

ENRICHING LIVES



Contents

- 2 Vision and Values
- 3 Vision / Mission

About Tat Gıda

- 6 History
- 10 2019 in Numbers
- 12 Operating Results
- 13 Production and Sales
- 13 Research and Development
- 13 Investments

General Meeting of Shareholders

- 16 Agenda of the Ordinary General Meeting of Shareholders
- 17 Independent Auditor's Compliance Opinion on the Annual Report
- 19 Capital and Shareholding Structure
- 20 Legal Disclosures

Management and Reviews

- 24 General Manager's Message
- 26 Board of Directors
- 30 Executive Management
- 32 Independency Declaration

Tat Gıda in 2019

- 36 Tat
- 38 SEK
- 42 Human Resources
- 44 Quality
- 48 R&D and Innovation
- 48 Digital Agriculture

Corporate Governance

- 52 Risk Management
- 54 Corporate Governance Principles Compliance Report

Financial Report

- 62 Independent Auditor's Report
- 67 Balance Sheet
- 69 Income Statement
- 70 Statement of Changes in Equity
- 72 Cash Flow Statements
- 73 Footnotes

- 132 Contact

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.

A customer satisfaction survey carried out by an independent research company shows that Tat's overall customer satisfaction in the **ketchup category** is **10 points above** the industry average in 2019.



ABOUT TAT GIDA



Milestones



Tat Konserve was found in Mustafakemalpaşa, Bursa, in 1967.

Today, Tat continues to produce tomato paste, ketchup, mayonnaise, tomato products, and canned vegetables at its Mustafakemalpaşa and Karacabey plants in Bursa, and Torbalı plant in Izmir.



In 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.

SEK introduced the first homogenised yogurt to Turkish consumers in 1972.

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.

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.

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.

Tat Organic Series is produced from hand-picked, fresh and seasonal tomatoes from the Aegean region. Tat expanded its Organic Series with Tat Organic Tomato Paste and Tat Organic Pepper Paste.

1963

1967

1968

1972

1997

2003

2011

2013

2014

2015

2017

2018

2019

2019



SEK, became the first producer of pasteurized milk in Turkey.

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.

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.

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.



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.

Tat Gıda created the "Digital Agriculture Field" in 2018 by utilizing its digital agriculture technologies.

Two new flavors, apricot-quinoa and fig-walnut, were introduced to the high protein, high calcium and low fat SEK Quark family.

2019 in Numbers

Tat Gıda is one of the leading FMCG companies in Turkey with its world-class production standards.

2019 Net Sales

1.142
Million TRY

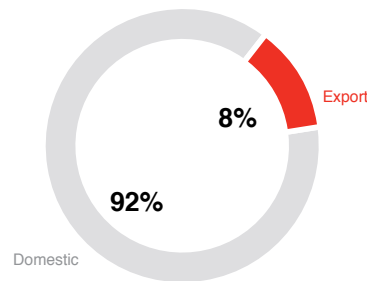
2019 Operating Profit

107
Million TRY

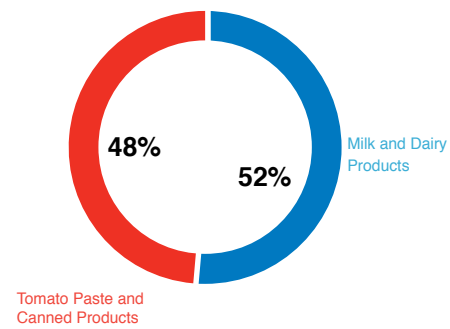
2019 Net Profit

66
Million TRY

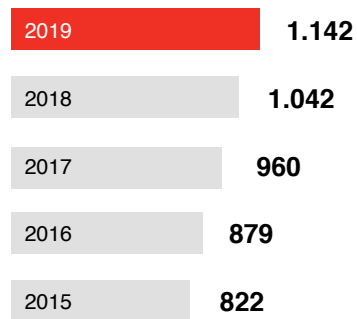
Regional Distribution of Net Sales
(%)



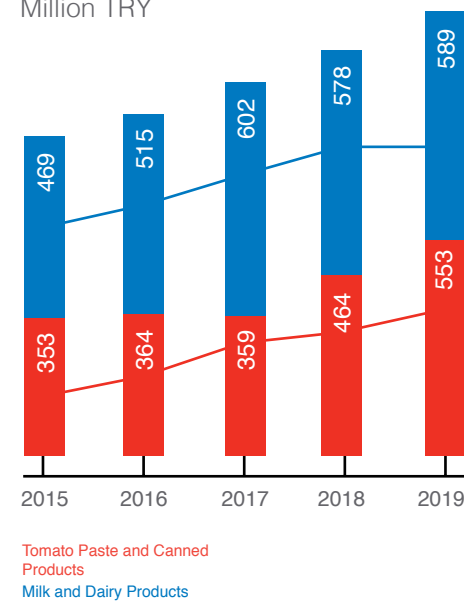
Net Sales Distribution Based on Product Groups
(%)



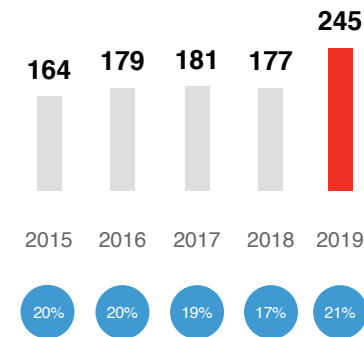
2019 Net Sales
Million TRY



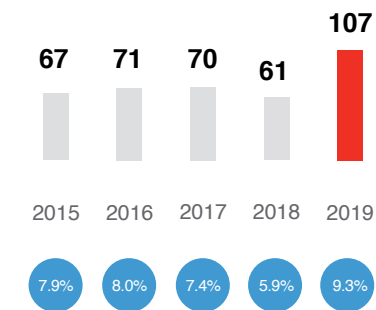
Net Sales Based on Product Groups
Million TRY



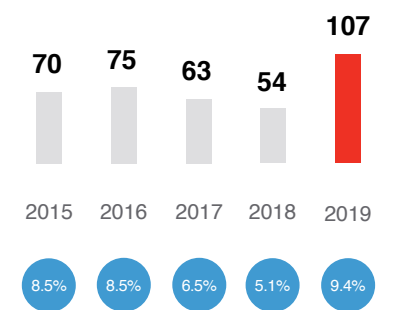
Gross Profit
Gross Margin



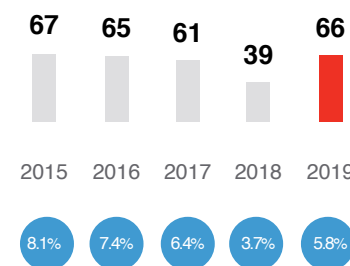
Operating Profit
Operating Profit Margin



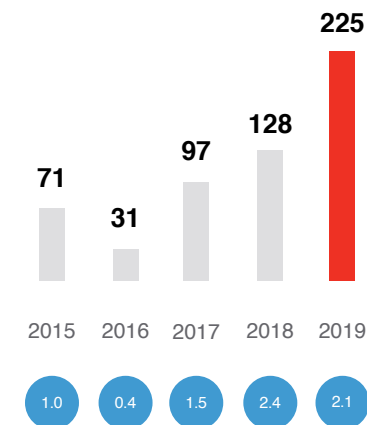
EBITDA
EBITDA Margin



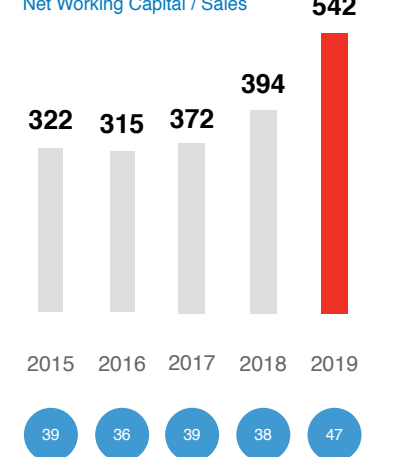
Net Profit
Net Margin



Net Financial Debt
Net Financial Debt / EBITDA



Working Capital
Net Working Capital / Sales



* Financial data from Pastavilla operations, which is discontinued, is excluded.

Since "Action, sales, incentive participation fees" in the marketing expenses account group are evaluated as a sales discount, it is classified in the "Revenue" account group in all periods.

* Financial data from Pastavilla operations, which is discontinued, is excluded.

Since "Action, sales, incentive participation fees" in the marketing expenses account group are evaluated as a sales discount, it is classified in the "Revenue" account group in all periods.

Operating Results

The company's sales rose by 10 percent compared to 2018 to 1,142 million Turkish lira.

The company's gross profit increased by 38.4 percent to 245 million Turkish lira and the pre-tax profit grew to 72 million Turkish lira.

As of 2019, the company is the market leader in the tomato paste, tomato products and ketchup business segment with its Tat brand, excluding discount markets. SEK brand is the market leader in the pasteurized milk segment. The Tat brand ranks second in the mayonnaise and red pepper paste market segment.

Our net financial debt to equity ratio for 2019 is 0.40.

| Summary Income Statement (TL Million) | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------------------|-------|-------|------|------|------|
| Sales Revenues (Net) | 1,142 | 1,042 | 960 | 879 | 822 |
| Gross Profit | 245 | 177 | 181 | 179 | 164 |
| EBITDA | 107 | 54 | 63 | 75 | 70 |
| Operating Profit | 107 | 61 | 70 | 71 | 67 |
| Earnings Before Tax | 72 | 43 | 64 | 70 | 66 |
| Net Income for the Period | 66 | 39 | 61 | 65 | 67 |

| Main Indicators (%) | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------------|------|------|------|------|------|
| Gross Profit Margin | 21.5 | 17.0 | 18.9 | 20.3 | 19.9 |
| EBITDA Marjin | 9.4 | 5.1 | 6.5 | 8.5 | 8.5 |
| Operating Profit Margin | 9.3 | 5.9 | 7.3 | 8.1 | 8.1 |
| Net Profit Margin | 5.8 | 3.7 | 6.4 | 7.4 | 8.1 |
| Current Ratio | 2.8 | 2.6 | 2.1 | 3.3 | 2.4 |
| Liquidity Ratio | 1.6 | 1.6 | 1.2 | 1.9 | 1.5 |
| Net Financial Debt/Equity Ratio | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 |

Note: Financial data from Pastavilla operations, which is discontinued, is excluded.

Since "Action, sales, incentive participation fees" in the marketing expenses account group are evaluated as a sales discount, it is classified in the "Revenue" account group in all periods.

Production and Sales

In 2019, all of our SEK plants have produced a total of 131,000 tons of raw milk, 116,000 tons of milk and dairy products and 13,000 tons of fruit juice. In our tomato paste and canned goods plant we have produced a total of 340,000 tons of tomatoes, 11,000 tons of vegetables and fruits; 62,000 tons of tomato paste, 6,000 tons of ketchup, 5,000 tons of mayonnaise and 12,000 tons of other canned goods.

At our Pastavilla operations, which is now discontinued, we have processed 24,000 tons of wheat, 14,000 tons of pasta, 7,000 tons of pasta sauce.

| Net Sales (TL Million) Product Groups | 2019 | | 2018 | | Difference % | |
|--|--------------|---------------|--------------|---------------|--------------|---------------|
| | Net Sales | Thousand Tons | Net Sales | Thousand Tons | Net Sales | Thousand Tons |
| Tomato Products and Canned Goods | 553 | 70 | 464 | 83 | 19.23 | -15.60 |
| Milk and Dairy Products | 589 | 125 | 578 | 171 | 1.81 | -26.77 |
| Total | 1,142 | 196 | 1,042 | 254 | 9.56 | -23.10 |

Research and Development

Ensuring the continuity of product and service quality and to develop new products we invested **TL 2 million** in R&D activities in 2019.

Investments

A total of **21 million** Turkish lira was invested in 2019 for renovation and modernization projects. The capital expenditures per product group are as follows:

The capital expenditures per product group are as follows:

| Investments (TL) | 2019 | 2018 |
|----------------------------------|-----------|-----------|
| Tomato Products and Canned Goods | 13 | 7 |
| Milk and Dairy Products | 5 | 15 |
| Discontinued Operations | 0 | 1 |
| Other | 3 | 4 |
| Total | 21 | 26 |

SEK Yogurt's recall rate has doubled compared to the previous year as a result of the "It's not Yogurt, it's SEK Çiftlik Yogurt" campaign, which started in April 2019 and ran throughout the year.



GENERAL MEETING OF SHAREHOLDERS

Agenda of the Ordinary General Meeting of Shareholders
Independent Auditor's Compliance Opinion on the Annual Report
Capital and Shareholding Structure
Legal Disclosures



Tat Gıda Sanayi A.Ş. Agenda for the Ordinary General Meeting of Shareholders on 19 March 2020

1. Opening and election of the Meeting Council Chairman;
2. Presentation for discussion and approval of the 2019 Annual Report prepared by the company's Board of Directors,
3. Presentation of the summary of the Independent Auditor's Report Summary for fiscal year 2019;
4. Presentation for discussion and approval of the Financial Statements for fiscal year 2019;
5. Release each member of the Board jointly and individually from any liability arising from the operations of the company in 2019;
6. Approval, amendment and approval, or rejection of the proposal prepared by the Board of Directors in accordance with the company's profit distribution policy for the year 2019 and to set the distribution date;
7. Resolution of 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. Presentation to shareholders and approval by the General Assembly of on the "Remuneration Policy" for 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. Resolution of the annual gross compensation for the Members of Board of Directors;
10. Approval 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. Presentation to shareholders any donations made by the company in 2019; set the upper limit for any donations to be made in 2020;
12. Presentation to shareholders any warrants, pledges, mortgages, or guarantees issued by the company to third parties as well any revenues and benefits earned in 2019, in accordance with Capital Markets Board regulations;
13. Authorization of 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; presenting to shareholders any transactions carried out in 2019 in this respect in accordance with the Capital Markets Board's Corporate Governance Communiqué;
14. Wishes and opinions.

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 2019 and 31 December 2019, 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 2019 and 31 December 2019 on 12 February 2020.

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 indicate 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

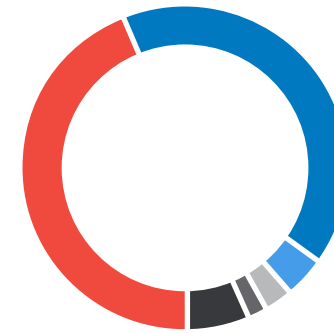
Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are 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
26 February 2020
İstanbul, Türkiye

Capital and Shareholding Structure



43.7%
Koç Holding A.Ş.

3.3%
Temel Ticaret Yat. A.Ş.

3.7%
Kagome Co Ltd.

1.5%
Sumitomo Corp.

6.4%
Other

41.4%
Public

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

Direct and Indirect Subsidiaries of the Company and its Share Ratios

The company has the following shareholder ratios in its subsidiaries as of December 31, 2019:

| Title | 31.12.2019 |
|--|------------|
| Ram Dış Ticaret A.Ş. | 7.5% |
| Düzye Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. | 1.1% |

As of the end of 2019, 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.

Legal Disclosures

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

The Board of Directors of Tat Gıda Sanayi A.Ş. is required by law (Article 199 of Turkish Commercial Code No. 6102 put into effect on July 1, 2012) to prepare a report in the first quarter of its operating year regarding its relations in the prior operating period with its controlling shareholder (parent company) and any of that party's affiliated entities, and to incorporate this report's conclusion 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 28 of the financial report.

In its meeting held on February 17, 2020, 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 2019 with its controlling shareholder and any of that party's affiliated entities, it has been concluded that, based on the circumstances and conditions known to us at the time of carrying out the transaction or taking or otherwise avoiding the precautions, a proper counter deed/compensation was secured in each of the transactions and there was no need for taking or otherwise avoiding any measures to prevent the company from incurring a loss in such transactions, and there was

no need for any compensating counter transaction or measure to be effected."

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

The Risk Management Committee has evaluated whether the company's capital has been eroded within the context of Article 376 of the TCC and it has concluded that the issued capital of Tat Gıda Sanayi A.Ş., which stood at 136 million Turkish lira as of December 31, 2019, continued to preserve its value given the majority equity stake of 560,584,913 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 0.40.

Amendments to the Articles of Association

No amendments were made to the Articles of Association in 2019.

Changes in Staff and Labor Force

The number of staff as of December 31, 2019 is 823.

The number of staff as of December 31, 2018 is 898 and the number of the discontinued operation, Pastavilla's staff is 91.

Collective Labor Agreement Practices

The 25th Collective Labor Agreement signed on April 24, 2019, between our company and Tekgıda-İş Sendikası (a

labor union) and entered into force on January 1, 2019, will be effective until December 31, 2020.

Severance Pay Liability

As of December 31, 2019, our severance pay liability is 16.82 million Turkish lira. As of December 31, 2018, our severance pay liability is 15.14 million Turkish lira.

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

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

There are no transactions that would create a conflict of interest due to any company loans or advances given to the Members of our Board of Directors or executives.

The 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 executive management is compensated through monthly remuneration plus a performance-based annual bonus. In 2019, total benefits provided to Tat Gıda's executive managers is 10.96 million Turkish lira (December 31, 2018: 10.68 million Turkish lira). All of the current benefit consists of short term

benefits (December 31, 2018: 2 million Turkish lira paid for resignation, the rest consists of short term benefits). The total cost covered by Tat Gıda was 8.34 million Turkish lira (December 31, 2018: 7.95 million Turkish lira) after deducting the cost of provided services by Tat Gıda. (See Footnote 28, Page 141)

Donations and Charitable Contributions and Expenditures on Social Responsibility Projects

A total of 806,860 Turkish lira was donated or otherwise paid as a charitable contribution to various social organizations and societies in 2019.

Other Legal Disclosures

The company has no re-acquired treasury stock.

Our company received no fines of a material nature in 2019 under any special and public audits conducted.

Currently, no actions brought against our company is potentially capable of impeding the company's financial standing.

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

There was no Extraordinary General Meeting of Shareholders convened in 2019. The resolutions adopted the Ordinary General Meeting of Shareholders held on March 11, 2019, have been implemented.

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 is no mutual participation in which the direct participation rate in the capital exceeds 5 percent.

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, 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 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 the regulations of the Capital Markets Board of Turkey. 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 the regulations of the Capital Markets Board of Turkey.

Profit Distribution

At its meeting held on February 21, 2020, the Financial Reports for the accounting period of January 1 – December 31, 2019, were reviewed and accepted in accordance with the Turkish Financial Reporting Standards (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 TFRS and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of KPMG International Cooperative).

After reviewing the 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 profit for the period is 66.15 million Turkish lira according to the Financial Reports prepared in line with the TFRS, while the Tax Procedural Law (TPL) records state the net profit for the current period as 53.96 million Turkish lira, the following decisions were made:

a. As the general statutory reserves reached the maximum limit, set aside 1.49 million Turkish lira as the 5-percent general statutory reserves, in accordance with Article 519 of the Turkish Commercial Code, from the net profit for the period stated on the TPL records;

because the dividend basis is set as 65.47 million Turkish lira after deducting 1.49 million Turkish lira as the 1st Tranche of general statutory reserves from the net profit for the period of 66.15 million Turkish lira and adding back the 806,860.33 Turkish lira donations shown in the Financial Reports prepared in accordance with the TFRS;

and the distributable net income (DNI) is calculated as 52.46 million Turkish lira after deducting 1.49 million Turkish lira as the 1st Tranche of general statutory reserves from the net profit for the period of 53.96 million Turkish lira shown on the Financial Reports prepared in accordance with the TPL records;

b. In accordance with the Capital Markets Legislation and Article 19 of the Company's Articles of Association, the Dividend Distribution Policy of our company as approved by the shareholders at the General Meeting of Shareholders held on March 11, 2019, and the long-term strategies, investment and financing strategies, profitability and cash position of our company, the dividend distribution shall be as follows:

13.09 million Turkish lira to the shareholders as the first dividend, 2.93 million Turkish lira to the holders of founder share certificates as dividend, 14.11 million Turkish lira to the shareholders as the second dividend, 2.33 million Turkish lira as the 2nd Tranche of general statutory reserves,

c. The sum of the first and the second dividends to be paid to the shareholders (27.20 million Turkish lira) and the amount of 2.93 million Turkish lira to be paid to the holders of founder share certificates shall all be paid in cash;

d. If the dividend distribution proposal outlined above is approved by the General Meeting of Shareholders, then based on our records prepared in accordance with the TPL, the 1st and the 2nd tranches of general statutory reserves, in the amount of 1.49 million Turkish lira and 2.33 million Turkish lira respectively, the dividend total of 27.20 million Turkish lira to be paid to the shareholders and the sum of 2.93 million Turkish lira to be paid to the holders of founder share certificates, shall all be funded through the current period earnings;

e. Set aside the sum of 20 million Turkish lira as the extraordinary general statutory reserves, after deducting the dividends paid to shareholders and holders of founder share certificates and 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 32.19 million Turkish lira shown on the Financial Statements prepared in accordance with the TFRS as extraordinary reserves.

f. Pay to our shareholders who are either a fully-liable resident taxpayer or otherwise a limited liability taxpayer generating dividends through a resident business or a permanent representation in Turkey, a gross = net cash dividend of 20 percent for each 1.00 Turkish lira par value share and 0.2 Turkish lira for any 100 share at 1 Turkish lira par value; Pay to our other shareholders a gross cash dividend of 20 percent for each 1.00 Turkish lira par value share and 0.2 Turkish lira for any 100 share at 1 Turkish lira par value; corresponding to a net cash dividend of 17 percent and 0.17 Turkish lira, respectively;

g. The dividend distribution date is to be set as March 26, 2020;

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

MANAGEMENT AND REVIEWS



Tat Organic Series is produced from hand-picked, fresh and seasonal tomatoes from the Aegean region. Tat expanded its Organic Series with **Tat Organic Tomato Paste** and **Tat Organic Pepper Paste**.



General Manager's Message



Arzu Aslan Kesimer
General Manager

We work in line with our vision of having a foreseeable and manageable agricultural production process.

Dear Shareholders and Stakeholders,

We have left another economically and politically active year behind. Geopolitical developments in Turkey's neighboring geography, international trade wars and uncertainties about Brexit and the future of the European Union were on the world agenda in 2019. The Fed and the European Central Bank cut interest rates several times unexpectedly due to the ongoing economic issues in many parts of the world.

Sustainability issues and combating climate change were on the top of the agenda throughout the year. We believe this was important, as it can speed up concrete efforts globally. We are pleased to see the increased usage of sustainable agricultural methods that are not harmful to human health and the environment and more to protect the world from the destructive effects of climate change.

The technological steps that Tat Gıda has been taking increased yield and helped to conserve resources. Once again, we have

seen the importance of our "Sustainable Agriculture" efforts for the right agricultural production processes and to provide future generations with access to healthy food.

As one of Turkey's biggest food companies, we closely follow global developments to improve our innovative and pioneering role and create more value for our stakeholders. We act with flexibility and agility by quickly adapting to changing conditions without forgoing our long-term goals.

In 2019, we continued to improve our company by enhancing our business performance thanks to our world-class infrastructure and by keeping our customers happy. Our total sales rose by 10 percent year-over-year and we made our way into hundreds of thousands of kitchens with our healthy, delicious and trusted products. Our operating profit was 107 million Turkish lira and pre-tax profit was 72 million Turkish lira with the share of income from foreign operations at 8 percent. We lead the industry with a market share of 53 percent in tomato products, 34 percent in tomato paste, 27 percent in ketchup, 21 percent in pickles and 36 percent in pasteurized milk. We sustained our competitive edge in 33 countries with branded exports.

Digitalization was important once again on the agenda. Continuing to improve tomato production since 1967, at Tat Gıda we lead digitalization in agriculture by using the latest technological developments and supporting our farmers in digital farming.

Tat Gıda recognizes that it has to generate high volumes of extensive data related to the factors that effect agricultural production processes, which is also in line with Tat

Gıda's vision of "having a foreseeable and manageable agricultural production process". production processes. Tat Gıda started to create value with the data that they obtained by improving its soil analysis, drone imagery, automated irrigation systems with digital sensors, pheromone trapping systems and climate station projects. Thus, we reduced water usage from 100 units to 40 units.

As part of the "Tomato Leaders" project, the second "Digital Agriculture Field Day" was held in 2019. The event attracted great interest from farmers and solution partners that provide smart agriculture technologies, agricultural inputs etc.

Offering many innovations to consumers in both the tomato product and the vegetable and convenience food categories since our founding, we expanded our organic "Tat Organic Grated Tomato" and "Tat Organic Diced Tomato" series, made from organic tomatoes grown in the Aegean region and carefully picked during the season, with "Tat Organic Tomato Paste" and "Tat Organic Red Pepper Paste."

Since 1968, SEK ensures that "everyone is nourished with goodness", which was once again highlighted by the brand in 2019 with its products. As a result of the campaign we conducted for the uniquely rich-flavored SEK Çiftlik Yogurt introduced in 2018, SEK Yogurt's spontaneous recall rate has doubled compared to the previous year and reached 67 percent. With the slogan "Good Dessert", in 2019 SEK Quark launched two new flavors apricot-quinoa and fig-walnut for those who are looking for a healthier way to feel full for longer. We continued to be the official sponsor of EuroLeague Basketball in line with one of our projects that support both the physical and the social development of children with the motto "SEK Nourishes Goodness for Growth" and offered an unforgettable moment to children by providing them with the opportunity to hit the court with basketball players in pre-game ceremonies.

As one of the favorite milk brands in the coffee industry, we found the SEK Barista Club at the end of 2018 to regularly contact baristas and carried out an important social responsibility project on vocational training with our free barista training sessions.

This year was full of training sessions and personal development for the Tat Gıda family. Training and development is among the most critical items on our agenda. In 2019, we primarily focused on coaching, leadership, communication, intrapreneurship, competence and Lean Six Sigma training programs. We offered training and self-improvement programs for employees through internal resources and launched the "Internal Trainer" project, which aimed to create the opportunity for high-potential employees with critical knowledge to share their experience and know-how. 28 employees completed the Internal Trainer project voluntarily and became Internal Trainers.

I would like to state that at Tat Gıda, we are proud of all the work that our 17 valuable personnel carried out at our Research & Development department. Tat Gıda has successfully been completing and commercializing government-supported projects since 2010, and kept on creating new projects this year too. With the High-Lycopene Tomato Breeding Project, the number of ongoing government-supported projects increased to three. In 2019, two more projects on milk received TÜBİTAK's support.

In line with our collaboration with the Academic Board established in 2018, we held the second "From Seeds to the Future" conference themed "Global Changes & Food and Packaging for Personalized Nutrition in Light of Consumer Trends." Completing 14 projects in two years, Tat Gıda R&D Center will focus on agricultural research and functional food in 2020 along with its 13 ongoing projects.

Tat Gıda received many awards in 2019. As a company listed on the Star Market of Borsa Istanbul, we were granted the "Boards Empowered by Women Award" held by the Independent Women Directors Project. SEK Quark received the Bronze Award in the "Dairy Products" category at "Social Media Awards Turkey", which is co-organized by Marketing Türkiye and BoomSonar, and the Silver Owl Award in the "Shopper Owl" category at the Owl Awards which is organized by the Turkish Researchers' Association. We were the runner-up at the 11th Peryön Valuing People Awards in the Employer Brand and Employee Engagement category, and at the

IDC Smart Manufacturing Summit in the "Best IoT in Manufacturing Projects in Production" category.

Tat Gıda took important steps on efficient usage of energy resources. As one of the leaders in the industry, at our production facilities we reduced our energy usage by %6 between 2013 and 2018, saved 21,000 GJ of energy and reduced carbon emissions by 1,300 tons.

We put emphasis on using and managing water sources effectively as they are essential sources for all living organisms and one of the fundamental elements of sustainable development. We created value by carrying out water recovery projects in canned food plants, where water is heavily used.

As Tat Gıda we lead innovations in a fast-changing work environment, and we will continue to reinforce our position in Turkey and primary overseas markets, increase our sales volume and carry out sustainable and profit-focused projects.

Our priority will be developing healthy, highly nutritious and milk based snacks as part of our innovative products. In addition, our R&D Center will continue to work on products and processes in the food industry. In the near future, we aim to lead projects within the scope of our agricultural R&D strategies, such as sustainable agriculture, developing high-value tomato varieties as well as projects in newer areas such as soilless agriculture. I thank our consumers, business partners, all shareholders and especially all of the valuable employees of the Tat Gıda family for believing in and supporting our brand.

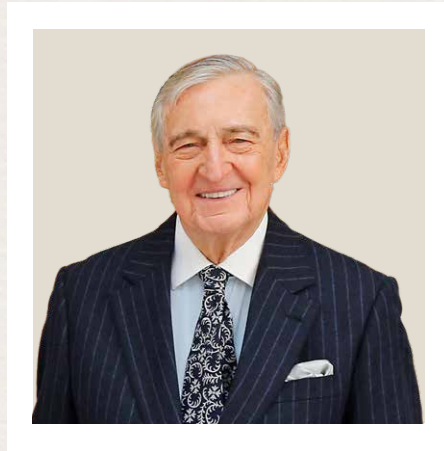
Sincerely,

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 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.



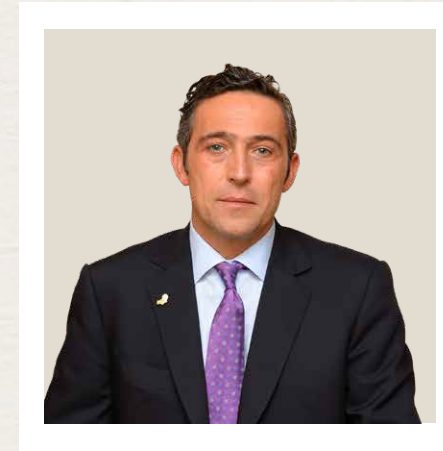
Rahmi M. Koç
Vice Chairman

A graduate of Johns Hopkins University in Business Administration, he joined the 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. Apart from Koç Holding, he also serves as a Member / Chairman of the Board of Directors of other Koç Group companies. In addition, Rahmi M. Koç is or has been affiliated with philanthropic, social and professional organizations including: Vice Chairman of the Board of Trustees of Vehbi Koç Foundation, Honorary Chairman of the Board of Trustees of 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, Honorary Chairman of the Advisory Board of the Turkish Industrial and Business Association (TÜSIAD), 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 (1.1.1995-31.12.1996), The Metropolitan Museum of Art, New York City, Honorary Trustee, Co-Chairman of the Business Advisory Council for South East Europe (BAC SEE), 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 Foreign Relations and Former member of the JP Morgan International Council.. On May 23, 2019, Rahmi M. Koç was awarded with the medal of Foreign Policy Association (FPA), globally recognized think-tank with its 100-year history.



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.



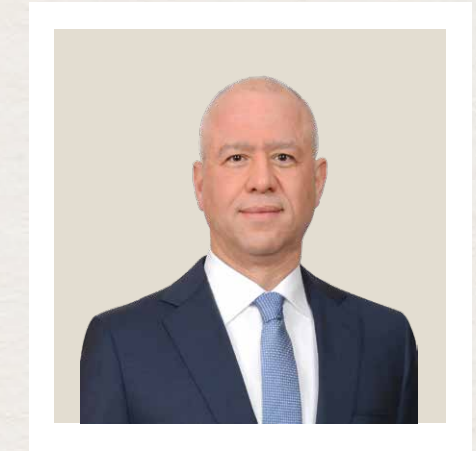
Ali Y. Koç
Member

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. He is a Board Member at the National Competition Research Association (URAK), Board Member at ECA (European Club Association), Board Member at the Foreign Economic Relations Board (DEİK) and Endeavor Association, 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. She is fluent in English, Turkish, French, Italian and Swedish. 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 founded "Haremlique Istanbul" in 2008 and "Selamlıque Turkish Coffee" in 2009 and is currently the Chairwoman of the Board of Directors of both companies. In addition, she is a Member of the Board of Directors of several Koç Group companies. She is a Member of the Board of Directors of Tohum Autism Foundation, a Founding Member of Tina Foundation as well as 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. 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.

Board of Directors



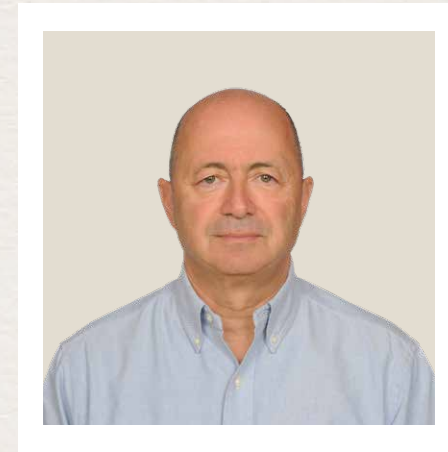
Tamer Haşimoğlu
Member

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 serves as a Board member of some Koç Group companies and is a member of TÜSIAD, member of the Tourism Investors' Organization (TYD), member of the Board of İMEAK Chamber of Shipping and Hisar Educational Foundation (HEV).



Fatma Füsün Akkal Bozok
Member

Graduated from Business Administration at Istanbul University, Fatma Füsün 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. From 2004 to 2019 she was appointed as a Board Member at Yapı Kredi Bank. She has also been serving as a Board Member at Akış 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.



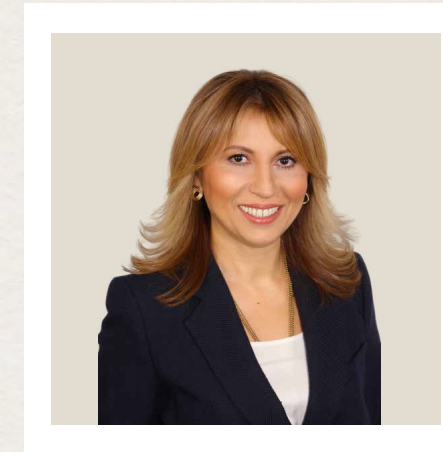
Sait Tosyalı
Member

Sait Tosyalı started his high school education at Tarsus American College and graduated from Columba High School, Texas-USA, where he attended as an AFS exchange student. He holds an MSc 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 Sanayi A.Ş. and Yapı Kredi Koray GYO A.Ş. He is married with one child.



Takashi Hashimoto
Member

Mr. 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, Mr. Hashimoto became an Executive Board Member of Kagome Co. Ltd. As of October 2017, Mr. Takashi Hashimoto has been an Executive Officer Division Director of Production and Purchasing Division.



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 Sanayi A.Ş. since 1 November 2011. She has also been serving as a Board Member at Tat Gıda Sanayi A.Ş. and Düzey A.Ş. Arzu Aslan Kesimer is a Founder Member and Vice Chair of Women in Board of Directors Association. Mrs. Kesimer is also a member of the TOBB Women Entrepreneurs Board, Turkish Industry and Business Association (TÜSIAD), ISO Assembly and President of the Professional Committee.

Executive Management



Hakan
Turan

Arzu
Aslan Kesimer

Sertaç
Erenmemişoğlu

Başak Tekin
Özden

Kasia
Özgen

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 Sanayi A.Ş. since 1 November 2011. She has also been serving as a Board Member at Tat Gıda Sanayi A.Ş. and Düzey A.Ş. Arzu Aslan Kesimer is a Founder Member and Vice Chair of Women in Board of Directors Association. Mrs. Kesimer is also a member of the TOBB Women Entrepreneurs Board, Turkish Industry and Business Association (TÜSIAD), ISO Assembly and President of the Professional Committee.

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.

Başak Tekin Özden

Assistant General Manager Finance and Accounting

Başak Tekin Özden graduated from the Department of Mechanical Engineering at METU and completed her MBA at Bilkent University. After starting her career at Koç Holding as a trainee in 1999, she commenced work as the Strategic Planning Expert and Manager. Between 2009–2012, she worked at Tofaş Türk Otomobil Fabrikası A.Ş. as the Strategic Planning and Business Development Manager; as the Strategic Planning, Business Development and Foreign Trade Manager; and then as the Budget, Planning and Commerce Control Manager. Between 2012–2019, she has served as the Corporate Affairs Coordinator at Koç Holding A.Ş. Since February 1, 2019 she has continued her role as the Assistant General Manager of Finance and Accounting at Tat Gıda Sanayi A.Ş.

Sertaç Erenmemişoğlu

Director Human Resources

Sertaç Erenmemişoğlu received his degree in Industrial Engineering from Istanbul 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.

Kasia Özgen

Assistant General Manager Marketing and Commerce

Kasia Özgen graduated from the Department of Economics at METU. She began her career as an Internal Audit Expert at Eximbank. She worked as a Corporate Marketing Officer at Garanti Bankası from 1993–1996, as a Brand and Marketing Manager at Unilever from 1996–2003, and as the Marketing Director at Tat Gıda from 2003–2008. From 2008–2015, she worked at Unilever successively as the Marketing Director of Turkey, Regional (North Africa, Middle East, Israel, Turkey) Brand Development Director, and Global Marketing Director. From 2015–2016, she worked at Süttaş as the Vice President responsible for Marketing and, between 2016–2019, she worked at Anadolu Efes as the Marketing Director of Turkey and Global Marketing Director, respectively. Since May 2, 2019, she has served as the Assistant General Manager of Marketing and Commerce at Tat Gıda Sanayi A.Ş. Özgen is a member of the Woman on Board Association Turkey, and a graduate of the third term.



SEK Barista Club, which is a platform that stands out in the coffee industry, welcomed **1,400 baristas** to its platform and trained about **450 baristas** at training sessions held throughout 2019.

TAT GIDA IN 2019



Never-Ending Passion for Tomatoes

As the market leader in many categories, especially tomato paste and tomato products, Tat leads the industry with its digital agriculture practices.

Founded in 1967 with the vision of making the Turkish canning industry more competitive in the global market by improving tomato farming, Tat has been cultivating tomatoes with passion for 52 years. As Turkey's leading tomato paste, tomato product and ketchup brand, Tat receives the greatest support from its farmers who cultivates high-quality tomatoes.

Conscious tomato cultivation is made possible with the dedication and support of over 1,000 farmers, 600 whom are contracted, and Tat's expert agricultural team of engineers and technicians.

Tat is the market leader thanks to its strong performance in 2019, with a market share of 53 percent in tomato products, 34 percent in tomato paste, 27 percent in ketchup, and 21 percent in pickles.



Pioneer of Digitalization in Agriculture

Focusing also on digitalization and productivity in 2019, Tat did pioneering work in the industry by implementing the Tomato Leaders project as part of the "Tomato Journey" that continues to own the hard work of thousands of farmers for three generations. Tat continues to lead the industry with its digital farming solutions for field crops with its 2.1 million square meters of land, built for higher-lead and higher-quality tomato production.

Branded Exports to 33 Countries

Tat Gıda carries over its domestic success to international markets. The company exports its branded products to 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.

A Brand of Constant Innovation

Since its founding, Tat has offered many innovations to consumers in both the tomato product and the vegetable and convenience food categories. Tat also produced the first tomato products in glass jars in Turkey. Moreover, 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 took the lead once again in launching new series and products by expanding across categories in 2019.

Two New Products in the Organic Series

Introducing Tat Organic Grated Tomatoes and Tat Organic Diced Tomatoes made with hand-picked, fresh and seasonal tomatoes from the Aegean region.

In 2019, Tat expanded its product range with Tat Organic Tomato Paste and Tat Organic Red Pepper Paste.



Tat delivered well-thought-out content throughout all digital and traditional platforms to promote the Organic Series, and held an event for opinion leaders and the press with a menu offering meals prepared with these products. By collaborating with social media influencers, who offer healthy and nutritious recipes to their followers, prepared delicious meals with these products and shared it with consumers.



You can scan the QR code to watch the Tat Organic Series commercial.

PRODUCT GROUPS

- Tomato Paste
- Tomato Products
- Sauces (Ketchup, Mayonnaise, Mustard and Condiments)
- Organic Products
- Vegetable Products
- Boiled Products
- Ready Foods
- Delicatessen
- Pickles
- Jams





New Members of the Bread Spread Family

Tat expanded the series "Bread Spread" by introducing Ajvar, Lutenitsa and Bruschetta following its popular tomato dip products with walnut and hazelnut. These products offer consumers local flavors from different regions with Tat's high-quality ingredients. Ajvar and Lutenitsa sauces, usually known as Balkan sauces and consumed at breakfast especially in Bulgaria and the surrounding region, offers two new flavors to the series. These products include ingredients such as roasted bell peppers, tomatoes, eggplant and garlic. On the other hand, the Bruschetta sauce is made with dried tomatoes, thyme, and olives which offers consumers an indispensable taste of the Italian cuisine.



"That Sauce Turkey", which was presented by Ezel Akay and juried by social media influencers Aslı İnanlık, Yasemin Sakalioğlu and Berk Sevgi, gained millions of interactions. The show was viewed by 1.4 million viewers on YouTube and 10 million on Instagram.

The advertising campaign was carried out on television throughout the year with the slogan "Turkey's Ketchup", which attracted wide attention and significantly contributed to the category. After this successful digital campaign, Tat Ketchup became the leader of the market with its 27 percent share of end-year sales.



You can scan the QR code to watch That Sauce Turkey episodes.

53%

Leader in the Tomato Products Category in Terms of Share of Sales

34%

Leader in the Tomato Paste Category in Terms of Share of Sales

27%

Market Leader in the Ketchup Category in Terms of Share of Sales

21%

Leader in the Pickle Category in Terms of Share of Sales

Breakfast Must-Haves: Sugar-Free Jams and Marmalade

Tat expanded its breakfast products range by launching sugar-free jams and marmalade in 2019. Sugar-free strawberry, sour cherry, blackberry and apricot jams were added to Tat's jam series. Rosehip, sour cherry and apricot marmalade in 370-gram jars are set to be favorite ingredients for dessert recipes and tasty snacks.

Highly Successful Digital Campaigns

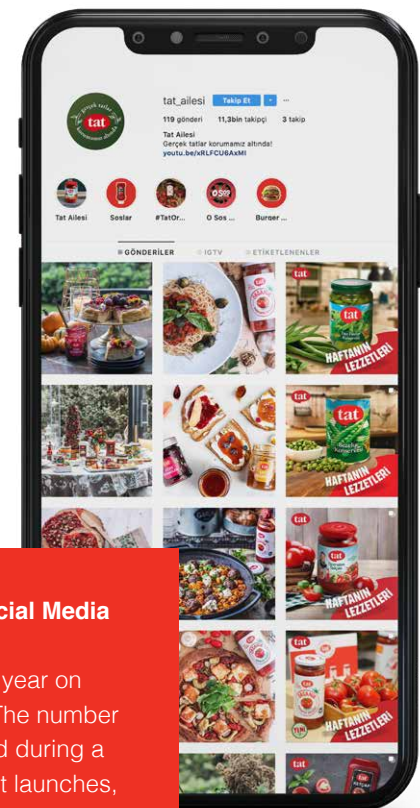
In addition to the new products launched in 2019, Tat carried out successful campaigns for its ketchup and sauces, which were especially popular with the younger generation.

Tat implemented specifically targeted interactive projects such as "That Sauce Turkey" and "Rice with Ketchup" on YouTube.



Farmers' Children Enjoy the Summer Camp

Supporting the social development of farmers' families, Tat organized summer schools for farmers' children living in Karacabey, Mustafakemalpaşa, and Torbalı in 2019. During this activity, 60 children aged 7-12 took tennis, swimming, basketball and football lessons.



An Active Year on Social Media

Tat had another active year on social media in 2019. The number of followers quadrupled during a year full of new product launches, special recipes for consumers, collaborations with opinion leaders and promotional products.

The Brand That Nourishes and Raises With Goodness: SEK



With its natural and healthy products, SEK is one of the most popular dairy product brand in Turkey.

Since 1968, SEK has been working to ensure that everyone is nourished with goodness and to provide the most natural, the healthiest and the most delicious products. SEK had another dynamic year in 2019 with its new products and communication activities.

SEK Çiftlik Yogurt Garnered Great Praise from Consumers

SEK introduced the rich flavored SEK Çiftlik Yogurt at the end of 2018, expanding the Çiftlik product line created in 2016. Starting from April 2019, the "It's Not Yogurt, It's SEK Çiftlik Yogurt" campaign was carried out throughout the year to improve the recognition of SEK Çiftlik Yogurt. The commercial starring Chef Yağız Işgöl was broadcast on TV, radio, billboards and social media. As a

result of the campaign, which attracted considerable attention from consumers, SEK Yogurt's recall rate has doubled compared to the previous year.

Two New Flavors Added to the SEK Quark Family

With the slogan "Good Dessert", in 2019 SEK Quark launched two new flavors apricot-quinoa and fig-walnut for those who are looking for a healthier way to feel full for longer.

SEK carried out a campaign called "Have You Not Heard About SEK Quark yet?" on digital platforms. Moreover, during the year, SEK Quark sponsored several events and also held tasting events in companies to not only strengthen the product awareness but also increase

the number of trials of the product. The Zorlu PSM Jazz Festival was sponsored by SEK Quark in May and the concerts given by prominent artists and young talents met with great acclaim.

Humorous Commercial for Fresh Milk Attracted Attention

For Pasteurised Milk Category, SEK carried out "Did We Grow You Up A Little Fast?" and "Turkey's Favorite Pasteurised Milk" campaigns in 2019. In the first commercial, SEK emphasized the contribution of milk to physical growth in a humorous way while also apologizing to those who grew up a little fast because of consuming milk.

In 2019, the packaging designs of SEK UHT Milk, Yogurt, Butter and Cream were updated.



EuroLeague Sponsorship Continued

With the motto "SEK Nourish Goodness For Growth", SEK undertook projects that support both the physical and the social development of children. In 2019, SEK continued to be the official sponsor of EuroLeague Basketball, which is one of the most prestigious basketball organisations.

In 2019 Season, 61 EuroLeague games were played, SEK held 14 ceremonies at those matches and brought 140 children together with the basketball players.



You can scan the QR code to watch the "Have You Not Heard About SEK Quark yet?" commercial.



You can scan the QR code to watch the "It's Not Yogurt, It's SEK Çiftlik Yogurt" commercial.



You can scan the QR code to watch the "Did We Grow You Up A Little Fast?" commercial.

PRODUCT GROUPS

- Pasteurized Milk
- UHT Milk
- Protein Milk
- Dairy Drinks
- Ayran (Yogurt Drink)
- Probiotic Drinks
- Yogurt
- Quark
- Quark Muesli Bars
- Cream
- Cheese
- Butter
- Fruit Juices
- Breakfast Foods





The SEK Barista Club app, developed in cooperation with Chippin, aims to gather baristas on a digital platform. Various gifts were given to 240 baristas for points earned through the app, where valuable information is shared, job openings are posted and different competitions are held. At the end of the year, the number of SEK Barista Club members reached 1,400.

Thanks to the new digital platform, the SEK Barista Club made a difference in the coffee industry. SEK trained 450 baristas, with 30 Basic Barista Training sessions which was held throughout 2019 and carried out an important social responsibility project on vocational training with its free barista training sessions.

Awards

SEK Quark received the Silver Owl Award in the "Shopper Owl" category at the Owl Awards organized by the Turkish Researchers' Association.



Great Interest in SEK Barista Club

At the end of 2018, SEK founded the SEK Barista Club to enrich the coffee culture in Turkey and provide baristas with a platform to improve their skills. To better understand the needs of baristas, the club held frequent meetings with baristas and carried out a two-month field activity in Istanbul, visiting 2,500 centers and more than 2,000 baristas.

This platform aims to create a broad coffee community by developing coffee recipes leveraging the perfect harmony between milk and coffee. Knowing that in coffee culture, good coffee is made with high-quality milk, SEK introduced SEK Barista Milk in February 2019 for businesses that serve coffee.



At Social Media Awards Turkey, which is the most comprehensive social media contest organized by Marketing Turkey with cooperation by Boom Sonar, SEK received the bronze award in the dairy products category.

SEK, a Pioneering Brand

1968

produced Turkey's first pasteurized milk.



2012

produced Turkey's first mint-flavored ayran (yogurt drink).



2017

the Çiftlik product range was expanded with butter and yogurt. SEK introduced Turkey's first Lactose-Free Pasteurized Milk.

1972

produced Turkey's first homogenized yogurt.

2014

launched chocolate, banana and strawberry flavored pasteurized milk for children.



2018

launched the Protein Family, consisting of Protein Milk and Protein Quark, to help athletes meet their protein requirements.



1979

produced Turkey's first string cheese.

In the same year, SEK also launched Latte, Caramel Macchiato and Chocolate Mocha flavored milk products for adults.

2001

offered kashar and white cheese in vacuum-sealed packaging for the first time in Turkey.

2015

SEK Pasteurized Milk Family was extended with Pasteurized Milk for Yogurt Making.



SEK Çiftlik Yoğurt was introduced, boasting a unique flavor and texture.



2001

produced Turkey's first packaged salep.



2016

marked another first in Turkey with its "Good Dessert" SEK Quark.

The same year, it launched SEK Fresh Cheese varieties and extra delicious full-fat Pasteurized Çiftlik Milk.

2019

added two new flavors to the SEK Quark Family.



Human Resources

The "Employer Brand" project underlined Tat Gıda's main principle, "The core of our business is our people" throughout 2019.

Tat Gıda focused on the implementation of systems and processes that ensure effective human resources management and sustainable competition by announcing the "Employer Brand" project to its employees.

All systems and processes related to the management of human resources are managed in an integrated manner.

Tat Gıda operates in different segments and geographical locations, which reflects the diverse culture. To transform this cultural diversity into a driving force, emphasis is given to joint projects in different fields. By this means, any employee can improve themselves in different areas by rotating and working on projects even if they have started in a different line of business. Tat Gıda offers its employees career development opportunities in diverse departments, such as dairy or canned foods.

Tat Gıda uses a planning process to identify potential candidates to help select and train future leaders for the continuity of the management staff. Special development plans are prepared by the Human Resources department for employees identified as candidates for such positions.

A Year Full of Training and Development

Training and development is one of the most important activities at Tat Gıda. In 2019, Tat Gıda continued to focus primarily on coaching, leadership, communication, intrapreneurship, competence and Lean Six Sigma training programs.

Tat Gıda offered training and self improvement programs for its employees and created the "Internal Trainer" project, which created an opportunity for high-potential employees with critical knowledge to share their experience. 28 employees completed the Internal Trainer project voluntarily and became Internal Trainers.

In 2019,

- 17 Internal Trainers provided a total of 926 hours of training. The satisfaction rate of the internal training sessions was 96.1 percent.
- Office workers received 1,552 hours of external training. The satisfaction rate of the training sessions was 88 percent.
- Field personnel received a total of 1,420 hours of training. The total training time per person was 18.45 hours.

Choose Your Own Competence Training (CYOCT)

The training program began in 2019. Employees attended programs depending on their own preference with their managers.

These programs were supported by seminars and workshops. In 2019, Women at Work seminar, What Do Women Say, What Do Men Understand workshop, Percussion and Rhythm workshop, Father's Day seminar, Breathing, Astrology and Frequency seminar and Breast Cancer seminar were held within the scope of these programs.

Selection and Placements Based on Competencies

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

An employee engagement survey is conducted every year to solicit the views of employees and measure their loyalty and satisfaction. Survey results are analyzed and improvement plans are developed and implemented within the year.

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

In 2019, Tat Gıda started to post job openings via LinkedIn, and the number of followers on Tat Gıda's LinkedIn page rose to 4,915.

Tat Gıda aims to bring the company into the future and hire candidates with the appropriate competencies, developing them at the shortest time possible so they can contribute to the business. Our selection 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.

30% of Employees are Women

The average seniority of 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 workforce, a significant amount of attention is given to increase the rate of female employees in Tat Gıda. This year, Tat Gıda attained a female employee rate of 30 percent.



Tat Gıda Launched the Talent Factory Program

The long-term internship and talent program "Talent Factory" was launched with the slogan "We Are Producing the Future" to bring talented new graduates to Tat Gıda, train future employees who deliver high performance and have high potential, provide suitable candidates for future openings and increase the recognition of Tat Gıda among new generations.

Communication Platforms

"Communication Platforms" was launched in 2019, where the executive management, management, HR teams came together with employees in a well-structured manner. The platforms aim to ensure that both executive management and HR teams get to know each other much more on a whole new level which supports sharing information with one another, mutual feedback, a positive workplace and an environment that emphasizes on employees communicating more openly.

As part of these platforms,

- **Let's Talk Straight:** In these meetings, managers come together with employees from different functions twice a year and discuss the daily agenda.
- **Chitchat:** Directors have a chat with employees from different functions twice a year to keep them up to date.
- **5WHR:** Human Resources Managers have monthly meetings with employees from different functions.
- **The Stage is Yours:** Managers have meetings with the production facility and distributors once each quarter.
- **Just Us:** Managers have informative meetings with their employees every quarter.
- **Inspiring Speakers:** Executives who lead change, lead to inspiring speeches during these meetings.
- **Coffee with the General Manager** meetings were held in 2019.

4 New Social Clubs

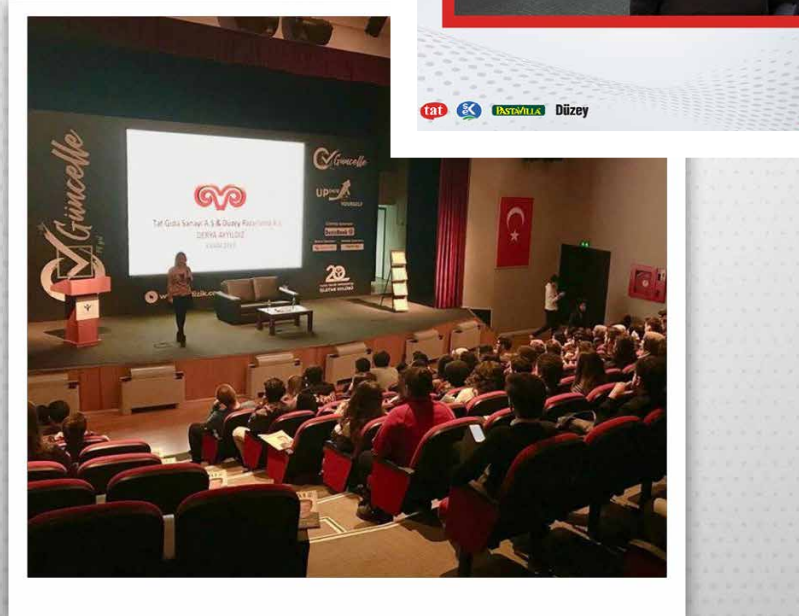
In 2019, 57 events were held as part of the "People are the Essence" initiative at the plant and headquarters to strengthen internal communication. Furthermore, 4 new social clubs were established to offer social responsibility, sports and leisure activities to employees.



Employer Brand on Campus

Tat Gıda improved its "Employer Brand" and was recognized among external candidates. Throughout the year, top and mid-level managers attended many university events to strengthen communication. The Digital Talent Festival, the Toptalent Online Career Fair, FMCG Camp 2019, İTÜ DART and Yıldız Technical University Just In Case were one of the few Tat Gıda took part in.

Tat Gıda employees presented the dynamic workplace, organizational structure and opportunities to students, new graduates and young professionals on anlatsin.com and Toptalent. 17 Tat Gıda employees answered 197 questions. The content had 1,111,353 clicks and 18,824 views.



tat Düzey

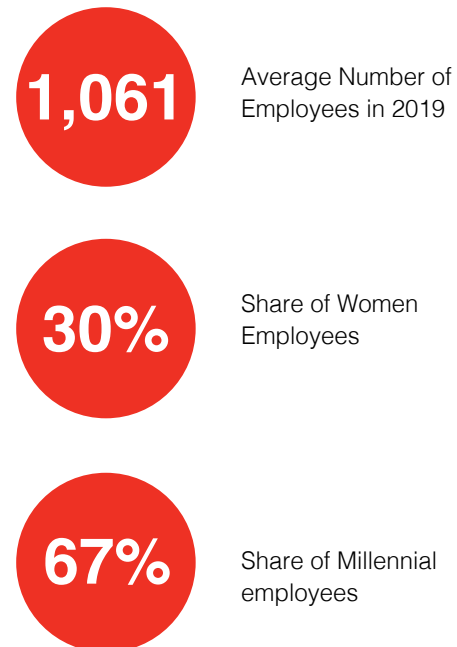
işin özü
insan

The Right to Unionize and Occupational Health and Safety

Tat Gıda respects workers' right to unionize. Our aim is to ensure the continuity of a calm and peaceful workplace by acting 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 the employee health and work safety policies and develops its employees in this respect.

Stronger Together



Employees Awarded

• In 2019, Tat Gıda was the runner-up at the 11th Peryön Valuing People Awards "Practices that Make a Difference" in the "Employer Brand and Employee Engagement" category.

• The new practices introduced in 2019 as part of the Employer Brand and employee engagement set an example among the best human management practices at the panel "Employer Brand - Examples of Good Practices" held during the 1st Peryön Mediterranean Human Management Summit.

• In 2019, Tat Gıda was ranked 124th in Universum World's Most Attractive Employers, which placed them 10 positions higher than last year.

• In its first year, Talent Factory's long-term internship program ranked 42nd in Toptalent's Top 100 Talent Program in 2019.

Quality

Strongly adhering to quality and hygiene standards along with occupational health and safety rules, Tat Gıda reviews the output of every control and analysis carried out during the processes with its continuous improvement vision.

Tat Gıda is a brand that 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.

Tat has the ISO 50001 Energy Management System certification and the ISO 14001-2015 Environmental Management System certification for all its production facilities.

The Environment and Efforts on the Minimization of Environmental Impact

Climate change affects all industries, particularly the agriculture and food. The facilities developed projects to reduce greenhouse gas emissions by reducing their carbon emissions. Energy usage per production (ton) was reduced 6 percent between 2013 and 2018 with improvements in businesses.

As a result of energy saving in Tat Gıda plants in 2019, 21,000 GJ of energy were saved, and carbon emissions were reduced by about 1,300 tons.

Water, one of the essential sources for all living beings, is also one of the fundamental elements of sustainable development. Tat Gıda puts emphasis on using and managing water sources effectively. Water recovery projects are



carried out in canned food plants, where water is heavily used.

The biological wastewater treatment facility at the Tat Mustafakemalpaşa plant is the largest privately owned facility of its kind in the industry. At this facility, wastewater from both the Mustafakemalpaşa and SEK Milk plant

is treated. In 2011, the facilities received the Environmental permit, a first in its region. Average 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 Directorate of Environment and Urbanization.

Discharging lines of wastewater treatment facilities at Tat Gıda facilities have Continuous Wastewater Monitoring Systems (CWMS) set according to the Continuous Wastewater Monitoring Tracking Systems Regulation. The system is monitored 24/7 online by the Provincial Directorate of Environment and Urbanization. Wastewater processed by non-site treatment facilities is checked by both Tat Gıda and independent, accredited laboratories.

13 percent of water that was used in 2018 was reused with several recovery project in all facilities.

Environmental Awareness Training for 2,612 Farmers

Every year, employees receive training to increase their environmental awareness. The agricultural team has been providing 2,612 farmers with training in cultural control techniques for pest control, plant diseases, weeds and invasive herbs, soil cultivation, plant nutrition, drip irrigation, fertilization and harvest since 2012 at the Mustafakemalpaşa, Karacabey and Torbalı plants to increase awareness of good agricultural practices. With these training sessions, we ensure that our farmers improve their water usage, stop using heavy and incorrect chemicals,

and use pest control methods that care for and protect regional ecosystems.

1.5% of Raw Material Saved

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

Waste Management Given High Priority

Since 1997, the packaging materials disposed as waste in the market have been collected by authorized organizations within the quotas set by the Ministry of Environment and Urbanization and recycled. For various productions, the amount of plastic packaging is reduced and environmentally friendly glass bottle packaging is emphasized. Waste management at the facilities is carried out by separating and disposing recyclable and hazardous waste, which is crucial in terms of their environmental effects.

Reforestation and Protection of Natural Life

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 25,000-square-meter grove area was formed around the Tat Konserve facility in Mustafakemalpaşa, Bursa, with the support of its employees. The formed area, containing pine, chestnut, cedar, blue spruce, fir, cypress, ash, plum, loquat and palm trees, was expanded before the facility was opened.

The facilities promote natural wildlife. A biodiversity project was developed for the protection of 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.



Development of Organic Agriculture

In 2018, Tat Gıda acquired the “Organic Agriculture Entrepreneurship Certificate” for diced and grated tomato products produced in the Mustafakemalpaşa facility. In 2019, Tat Gıda extended its organic products range with organic tomato paste, organic red pepper paste and organic ketchup.

SEK’s Warehouse Development Projects

Likewise, the SEK Milk plant serves its customers with a quality approach that traces the entire process chain from milk production to the table. Every stage in this chain is painstakingly monitored using our quality approach. SEK is a customer satisfaction-oriented food business operating under the supervision of expert food engineers and agricultural engineers.

In 2019, three Automated Guided Vehicles (AGV) started to be used at the SEK Milk plant. These vehicles are used to transfer consumables from warehouses to units. This way, forklift use in production areas is minimized, occupational health and safety is increased and human-related mistakes and interruptions are reduced by 50 percent.

Tat Gıda plans to improve efficiency and increase the workload per unit of time with a safe and efficient working schedule. We also intend to reduce the need for warehouses by changing the method of material transfer. Improvements in this area are in progress.

We Trained 1,970 Milk Producers

Since 2009, SEK has been training its milk producers on feeding, milking, milk composition and raw milk hygiene. So far, the training program has reached 1,970 producers. Through our efforts involving the promotion of feed plants and biodiversity, we aim to raise awareness among milk producers about clover, corn and wheat silage.

All kinds of raw materials used in our operations are 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.

National and International Documents and Registered Facilities

Production at all Tat Gıda facilities is made 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), Food and Drug Administration (FDA)

Certificate and the Halal Food Certificate in all its businesses. In 2018, the company acquired the “Organic Agriculture Entrepreneurship Certificate” for the facility in Mustafakemalpaşa and the Kosher Certificate for the facility in Karacabey.

The SEK Milk Facility 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.

Furthermore, the SEK Mustafakemalpaşa facility satisfies the eligibility criteria for export to the EU, Russia and China.



R&D and Innovation

Tat Gıda R&D Center completed 14 projects in two years. In 2020, the center will focus on agricultural research and functional food.

With the establishment of its R&D center two years ago, Tat Gıda 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.

In 2019, the first activity period of the R&D center was submitted and the successfully completed audits ensured the continuity of the center’s functions.

The R&D center actively carries out over 10 projects with a team of 17 postgraduate professionals including engineers, researchers in basic sciences and technicians. In 2018-2019, the percentage of graduate and postgraduate researchers within the R&D center has risen up to 45 percent. The R&D center also serves as a hub for collaborations between industry and academia, technology parks, and start-ups and entrepreneurs. Three entrepreneurs we have supported has been accepted into the TÜBİTAK BİGG program.

We published five posters in both national and international congresses during 2019. Our oral presentation application for the most extensive congress on tomatoes, the 14th World Processing Tomato Congress, which will be held in March 2020 in Argentina, has been accepted.



Three Projects Supported by TÜBİTAK

Tat Gıda has been successfully completing and commercializing state-supported projects since 2010 and continued creating new projects in 2019. Two more projects on milk received TÜBİTAK's support in 2019. With the high-lycopene tomato breeding project, the number of ongoing state-supported projects increased to three.

17

Number of Team Members

14

Number of Completed Projects

45%

Percentage of Post-Graduate Researchers

13

Number of Ongoing Projects

Second "From Seeds to the Future" Conference Held

We continue to collaborate with the Academic Board, established in 2018. With the participation of academics on the board and guest speakers, the second "From Seeds to the Future" conference on the theme "Global Changes & Food and Packaging for Personalized Nutrition in Light of Consumer Trends" was held. During the conference, attended by distinguished Swiss, Italian and Turkish academics and guest speakers, consumer insights and personalized nutrition were discussed in depth.

Valuable information on new trends, functional food and changes in the food industry was presented at the conference, the focus of which was individual differences and design adaptations. The relationship between the

biological clock and nutrition was discussed in terms of both human and plant nutrition, and information on the significance of microbiota in personalized nutrition was provided. Furthermore, the food-nutrition-brain relationship, packaging and consumer interaction, consumer perception and consumer behavior were among the subjects of the conference.

In addition to expanding university collaborations, increasing joint projects and developing innovative products, Tat Gıda 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 Good Idea Platform

Tat Gıda's innovation vision is a key factor in keeping pace with the changing world and ensuring a competitive advantage. Companies that are open to change, take fast action and produce customized solutions for customers ensure their success through innovation and continuity by setting themselves apart from their competitors. Tat Gıda has carried out works to improve its infrastructure to transform innovation into a skill, create a corporate culture out of it and ensure continuity since 2015. Tat Gıda's vision of innovation required to quickly respond to the changing demands of customers through new products and technologies that build a committed bond to the consumer by instilling a culture of sustainable innovation across the entire organization.

Tat Gıda's mission on innovation is to develop products and processes that make a difference by understanding the changing needs and expectations of customers and supporting the development of innovative ideas and projects.

The Tat Good Idea Platform is an idea-gathering platform where everyone who has creative and innovative ideas at the company shares their ideas with 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."

Establishing the Good Idea Platform with the support of Koç Holding's Koç Innovation Program, Tat Gıda collects not only the ideas of its employees but also the ideas of innovative and creative external stakeholders. Tat Gıda focuses on the main areas below to implement



new ideas with the contributions of employees on the Good Idea Platform:

- Supporting intrapreneurs,
- Integrating innovation into all 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 the organizational culture.

Intrapreneurship

Providing training in innovation for its employees, Tat Gıda continued its intrapreneurship and innovation program. In 2019, an internal contest with two different themes focusing on innovation strategy was held and the five best ideas were used in the internal acceleration program.

Currently, two intrapreneurship projects have received the Committee's investment, and teams will utilize their



resources from the program to carry out their project. Another ongoing intrapreneurship project is planned to be transformed into a new business unit.

Furthermore, successful intrapreneurs are trained to be mentors for the upcoming projects.

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 impact 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 cooperation possibilities and ways to maintain a win-win relationship.

Digital Agriculture

As one of Turkey’s outstanding food companies, Tat Gıda leads the digitalization and modernization practices in agriculture.

One of the most critical items in Tat Gıda’s agenda, a leading brand in the development of industrial tomato farming, is digitalization in agriculture.

With the “Tomato Leaders” project, which focuses on farmer development as well as communication and digitalization of tomato farming and agriculture, Tat Gıda achieved another first in its industry for digitalization in agriculture in 2016. Using digital technologies, technological infrastructure and monitoring systems were implemented to correlate data obtained from the field and product performance, and practices that provide solutions for improving communication with farmers and supporting their development were implemented.

We have invested 1 million Turkish lira in digital agriculture technologies so far.

More than 3 million Turkish lira is planned to be invested by 2022 as part of the project. The majority of this investment will be used for automatic data collection from fields and the analysis of the data in terms of the yield-quality relationship. All business processes are planned to be reshaped as a result of digitalization.

As part of the “Tomato Leaders” project, the “Tat Leader Farmer” app for farmers and the “Tat Agricultural Leader” app for

agricultural teams were developed. The “Tat Leader Farmer” app is used by 400 contracted farmers.

In 2018, Tat created the “Digital Agriculture Field” for farmers and the partnership ecosystem to increase the use of digital technologies in agriculture. In 2019, the application area was expanded, and tomatoes were cultivated on a 2.1-million-square-meter field using digital technologies. The average of yield was 8 tons per 1,000 square meters and with the help of digital technologies and good agricultural practices used in Tat’s Digital Agriculture Field, the yield was increased to 11.8 tons per 1,000 square meters.

We determined the best 20 varieties of tomatoes and trained the farmers on cultivation methods. We supply the highest-quality tomatoes from the local villages to nearby plants to produce tomato paste.

With the vision of having an agricultural production process that is foreseeable and can be managed proactively, Tat Gıda recognizes the need for extensive data related to agricultural production processes and the factors that affect these processes and continues to work with the aim of collecting and analyzing data to establish the cause and effect relationship of results.



Working to develop tomato farming since 1967, Tat Gıda continues to support farmers with 10 agricultural engineers, 10 agricultural technicians and agricultural teams by using the latest technological developments in tomato farming.



Second Digital Field Day

As part of the “Tomato Leaders” project, the second “Digital Field Day” was celebrated in 2019. The event attracted great interest from farmers and solution partners that provide smart agriculture technologies, agricultural inputs and so on.

On the Digital Field Day, Tat Gıda and its solution partners discussed the practices used in digital agriculture. During the event, prominent companies informed farmers about solutions and technologies such as field control with drones, plant health tracking with satellites and image procession technology, smart irrigation techniques, automatic steering, agricultural climate and early warning stations, digital soil analyzers, pest monitoring with pheromone traps and cultivation area detection and harvest prediction using satellites.



Actions in this field can be summarized as follows:

Satellite imagery: Satellite imagery tracks tomatoes growth and guides farmers. Furthermore, some projects are carried out to collect data from soil and air assessment about factors that affect plant development such as soil structure, temperature, humidity and ground conductivity and to establish the cause and effect relationship by monitoring fields.

Under this system, plant health is analyzed with the NDVI algorithm. Plant health is periodically monitored and farmers are guided thanks to the analysis software, which indicates whether plants are healthy with color codes on the image of the field. In 2019, 152 fields were tracked with satellite imagery and image processing technology.

Soil analysis: Fields can be analyzed on site with digital soil analyzers. Results of the analysis are obtained in ten minutes, whereas before this process took weeks. These analyses aim to fertilize correctly and thus increase yield.

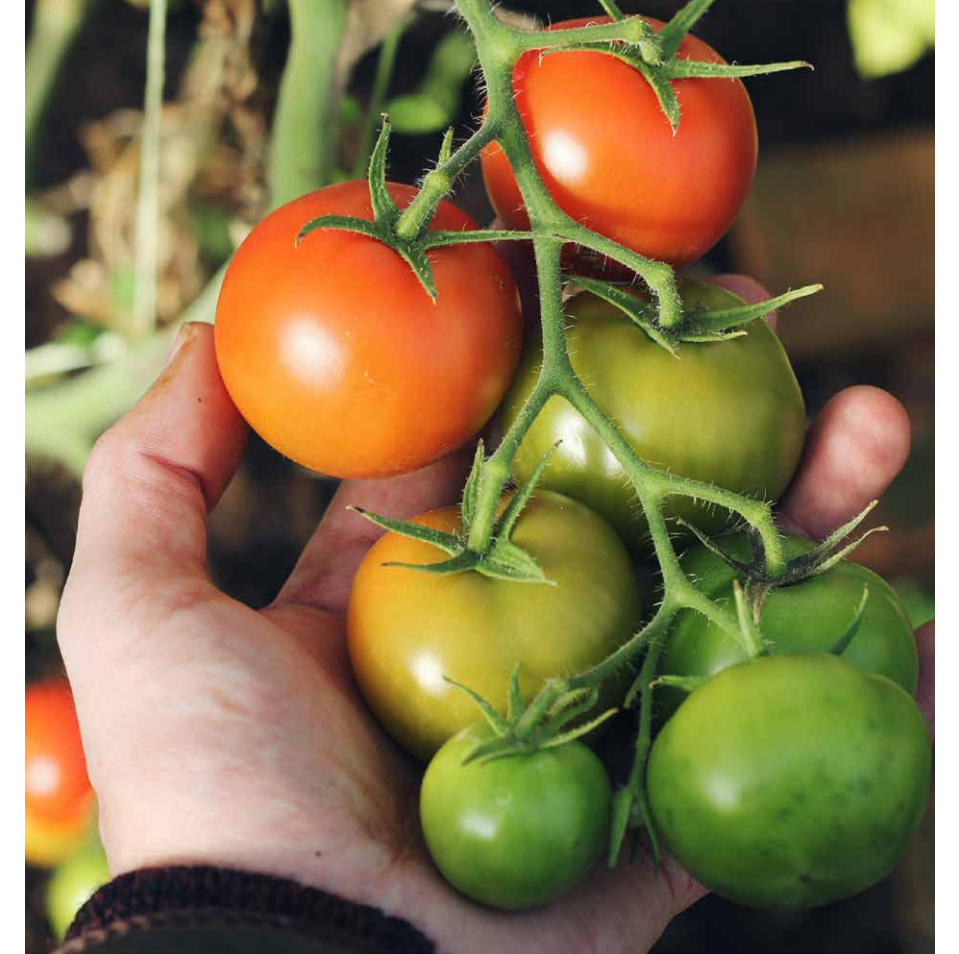
Drone imagery: Drones are used to track plant development by taking images in large areas where manual tracking is troublesome. The plan is to spray areas that are at risk, determined by a tracking system that includes imagery and image processing technologies, with drones.

Digital pheromone trapping system: It is a system by which pests are monitored and changes in the population can be analyzed without going to fields, with remote access. In this system, biological pheromones placed in specific parts of fields emit an odor that attracts pests, and the number of trapped pests is tracked with automated monitoring systems.



Automated irrigation system with digital sensors: In Turkey, 60 percent of water is wasted due to aggressive irrigation systems. The use of drip irrigation is less than 10 percent in Turkey. Water should be given directly to the root in order to cultivate tomatoes. Tat Gıda uses drip irrigation systems and avoids aggressive irrigation. These systems are automatically directed sensors that track humidity and soil moisture.

Agricultural climate stations and early warning systems: Temperature differences between daytime and nighttime are important for plant health. Tat Gıda can forecast the local weather through climate tracking stations and analyze the risk of diseases that could affect tomatoes. In 2019, sensors to record wind speed, soil moisture and temperature and solar radiation were added to our climate stations. The risk of diseases detected as a result of the data gathered and analyses done by these stations is sent to our farmers via the "Leader Farmer" app.



1
Million
TRY

Investment in digital agriculture projects so far

3
Million
TRY

Planned total to be invested by year-end 2022

400
farmers

Tat Leader Farmer app users



In 2019, two new flavors, **apricot-quinoa** and **fig-walnut**, were introduced to the “Good Dessert” SEK Quark family, which offers new sweet options to those who are looking for a healthier way to feel full for longer.

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 capital structure of the company comprises of its debts including loans and its equity items including, in order of importance, cash and cash equivalents, issued capital and reserves as well as prior period retained earnings.

The company's objective in managing its capital centers around sustaining the optimum capital structure that provides returns to shareholders and reduces its cost of capital simultaneously, ensuring the continuity of company's operations.

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 overseen by the Risk Management Committee in line with the policies approved by the Board of Directors.

Information on the Early Detection of Risk as well as the Work and Reports of the Risk Management Committee

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, 2019, the Board of Directors appointed M. Sait Tosyalı, an Independent Member of the Board of Directors, to chair the committee, and İbrahim Tamer Haşimoğlu, member of the Board of Directors, as a member.

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

and providing recommendations and suggestions to the Board of Directors in that regard. The Committee convened seven times throughout the operating cycle, 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. The Company sign annual contracts for the supply of tomato and milk to eliminate the supply risks of agricultural raw materials.

There are no significant forward-looking risks referred to the Board of Directors level. Based on a year-over-year comparison, 2019 sales were up 19 percent in the tomato paste and canned products business segment and 2 percent in the milk and dairy products business segment. The net financial debt to equity capital ratio is 0.4.

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.

Opinion on 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 2019.

Audit Committee Activities

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

The Committee in Charge of the Audit function reviews and evaluates the observations communicated to

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

After consulting with the company's executives and independent auditors on whether annual and interim financial statements to be disclosed to the public true, accurate and fair, 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 2019, compliance with most of the non-compulsory principles were also achieved. While we aim to fully comply with the non-compulsory Corporate Governance Principles, full compliance could not be attained due to difficulties in applying some of the principles, ongoing discussions on compliance with some principles, both in our country and abroad, and the inadaptability of some principles with the market and the company's current state. 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.

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

Regarding principle No. 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 respected in line with the

regulations of the TCC and the CMB.

Regarding principle No 4.4.1, the Board of Directors made resolutions by obtaining the written approval of a majority of all members by circulating the proposals among board members as stipulated in Article 390 of the TCC.

Regarding principle No 4.4.2, a minimum time limit was set to submit relevant information and documents for review by the members of the Board of Directors before meetings. In 2019, where the Board of Directors took all decisions by obtaining the written approval of a majority of all members by circulating the proposals among board members as stipulated in Article 390 of the TCC, the time limit for submitting documents for review by the members of the board was set according to the subject and process on the agenda and all members were informed in advance.

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.

Regarding principle No 4.4.7, the members of the Board of Directors are committed to allocating the time required for corporate affairs and there are no restrictions on the assignment of any duties outside the company. Particularly because of the significant contribution made by the independent members to the Board of Directors in terms of their

work and 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 General Meetings of Shareholders.

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. 4.6.5.

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

2019 Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Form (CGIF) prepared in accordance with the CMB Resolution No. 2/49 dated

January 10, 2019, and approved by our company's Board of Directors are attached to the annual report (page 69-82) and can also be viewed from our company's corporate governance page on the Public Disclosure Platform. (<https://www.kap.org.tr/tr/cgjf/4028e4a140f2ed720140f31089aa0>) 10a)

PART II

Shareholders

2.1. Investor Relations Department

Relations with the shareholders at Tat Gıda Sanayi A.Ş. are managed by the responsible unit established within the Office of the Chief Financial Officer.

The Investor Relations Report prepared on the activities performed by the Investor Relations Department was approved by the Corporate Governance Committee on February 17, 2020, and presented to the Board of Directors.

Investor Relations department and contact information below:

Başak Tekin Özden
basak.tekin@tat.com.tr

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

Hikmet İn
hikmet.in@tat.com.tr

Telephone: +90 216 430 00 00
Fax: +90 216 430 80 15

2.2. Use of Shareholders' Right to Information

No discrimination is made between the right of the shareholders to receive and

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

In 2019, four 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 2019 Ordinary General Meeting of Shareholders was held on March 11, 2019.

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 2019, information on donations and grants/aids made in 2018 was given in a separate agenda item and the donation limit for the year 2019 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, board members, and managers with administrative responsibilities as well as their spouses and up to the second degree blood and marital relatives of those who have management control of the company, are also members of the board of directors or executives of some other Koç Group companies, including those engaged in similar business activities as our company. In 2019, 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.

2.5. Minority Rights

Even though no arrangements have been made regarding minority rights in our Articles of Association, we give utmost care to consider minority rights in accordance with the regulations of TCC and CMB. In 2019, 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 General Meeting of Shareholders held on March 11, 2019, 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 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.

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.

3.2. Annual Report

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

PART IV

Beneficiaries

4.1. Informing the Beneficiaries

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

4.2. Participation of Beneficiaries in Management

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

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

Even though the employee participation in management is not specified in the Company's Articles of Association in regulations, employees, whether a union member or not, can participate in management in various ways. We seek our employees opinions with the annual Employee Engagement Survey where we ask open-ended questions to them anonymously. Furthermore, we share information related to the company and get our colleagues' opinions and comments with various communication meetings.

Our company organizes meetings with customers and suppliers during the year

| 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 | 11.03.2019 | 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 | 11.03.2019 | 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 | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board of Directors | In-group - Chairman or Member of the Board of Directors |
| Ali Y. Koç | Not an Independent Member | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board of Directors | In-group - Chairman or Member of the Board of Directors |
| Caroline N. Koç | Not an Independent Member | 11.03.2019 | 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 | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board of Directors and Corporate Governance Member | In-group - Koç Holding A.Ş. CEO and Board Member |
| Tamer Haşimoğlu | Not an Independent Member | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board of Directors and Risk Management Committee Member | In-group - Koç Holding A.Ş. Turizm, Gıda ve Perakende Group Head |
| F. Füsün Akkal Bozok | Independent Member | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board of Directors, Audit/Oversight Committee and Corporate Governance Committee Member | Non-group – Akış GYO, Bizim Toptan and İzocam A.Ş. Independent Board Member In-group – Ford Otomotiv Sanayi A.Ş. Independent Board Member |
| M. Sait Tosyalı | Independent Member | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board of Directors, Audit/Oversight Committee and Risk Management Committee Member | In-group – Yapı Kredi Koray A.Ş. Independent Board Member |
| Takashi Hashimoto | Not an Independent Member | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board Member | Non-group – Kagome Co. Ltd. Production and Purchasing Department / Administrative Executive Manager |
| Arzu Aslan Kesimer | Not an Independent Member | 11.03.2019 | Until the Ordinary General Meeting of Shareholders | Board Member/General Manager | In-group - Board Member |

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

4.3. Human Resources Policy of the Company

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

- To hire employees to carry our company into the future;
- To establish fair wage policies;
- To evaluate individual performance;
- To reward / recognize successful employees;

- To continually improve the competencies of our human resources and to maintain a permanent edge in the globally-competitive environment by adhering to the principles promoted in line with the company's goals and business requirements. The functioning of the human resources systems established for this purpose is defined through the relevant procedures and are communicated to all employees.

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

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 2019 and the practice is continued.

Our company aspires to conduct its business responsibly by consistently improving environmental performance in production with all environmental dimensions taken into consideration in compliance with all relevant legislation and regulations. Necessary measures are taken in production in order to conserve natural resources and reduce waste production and to constantly monitor and preserve air, water and soil characteristics. Preventive operations are undertaken at the source of pollution, and improvements are made to minimize gas, liquid and solid waste to below the legal limits.

Awareness-raising trainings are given to employees on environmental issues, and joint social responsibility projects

are undertaken with institutions and organizations such as 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 strategic objectives of the company and supervises the company management's performance in terms of its compliance with legislation and the policies set forth in accordance with the Articles of Association.

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

It is the responsibility of Tat Gıda Sanayi A.Ş.'s Chief Financial Officer 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-five resolutions were made by the Board of Directors in 2019, in this context.

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 14, 2019, meeting of the Board of Directors and the Corporate Governance Committee, and it was resolved that all candidates should be appointed as independent candidates.

All Independent Members of the Board of Directors submit a declaration of independence to the Corporate Governance Committee.

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.

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

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 executive 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 economic and business related 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 executive management. The executive management is periodically informed about the progress towards the strategic targets of the company.

The current status of the company is reviewed and new targets and strategies are developed if necessary, depending on changing conditions in the market.

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 19, 2020, where 2019 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 2020 brings better days to our country.

Corporate Governance Principles Compliance Report

| COMPLIANCE STATUS | | | | | | |
|--|-----|-----------|----|--------|-----------|---|
| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
| 1.1. FACILITATING THE USE OF SHAREHOLDER RIGHTS | | | | | | |
| 1.1.2 - Information and explanations that may affect the exercise of shareholder rights are updated and made available to investors on the corporate website of the partnership. | X | | | | | |
| 1.2. RIGHT TO DEMAND INFORMATION AND REVIEW | | | | | | |
| 1.2.1 - Company management refrained from making transactions that make it difficult to carry out special audits. | X | | | | | |
| 1.3. GENERAL MEETING OF SHAREHOLDERS | | | | | | |
| 1.3.2 - The Company ensured that the general meeting agenda was clearly stated and each proposal was submitted under a separate title. | X | | | | | |
| 1.3.7 - Those who have privileged access to partnership information informed the Board of Directors to ensure that they are informed at the general meeting of shareholders about the transactions they made within the scope of the partnership's activity and that this be included in the agenda. | | | | | X | No such notification was made. |
| 1.3.8 - Members of the Board of Directors, other relevant people and officials and auditors responsible for the preparation of the financial statements were present at the general meeting of shareholders in regards to the special topics in the agenda. | X | | | | | |
| 1.3.10 - In the agenda of the general meeting of shareholders, the amounts of all donations and charitable contributions and those benefiting from them were included in a separate article. | | X | | | | In the agenda of the general meeting of shareholders, the total of all donations and charitable contributions were included in a separate article and the highest donations were included in the general meeting of shareholders information documents. |
| 1.3.11 - The general meeting of shareholders was open to the public, including stakeholders and media, without the right to speak. | X | | | | | |
| 1.4. RIGHT TO VOTE | | | | | | |
| 1.4.1 - There are no restrictions and practices that make it difficult for shareholders to exercise their voting rights. | X | | | | | |
| 1.4.2 - The company does not issue shares with privileged voting rights. | X | | | | | |
| 1.4.3 - At the general meeting of shareholders, the company did not exercise the rights to vote of any partnership with which it has a cross ownership relationship, bringing with it the controlling relationship. | | | | | X | Our company does not have a cross ownership relationship that brings with it the controlling relationship. |

| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
|---|-----|-----------|----|--------|-----------|--|
| 1.5. MINORITY RIGHTS | | | | | | |
| 1.5.1 - The company paid utmost attention to the exercise of minority rights. | X | | | | | |
| 1.5.2 - Minority rights were also granted to those who have less than one-twentieth of the capital and the scope of minority rights was regulated and expanded in the Articles of Association. | | | X | | | Even though no arrangements have been made regarding minority rights in our Articles of Association, we give utmost care to representation of minority rights in accordance with the regulations of the Turkish Commercial Code and the Capital Markets Board of Turkey. |
| 1.6. RIGHT TO DIVIDENDS | | | | | | |
| 1.6.1 - The dividend policy approved by the general meeting of shareholders is disclosed to the public on the corporate website. | X | | | | | |
| 1.6.2 - The dividend policy contains information that at least enables the shareholders to foresee the distribution procedures and principles of the profit that the partnership will generate in the future. | X | | | | | |
| 1.6.3 - Reasons for not distributing profits and usage of undistributed profit are specified in the relevant agenda item. | X | | | | | |
| 1.6.4 - The Board of Directors reviewed whether a balance was obtained in the dividend policy between the interests of the shareholders and the partnership. | X | | | | | |
| 1.7. TRANSFER OF SHARES | | | | | | |
| 1.7.1 - There are no restrictions that make it difficult to transfer shares. | X | | | | | |
| 2.1. CORPORATE WEBSITE | | | | | | |
| 2.1.1 - The corporate website of the company contains all the items in the Corporate Governance Principle No. 2.1.1. | X | | | | | |
| 2.1.2 - Shareholding structure (names, privileges, number and rate of shares of real person shareholders with more than 5 percent of the issued capital) is updated at least every six months on the corporate website. | X | | | | | |
| 2.1.4 - The information on the corporate website of the company was prepared in the required foreign languages with the same content as Turkish. | X | | | | | |

| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
|--|-----|-----------|----|--------|-----------|--|
| 2.2. ANNUAL REPORT | | | | | | |
| 2.2.1 - The Board of Directors ensures that the annual report fully and accurately reflects the activities of the company. | X | | | | | |
| 2.2.2 - The annual report contains all the elements included in the Corporate Governance Principle No. 2.2.2. | X | | | | | There are no legislative changes that could significantly affect the company's operations. There was no conflict of interest with institutions that provide services on matters such as ratings. |
| 3.1. COMPANY POLICY ON STAKEHOLDERS | | | | | | |
| 3.1.1 - The rights of stakeholders are protected within the framework of relevant regulations, contracts and goodwill rules. | X | | | | | |
| 3.1.3 - Policies and procedures regarding the rights of stakeholders are published on the corporate website. | X | | | | | |
| 3.1.4 - Necessary mechanisms have been set up for stakeholders to report non-compliant practices and ethically dubious transactions. | X | | | | | |
| 3.1.5 - The company handles conflicts of interest between stakeholders in a balanced manner. | X | | | | | |
| 3.2. SUPPORTING THE PARTICIPATION OF STAKEHOLDERS IN COMPANY MANAGEMENT | | | | | | |
| 3.2.1 - Employee participation in management is regulated by the Articles of Association or internal regulations. | X | | | | | |
| 3.2.2 - In major decisions that have consequences for stakeholders, methods such as questionnaires/consultation were used to obtain the views of stakeholders. | X | | | | | |

| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
|--|-----|-----------|----|--------|-----------|-------------|
| 3.3. HUMAN RESOURCES POLICY | | | | | | |
| 3.3.1 - The company has adopted an equal opportunity principle for its employment policy and a succession plan for all key management positions. | X | | | | | |
| 3.3.2 - Recruitment criteria are well-documented. | X | | | | | |
| 3.3.3 - The company has a Human Resources Development Policy and accordingly organizes training programs for its employees. | X | | | | | |
| 3.3.4 - Meetings were held to inform the employees about the company's financial status, compensation, career planning, education and health awareness. | X | | | | | |
| 3.3.5 - Decisions that may affect employees were reported to them and to employee representatives. Opinions of the relevant unions were also received on these matters. | X | | | | | |
| 3.3.6 - Job descriptions and performance criteria were prepared in detail for all employees, announced to the employees and used in remuneration decisions. | X | | | | | |
| 3.3.7 - Measures such as procedures, training programs, awareness building, targets, monitoring and complaint mechanisms were taken to prevent discrimination among employees and protect them from internal physical, mental and emotional abuse. | X | | | | | |
| 3.3.8 - The company supports the freedom of association and effective recognition of the right to collective bargaining. | X | | | | | |
| 3.3.9 - A safe working environment is provided for employees. | X | | | | | |

| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
|--|-----|-----------|----|--------|-----------|-------------|
| 3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS | | | | | | |
| 3.4.1 - The company measured customer satisfaction and operated with an unconditional customer satisfaction approach. | X | | | | | |
| 3.4.2 - When there is a delay in processing customer demands regarding their purchased products and services, this situation is notified to the customers. | X | | | | | |
| 3.4.3 - The company adheres to quality standards regarding products and services. | X | | | | | |
| 3.4.4 - The company has the controls to protect the confidentiality of its customers' and suppliers' sensitive information within the scope of trade secrets. | X | | | | | |
| 3.5. CODE OF ETHICS AND SOCIAL RESPONSIBILITY | | | | | | |
| 3.5.1 - The Board of Directors established the Code of Ethics and published it on the corporate website. | X | | | | | |
| 3.5.2 - The partnership cares about social responsibility. It took measures to prevent corruption and bribery. | X | | | | | |
| 4.1. FUNCTION OF THE BOARD OF DIRECTORS | | | | | | |
| 4.1.1 - The Board of Directors ensures that strategies and risks do not threaten the long-term interests of the company and an effective risk management strategy is implemented. | X | | | | | |
| 4.1.2 - The agenda and minutes of the meeting show that the Board of Directors discussed and approved the company's strategic targets, identified the required resources and that the management's performance was audited. | X | | | | | |
| 4.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS | | | | | | |
| 4.2.1 - The Board of Directors documented its activities and presented them to the shareholders. | X | | | | | |
| 4.2.2 - The duties and powers of the members of the Board of Directors are explained in the annual report. | X | | | | | |
| 4.2.3 - The Board of Directors established an internal control system that is suitable for the scale of the company and the complexity of its activities. | X | | | | | |
| 4.2.4 - Information on the functioning and effectiveness of the internal control system was provided in the annual report. | X | | | | | |
| 4.2.5 - The duties of the Chairman of the Board of Directors and the Chief Executive Officer (General Manager) were separated and defined. | X | | | | | |
| 4.2.7 - The Board of Directors work closely with the Investor Relations Department and the Corporate Governance Committee to ensure that the Board of Directors, the Investor Relations Department and Corporate Governance Committee work effectively, to resolve any disputes between the company and shareholders and to make the necessary communications to shareholders. | X | | | | | |

| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
|---|-----|-----------|----|--------|-----------|---|
| 4.2.8 - Regarding any damages that the board members may cause during their service, the company has taken out a management liability insurance for a price exceeding 25 percent of the capital. | X | | | | | |
| 4.3. STRUCTURE OF THE BOARD OF DIRECTORS | | | | | | |
| 4.3.9 - The company set a minimum 25 percent target for the ratio of women members in the Board of Directors and established a policy to do so. The structure of the Board of Directors is reviewed annually and the process of selecting candidates is carried out in accordance with this policy. | | X | | | | Providing diversity in terms of knowledge, experience and perspective at the Board of Directors contributes positively to the company's operations and the effective conduct of the Board of Directors. The current structure of the Board of Directors reflects this point of view. Although there is no gender quota for women on the Boards of Directors, the ratio of women board members is over 25 percent. |
| 4.3.10 - At least one of the members of the Audit Committee has five years of experience in auditing/ accounting and finance. | X | | | | | |
| 4.4. METHOD OF THE BOARD MEETINGS | | | | | | |
| 4.4.1 - All board members attended most of the board meetings in person. | | | | | X | In 2019, all resolutions were passed by way of written circulation in accordance with the procedure set out in Article 390 of the TCC. |
| 4.4.2 - The Board of Directors set a minimum time period for the information and documents related to the agenda items to be sent to all members before the meeting. | | X | | | | No written time was determined on this subject. However, the time of presenting the information to the board members is determined by considering the subject and process on the agenda of the Board of Directors and the members are informed within a reasonable time period. |
| 4.4.3 - The opinions of the member(s) who could not attend the meeting but notified their opinions to the Board of Directors in writing were submitted for the information of the other members. | | | | | X | No such notification was made by the board members. |
| 4.4.4 - Each member in the Board of Directors has one vote. | X | | | | | |
| 4.4.5 - The operating principles of board meetings was written down with internal regulations. | | | X | | | While there are procedures and principles followed by our company consistently over the years, there are no written regulations regarding the operating principles of board meetings. |
| 4.4.6 - The board meeting minutes reveal that all items on the agenda were discussed and the decision minutes are prepared so that they will include dissenting opinions. | X | | | | | |
| 4.4.7 - Other duties assumed by Board members outside the company were limited. The duties assumed by board members outside the company were presented to the shareholders at the general meeting of shareholders. | | X | | | | The members of the Board of Directors are committed to allocating the time required for corporate affairs and there are no restrictions on the assignment of any duties outside the company. Particularly because of the significant contribution made by the independent members to the Board of Directors in terms of their work and sector experience, no such limitation is needed. The specific member's resume and his or her duties carried out outside the company were also disclosed to shareholders in advance of the general meeting of shareholders. |

| | YES | PARTIALLY | NO | EXEMPT | UNRELATED | EXPLANATION |
|--|-----|-----------|----|--------|-----------|--|
| 4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS | | | | | | |
| 4.5.5 - Each board member serves in only one committee. | | | X | | | Members assigned in different committees provide communication between the committees about related matters and increase the opportunities for cooperation. |
| 4.5.6 - The committees invited to the meetings the people whom they deemed necessary and obtained their opinions. | | | | | X | No such need arose in 2019. |
| 4.5.7 - Information on the independence of the person/ organization from whom the committee received consultancy services is included in the annual report. | | | | | X | Committees did not receive consultancy services in 2019. |
| 4.5.8 - A report on the results of the committee meetings was prepared and presented to the board members. | X | | | | | |
| 4.6 FINANCIAL RIGHTS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITY | | | | | | |
| 4.6.1 - The Board of Directors performed a performance evaluation to evaluate whether it fulfills its responsibilities effectively. | | | X | | | There were no performance evaluation conducted for the Board of Directors. |
| 4.6.4 - The company did not extend any credits, did not grant any loans or extend the term of the granted loan, did not improve the conditions and did not extend any credits under "personal credits" through third parties or did not stand surety for any board member or executive with administrative responsibility. | X | | | | | |
| 4.6.5 - The remuneration given to each board member and manager with administrative responsibilities are explained in the annual report. | | | X | | | Payments made to the members of the Board of Directors and senior executives are announced to the public collectively at the Ordinary General Meeting of Shareholders and in our financial statement disclosures in parallel with the general practices. |

Corporate Governance Information Form

| 1. SHAREHOLDERS | |
|---|--|
| 1.1. FACILITATING THE USE OF SHAREHOLDER RIGHTS | STATEMENTS / RELATED LINKS |
| Number of investor conferences and meetings organized by the company throughout the year | 19 |
| 1.2. RIGHT TO DEMAND INFORMATION AND REVIEW | |
| Number of private auditor requests | - |
| Number of private auditor requests accepted at the general meeting of shareholders | - |
| 1.3. GENERAL MEETING OF SHAREHOLDERS | |
| Link to the PDP announcement of the information requested within the scope of Principle 1.3.1 (a-d) | https://www.kap.org.tr/tr/Bildirim/740037 |
| Whether the documents related to the general meeting of shareholders were submitted in English simultaneously with Turkish. | PDP disclosures are made in Turkish. An English version of the annual report is available at the general meetings of the shareholders. |
| Links of the PDP announcements related to transactions without the approval of the majority of the independent members or unanimous vote of the participants within the scope of Principle 1.3.9. | There is no such transaction in 2019. |
| Links to the PDP disclosures related to the related party transactions made within the scope of Article 9 of the Corporate Governance Communiqué (II-17.1) | There is no such transaction in 2019. |
| Links to the PDP disclosures related to widespread and continuing transactions made within the scope of Article 10 of the Corporate Governance Communiqué (II-17.1) | https://www.kap.org.tr/tr/Bildirim/740207 |
| Name of the section on the company's corporate website including the donation and charitable contributions policy | Investor Relations / Corporate Identity and Management / Corporate Governance and Policies / Donation Policy |
| Link to the PDP disclosure including the minutes of the general meeting of shareholders in which the donation and charitable contributions policy was accepted | https://www.kap.org.tr/tr/Bildirim/746820 |
| Article number regulating the participation of stakeholders in the general meeting of shareholders in the Articles of Association | It is included in Article 15 of our Articles of Association. |
| Information about the stakeholders attending the general meeting of shareholders | The general meeting of shareholders was open to the public, including stakeholders and media, without the right to speak. |
| 1.4. VOTING RIGHTS | |
| Whether there are privileges in voting rights | There are none. |
| If there is privileged voting, privileged shareholders and their voting rates | There are none. |
| Share percentage of the largest shareholder | 43.70% |
| 1.5. MINORITY RIGHTS | |
| Whether minority rights are extended in the company's Articles of Association (in terms of content or ratio) | No. |
| If minority rights were extended in terms of content and ratio, please state the number of the relevant article in the Articles of Association. | - |

| 1.6. RIGHT TO DIVIDENDS | |
|--|---|
| The name of the section on the corporate website containing the dividend policy | Investor Relations / Corporate Identity and Management / Corporate Governance and Policies / Dividend Policy |
| If the Board of Directors proposes to the general meeting of the shareholders not to distribute the profit, the agenda item minutes of the general meeting of the shareholders explaining the reasons and method of using the undistributed profit | 6. The chairman stated that the proposal regarding the profit distribution for 2018 was announced to the public on the Public Disclosure Platform, in the Electronic General Meeting System of Merkezi Kayıt Kuruluşu A.Ş., on the corporate website of the company www.tatgida.com and in the 2018 Annual Report booklets 21 days before the General Meeting of the Shareholders. Up next was the discussion of the proposal by the Board of Directors. In accordance with the Capital Market legislation, Article 19 of the Company's Articles of Association and the Company's Dividend Policy submitted for the information of the shareholders at the General Meeting of Shareholders dated March 13, 2018, and in consideration of the Company's long-term strategies and investment, cash and financing policies, the Board of Directors proposal to transfer to previous year's profits the amount of 37.79 million Turkish lira, remaining after the allocation of 782,538.65 Turkish lira as general legal reserves from the period income of 38.58 million Turkish lira accrued in the income statement prepared by the Company within the frame of the provisions of the Turkish Commercial Code and the Capital Market Law and in compliance with the Turkish Accounting/Financial Reporting Standards, audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi and prepared in accordance with the financial statements belonging to the statement period of January 1, 2018 - December 12, 2018, and to allocate the amount of 14.87 million Turkish lira as excess reserves remaining after the allocation of 782,538.65 Turkish lira as general legal reserves from the profit of 15.65 million Turkish lira profit obtained in the income statement prepared according to the Tax Procedure Law was accepted by a majority of shareholders representing 90.46 million Turkish lira against a refusal vote of shareholders representing 221,760 Turkish lira. Gürkan Yıldız, a shareholder, asked whether the company planned to carry out a capital increase? This question was answered by the chairman. |
| In case the Board of Directors proposes at the general meeting of shareholders not to distribute the profit, the link of the PDP disclosure including the minutes of the relevant general meeting of shareholders | https://www.kap.org.tr/tr/Bildirim/746887 |
| GENERAL MEETINGS OF SHAREHOLDERS | |
| Date of the general meeting of shareholders | March 11, 2019 |
| With the agenda of the number of annotation requests sent to the company regarding the general meeting of shareholders | - |
| Shareholders' participation rate in the general meeting of shareholders | 67% |
| Percentage of shares represented in person | 2% |
| Percentage of shares represented by proxy | 65% |
| Name of the section on the Company's corporate website where the minutes of the general meeting of shareholders are posted, indicating the positive and negative votes regarding each agenda item | Investor Relations / Corporate Identity and Management / General Meeting of Shareholders / Meeting Minutes |
| Name of the section on the corporate website containing all the questions posed at the general meeting of shareholders and their answers | Investor Relations / Corporate Identity and Management / General Meeting of Shareholders / Meeting Minutes |
| Article or paragraph number of the related parties in the minutes of the general meeting of shareholders | Article 8 |
| Number of people who notified the Board of Directors and have privileged access to partnership information (insider list) | 0 |
| Link to the notification of the general meeting of shareholders published in PDP | https://www.kap.org.tr/tr/Bildirim/740037 |

| 2. PUBLIC DISCLOSURE AND TRANSPARENCY STATEMENTS | |
|---|--|
| 2.1. CORPORATE WEBSITE | STATEMENTS |
| Names of the sections on the corporate website containing the information requested in the Corporate Governance Principle No. 2.1.1 | Investor Relations |
| The section on the corporate website containing the list of natural person shareholders, directly or indirectly holding more than 5 percent of the shares. | There are no real person shareholders with a share of more than 5 percent. It is located in the Investor Relations / Corporate Identity and Management / Shareholder Structure section of our company's website. |
| Corporate website languages | Turkish / English |
| 2.2. ANNUAL REPORT | |
| PAGE NUMBERS OR SECTION NAMES IN THE ANNUAL REPORT INCLUDING THE INFORMATION SPECIFIED IN THE CORPORATE GOVERNANCE PRINCIPLE NO 2.2.2. | |
| a) Page number or section name including the duties assumed by board members and executives outside of the company and declarations of independence of the members | Section V / Board of Directors / 5.1. Structure and Formation of the Board of Directors The declarations of independence are on the 32nd and 33rd pages of the annual report. |
| b) Page number or section name including the information regarding the committees established within the Board of Directors | Section V / Board of Directors / 5.1. Structure and Formation of the Board of Directors |
| c) Page number or section name including the number of Board of Directors meetings and members within the year and the members' status of participation in the meetings | Section V / Board of Directors / 5.1. Structure and Formation of the Board of Directors |
| d) Page number or section name including information about legislative changes that could significantly affect company activities | There are no legislative changes that could significantly affect the company's operations. |
| e) Page number or section name including information about the major lawsuits filed against the company and possible consequences | Legal Disclosures / Other Legal Disclosures |
| f) Page number or section name including the information regarding the conflicts of interest between the company and the institutions from which it receives services such as investment consultancy and rating, and the measures taken to prevent them | Legal Disclosures / Other Legal Disclosures |
| g) Page number or section name including the information on mutual affiliates where direct participation in the capital exceeds 5 percent | There is no mutual participation in which the direct participation rate in the capital exceeds 5 percent. |
| h) Page number or section name including information about the social rights of employees, their professional training and corporate social responsibility activities related to other social and environmental company activities | Section IV / Stakeholders / 4.4. Code of Ethics and Social Responsibility |
| 3. STAKEHOLDERS | |
| 3.1. COMPANY POLICY REGARDING STAKEHOLDERS | STATEMENTS |
| The name of the section on the corporate website containing the compensation policy | Investor Relations / Corporate Identity and Management / Corporate Governance and Policies / Employee Compensation Policy |
| Number of final judicial rulings against the company due to violation of employee rights | Regarding the violation of employee rights, the number of finalized lawsuits related to employee benefits such as annual leave, severance etc. is seven. |
| Title of the official attending to the whistleblowing system | Audit Group Manager and Internal Audit Process Manager |
| Information regarding access to the company's whistleblowing system | Company employees can access the whistleblowing system over the intranet. Our employees and stakeholders can also report suspected violations via the Koç Holding whistleblowing hotline. |

| 3.2. SUPPORTING STAKEHOLDERS' PARTICIPATION IN COMPANY MANAGEMENT | |
|--|---|
| The name of the section on the corporate website containing the internal regulations regarding the participation of the employees in management bodies. | Investor Relations / Corporate Identity and Management / Corporate Governance and Policies / Corporate Governance Principles |
| Management bodies representing the employees | Whether a union member or not, our colleagues participate in company management in various ways. We seek our employees opinions with the annual Employee Engagement Survey where we ask open-ended questions to them anonymously. Furthermore, we share information related to the company and get our colleagues' opinions and comments with various communication meetings. |
| 3.3. HUMAN RESOURCES POLICY OF THE COMPANY | |
| The role of the board in developing the succession plan for key management positions | There is a succession plan for key management positions. The succession plan is also submitted for the approval of another board member after the approval of the general manager, who is a member of the Board of Directors. |
| Name of the section on the corporate website including the human resources policy containing the equality of opportunity and staffing criteria or a summary of the relevant policy articles | Investor Relations / Sustainability / Our Employees |
| Whether there is an employee stock ownership plan. | There is no employee stock ownership plan. |
| Name of the section on the corporate website including the human resources policy containing the discrimination and measures to prevent maltreatment or a summary of the relevant policy articles | Investor Relations / Sustainability / Our Employees |
| The number of final judicial rulings finalized against the company due to liability for occupational accidents | There is none. |
| 3.5. CODE OF ETHICS AND SOCIAL RESPONSIBILITY | |
| The name of the section on the corporate website containing the code of conduct | Investor Relations / Sustainability / Tat Gıda Codes of Conduct |
| The name of the section on the corporate website containing the corporate social responsibility report. If there is no corporate social responsibility report, measures taken on environmental, social and corporate governance issues | Investor Relations / Sustainability |
| Measures taken to combat all forms of corruption, including fraud and bribery | Investor Relations / Sustainability / Tat Gıda Codes of Conduct |

| 4. BOARD OF DIRECTORS - I | |
|--|---|
| 4.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS | STATEMENTS |
| Date of the latest Board of Directors performance evaluation | - |
| Whether independent experts were consulted in the Board of Directors performance evaluation | No |
| Whether all board members were discharged | Yes |
| Names of the board members delegated authority with the distribution of duties and the relevant powers | There was no delegation of authority. |
| Number of reports submitted by the internal control unit to the supervisory board or other relevant committees | There is none. |
| Section name or page number in the annual report including the evaluation of the effectiveness of the internal control system | Risk Management / Assessment of the Internal Control System and the Internal Audit Activities |
| Chairman | Semahat Sevim Arsel |
| Chief Executive Officer / General Manager | Arzu Aslan Kesimer |
| Link to the PDP disclosure stating the reason for the chairman and chief executive officer/general manager being the same person | The chairman and the general manager are separate individuals. |
| The link of the PDP disclosure stating that the board members' negligence during their duties and the damages they may cause to the company are insured for a price exceeding 25% of the company's capital | - |
| Name of the section on the corporate website containing information on the diversity policy intended to increase the ratio of women board members | There is none. |
| Number and percentage of women board members | There are four women board members, constituting a percentage of 36 percent. |

| BOARD MEMBER'S NAME/SURNAME | WHETHER HE/SHE IS AN EXECUTIVE OFFICER | WHETHER HE/SHE IS AN INDEPENDENT MEMBER | DATE OF FIRST ELECTION TO THE BOARD OF DIRECTORS | LINK TO THE PDP DISCLOSURE WITH THE DECLARATION OF INDEPENDENCE | WHETHER THE INDEPENDENT MEMBER WAS EVALUATED BY THE NOMINATION COMMITTEE | WHETHER HE/SHE IS A MEMBER WHO HAS LOST THEIR INDEPENDENCE | WHETHER HE/SHE HAS AT LEAST FIVE YEARS OF EXPERIENCE IN AUDITING, ACCOUNTING AND/OR FINANCE |
|--|--|---|--|---|--|--|---|
| Semahat Sevim Arsel | No | No | 03.20.20009 | | Not Evaluated | No | Yes |
| Rahmi M. Koç | No | No | 03.20.20009 | | Not Evaluated | No | Yes |
| Ömer M. Koç | No | No | 03.20.20009 | | Not Evaluated | No | Yes |
| Ali Y. Koç | No | No | 03.20.20009 | | Not Evaluated | No | Yes |
| Caroline N. Koç | No | No | 03.30.2016 | | Not Evaluated | No | Yes |
| Levent Çakıroğlu | No | No | 03.25.2015 | | Not Evaluated | No | Yes |
| Tamer Haşimoğlu | No | No | 03.22.2011 | | Not Evaluated | No | Yes |
| F. Füsün Akkal Bozok | No | Independent Member | 03.13.2018 | https://www.kap.org.tr/Bildirim/740037 | Evaluated | No | Yes |
| M. Sait Tosyalı | No | Independent Member | 03.13.2018 | https://www.kap.org.tr/Bildirim/740037 | Evaluated | No | Yes |
| Takashi Hashimoto | No | No | 03.13.2018 | | Not Evaluated | No | Yes |
| Arzu Aslan Kesimer | Executive Officer | No | 12.14.2011 | | Not Evaluated | No | Yes |
| 4. BOARD OF DIRECTORS - II | | | | | | | |
| Number of board meetings held in person during the reporting period | In 2019, all resolutions were passed by way of written circulation with the procedure set out in Article 390 of the Turkish Commercial Code with the participation of all members. | | | | | | |
| Average meeting participation rate | 100% | | | | | | |
| Whether an electronic portal is used to facilitate the work of the Board of Directors | No. | | | | | | |
| In accordance with the working principles of the Board of Directors, how many days before the meeting the information and documents were presented | There is no such designation. | | | | | | |
| The name of the section on the corporate website containing information about the internal regulations on how the board meetings are determined | There is no such designation. | | | | | | |
| The upper limit set in the policy that limits members from assuming other duties outside the company | There is no such designation. | | | | | | |
| 4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS | | | | | | | |
| Page number or section name in the annual report containing information about the committees of the board of directors | Section V / Board of Directors / 5.1. Structure and Formation of the Board of Directors Section V / Board of Directors / 5.3. Number, Structure and Independence of the Committees Established Under the Board of Directors | | | | | | |
| Link to the PDP disclosure stating the working principles of the committee | https://www.kap.org.tr/Bildirim/199346 | | | | | | |

| NAME OF THE COMMITTEES OF THE BOARD OF DIRECTORS | NAME OF THE COMMITTEE SPECIFIED AS "OTHER" IN THE FIRST COLUMN | COMMITTEE MEMBERS' NAME / SURNAME | WHETHER HE/SHE IS A CHAIRMAN OF THE COMMITTEE | WHETHER HE/SHE IS A BOARD MEMBER | |
|--|---|---|--|--|--|
| The Audit Committee | - | F. Füsün Akkal Bozok M. Sait Tosyalı | Yes No | Board Member Board Member | |
| The Corporate Governance Committee | - | F. Füsün Akkal Bozok Levent Çakıroğlu Başak Tekin Özden | Yes No No | Board Member Board Member Not a Board Member | |
| Early Detection of Risk Committee | - | M. Sait Tosyalı Tamer Haşimoğlu | Yes No | Board Member Board Member | |
| 4. BOARD OF DIRECTORS - III | | | | | |
| 4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS II | | | | | |
| Indicate the section of the annual report or corporate website that provides information about the activities of the audit committee (page number or section name) | It is located on our company's website under Investor Relations / Corporate Identity and Management / Committee Working Principles / Audit Committee Working Principles. | | | | |
| Indicate the section of the annual report or corporate website that provides information about the activities of the audit committee (page number or section name) | It is located on our company's website under Investor Relations / Corporate Identity and Management / Committee Working Principles / Corporate Governance Committee Working Principles. | | | | |
| Indicate the section of the annual report or corporate website that provides information about the activities of the nomination committee (page number or section name) | Activities related to the Nomination Committee are fulfilled by the Corporate Governance Committee. It is located on our company's website under Investor Relations / Corporate Identity and Management / Committee Working Principles / Corporate Governance Committee Working Principles. | | | | |
| Indicate the section of the annual report or corporate website that provides information about the activities of the early detection of risk committee (page number or section name) | It is located on our company's website under Investor Relations / Corporate Identity and Management / Committee Working Principles / Risk Management Committee Working Principles. | | | | |
| Indicate the section of the annual report or corporate website that provides information about the activities of the compensation committee (page number or section name) | Activities related to the Compensation Committee are fulfilled by the Corporate Governance Committee. It is located on our company's website under Investor Relations / Corporate Identity and Management / Committee Working Principles / Corporate Governance Committee Working Principles. | | | | |
| 4.6. FINANCIAL RIGHTS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES | | | | | |
| Page number or section name in the annual report providing information on operational and financial performance targets and attainment | It is included in the management and evaluations section of the annual report. | | | | |
| The name of the section on the corporate website containing the remuneration policy for executive and non-executive members. | Investor Relations / Corporate Identity and Management / Corporate Governance and Policies / Remuneration Policy | | | | |
| Page number or section name in the annual report showing the salaries given to board members and administrators with administrative responsibilities and all the other provided benefits | Legal Disclosures / Compensation and Financial Benefits Provided to the Members of the Board of Directors and Senior Executives | | | | |
| NAME OF THE COMMITTEES OF THE BOARD OF DIRECTORS | NAME OF THE COMMITTEE SPECIFIED AS "OTHER" IN THE FIRST COLUMN | PERCENTAGE OF NON-EXECUTIVE MANAGERS | PERCENTAGE OF INDEPENDENT MEMBERS IN THE COMMITTEE | NUMBER OF IN-PERSON COMMITTEE MEETINGS | NUMBER OF REPORTS THE COMMITTEE PRESENTED TO THE BOARD OF DIRECTORS ABOUT ITS ACTIVITIES |
| The Audit Committee | - | 100% | 100% | 5 | 5 |
| The Corporate Governance Committee | - | 67% | 33% | 5 | 5 |
| Early Detection of Risk Committee | - | 100% | 50% | 7 | 7 |

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 2019, 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 2019, 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 |
|--|--|
| <p>The Company agrees with the subsidiary company to carry out the sales of most of the tomato paste, canned, milk and milk products produced and to carry out marketing activities.</p> <p>Since sales contracts can be complex, the receipt of revenue to the financial statements in the relevant period depends on an accurate assessment of the sales conditions specific to each case. Therefore, there is a risk that the revenue will not be accounted for in the correct period or amount for those who may be refunded from the products that have been produced and delivered or whose invoice has not yet been issued.</p> <p>Due to the nature of the company's activities, accounting for revenue has been identified as one of the key audit issues, as it requires significant management reasoning to accurately determine the amount of revenue and to be included in the financial statements during the reporting period in which it is concerned.</p> | <p>We have performed the following audit procedures to be responsive to this area:</p> <p>The risk of "material misstatement" in the recognition of revenue in the financial statements is considered as a serious risk.</p> <ul style="list-style-type: none"> 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, Testing whether the returns made after the reporting period are related to the sampling method or not, in the financial statements, Based on our industry knowledge and data on past sales and returns trends, a detailed analysis of revenue and time to be included in the financial statements, including questioning deviations in our revenue expectation for the current account period, Verifying that the transfer of the control of the sales and products, with the supporting documents received for the ones selected by the sample from the sales to the related parties, which constitute a significant part of the sales of the company, has been verified with the material verification procedures, Examining the disclosures in the footnotes of the financial statements and evaluating the adequacy and suitability of the disclosures in these notes in terms of TFRS. |

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 |
|---|---|
| <p>The Company's inventories, amounting to TL 338.435.975 as of 31 December 2019, carry a risk of diminution in value due to microbial or non-microbial deterioration and improper storage. In addition, determining the provision for such reasons in value involves judgments and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit.</p> | <p>Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows:</p> <ul style="list-style-type: none"> • 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, |

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 12 February 2020.

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 2019, 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 Neşrin Tuncer, SMMM
Partner

12 February 2020
Istanbul, Turkey

Contents

89 Balance Sheets

91 Statements of Profit or Loss and Other Comprehensive Income

92 Statement of Changes In Equity

94 Statement of Cash Flows

95 -155 Notes to the Financial Statements

95 Note 1 – Organisation And Operations Of The Company

96 Note 2 – Basis Of Presentation Of Financial Statements

116 Note 3 – Segment Reporting

118 Note 4 – Cash And Cash Equivalents

119 Note 5 – Financial Assets

119 Note 6 – Borrowings

121 Note 7 – Trade Receivables And Payables

122 Note 8 – Other Receivables And Payables

122 Note 9 – Inventories

123 Note 10 – Prepaid Expenses And Deferred Income

123 Note 11 – Property, Plant And Equipment

125 Note 12 – Intangible Assets

126 Note 13 – Government Incentives And Grants

126 Note 14 – Commitments And Contingent Assets And Liabilities

127 Dipnot 15 – Assets Classified As Held For Sale

128 Dipnot 16 – Derivative Instruments

128 Dipnot 17 – Commitments and Contingencies

129 Dipnot 18 – Employee Benefits

130 Dipnot 19 – Other Assets and Liabilities

131 Dipnot 20 – Shareholders' Equity

133 Dipnot 21 – Sales and Cost of Sales

134 Dipnot 22 – Expenses by Nature

135 Dipnot 23 – Other Income and Expenses from Operating Activities

135 Dipnot 24 – Income and Expenses from Investing Activities

136 Dipnot 25 – Financial Income and Expenses

136 Dipnot 26 – Tax Assets and Liabilities

140 Dipnot 27 – Earnings Per Share

140 Dipnot 28 – Related Party Transactions

143 Dipnot 29 – Nature and the Level of Risk Resulted from Financial Instruments

153 Dipnot 30 – Financial Instruments

155 Dipnot 31 – Subsequent Events

TAT GIDA SANAYİ A.Ş. BALANCE SHEETS AS OF 31 DECEMBER 2019

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

| | | Audited | Audited |
|---|-------|----------------------|---------------------|
| | Notes | 31 December 2019 | 31 December 2018 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 10.476.743 | 27.697.717 |
| Trade receivables | | 383.880.332 | 323.463.202 |
| -Trade receivables from related parties | 7,28 | 376.303.231 | 301.504.094 |
| -Trade receivables from third parties | 7 | 7.577.101 | 21.959.108 |
| Other receivables | | 1.336.347 | 57.495 |
| -Other receivables from third parties | 8 | 1.336.347 | 57.495 |
| Inventories | 9 | 338.435.975 | 237.813.206 |
| Current tax asset | 26 | -- | 807.523 |
| Prepaid expenses | 10 | 6.539.667 | 2.802.504 |
| Other current assets | 19 | 36.850.078 | 48.459.280 |
| Assets classified as held for sale | 15 | 2.331.450 | -- |
| | | 246.512.801 | 223.209.193 |
| Non-Current Assets | | | |
| Other receivables | | 68.085 | 68.085 |
| -Other receivables from third parties | 8 | 68.085 | 68.085 |
| Financial investments | 5 | 2.517.599 | 1.815.749 |
| Property, plant and equipment | 11 | 188.140.338 | 189.547.315 |
| Right of use assets | 2 | 21.415.501 | -- |
| Intangible assets | 12 | 8.125.580 | 7.474.977 |
| Prepaid expenses | 10 | -- | 51.874 |
| Deferred tax assets | 26 | 1.034.826 | 994.868 |
| Other non-current assets | 19 | 25.210.872 | 23.256.325 |
| TO TAL ASSETS | | 1.026.363.393 | 864.310.120 |

Takip eden dipnotlar finansal tabloların tamamlayıcı parçasını oluştururlar.

TAT GIDA SANAYİ A.Ş. BALANCE SHEETS AS OF 31 DECEMBER 2019 (CONTINUED)

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

| | Notes | Audited | |
|---|-------|----------------------|--------------------|
| | | 31 December 2019 | 31 December 2018 |
| LIABILITIES | | | |
| Short Term Liabilities | | 274.590.344 | 246.759.458 |
| Short-term financial borrowings | 6 | -- | 48.338.499 |
| Short-term leasing borrowings | 6 | 6.587.202 | -- |
| - Leasing borrowings to related parties | | 3.094.456 | -- |
| - Leasing borrowings to third parties | | 3.492.746 | -- |
| Short-term portion of long-term borrowings | 6 | 54.400.884 | 6.153.846 |
| Trade payables | | 180.768.851 | 166.845.335 |
| - Trade payables to related parties | 7,28 | 36.101.953 | 39.726.677 |
| - Trade payables to third parties | 7 | 144.666.898 | 127.118.658 |
| Employee benefit obligations | 18 | 7.193.554 | 7.088.508 |
| Derivative financial instruments | 16 | 115.844 | -- |
| Other payables | | 11.075.393 | 9.090.481 |
| - Other payables from related parties | 28 | 6.434.748 | 4.977.767 |
| - Other payables from third parties | 8 | 4.640.645 | 4.112.714 |
| Deferred income | 10 | 4.594.277 | 4.609.695 |
| Current tax liabilities | 26 | 4.273.421 | -- |
| Short-term provisions | | 5.580.918 | 4.633.094 |
| - Short-term provisions for employment benefits | 18 | 2.200.000 | 900.000 |
| - Other short-term provisions | 14 | 3.380.918 | 3.733.094 |
| Long Term Liabilities | | 191.188.136 | 116.675.236 |
| Long-term financial borrowings | 6 | 150.000.000 | 101.538.462 |
| Long-term leasing borrowings | 6 | 16.610.370 | -- |
| - Long-term leasing borrowings to related parties | | 8.186.960 | -- |
| - Long-term leasing borrowings to third parties | | 8.423.410 | -- |
| Derivative financial instruments | 16 | 7.758.072 | -- |
| Long-term provisions | | 16.819.694 | 15.136.774 |
| - Long-term provisions for employment benefits | 18 | 16.819.694 | 15.136.774 |
| EQUITY | | 560.584.913 | 500.875.426 |
| Equity attributable to equity holders of the parent company | | 560.584.913 | 500.875.426 |
| Share capital | 20 | 136.000.000 | 136.000.000 |
| Inflation adjustment to share capital | 20 | 21.601.088 | 21.601.088 |
| Share premiums | 20 | 10.107.809 | 10.107.809 |
| Other comprehensive income or expenses that may be reclassified subsequently to profit or loss | 20 | (5.116.980) | 232.466 |
| - Financial assets revaluation reserve | | 934.316 | 232.466 |
| - Losses related to hedging from cash flow risk | | (6.051.296) | -- |
| Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss | 20 | (691.572) | 404.935 |
| - Actuarial gains / (losses) in defined benefit plan | | (691.572) | 404.935 |
| Restricted reserves | 20 | 95.621.022 | 94.838.483 |
| Prior years' profit | | 236.908.106 | 199.113.868 |
| Profit for the period | | 66.155.440 | 38.576.777 |
| TOTAL LIABILITIES | | 1.026.363.393 | 864.310.120 |

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

TAT GIDA SANAYİ A.Ş. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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

| | Notes | Audited | |
|---|-------|------------------------------|------------------------------|
| | | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
| Profit or loss | | | |
| Continuing operations | | | |
| Sales | 21 | 1.142.115.946 | 1.042.444.319 |
| Cost of sales (-) | 21 | (896.799.923) | (865.193.025) |
| Gross profit | | 245.316.023 | 177.251.294 |
| Marketing expenses (-) | 22 | (96.495.125) | (83.832.573) |
| General administrative expenses (-) | 22 | (62.886.745) | (54.303.284) |
| Research and development expenses (-) | 22 | (1.678.146) | (1.469.147) |
| Other income from operating activities | 23 | 49.277.814 | 59.136.393 |
| Other expenses from operating activities (-) | 23 | (26.993.444) | (35.515.197) |
| Operating profit | | 106.540.377 | 61.267.486 |
| Income from investing activities | 24 | 1.565.055 | 3.237.213 |
| Expenses from investing activities (-) | 24 | (182.765) | (16.656) |
| Operating profit before finance expense | | 107.922.667 | 64.488.043 |
| Finance expense (-) | 25 | 41.290.756 | 21.361.537 |
| Finance expense, net | 25 | (77.261.306) | (42.933.403) |
| Finance expense, net | | (35.970.550) | (21.571.866) |
| Profit before tax | | 71.952.117 | 42.916.177 |
| Tax expense | | (9.909.129) | (2.818.176) |
| Current tax expense | 26 | (8.055.745) | (3.854.802) |
| Deferred tax expense | 26 | (1.853.384) | 1.036.626 |
| Profit for the period from continuing operations | | 62.042.988 | 40.098.001 |
| Profit / (loss) for the period from discontinued operations | 15 | 4.112.452 | (1.521.224) |
| Profit for the period | | 66.155.440 | 38.576.777 |
| Earnings per share | 27 | 0,49 | 0,28 |
| Earnings per common and diluted share from continuing operations | | 0,46 | 0,29 |
| Earnings / (losses) per common and diluted share from discontinued operations | | 0,03 | (0,01) |
| Other comprehensive income: | | | |
| Gains / (losses) in revaluation reserve | | 701.850 | (1.361.625) |
| Losses related to hedging from cash flow risk | | (6.051.296) | -- |
| Actuarial gains / (losses) on employee benefits | | (1.096.507) | 684.765 |
| Total other comprehensive income | | (6.445.953) | (676.860) |
| Total comprehensive income | | 59.709.487 | 37.899.917 |

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

TAT GIDA SANAYİ A.Ş.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

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

| | Share capital | Inflation adjustments to share capital | Share premium | Financial assets revaluation reserve | Hedging related to cash flow risk | Accumulated Other Comprehensive Income Reclassified to Profit or Loss | Actuarial gain/(losses) in defined benefit plans | Restricted Profit Reserves | Net Profit For the Period | Retained Earnings | Total |
|---------------------------------------|--------------------|--|-------------------|--------------------------------------|-----------------------------------|---|--|----------------------------|---------------------------|--------------------|--------------------|
| Balance as 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 as 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 |
| Balance as at 1 January 2019 | 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 |
| Transfers | -- | -- | -- | -- | -- | | -- | 782.539 | (38.576.777) | 37.794.238 | -- |
| Total comprehensive income | -- | -- | -- | 701.850 | (6.051.296) | | (1.096.507) | -- | 66.155.440 | -- | 59.709.487 |
| Balance as at 31 December 2019 | 136.000.000 | 21.601.088 | 10.107.809 | 934.316 | (6.051.296) | | (691.572) | 95.621.022 | 66.155.440 | 236.908.106 | 560.584.913 |

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

TAT GIDA SANAYİ A.Ş.**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

| | | Audited | Audited |
|---|----------|------------------------------|------------------------------|
| | Notes | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
| Profit for the period | | 66.155.440 | 38.576.777 |
| Adjustments to reconcile profit for the period: | | | |
| Adjustments related to depreciation and amortization expenses | 11,12,2 | 22.844.814 | 15.881.926 |
| Adjustments related to impairment | | | |
| <i>Adjustments related to impairment of receivables</i> | 7 | (72.198) | 118.211 |
| Adjustments related to provisions | | | |
| <i>Adjustments related to provision for employee termination benefit</i> | 18 | 10.982.287 | 7.293.930 |
| <i>Adjustments related to other provisions</i> | 14 | (352.176) | (86.835) |
| Adjustments related to gain or loss on sales of property, plant and equipment | 24 | (906.957) | 48.498 |
| Adjustments related to income accruals | 19 | 245.471 | 352.958 |
| Adjustments related to increase in fair value of derivatives | 16 | 7.873.916 | (453.194) |
| Adjustments related to tax expense | 26 | 9.909.129 | 2.818.176 |
| Unrealized foreign exchange loss | 2 | 737.052 | 2.120.750 |
| Discount expense | | 1.162.293 | 6.097.355 |
| Discount income | | (2.682.917) | (1.769.476) |
| Interest income | 25 | (8.302.906) | (3.140.380) |
| Interest expense | 25 | 48.380.581 | 24.433.802 |
| Dividend income | | -- | (1.657.918) |
| Changes in working capital | | 155.973.829 | 90.634.580 |
| Adjustments related to changes in trade receivables and other receivables | | 17.137.122 | 6.250.235 |
| Adjustments related to changes in due from related parties | | (74.799.137) | (55.009.488) |
| Adjustments related to changes in inventories | | (100.622.769) | (6.136.405) |
| Adjustments related to changes in prepaid expenses | | (3.685.289) | 1.839.554 |
| Adjustments related to changes in other current and non-current assets | | (26.778.387) | 1.722.504 |
| Adjustments related to changes in trade payables | | 16.385.947 | (1.160.567) |
| Adjustments related to changes due to related parties | | (2.167.743) | 20.180.549 |
| Adjustments related to changes in deferred income | | (15.418) | (905.940) |
| Adjustments related to changes in employee benefit payables | | 105.046 | 1.106.766 |
| Adjustments related to changes in other current liabilities | | 27.967.936 | (1.768.879) |
| Cash flows from operating activities | | 9.501.137 | 56.752.910 |
| Employee termination benefits paid | 18 | (9.405.145) | (5.724.209) |
| Taxes refund / (paid) | 26 | (3.508.138) | (4.793.163) |
| Net cash flows from operating activities | | (3.412.146) | 46.235.538 |
| Investing activities: | | | |
| Property, plant and equipment and intangible asset acquisitions | 11,12 | (21.353.668) | (26.220.694) |
| Cash generated from sale of property, plant and equipment and intangible assets | 11,12,24 | 3.544.002 | 15.844 |
| Dividend received | | -- | 1.657.918 |
| Net cash (used in)/from investing activities | | (17.809.666) | (24.546.932) |
| Financing activities: | | | |
| Interest gained | 25 | 8.302.906 | 3.140.380 |
| Cash outflow due to leasing | 2 | (8.010.832) | -- |
| Cash inflows due to loan received | 6 | 309.091.218 | 258.314.196 |
| Cash outflows due to loan received | 6 | (260.360.908) | (216.448.292) |
| Interest paid | 25 | (45.021.546) | (22.022.798) |
| Dividend paid | 20 | -- | (30.000.126) |
| Net cash used in financing activities | | 4.000.838 | (7.016.640) |
| Net change in cash and cash equivalents | | (17.220.974) | 14.671.966 |
| Cash and cash equivalents at the beginning of the period | 4 | 27.697.717 | 13.025.751 |
| Cash and cash equivalents at the ending of the period | 4 | 10.476.743 | 27.697.717 |

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

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(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 İstanbul 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 and Söke / Aydın. 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, a

| | 2019 | | 2018 | |
|----------------------------|---------------|--------------|---------------|--------------|
| | End of Period | Average | End of Period | Average |
| Total | 823 | 1.061 | 898 | 1.114 |
| Permanent Personnel | 741 | 796 | 843 | 894 |
| Temporary Personnel | 82 | 265 | 55 | 220 |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(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.

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).

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(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)**

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

| | 31 December 2019 | 31 December 2018 |
|----------------|------------------|------------------|
| Euro / TL | 6,6506 | 6,0280 |
| US Dollar / TL | 5,9402 | 5,2609 |

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

The attached financial statements prepared based on the Capital Markets Board Notification No II-14.1 published in the Official Gazette dated 13 June 2013 and numbered 28676, the Public Oversight, Accounting and Auditing Standards Authority (“KGK”), which was enacted by Turkey Financial Reporting Standards (“TFRSs”) as appropriate. TFRS; includes standards and comments published by the ups under the names of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, TAS comments and TFRS comments.

The Financial statements are presented in accordance with Turkish Accounting Standards (“TAS”) Taxonomy published by the POA and the formats specified in the Financial Statements Examples and User Guidelines published by the POA dated 7 June 2019 and published in the Official Gazette numbered 30794.

Approval of financial statements:

Finansal tablolar Şirket Yönetim Kurulu tarafından 12 Şubat 2020 tarihinde onaylanmıştır. Bu finansal tabloları Şirket Genel Kurulu'nun değiştirme, ilgili düzenleyici kurumların ise değiştirilmesini talep etme hakkı bulunmaktadır

2.3 Financial Statements of Comparative Information and Restatement of Prior Period

The financial statements prepared as of and for the year ended 31 December 2019 is approved by the management on 12 February 2020. General Assembly and other regulatory authorities have the right to restate the legal financial statements, base of the accompanying financial statements, after the financial statements is published.

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

As at 31 December 2018 statement of financial position of the Company, “Action, sales and incentive participation fees” TL 50.774.722 presented in the “Marketing expenses” have been reclassified to “Sales” as at 31 December 2019 in the comparative financial statements.

As at 31 December 2018 and 2019 statement of profit or loss and other comprehensive income of the Company, regarding the sales of Pastavilla brand in 2019, all of the income and expenses from Pastavilla are presented in the “discontinued operations period profit / (loss)”.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.4 Changes In Significant Accounting Policies**

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2018.

TFRS 16 Leases

The Company initially applied IFRS 16 Leases from 1 January 2019. As a result, the Company has changed its accounting policy for lease agreements as follows.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRS 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to TFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRS 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

b) As a lessee

The Company leases properties and production equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.4 Changes In Significant Accounting Policies (Continued)****TFRS 16 Leases (Continued)**

The carrying amounts of right-of-use assets are as below:

| TL | Right of use assets | | | | Total |
|-----------------------------|---------------------|--------------------------|-----------|-------------------------|------------|
| | Building | Machinery and equipments | Vehicles | Furnitures and fixtures | |
| Balance at 1 January 2019 | 7.364.534 | 5.530.352 | 3.166.836 | 746.357 | 16.808.079 |
| Balance at 31 December 2019 | 8.187.159 | 4.477.123 | 3.739.679 | 5.011.540 | 21.415.501 |

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under TAS 17. These include warehouse and factory facilities. The leases typically run for a period of 5 years. Some leases include an option to renew the lease for an additional 2 years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices. At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.

- Applied a single discount rate to a lease portfolio with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.4 Changes In Significant Accounting Policies (Continued)****TFRS 16 Leases (Continued)**

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company leases a number of items of production equipment. These leases were classified as finance leases under TAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under TAS 17 immediately before that date.

c) As a lessor

The company leases its investment properties, including right-of-use assets. The company has classified these leases as operating leases.

The company's accounting policies as a lessor are no different from those implemented in accordance with TAS 17. However, when the company is the Dec lease holder, the sub-lease amount is classified according to the underlying assets.

Company is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor. The Company sub-leases some of its properties. For a contract involving a rental component and one or more additional rental components or non-rental components, the company distributed the contract price by applying the TFRS 15 "revenue from customer contracts" standard.

d) Impacts on financial statements*i. Impacts on transition*

The impact on transition is summarised below:

| TL | 1 January 2019 |
|--|----------------|
| Right-of-use assets presented in property, plant and equipment | 16.808.079 |
| Lease liabilities | (16.808.079) |

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rates are applied as follows; 24,8 percent in TL, 4,5 percent in EUR.

ii. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 21.415.501 of right-of-use assets (including investment property) and TL 23.197.572 of lease liabilities as at 31 December 2019.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.4 Changes In Significant Accounting Policies (Continued)****d) Impacts on financial statements (Continued)***ii. Impacts for the period (Continued)*

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Company recognised TL 5.703.267 of depreciation charges, TL 3.359.035 of interest costs, TL 737.052 foreign exchange loss and TL 8.010.832 payment from these leases.

For the year ended 31 December 2019, depreciation expenses amounting to TL 1.707.500 (31 December 2018: None) has been recognized under cost of sales and TL 3.995.767 (31 December 2018: None) has been recognized under general administrative expensenses.

2.5 Standards Issued But Not Yet Effective and Not Early Adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the [Group/Company] has not early adopted are as follows.

The revised Conceptual Framework

The revised Conceptual Framework 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 TFRSs. 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.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

Amendments to TFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs.. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.5 Standards Issued But Not Yet Effective and Not Early Adopted (Continued)**

a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Company does not expect that application of these amendments to TFRS 3 will have significant impact on its financial statements.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018 added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- IAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.6 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).

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)****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 28).

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.

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.6 Significant Accounting Policies (Continued)

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).

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.

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.

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.6 Significant Accounting Policies (Continued)

Corporate income taxes (Continued)

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

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

Current and deferred tax for the period

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

Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Government grants

The Company recognises an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)****Financial instruments***i) Recognition and initial measurement*

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 32(A)). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)****Financial instruments (Continued)****Financial assets – Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)****Financial instruments (Continued)****Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (Continued)**

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see (v) for derivatives designated as hedging instruments. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. |

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note (v) for financial liabilities designated as hedging instruments.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)****Financial instruments (Continued)***iii) Derecognition***Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)***v) Derivative financial instruments and hedge accounting (Continued)*

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)****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 18).

Classified assets held for sale and discontinued operations

The group of assets to be disposed of, consisting primarily of assets and liabilities that are likely to be disposed of instead of continuing to be used, is classified for sale or distribution.

Such assets, or group of assets to be disposed of, are measured at their carrying value and at less than their fair value deducted from sales costs. Impairment in the group of assets to be disposed is first allocated to goodwill afterwards, the remaining assets and liabilities are proportionally allocated to the inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or living assets that are valued in accordance with the Company's accounting policies. Impairments at the time of the first classification as gains held for sale or distribution purposes, and gains and losses in subsequent measurements are recognized in profit or loss.

Intangible assets and intangible assets are not subject to depreciation or amortization after being classified as held for sale or distribution. In addition, equity accounting is terminated for investments valued by the equity method.

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.

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.6 Significant Accounting Policies (Continued)

TFRS 15 Revenue from Contracts with Customers

General model for revenue recognition

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as:

- (a) a performance obligation either a good or service that is distinct;
- (b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Company's performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.6 Significant Accounting Policies (Continued)

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin..

Step 5: Recognition of revenue

The Company recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Company's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Company recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Company recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

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

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 2 – Basis of Presentation of Financial Statements (Continued)**2.6 Significant Accounting Policies (Continued)**

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.

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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

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

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

Domestic selling and marketing activities are operated by the Düzey which is a member of Koç Group. Sales amount to the Düzey is TL 977.569.693 (31 December 2018: 956.274.321 TL).

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 3 – Segment Reporting (Continued)

Primary reporting format - business segment (Continued)

a) Revenue segmental analysis for the year ended 1 January - 31 December 2019 and 2018

| | 2019 | 2018 |
|----------------------------------|----------------------|----------------------|
| Tomato paste and canned products | 553.221.806 | 464.000.196 |
| Milk and dairy products | 588.894.140 | 578.444.123 |
| | 1.142.115.946 | 1.042.444.319 |

b) Segment assets

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

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

As at 31 December, the recorded amounts of the segment assets according to industrial segments are as follows:

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Tomato paste and canned products | 78.220.396 | 70.190.536 |
| Milk and dairy products | 109.123.130 | 114.121.704 |
| Discontinued operations (*) | 2.331.449 | 6.625.463 |
| Assets that cannot be allocated to segments | 8.922.394 | 6.084.589 |
| | 198.597.369 | 197.022.292 |

(*) Based on the sale of the Pastavilla brand in 2019, all of the income and expenses from Pastavilla are classified under "Discontinued operations period profit / (loss)".

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.

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 3 – Segment Reporting (Continued)

Primary reporting format - business segment (Continued)

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:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Depreciation and amortization | | |
| Tomato paste and canned products | 6.571.590 | 5.992.581 |
| Milk and milk products | 9.085.930 | 8.360.284 |
| Discontinued operations | 477.583 | 705.015 |
| Depreciation and amortization charges that cannot be allocated to segments | 1.006.444 | 824.046 |
| | 17.141.547 | 15.881.926 |

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

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Investment expenditures | | |
| Tomato paste and canned products | 13.390.727 | 6.731.270 |
| Milk and dairy products | 4.889.451 | 15.033.308 |
| Discontinued operations | 77.114 | 581.345 |
| Investment expenditures that cannot be allocated to segments | 2.996.376 | 3.874.772 |
| | 21.353.668 | 26.220.695 |

Note 4 – Cash and Cash Equivalents

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

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| Banks | | |
| - Time deposit - TL | 10.476.743 | 27.697.717 |
| - Time deposit - foreign currency | 5.530.000 | 19.790.203 |
| - Demand deposit - TL | 4.602.972 | 7.880.061 |
| - Demand deposits - foreign currency | 45.055 | 27.453 |
| | 298.716 | -- |
| | 10.476.743 | 27.697.717 |

The maturity of time deposits is 2 January 2020 with interest rates of TL 10,25%, USD 1,25% and 0,20%, Euro 0,10%. (31 December 2018: Maturity of time deposits is 2 January 2019 with interest rate TL 20%, USD 2% and 0,35% and Euro 0,10%).

As of 31 December 2019, there is no blockage on cash and cash equivalents. (2018: None)

Explanations on the nature and level of risks in cash and cash equivalents are disclosed in Note 29.

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 5 – Financial Assets

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

| | % | 2019 | % | 2018 |
|--|-----|------------------|-----|------------------|
| Available for sale financial investments | | | | |
| Ram | 7,5 | 1.965.225 | 7,5 | 1.263.375 |
| Düzey | 1,1 | 544.641 | 1,1 | 544.641 |
| Others | | 7.733 | | 7.733 |
| | | 2.517.599 | | 1.815.749 |

Note 6 – Borrowings

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

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Short-term loans | -- | 48.338.499 |
| Short term portions of long-term loans | 54.244.208 | 6.153.846 |
| Short-term portions of long-term issued bonds | 156.676 | -- |
| Short-term leasing liabilities | 6.587.202 | -- |
| Total short-term borrowings | 60.988.086 | 54.492.345 |
| Long-term loans | 80.000.000 | 101.538.462 |
| Long-term issued bonds | 70.000.000 | -- |
| Long-term leasing liabilities | 16.610.370 | -- |
| Total long-term financial borrowings | 166.610.370 | 101.538.462 |
| | 227.598.456 | 156.030.807 |

The Company does not have any pledges or mortgages given for its financial liabilities (31 December 2018: None).

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 2019 Net Book Value (TL) |
|--|------------------------------------|-----------------|--------------------------------------|
| Short term financial borrowings | | | |
| TL borrowings | 16,32% | 54.244.208 | 54.244.208 |
| Bond issued | 11,67% | 156.676 | 156.676 |
| | | | 54.400.884 |
| Long term financial borrowings | | | |
| TL borrowings | 14,34% | 80.000.000 | 80.000.000 |
| Bond issued | 11,67% | 70.000.000 | 70.000.000 |
| | | | 150.000.000 |

The company issued bonds worth TL 70.000.000 on June 25, 2019.

| | 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 |

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

| | 2019 | 2018 |
|------|--------------------|--------------------|
| 2020 | 54.400.884 | 101.538.462 |
| 2021 | 150.000.000 | -- |
| | 204.400.884 | 101.538.462 |

As at 31 December, long-term leasing liabilities payment plan is as follows:

| | 2019 | 2018 |
|---------------------------------------|-------------------|------|
| To be paid on demand or within 1 year | 6.587.202 | -- |
| 1-2 years | 6.948.287 | -- |
| 2-3 years | 5.434.536 | -- |
| 3-4 years | 4.227.547 | -- |
| | 23.197.572 | -- |

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

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Opening balance on January 1 | 156.030.807 | 109.633.149 |
| <i>Cash transactions</i> | | |
| Cash inflows from credit debts used | 309.091.218 | 258.314.196 |
| Cash outflow related to loan debt repayments | (260.360.908) | (216.448.292) |
| <i>Non-cash transactions</i> | | |
| The cost of the redeemed value | (360.233) | 4.531.754 |
| 31 December closing balance | 204.400.884 | 156.030.807 |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 7 – Trade Receivables and Payables

Trade receivables

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

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Trade receivables from related parties (Note 28) | 376.303.231 | 301.504.094 |
| Notes and cheques receivable | 1.603.019 | 18.229.661 |
| Trade receivables | 8.835.953 | 6.663.516 |
| Provisions for doubtful receivables | (2.861.871) | (2.934.069) |
| | 383.880.332 | 323.463.202 |

Movement of provision for doubtful receivables as of 31 December 2019 and 31 December 2018 are as follows:
The nature and level of risk in trade receivables are given in Note 28.

| | 2019 | 2018 |
|---------------------------------|--------------------|--------------------|
| Opening balance | (2.934.069) | (2.815.858) |
| Provisions made during the year | 72.198 | (118.211) |
| | (2.861.871) | (2.934.069) |

Trade Payables

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

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Suppliers | 144.666.898 | 127.118.658 |
| Trade payables to related parties (Note 28) | 36.101.953 | 39.726.677 |
| | 180.768.851 | 166.845.335 |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 8 – Other Receivables and Payables

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

Short term other receivables

Other receivables

| | 2019 | 2018 |
|-------------------|------------------|---------------|
| Other receivables | 1.336.347 | 57.495 |
| | 1.336.347 | 57.495 |

Long term other receivables

Deposits and guarantees given

| | 2019 | 2018 |
|-------------------------------|---------------|---------------|
| Deposits and guarantees given | 68.085 | 68.085 |
| | 68.085 | 68.085 |

Payables to third parties:

Taxes and funds payable

Accrual for selling expenses

Others

| | 2019 | 2018 |
|------------------------------|------------------|------------------|
| Taxes and funds payable | 4.552.739 | 3.676.583 |
| Accrual for selling expenses | -- | 59.063 |
| Others | 87.906 | 377.068 |
| | 4.640.645 | 4.112.714 |

Note 9 – Inventories

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

| | 2019 | 2018 |
|-----------------------------------|--------------------|--------------------|
| Raw material | 45.565.139 | 55.342.881 |
| Semi-finished goods | 7.599.789 | 11.840.830 |
| Finished goods | 284.849.190 | 170.533.196 |
| -Tomato paste and canned products | 264.933.651 | 144.881.884 |
| -Milk and dairy products | 19.915.539 | 20.988.124 |
| -Pasta and bakery products | -- | 4.663.188 |
| Other inventory | 421.857 | 396.968 |
| Inventory impairment | -- | (300.669) |
| | 338.435.975 | 237.813.206 |

As at 31 December 2019 and 2018, there are no assets pledged as collateral.
As at 31 December 2019, inventories are insured amounting to TL 325.992.887 (2018: TL 232.850.417).

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 10 – Prepaid expenses and Deferred Income

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

| | 2019 | 2018 |
|--|------------------|------------------|
| Short-term prepaid expenses | | |
| Expenses related to future months | 5.688.150 | 2.279.973 |
| Advances given for the purchase of inventory | 851.517 | 522.531 |
| | 6.539.667 | 2.802.504 |
| | | |
| | 2019 | 2018 |
| Long-term prepaid expenses | | |
| Expenses related to future years | -- | 51.874 |
| | -- | 51.874 |
| | | |
| | 2019 | 2018 |
| Short-term deferred income | | |
| Advances received | 4.594.277 | 4.529.788 |
| Income related to future months | -- | 79.907 |
| | 4.594.277 | 4.609.695 |

Note 11 – Property, Plant and Equipment

The movements of property, plant and equipment and depreciation as of 31 December 2019 and 31 December 2018 are as follows:

| | 1 January 2019 | Additions | Disposals | Transfers(*) | Classifications(**) | 31 December 2019 |
|--------------------------|--------------------|-------------------|---------------------|-----------------|---------------------|--------------------|
| Cost: | | | | | | |
| Land | 16,850,999 | 31,886 | -- | -- | (414,862) | 16,468,023 |
| Land improvements | 7,572,953 | 132,882 | -- | 6,480 | (68,818) | 7,643,497 |
| Buildings | 63,338,391 | 371,081 | -- | -- | (4,799,130) | 58,910,342 |
| Machinery and equipment | 369,029,350 | 13,454,238 | (18,296,148) | 20,368 | (44,806,276) | 319,401,532 |
| Vehicles | 869,577 | 5,300 | -- | -- | (41,886) | 832,991 |
| Furniture and fixtures | 37,341,087 | 4,180,740 | (805,663) | -- | (308,598) | 40,407,566 |
| Leasehold improvements | 9,486,365 | 617,190 | -- | -- | -- | 10,103,555 |
| Construction in progress | 51,848 | 852,258 | -- | (51,848) | -- | 852,258 |
| | 504,540,570 | 19,645,575 | (19,101,811) | (25,000) | (50,439,570) | 454,619,764 |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 11 – Property, Plant and Equipment (Continued)

| | 1 January 2019 | Current Year Charge | Disposals | Transfers(*) | Classifications(**) | 31 December 2019 |
|----------------------------------|--------------------|---------------------|---------------------|--------------|---------------------|--------------------|
| Accumulated depreciation: | | | | | | |
| Land improvements | 3,163,719 | 195,517 | -- | -- | (31,374) | 3,327,862 |
| Buildings | 34,230,570 | 1,582,743 | -- | -- | (4,256,974) | 31,556,339 |
| Machinery and equipment | 245,670,231 | 11,945,789 | (15,840,599) | -- | (43,622,030) | 198,153,391 |
| Vehicles | 586,751 | 48,882 | -- | -- | (41,886) | 593,747 |
| Furniture and fixtures | 22,698,548 | 2,030,457 | (624,167) | -- | (155,856) | 23,948,982 |
| Leasehold improvements | 8,643,436 | 255,669 | -- | -- | -- | 8,899,105 |
| | 314,993,255 | 16,059,057 | (16,464,766) | -- | (48,108,120) | 266,479,426 |
| | | | | | | |
| Net book value | 189.547.315 | | | | | 188,140,338 |

(*) There is a transfer from construction in progress to intangible assets.

(**) As at 31 December 2018 and 2019 statement of profit or loss and other comprehensive income of the Company, regarding the sales of Pastavilla brand in 2019, all of the income and expenses from Pastavilla are presented in the "discontinued operations period profit / (loss)".

As at 31 December 2019, tangible assets are insured amounting to TL 1.024.720.000 (2018: TL 530.521.422).

| | 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 |
| | | | | | |
| Accumulated depreciation: | | | | | |
| 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 |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 11 – Property, Plant and Equipment (Continued)

For the year ended 31 December 2019, depreciation expenses amounting to TL 13.947.236 (31 December 2018: TL 13.310.014) has been recognized under cost of sales, TL 1.530.824 (31 December 2018: TL 316.126) has been recognized under general administrative expenses, TL 112.707 (31 December 2018: 108.210 TL) has been recognized under research and development expenses and TL 468.290 (31 December 2018: 764.281 TL) has been recognized under selling, marketing and distribution expenses.

The estimated useful lives of tangible assets are as follows:

| | |
|----------------------------|------------|
| Land and land improvements | 30 years |
| Buildings | 30 years |
| Machinery and equipment | 15 years |
| Furniture and fixtures | 4-12 years |
| Vehicles | 10 years |
| Leasehold improvements | 5 years |

Note 12 – Intangible Assets

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

| Cost: | 1 January 2019 | Additions | Transfers | 31 December 2019 |
|----------------------------------|-----------------------|------------------|------------------|-------------------------|
| Rights | 11.368.486 | 1.322.364 | 25.000 | 12.715.850 |
| Other intangible assets | 738.500 | 385.729 | -- | 1.124.229 |
| | 12.106.986 | 1.708.093 | 25.000 | 13.840.079 |
| Accumulated Amortization: | 1 January 2019 | Additions | Transfers | 31 December 2019 |
| Rights | 4.546.397 | 1.000.718 | -- | 5.547.115 |
| Other intangible asset | 85.612 | 81.772 | -- | 167.384 |
| | 4.632.009 | 1.082.490 | -- | 5.714.499 |
| Net Book Value | 7.474.977 | | | 8.125.580 |
| Cost: | 1 January 2018 | Additions | Transfers | 31 December 2018 |
| Rights | 4.638.706 | 206.330 | 6.812.000 | 11.657.036 |
| Other intangible assets | 395.129 | 343.371 | -- | 738.500 |
| | 5.033.835 | 549.701 | 6.812.000 | 12.395.536 |
| Accumulated Amortization: | 1 January 2018 | Additions | Transfers | 31 December 2018 |
| Rights | 3.786.080 | 1.048.867 | -- | 4.834.947 |
| Other intangible asset | 6.586 | 79.026 | -- | 85.612 |
| | 3.792.666 | 1.127.893 | -- | 4.920.559 |
| Net Book Value | 1.241.169 | | | 7.474.977 |

As of 31 December 2019, all of the amortization expenses amounting to TL 1.082.490 (2018: TL 1.127.893) have been included in general administrative expenses.

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, 2019, there is no arrears were capitalized in intangible assets (2018: None).

| | |
|-------------------------|------------|
| Rights | 5 years |
| Computer software | 5-10 years |
| Other intangible assets | 5-10 years |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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 2019, the ITC amount to be reduced from future income tax payments is TL 26.295.638 (31 December 2018: TL 21.941.638). 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 | 2019 | 2018 |
|------------------------------|------------------|------------------|
| Provisions for lawsuits | 2.341.000 | 1.041.000 |
| Provision for sales expenses | 1.003.221 | 2.507.173 |
| Other provisions | 36.697 | 184.921 |
| | 3.380.918 | 3.733.094 |

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

| Provisions for lawsuits | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--------------------------------------|---|---|
| Opening balance | 1.041.000 | 3.570.304 |
| Additions during the period | 1.300.000 | -- |
| Provisions no longer required | -- | (2.529.304) |
| | 2.341.000 | 1.041.000 |
| Provisions for sales expenses | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
| Opening balance | 2.507.173 | -- |
| Additions during the period | 1.003.221 | 2.507.173 |
| Provisions no longer required | (2.507.173) | -- |
| | 1.003.221 | 2.507.173 |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 15 – Assets Classified as Held for Sale

Tat Gıda Sanayi A.Ş. Within the framework of long-term business plans, the board of directors decided to remove pasta and bakery products from its business line, and to focus on the main business lines, tomato paste, canned goods, and dairy products. The production activities of Pastavilla, operating in the “pasta and bakery products” business line in Bornova district of İzmir province, were decided to be terminated as of September 2, 2019, and after the completion of the brand handover; in this line of business, it was decided to transfer Pastavilla, Kartal, Lunch & Dinner brands owned by the company to Durum Gıda Sanayi ve Ticaret A.Ş., which is not among the related parties of the company, with a total of 8.000.000.00 TL + VAT in advance; in case of suitable conditions in the future, the sale of the factory land, production materials and equipment was decided by the board of directors with the decision number 2 and 2019/20 of August 2, 2019, after the approval of the Competition Board dated 26 September 2019, the sales process was completed on 2 October 2019.

As of 31 December, the details of the Company's assets held for sale are as follows:

| | 31 December 2019 |
|-----------------------|-------------------------|
| Cost | 50.439.570 |
| Amortization | (48.108.120) |
| Net book value | 2.331.450 |

Details of period profit / (loss) from discontinued operations as of 31 December are as follows:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| Income from discontinued operations | 70.308.609 | 64.221.944 |
| Expense from discontinued operations (-) | (65.540.115) | (65.743.168) |
| Profit / (loss) before tax in discontinued operations | 4.768.494 | (1.521.224) |
| Income from discontinued operations | (656.042) | -- |
| Expense from discontinued operations (-) | 4.112.452 | (1.521.224) |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 16 – Derivative Instruments

As at 31 December, derivative liabilities due from interest rate swap are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------------|-------------------------|-------------------------|
| Short-term liabilities | 115.844 | -- |
| Long-term liabilities | 7.758.072 | -- |
| | 7.873.916 | -- |

Note 17 – 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 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| A. Total amount of TPM given on behalf of own legal entity | 40.593.866 | 62.215.611 |
| 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. | -- | -- |
| | 40.593.866 | 62.215.611 |

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 40.593.866 (31 December 2018: TL 62.215.611). The ratio of other TPM given to the shareholders' equity is 0% as of 31 December 2019 (31 December 2018: 0%)

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

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 18 – Employee Benefits**Short term employee benefits**

| Employee benefit payables | 31 December 2019 | 31 December 2018 |
|--------------------------------------|------------------|------------------|
| Due to personnel | 5.242.437 | 5.419.298 |
| Social security withholdings payable | 1.951.117 | 1.669.210 |
| | 7.193.554 | 7.088.508 |

| Short-term provisions for employment benefits: | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Provision for unused vacation | 2.200.000 | 900.000 |
| | 2.200.000 | 900.000 |

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 6.379,86 for each period of service at 31 December 2019 (31 December 2018: TL 5.434,42).

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 2019, 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 %7 and interest rate of %12 and a discount rate of %4,69 resulting in a real discount rate of approximately (31 December 2018: %5,45).

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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Dipnot 18 – Employee Benefits (Continued)**Long-term employee benefits (Continued)****Severance pay liability (Continued)**

As the maximum liability is revised semiannually, the maximum amount of 6.379,86 TL effective from 31 December 2019 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:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|----------------------------|---------------------------------|---------------------------------|
| Opening balance | 15.136.774 | 14.444.956 |
| Service cost | 7.416.684 | 5.689.363 |
| Interest cost | 2.265.603 | 1.604.567 |
| Paid in the period | (9.405.145) | (5.724.209) |
| Actuarial gains / (losses) | 1.405.778 | (877.903) |
| | 16.819.694 | 15.136.774 |

Note 19 – Other Assets and Liabilities

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

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| Other current assets: | | |
| Deferred value added tax "VAT" | 26.441.934 | 31.261.792 |
| Income Accruals | 8.946.907 | 8.701.436 |
| VAT receivables arising from exports | 1.409.478 | 7.896.604 |
| Others | 51.759 | 599.448 |
| | 36.850.078 | 48.459.280 |
| Other non-current assets: | | |
| Deductible VAT | 25.210.872 | 23.256.325 |
| | 25.210.872 | 23.256.325 |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 20 – Shareholders' Equity

a) Share Capital

The Company's share capital of year 2019 consists of 13.600.000.000 number of shares and there is no preferred stock (2018: 13.600.000.000 number of shares).

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

| | % | 2019 | % | 2018 |
|--|------------|--------------------|------------|--------------------|
| 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 |

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 2019, 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 2018: 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 2019, the share of the Company's share in the financial statements is TL 10.107.809 (31 December 2018: TL 10.107.809).

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 20 – Shareholders' Equity (Continued)

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 2019 and 2018, the Company's details of restricted reserves are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------|-------------------|-------------------|
| Legal reserves | 25.705.319 | 24.922.780 |
| Special reserves | 69.915.703 | 69.915.703 |
| Total | 95.621.022 | 94.838.483 |

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.

Such reserves can be used to take measures suitable for continuing the business or preventing unemployment and mitigating the results only when the losses are not going well, unless the Company's capital exceeds half of the paid capital.

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 2019, actuarial loss amounting to TL 691.572 is recognized as other comprehensive income (31 December 2018: actuarial gain amounting to TL 404.935).

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 20 – Shareholders' Equity (Continued)**e) Accumulated other comprehensive income or expenses to be reclassified to profit or loss***Financial asset revaluation and classification gains:*

As of 31 December 2019, it consists of revaluation and reclassification gains on financial assets amounting to TL 934.316 (31 December 2018: TL 232.466).

Nakit akış riskinden korunmaya ilişkin kayıplar:

As of 31 December 2019, it consist pf losses related to hedging from cash flow risk amounting to TL 6.051.296 (31 December 2018: None).

f) Dividend distribution

The transfer of the company's net profit for the year 2018 to the retained earnings was discussed at the Ordinary General Assembly Meeting held on March 11, 2019 and the vote was unanimously approved. According to the decision taken, net profit of TL 38.576.777 from the net profit of TL 782.538,65 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.

Note 21 – Sales and Cost of Sales

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

| | 2019 | 2018 |
|-----------------------------|----------------------|----------------------|
| Domestic sales | 1.097.202.542 | 975.243.666 |
| Foreign sales | 95.963.908 | 111.457.054 |
| Sales returns and discounts | (51.050.504) | (44.256.401) |
| | 1.142.115.946 | 1.042.444.319 |
| Raw material costs | (837.937.562) | (737.394.230) |
| General production expenses | (96.569.272) | (83.448.614) |
| Labor costs | (46.629.267) | (38.098.718) |
| Depreciation costs | (15.654.736) | (12.757.493) |
| Change in inventory | 99.990.914 | 6.506.030 |
| Cost of sales | (896.799.923) | (865.193.025) |
| Gross profit | 245.316.023 | 177.251.294 |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 22 – Expenses by Nature

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

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Research and development expenses: | | |
| Personnel expenses | (1.255.376) | (1.043.191) |
| Depreciation expenses | (112.707) | (108.210) |
| Other | (310.063) | (317.746) |
| | (1.678.146) | (1.469.147) |

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

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Marketing, Sales and Distribution Expenses: | | |
| Shipping and insurance expenses | (36.959.772) | (36.743.667) |
| Advertising expenses | (29.637.671) | (20.611.547) |
| Personnel expenses | (11.453.263) | (8.022.571) |
| Sales support expenses | (8.486.889) | (7.824.549) |
| Subcontracting expenses | (3.923.804) | (3.514.075) |
| Export expenses | (2.404.910) | (2.347.779) |
| Action, sale, incentive and gondola participation costs | (1.042.508) | (310.820) |
| Other | (2.586.308) | (4.457.565) |
| | (96.495.125) | (83.832.573) |

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

| | 2019 | 2018 |
|---|---------------------|---------------------|
| General and administrative expenses: | | |
| | (25.140.107) | (21.624.913) |
| Personnel expenses | (9.710.443) | (7.999.029) |
| Severance pay | (6.609.081) | (2.251.942) |
| Depreciation and amortization expenses | (6.237.759) | (7.672.917) |
| Consultancy and lawsuit expenses | (5.567.424) | (4.097.711) |
| Administrative expenses | (2.690.685) | (4.556.425) |
| Information technology expenses | (1.517.071) | (2.107.019) |
| Transportation, travel expenses | (1.244.700) | (157.535) |
| Taxes and duties expenses | (629.508) | (406.354) |
| Repair and maintenance costs | (3.539.967) | (3.429.439) |
| Other | (62.886.745) | (54.303.284) |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 23 – Other Income and Expenses From Operating Activities

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

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Other Operating Income | | |
| Income from maturity term differences interest income of trading activities | 42.788.719 | 47.539.133 |
| Exchange differences from commercial foreign exchange gain on trading activities | 3.140.440 | 4.145.102 |
| Others | 3.348.655 | 7.452.158 |
| | 49.277.814 | 59.136.393 |

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

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Other Operating Expense | | |
| Expense from maturity term differences interest income of trading activities | (15.552.426) | (19.491.896) |
| Expenses due from provisions of lawsuit and others | (3.755.100) | -- |
| Exchange differences from commercial foreign exchange gain on trading activities | (2.925.818) | (12.883.264) |
| Others | (4.760.100) | (3.140.037) |
| | (26.993.444) | (35.515.197) |

Note 24 – Income and Expenses From Investing Activities

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

| | 2019 | 2018 |
|---|------------------|------------------|
| Income from Investing Activities | | |
| Gain on sale of property, plant and equipment | 1.089.722 | 34.832 |
| Rent income | 475.333 | 200.249 |
| Dividend income | -- | 1.657.918 |
| Subsidiary sales income | -- | 1.344.214 |
| | 1.565.055 | 3.237.213 |

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

| | 2019 | 2018 |
|---|------------------|-----------------|
| Expenses from investing activities | | |
| Loss on sale of property, plant and equipment | (182.765) | (16.656) |
| | (182.765) | (16.656) |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 25 – Financial Income and Expenses

As at 31 December, financial incomes are as follows:

| | 2019 | 2018 |
|----------------------------------|-------------------|-------------------|
| Foreign exchange gains | 32.112.403 | 18.221.157 |
| Interest income on bank deposits | 8.302.906 | 3.140.380 |
| Other | 875.447 | -- |
| | 41.290.756 | 21.361.537 |

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

| | 2019 | 2018 |
|---------------------------------------|---------------------|---------------------|
| Bank loans interest expenses | (37.612.380) | (18.812.923) |
| Foreign exchange expenses | (22.704.665) | (18.192.478) |
| Bond interest expense | (7.409.166) | (5.620.879) |
| Early loan closing commission expense | (4.464.122) | -- |
| Leasing liabilities interest expenses | (3.359.035) | -- |
| Other | (1.711.938) | (307.123) |
| | (77.261.306) | (42.933.403) |

Note 26 – Tax Assests and Liabilities

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--|---------------------------------|---------------------------------|
| Current tax expense | (8.589.082) | (3.854.802) |
| Discontinued operations tax expense | 533.337 | -- |
| Deferred tax expense | (1.976.089) | 1.036.626 |
| Discontinued operations deferred tax expense | 122.705 | -- |
| Total tax expense | (9.909.129) | (2.818.176) |

| | 31 December 2019 | 31 December 2018 |
|---------------------------------|------------------|------------------|
| Current tax (asset) / liability | | |
| Prepaid taxes and funds (-) | (4.315.661) | (4.662.325) |
| Current corporate tax provision | 8.589.082 | 3.854.802 |
| | 4.273.421 | (807.523) |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 26 – 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 2019 is 22% (2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2019 (2018: 22%). 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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 26 – Tax Assests and Liabilities (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:

| | 2019 | 2018 |
|--|------------------|----------------|
| Deferred tax assets / (liabilities): | | |
| Severance pay liability | 3.363.939 | 2.847.355 |
| Difference between tax base and carry value of property, plant and equipment | (6.406.229) | (5.212.860) |
| Difference between tax base and carrying value of inventories | 1.172.447 | 1.331.176 |
| Doubtful receivables provisions | 52.598 | 52.598 |
| Provision for unused vacation | 484.000 | 180.000 |
| Sales expense provisions | 269.240 | 650.159 |
| Provision for premiums | -- | 1.146.440 |
| Right of use assets and liabilities, net | 392.055 | -- |
| Derivative instruments | 1.706.776 | |
| | 1.034.826 | 994.868 |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 26 – Tax Assests and Liabilities (Continued)

There is no carry forward tax losses has been recognized as of 31 December 2019 (31 December 2018: None).

Movement of the deferred tax for the years ended 31 December 2019 and 31 December 2018 is as follows:

| | 2019 | 2018 |
|--|------------------|----------------|
| Deferred Tax Asset movement: | | |
| Opening balance as of January 1 | 994.868 | 151.381 |
| Recognized directly in equity | 1.893.342 | (193.139) |
| Deferred tax income | (1.976.089) | 1.036.626 |
| Discontinued operations deferred tax expense | 122.705 | -- |
| | 1.034.826 | 994.868 |

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

| | % | 31 December 2019 | % | 31 December 2018 |
|--|------|--------------------|------|--------------------|
| The reconciliation of tax: | | | | |
| Profit before tax from continuing operations | | 71.952.117 | | 42.916.177 |
| Income tax rate 22 % | 22 | (15.829.466) | 22 | (9.441.559) |
| Tax effect of: | | | | |
| - Nondeductible expenses | 1 | (332.161) | 1 | (255.535) |
| - Exception income | | -- | (2) | 785.709 |
| - Tax effect of government incentives and grants | (10) | 6.163.949 | (14) | 5.797.512 |
| - Tax effect of discontinued operations | 1< | (122.705) | | -- |
| - Other | 1< | 211.254 | 1< | 295.697 |
| Tax provision expense on income statement | | (9.909.129) | | (2.818.176) |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 27 – Earnings Per Share

As at 31 December, earnings/ (loss) calculation of per common and diluted share of main companies stakeholders is as follow:

| | 2019 | 2018 |
|---|-------------|-------------|
| Net profit of the period for continuing operations | 62.042.988 | 40.098.001 |
| Net profit or loss of the period for discontinued operations | 4.112.452 | (1.521.224) |
| Averager number of shares available during the period | 136.000.000 | 136.000.000 |
| Earning per common and diluted share due from continuing operations | 0,46 | 0,29 |
| Earnig/ (loss) per common and diluted share due from discontinued operations | 0,03 | (0,01) |
| Earning per common and diluted share | 0,49 | 0,28 |

Note 28 – Related Party Transactions

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

a) Bank deposits:

| | 2019 | 2018 |
|-----------------------------------|------------------|------------------|
| Yapı ve Kredi Bankası A.Ş. | | |
| Time Deposits | 3.106.042 | 5.362.562 |
| Current Deposits | 22.823 | 24.789 |
| | 3.128.865 | 5.387.351 |

b) Receivables from related parties:

| | 2019 | 2018 |
|-----------|--------------------|--------------------|
| Düzey (*) | 369.803.995 | 286.657.689 |
| Ram (**) | 6.499.236 | 14.820.919 |
| Diğer | -- | 25.486 |
| | 376.303.231 | 301.504.094 |

(*) 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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 28 – 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)**

c) Payables to related parties:

| Trade Payables | 2019 | 2018 |
|---|-------------------|-------------------|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (*) | 17.540.424 | 26.204.003 |
| Yapı Kredi Bankası A.Ş. (**) | 8.004.495 | 6.709.941 |
| Koç Sistem A.Ş. | 2.885.934 | 2.492.711 |
| Ingage Dijital Pazarlama A.Ş. | 2.551.738 | 520.639 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | 1.997.949 | 1.544.136 |
| Otokoç Otomotiv Tic. ve San. A.Ş. | 927.740 | 902.145 |
| Eltek Elektrik Enerjisi İthalat İhracat | 613.381 | -- |
| Düzey | 361.743 | -- |
| Setur Servis Turistik A.Ş. | 271.541 | 346.874 |
| Koç Holding Emekli ve Yardım Sandığı | 259.972 | 308.136 |
| Temel Ticaret Yatırım A.Ş. | 220.428 | 257.545 |
| Others | 466.608 | 440.547 |
| | 36.101.953 | 39.726.677 |
| Other Payables | | |
| Koç Holding A.Ş. | 6.434.748 | 4.977.767 |
| Total Trade and Payables | 42.536.701 | 44.704.444 |

(*) 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:

| | 2019 | 2018 |
|----------------------|----------------------|----------------------|
| Düzey (*) | 977.569.693 | 956.274.321 |
| Ram Dış Ticaret A.Ş. | 68.898.637 | 61.721.483 |
| | 1.046.468.330 | 1.017.995.804 |

(*) 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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 28 – 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:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (**) | 29.803.810 | 32.199.871 |
| Opet Petrolcülük A.Ş. | 1.072.238 | 1.059.946 |
| Koç Sistem A.Ş. | 449.808 | 745.899 |
| Aygaz A.Ş. | 54.193 | -- |
| Opet Fuchs Madeni Yağ San. ve Tic. | 42.200 | -- |
| Otokoç Otomotiv Tic. ve San. A.Ş. | -- | 208.651 |
| | 31.422.249 | 34.214.367 |

c) Service purchases from related parties:

| | 2019 | 2018 |
|---|--------------------|-------------------|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (***) | 59.138.033 | 53.868.037 |
| Düzey | 10.237.269 | 11.772.181 |
| Koç Holding A.Ş. (**) | 8.994.510 | 6.563.045 |
| Eltek Elektrik Enerjisi İthalat İhracat | 6.389.989 | -- |
| Ingage Dijital Pazarlama A.Ş. | 5.950.246 | 1.076.445 |
| Koç Sistem A.Ş. | 5.327.599 | 2.641.635 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (*) | 2.736.693 | 1.442.115 |
| Otokoç Otomotiv Tic. ve San. A.Ş. | 2.383.747 | 2.048.716 |
| Temel Ticaret ve Yatırım A.Ş. | 1.822.557 | 1.123.856 |
| Setur Servis Turistik A.Ş. | 1.185.740 | 1.616.980 |
| Other | 2.504.214 | 1.093.384 |
| | 106.670.597 | 83.246.394 |

(*) 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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 28 – 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:

| | 2019 | 2018 |
|-----------------------------------|-----------|------------------|
| Yapı ve Kredi Bankası A.Ş. | -- | 1.304.326 |
| | -- | 1.304.326 |

b) Interest income:

| | 2019 | 2018 |
|-----------------------------------|----------------|---------------|
| Yapı ve Kredi Bankası A.Ş. | 589.682 | 77.725 |
| | 589.682 | 77.725 |

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 2019, the total benefit provided to Tat Gıda's senior executives is TL 10.956.551 (31 December 2018: TL 10.683.139). TL (31 December 2018: TL 2.000.000) 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 8.343.782 (31 December 2018: TL 7.953.383) after the costs reflected to the companies served by Tat Gıda.

Note 29 – 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 4, 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

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – Nature and The Level of Risk Resulted From Financial Instruments (Continued)**a) Capital Risk Management (Continued)**

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:

| | 2019 | 2018 |
|--|--------------|--------------|
| Total Liabilities (Note 6,16) | 235.472.372 | 156.030.807 |
| Less: Cash and cash equivalents (Note 4) | (10.476.743) | (27.697.717) |
| Net Debt | 224.995.629 | 128.333.090 |
| Total Equity | 560.584.913 | 500.875.426 |
| Net Liability/Equity | 0,4014 | 0,2562 |

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.

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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – Nature and The Level of Risk Resulted From Financial Instruments (Continued)**b) Financial Risk Factors (Continued)****b.1) Credit risk management (Continued)**

| 31 December 2019 | Receivables | | | | Deposits in Banks | Other |
|--|-------------------|-------------|-------------------|-------------|-------------------|-------|
| | Trade Receivables | | Trade Receivables | | | |
| | Related Party | Third Party | Related Party | Third Party | | |
| Maximum credit risk exposure as of the reporting date (A+B+C+D+E) | 376.303.231 | 7.577.101 | | 1.336.347 | 10.476.743 | -- |
| - the portion of the maximum risk guaranteed by collateral. | -- | 4.251.155 | -- | -- | -- | -- |
| A. Net book value of financial assets not overdue or impaired | 273.372.731 | 1.252.407 | -- | 1.336.347 | 10.476.743 | -- |
| 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 | 102.930.500 | 2.073.539 | -- | -- | -- | -- |
| - Collateral. vs secured part | -- | -- | -- | -- | -- | -- |
| D. Net book value of impaired assets | -- | -- | -- | -- | -- | -- |
| - Overdue (gross book value | -- | 2.861.871 | -- | -- | -- | -- |
| -Impairment (-) | -- | (2.861.871) | -- | -- | -- | -- |
| - Not overdue (gross book value) | -- | -- | -- | -- | -- | -- |
| - Impairment (-) | -- | -- | -- | -- | -- | -- |
| E. Off-balances sheet items with credit risk | -- | -- | -- | -- | -- | -- |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – 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 | Receivables | | | | Deposits in Banks | Other |
|--|-------------------|-------------|-------------------|-------------|-------------------|-------|
| | Trade Receivables | | Trade Receivables | | | |
| | Related Party | Third Party | Related Party | Third Party | | |
| 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 | -- | -- | -- | -- | -- | -- |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – Nature and The Level of Risk Resulted From Financial Instruments (Continued)**b) Financial Risk Factors (Continued)****b.1) Credit risk management (Continued)**

| 31 December 2019 | Trade Receivables | Other Receivables | Deposits in banks | Others |
|-----------------------------------|--------------------|-------------------|-------------------|--------|
| Past due 1-30 days | 104.053.434 | -- | -- | -- |
| Past due 1-3 months | 727.791 | -- | -- | -- |
| Past due 3-12 months | 222.814 | -- | -- | -- |
| Total past due receivables | 105.004.039 | -- | -- | -- |

| 31 December 2018 | Trade Receivables | Other Receivables | Deposits in banks | Others |
|-----------------------------------|-------------------|-------------------|-------------------|--------|
| Past due 1-30 days | 88.015.638 | -- | -- | -- |
| Past due 1-3 months | 600.116 | -- | -- | -- |
| Past due 3-12 months | 341.311 | -- | -- | -- |
| Total past due receivables | 88.957.065 | -- | -- | -- |

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

| | 2019 | 2018 |
|--|---------------|---------------|
| | Nominal Value | Nominal Value |
| The part under guarantee with collateral | 4.251.155 | 962.501 |

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 GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – Nature and The Level of Risk Resulted From Financial Instruments (Continued)**b) Financial Risk Factors (Continued)****b.2) Liquidity risk management (Continued)**

| 31 December 2019 | 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) |
|---|--------------------|---|------------------------|------------------|--------------------|------------------------|
| Contractual Maturity Analysis | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Bank borrowings and issued bonds | 204.400.884 | 237.609.392 | 54.516.728 | -- | 183.092.664 | -- |
| Trade payables | 144.666.898 | 144.666.898 | 144.666.898 | -- | -- | -- |
| Trade payables to related parties | 36.101.953 | 36.101.953 | 36.101.953 | -- | -- | -- |
| Derivative financial liabilities | | | | | | |
| Derivative instruments | 7.873.916 | 7.989.760 | 1.597.952 | 4.793.856 | 1.597.952 | -- |
| Total liabilities | 393.043.651 | 426.368.003 | 236.883.531 | 4.793.856 | 184.690.616 | -- |

31 December 2018

| Contractual Maturity Analysis | Defter değeri | Total Cash Outflows in with contract (I+II+III+IV) | 3 aydan kısa (I) | 3-12 ay arası (II) | 1-5 yıl arası (III) | 5 yıldan uzun (IV) |
|---|--------------------|--|--------------------|--------------------|---------------------|--------------------|
| Non-derivative financial liabilities | | | | | | |
| Bank borrowings and issued bonds | 149.876.961 | 156.030.807 | 62.891.503 | 82.439.381 | 10.699.923 | -- |
| Trade payables | 127.118.658 | 127.118.658 | 120.229.157 | 6.889.591 | -- | -- |
| Trade payables to related parties | 39.726.677 | 39.726.677 | 38.586.552 | 1.140.125 | -- | -- |
| Total liabilities | 316.722.296 | 322.876.142 | 221.707.212 | 90.469.097 | 10.699.923 | -- |

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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – Nature and The Level of Risk Resulted From Financial Instruments (Continued)**b) Financial Risk Factors (Continued)****b.4) Foreign currency risk management**

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

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

| 31 December 2019 | TL Equivalent | USD | Euro | Others |
|---|--------------------|------------------|--------------------|----------------|
| 1. Trade receivables | 6.867.429 | 1.149.542 | 5.852 | -- |
| 2.a Monetary financial assets | 4.902.178 | 594.593 | 206.023 | -- |
| 2.b Non-monetary financial assets | -- | -- | -- | -- |
| 3. Other | -- | -- | -- | -- |
| 4. CURRENT ASSETS | 11.769.607 | 1.744.135 | 211.875 | -- |
| 5. Trade receivables | -- | -- | -- | -- |
| 6.a Monetary financial assets | -- | -- | -- | -- |
| 6.b Non-monetary financial assets | -- | -- | -- | -- |
| 7. Other | -- | -- | -- | -- |
| 8. NON-CURRENT ASSETS | -- | -- | -- | -- |
| 9. TOTAL ASSETS | 11.769.607 | 1.744.135 | 211.875 | -- |
| 10. Trade payables | (4.511.766) | (617.578) | (125.264) | (1.305) |
| 11. Financial liabilities | -- | -- | -- | -- |
| 12.a Other monetary financial liabilities | (2.171.600) | -- | (326.527) | -- |
| 12.b Other non-monetary financial liabilities | 1.582.255 | 266.364 | -- | -- |
| 13. CURRENT LIABILITIES | (5.101.111) | (351.214) | (451.791) | (1.305) |
| 14. Trade payables | -- | -- | -- | -- |
| 15. Financial liabilities | -- | -- | -- | -- |
| 16.a Other monetary liabilities | -- | -- | -- | -- |
| 16.b Other non-monetary liabilities | (4.861.615) | -- | (731.004) | -- |
| 17. NON CURRENT LIABILITIES | (4.861.615) | -- | (731.004) | -- |
| 18. TOTAL LIABILITIES | (9.962.726) | (351.214) | (1.182.795) | (1.305) |
| 119. 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 | 1.806.880 | 1.392.921 | (970.920) | (1.305) |
| 21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-12a-12b-14-15-16b) | 1.806.880 | 1.392.921 | (970.920) | (1.305) |
| 22. Fair value of foreign currency hedged financial assets | -- | -- | -- | -- |
| 23. Hedged foreign currency assets | -- | -- | -- | -- |
| 24. Hedged foreign currency liabilities | -- | -- | -- | -- |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – 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 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) | -- |
| 119. 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-10-12a-12b-14-15-16b) | 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 | -- | -- | -- | -- |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – 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 2019 | |
|--|----------------------------------|---------------------------------|
| | 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 | 827.423 | (827.423) |
| 2- Part of hedged from US Dollar risk (-) | -- | -- |
| 3- US Dollar net effect | 827.423 | (827.423) |
| In the case of appreciation of EURO at 10% ratio compared to TL | | |
| 4 - Euro net asset / liability | (645.720) | 645.720 |
| 5 – Part of hedged from EURO risk (-) | -- | -- |
| 6- Euro net effect | (645.720) | 645.720 |
| In the case of appreciation of GBP at 10% ratio compared to TL | | |
| 7 – GBP net asset / liability | (1.015) | 1.015 |
| 8 – Part of hedged from GBP risk (-) | -- | -- |
| 9 – GBP net effect | (1.015) | 1.015 |
| TOTAL | 180.688 | (180.688) |

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 29 – 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 2019 | 31 December 2018 |
|-------------------------------|------------------|------------------|
| Fixed Rate Instruments | | |
| Financial Assets | 10.132.972 | 27.670.264 |
| Financial Liabilities | 235.472.372 | 156.030.807 |

| | 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 | 1.825.541 | (1.825.541) |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 30 – Financial Instruments

Financial Instruments' Classification and Fair Value

| 31 December 2019 | 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 | 10.476.743 | -- | -- | 10.476.743 | 4 |
| Trade receivables | 7.577.101 | -- | -- | 7.577.101 | 7 |
| Receivables from related parties | 376.303.231 | -- | -- | 376.303.231 | 28 |
| Other financial assets | -- | 2.517.599 | -- | 2.517.599 | 5 |
| Financial Liabilities | | | | | |
| Loans and borrowings | -- | -- | 235.472.372 | 235.472.372 | 6 |
| Trade payables | -- | -- | 144.666.898 | 144.666.898 | 7 |
| Payables to related parties | -- | -- | 36.101.953 | 36.101.953 | 28 |
| Derivative instruments | -- | -- | 7.873.916 | 7.873.916 | 16 |
| 31 December 2018 | | | | | |
| 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 | 28 |
| 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 | 28 |

TAT GIDA SANAYİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Note 30 – 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.

TAT GIDA SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Note 30 – 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:

| 31 December 2019 | Level of fair value as of reporting date | | |
|--|--|--------------------|------------------|
| | 1st Level TL | 2nd Level TL | 3rd Level TL |
| Financial assets | | | |
| Fair value change reflected in other comprehensive income - equity instruments | -- | -- | 2.517.599 |
| Toplam | -- | -- | 2.517.599 |
| Financial liabilities | | | |
| Fair value change reflected in other comprehensive income - equity instruments | -- | (7.873.916) | -- |
| Total | -- | (7.873.916) | -- |

| 31 December 2018 | Level of fair value as of reporting date | | |
|--|--|-----------------|------------------|
| | 1st Level TL | 2nd Level TL | 3rd Level TL |
| Financial assets | | | |
| Fair value change reflected in other comprehensive income - equity instruments | -- | -- | 1.815.749 |
| Total | -- | -- | 1.815.749 |

Note 31 – Subsequent Events

None.

Contact Information

Head Office

Taşdelen Mahallesi.
Sırrı Çelik Bulvarı No:7
Çekmeköy / İstanbul
T: 0216 430 00 00
www.tatgida.com



Tat Gıda

Manufacturing Plants

Tat Mustafakemalpaşa İşletmesi

Tat Kavaklı Köyü
16500 Mustafakemalpaşa / Bursa
T: 0224 618 06 00
www.tat.com.tr

Tat Karacabey İşletmesi

Tavşanlı mahallesi Camandıra Mevkii
No:7/1
16700 Karacabey/ Bursa
T: 0224 676 15 64
www.tat.com.tr

Tat Torbalı İşletmesi

Subaşı Beldesi İnönü Mahallesi 219.
Sokak No:1
Torbalı / İZMİR
T: 0232 868 53 83 - 0232 868 51 19
www.tat.com.tr



@GercekTatlar



@tat_ailesi



@TatAilesi

SEK Mustafakemalpaşa İşletmesi

Tat Kavaklı Beldesi. Atalar Mahallesi.
16500 Mustafakemalpaşa / Bursa
T: 0224 618 04 71
www.sek.com.tr

SEK Söke İşletmesi

Cumhuriyet Mahallesi. Akeller Caddesi.
No:54
09210 Söke / Aydın
T: 0256 512 66 82
www.sek.com.tr



@SEKDunyasi



@sekduyasi



@SEKDunyasi



SEK Dünyasi

Reporting Period:

01.01.2019 – 31.12.2019

Title

Tat Gıda Sanayi A.Ş.

Trade Registry No

İstanbul Ticaret Sicili 96638

Authorized Capital

250.000.000 TL

Paid-in Capital

136.000.000 TL

This Annual Report ("Report"), including the Board of Directors' Report about the operations and financials of 2019, Auditors' Report, Financial Statements and the Independent Audit Report, was prepared in compliance with the legal regulations in force, to be presented to the Ordinary General Assembly of Ford Otosan A.Ş. (Company) to take place on the 19th of March 2019 Thursday at 10.00 in Divan Hotel İstanbul, Elmadağ at the address Asker Ocağı Caddesi No. 1, 34367 Şişli, İstanbul. The Report was written only to inform the shareholders, and does not serve the purpose to lay the ground for any investment decision. The opinions stated in the Report regarding the future and projections reflect the Company Management's view on the future situation; their materialization may differ depending on the variables and assumptions that yield the projections. Accordingly, the Company or Members of the Board of Directors, advisors or employees cannot be held liable for any information or communication conveyed as part of this Report or for any direct or indirect loss and damages that may be incurred on any individual because of information based on/omitted from the content of this report. It is believed that all information in the Report was accurate at the time of preparation. The Company rejects any responsibility for errors that may occur during writing or printing.

