

**TAT GIDA SANAYİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2020  
WITH INDEPENDENT AUDITORS REPORT**

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**TAT GIDA SANAYİ A.Ş.****BALANCE SHEETS AS OF 31 DECEMBER 2020**

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

<b>ASSETS</b>	<b>Notes</b>	<b>Audited</b>	<b>Audited</b>
		<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Current Assets</b>			
Cash and cash equivalents	4	120.612.224	10.476.743
Trade receivables		445.574.341	383.880.332
-Trade receivables from related parties	7,28	429.134.382	376.303.231
-Trade receivables from third parties	7	16.439.959	7.577.101
Other receivables		1.071.452	1.336.347
-Other receivables from third parties	8	1.071.452	1.336.347
Inventories	9	360.736.236	338.435.975
Derivatives	16	416.506	--
Prepaid expenses	10	12.719.871	6.539.667
Other current assets	19	71.383.844	36.850.078
<b>Subtotal</b>		<b>1.012.514.474</b>	<b>777.519.142</b>
Assets as held for sale	15	160.311.638	2.331.450
<b>Total Current Asset</b>		<b>1.172.826.112</b>	<b>779.850.592</b>
<b>Non-Current Assets</b>			
Other receivables		68.085	68.085
-Other receivables from third parties	8	68.085	68.085
Financial investments	5	4.381.574	2.517.599
Property, plant and equipment	11	90.030.091	188.140.338
Right of use assets	2	10.722.316	21.415.501
Intangible assets	12	7.119.559	8.125.580
Deferred tax assets	26	4.974.330	1.034.826
Other non-current assets	19	18.580.385	25.210.872
<b>Total Non-Current Assets</b>		<b>135.876.340</b>	<b>246.512.801</b>
<b>TOTAL ASSET</b>		<b>1.308.702.452</b>	<b>1.026.363.393</b>

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

**TAT GIDA SANAYİ A.Ş.****BALANCE SHEETS AS OF 31 DECEMBER 2020**

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

	<u>Notes</u>	<u>Audited</u> <u>31 December</u> <u>2020</u>	<u>Audited</u> <u>31 December</u> <u>2019</u>
<b>LIABILITIES</b>			
Short-term financial borrowings	6	42.383.179	--
Short-term leasing borrowings	6	6.593.978	6.587.202
-Leasing borrowings to related parties		1.904.640	3.094.456
-Leasing borrowings to third parties		4.689.338	3.492.746
Short-term portion of long-term borrowings	6	73.231.532	54.400.884
Trade payables		213.429.047	180.768.851
- Trade payables to related parties	7,28	41.763.975	36.101.953
- Trade payables to third parties	7	171.665.072	144.666.898
Employee benefit obligations	18	7.428.260	7.193.554
Derivative financial instruments	16	928.877	115.844
Other payables		18.729.820	11.075.393
- Other payables from related parties	28	9.854.993	6.434.748
- Other payables from third parties	8	8.874.827	4.640.645
Deferred income	10	6.572.117	4.594.277
Current tax liabilities	26	13.809.180	4.273.421
Short-term provisions		14.778.030	5.580.918
- Short-term provisions for employment benefits	18	2.900.000	2.200.000
- Other short-term provisions	14	11.878.030	3.380.918
<b>Subtotal</b>		<b>397.884.020</b>	<b>274.590.344</b>
Liabilities as held for sales	15	13.497.915	--
<b>Total Short-Term Liabilities</b>		<b>411.381.935</b>	<b>274.590.344</b>
Long-term financial borrowings	6	175.000.000	150.000.000
Long-term leasing borrowings	6	5.836.812	16.610.370
-Long-term leasing borrowings to related parties		2.594.164	8.186.960
-Long-term leasing borrowings to third parties		3.242.648	8.423.410
Derivative financial instruments	16	--	7.758.072
Long-term provisions		11.736.540	16.819.694
- Long-term provisions for employment benefits	18	11.736.540	16.819.694
<b>Total Long-Term Liabilities</b>		<b>192.573.352</b>	<b>191.188.136</b>
<b>Total Liabilities</b>		<b>603.955.287</b>	<b>465.778.480</b>
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	1.961.990	(5.116.980)
- Financial assets revaluation reserve		2.705.092	934.316
- Losses related to hedging from cash flow risk		(724.524)	(6.051.296)
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	20	(749.631)	(691.572)
-Actuarial gains/(losses) in defined benefit plan		(749.631)	(691.572)
Restricted reserves	20	29.533.338	95.621.022
Prior years' profit		339.018.230	236.908.106
Profit for the period		167.274.341	66.155.440
<b>Equity attributable to equity holders of the parent company</b>		<b>704.747.165</b>	<b>560.584.913</b>
<b>Total Equity</b>		<b>704.747.165</b>	<b>560.584.913</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.308.702.452</b>	<b>1.026.363.393</b>

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 2020

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

		<b>Audited</b>	<b>Audited</b>
		<b>1 January- 31 December 2020</b>	<b>1 January- 31 December 2019</b>
	<b>Notes</b>		
<b>Profit or loss</b>			
<b>Continuing operations</b>			
Sales	21	802.944.100	553.221.806
Cost of sales (-)	21	<u>(549.262.358)</u>	<u>(381.561.604)</u>
<b>Gross profit from continuing operations</b>		<b><u>253.681.742</u></b>	<b><u>171.660.202</u></b>
Marketing expenses (-)	22	(59.308.229)	(41.382.405)
General administrative expenses (-)	22	(73.396.832)	(56.401.978)
Research and development expenses (-)	22	(1.166.189)	(1.047.384)
Other income from operating activities	23	31.712.188	27.996.652
Other expenses from operating activities (-)	23	<u>(29.672.500)</u>	<u>(17.710.441)</u>
<b>Operating profit from continuing operations</b>		<b><u>121.850.180</u></b>	<b><u>83.114.646</u></b>
Income from investing activities	24	1.394.244	455.903
Expenses from investing activities (-)	24	<u>(62.573)</u>	<u>(71.728)</u>
<b>Operating profit before finance expense</b>		<b><u>123.181.851</u></b>	<b><u>83.498.821</u></b>
Finance income	25	33.529.593	40.751.167
Finance expense (-)	25	<u>(60.004.748)</u>	<u>(76.578.047)</u>
<b>Finance expense, net</b>		<b><u>(26.475.155)</u></b>	<b><u>(35.826.880)</u></b>
<b>Profit before tax</b>		<b><u>96.706.696</u></b>	<b><u>47.671.941</u></b>
<b>Tax expense</b>		<b><u>(25.393.533)</u></b>	<b><u>(9.519.994)</u></b>
Current tax expense	26	(25.928.355)	(8.055.745)
Deferred tax expense	26	<u>534.822</u>	<u>(1.464.249)</u>
<b>Profit for the period from continuing operations</b>		<b><u>71.313.163</u></b>	<b><u>38.151.947</u></b>
Profit / (loss) for the period from discontinued operations	15	95.961.178	28.003.493
<b>Profit for the period</b>		<b><u>167.274.341</u></b>	<b><u>66.155.440</u></b>
<b>Earnings per share</b>		<b>1,23</b>	<b>0,49</b>
Earnings per common and diluted share from continuing operations	27	0,52	0,28
Earnings / (losses) per common and diluted share from discontinued operations	27	0,71	0,21
<b>Other comprehensive income:</b>			
Gains / (losses) in revaluation reserve		1.770.776	701.850
Losses related to hedging from cash flow risk		5.308.194	(6.051.296)
Actuarial gains / (losses) on employee benefits		<u>(58.059)</u>	<u>(1.096.507)</u>
<b>Total other comprehensive income</b>		<b><u>7.020.911</u></b>	<b><u>(6.445.953)</u></b>
<b>Total comprehensive income</b>		<b><u>174.295.252</u></b>	<b><u>59.709.487</u></b>

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 2020

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

				Accumulated Other Comprehensive Income Reclassified to Profit or Loss	Accumulated Other Comprehensive Income Not to Be Reclassified to Profit or Loss					
	Share capital	Inflation adjustments to share capital	Share premium	Financial assets revaluation reserve	Hedging related to cash flow risk	Actuarial gain/(losses) in defined benefit plans	Restricted Profit Reserves	Net Profit For the Period	Retained Earnings	Total Equity
<b>Balance as at 1 January 2019</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>232.466</b>	--	<b>404.935</b>	<b>94.838.483</b>	<b>38.576.777</b>	<b>199.113.868</b>	<b>500.875.426</b>
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
<b>Balance as at 31 December 2019</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>934.316</b>	<b>(6.051.296)</b>	<b>(691.572)</b>	<b>95.621.022</b>	<b>66.155.440</b>	<b>236.908.106</b>	<b>560.584.913</b>
<b>Balance as at 1 January 2020</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>934.316</b>	<b>(6.051.296)</b>	<b>(691.572)</b>	<b>95.621.022</b>	<b>66.155.440</b>	<b>236.908.106</b>	<b>560.584.913</b>
Transfers	--	--	--	--	--	--	(66.087.684)	(66.155.440)	132.243.124	--
Total comprehensive income	--	--	--	1.770.776	5.308.194	(58.059)	--	167.274.341	--	174.295.252
Dividend	--	--	--	--	--	--	--	--	(30.133.000)	(30.133.000)
<b>Balance as at 31 December 2020</b>	<b>136.000.000</b>	<b>21.601.088</b>	<b>10.107.809</b>	<b>2.705.092</b>	<b>(743.102)</b>	<b>(749.631)</b>	<b>29.533.338</b>	<b>167.274.341</b>	<b>339.018.230</b>	<b>704.747.165</b>

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 2020**

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

		<b>Audited</b>	<b>Audited</b>
	<b>Notes</b>	<b>1 January- 31 December 2020</b>	<b>1 January- 31 December 2019</b>
Continuing profit before tax		71.313.163	38.151.947
Discontinued operations profit		95.961.178	28.003.493
<b>Adjustments to reconcile profit for the period:</b>			
Adjustments related to depreciation and amortization expenses	11,12	25.405.030	22.844.814
Adjustments related to impairment			
<i>Adjustments related to impairment of receivables</i>	7	--	(72.198)
<i>Adjustments related to impairment of stocks</i>	9	200.000	
Adjustments related to provisions			
<i>Adjustments related to provision for employee termination benefit</i>	18	6.367.198	10.982.287
<i>Adjustments related to other provisions</i>	14	8.497.112	(352.176)
Adjustments related to gain or loss on sales of property, plant and equipment	24	(869.641)	(906.957)
Adjustment related to gain on available for sales	15	(86.365.490)	--
Adjustments related to income accruals	19	(763.400)	245.471
Adjustments related to increase in fair value of derivatives	16	(416.507)	--
Adjustments related to tax expense	26	25.393.533	9.519.994
Unrealized foreign exchange loss		1.771.992	737.052
Discount expense		(2.753.867)	1.162.293
Discount income		2.067.800	(2.682.917)
Interest income	25	(7.078.503)	(8.302.906)
Interest expense	25	35.901.623	48.380.581
<b>Changes in working capital</b>		<b>174.631.221</b>	<b>147.720.918</b>
Adjustments related to changes in trade receivables and other receivables		(10.930.658)	17.137.122
Adjustments related to changes in due from related parties		(52.831.151)	(74.799.137)
Adjustments related to changes in inventories		(78.035.820)	(100.622.769)
Adjustments related to changes in prepaid expenses		(6.180.204)	(3.685.289)
Adjustments related to changes in other current and non-current assets		(9.649.074)	(18.525.476)
Adjustments related to changes in trade payables		29.752.041	16.385.947
Adjustments related to changes due to related parties		9.082.267	(2.167.743)
Adjustments related to changes in deferred income		1.977.840	(15.418)
Adjustments related to changes in employee benefit payables		(7.260.369)	105.046
Adjustments related to changes in other current liabilities		(2.186.806)	27.967.936
<b>Cash flows from operating activities</b>		<b>48.369.287</b>	<b>9.501.137</b>
Employee termination benefits paid	18	(3.296.961)	(9.405.145)
Taxes refund / (paid)	26	(24.238.952)	(3.508.138)
<b>Net cash flows (used in)/from operating activities</b>		<b>20.833.374</b>	<b>(3.412.146)</b>
<b>Investing activities:</b>			
Property, plant and equipment and intangible asset acquisitions	11,12	(21.139.565)	(21.353.668)
Cash generated from sale of property, plant and equipment and intangible assets	11,12,24	1.066.036	3.544.002
Dividend received		88.696.440	--
<b>Net cash used in investing activities</b>		<b>68.622.911</b>	<b>(17.809.666)</b>
<b>Financing activities:</b>			
Interest gained	25	7.078.503	8.302.906
Cash outflow due to leasing		(6.513.378)	(8.010.832)
Cash inflows due to loan received	6	321.008.485	309.091.218
Cash outflows due to loan received	6	(236.566.018)	(260.360.908)
Interest paid	25	(34.195.396)	(45.021.546)
Dividend paid	20	(30.133.000)	--
<b>Net cash (used in)/from financing activities</b>		<b>20.679.196</b>	<b>4.000.838</b>
<b>Net change in cash and cash equivalents</b>		<b>110.135.481</b>	<b>(17.220.974)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	4	<b>10.476.743</b>	<b>27.697.717</b>
<b>Cash and cash equivalents at the ending of the period</b>	4	<b>120.612.224</b>	<b>10.476.743</b>

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 2020

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

#### NOTE 1 – ORGANISATION AND OPERATIONS OF THE COMPANY

Tat Gıda Sanayi A.Ş. (“Tat Gıda” or “the Company”) was established in 1967 with the name Tat Konserve Sanayii A.Ş., the name change of the Company was decided at the extraordinary assembly meeting on 30 October 2013 and registered on 15 November 2013. The Company is engaged in production, distribution, marketing, domestic and foreign trade and brokerage of semi-finished goods and finished goods of such products; merchandise goods, food, beverage, juice, agricultural and animal products, frozen foods, dried goods, including pulverized goods and raw and primitive form of materials recipient and additives, sweet and sugar free juice and canned goods. The Company is registered in Turkey and is operating in accordance with the Turkish Commercial Code.

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

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

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

The registered head office address of the company is “Taşdelen Mah. Sırrı Çelik Bulvarı No:7 34788 Çekmeköy/İstanbul/Türkiye” The company carries out its production activities in Mustafakemalpaşa / Bursa, Karacabey / Bursa, Torbalı İzmir 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, average, permanent and temporary personnel employed within the Company is as follows:

	2020		2019	
	End of Period	Average	End of Period	Average
<b>Total</b>	<b>849</b>	<b>1.084</b>	<b>823</b>	<b>1.061</b>
Permanent Personnel	720	727	741	796
Temporary Personnel	129	357	82	265

#### 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 and derivatives 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.



# TAT GIDA SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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

##### 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).

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

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Euro / TL	9,0079	6,6506
US Dollar / TL	7,3405	5,9402

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

The financial statements of the company have been prepared in accordance with TFRS. TFRSs include Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRSs), TMS Comments and Turkey Financial Reporting Standards comprise standards and interpretations published by TAS Reviews, published by the Public Oversight, Accounting and Auditing Standards Authority (“POA”).

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:*

The financial statements prepared as of and for the year ended 31 December 2020 is approved by the management on 12 February 2021. 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.

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Financial Statements of Comparative Information and Restatement of Prior Period**

The financial statements of the Company are prepared in comparison with the previous period in order to enable the determination of financial status and performance trends. In accordance with the presentation of the current period financial statements, comparative information is reclassified and significant differences are disclosed.

Profit and Loss statement for the period 1 January - 31 December 2019 and 1 January - 31 December 2020, based on the decision of the production facilities of the milk and milk product business line and all other related assets and liabilities to be sold in 2021 with the decision of the board of directors dated 6 January 2021, and in the other comprehensive income statement, all income and expenses from SEK are classified under “period profit / (loss) from discontinued operations”.

##### **2.4 Changes in significant accounting policies**

The accounting policies applied in the financial statements of the company as of December 31, 2020 are the same as the accounting policies applied in the financial statements as of the year ending December 31, 2019.

##### **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 Company has not early adopted are as follows.

##### **Classification of Liabilities as Current or Non-current (Amendments to TAS 1)**

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1

##### **Covid-19 related rent concession (Amendments to TFRS 16)**

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

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

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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 (continue)**

###### **Reference to the Conceptual Framework (Amendments to TFRS 3)**

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations.

The amendments updated TFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

###### **Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)**

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

###### **Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)**

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

##### ***Annual Improvements to TFRS Standards 2018–2020***

###### **Improvements to TFRSs**

IASB issued Annual Improvements to TFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

###### ***TFRS 1 First-time Adoption of International Financial Reporting Standards***

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRS Standards. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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 (continue)**

###### *TFRS 9 Financial Instruments*

This amendment clarifies that – for the purpose of performing the ‘‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

###### *TFRS 16 Leases, Illustrative Example 13*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

###### *TAS 41 Agriculture*

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13

##### **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).

###### **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.

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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)**

###### **Tangible fixed assets**

###### **(i) Recognition and measurement**

Tangible fixed assets are measured by deducting any accumulated depreciation and any impairment provisions from their cost values, including borrowing costs. The costs of property, plant and equipment purchased before 1 January 2005 were adjusted for the effects of inflation as of 31 December 2004.

When the parts comprising, tangible fixed assets have different useful lives, they are accounted for as separate parts (significant parts) of the tangible fixed asset.

Gains or losses arising from the disposal of a tangible asset are recognized in profit or loss.

###### **(ii) Subsequent cost**

Subsequent expenditures can only be capitalized in cases where it is possible to transfer the economic benefits that will arise as a result of these expenditures to the Company.

###### **(iii) Amortization**

Tangible fixed asset items are subject to depreciation as of the day these assets are completed and ready for use for assets that are currently available or built by the Company. Depreciation is calculated by the straight-line method over the estimated useful lives of these items, after deducting the estimated residual values from the costs of tangible fixed assets. Depreciation is usually recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and the useful life of the leased assets, if the Company will not take ownership of the leased asset with reasonable certainty at the end of the lease. Land is not depreciated.

The estimated useful lives of material fixed asset items in current and comparative periods are as follows:

- Underground and above ground layouts 30 years,
- Buildings 30 years,
- Machinery, plant and devices 15 years,
- Flooring and fixtures 4-12 years,
- Vehicles 10 years,
- Private costs 5 years

Depreciation methods, useful lives and residual values are reviewed as of each reporting date and adjusted when necessary.

###### **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.

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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

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

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

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

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

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

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

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

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

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

###### **Discontinued operations**

A discontinued activity is a part of the business of the Company, and it is a part that includes the activities and cash flows that can be clearly distinguished from other parts of the Company and:

- Refers to a separate main line of business or geographical area of activities;
- It is part of the sale of a separate main line of business or geographic area of activities individually within a coordinated plan; or
- It is a subsidiary acquired for resale purposes only.

Classification as a discontinued operation takes place after or before the sale of the activity, if the activity meets the criteria for being held for sale.

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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)

###### Discontinued operations (Continued)

If an activity is classified as discontinued operations, the profit or loss and other comprehensive income statement is presented again, if this activity was stopped from the beginning of the comparative period.

Based on the decision to sell the production facilities of the milk and milk product business line and all other related assets and liabilities, profit or loss and other comprehensive income statement for the period 1 January - 31 December 2019 and 1 January - 31 December 2020 all of them are classified under "Profit / (loss) for the period from discontinued operations".

As of 31 December 2020, assets of SEK business line are classified under "Assets as held for sale" and liabilities under "Liabilities as held for sales" (Note 15).

Regarding the realization of the sales of production facilities and all other related assets belonging to the pasta and bakery products business line in 2019, all are classified under "Profit / (loss) for the period from discontinued operations" in profit or loss and other comprehensive income for the period from 1 January to 31 December 2019 and from 1 January to 31 December 2020..

As of 31 December 2019, the unsold assets of the Pastavilla business line are classified under "Assets as held for sale".

###### 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.

###### 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.

(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)**

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.

**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).

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.



## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 assets – Subsequent measurement and gains and losses

<b>Financial assets at FVTPL</b>	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.
<b>Financial assets at amortized cost</b>	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.
<b>Debt investments at FVOCI</b>	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.
<b>Equity investments at FVOCI</b>	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.

##### 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.

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.

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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**

###### **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.

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.

###### **Cash flow hedges**

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.

###### **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).

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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)**

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

Instead of continuing to use, the disposal group consisting of fixed assets or assets and liabilities that are likely to be disposed of is classified as being for sale or distribution purposes. Such assets or disposal group are measured with the lower of their net book value and their fair value less costs to sell. The impairment in the asset group to be disposed of is allocated primarily to goodwill and then, provided that no impairment loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which are valued in accordance with the Company's accounting policies. It is allocated proportionally to the remaining assets and liabilities. As non-current assets held for sale or distribution, impairment losses on the date of first classification and gains and losses in subsequent measurements are recognized in profit or loss.

Intangible fixed assets and tangible fixed assets are not subject to depreciation or amortization after they are classified as held for sale or distribution. In addition, equity accounting is terminated for investments valued with 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.

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

###### **General model for revenue recognition**

IFRS 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.

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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)**

##### **IFRS 15 Revenue from Contracts with Customers (Continued)**

###### **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.

###### **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.

##### **IFRS 15 Revenue from Contracts with Customers (Continued)**

##### **General model for revenue recognition (Continued)**

###### **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.

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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)**

###### **Contract changes**

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

###### **Dividend and interest income**

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

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

###### **Finance income and cost**

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

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

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

## **TAT GIDA SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

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

###### **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.

##### **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.

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 3 – SEGMENT REPORTING

##### Primary reporting format - business segment

In addition to the reporting format according to industrial segments, the company also evaluated the display of the details of the revenue during the period based on the geographical location of the customers. However, it has been concluded that the activities do not have the feature of reportable segments in terms of geographical regions, since the Company makes most of its sales to Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey"). Since the company management evaluates the operating results and performance over the financial statements prepared in accordance with TFRS, TFRS financial statements are used when preparing the reporting according to the departments.

Tat Gıda Sanayi A.Ş. Within the framework of long-term business plans, the Board of Directors decided to exit the pasta and bakery products business line in 2019, taking into account its share in total turnover and profitability. Production activities in Pastavilla business, which operates in the pasta and bakery products business line, ended as of September 2, 2019, and sales activities as of October 2, 2019 following the completion of the brand transfer.

Following the cessation of the company's activities in the pasta and bakery products business line, it was announced to the public on October 13, 2020, that the works for the sale of the real estate belonging to the pasta business in Bornova district of Izmir province were initiated in case of suitable conditions; on 9 November 2020, sales were made for TL 85.500.000, excluding VAT.

Based on these developments, all income and expenses arising from Pastavilla are classified under "Profit / (loss) for the period from discontinued operations" in the profit or loss and other comprehensive income statement for the period 1 January - 31 December 2019 and 1 January - 31 December 2020. The assets of Pastavilla business line for the period 1 January - 31 December 2019 are classified under "Assets as held for sales" (Note 15).

With the public announcement made on January 6, 2021 and the decision of the board of directors, the decision to focus on the tomato paste and canned products business line, which has a higher share in the total profitability and the sale of the production facilities and all other related assets and liabilities given in milk and milk product segment.

Based on the decision to sell the production facilities of the milk and milk product business line and all other related assets and liabilities, all related income and expense are classified under "Profit / (loss) for the period from discontinued operations" the statement of profit or loss and other comprehensive income for the period from 1 January to 31 December 2019 and from 1 January to 31 December 2020. The assets of the SEK business line for the period between 1 January - 31 December 2020 are classified under "Assets as held for sales", and liabilities under "Liabilities as held for sales" (Note 15).

The domestic marketing and sales activities of the company are carried out by Düzey, a Koç Group company. The amount of sales to Düzey is TL 1.173.618.402 for the period ending on December 31, 2020 (December 31, 2019: TL 977.569.693).

##### a) Revenue segmental analysis for the year ended 1 January - 31 December 2020 and 2019

	<u>2020</u>	<u>2019</u>
Tomato paste and canned products	802.944.100	553.221.806
Discontinued operations (*)	693.660.368	588.894.140
-Milk and milk products	693.660.368	530.361.384
-Pasta and bakery products	--	58.532.756
	<u><b>1.496.604.468</b></u>	<u><b>1.142.115.946</b></u>

(\*) Based on the decision to exit the pasta and bakery products business as of October 2, 2019 and to sell all related assets of the SEK business line in 2021, all income and expenses arising from Pastavilla and SEK business line were classified under "Period profit / (loss) from discontinued operations".

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 3 – SEGMENT REPORTING (Continued)

##### Primary reporting format - business segment (Continued)

##### b) Segment assets

Assets used in the main activities of a segment and that can be directly associated with that segment or can be allocated reasonably to that segment are defined as segment assets. In line with the company's sales network and organizational structure, tangible and intangible fixed assets are defined as segment assets.

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

	<u>2020</u>	<u>2019</u>
Tomato paste and canned products	88.263.126	78.220.396
Discontinued operations	102.066.851	111.454.579
-Milk and milk products	102.066.851	109.123.130
-Pasta and bakery products	--	2.331.449
Assets that cannot be allocated to segments	8.886.523	8.922.393
	<u><b>199.216.500</b></u>	<u><b>198.597.368</b></u>

##### c) Segment liabilities

Described as liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

In the general framework of the organizational structure of the Company and its internal financial reporting system, trade and other payables are analyzed in the basis of industrial segments. As a result, reporting of segment liabilities are not required.

##### d) Depreciation and amortization and capital expenditures

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

	<u>2020</u>	<u>2019</u>
Tomato paste and canned products	8.443.071	6.571.590
Discontinued operations	11.563.558	9.563.513
-Milk and milk products	11.563.558	9.037.668
-Pasta and bakery products	--	525.845
Depreciation and amortization charges that cannot be allocated to segments	5.398.542	1.006.444
	<u><b>25.405.171</b></u>	<u><b>17.141.547</b></u>

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

	<u>2020</u>	<u>2019</u>
Tomato paste and canned products	36.593.050	13.390.727
Discontinued operations	2.460.188	4.966.565
-Milk and milk products	2.460.188	4.889.451
-Pasta and bakery products	--	77.114
Investment expenditures that cannot be allocated to segments	690.307	2.996.376
	<u><b>39.743.545</b></u>	<u><b>21.353.668</b></u>



## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 4 – CASH AND CASH EQUIVALENTS

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

	<u>2020</u>	<u>2018</u>
Banks	120.612.224	10.476.743
- Time deposit – TL	60.531.823	5.530.000
- Time deposit – foreign currency	60.059.489	4.602.972
- Demand deposit – TL	20.912	45.055
- Demand deposits – foreign currency	--	298.716
	<u><b>120.612.224</b></u>	<u><b>10.476.743</b></u>

The maturity of time deposits varies between January 4, 2021 and February 16, 2021, with interest rates of TL 19,00%, USD 3,00% and 0,10%, Euro 2,65%, %2,25, %2,15 and %0,01. (31 December 2019: Maturity of time deposits is 2 January 2020 with interest rates of TL 10,25%, USD 1,25% and 0,20%, Euro 0,10%).

As of 31 December 2020, there is no blockage on cash and cash equivalents. (2019: None)

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

#### NOTE 5 – FINANCIAL ASSETS

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

	<u>%</u>	<u>2020</u>	<u>%</u>	<u>2019</u>
<u>Fair value change reflected in other comprehensive income - equity instruments</u>				
Ram	7,5	3.829.200	7,5	1.965.225
Düzey	1,1	544.641	1,1	544.641
Others		7.733		7.733
		<u><b>4.381.574</b></u>		<u><b>2.517.599</b></u>

#### NOTE 6 –BORROWINGS

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

	<u>2020</u>	<u>2019</u>
Short-term loans	42.383.179	--
Short term portions of long-term loans	2.881.148	54.244.208
Short-term portions of long-term issued bonds	70.350.384	156.676
Short-term leasing liabilities	6.593.978	6.587.202
<b>Total short-term borrowings</b>	<u><b>122.208.689</b></u>	<u><b>60.988.086</b></u>
Long-term loans	175.000.000	80.000.000
Long-term issued bonds	--	70.000.000
Long-term leasing liabilities	5.836.812	16.610.370
<b>Total long-term financial borrowings</b>	<u><b>180.836.812</b></u>	<u><b>166.610.370</b></u>
	<u><b>303.045.501</b></u>	<u><b>227.598.456</b></u>

The Company does not have any pledges or mortgages given for its financial liabilities (31 December 2019: None).

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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:

	<b>The weighted average interest rate</b>	<b>Original Amount</b>	<b>31 December 2020 Net Book Value (TL)</b>
<b>Short term financial borrowings</b>			
TL borrowings	3,88%	45.264.327	45.264.327
Bond issued	16,92%	70.350.384	70.350.384
			<b>115.614.711</b>
<b>Long term financial borrowings</b>			
TL borrowings	9,64%	175.000.000	175.000.000
			<b>175.000.000</b>

The company issued bonds with coupon interest payments every three months, worth TL 70,000,000 on 25 June 2019, based on the decision of the board of directors, numbered 2019/18, dated April 26, 2019. Turkey Economy Bank interest rate in order to avoid risks that may occur realized interest rate swap transactions.

	<b>The weighted average interest rate</b>	<b>Original Amount</b>	<b>31 December 2019 Net Book Value (TL)</b>
<b>Short term financial borrowings</b>			
TL borrowings	16.32%	54.244.208	54.244.208
	11.67%	156.676	156.676
			<b>54.400.884</b>
<b>Long term financial borrowings</b>			
TL borrowings	14.34%	80.000.000	80.000.000
	11.67%	70.000.000	70.000.000
			<b>150.000.000</b>

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 6–BORROWINGS (Continued)**

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

	<u>2020</u>	<u>2019</u>
2021	115.614.711	54.400.884
2022	175.000.000	150.000.000
	<u><b>290.614.711</b></u>	<u><b>204.400.884</b></u>

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

	<u>2020</u>	<u>2019</u>
To be paid on demand or within 1 year	6.593.978	6.587.202
1-2 years	3.405.658	6.948.287
2-3 years	2.407.985	5.434.536
3-4 years	23.169	4.227.547
	<u><b>12.430.790</b></u>	<u><b>23.197.572</b></u>

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

	<u>2020</u>	<u>2019</u>
<b>Opening balance on January 1</b>	<b>204.400.884</b>	<b>156.030.807</b>
<i>Cash transactions</i>		
Cash inflows from credit debts used	321.008.485	309.091.218
Cash outflow related to loan debt repayments	(236.566.018)	(260.360.908)
<i>Non-cash transactions</i>		
The cost of the redeemed value	1.771.360	(360.233)
<b>31 December closing balance</b>	<u><b>290.614.711</b></u>	<u><b>204.400.884</b></u>

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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:

	<u>2020</u>	<u>2019</u>
Trade receivables from related parties (Note 28)	429.134.382	376.303.231
Notes and cheques receivable	19.301.830	1.603.019
Trade receivables	--	8.835.953
Provisions for doubtful receivables	(2.861.871)	(2.861.871)
	<u><b>445.574.341</b></u>	<u><b>383.880.332</b></u>

Movement of provision for doubtful receivables as of 31 December 2020 and 31 December 2019 are as follows:  
The nature and level of risk in trade receivables are given in Note 25.

	<u>2020</u>	<u>2019</u>
Opening balance	(2.861.871)	(2.934.069)
Provisions made during the year	--	72.198
	<u><b>(2.861.871)</b></u>	<u><b>(2.861.871)</b></u>

##### Trade Payables

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

	<u>2020</u>	<u>2019</u>
Suppliers	171.665.072	144.666.898
Trade payables to related parties (Note 25)	41.763.975	36.101.953
	<u><b>213.429.047</b></u>	<u><b>180.768.851</b></u>

#### NOTE 8 – OTHER RECEIVABLES AND PAYABLES

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

	<u>2020</u>	<u>2019</u>
<b>Short term other receivables</b>		
Other receivables	1.071.452	1.336.347
	<u><b>1.071.452</b></u>	<u><b>1.336.347</b></u>

	<u>2020</u>	<u>2019</u>
<b>Long term other receivables</b>		
Deposits and guarantees given	68.085	68.085
	<u><b>68.085</b></u>	<u><b>68.085</b></u>

	<u>2020</u>	<u>2019</u>
<b>Payables to third parties:</b>		
Taxes and funds payable	8.793.205	4.552.739
Others	81.622	87.906
	<u><b>8.874.827</b></u>	<u><b>4.640.645</b></u>

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 9 – INVENTORIES**

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

	<u>2020</u>	<u>2019</u>
Raw material	29.746.133	45.565.139
Semi-finished goods	--	7.599.789
Finished goods	330.938.004	284.849.190
- <i>Tomato paste and canned products</i>	330.938.004	264.933.651
- <i>Milk and milk products</i>	--	19.915.539
Other inventory	252.099	421.857
Inventory impairment	(200.000)	--
	<u><b>360.736.236</b></u>	<u><b>338.435.975</b></u>

As at 31 December 2020 and 2019, there are no assets pledged as collateral.

As at 31 December 2019, inventories are insured amounting to TL 370.000.000 (2019: TL 325.992.887).

**NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME**

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

	<u>2020</u>	<u>2019</u>
<b>Short-term prepaid expenses</b>		
Expenses related to future months	5.040.446	5.688.150
Advances given for the purchase of inventory	7.679.425	851.517
	<u><b>12.719.871</b></u>	<u><b>6.539.667</b></u>
	<u>2020</u>	<u>2019</u>
<b>Short-term deferred income</b>		
Advances received	6.572.117	4.594.277
	<u><b>6.572.117</b></u>	<u><b>4.594.277</b></u>

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**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:

	<b>1 January 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers (*)</b>	<b>Classifications (**)</b>	<b>31 December 2020</b>
<b>Cost:</b>						
Land	16.468.023	--	--	--	(14.048.685)	2.419.338
Land improvements	7.643.497	4.643.803	--	--	(1.220.640)	11.066.660
Buildings	58.910.342	243.380	--	--	(26.052.025)	33.101.697
Machinery and equipment	319.401.532	13.253.031	(8.180.406)	--	(121.886.394)	202.587.763
Vehicles	832.991	85.455	(80.397)	--	(22.784)	815.265
Furniture and fixtures	40.407.566	2.088.673	(1.526.789)	--	(17.894.654)	23.074.796
Leasehold improvements	10.103.555	132.490	--	--	(229.653)	10.006.392
Construction in progress	852.258	--	--	(852.258)	--	--
	<b>454.619.764</b>	<b>20.446.832</b>	<b>(9.787.592)</b>	<b>(852.258)</b>	<b>(181.354.835)</b>	<b>283.071.911</b>
<b>Accumulated depreciation:</b>						
	<b>1 January 2020</b>	<b>Current Year Charge</b>	<b>Disposals</b>	<b>Transfers (*)</b>	<b>Classifications(**)</b>	<b>31 December 2020</b>
Land improvements	3.327.862	264.739	--	--	(329.996)	3.262.605
Buildings	31.556.339	1.529.124	--	--	(9.351.664)	23.733.799
Machinery and equipment	198.153.391	12.254.661	(8.072.913)	--	(62.413.224)	139.921.915
Vehicles	593.747	45.618	(80.397)	--	(22.784)	536.184
Furniture and fixtures	23.948.982	2.255.661	(1.437.887)	--	(8.174.673)	16.592.083
Leasehold improvements	8.899.105	323.502	--	--	(227.373)	8.995.234
	<b>266.479.426</b>	<b>16.673.305</b>	<b>(9.591.197)</b>	<b>--</b>	<b>(80.519.714)</b>	<b>193.041.820</b>
<b>Net book value</b>	<b>188.140.338</b>					<b>90.030.091</b>

(\*) There is a 852.258 TL transfer from construction in progress to intangible assets. (2019: 25.000 TL)

(\*\*) As a result of the decision to sell the milk and milk product business line, the remaining fixed assets related to the relevant line of business were classified into the account "Assets as held for sales".

As at 31 December 2019, tangible assets are insured amounting to TL 1.189.050.000 (2019: TL 1.024.720.000).

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers(*)</b>	<b>Classifications(**)</b>	<b>31 December 2019</b>
<b>Cost:</b>						
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
	<b>504.540.570</b>	<b>19.645.575</b>	<b>(19.101.811)</b>	<b>(25.000)</b>	<b>(50.439.570)</b>	<b>454.619.764</b>
	<b>1 January 2019</b>	<b>Current Year Charge</b>	<b>Disposals</b>	<b>Transfers(*)</b>	<b>Classifications(**)</b>	<b>31 December 2019</b>
<b>Accumulated depreciation:</b>						
Buildings	3.163.719	195.517	--	--	(31.374)	3.327.862
Machinery and equipment	34.230.570	1.582.743	--	--	(4.256.974)	31.556.339
Vehicles	245.670.231	11.945.789	(15.840.599)	--	(43.622.030)	198.153.391
Furniture and fixtures	586.751	48.882	--	--	(41.886)	593.747
Leasehold improvements	22.698.548	2.030.457	(624.167)	--	(155.856)	23.948.982
	8.643.436	255.669	--	--	--	8.899.105
	<b>314.993.255</b>	<b>16.059.057</b>	<b>(16.464.766)</b>	<b>--</b>	<b>(48.108.120)</b>	<b>266.479.426</b>
<b>Net book value</b>	<b>189.547.315</b>					<b>188.140.338</b>

(\*) In 2019, a transfer of 25.000 TL was made to other intangible assets.

(\*\*) As a result of the sale of the Pastavilla brand and the termination of production activities in 2019, the remaining fixed assets related to the relevant brand were classified into the "Assets as held for sales" account.

As of December 31, 2019, the amount of insurance coverage on fixed assets is 1,024,720,000 TL

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 14.814.443 (31 December 2019: TL 13.947.236) has been recognized under cost of sales, TL 1.427.076 (31 December 2019: TL 1.530.824) has been recognized under general administrative expenses, TL 158.725 (31 December 2019: TL 112.707) has been recognized under research and development expenses and TL 184.306 (31 December 2019: TL 468.290) 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:

	<b>1 January</b>				<b>31 December</b>
<b>Cost:</b>	<b>2020</b>	<b>Additions</b>	<b>Transfers</b>	<b>Classification (*)</b>	<b>2020</b>
Rights	12.715.850	107.742	852.258	(3.826.063)	9.849.787
Other intangible assets	1.124.229	584.991	--	--	1.709.220
	<b>13.840.079</b>	<b>692.733</b>	<b>852.258</b>	<b>(3.826.063)</b>	<b>11.559.007</b>

	<b>1 January</b>				<b>31 December</b>
<b>Accumulated Amortization:</b>	<b>2020</b>	<b>Additions</b>	<b>Transfers</b>	<b>Classification (*)</b>	<b>2020</b>
Rights	5.547.115	1.188.167	--	(2.594.333)	4.140.949
Other intangible asset	167.384	131.115	--	--	298.499
	<b>5.714.499</b>	<b>1.319.282</b>	<b>--</b>	<b>(2.594.333)</b>	<b>4.439.448</b>

<b>Net Book Value</b>	<b>8.125.580</b>				<b>7.119.559</b>
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	<b>1 January</b>				<b>31 December</b>
<b>Cost:</b>	<b>2019</b>	<b>Additions</b>	<b>Transfers</b>		<b>2019</b>
Rights	11.368.486	1.322.364	25.000		12.715.850
Other intangible assets	738.500	385.729	--		1.124.229
	<b>12.106.986</b>	<b>1.708.093</b>	<b>25.000</b>		<b>13.840.079</b>

	<b>1 January</b>				<b>31 December</b>
<b>Accumulated Amortization:</b>	<b>2019</b>	<b>Additions</b>	<b>Transfers</b>		<b>2019</b>
Rights	4.546.397	1.000.718	--		5.547.115
Other intangible asset	85.612	81.772	--		167.384
	<b>4.632.009</b>	<b>1.082.490</b>	<b>--</b>		<b>5.714.499</b>

<b>Net Book Value</b>	<b>7.474.977</b>				<b>8.125.580</b>
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(\*) Depending on the decision to sell all related assets in the milk and milk product business line, TL 1.231.730 from the rights account was classified into "Assets as held for sales" as of 31 December 2020.



**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 12 – INTANGIBLE ASSETS (Continued)**

As of 31 December 2020, all of the amortization expenses amounting to TL 1.319.282 (2019: TL 1.082.490) 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, 2020, there is no arrears were capitalized in intangible assets (2019: None).

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

Right of use assets as of 31 December 2020 are as follows;

	<b>1 January</b>				<b>31 December</b>
<b>Cost:</b>	<b>2020</b>	<b>Additions</b>	<b>Disposals (-) (*)</b>	<b>Transfers</b>	<b>2020</b>
Buildings	10.184.317	959.508	--	--	11.143.825
Machinery and equipment	5.645.969	--	(5.276.609)	(319.794)	49.566
Vehicles	5.160.523	840.671	--	(190.095)	5.811.099
Furniture and fixtures	6.064.707	2.110.540	(5.065.358)	(266.726)	2.843.163
	<b>27.055.516</b>	<b>3.910.719</b>	<b>(10.341.967)</b>	<b>(776.615)</b>	<b>19.847.653</b>
<b>Accumulated Amortization:</b>	<b>1 January</b>	<b>Additions</b>	<b>Disposals (-) (*)</b>	<b>Transfers</b>	<b>31 December</b>
	<b>2020</b>				<b>2020</b>
Builsings	(1.997.158)	(2.706.623)	--	--	(4.703.781)
Machinery and equipment	(1.168.846)	(1.119.281)	2.110.643	127.918	(49.566)
Vehicles	(1.420.844)	(1.670.922)	--	72.826	(3.018.940)
Furniture and fixtures	(1.053.167)	(1.915.617)	1.534.911	80.823	(1.353.050)
	<b>(5.640.015)</b>	<b>(7.412.443)</b>	<b>3.645.554</b>	<b>281.567</b>	<b>(9.125.337)</b>
<b>Net book value</b>	<b>21.415.501</b>				<b>10.722.316</b>

(\*) It is the effect of adjustments made as of December 31, 2020, depending on the classification of all related assets related to milk and milk products as held for sale.

	<b>1 January</b>			
<b>Cost:</b>	<b>2019</b>	<b>Additions</b>	<b>Disposals (-)</b>	<b>31 December 2019</b>
Buildings	7.364.534	2.819.783	--	10.184.317
Machinery and equipment	5.530.352	115.617	--	5.645.969
Vehicles	3.166.836	2.189.812	(196.125)	5.160.523
Furniture and fixtures	746.357	5.643.033	(324.683)	6.064.707
	<b>16.808.079</b>	<b>10.768.245</b>	<b>(520.808)</b>	<b>27.055.516</b>
<b>Accumulated Amortization:</b>	<b>1 January</b>	<b>Additions</b>	<b>Disposals (-)</b>	<b>31 December 2019</b>
	<b>2019</b>			
Builsings	--	(1.997.158)	--	(1.997.158)
Machinery and equipment	--	(1.168.846)	--	(1.168.846)
Vehicles	--	(1.494.236)	73.392	(1.420.844)
Furniture and fixtures	--	(1.053.167)	--	(1.053.167)
	<b>--</b>	<b>(5.713.407)</b>	<b>73.392</b>	<b>(5.640.015)</b>
<b>Net book value</b>	<b>16.808.079</b>			<b>21.415.501</b>

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 13 – GOVERNMENT INCENTIVES AND GRANTS

There are government incentives that allow the company to pay reduced corporate tax for its various investments. Such incentives are evaluated within the scope of TMS 12 "Income Taxes" standard; Deferred tax assets are recognized on the condition that it is highly probable to benefit from this advantage by obtaining taxable profit in the future over the amount of tax advantage.

As of December 31, 2020, the amount of contribution to the investment that can be discounted is 18.570.835 TL (31 December 2019: 26.295.903 TL). Due to the very low ratio of incentive investment to total investments (approximately 2% to 3%), a tax claim for incentives has not been recorded yet.

#### NOTE 14 – COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

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

<b>Provisions</b>	<b>2020</b>	<b>2019</b>
Provisions for lawsuits	4.641.000	2.341.000
Provision for sales expenses	2.983.082	1.003.221
Provision for Other Administrative Expenses	1.096.120	--
Shipping allowance	503.907	--
Provisions provided to employees	316.000	--
Other provisions	2.337.921	36.697
	<b>11.878.030</b>	<b>3.380.918</b>

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

<b><u>Provisions for lawsuits</u></b>	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
Opening balance	2.341.000	1.041.000
Additions during the period	2.300.000	1.300.000
Provisions no longer required	--	--
	<b>4.641.000</b>	<b>2.341.000</b>

#### NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE

Tat Gıda Sanayi A.Ş. within the framework of its long-term business announced, on January 6, 2021, the Board of Directors decided to focus on the tomato paste and canned products business line, which has a higher share in the total profitability and exit the milk and milk products business accordingly the sales agreement was signed. In this business line, it has been decided to transfer the SEK brand owned by the company and all related assets to CLA Süt ve Süt Ürünleri Gıda Sanayi Ticaret A.Ş., which is not among the related parties of the company, with a total cash price of 240.000.000.00 TL plus VAT determined by negotiation. TL 105,000,000 of this amount was determined as the Cost of Real Estate, TL 51,756,727 for all stocks that may be transferred at the closing, by taking into account the 30 September 2020 data, and the balance 83,243,273 TL as the sales price of the other assets subject to transfer. The transfer of the finished product stocks, which constitute approximately 20 million TL of the said estimated stock value, to the buyer or directly to third parties will be finalized at the closing stage.

The sales price will be adjusted for the difference between the actual value of all stocks to be transferred to the buyer at the closing date and the estimated stock Value stated above. In addition, the employees to be taken over by the Buyer at the close are paid severance payments etc. liabilities will be deducted from the total sales price.

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE (Continued)**

The transfer depends on the fulfillment of the closing prerequisites, including the approval of the Competition Authority in the contract, and if the approval of the Competition Authority is obtained and other legal procedures, the sale of the SEK business operating in the milk and milk products business line will be completed with the transfer of all relevant assets from this date production and sales activities will be terminated. The company announced to the public on September 24, 2020 that following the cessation of its activities in the pasta and bakery products business line in 2019, the works for the sale of the real estate belonging to the pasta business in Bornova district of Izmir province were initiated in case of suitable conditions. As of 9 November 2020, sale of real estate was made for TL 85.500.000, excluding VAT, and the title deed transfer registration procedures were completed.

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Tangible fixed asset used in production activities	100.835.121	2.331.450
Intangible assets, stocks and other assets classified as non-current assets held for sale	59.476.517	--
	<b>160.311.638</b>	<b>2.331.450</b>
Liabilities held for sale (long-term employee benefits and other liabilities)	(13.497.915)	--
	<b>146.813.723</b>	<b>2.331.450</b>

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

	<b>1 January-31 December 2020</b>		
	<b>Milk and milk products</b>	<b>Pasta and bakery products</b>	<b>Total</b>
Sales revenues	693.660.368	--	693.660.368
Cost of sales	(627.249.698)	--	(627.249.698)
<b>Gross operating profit</b>	<b>66.410.670</b>	<b>--</b>	<b>66.410.670</b>
Marketing expenses (-)	(43.697.380)	(5.405)	(43.702.785)
General and administrative expenses (-)	(6.709.397)	(1.007.797)	(7.717.194)
Research and development expenses (-)	(476.112)	--	(476.112)
<b>Operating profit</b>	<b>15.527.781</b>	<b>(1.013.202)</b>	<b>14.514.579</b>
Other income from operating activities	19.184.201	42.363	19.226.564
Other expenses from operating activities (-)	(9.560.580)	(5.795.634)	(15.356.214)
<b>Real operating profit</b>	<b>25.151.402</b>	<b>(6.766.473)</b>	<b>18.384.929</b>
Other income from investment activities (*)	167.899	87.326.727	87.494.626
Other expenses from investment activities (-)	(17.098)	(961.237)	(978.335)
Financing expenses. net	(604.149)	--	(604.149)
<b>Discontinued operating profit before tax (*)</b>	<b>24.698.054</b>	<b>79.599.017</b>	<b>104.297.071</b>
Tax expense (*)	(489.536)	(7.846.357)	(8.335.893)
<b>Profit / (loss) for the period from discontinued operations</b>	<b>24.208.518</b>	<b>71.752.660</b>	<b>95.961.178</b>

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	<b>1 January-31 December 2019</b>		
	<b>Milk and milk products</b>	<b>Pasta and bakery products</b>	<b>Total</b>
Sales revenues	588.894.140	58.532.756	647.426.896
Cost of sales	(515.238.319)	(52.481.980)	(567.720.299)
<b>Gross operating profit</b>	<b>73.655.821</b>	<b>6.050.776</b>	<b>79.706.597</b>
Marketing expenses (-)	(55.112.721)	(3.568.455)	(58.681.176)
General and administrative expenses (-)	(6.484.766)	(6.036.840)	(12.521.606)
Research and development expenses (-)	(630.762)	--	(630.762)
<b>Operating profit</b>	<b>11.427.572</b>	<b>(3.554.519)</b>	<b>7.873.053</b>
Other income from operating activities	21.281.162	1.624.450	22.905.612
Other expenses from operating activities (-)	(9.283.005)	(2.163.897)	(11.446.902)
<b>Real operating profit</b>	<b>23.425.729</b>	<b>(4.093.966)</b>	<b>19.331.763</b>
Other income from investment activities (*)	1.109.152	10.151.404	11.260.556
Other expenses from investment activities (-)	(111.037)	(1.283.448)	(1.394.485)
Financing expenses. net	(143.669)	(5.497)	(149.166)
<b>Discontinued operating profit before tax (*)</b>	<b>24.280.175</b>	<b>4.768.493</b>	<b>29.048.668</b>
Tax expense (*)	(389.134)	(656.041)	(1.045.175)
<b>Profit / (loss) for the period from discontinued operations</b>	<b>23.891.041</b>	<b>4.112.452</b>	<b>28.003.493</b>

(\*) General expenses and corporate tax expense that cannot be directly associated with a line of business are presented under continuing operations. Sales profit amounting to TL 86,345,490 and related tax expense arising from the sale of fixed assets belonging to the pasta and bakery products business line in 2020 were presented under discontinued operations.

**NOTE 16 – DERIVATIVE INSTRUMENTS**

Receivables from derivative instruments for the periods of 31 December 2020 and 31 December 2019 are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Short term derivative instruments	416.507	--
<b>Total derivative instruments receivables (*)</b>	<b>416.507</b>	<b>--</b>

(\*) Short-term derivative receivables consist of foreign currency forward transactions.

As of December 31, derivative financial instrument liabilities arising from interest rate swap transactions are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Short-term liabilities	928.877	115.844
Long-term liabilities	--	7.758.072
<b>Total derivatives liabilities (**)</b>	<b>928.877</b>	<b>7.873.916</b>

(\*\*) Based on the decision of the Board of Directors dated 26 April 2019 and numbered 2019/18, on 25 June 2019, the company issued bonds with a coupon interest payment of TL 70,000,000 every three months. December 31, 2020 date to avoid interest rate in order to perform with Turkey Economy Bank of the risks that may occur as the interest rate swap transaction amount is TL 928.877 (December 31. 2019: TL 7,873,916).

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 17 – COMMITMENTS AND CONTINGENCIES

The details of the guarantees, pledges, mortgages and bails (“TPMB” 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:

	<b>31 December 2020</b>	<b>31 December 2019</b>
A. Total amount of TPMB given on behalf of own legal entity	41.154.578	40.593.866
B. Total amount of TPMBs given in favor of joint ventures	--	--
C. Total amount of TPMB's given to third parties for the purpose of carrying out ordinary commercial activities	--	--
D. Total amount of other TPMBs given	--	--
i) Total amount of TPMB given on behalf of main partner	--	--
ii) Total amount of TPMBs given in favor of other group companies not in the scope of clauses B and C.	--	--
iii) Total amount of TPMB's given in favor of third parties not covered by clause C.	--	--
	<b>41.154.578</b>	<b>40.593.866</b>

The Company has miscellaneous guarantee letters given to tax authorities (related to VAT return receivables), T. İhracat Kredi Bankası A.Ş. and customs which are amounting to TL 41.154.578 (31 December 2019: TL 40.593.866).

The ratio of other TPMB given to the shareholders' equity is 0% as of 31 December 2020 (31 December 2019: 0%)

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

#### NOTE 18 – EMPLOYEE BENEFITS

##### Short term employee benefits

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Employee benefit payables</b>		
Due to personnel	5.099.004	5.242.437
Social security withholdings payable	2.329.256	1.951.117
	<b>7.428.260</b>	<b>7.193.554</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Short-term provisions for employment benefits:</b>		
Provision for unused vacation	2.900.000	2.200.000
	<b>2.900.000</b>	<b>2.200.000</b>

##### Long-term employee benefits

###### Severance pay liability:

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

The amount payable consists of one month's salary limited to a maximum of TL 7.177,17 for each period of service at 31 December 2020 (31 December 2019: TL 6.379,86).

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 18 – EMPLOYEE BENEFITS (Continued)

##### Severance pay liability (Continued)

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 %8 and interest rate of %13 and a discount rate of %4,63 resulting in a real discount rate of approximately (31 December 2019: %4,69).

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

As the maximum liability is revised semiannually, the maximum amount of 7.117,17 TL effective from 31 December 2020 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:

	<b>1 January – 31 December 2020</b>	<b>1 January – 31 December 2019</b>
Opening balance	16.819.694	15.136.774
Service cost	3.334.314	7.416.684
Interest cost	2.449.003	2.265.603
Paid in the period	(3.296.961)	(9.405.145)
Actuarial gains / (losses)	(74.435)	1.405.778
Business sales decision effect	(7.495.075)	--
	<b>11.736.540</b>	<b>16.819.694</b>

#### NOTE 19 – OTHER ASSETS AND LIABILITIES

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

	<b>2020</b>	<b>2019</b>
<b>Other current assets:</b>		
VAT transferred	57.340.425	26.441.934
Income Accruals	9.710.307	8.946.907
VAT receivables arising from exports	3.693.130	1.409.478
Others	639.982	51.759
	<b>71.383.844</b>	<b>36.850.078</b>
	<b>2020</b>	<b>2019</b>
<b>Other non-current assets:</b>		
Deductible VAT	--	25.210.872
Fixed asset advance paid	18.580.385	--
	<b>18.580.385</b>	<b>25.210.872</b>

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 20 – SHAREHOLDERS' EQUITY

##### a) Share Capital

The Company's share capital of year 2020 consists of 13.600.000.000 number of shares and there is no preferred stock (2019: 13.600.000.000 number of shares).

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

	<b>%</b>	<b>2020</b>	<b>%</b>	<b>2019</b>
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Shares publicly open in stock exchange	41,4	56.312.844	41,4	56.312.844
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Others	6,4	8.745.169	6,4	8.745.169
<b>Total Share Capital</b>	<b>100</b>	<b>136.000.000</b>	<b>100</b>	<b>136.000.000</b>
Capital Correction Differences		21.601.088		21.601.088
<b>Adjusted Capital</b>		<b>157.601.088</b>		<b>157.601.088</b>

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 2020, 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 2019: 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 2020, the share of the Company's share in the financial statements is TL 10.107.809 (31 December 2019: TL 10.107.809).

##### c) Restricted reserves

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

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

As of 31 December 2019 and 2018, the Company's details of restricted reserves are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Legal reserves	29.533.338	25.705.319
Special reserves	--	69.915.703
<b>Total</b>	<b>29.533.338</b>	<b>95.621.022</b>

(\*) Since the 5-year limitation period due to the real estate sales earnings has expired, 69.915.703 TL in private funds has been transferred to previous year profits.

##### *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.

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 18 – SHAREHOLDERS' EQUITY (Continued)

##### *Legal Reserves (Continued)*

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 2020, actuarial loss amounting to TL 749.631 is recognized as other comprehensive income (31 December 2019: actuarial gain amounting to TL 691.572).

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

*Financial asset revaluation and classification gains:*

As of 31 December 2020, it consists of revaluation and reclassification gains on financial assets amounting to TL 2.705.092 (31 December 2018: TL 934.316).

*Losses related to cash flow hedging:*

As of 31 December 2020, it consist pf losses related to hedging from cash flow risk amounting to TL 724.524 (31 December 2018: TL 6.051.296).

#### **f) Dividend distribution**

At the general assembly meeting of the Company held on 19 March 2020, the dividend base reached as a result of deducting the 1st Order general legal reserves amounting to TL 1.494.745,26 from the net profit for the period of 66.155.440,00 TL and adding donations amounting to 806.860,33 TL 65.467 A total of 30,133,000 TL cash dividend, of which 27,200,000 TL as the first and second dividend total of 555,07 TL to the shareholders, 2,933,000 TL to the founder redeemed shareholders, the general legal dividend of 2,333,337.78 TL and 32.193.979,21 TL as extraordinary reserves. (31 December 2019: No dividends were distributed in 2019).



## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 21 – SALES AND COST OF SALES

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

	<u>2020</u>	<u>2019</u>
Domestic sales	600.122.017	476.059.900
Foreign sales	217.258.989	94.011.209
Sales returns and discounts	(14.436.906)	(16.849.303)
	<b>802.944.100</b>	<b>553.221.806</b>
Raw material costs	(508.976.237)	(408.689.254)
General production expenses	(57.337.638)	(56.725.141)
Labor costs	(41.790.952)	(30.248.158)
Depreciation costs	(7.161.902)	(6.265.240)
Change in inventory	66.004.371	120.366.189
<b>Cost of sales</b>	<b>(549.262.358)</b>	<b>(381.561.604)</b>
<b>Gross profit</b>	<b>253.681.742</b>	<b>171.660.202</b>

#### NOTE 22 – EXPENSES BY NATURE

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

	<u>2020</u>	<u>2019</u>
<b>Research and development expenses:</b>		
Personnel expenses	(931.620)	(739.268)
Depreciation expenses	(150.533)	(44.350)
Other	(84.036)	(263.766)
	<b>(1.166.189)</b>	<b>(1.047.384)</b>

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

	<u>2020</u>	<u>2019</u>
<b>Marketing, Sales and Distribution Expenses:</b>		
Shipping and insurance expenses	(12.730.117)	(10.176.246)
Advertising expenses	(14.042.187)	(10.117.992)
Personnel expenses	(11.331.778)	(10.286.927)
Sales support expenses	(5.884.456)	(3.937.254)
Subcontracting expenses	(3.324.143)	(2.106.321)
Export expenses	(4.328.805)	(2.281.799)
Action, sale, incentive and gondola participation costs	(5.706.606)	(989.306)
Other	(1.960.137)	(1.486.560)
	<b>(59.308.229)</b>	<b>(41.382.405)</b>

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 22 – EXPENSES BY NATURE (Continued)**

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

<b>General and administrative expenses:</b>	<b>2020</b>	<b>2019</b>
Personnel expenses	(33.574.857)	(23.440.774)
Consultancy and lawsuit expenses	(11.779.098)	(9.294.858)
Information technology expenses	(7.138.010)	(5.567.424)
Depreciation and amortization	(6.495.405)	(4.919.388)
Administrative expenses	(3.676.701)	(2.404.227)
Severance expense	(3.479.777)	(3.840.994)
Repair and maintenance expenses	(1.441.781)	(1.166.977)
Transport, travel expenses	(618.954)	(1.417.097)
Tax and duties expenses	(519.365)	(903.737)
Other	(4.672.884)	(3.446.502)
	<b>(73.396.832)</b>	<b>(56.401.978)</b>

**NOTE 23 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

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

	<b>2020</b>	<b>2019</b>
<b>Other Operating Income</b>		
Term differences interest income from trading activities	19.013.938	21.887.153
Foreign exchange gain on trading activities	9.033.509	3.140.440
Others	3.664.741	2.969.059
	<b>31.712.188</b>	<b>27.996.652</b>

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

	<b>2020</b>	<b>2019</b>
<b>Other Operating Expense</b>		
Term differences interest expense of trading activities	(7.422.791)	(7.810.401)
Expenses due from provisions of lawsuit and others	(3.394.211)	(3.167.626)
Foreign exchange loss on trading activities	(14.018.234)	(2.925.818)
Others	(4.837.264)	(3.806.596)
	<b>(29.672.500)</b>	<b>(17.710.441)</b>

**NOTE 24 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

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

<b>Income from Investing Activities</b>	<b>2020</b>	<b>2019</b>
Gain on sale of property, plant and equipment	932.214	5.870
Rent income	462.030	450.033
	<b>1.394.244</b>	<b>455.903</b>

**TAT GIDA SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**NOTE 24 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)**

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

<b>Expenses from investing activities</b>	<b>2020</b>	<b>2019</b>
Loss on sale of property, plant and equipment	(62.573)	(71.728)
	<b>(62.573)</b>	<b>(71.728)</b>

**NOTE 25 – FINANCIAL INCOME AND EXPENSES**

As at 31 December, financial incomes are as follows:

	<b>2020</b>	<b>2019</b>
Foreign exchange gains	26.451.090	31.572.814
Interest income on bank deposits	7.078.503	8.302.906
Other	--	875.447
	<b>33.529.593</b>	<b>40.751.167</b>

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

	<b>2020</b>	<b>2019</b>
Foreign exchange expenses	(22.084.807)	(22.704.666)
Bank loans interest expenses	(19.946.499)	(37.612.380)
Bond interest expense	(7.779.799)	(7.409.166)
Derivatives interest expense	(6.469.098)	(824.310)
Leasing liabilities interest expenses	(1.706.226)	(2.659.358)
Early loan closing commission expense	--	(106.311)
Other	(2.018.319)	(5.261.856)
	<b>(60.004.748)</b>	<b>(76.578.047)</b>

**NOTE 26 – TAX ASSESTS AND LIABILITIES**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
Current tax expense	(33.774.712)	(8.589.082)
Discontinued operations tax expense	7.846.357	533.337
Deferred tax expense	45.286	(1.976.089)
Discontinued operations deferred tax expense	489.536	511.840
<b>Total tax expense</b>	<b>(25.393.533)</b>	<b>(9.519.994)</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
<u>Current tax (asset) / liability</u>	(19.965.531)	(4.315.661)
Prepaid taxes and funds (-)	33.774.711	8.589.082
Current corporate tax provision	<b>13.809.180</b>	<b>4.273.421</b>

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020 is 22% (2019: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2020 (2019: 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.

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.

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

##### Deferred Tax (continued):

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 201% 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:

<u>Deferred tax assets / (liabilities):</u>	<u>2020</u>	<u>2019</u>
Severance pay liability	2.347.308	3.363.939
Difference between tax base and carry value of property, plant and equipment	(1.643.029)	(6.406.229)
Difference between tax base and carrying value of inventories	940.381	1.172.447
Doubtful receivables provisions	1.432	52.598
Provision for unused vacation	580.000	484.000
Sales expense provisions	596.616	269.240
Other administrative expenses	(262.908)	--
Provision for litigation expenses	928.200	--
Maturity difference	575.878	--
Right of use assets and liabilities, net	807.978	392.055
Derivative instruments	102.474	1.706.776
	<b>4.974.330</b>	<b>1.034.826</b>

There is no carry forward tax losses has been recognized as of 31 December 2020 (31 December 2019: None).

Movement of the deferred tax for the years ended 31 December 2020 and 31 December 2019 is as follows:

<u>Deferred tax assets movements:</u>	<u>2020</u>	<u>2019</u>
Opening balance as of January 1	1.034.826	994.868
Recognized directly in equity	(1.586.972)	1.893.342
Deferred tax income	534.822	(1.976.089)
Discontinued operations deferred tax expense	(489.536)	122.705
Classified to liabilities held for sale	5.481.190	--
	<b>4.974.330</b>	<b>1.034.826</b>

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 26 – TAX ASSESTS AND LIABILITIES (Continued)

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

<b><u>The reconciliation of tax:</u></b>	<b>%</b>	<b>31 December 2020</b>	<b>%</b>	<b>31 December 2019</b>
Period profit from continuing operations		96.706.696		47.671.941
Period profit / (loss) from discontinued operations		104.297.070		29.048.670
Income tax rate 22 %	22	(44.220.829)	22	(16.878.534)
Tax effect of:				
- Nondeductible expenses	1	6.268.756	1	(332.161)
- Tax effect of government incentives and grants	(10)	4.145.171	(14)	6.163.949
- Other	1<	77.477	1<	481.574
<b>Tax provision expense on income statement</b>		<b>(33.729.424)</b>		<b>(10.565.172)</b>
Continuing activities tax expense		(25.393.533)		(9.519.994)
Discontinued operations tax expense		(8.335.891)		(1.045.178)

#### 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:

	<b>2020</b>	<b>2019</b>
Net profit of the period for continuing operations	71.313.163	38.151.947
Net profit or loss of the period for discontinued operations	95.961.178	28.003.493
Averager number of shares available during the period	136.000.000	136.000.000
<b>Earning per common and diluted share due from continuing operations</b>	0,52	0,28
<b>Earnig/ (loss) per common and diluted share due from discontinued operations</b>	0,71	0,21
<b>Earning per common and diluted share</b>	1,23	0,49

#### 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:

<b>Yapı ve Kredi Bankası A.Ş.</b>	<b>2020</b>	<b>2019</b>
Time Deposits	4.845.604	3.106.042
Current Deposits	14.861	22.823
	<b>4.860.465</b>	<b>3.128.865</b>

##### b) Receivables from related parties:

	<b>2020</b>	<b>2019</b>
Düzey (*)	414.039.680	369.803.995
Ram (**)	15.094.702	6.499.236
	<b>429.134.382</b>	<b>376.303.231</b>

(\*) 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 2020

(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:

	<u>2020</u>	<u>2019</u>
<b>Trade Payables</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	18.953.194	17.540.424
Yapı Kredi Bankası A.Ş.(**)	15.613.101	8.004.495
Koç Sistem A.Ş.	2.120.882	2.885.934
Ingage Dijital Pazarlama A.Ş.	1.473.462	2.551.738
Otokoç Otomotiv Tic.ve San.A.Ş.	775.401	927.740
Eltek Elektrik Enerjisi İthalat İhracat	408.979	613.381
Koç Holding Emekli ve Yardım Sandığı	289.729	259.972
Setur Servis Turistik A.Ş	270.236	271.541
Temel Ticaret Yatırım A.Ş	225.635	220.428
Ram Sigorta Aracılık Hizmetleri A.Ş.	9.555	1.997.949
Düzey	--	361.743
Others	1.623.801	466.608
	<u><b>41.763.975</b></u>	<u><b>36.101.953</b></u>
<b>Other Payables</b>		
Koç Holding A.Ş.	9.854.993	6.434.748
<b>Total Trade and Payables</b>	<u><b>51.618.968</b></u>	<u><b>42.536.701</b></u>

(\* ) 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:

	<u>2020</u>	<u>2019</u>
Düzey (*)	1.173.618.402	977.569.693
Ram Dış Ticaret A.Ş.	77.889.825	68.898.637
	<u><b>1.251.508.227</b></u>	<u><b>1.046.468.330</b></u>

(\* ) 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.

b) Purchases from related parties:

	<u>2020</u>	<u>2019</u>
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	30.272.650	29.803.810
Opet Petrolcülük A.Ş.	854.666	1.072.238
Koç Sistem A.Ş.	95.525	449.808
Opet Fuchs Madeni Yağ San. ve Tic.	12.643	42.200
Aygaz A.Ş.	--	54.193
	<u><b>31.235.484</b></u>	<u><b>31.422.249</b></u>

(\* ) Company purchases packaging materials (parcel, stretch etc.), consumables such as caustic and nitric acid and all spare parts.

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 28 – RELATED PARTY TRANSACTIONS (Continued)

##### c) Service purchases from related parties:

	<u>2020</u>	<u>2019</u>
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	60.958.390	59.138.033
Düzey	12.493.375	10.237.269
Koç Holding A.Ş. (**)	11.422.951	8.994.510
Eltek Elektrik Enerjisi İthalat İhracat	8.014.555	6.389.989
Koç Sistem A.Ş.	4.646.221	5.327.599
Ingage Dijital Pazarlama A.Ş.	3.657.380	5.950.246
Otokoç Otomotiv Tic. ve San. A.Ş.	2.534.415	2.383.747
Ram Dış Ticaret A.Ş.	2.451.778	1.608.400
Temel Ticaret ve Yatırım A.Ş.	2.109.052	1.822.557
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	799.472	2.736.693
Setur Servis Turistik A.Ş.	522.041	1.185.740
Others	505.148	895.184
	<u><b>110.114.778</b></u>	<u><b>106.670.597</b></u>

(\*) 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.

##### iii) As at 31 December, the details of financial income and expenses from/to related parties are as follows:

###### a) Interest income:

	<u>2020</u>	<u>2019</u>
Yapı ve Kredi Bankası A.Ş.	649.161	589.682
	<u><b>649.161</b></u>	<u><b>589.682</b></u>

##### 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:

Senior executives of Tat Gıda are determined as the Chairman and Members of the Board of Directors, General Manager, Assistant General Managers and Directors directly affiliated with the General Manager. In 2020, the total of benefits provided to Tat Gıda's senior executives is 25.888.624 TL (31 December 2019: 10.956.551 TL). 14.057.600 TL of this amount (31 December 2019: None.) Is related to the payments made due to separation and the remaining part consists of short-term benefits. After the costs reflected on the companies served by Tat Gıda, the cost incurred by Tat Gıda was 17,691,957 TL (31 December 2019: 8,343,782 TL). TL 8.180.420 of this amount (December 31, 2019: None.) is related to the payments made due to leaving.



## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### 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 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:

	<u>2020</u>	<u>2019</u>
Total Liabilities (Note 6)	303.045.501	227.598.456
Less: Cash and cash equivalents (Note 4)	(120.612.224)	(10.476.743)
Net Debt	182.433.277	217.121.713
Total Equity	704.747.165	560.584.913
Net Liability/Equity	0,2589	0,3873

##### 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 2020**

(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)*

<u>31 December 2020</u>	<u>Receivables</u>				<u>Deposits in Banks</u>	<u>Derivatives</u>
	<u>Trade Receivables</u>		<u>Trade Receivables</u>			
	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>		
Maximum credit risk exposure as of the reporting date (A + B + C + D + E)	<b>429.134.382</b>	<b>16.439.959</b>	--	<b>1.071.452</b>	<b>120.612.224</b>	<b>416.506</b>
- the portion of the maximum risk guaranteed by collateral.	--	2.624.931	--	--	--	--
A. Net book value of financial assets not overdue or impaired	311.576.931	7.838.464	--	1.071.452	120.612.224	416.506
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	117.557.451	5.976.564	--	--	--	--
- 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 2020**

(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)*

<b>31 December 2019</b>	<b>Receivables</b>				<b>Deposits in Banks</b>	<b>Derivatives</b>
	<b>Trade Receivables</b>		<b>Trade Receivables</b>			
	<b>Related Party</b>	<b>Third Party</b>	<b>Related Party</b>	<b>Third Party</b>		
Maximum credit risk exposure as of the reporting date A + B + C + D + E)	<b>376.303.231</b>	<b>7.577.101</b>	--	<b>1.336.347</b>	<b>10.476.743</b>	--
- 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.	102.930.500	2.073.539	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	--	--	--	--	--	--
- 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 2020**

(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)*

<b>31 December 2020</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>	<b>Deposits in banks</b>	<b>Others</b>
Past due 1-30 days	121.779.401	--	--	--
Past due 1-3 months	1.436.295	--	--	--
Past due 3-12 months	318.319	--	--	--
<b>Total past due receivables</b>	<b>123.534.015</b>	<b>--</b>	<b>--</b>	<b>--</b>

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

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

	<u>2020</u>	<u>2019</u>
	Nominal Value	Nominal Value
The part under guarantee with collateral	2.624.931	4.251.155

*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 2020**

(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 2020**

<b>Contractual Maturity Analysis</b>	<b>Carrying Value</b>	<b>Total Cash Outflows in accordance with contract (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>More than 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Bank borrowings and issued bonds	248.231.532	308.774.183	55.388.842	114.899.725	138.485.616	--
Trade payables	171.665.072	171.665.072	171.665.072	--	--	--
Trade payables to related parties	41.763.975	41.763.975	41.763.975	--	--	--
<b>Derivative financial liabilities</b>						
Derivative instruments	928.877	928.877	928.877	--	--	--
	<b>462.589.456</b>	<b>523.132.107</b>	<b>269.746.766</b>	<b>114.899.725</b>	<b>138.485.616</b>	<b>--</b>

**31 December 2019**

<b>Contractual Maturity Analysis</b>	<b>Carrying Value</b>	<b>Total Cash Outflows in accordance with contract (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>More than 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
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	--	--	--
<b>Derivative financial liabilities</b>						
Derivative instruments	7.873.916	7.989.760	1.597.952	4.793.856	1.597.952	--
<b>Total liabilities</b>	<b>393.043.651</b>	<b>426.368.003</b>	<b>236.883.531</b>	<b>4.793.856</b>	<b>184.690.616</b>	<b>--</b>

*b.3) Market risk management*

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

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

**TAT GIDA SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

(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:

<b>31 December 2020</b>	<b>TL Equivalent</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>
1. Trade receivables	19.994.842	1.600.000	900.000	14.374
2.a Monetary financial assets	60.059.073	3.426.606	3.875.051	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
<b>4. CURRENT ASSETS</b>	<b>80.053.915</b>	<b>5.026.606</b>	<b>4.775.051</b>	<b>14.374</b>
5. Trade receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON-CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSETS</b>	<b>80.053.915</b>	<b>5.026.606</b>	<b>4.775.051</b>	<b>14.374</b>
10. Trade payables	(10.136.625)	(1.137.848)	(197.414)	(600)
11. Financial liabilities	--	--	--	--
12.a Other monetary financial liabilities	(21.789.097)	(2.500.000)	(381.648)	--
12.b Other non-monetary financial liabilities	(5.453.500)	(742.933)	--	--
<b>13. CURRENT LIABILITIES</b>	<b>(37.379.222)</b>	<b>(4.380.781)</b>	<b>(579.062)</b>	<b>(600)</b>
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16.a Other monetary liabilities	(5.432.538)	--	(603.086)	--
16.b Other non-monetary liabilities	--	--	--	--
<b>17. NON-CURRENT LIABILITIES</b>	<b>(5.432.538)</b>	<b>--</b>	<b>(603.086)</b>	<b>--</b>
<b>18. TOTAL LIABILITIES</b>	<b>(42.811.760)</b>	<b>(4.380.781)</b>	<b>(1.182.148)</b>	<b>(600)</b>
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off-balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	37.242.155	645.825	3.592.903	13.774
<b>21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-12a-12b-14-15-16b)</b>	<b>37.242.155</b>	<b>645.825</b>	<b>3.592.903</b>	<b>13.774</b>
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 2020**

(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)*

<b>31 December 2019</b>	<b>TL Equivalent</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>
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	--	--	--	--
<b>4. CURRENT ASSETS</b>	<b>11.769.607</b>	<b>1.744.135</b>	<b>211.875</b>	<b>--</b>
5. Trade receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON-CURRENT ASSETS</b>				
<b>9. TOTAL ASSETS</b>	<b>11.769.607</b>	<b>1.744.135</b>	<b>211.875</b>	<b>--</b>
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	--	--
<b>13. CURRENT LIABILITIES</b>	<b>(5.101.111)</b>	<b>(351.214)</b>	<b>(451.791)</b>	<b>(1.305)</b>
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16.a Other monetary liabilities	--	--	--	--
16.b Other non-monetary liabilities	(4.861.615)	--	(731.004)	--
<b>17. NON-CURRENT LIABILITIES</b>	<b>(4.861.615)</b>	<b>--</b>	<b>(731.004)</b>	<b>--</b>
<b>18. TOTAL LIABILITIES</b>	<b>(9.962.726)</b>	<b>(351.214)</b>	<b>(1.182.795)</b>	<b>(1.305)</b>
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off-balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	1.806.881	1.392.921	(970.920)	(1.305)
<b>21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-12a-12b-14-15-16b)</b>	<b>1.806.881</b>	<b>1.392.921</b>	<b>(970.920)</b>	<b>(1.305)</b>
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 2020**

(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.

	<b>31 December 2020</b>	
	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	474.068	(474.068)
2- Part of hedged from US Dollar risk (-)	--	--
<b>3- US Dollar net effect</b>	<b>474.068</b>	<b>(474.068)</b>
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	3.236.451	(3.236.451)
5 – Part of hedged from EURO risk (-)	--	--
<b>6- Euro net effect</b>	<b>3.236.451</b>	<b>(3.236.451)</b>
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	13.697	(13.697)
8 – Part of hedged from GBP risk (-)	--	--
<b>9 – GBP net effect</b>	<b>13.697</b>	<b>(13.697)</b>
<b>TOTAL</b>	<b>3.724.216</b>	<b>(3.724.216)</b>



## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 (-)	--	--
<b>3- US Dollar net effect</b>	<b>827.423</b>	<b>(827.423)</b>
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 (-)	--	--
<b>6- Euro net effect</b>	<b>(645.720)</b>	<b>645.720</b>
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 (-)	--	--
<b>9 – GBP net effect</b>	<b>(1.015)</b>	<b>1.015</b>
<b>TOTAL</b>	<b>180.688</b>	<b>(180.688)</b>

###### 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 2020	31 December 2019
<b>Fixed Rate Instruments</b>		
Financial Assets	120.591.312	10.132.972
Financial Liabilities	261.591.199	235.472.372

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 30 – FINANCIAL INSTRUMENTS

##### Financial Instruments Classification and Fair Value

	Book Value		Fair Value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Financial Assets</b>				
Cash and cash equivalents	120.612.224	10.476.743	120.612.224	10.476.743
Trade receivables	16.439.959	7.577.101	16.439.959	7.577.101
Receivables from related parties	429.134.382	376.303.231	429.134.382	376.303.231
Other financial assets	--	--	4.381.574	2.517.599
<b>Financial Liabilities</b>				
Loan and borrowings	261.591.199	235.472.372	261.591.199	235.472.372
Trade payables	171.665.072	144.666.898	171.665.072	144.666.898
Payables to related parties	41.763.975	36.101.953	41.763.975	36.101.953
Derivative instruments	928.877	7.873.916	928.877	7.873.916

##### Fair value of financial instruments

Estimated fair values of financial instruments have been determined by the Company by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

##### **Financial assets**

Carrying values of cash and cash equivalents and trade receivables are assumed to reflect their fair values due to their short-term nature.

##### **Financial liabilities**

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Bank borrowings are measured at their amortized cost. It is estimated that the borrowings' fair values approximate to their carrying values.

The fair value of financial assets and financial liabilities are determined as follows:

- 1) First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued at the quoted prices.
- 2) Second level: Financial assets and liabilities and the related assets or liabilities other than quoted prices in first level directly or indirectly observable market prices are used to determine valuation.
- 3) Third level: Financial assets and liabilities, assets or liabilities that are used in determining the fair value observed in the market valuation is based on the data.

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

## TAT GIDA SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### NOTE 30 – FINANCIAL INSTRUMENTS (Continued)

	Level of fair value as of reporting date		
	1st Level TL	2 <sup>nd</sup> Level TL	3rd Level TL
<b>31 December 2020</b>			
Financial assets			
Fair value change reflected in other comprehensive income - equity instruments	--	--	4.381.574
Derivative instruments	--	416.506	--
<b>Total</b>	<b>--</b>	<b>416.506</b>	<b>4.381.574</b>
Financial liabilities			
Fair value change reflected in other comprehensive income - equity instruments	--	(928.877)	--
<b>Total</b>	<b>--</b>	<b>(928.877)</b>	<b>--</b>
	Level of fair value as of reporting date		
	1st Level TL	2 <sup>nd</sup> Level TL	3rd Level TL
<b>31 December 2019</b>			
Financial assets			
Fair value change reflected in other comprehensive income - equity instruments	--	--	2.517.599
<b>Total</b>	<b>--</b>	<b>--</b>	<b>2.517.599</b>
Financial liabilities			
Fair value change reflected in other comprehensive income - equity instruments	--	(7.873.916)	--
<b>Total</b>	<b>--</b>	<b>(7.873.916)</b>	<b>--</b>

#### NOTE 31 – SUBSEQUENT EVENTS

None.

#### NOTE 32 – OTHER MATTERS THAT MAY HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR BE EXPLAINED FOR THE CLEAR, INTERPRETABLE AND UNDERSTANDABLE OF THE FINANCIAL STATEMENTS

Due to the Covid 19 epidemic affecting the whole world, the slowdown observed in the general economic situation had minimal impact on the sector in which the Company is located, there were no disruptions in the procurement and sales processes of the Company, and no stoppage occurred in the production activities. In this process, the necessary actions have been taken by the Company management to minimize the possible effects of Covid 19 on the Company's activities and financial status.

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In this process, the necessary actions have been taken by the Company management to minimize the possible effects of Covid 19 on the Company's activities and financial status. Covid-19 outbreak of the effect of need in the world, will continue with how long and in Turkey is not can not be estimated precisely, severity and duration of effects becomes clear, medium and making facilities more pronounced and a healthy appreciation for the long term may be concerned. While preparing its financial statements dated December 31, 2020, the company evaluated the possible effects of the Covid 19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, possible impairment losses in the financial statements dated December 31, 2020 were evaluated and no significant impact was detected.