101.538.462	7.692.308
Long-term provisions		15.136.774	14.444.956
- Long-term provisions for employment benefits	16	*15.136.774*	*14.444.956*
EQUITY		**500.875.426**	**492.975.635**
Equity attributable to equity holders of the parent company		**500.875.426**	**492.975.635**
Share capital	18	136.000.000	136.000.000
Inflation adjustment to share capital	18	21.601.088	21.601.088
Share premiums	18	10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss	18	232.466	1.594.091
- Financial assets revaluation reserve		*232.466*	*1.594.091*
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	18	404.935	(279.830)
-Actuarial gains / (losses) in defined benefit plan		*404.935*	*(279.830)*
Restricted reserves	18	94.838.483	89.949.523
Prior years' profit		199.113.868	172.819.429
Profit for the period		38.576.777	61.183.525
TOTAL LIABILITIES		**864.310.120**	**785.989.243**

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

Tat Gıda 2018 Annual Report

About Tat Gıda | General Meeting of Shareholders | Management and Reviews | Tat Gıda in 2018 | Corporate Governance | Financial Report

(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 2018

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

Profit or Loss	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Continuing operations			
Sales	19	1.155.378.200	1.074.034.710
Cost of sales (-)	19	(919.539.938)	(835.401.871)
Gross profit		**235.838.262**	**238.632.839**
Marketing expenses (-)	20	(142.112.527)	(140.086.877)
General administrative expenses (-)	20	(57.436.645)	(47.521.854)
Research and development expenses (-)		(1.469.147)	(903.188)
Other income from operating activities	21	61.175.179	36.894.456
Other expenses from operating activities (-)	21	(36.227.753)	(16.361.322)
Operating profit		**59.767.369**	**70.654.054**
Income from investing activities	22	3.261.213	1.178.830
Expenses from investing activities (-)	22	(60.552)	(120.364)
Operating profit before finance expense		**62.968.030**	**71.712.520**
Finance income	23	21.361.537	7.829.980
Finance expense (-)	23	(42.934.614)	(14.817.057)
Finance expense, net		**(21.573.077)**	**(6.987.077)**
Profit before tax		**41.394.953**	**64.725.443**
Tax expense		**(2.818.176)**	**(3.541.918)**
Current tax expense	24	*(3.854.802)*	*(1.338.341)*
Deferred tax expense	*24*	*1.036.626*	*(2.203.577)*
Profit for the period		**38.576.777**	**61.183.525**
Allocation of profit for the period			
Owners of the company		38.576.777	61.183.525
Net profit for the period		**38.576.777**	**61.183.525**
Earnings per share		0.28	0.45
Diluted earnings per share		0.28	0.45
Other comprehensive income:		**(676.860)**	**832.306**
Gain in revaluation reserve		(1.361.625)	300.000
Actuarial gain on employee benefits		684.765	532.306
Total other comprehensive income		**(676.860)**	**832.306**
Total comprehensive income		**37.899.917**	**62.015.831**
Total comprehensive income attributable to			
Owners of the company		37.899.917	62.015.831
Total comprehensive income		**37.899.917**	**62.015.831**

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

Tat Gıda 2018 Annual Report

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(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 2018

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

	Share Capital	Inflation Adjustments To Share Capital	Share Premium	Financial Assets Revaluation Reserve	Actuarial Gain / Losses In Defined Benefit Plans	Restricted Reserves	Net Profit For The Period	Prior Year's Profit	Total Equity
Balance at 1 January 2017	**136.000.000**	**21.601.088**	**10.107.809**	**1.294.091**	**(812.136)**	**84.592.445**	**64.700.560**	**143.476.510**	**460.960.367**
Transfers	--	--	--	--	--	5.357.078	(64.700.560)	59.343.482	--
Dividend payment	--	--	--	--	--	--	--	(30.000.563)	(30.000.563)
Total comprehensive income	--	--	--	300.000	532.306	--	61.183.525	-	62.015.831
Balance at 31 December 2017	**136.000.000**	**21.601.088**	**10.107.809**	**1.594.091**	**(279.830)**	**89.949.523**	**61.183.525**	**172.819.429**	**492.975.635**
Balance at 1 January 2018	**136.000.000**	**21.601.088**	**10.107.809**	**1.594.091**	**(279.830)**	**89.949.523**	**61.183.525**	**172.819.429**	**492.975.635**
Transfers	--	--	--	--	--	4.888.960	(61.183.525)	56.294.565	--
Dividend payment	--	--	--	--	--	--	--	(30.000.126)	(30.000.126)
Total comprehensive income	--	--	--	(1.361.625)	684.765	--	38.576.777	-	37.899.917
Balance at 31 December 2018	**136.000.000**	**21.601.088**	**10.107.809**	**232.466**	**404.935**	**94.838.483**	**38.576.777**	**199.113.868**	**500.875.426**

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 2018

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

		Audited	Audited
	Notes	1 January- 31 December 2018	1 January- 31 December 2017
Profit for the period		38.576.777	61.183.525
Adjustments to reconcile profit for the period:			
Adjustments related to depreciation and amortization expenses	11-12	15.881.926	12.857.436
Adjustments related to provision for employee termination benefit			
Provision for doubtful receivables	16	118.211	166.604
Gain on sales of property, plant and equipment			
Adjustments related to other provisions	7	7.293.930	7.661.943
Adjustments related to income accruals	14	(86.835)	(2.074.305)
Adjustments related to increase in fair value of derivatives	22	48.498	8.055
Unrealized foreign exchange loss	7	352.958	(1.910.468)
Discount expense		(453.194)	453.194
Discount income		2.120.750	1.263.500
Interest income		6.097.355	197.856
Dividend income		(1.769.476)	(1.248.700)
Interest expense	23	(3.140.380)	(1.822.966)
Changes in working capital		(1.657.918)	(937.378)
Profit for the period	23	18.812.923	9.540.713
Adjustments to reconcile profit for the period:		**82.195.525**	**85.339.009**
Changes in trade receivables and other receivables		6.250.235	43.868.813
Changes in due from related parties		(55.009.488)	(82.446.248)
Changes in inventories		(6.136.405)	(28.921.112)
Changes in prepaid expenses		1.839.554	(2.235.683)
Changes in other current and non-current assets		1.722.504	(21.989.358)
Changes in trade payables		(1.160.567)	26.977.854
Changes due to related parties		20.180.549	(4.159.179)
Changes in deferred income		(905.940)	808.650
Changes in employee benefit payables		1.106.766	154.919
Changes in other current liabilities		(1.768.879)	3.411.488
Cash flows from operating activities		**48.313.854**	**20.809.153**
Employee termination benefits paid	16	(5.724.209)	(5.878.472)
Taxes refund / (paid)	24	(1.974.986)	2.334.416
Net cash flows from operating activities		**40.614.659**	**17.265.097**
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	11-12	(26.220.694)	(45.257.209)
Cash generated from sale of property, plant and equipment and intangible assets		15.844	3.504
Dividend received	22	1.657.918	937.378
Net cash (used in)/from investing activities		**(24.546.932)**	**(44.316.327)**
Financing activities:			
Cash inflows due to loan received	23	3.140.380	1.822.966
Cash outflows due to loan received	6	258.314.196	134.437.733
Cash provided from bond issue	6	(216.448.292)	(98.832.765)
Cash paid for bond issue	18	(30.000.126)	(30.000.563)
Dividend paid		(16.401.919)	(10.468.208)
Interest paid		**(1.395.761)**	**(3.040.837)**
Net cash used in financing activities		**14.671.966**	**(30.092.067)**
Net change in cash and cash equivalents	4	**13.025.751**	**43.117.818**
Cash and cash equivalents at the beginning of the period	4	**27.697.717**	**13.025.751**

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 2018

(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 has entered the registered capital system with the permission of the Capital Market Board dated 20.08.1992 and numbered 454. The registered capital of the Company is 250.000.000 TL and it is divided into 25.000.000.000 shares each with a nominal value of 1 Kuruş. The permission of the registered share capital ceiling is valid for 5 years between 2017-2021 and the Board of Directors has the authority to issue shares above the nominal value and to restrict the rights of the current shareholders.

The issued capital of the Company is TL 136.000.000 and its parent is Koç Holding A.Ş. Detailed information on the shareholding structure is given in Note 18.

The shares of the Company are traded in Borsa Istanbul as of 9 August 1993 and the share in the actual circulation is 41.30%.

The registered head office address of the company is "Taşdelen Mah. Sırrı Çelik Bulvarı No:7 34788 Çekmeköy/İstanbul/Türkiye" The company carries out its production activities in Mustafakemalpaşa / Bursa, Karacabey / Bursa, Torbalı İzmir, Söke / Aydın and Bornova / İzmir.

The domestic marketing and sales activities of the Company are performed by Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey"), a Koç Group company; some part of export activities of the Company are performed by Ram Dış Ticaret A.Ş. ("Ram"), a Koç Group company.

As of 31 December 2018, the number of end-of-period, average, permanent and temporary personnel employed within the Company is as follows:

	2018		2017	
	End of Period	Average	End of Period	Average
Total	898	1.114	1.056	1.243
Permanent Personnel	843	894	860	887
Temporary Personnel	55	220	196	356

(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 2018

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

Note 2 – Basis of Presentation of Financial Statements

2.1 Basic Principles of Presentation

Principles of measurement

The unconsolidated financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention except for the equity instruments which are carried at fair value through profit or loss. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis. The financial statements have been prepared on the basis of the inflation adjusted historical cost basis.

Reporting and Functional Currency

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.

Foreign Currency

Foreign currency transactions

Transactions in foreign currency are translated at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates at the reporting date. Foreign currency, non-monetary assets and liabilities measured at fair value are converted to the functional currency at the exchange rate at the date when the fair value is determined in foreign currency. Foreign exchange differences arising from rediscount are generally recognized in profit or loss. Non-monetary items measured in terms of foreign currency historical costs are not translated.

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TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

2.1 Basic Principles of Presentation (Continued)

Foreign Currency (Continued)

Foreign exchange differences arising from the redistribution of the following items are recognized in other comprehensive income:

- equity instruments recognized under equity, other equity items reflected in other comprehensive income (except for the purpose of impairment, foreign exchange differences recognized in other comprehensive income are reclassified to profit or loss);

Foreign exchange differences are recognized in profit or loss in the period in which they arise:

- Foreign exchange differences related to the assets that are being constructed for future use and included in the cost of such assets, which are considered as a correction item in the interest costs on the liabilities denominated in a foreign currency,
- Foreign exchange differences arising from transactions with the purpose of providing financial protection against the risks arising from the foreign currency (accounting policies for providing financial protection against risks).

Annual changes in Euro / TL and USD / TL exchange rates are as follows at the end of the reporting period:

	31 December 2018	31 December 2017
Euro / TL	6,0280	4,5155
US Dollar / TL	5,2609	3,7719

2.2 Statement of Compliance to Turkish Financial Reporting Standards ("TFRS")

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 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.

Approval of financial statements:

Financial statements are authorized for issue by Board of Directors meeting on 14 February 2019. The General Assembly has authority to amend 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 2018

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

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

2.3 Financial Statements of Comparative Information and Restatement of Prior Period

In order to allow the determination of the financial position and the performance trend 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, comparative figures are reclassified if deemed necessary, and significant differences are explained.

As at 31 December 2017 statement of financial position of the Company, “Income Accruals” TL 9.054.394 presented in the “Trade Receivables” have been reclassified to “Other Current Assets” as at 31 December 2018 in the comparative financial statements. “Income Accruals” are related to export incentives received from the government.

2.4 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 had no material impact on the financial statements are also set out below.

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

TFRS 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. TFRS 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 TFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

TFRS Comment 23 Uncertainties Regarding Income Tax Applications

In order to determine how the uncertainties related to the calculation of income taxes will be reflected on the financial statements by the POA on May 24, 2018, TFRS Comment 23 Uncertainties Regarding Income Tax Practices was published. There may be uncertainties about how to apply tax regulations to a particular transaction or situation or whether the tax authority will accept a company's tax transactions. TAS 12 "Income Taxes" provides guidance on how to calculate current and deferred tax, but does not provide guidance on how to reflect the effects of uncertainties on the financial statements. TFRS Comment 23 introduces additional requirements to the requirements of TAS 12, clarifying how to reflect the effects of uncertainty on income taxes in the recognition of income taxes. The effective date of this Interpretation is the reporting periods beginning on or after January 1, 2019, but early application is permitted. The Company is in the process of assessing the potential impact of the application of TFRS 23 on the financial statements.

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TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

2.4 New and Revised Financial Reporting Standards (Continued)

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

Amendments to TFRS 9 - *Early Payments Causing Negative Compensation*

POA has amended the requirements of TFRS 9 to clarify the recognition of financial instruments in December 2017. Financial assets that cause negative compensation when they are paid early can be measured at amortized cost if they meet other relevant requirements of TFRS 9 or by reflecting fair value differences on other comprehensive income. In accordance with TFRS 9, when the contract is prematurely terminated, financial assets that include an early payment option that requires the payment of a 'reasonable additional cost' that substantially reflects the amount of the outstanding principal and interest amount meets the criteria.

The implementation of this amendment to TFRS 9 is not expected to have a significant impact on the financial statements of the Company.

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

Amendments to TAS 28 were also made by the POA in December 2017 to clarify the need to apply TFRS 9 to the measurement of other financial instruments in which investments in associates and joint ventures are not applied. These investments are, in essence, the long-term retained shares of the entity, which form part of the net investment in subsidiaries or joint ventures. An entity applies TFRS 9 to the measurement of such long-term investments before applying the relevant paragraphs of TAS 28. When TFRS 9 is applied, no adjustment is made to the carrying amount of long-term investments resulting from the application of TAS 28. This amendment is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The implementation of this amendment to TAS 28 is not expected to have a significant impact on the Company's financial statements.

Conceptual Framework (updated)

The revised Conceptual Framework was issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.

The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

(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 2018

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

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

2.4 New and Revised Financial Reporting Standards (Continued)

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

Amendments to TFRS 4 - *Amendments to TFRS 4 Insurance Contracts and the application of TFRS 9*

TFRS 4 has been amended by the POA to reduce the impact of the new insurance contracts standard and the different effective dates of TFRS 9. Amendments to TFRS 4 offer two optional solutions to mitigate concerns for insurance companies: (i) when applying TFRS 9 Insurers' financial assets are recognized in profit or loss in accordance with TFRS 9, with respect to the profit or loss and other comprehensive income of the insurer; it will be allowed to reclassify the difference between those reported; or (ii) an optional temporary exemption for the application of TFRS 9 for companies whose operations are predominantly linked to the insurance before 1 January 2021. These companies will be allowed to continue to apply the existing requirements for financial instruments in TAS 39.

The application of this amendment to TFRS 4 is not expected to have a significant impact on the Company's financial statements.

The new standards, interpretations and amendments to the existing International Financial Reporting Standards ("TFRS") listed below have been published by the IASB, but have not yet entered into force for the current reporting period. The standards issued by the IASB but not yet published by the POA are referred to as TFRS 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

Annual Improvements to TFRSs 2015-2017 Cycle

Improvements to TFRSs

IASB issued Annual Improvements to TFRSs - 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 TFRSs will have significant impact on its financial statements.

TFRS 3 Business Combinations and TFRS 11 Joint Arrangements

TFRS 3 and TFRS 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.

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.

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TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

2.4 New and Revised Financial Reporting Standards (Continued)

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

Amendments to IAS 19 - Amendment to the Plan, Reduction or Execution of Liabilities

Amendment to the plan, reduction or execution of liabilities (Amendments to IAS 19) was issued by the IASB on 7 February 2018. The amendment clarifies the recognition of the fulfillment of the obligations as well as a change in the plan or reduction. A company will then use the updated current actuarial assumptions to determine the cost of service and the net interest cost of the period, and will not take into account the impact of the asset ceiling in the calculation of any gain or loss arising from the fulfillment of any obligation in relation to the plan. The impact will be covered seperately in other comprehensive income. This amendment is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The Company is assessing the potential impact of the adoption of IAS 19 on financial statements.

Conceptual Framework (updated)

The updated conceptual framework was published by the IASB on 28 March 2018. Conceptual Framework; It introduces the basic framework that will provide guidance to financial reporting when developing new TFRSs to the IASB. Conceptual Framework; it helps ensure that standards are conceptually consistent and that similar transactions are handled in the same way, providing useful information for investors, lenders and lenders. The Conceptual Framework helps companies to develop accounting policies where a TFRS is not applicable for a particular transaction and, more broadly, to understand and interpret stakeholders. The updated Conceptual Framework is more comprehensive than its predecessor and aims to provide all the necessary tools for the establishment of standards to the IASB. The updated Conceptual Framework covers all aspects of establishing a standard starting from the purpose of financial reporting to presentation and disclosure. The updated Conceptual Framework will be effective for companies using the Conceptual Framework to develop accounting policies when a TFRS is not applicable for a particular transaction, even though early implementation is permitted, starting from January 1, 2020 and onwards.

TFRS 17 Insurance Contracts

On May 18, 2017, IAS 17 issued the TFRS 17 Insurance Contracts standard. TFRS 17, the first internationally recognized standard for insurance contracts, will facilitate investors and other interested parties to better understand the risks, profitability and financial position of insurers. TFRS 17 replaces TFRS 4, which was adopted as a provisional standard in 2004. TFRS 4 allows a wide variety of accounting approaches to be used in applications as it allows companies to recognize insurance contracts using local accounting standards. As a result, investors have made it difficult to compare the financial performance of similar companies. TFRS 17 resolves the consistency of all insurance contracts and the comparability of TFRS 4 for both investors and insurance companies. According to the new standard, insurance obligations will be accounted for using current values instead of historical cost. This information will be updated regularly and will provide more useful information to users of financial statements. TFRS 17 is effective from 1 January 2021 onwards and thereafter, but it is permitted to apply early.

The Company is assessing the potential impact of the adoption of TFRS 17 on its financial statements.

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

2.5 Accounting Policies, Changes in Accounting Estimates and Errors

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to the future periods, they are applied prospectively both in the period of change and in the future period.

The Company has applied the new standards, amendments and interpretations effective from January 1, 2018, in accordance with the transitional provisions of the relevant standards.

The effects of these standards-based accounting policy changes and the first time implementation of the relevant standards are as follows:

2.5.1 TFRS 15 “Revenue from Customer Contracts” Standard

Revenue recognition

In accordance with TFRS 15 ”Revenue Standard from Customer Contracts l, effective from 1 January 2018, the Company recognizes revenue in the financial statements as per the five-stage model below.

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determining the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

The Company evaluates the goods or services that it has committed in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation.

For each performance obligation, it is determined at the beginning of the contract whether the performance obligation will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

The Company, when it has fulfilled or fulfills its performance obligation by transferring a committed product or service to its customer, records the transaction price corresponding to this performance obligation as revenue in its financial statements. The goods or services are transferred when the goods or services are checked (or passed) by the customers.

The Company evaluates the transfer of control of the goods or services sold to the customer,

a) The ownership of the Company's right to collect goods or services,
b) The ownership of the property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risks and rewards arising from the ownership of the goods or services,
e) It takes into account the conditions for the customer to accept the goods or services.

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

2.5 Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

2.5.1 TFRS 15 “Revenue from Customer Contracts” Standard (Continued)

At the beginning of the contract, the Company does not correct the effect of an important financing component at the commitment price if the customer foresees that the period between the date of transfer of the goods or services to which the customer commits is one year or less. On the other hand, in the event that there is an important financing element within the proceeds, the revenue value is determined by discounting the future collections with the interest rate within the financing element. The difference is recognized as other income from operating activities on an accrual basis.

The Company has assessed the transition effects of TFRS 15 and has determined that it has no material impact on the financial statements.

2.5.2 TFRS 9 “Financial Instruments” Standard

Classification and Measurement

The Company classifies its financial assets in three classes of financial assets at fair value through profit or loss, whose fair value changes are accounted for at amortized cost. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Company makes the classification of its financial assets on the date of purchase.

“Financial assets measured at amortized cost are financial assets”, that are held within the scope of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments from principal and principal balances on certain dates at contract dates, that are not traded in an active market and that are not derivatives. Financial assets that are recognized at amortized cost include cash and cash equivalents and trade receivables. The related assets, with their fair values in the initial recognition of financial statements; effective interest rate for subsequent recognition method.

Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

Financial assets at fair value through profit or loss are financial assets held for the purpose of collecting the contractual cash flows and selling the financial asset. Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified in retained earnings.

For investments in equity-based financial assets, the Company may irrevocably choose the method of reflecting subsequent changes in the fair value of other comprehensive income to the financial statements for the first time. In case of such preference, dividends received from related investments are recognized in profit or loss.

Financial assets at fair value through profit or loss consist of financial assets other than classified at amortized cost and at fair value through comprehensive income. Gains and losses arising from valuation of such financial assets designated are recognized as profit or loss.

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

2.5 Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

2.5.2 TFRS 9 “Financial Instruments” Standard (Continued)

Classification and Measurement (Continued)

Changes in the classification of financial assets and liabilities under TFRS 9 are summarized below. These classifications do not have any effect on the measurement of financial assets other than the financial investments account group.

Financial assets	Prior classification according to TAS 39	Current classification according to TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivatives	Fair value through profit or loss	Fair value trough profit or loss
Financial investments	Available for sale	Fair value through other comprehensive income

Financial liabilities	Prior classification according to TAS 39	Current classification according to TFRS 9
Derivatives	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Other financial liabilities	Amortized cost
Trade payables	Other financial liabilities	Amortized cost

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

2.5 Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

2.5.2 TFRS 9 “Financial Instruments” Standard (Continued)

Improvements

In accordance with TAS 39 Financial Instruments: Recognition and Measurement, effective from 1 January 2018, a credit losses model has been defined instead of TFRS 9 Financial Instruments standard. The expected credit losses are a weighted estimate of the probability of loan losses over the expected life of a financial instrument. In the calculation of the expected loan losses, the Company's future forecasts are taken into consideration along with the past loan loss experiences.

Trade Receivables

The Company has preferred to apply the simplified approach defined in TFRS 9 within the scope of the impairment calculations of trade receivables that are accounted for at amortized cost in the financial statements and that do not include a significant financing component (less than a year). With this approach, the Company measures the loss provisions related to trade receivables at an amount equal to the expected loan losses, unless the carrying amounts of the trade receivables are impaired due to certain reasons.

The Company uses a response matrix to measure expected credit losses for trade receivables.

Certain provisions are calculated based on the number of days in which maturities of trade receivables are exceeded and such rates are reviewed and revised whenever necessary, in each reporting period. The change in expected loan loss provisions is accounted under other income / expenses from main operations in profit or loss.

The Company has assessed the impact of TFRS 9 and has determined that it has no material impact on its financial statements.

2.6 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).

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

2.6 Summary of Significant Accounting Policies (Continued)

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).

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.

Tangible Fixed Assets

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 Fixed 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).

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

2.6 Summary of Significant Accounting Policies (Continued)

Corporate Income Taxes

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

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.

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

2.6 Summary of Significant Accounting Policies (Continued)

Taxes on Corporate Income (Continued)

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 acquirer's identifiable assets, liabilities and contingent liabilities over cost.

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 at fair value through profit or loss are classified as financial assets at fair value through profit or loss, as they are measured at amortized cost.

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. Effective interest rate; is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period. Financial assets at fair value through profit or loss and other financial assets at fair value through profit or loss are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss

Financial assets that are not designated as an effective hedging instrument against financial risk are classified as financial assets at fair value through profit or loss. Assets in this category are classified as current assets.

Financial assets whose fair value is reflected in other comprehensive income

Financial statement includes financial investments items. The Group measures such assets at fair value. Gains or losses arising from the related financial assets are recognized in other comprehensive income unless they are impaired. In the event that the assets recorded in other comprehensive income are sold in the fair value difference, the valuation difference classified in other comprehensive income is classified into prior year profits.

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

2.6 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

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.

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 fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss 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.

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.

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

2.6 Summary of Significant Accounting Policies (Continued)

Business Mergers

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.

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.

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

2.6 Summary of Significant Accounting Policies (Continued)

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.

Revenue recognition

In accordance with TFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

Stage 1: Identification of the Contract

When a contract is only legally enforceable, collectible, rights and payment terms for goods and services can be defined, the contract is deemed to be in accordance with TFRS 15 if the terms of the contract are commercially acceptable, the contract is endorsed by the parties and all the conditions of commitment are fulfilled.

When contracts are negotiated as a single commercial package, or in a contract with other contractual goods or services (or a portion of goods or services), there is a single obligation under the contracts, the Company considers the contracts as a single contract.

Stage 2: Definition of performance obligations

The Company defines the performance obligations as a unit of account for the recognition of revenue. The Company evaluates the goods or services it has committed in a contract with the customer and determines each commitment to the customer as one of the performance obligations as a performance obligation:

(a) a different goods or service (or a package of goods or services) or
(b) a series of different goods or services that are substantially similar and which have the same transfer type as the customer.

The company may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A contract may include a commitment to provide a range of different goods or services that are essentially the same. At the start of the contract, an enterprise determines whether a series of goods or services has a single performance obligation.

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

2.6 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Stage 3: Determination of transaction price

To determine the transaction price, the Company evaluates the amount of money it expects to achieve after fulfilling its obligation under the contract. When assessing, it considers whether the contract contains elements of variable amounts and an important financing component.

Important financing component

The Company reviews the amount that reflects the cash sales price of the contracted goods or services with the amount committed to pay for the impact of an important financing component. As a practical application, the Company does not adjust the transaction price for the effects of a significant financing component if it expects the period between the customer payment and the transfer of goods or services to be one year or less at the start of the contract. In the event that the Company's obligations and the payment schedule are broadly in line with the obligations of the Company, the Company considers that the period between fulfillment of the obligation and the payment shall never be more than 12 months.

Variable cost

The Company determines whether there are items in the customer contract that may cause price concessions, incentives, performance premiums, early completion premiums, price adjustment items, penalties, discounts or similar variable costs.

Stage 4: Distribution of transaction fee to performance obligations

In the event that different goods or services are delivered in accordance with a single contract, the contract price shall be distributed on the basis of the individual sales prices of the individual goods or services (different performance obligations). If no direct observable sales prices are available, the total price in contracts is distributed on the basis of the expected cost plus profit margin.

Stage 5: Revenue recognition

The Company recognizes revenue when the following conditions are met:

- If the customer is simultaneously using the benefits of the business and consuming these benefits;
- In the event that the entity has passed the control of the asset that has been created or developed at the same time as the entity creates or develops it, or
- In the event that the entity has passed the control of the asset that has been created or developed at the same time as the entity creates or develops it, or
- If the Company fulfills its obligation, the Company does not create an asset with alternative use for the Company and the Company has the right to a legally enforceable payment on the payment to be made against the obligation completed until that date.

For each performance obligation fulfilled over time, the Company selects a single measure of progress indicating the transfer of control of goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses the costs incurred to measure progress on completion of the project using the input method and uses the units transferred to measure progress towards completion of the project using the output method.

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

2.6 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In case the Company exceeds the economic benefit expected to be incurred in the scope of the contract in accordance with the TMS 37 Provisions, Contingent Liabilities and Contingent Assets standard, the cost to be incurred by the Company to fulfill the obligations under the contract is set aside.

Contract changes

If the Company commits to offer additional goods or services, it accepts the contract change as a separate contract. In case of the termination of the existing contract and the creation of a new contract, if the goods or services offered are different, they shall recognize the related changes. If the amendment to the contract does not create separate goods or services, the entity shall, with the first contract, recognize by combining additional goods or services as if it were a part of the initial contract.

Dividend and interest income

Dividend income from equity investments is recognized when the shareholders' right to receive dividends is established (as long as it is possible for the Company to obtain economic benefits and to reliably measure revenue).

Interest income from financial assets is recognized when the Company is expected to obtain economic benefits and that the revenue can be measured reliably.

Finance income and cost

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.

Earnings per share / (loss)

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.

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

2.6 Summary of Significant Accounting Policies (Continued)

Cash flow statement

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.

Netting / offset

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.

2.7 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 tangible assets

The depreciation on property, plant and equipment is provided using the useful lives discussed in Note 11 to the financial statements.

(b) Deferred tax asset

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.

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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 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 on TAS financial statements. Therefore, TAS financial statements are the basis of segmental reporting.

Domestic sales and marketing activities are operated by Düzey which is a member of Koç Group. Sales amount to Düzey is TL 956.274.321 (31 December 2017: TL 942.968.424).

a) Revenue analysis according to the sections of the accounting period of 1 January - 31 December 2018 and 2017

	2018	2017
Tomato paste and canned products	481.236.200	373.939.588
Milk and milk products	611.786.498	635.311.535
Pasta and bakery products	62.355.502	64.783.587
	1.155.378.200	**1.074.034.710**

b) Segment assets

The assets of the entity that are directly employed in the operating activities of the segment and that 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:

	2018	2017
Tomato paste and canned products	70.190.536	67.438.722
Milk and milk products	114.121.704	102.720.548
Pasta and bakery products	6.625.463	6.497.576
Assets that cannot be allocated to segments	6.084.589	10.091.020
	197.022.292	**186.747.866**

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Note 3 – Segment Reporting (Continued)

Primary reporting format - Business segment (Continued)

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

The depreciation and amortization of the industrial segment assets for the years ended 31 December are as follows:

Depreciation and amortization	2018	2017
Tomato paste and canned products	5.992.581	4.725.292
Milk and milk products	8.360.284	7.046.050
Pasta and bakery products	705.015	625.939
Depreciation and amortization charges that cannot be allocated to segments	824.046	460.155
	15.881.926	**12.857.436**

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

Investment expenditures	2018	2017
Tomato paste and canned products	6.731.270	21.550.177
Milk and dairy products	15.033.308	16.909.952
Pasta and bakery products	581.345	941.736
Investment expenditures that cannot be allocated to segments	3.874.771	5.855.344
	26.220.694	**45.257.209**

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

	2018	2017
Banks	27.697.717	13.025.751
- Time deposit - TL	*19.790.203*	*780.000*
- Time deposit - foreign currency	*7.880.061*	*11.949.742*
- Demand deposit - TL	*27.453*	*11.684*
- Demand deposits - foreign currency	*--*	*284.325*
	27.697.717	**13.025.751**

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Note 4 – Cash and Cash Equivalents (Continued)

The maturity of time deposits is 2 January 2019 with interest rates of TL 20%, USD 2% and 0,35%, Euro 0,10%. (31 December 2017: Maturity of time deposits is 2 January 2018, 15 January 2018 and 26 January 2018 with interest rate TL 13.2% and USD 4%).

As of 31 December 2018, there is no blockage on cash and cash equivalents. (2017: None)

Explanations on the nature and level of risks in cash and cash equivalents are disclosed in Note 26.

Note 5 – Financial Assets

As of 31 December, the details of financial investments are as follows:

	%	2018	%	2017
Equity instruments at fair value through comprehensive income				
Ram	7,5	1.263.375	7,5	2.625.000
Düzey	1,1	544.641	1,1	544.641
Others		7.733		7.733
		1.815.749		**3.177.374**

Note 6 – Borrowings

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

	2018	2017
Short-term loans	48.338.499	45.140.855
Short term portions of long-term loans	6.153.846	6.220.865
Short-term portions of long-term issued bonds	--	50.579.121
Total short-term borrowings	**54.492.345**	**101.940.841**
Long-term loans	101.538.462	7.692.308
Total long-term financial borrowings	**101.538.462**	**7.692.308**
	156.030.807	**109.633.149**

The Company does not have any pledges or mortgages given for its financial liabilities (31 December 2017: None).

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Note 6 – Borrowings (Continued)

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 2018 Net Book Value (TL)
Short term financial borrowings			
TL borrowings	29,33%	54.492.345	54.492.345
			54.492.345
Long term financial borrowings			
TL borrowings	23,61%	101.538.462	101.538.462
			101.538.462

	The weighted average interest rate	Original Amount	31 December 2017 Net Book Value (TL)
Short term financial borrowings			
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
			101.940.841
Long term financial borrowings			
TL borrowings	10,25%	7.692.308	7.692.308
			7.692.308

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

	2018	2017
2019	--	6.153.846
2020	101.538.462	1.538.462
	101.538.462	**7.692.308**

The cash flow statement of the Company's financing activities is as follows:

	2018	2017
Opening balance on January 1	**109.633.149**	**73.692.176**
Cash transactions		
Cash inflows from credit debts used	258.314.196	134.437.733
Cash outflow related to loan debt repayments	**(216.448.292)**	**(98.832.765)**
Non-cash transactions		
The cost of the redeemed value	4.531.754	336.005
31 December closing balance	**156.030.807**	**109.633.149**

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Note 7 – Trade Receivables And Payables

Trade receivables

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

	2018	2017
Trade receivables from related parties (Note 25)	301.504.094	244.725.130
Notes and cheques receivable	18.229.661	18.894.685
Trade receivables	6.663.516	11.566.798
Provisions for doubtful receivables	(2.934.069)	(2.815.858)
	323.463.202	**272.370.755**

As at 31 December 2017 statement of financial position of the Company, "Income Accruals" TL 9.054.394 presented in the "Trade Receivables" have been reclassified to "Other Current Assets" as at 31 December 2018 in the comparative financial statements. "Income Accruals" are related to export incentives received from the government.

The Company has deducted TL 15.000.000 from trade receivables as they have been collected from the factoring company within the scope of irrevocable factoring.

Movement of provision for doubtful receivables as of 31 December 2018 and 31 December 2017 are as follows:
The nature and level of risk in trade receivables are given in Note 26.

	2018	2017
Opening balance	(2.815.858)	(2.649.254)
Provisions made during the year	(118.211)	(166.604)
	(2.934.069)	**(2.815.858)**

Trade Payables

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

	2018	2017
Suppliers	127.118.658	122.181.871
Trade payables to related parties (Note 25)	39.726.677	18.958.312
	166.845.335	**141.140.183**

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Note 8 – Other Receivables And Payables

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

	2018	2017
Short term other receivables		
Other receivables	57.495	165.847
	57.495	**165.847**

	2018	2017
Long term other receivables		
Deposits and guarantees given	68.085	88.233
	68.085	**88.233**

	2018	2017
Payables to third parties:		
Taxes and funds payable	3.676.583	2.762.203
Accrual for selling expenses	59.063	2.930.747
Others	377.068	188.643
	4.112.714	**5.881.593**

Note 9 – Inventories

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

	2018	2017
Raw material	55.342.881	55.936.159
Semi-finished goods	11.840.830	325.587
Finished goods	170.533.196	175.221.730
-Tomato paste and canned products	*144.881.884*	*150.364.482*
-Milk and dairy products	*20.988.124*	*20.405.178*
-Pasta and bakery products	*4.663.188*	*4.452.070*
Other inventory	396.968	443.325
Inventory impairment	(300.669)	(250.000)
	237.813.206	**231.676.801**

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Note 10 – Prepaid Expenses And Deferred Income

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

	2018	2017
Short-term prepaid expenses		
Expenses related to future months	2.279.973	1.296.800
Advances given for the purchase of inventory	522.531	1.463.569
	2.802.504	**2.760.369**

	2018	2017
Long-term prepaid expenses		
Expenses related to future years	51.874	--
Advances given for fixed asset purchases	--	1.933.563
	51.874	**1.933.563**

	2018	2017
Short-term deferred income		
Advances received	4.529.788	5.238.464
Income related to future months	79.907	277.171
	4.609.695	**5.515.635**

Note 11 – Property, Plant And Equipment

The movements of property, plant and equipment and depreciation as of 31 December 2018 and 31 December 2017 are as follows:

	1 January 2018	Additions	Disposals	Transfers(*)	31 December 2018
Cost:					
Land	16.850.999	--	--	--	16.850.999
Land improvements	7.020.178	73.399	--	479.376	7.572.953
Buildings	62.016.863	1.022.097	--	299.431	63.338.391
Machinery and equipment	350.528.289	7.367.551	(319.561)	11.453.071	369.029.350
Vehicles	660.926	208.651	--	--	869.577
Furniture and fixtures	34.591.377	2.181.590	(222.240)	790.360	37.341.087
Leasehold improvements	8.859.136	179.120	--	448.109	9.486.365
Construction in progress	5.695.609	14.638.586	--	(20.282.347)	51.848
	486.223.377	**25.670.994**	**(541.801)**	**(6.812.000)**	**504.540.570**

(*)In 2018, TL 6.812.000 was transferred to other intangible assets. (2017: 136.233 TL).

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Note 11 – Property, Plant And Equipment (Continued)

Accumulated depreciation:	1 January 2018	Current Year Charge	Disposals	Transfers(*)	31 December 2018
Land improvements	2.982.578	181.141	--	--	3.163.719
Buildings	32.623.693	1.606.877	--	--	34.230.570
Machinery and equipment	234.915.874	11.026.682	(272.325)	--	245.670.231
Vehicles	547.394	39.357	--	--	586.751
Furniture and fixtures	21.158.467	1.745.214	(205.133)	--	22.698.548
Leasehold improvements	8.488.674	154.762	--	--	8.643.436
	300.716.680	**14.754.033**	**(477.458)**	**--**	**314.993.255**
Net book value	**185.506.697**				**189.547.315**

(*)In 2018, TL 6.812.000 was transferred to other intangible assets. (2017: 136.233 TL).

	1 January 2017	Additions	Disposals	Transfers	Corrections (*)	31 December 2017
Cost:						
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
	507.046.999	**44.659.089**	**(1.837.437)**	**(136.233)**	**(63.509.041)**	**486.223.377**

Accumulated depreciation:	1 January 2017	Additions	Disposals	Transfers	Corrections (*)	31 December 2017
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
	353.528.933	**12.522.666**	**(1.825.878)**	**--**	**(63.509.041)**	**300.716.680**
Net book value	**153.518.066**					**185.506.697**

(*) 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 TL 63.509.041.

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Note 11 – Property, Plant And Equipment (Continued)

Depreciation expense amounting to TL 13.310.014 (2017: TL 11.173.305) is recognized in the cost of goods sold, amounting to TL 1.444.019 is recognized in general and administrative expenses (2017: TL 1.684.131).

The estimated useful lives of tangible assets are as follows:

Land and land improvements	30 years
Buildings	30 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

For the years ended December 31, the movements of intangible assets and related accumulated amortization are as follows:

	1 January 2018	Additions	Transfers	Corrections (*)	31 December 2018
Costs	5.033.835	549.701	6.812.000	--	12.395.536
Accumulated Amortization	(3.792.666)	(1.127.893)	--	--	(4.920.559)
Net Book Value	**1.241.169**	**(578.192)**	**6.812.000**		**7.474.977**

	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)
Net Book Value	**841.586**	**263.350**	**136.233**	**--**	**1.241.169**

As of 31 December 2018, all of the amortization expenses amounting to TL 1.127.893 (2017: TL 334.770) have been included in general administrative expenses.

(*) 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 21.941.638 (31 December 2017: TL 18.887.669). 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	**2018**	**2017**
Provision for sales expenses	2.507.173	--
Provisions for lawsuits	1.041.000	3.570.304
Other provisions	184.921	249.625
	3.733.094	**3.819.929**

The movements of provisions as of years ended 31 December are as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Opening balance	3.819.929	5.894.234
Additions during the period	2.442.469	144.464
Provisions no longer required	(2.529.304)	(2.218.769)
	3.733.094	**3.819.929**

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Note 15 – Commitments and Contingencies

The details of the guarantees, pledges and mortgages (“TPM”) given by the Company on behalf of the related parties, main shareholder or third parties in the scope of commercial activities or for other purposes are as follows:

	31 December 2018	**31 December 2017**
A. Total amount of TPM given on behalf of own legal entity	62.215.611	80.256.938
B. Total amount of TPMs given in favor of joint ventures	--	--
C. Total amount of TPM's given to third parties for the purpose of carrying out ordinary commercial activities	--	--
D. Total amount of other TPMs given	--	--
i) Total amount of TPM given on behalf of main partner	--	--
ii) Total amount of TPMs given in favor of other group companies not in the scope of clauses B and C.	--	--
iii) Total amount of TPM's given in favor of third parties not covered by clause C.	--	--
	62.215.611	**80.256.938**

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 62.215.611 (31 December 2017: TL 80.256.938). The ratio of other TPM given to the shareholders' equity is 0% as of 31 December 2018 (31 December 2017: 0%)

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

Note 16 – Employee Benefits

Short term employee benefits

Employee benefit payables	**31 December 2018**	**31 December 2017**
Due to personnel payables	5.419.298	4.234.280
Social security withholdings payable	1.669.210	1.747.462
	7.088.508	**5.981.742**

Short-term provisions for employment benefits:	**31 December 2018**	**31 December 2017**
Provision for unused vacation	900.000	900.000
	900.000	**900.000**

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Note 16 – Employee Benefits (Continued)

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 TL 5.434,42 for each period of service at 31 December 2018 (31 December 2017: TL 4.732,48).

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. TAS 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 2018, 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 %10 and interest rate of %16 and a discount rate of %5,45 resulting in a real discount rate of approximately (31 December 2017: %4,95).
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.
As the maximum liability is revised semiannually, the maximum amount of 5.434,42 TL effective from 31 December 2018 is taken into consideration in the calculation of provision from employment termination benefits.

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

	2018	2017
Opening balance	14.444.956	13.326.867
Service cost	5.689.363	7.062.234
Interest cost	1.604.567	599.709
Paid in the period	(5.724.209)	(5.878.471)
Actuarial gains / (losses)	(877.903)	(665.383)
	15.136.774	**14.444.956**

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Note 17 – Other Assets and Liabilities

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

	2018	2017
Other current assets:		
Deferred value added tax "VAT"	31.261.792	28.381.332
Income Accruals	8.701.436	9.054.394
VAT receivables arising from exports	7.896.604	4.306.342
Others	599.448	1.257.455
	48.459.280	**42.999.523**

	2018	2017
Other non-current assets:		
Deferred VAT	23.256.325	30.438.586
	23.256.325	**30.438.586**

Note 18 – Shareholders' Equity

a) Share Capital

The Company's share capital of year 2018 consists of 13.600.000.000 number of shares and there is no preferred stock (2017: 13.600.000.000 number of shares).

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

	%	2018	%	2017
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
Total Share Capital	**100**	**136.000.000**	**100**	**136.000.000**
Capital Correction Differences		21.601.088		21.601.088
Adjusted Capital		157.601.088		157.601.088

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Note 18 – Shareholders' Equity (Continued)

a) Share Capital (Continued)

There are no privileges, rights or limitations between the shares representing the capital of the Company.

The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law (“CMB”) No: 6362 and passed to this system with the permission of the Capital Markets Board (“CMB”) dated 20 August 1992 and numbered 454. The registered capital ceiling of the Company is TL 250.000.000 and each Kuruş consists of 25.000.000.000 shares with a nominal value.

As of 31 December 2018, capital adjustment differences amounting to TL 21.601.088 consist of capital adjustment differences resulting from the restatement of the Company's paid-in capital amount and that are not offset to the previous years' losses or added to the share capital (31 December 2017: TL 21.601.088).

b) Share premium

These premiums related to the shares that have been canceled by not participating in the capital increase are positive differences on the shares sold above the nominal value. As at 31 December 2018, the share of the Company's share in the financial statements is TL 10.107.809 (31 December 2017: TL 10.107.809).

c) Restricted reserves

Reserves reserved for specific purposes other than profit from previous periods, due to law or contractual obligations or other profit distribution.

These reserves are presented in the Company's statutory records and the differences in preparing the financial statements in accordance with TFRS are associated with prior years' profits.

As of 31 December 2018 and 2017, the Company's details of restricted reserves are as follows:

	31 December 2018	31 December 2017
Legal reserves	24.922.780	20.033.820
Special reserves	69.915.703	69.915.703
Total	**94.838.483**	**89.949.523**

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)

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.

d) Other comprehensive income or expenses not recognized in profit or loss

Defined benefit plans re-measurement gains / (losses):

As of 31 December 2018, actuarial gain amounting to TL 404.935 is recognized as other comprehensive income (31 December 2017: actuarial loss amounting to TL 279.830).

e) Accumulated other comprehensive income or expenses to be reclassified to profit or loss

Financial asset revaluation and classification gains:

As of 31 December 2018, it consists of revaluation and reclassification gains on financial assets amounting to TL 232.466 (31 December 2017: TL 1.594.091).

f) Dividend distribution

The Company's 2017 net profit for the year was discussed at the Ordinary General Assembly Meeting held on February 14, 2018 and the vote was unanimously approved. According to the decision taken, net profit of TL 61.183.525 from the net profit of TL 4.888.960 after leaving the first general legal reserve fund, the first and second profit share to the shareholders of the Company over the net distributable period, gross profit share amounting to TL 30.000.126 20 March 2018 paid on. The general legal reserve is appropriated amounting to TL 2.320.012 over the profit share amount and the remaining profit amounting to TL 56.294.565 has been transferred to retained earnings.

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Note 19 – Sales And Cost Of Sales

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

	2018	2017
Domestic sales	1.138.249.779	1.060.016.417
Foreign sales	128.965.798	95.008.384
Rebates and sales discounts	(111.837.377)	(80.990.091)
	1.155.378.200	**1.074.034.710**
Raw material costs	(778.534.966)	(716.769.114)
Labor costs	(92.119.349)	(83.695.686)
General production expenses	(42.014.805)	(40.132.811)
Depreciation costs	(13.310.014)	(11.173.305)
Change in inventory	6.439.196	16.369.045
Cost of sales	**(919.539.938)**	**(835.401.871)**
Gross profit	**235.838.262**	**238.632.839**

Note 20 – Expenses By Nature

As at 31 December, details of research and development expenses are as follows:

	2018	2017
Research and development expenses:		
Personnel expenses	(1.043.191)	(622.635)
Depreciation expenses	(116.102)	(11.859)
Other	(309.854)	(268.694)
	(1.469.147)	**(903.188)**

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Note 20 – Expenses by Nature (Continued)

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

	2018	2017
Marketing, Sales and Distribution Expenses:		
Action, sale, incentive and gondola participation costs	(53.568.168)	(50.943.960)
Shipping and insurance expenses	(38.734.962)	(42.978.611)
Advertising expenses	(21.126.278)	(21.034.842)
Personnel expenses	(8.205.568)	(8.913.081)
Sales support expenses	(8.132.619)	(8.434.217)
Subcontracting expenses	(4.249.559)	(2.985.258)
Export expenses	(3.432.659)	(2.235.350)
Other	(4.662.714)	(2.561.558)
	(142.112.527)	**(140.086.877)**

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

	2018	2017
General and administrative expenses:		
Personnel expenses	(22.438.069)	(19.510.474)
Severance pay	(9.368.748)	(7.256.785)
Consultancy and lawsuit expenses	(7.877.555)	(7.755.555)
Information technology expenses	(4.929.653)	(2.325.367)
Administrative expenses	(4.182.138)	(4.262.749)
Depreciation and amortization expenses	(2.412.251)	(1.684.131)
Repair and maintenance costs	(2.183.059)	(298.616)
Taxes and duties expenses	(168.844)	(949.303)
Transportation, travel expenses	(398.670)	(945.643)
Other	(3.477.658)	(2.533.231)
	(57.436.645)	**(47.521.854)**

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Note 21 – Other Income and Expenses From Operating Activities

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

	2018	2017
Other Operating Income		
Income from maturity differences	50.129.927	30.185.000
Exchange differences from commercial activities	5.536.617	1.693.188
Provisions released	--	3.868
Others	5.508.635	5.012.400
	61.175.179	**36.894.456**

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

	2018	2017
Other Operating Expense		
Expense from maturity differences	(18.752.974)	(11.598.490)
Exchange differences from commercial activities	(14.265.848)	(1.906.485)
Others	(3.208.931)	(2.856.347)
	(36.227.753)	**(16.361.322)**

Note 22 – Income and Expenses From Investing Activities

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

	2018	2017
Income from Investing Activities		
Dividend income	1.657.918	937.378
Subsidiary sales income	1.366.992	--
Gain on sale of property, plant and equipment	12.053	112.309
Other	224.250	129.143
	3.261.213	**1.178.830**

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

	2018	2017
Expenses from investing activities		
Loss on sale of property, plant and equipment	(60.552)	(120.364)
	(60.552)	**(120.364)**

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Note 23 – Financial Income and Expenses

As at 31 December, financial incomes are as follows:

	2018	2017
Foreign exchange gains	18.221.157	6.007.014
Interest income on bank loans	3.140.380	1.822.966
	21.361.537	**7.829.980**

The financial expenses for the years ended 31 December are as follows:

	2018	2017
Bank loans interest expenses	(18.812.923)	(3.085.960)
Foreign exchange expenses	(18.192.478)	(5.276.344)
Bond interest expense	(5.620.879)	(6.217.217)
Other	(308.334)	(237.536)
	(42.934.614)	**(14.817.057)**

Note 24 – Tax Assests and Liabilities

	1 January - 31 December 2018	1 January - 31 December 2017
Current tax expense	(3.854.802)	(1.338.341)
Deferred tax expense	1.036.626	(2.203.577)
Total tax expense	**(2.818.176)**	**(3.541.918)**

	1 January - 31 December 2018	1 January - 31 December 2017
Current tax (asset) / liability		
Prepaid taxes and funds (-)	(807.523)	--
Current corporate tax provision	--	130.838
	(807.523)	**130.838**

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Note 24 – Tax Assests and Liabilities (Continued)

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 2018 is 22% (2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2018 (2017: 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.

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.

Bursa Mustafakemalpaşa Sek Süt Investment Incentive Certificate dated 05.06.2015 and numbered 119435 was received for the modernization investment of our enterprise. 50% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer Share support is applied for the investments made within the scope of the document.

Investment Incentive Certificate dated 03.05.2018 and numbered 136922 has been obtained for the modernization investment of İzmir Torbalı Canned Plant. 50% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer Share support is applied for the investments made within the scope of the document.

Investment Incentive Certificate dated 24.04.2018 and numbered 136771 has been obtained for the modernization investment of our Bursa Karacabey Canned Plant. VAT and Customs Duty Exemption are applied for investments made under the document.

Aydın Söke Sek Süt Investment Incentive Certificate dated 25.06.2015 and numbered 118929 was received for the modernization investment of our company. In the investments made within the scope of the document, 55% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer Share support is applied.

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Note 24 – Tax Assests and Liabilities (Continued)

Income withholding tax (Continued)

Investment Incentive Certificate No. 129499 dated 28.04.2017 has been obtained for the modernization investment of Bursa Mustafakemalpaşa Canned Plant. 50% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer's Share support is applied for the investments made under the document.

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.

The corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22% within the scope of the Law Amending Some Tax Laws and Other Certain Laws numbered 7061, which came into force after being published in the Official Gazette on 5 December 2017. In accordance with the said law, deferred tax assets and liabilities are calculated with a tax rate of 22% for temporary differences in tax incurred in 2018, 2019 and 2020, and a temporary tax rate of 2021% and 20% in the next period.

The breakdown of total temporary differences and deferred tax assets and liabilities using current tax rates as of 31 December is as follows:

	2018	2017
Deferred tax assets / (liabilities):		
Difference between tax base and carry value of property, plant and equipment	2.847.355	2.888.991
Difference between tax base and carrying value of inventories	(5.212.860)	(4.584.607)
Doubtful receivables provisions	1.331.176	709.340
Provision for unused vacation	52.598	53.312
Provision for scraps	180.000	180.000
Sales expense accruals	--	49.925
Provision for premiums	650.159	586.149
Others pay liability	1.146.440	225.388
Diğer	**--**	**42.883**
	994.868	**151.381**

There is no carry forward tax losses has been recognized as of 31 December 2018 (31 December 2017: None).

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Note 24 – Tax Assests and Liabilities (Continued)

Deferred Tax (Continued)

Movement of the deferred tax for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018	2017
Deferred tax movements:		
Opening balance as of January 1	151.381	2.488.034
Recognized directly in equity	(193.139)	(133.077)
Deferred tax income	1.036.626	(2.203.576)
	994.868	**151.381**

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

	%	31 December 2018	%	31 December 2017
The reconciliation of tax:				
Profit for the period from continuing operations		41.394.953		64.725.443
Income tax rate 22% (2017: 20%)	22	(9.106.890)	20	(12.945.089)
Tax effect of:				
- Nondeductible expenses	1	(255.535)	1<	(261.966)
- Tax - exempt income	(2)	785.709	(2)	1.037.858
- Effect of deferred tax assets and carry forward losses for which provision had been recognized in the previous periods		--	(3)	1.721.784
- Tax effect of government incentives and grants	(14)	5.797.512	(11)	6.849.119
- Additional corporate tax charge for prior period	1<	(38.972)	1<	56.376
- Permanent differences		**(2.818.176)**		**(3.541.918)**

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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:

	2018	2017
Yapı ve Kredi Bankası A.Ş.		
Time Deposits	5.362.562	4.690.268
Current Deposits	24.789	7.804
	5.387.351	**4.698.072**

b) Financial borrowings:

	2018	2017
Yapı ve Kredi Bankası A.Ş.		
Financial liabilities	--	25.262.500
Long-term financial liabilities	--	--
	--	**25.262.500**

c) Receivables from related parties:

	2018	2017
Düzey (*)	286.657.689	240.938.220
Ram (**)	14.820.919	3.767.865
Others	25.486	19.045
	301.504.094	**244.725.130**

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

(**) The Company carries out some of its export activities abroad through Ram Dış Ticaret, a Koç Group company.

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Note 25 – Related Party Transactions (Continued)

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

d) Payables to related parties:

	2018	2017
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	26.204.003	14.267.889
Yapı Kredi Bankası A.Ş.(**)	6.709.941	--
Koç Sistem A.Ş.	2.492.711	1.435.126
Ram Sigorta Aracılık Hizmetleri A.Ş.	1.544.136	900.757
Otokoç Otomotiv Tic.ve San.A.Ş.	902.145	811.941
Ingage Dijital Pazarlama A.Ş.	520.639	--
Setur Servis Turistik A.Ş	346.874	445.432
Koç Holding Emekli ve Yardım Sandığı	308.136	--
Temel Ticaret Yatırım A.Ş	257.545	193.250
Aygaz Doğalgaz Toptan Satış A.Ş.	--	539.225
Allianz Sigorta A.Ş.	--	82.058
Others	440.547	282.634
	39.726.677	**18.958.312**
Other Payables		
Koç Holding A.Ş.	4.977.767	5.565.583
Total Trade and Payables	**44.704.444**	**24.523.895**

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

(**) It is the balance formed by the assignment of the receivables with Yapı Kredi Bank.

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

a) Net sales to related parties:

	2018	2017
Düzey (*)	956.274.321	942.968.424
Ram Dış Ticaret A.Ş.	61.721.483	30.778.309
	1.017.995.804	**973.746.733**

(*) Domestic sales and marketing activities of the Company are operated by Düzey, which is a member of Koç Group. Average maturity for the sales to Düzey is 90 days.

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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 (Continued)

b) Purchases from related parties:

	2018	2017
Zer Merkezi Hizmetler ve Ticaret A.Ş.(**)	32.199.871	26.771.849
Opet Petrolcülük A.Ş.	1.059.946	861.792
Koç Sistem A.Ş.	745.899	4.096.340
Otokoç Otomotiv Tic. ve San. A.Ş.	208.651	261.070
Aygaz A.Ş.	--	13.364.801
Divan Turizm İşletmeleri A.Ş.	--	62.462
	34.214.367	**45.418.314**

c) Service purchases from related parties:

	2018	2017
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	53.868.037	57.695.097
Düzey	11.772.181	8.188.530
Koç Holding A.Ş. (**)	6.563.045	4.628.718
Koç Sistem A.Ş.	2.641.635	1.527.630
Otokoç Otomotiv Tic. ve San. A.Ş.	2.048.716	1.448.049
Setur Servis Turistik A.Ş.	1.616.980	1.505.471
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	1.442.115	2.463.954
Temel Ticaret ve Yatırım A.Ş.	1.123.856	2.283.590
Ingage Dijital Pazarlama A.Ş.	1.076.445	--
Other	1.093.384	607.032
	83.246.394	**80.348.071**

(*) Amount represents accrued premium amount as at 31 December, 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:

	2018	2017
Yapı ve Kredi Bankası A.Ş.	1.304.326	275.625
	1.304.326	**275.625**

b) Interest income:

	2018	2017
Yapı ve Kredi Bankası A.Ş.	77.725	174.884
	77.725	**174.884**

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

a) Payments to key management:

The senior executives of Tat Gıda are determined as the Chairman and Members of Board of Directors, General Manager, Assistant General Managers and Direct Directors of the General Manager. Senior executives are paid annual premiums based on monthly fees and performance. In 2018, the total benefit provided to Tat Gıda's senior executives is TL 10.683.139 (31 December 2017: TL 8.801.805). TL 2.000.000 (31 December 2017: TL 0) of this amount is related to payments made due to the separation and the remaining portion is composed of short term benefits. The cost incurred by Tat Gıda was realized as TL 7.953.383 (31 December 2017: TL 7.008.750) after the costs reflected to the companies served by Tat Gıda. 1.360.000 of this amount (31 December 2017: None) is related to payments made due to the separation.

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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:

	2018	2017
Total Liabilities	156.030.807	109.633.149
Negative: Cash and cash equivalents (Note 4)	(27.697.717)	(13.025.751)
Net Debt	128.333.090	96.607.398
Total Equity	500.875.426	492.975.635
Net Liability/Equity	0,2562	0,1960

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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(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

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.

	Receivables					
	Trade Receivables		Trade Receivables			
31 December 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Others**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	301.504.094	21.959.108	--	125.580	27.697.717	--
- the portion of the maximum risk guaranteed by collateral.	--	962.501	--	--	--	
A. Net book value of financial assets not overdue or impaired	214.874.417	18.669.219	--	125.580	27.697.717	--
B. Conditions found in re-interviewed. otherwise, the carrying amount of financial assets overdue or impaired.	--	--	--	--	--	
C. Carrying value of financial assets that are past due but not impaired	86.629.677	2.327.388	--	--	--	--
- Collateral. vs secured part	--	--	--	--	--	--
D. Net book value of impaired assets	--	2.934.069	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	(2.934.069)	--	--	--	
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off-balances sheet items with credit risk	--	--	--	--	--	--

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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) Credit risk management (Continued)

	Receivables					
	Trade Receivables		Trade Receivables			
31 December 2017	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Others**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	244.725.130	36.700.019	--	254.080	13.025.751	453.194
- the portion of the maximum risk guaranteed by collateral.	--	2.130.744	--	--	--	
A. Net book value of financial assets not overdue or impaired	195.089.657	34.368.336	--	254.080	13.025.751	453.194
B. Conditions found in re-interviewed. otherwise, the carrying amount of financial assets overdue or impaired.	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	49.635.473	2.331.683	--	--	--	--
- Collateral. vs secured part	--	--	--	--	--	--
D. Net book value of impaired assets	--	2.815.858	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	(2.815.858)	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. 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)

31 December 2018	Trade Receivables	Other Receivables	Deposits in banks	Others
Past due 1-30 days	88.015.6138	--	--	--
Past due 1-3 months	600.116	--	--	--
Past due 3-12 months	341.311	--	--	--
Total past due receivables	**88.957.065**	**--**	**--**	**--**

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

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

	2018	2017
	Nominal Value	Nominal Value
The part under guarantee with collateral	962.501	2.130.744

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.

Tat Gıda 2018 Annual Report

About Tat Gıda | General Meeting of Shareholders | Management and Reviews | Tat Gıda in 2018 | Corporate Governance | Financial Report

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TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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.2) Liquidity risk management (Continued)

31 December 2018

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)
Non-derivative financial liabilities						
Bank borrowings and issued bonds	156.030.807	120.878.778	48.722.737	63.866.693	8.289.348	--
Trade payables	127.118.658	127.118.658	120.229.157	6.889.501	--	--
Trade payables to related parties	39.726.677	39.726.677	38.586.552	1.140.125	--	--
Total liabilities	**322.876.142**	**287.724.113**	**207.538.446**	**71.896.319**	**8.289.348**	**--**

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)
Non-derivative financial liabilities						
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	--	--	--
Total liabilities	**250.773.332**	**262.018.961**	**189.862.920**	**63.866.693**	**8.289.348**	**--**

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 managing by foreign currency purchase/sale contracts based on the approved policies.

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TAT GIDA SANAYİ A.Ş.
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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.4) Foreign currency risk management (Continued)

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

31 December 2018	TL Equivalent	USD	Euro	Others
1. Trade receivables	12.055.316	1.140.129	977.332	24.930
2.a Monetary financial assets	7.880.061	991.371	442.030	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	19.935.377	2.131.500	1.419.362	24.930
5. Trade receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--		
8. NON-CURRENT ASSETS				
9. TOTAL ASSETS	**19.935.377**	**2.131.500**	**1.419.362**	**24.930**
10. Trade payables	(1.679.960)	(312.066)	(6.339)	--
11. Financial liabilities	--	--	--	--
12.a Other monetary financial liabilities	--	--	--	--
12.b Other non-monetary financial liabilities	--	--	--	--
13. CURRENT LIABILITIES	(1.679.960)	(312.066)	(6.339)	--
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16.a Other monetary liabilities	--	--	--	--
16.b Other non-monetary liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(1.679.960)**	**(312.066)**	**(6.339)**	--
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	18.255.417	1.819.434	1.413.023	24.930
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**18.255.417**	**1.819.434**	**1.413.023**	**24.930**
22. Fair value of foreign currency hedged financial assets				
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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)

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	**21.725.839**	**4.559.372**	**980.696**	**19.686**
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 liabilities	--	--	--	--
16.b Other non-monetary liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(33.877.608)**	**(7.475.630)**	**(1.254.935)**	**(2.681)**
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)	(12.151.769)	(2.916.258)	(274.239)	17.005
22. Fair value of foreign currency hedged financial assets				
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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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 2018	
	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	957.186	(957.186)
2 – Part of hedged from US Dollar risk (-)	--	--
3 – US Dollar net effect	**957.186**	**(957.186)**
In the case of appreciation of EURO at 10% ratio compared to TL		
4 – Euro net asset / liability	851.770	(851.770)
5 – Part of hedged from EURO risk (-)	--	--
6 – Euro net effect	**851.770**	**(851.770)**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	16.585	(16.585)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**16.585**	**(16.585)**
TOTAL	**1.825.542**	**(1.825.542)**

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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)

Interest rate risk management

Borrowing the Company at fixed interest rates exposes the Company to interest rate risk.

Interest-sensitive financial instruments are as follows:

INTEREST POSITION TABLE

	31 December 2018	31 December 2017
Fixed Rate Instruments		
Financial Assets	27.670.264	12.729.742
Financial Liabilities	156.030.807	109.633.149

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 (-)	--	--
3 – US Dollar net effect	**(1.099.983)**	**1.099.983**
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 (-)	--	--
6 – Euro net effect	**(123.833)**	**123.833**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	8.639	(18.122)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**8.639**	**(18.122)**
TOTAL	**(1.215.177)**	**1.215.177**

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Note 27 – Financial Instruments

Financial Instruments' Classification and Fair Value

31 December 2018	Financial assets at amortized cost	Fair value changes reflected in other comprehensive income	Financial liabilities shown at amortized cost	Carrying Value	Note
Financial Assets					
Cash and cash equivalents	27.697.717	--	--	27.697.717	4
Trade receivables	21.959.108	--	--	21.959.108	7
Receivables from related parties	301.504.094	--	--	301.504.094	25
Other financial assets	--	1.851.749	--	1.851.749	5
Financial Liabilities					
Loans and borrowings	--	--	156.030.807	156.030.807	6
Trade payables	--	--	127.118.658	127.118.658	7
Payables to related parties	--	--	39.726.677	39.726.677	25
31 December 2017					
Financial Assets					
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
Financial Liabilities					
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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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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.

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TAT GIDA SANAYİ A.Ş.
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Note 27 – Financial Instruments (Continued)

Fair value of financial instruments (Continued)

Financial liabilities (Continued)

The fair values of the financial assets and liabilities classification level are as follows:

	Level of fair value As of reporting date		
31 December 2018	1st Level	2nd Level	3rd Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	1.815.749
Total	--	--	**1.815.749**

	Level of fair value As of reporting date		
31 December 2017	1st Level	2nd Level	3rd Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	3.177.374
Total	--	--	**3.177.374**

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TAT GIDA SANAYİ A.Ş.
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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

Note 28 – Subsequent Events

None.

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Tat Gıda Sanayi A.Ş.

Trade Registry No
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Authorized Catpital
250.000.000 TL

Paid-in Capital
136.000.000 TL

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