

TAT GIDA SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2020
(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Tat Gıda Sanayi Anonim Şirketi

Introduction

We have reviewed the accompanying condensed statement of financial position of Tat Gıda Sanayi Anonim Şirketi (the "Company") as at 30 June 2020, and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standard 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with TAS 34.

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

Mustafa Şafak Erdur, SMMM
Partner
6 August 2020
İstanbul, Turkey

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

TAT GIDA SANAYİ A.Ş.

CONDENSED INTERIM BALANCE SHEET AS AT 30 JUNE 2020

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

ASSETS	Notes	Reviewed	Audited
		30 June 2020	31 December 2019
Current Assets		937.655.976	779.850.592
Cash and cash equivalents		180.613.950	10.476.743
Derivative assets	11	742.559	--
Trade receivables		446.642.074	383.880.332
-Trade receivables from related parties	18	428.459.621	376.303.231
-Trade receivables from third parties	5	18.182.453	7.577.101
Other receivables		999.466	1.336.347
-Other receivables from third parties		999.466	1.336.347
Inventories	6	233.634.152	338.435.975
Prepaid expenses		30.578.527	6.539.667
Other current assets	17	43.476.124	36.850.078
		936.686.852	777.519.142
Assets held for sale	8	969.124	2.331.450
Non-Current Assets		221.349.151	246.512.801
Other receivables		68.085	68.085
-Other receivables from third parties		68.085	68.085
Financial investments		2.517.599	2.517.599
Property, plant and equipment	7	183.894.535	188.140.338
Right of use assets		21.788.317	21.415.501
Intangible assets		8.576.074	8.125.580
Deferred tax assets		1.982.106	1.034.826
Other non-current assets	17	2.522.435	25.210.872
TOTAL ASSETS		1.159.005.127	1.026.363.393

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

TAT GIDA SANAYİ A.Ş.**CONDENSED INTERIM BALANCE SHEET AS AT 30 JUNE 2020 (CONTINUED)**

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

LIABILITIES	Notes	Reviewed	Audited
		30 June 2020	31 December 2019
Short Term Liabilities		357.566.908	274.590.344
Short-term financial borrowings	4	39.237.293	--
Short-term portion of long-term borrowings	4	74.008.777	54.400.884
Short-term financial lease liabilities	4	7.997.457	6.587.202
-Financial lease liabilities due from related parties	18	3.686.142	3.094.456
-Financial lease liabilities due from other parties		4.311.315	3.492.746
Trade payables		173.362.929	180.768.851
- Trade payables to related parties	18	20.380.065	36.101.953
- Trade payables to third parties	5	152.982.864	144.666.898
Employee benefit obligations		4.804.379	7.193.554
Derivative liabilities	11	7.985.114	115.844
Other payables		8.788.642	11.075.393
- Other payables from related parties	18	2.503.646	6.434.748
- Other payables from third parties		6.284.996	4.640.645
Deferred income		18.740.980	4.594.277
Current tax liabilities		7.911.682	4.273.421
Short-term provisions		14.729.655	4.633.094
- Short-term provisions for employment benefits		2.700.000	2.200.000
- Other short-term provisions		12.029.655	3.380.918
Long Term Liabilities		210.284.755	191.188.136
Long-term financial borrowings	4	175.000.000	150.000.000
Long-term lease liabilities	4	16.911.329	16.610.370
-Lease liabilities due from related parties	18	7.990.592	8.186.960
-Lease liabilities due from other parties		8.920.737	8.423.410
Derivative liabilities	11	--	7.758.072
Long-term provisions		18.373.426	16.819.694
- Long-term provisions for employment benefits		18.373.426	16.819.694
EQUITY		591.153.464	560.584.913
Share capital	10	136.000.000	136.000.000
Inflation adjustment to share capital	10	21.601.088	21.601.088
Share premiums	10	10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		(5.261.813)	(5.116.980)
- Financial assets revaluation reserve		934.316	934.316
- Losses related to hedging from cash flow risk		(6.196.129)	(6.051.296)
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(691.572)	(691.572)
-Actuarial losses in defined benefit plan		(691.572)	(691.572)
Restricted reserves	10	29.533.360	95.621.022
Prior years' profit		339.017.831	236.908.106
Profit for the period		60.846.761	66.155.440
TOTAL LIABILITIES		1.159.005.127	1.026.363.393

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

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

TAT GIDA SANAYİ A.Ş.

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

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

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
	Notes	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Profit or loss					
Sales	12	745.370.382 (579.872.850)	368.236.975	533.335.134 (419.118.135)	271.336.449
Cost of sales (-)	12)	(287.375.078))	(216.268.562)
Gross profit		165.497.532	80.861.897	114.216.999	55.067.887
Marketing expenses (-)		(48.502.544)	(24.974.459)	(46.733.567)	(22.782.756)
Administrative expenses (-)		(32.672.649)	(15.558.854)	(30.146.827)	(13.962.498)
Research and development expenses (-)		(789.860)	(381.073)	(848.209)	(428.906)
Other income from operating activities	13	23.675.284	13.873.145	26.026.249	11.912.837
Other expenses from operating activities (-)	13	(10.850.929)	(5.388.670)	(11.552.050)	(4.342.395)
Operating profit		96.356.834	48.431.986	50.962.595	25.464.169
Income from investing activities	14	547.911	423.201	961.257	842.781
Expenses from investing activities (-)	14	(32.092)	(27.974)	--	--
Impairment gains / (losses) determined in accordance with TFRS 9 and reversals of impairment losses		(19.494)	--	--	--
Profit from operating activities		96.853.159	48.827.213	51.923.852	26.306.950
Financial income	15	8.815.123	5.006.679	24.485.011	19.756.866
Financial expenses (-)	15	(24.919.519)	(12.224.789)	(39.301.754)	(25.514.414)
Financial (expense) / income		(16.104.396)	(7.218.110)	(14.816.743)	(5.757.548)
Profit from continuing operations, before tax		80.748.763	41.609.103	37.107.109	20.549.402
Tax expense from continuing operations		(19.319.470)	(8.311.529)	(4.812.624)	(2.335.844)
- Current period tax expense	16	(20.213.187)	(8.095.294)	(3.831.924)	(2.068.774)
- Deferred tax income / (expense)	16	893.717	(216.235)	(980.700)	(267.070)
Profit before discontinuing operations		61.429.293	33.297.574	32.294.485	18.213.558
Profit / (loss) from discontinued operations		(582.532)	(1.164.532)	943.492	1.311.351
Profit for the period		60.846.761	32.133.042	33.237.977	19.524.909
Earnings per common and diluted share from continuing operations		0,45	0,24	0,24	0,13
Earnings per common and diluted share from discontinued operations		0,45	0,24	0,24	0,13
Other comprehensive income:					
Gains / (losses) in revaluation reserve		(185.683)	133.384	--	--
Profit / (loss) related to hedging from cash flow risk		40.850	(29.345)	--	--
Total other comprehensive income		(144.833)	104.039	--	--
Total comprehensive income		60.701.928	32.237.081	33.237.977	19.524.909

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

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TAT GIDA SANAYİ A.Ş.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

	Other comprehensive income that will not be Reclassified in Profit or Loss				Other comprehensive income that will be Reclassified in Profit or Loss					
	Paid in share capital	Inflation adjustments to paid in capital	Share premiums (discounts)	Gains / (losses) on revaluations and remasurements	Cash flow hedges	Gains / (losses) on remeasurements of defined benefit plans	Restricted reserves appropriated from profit	Net profit for the period	Retain earnings	Total equity
Balance as at 1 January 2019	136.000.000	21.601.088	10.107.809	232.466	--	404.935	94.838.483	38.576.777	199.113.868	500.875.426
Transfers	--	--	--	--	--	--	782.539	(38.576.777)	37.794.238	--
Total comprehensive income	--	--	--	--	--	--	--	33.237.977	--	33.237.977
Balance as at 30 June 2019	136.000.000	21.601.088	10.107.809	232.466	--	404.935	95.621.022	33.237.977	236.908.106	534.113.403
Balance as at 1 January 2020	136.000.000	21.601.088	10.107.809	934.316	(6.051.296)	(691.572)	95.621.022	66.155.440	236.908.106	560.584.913
Transfers (*)	--	--	--	--	--	--	(66.087.662)	(66.155.440)	132.243.102	--
Dividends paid	--	--	--	--	--	--	--	--	(30.133.377)	(30.133.377)
Total comprehensive income	--	--	--	--	(144.833)	--	--	60.846.761	--	60.701.928
Balance as at 30 June 2020	136.000.000	21.601.088	10.107.809	934.316	(6.196.129)	(691.572)	29.533.360	60.846.761	339.017.831	591.153.464

* The profits arising from the Maret brand and Harranova affiliate sales, which are considered as restricted reserves in equity, have been transferred to the retained earnings account due to the expiration of the period specified in the tax legislation.

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

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

TAT GIDA SANAYİ A.Ş.

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

		Reviewed	Reviewed
	Notes	1 January- 30 June 2020	1 January- 30 June 2019
Net profit for the period		60.846.761	33.237.977
Adjustments to reconcile profit for the period:			
Adjustments for depreciation and amortization expenses	3	10.430.990	9.227.370
Adjustments for impairment		4.506.364	1.042.607
<i>Adjustments for impairment of trade receivables</i>	5	4.506.364	1.502.666
<i>Adjustments for impairment of inventories</i>	6	4.486.870	1.042.607
Adjustments for provisions		12.561.541	7.597.710
<i>Adjustments for provision related with employee benefits</i>		3.912.804	5.329.872
<i>Adjustments for other provision</i>		8.648.737	2.267.838
Profit / (loss) from sale of property, plant and equipment	14	(295.333)	(721.878)
Adjustments for income accruals	17	(3.348.961)	1.125.189
Adjustments for fair value of derivatives instruments		(631.361)	(3.649.976)
Adjustments for tax expenses	16	19.319.470	4.812.624
Adjustments for unrealized foreign exchange loss, net		(445.217)	586.956
Deferred financial expense due to purchases with maturity		(607.244)	746.759
Unearned financial income due to sales with maturity		806.306	(1.548.888)
Interest income	15	(2.359.747)	(4.763.078)
Interest expense		15.585.476	25.363.276
Changes in working capital		116.369.045	73.056.648
Changes in trade receivables and other receivables		(9.680.721)	(7.708.068)
Changes in due from related parties		(52.156.390)	(21.240.543)
Changes in inventories		100.314.953	76.111.172
Changes in prepaid expenses		(24.038.860)	(18.842.063)
Changes in other current and non-current assets		22.487.993	33.643.931
Changes in trade payables		7.509.660	2.391.480
Changes due to related parties		(15.721.888)	(24.448.276)
Changes in deferred income		14.146.703	(1.064.442)
Changes in employee benefit payables		(335.443)	(660.126)
Changes in other liabilities		(2.286.751)	(1.785.887)
Cash flows from operating activities		156.608.301	109.453.826
Employee termination benefits paid		(1.859.072)	(2.679.620)
Taxes paid		(14.787.492)	(2.786.873)
Net cash flows from operating activities		139.961.737	103.987.333
Investing activities:			
Property, plant and equipment and intangible asset acquisitions		(5.091.923)	(10.481.499)
Cash generated from sale of property, plant and equipment and intangible assets		1.739.842	729.903
Net cash used in investing activities		(3.352.081)	(9.751.596)
Financing activities:			
Interest received		2.359.747	4.079.965
Cash outflows due to leasing payments		(5.655.674)	(3.504.080)
Cash inflows due to borrowing received		311.006.113	174.575.351
Cash outflows due to borrowing payments		(228.463.782)	(62.652.274)
Interest paid		(15.585.476)	(22.396.399)
Dividend payment		(30.133.377)	--
Net cash from in financing activities		33.527.551	90.102.563
Net change in cash and cash equivalents		170.137.207	184.338.300
Cash and cash equivalents at the beginning of the period		10.476.743	27.697.717
Cash and cash equivalents at the end of the period		180.613.950	212.036.017

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

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

TAT GIDA SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

NOTE 1 – COMPANY’S ORGANISATION AND NATURE OF OPERATIONS

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.

As of 30 June 2020 and 31 December 2019, 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
Total	1.078	924	823	1.061
Permanent Personnel	726	727	741	796
Temporary Personnel	352	197	82	265

The domestic marketing and sales activities of the Company are performed by Düzey Tüketim Malları Sanayi Pazarlama A.Ş. (“Düzey”), a Koç Group company.

Koç Holding A.Ş. is the main shareholder and the ultimate owner of the Company.

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

The registered office address of the Company is as follows:

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basic Principles of Presentation

Principles of measurement

The condensed interim financial statements are prepared in Turkish Lira (“TL”) based on the historical cost convention except for the equity instruments which are carried at fair value. 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 ended on 31 December 2004.

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 11/367 taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies” issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

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

TAT GIDA SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

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

The accompanying condensed interim financial statements are prepared in accordance with Turkish Financial Reporting Standards Accounting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) together with the provisions of accordance with to Capital Market Board of Turkey (“CMB”)’s “Principles of Financial Reporting in Capital Market” dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TFRS consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, TAS interpretations and TFRS interpretations.

Interim condensed financial statements are presented in accordance with the TFRS Taxonomy developed on the basis of the financial statement samples specified in the Financial Statement Examples and User Guide published in the Official Gazette dated 7 June 2019 and numbered 30794 by POA.

Approval of financial statements:

The accompanying interim condensed financial statements are approved by the Company’s Board of Directors on 6 August 2020.

2.3 Financial Statements of Comparative Information and Restatement of Prior Period

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

Regarding the sale of the Pastavilla brand in 2019, all income and expenses from Pastavilla were classified under "period profit / (loss) from discontinued operations" in the profit or loss and other comprehensive income statement for the period 1 January - 30 June 2019.

2.4 Change in accounting policy

The accounting policies applied in the interim condensed financial statements of the Company are the same as the accounting policies applied in the financial statements for the year ended 31 December 2019.

2.5 New and Revised International Financial Reporting Standards:

Amendments published as of 30 June 2020 but not yet taken into effect and not implemented early

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. This amendments 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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.5 New and Revised International Financial Reporting Standards (continued)

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

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 does not expect that application of these amendments to IAS 1 will have significant impact on its financial statements.

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.

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the financial statements of the Company.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the financial statements of the Company.

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

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

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TAT GIDA SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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

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

2.5 New and Revised International Financial Reporting Standards (continued)

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

Reference to the Conceptual Framework (Amendments to IFRS 3)

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

The amendments updated IFRS 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 IAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 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 IAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 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 IAS 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 IFRS Standards 2018–2020

Improvements to IFRSs

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

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

2.5 New and Revised International Financial Reporting Standards (continued)

Annual Improvements to IFRS Standards 2018–2020 (continued)

Improvements to IFRSs (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 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 IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

IFRS 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.

IFRS 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.

IAS 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 IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13.

2.6 Summary of Significant Accounting Policies

According to CMB, the entities have option to prepare interim financial statements prepared according to TAS 34 “Interim Financial Statements” as condensed or full set. Therefore, the Company decided to prepare its interim financial statements as of 30 June 2020 as condensed.

Some of the disclosures and notes that are required to be included in TFRS financial statements under the CMB are summarized in accordance with TAS 34 or not included in the financial statements. The accompanying condensed financial statements should be evaluated with the financial statements and accompanying notes prepared as of 31 December 2019.

Accounting policies and accounting estimates disclosed in the 31 December 2019 financial statements are applied in the current period.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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NOTE 3 – SEGMENT REPORTING

Primary Segmental Reporting Method - Industrial Segments

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

- Tomato paste and canned foods
- Milk and dairy products
- Pasta and mealy products

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

Within the framework of long-term business plans by the board of directors, considering the share and profitability of the total revenue, leaving the pasta and bakery products business and focusing on the main business lines, tomato paste, canned goods and milk and dairy business lines; production activities of Pastavilla, operating in the “pasta and bakery products” business in Bornova district of İzmir province, have been terminated as of 2 September 2019 and sales activities have been terminated after the completion of the brand transfer.

Domestic selling and marketing activities are operated by Düzey which is a Koç Group Company. Sales amount to the Düzey is TL 619.983.721 (30 June 2019: TL 463.919.902)

a) Revenue segmental analysis for the period ended 1 January - 30 June 2020 and 2019

	1 January-30 June 2020	1 April-30 June 2020	1 January-30 June 2019	1 April-30 June 2019
Tomato paste and canned products	393.724.295	192.761.975	254.761.019	131.200.432
Milk and dairy products	351.646.087	175.475.000	278.574.115	140.136.017
	745.370.382	368.236.975	533.335.134	271.336.449

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NOTE 3 – SEGMENTAL REPORTING (CONTINUED)

b) Segment assets

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

As of 30 June 2020 and 31 December 2019, the recorded amounts of the segment assets according to industrial segments are as follows:

	30 June 2020	31 December 2019
Tomato paste and canned products	113.731.230	109.123.130
Milk and dairy products	80.543.974	78.220.396
Discontinued operations	969.124	2.331.449
Assets that cannot be allocated to segments	19.983.722	8.922.394
	215.228.050	198.597.369

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 not analyzed in the basis of industrial segments. As a result, reporting of segment liabilities are not required.

d) Depreciation and amortization and capital expenditures

For the periods ended 30 June 2020 and 2019, depreciation and amortization of the industrial segment assets are as follows:

	1 January -30 June 2020	1 April -30 June 2020	1 January -30 June 2019	1 April -30 June 2019
Amortization and depreciation costs				
Tomato paste and canned products	5.790.597	2.916.417	5.598.199	2.983.904
Milk and dairy products	2.016.429	1.099.910	1.742.227	1.060.322
Discontinued operations	--	--	391.352	207.628
Assets that cannot be allocated to segments	2.623.964	1.342.809	1.495.592	585.570
	10.430.990	5.359.136	9.227.370	4.837.424

For the periods ended 30 June 2020 and 2019, investment expenditures for the industrial segment assets are as follows:

	1 January -30 June 2020	1 April -30 June 2020	1 January -30 June 2019	1 April -30 June 2019
Investment expenditures(*)				
Tomato paste and canned products	6.691.637	5.404.316	8.047.360	6.167.218
Milk and dairy products	444.507	254.171	1.468.567	1.352.738
Discontinued operations	--	--	37.698	19.898
Assets that cannot be allocated to segments	293.916	206.640	927.874	760.189
	7.430.060	5.865.127	10.481.499	8.300.043

(*) As of 30 June 2020, TL 5.091.923 of investment expenditures consist of cash outflows arising from purchases of tangible and intangible assets (30 June 2020: 10.481.499 TL).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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NOTE 4 – FINANCIAL BORROWINGS

The financial liabilities at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Short term borrowings	39.237.293	--
Short term portion of long term borrowings	3.894.375	54.244.208
Short term portion of bonds issued	70.114.402	156.676
Short term lease liabilities	7.997.457	6.587.202
Total short term financial liabilities	121.243.527	60.988.086
Long term borrowings	175.000.000	80.000.000
Bonds issued	--	70.000.000
Long term lease liabilities	16.911.329	16.610.370
Total long term financial liabilities	191.911.329	166.610.370
	313.154.856	227.598.456

There are no pledges and mortgages given by the Company, related to its financial liabilities (31 December 2018: None).

The Company's loans are in Turkish Lira and have fixed interest rates.

The company's loans have fixed interest rates. The details of financial borrowings as of 30 June 2020 are as follows:

	The weighted average interest rate	Original amount	30 June 2020 Book Value (TL)
Short term financial borrowings			
TL borrowings	7,87%	39.237.293	39.237.293
TL borrowings	9,64%	3.894.375	3.894.375
Bonds issued	8,52%	70.114.402	70.114.402
			113.246.070
Long term financial borrowings			
TL borrowings	9,64%	175.000.000	175.000.000
			175.000.000

The details of financial borrowings as of 31 December 2019 are as follows:

	The weighted average interest rate	Original amount	31 December 2019 Book Value (TL)
Short term financial borrowings			
TL borrowings	16,32%	54.244.208	54.244.208
Bonds issued	11,67%	156.676	156.676
			54.400.884
Long term financial borrowings			
TL borrowings	14,34%	80.000.000	80.000.000
Bonds issued	11,67%	70.000.000	70.000.000
			150.000.000

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

NOTE 4– FINANCIAL BORROWINGS (CONTINUED)

Repayment schedule of the long-term borrowings issued at 30 June 2020 and 31 December 2019 of are as follows:

	30 June 2020	31 December 2019
2020	6.140.570	54.400.884
2021	132.105.500	150.000.000
2022	150.000.000	--
	288.246.070	204.400.884

As of 30 June 2020 and 31 December 2019, repayment schedule of the long-term lease obligations in TL are as follows:

	30 June 2020	31 December 2019
Less than one year	7.997.457	6.587.202
Between one and two years	5.356.356	6.948.287
Between two and three years	5.433.631	5.434.536
Between three and four years	6.121.342	4.227.547
	24.908.786	23.197.572

NOTE 5 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables

The analysis of trade receivables and trade payables at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
Due from related parties (Note 18)	428.459.621	376.303.231
Trade receivables	21.063.818	8.835.953
Notes and cheques receivables	--	1.603.019
Provisions for doubtful receivables	(2.881.365)	(2.861.871)
	446.642.074	383.880.332

Movement of allowance for doubtful receivables of the Company for the period ended 30 June 2020 and 2019 is as follows:

	1 January-30 June 2020	1 January-30 June 2019
Opening balance	(2.861.871)	(2.934.069)
Provision of the period	(19.494)	--
	(2.881.365)	(2.934.069)

The explanations related to quality and level of risks at trade receivables are explained at note 17.

Trade Payables

As of 30 June 2020 and 31 December 2019, the details of trade payables are as follows:

	30 June 2020	31 December 2019
Domestic suppliers	152.982.864	144.666.898
Due to related parties (Note 18)	20.380.065	36.101.953
	173.362.929	180.768.851

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NOTE 6 - INVENTORIES

As of 30 June 2019 and 31 December 2018, the details of inventories are as follows:

	30 June 2020	31 December 2019
Raw materials	68.485.517	45.565.139
Semi-finished goods	18.007.229	7.599.789
Finished goods	151.234.794	284.849.190
- <i>Tomato paste and canned products</i>	<i>125.537.523</i>	<i>264.933.651</i>
- <i>Milk and dairy products</i>	<i>25.697.271</i>	<i>19.915.539</i>
Other inventory	393.482	421.857
Impairment of inventory	(4.486.870)	--
	233.634.152	338.435.975

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

For the periods ended 30 June 2020 and 30 June 2019, property, plant and equipment movement are as follows:

	1 January – 30 June 2020	1 January – 30 June 2019
Net book value as of 1 January	188.140.338	189.547.315
Additions	4.774.683	9.278.636
Disposals	(82.183)	(174.211)
Transfers (*)	(750.000)	--
Depreciation of the current period	(8.188.303)	(7.874.134)
	183.894.535	190.777.606

NOTE 8 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Tat Gıda Sanayi A.Ş. within the framework of long-term business plans, the board of directors decided to remove pasta and bakery products from its business line, and to focus on the main business lines, tomato paste, canned goods, and dairy products. The production activities of Pastavilla, operating in the “pasta and bakery products” business line in Bornova district of İzmir province, were decided to be terminated as of September 2, 2019, and after the completion of the brand handover; in this line of business, it was decided to transfer Pastavilla, Kartal, Lunch & Dinner brands owned by the company to Durum Gıda Sanayi ve Ticaret A.Ş, which is not among the related parties of the company, with a total of 8.000.000 TL + VAT in advance; in case of suitable conditions in the future, the sale of the factory land, production materials and equipment was decided by the board of directors with the decision number 2019/20 of August 2, 2019, after the approval of the Competition Board dated 26 September 2019, the sales process was completed on 2 October 2019.

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

	30 June 2020	31 December 2019
Cost	4.897.774	50.439.570
Amortization	(3.928.650)	(48.108.120)
Net book value	969.124	2.331.450

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NOTE 8 – ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

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

	30 June 2020	30 June 2019
Revenue	--	37.898.206
Cost of sales (-)	--	(33.797.734)
Gross profit	--	4.100.472
Operating expenses related to discontinued operations (-)	(369.403)	(3.661.052)
Other expenses related to discontinued operations (-)	(3.051.342)	(531.785)
Other income related to discontinued operations	2.838.213	1.035.857
Profit / (loss) before tax from discontinued operations	(582.532)	943.492
Tax expense related to discontinued operations	--	--
Profit / (loss) from discontinued operations	(582.532)	943.492

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

	30 June 2020	31 December 2019
A. On the behalf of legal entity	64.490.359	40.593.866
B. On the behalf of associations that included in full consolidation	--	--
C. On the behalf of third parties' liabilities within the context of business operations	--	--
-Given on the behalf of parent company	--	--
-Given on the behalf of other group companies which are not included in B and C clauses	--	--
-Given on the behalf of third parties which are not included in C clause	--	--
D. Others	--	--
	64.490.359	40.593.866

Company has miscellaneous guarantee letters given to tax office (for VAT receivable), T.Ihracat Kredi Bankası A.Ş. and customs amounting to TL 64.490.359 (31 December 2019: TL 40.593.866).

Total guarantees given by the Company are in TL currency and neither any pledges nor encumbrances are given by the Company. Ratio of commitments and contingencies given by the Company to the Shareholders Equity on 30 June 2019 is 1% (31 December 2018: 1%).

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NOTE 10 – SHAREHOLDER’S EQUITY

a) Share Capital

The Company’s share capital of 30 June 2020 consists of 13.600.000.000 number of shares, each with a nominal value of 1 Kuruş and there is no preferred stock. (31 December 2019: 13.600.000.000 number of shares each with a nominal value of 1 Kuruş).

As of 30 June 2020 and 31 December 2019, the shareholders and paid-in capital with the historical values are as follows:

	30 June		31 December	
	%	2020	%	2019
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Halka açık	41,4	56.312.844	41,4	56.312.844
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Other	6,4	8.745.169	6,4	8.745.169
Total Share Capital	100	136.000.000	100	136.000.000
Inflation adjustments to share capital		21.601.088		21.601.088
Adjusted share capital		157.601.088		157.601.088

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 passed to this system with the permission of the Capital Markets Board 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 30 June 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 30 June 2020, the premium 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 30 June 2020 and 31 December 2019, the Company's details of restricted reserves are as follows:

	30 June	31 December
	2019	2019
Legal reserves	29.533.360	25.705.319
Special reserves	--	69.915.703
Total	29.533.360	95.621.022

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NOTE 10 – SHAREHOLDER’S EQUITY (CONTINUED)

Legal Reserves

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

Special Reserves

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. During the relevant period, the Company transferred Special funds amounting to TL 69.915.703 to the retained earnings.

d) Dividend distribution

According to the decision taken at the Ordinary General Assembly meeting held on 19 March 2020, the Company allocated legal reserves in the amount of TL 1.494.745 from the net profit for the year 2019, amounting to TL 66.155.440. On the remaining net profit, the profit of 30.133.377 TL, 27.200.000 TL to the shareholders and 2.933.377 TL to the founder redeemed shareholders, was distributed as dividends. This amount was paid on 26 March 2020.

NOTE 11 – DERIVATIVE INSTRUMENTS

As at 30 June 2020 and 31 December 2019, derivative assets are as follows:

	30 June 2020	31 December 2019
Short term derivative assets	742.559	--
Total derivative assets (*)	742.559	--

(*) Short term derivative assets consist of foreign currency swap transactions.

As at 30 June 2020 and 31 December 2019, derivative liabilities due from interest rate swap are as follows:

	30 June 2020	31 December 2019
Short term liabilities	7.985.114	115.844
Long term liabilities	--	7.758.072
Total derivative liabilities (**)	7.985.114	7.873.916

(**) The company issued bonds with a coupon interest payment every three months, with a value of TL 70,000,000, on 25 June 2019, based on the decision of the board of directors numbered 2019/18 dated April 26, 2019. As of June 30, 2020, the amount of interest rate swap transaction with Türkiye Ekonomi Bank in order to avoid the risks that may occur at the interest rate is TL 7,985,114(31 December 2019: TL 7.873.916).

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NOTE 12 – SALES AND COST OF SALES

For the periods 1 January – 30 June 2020 and 2019, gross profit as a result of revenues and cost of sales are as follows:

	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Domestic Sales (net)	677.975.687	335.803.250	493.008.104	259.626.549
Foreign Sales (net)	67.394.695	32.433.725	40.327.030	11.709.900
Total Operating Revenue	745.370.382	368.236.975	533.335.134	271.336.449
Cost of sales	(579.872.850)	(287.375.078)	(419.118.135)	(216.268.562)
Gross Profit	165.497.532	80.861.897	114.216.999	55.067.887

NOTE 13 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

For the periods 1 January – 30 June 2020 and 2019, other income and profits from operating activities are as follows:

	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Other Operating Income				
Income from maturity differences	17.556.002	9.941.848	23.634.208	10.496.350
Exchange differences from commercial activities	2.550.922	1.277.420	1.416.959	543.942
Provisions released	--	--	120.942	120.942
Other	3.568.360	2.653.877	854.140	751.603
	23.675.284	13.873.145	26.026.249	11.912.837

For the periods 1 January – 30 June 2020 and 2019, other expenses from operating activities are as follows:

	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Other Operating Expense				
Expense from maturity differences	(6.288.591)	(3.180.545)	(6.373.229)	(3.621.475)
Law suit expenses	(1.977.031)	(853.594)	(2.762.046)	(2.762.046)
Exchange differences from commercial activities	(744.858)	(456.003)	(791.728)	1.336.464
Other	(1.840.449)	(898.528)	(1.625.047)	704.662
	(10.850.929)	(5.388.670)	(11.552.050)	(4.342.395)

NOTE 14 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

For the periods 1 January – 30 June 2020 and 2019, investment income and expenses are as follows:

	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Income from Investing Activities				
Gain on sale of property, plant and equipment	327.425	318.200	721.878	721.878
Other	220.486	105.001	239.379	120.903
	547.911	423.201	961.257	842.781
Expenses from Investing Activities				
Losses on sale of property, plant and equipment	(32.092)	(27.974)	--	--
	(32.092)	(27.974)	--	--

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

NOTE 15 – FINANCIAL INCOME AND EXPENSES

For the periods 1 January – 30 June 2020 and 2019, financial income and expenses are as follows:

	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Financial income				
Foreign exchange gains	6.455.376	3.626.140	19.673.832	15.793.140
Interest income on time deposits	2.359.747	1.380.539	4.763.078	3.915.625
Other	--	--	48.101	48.101
	8.815.123	5.006.679	24.485.011	19.756.866
	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Financial expenses				
Bank loans interest expenses	(10.387.250)	(4.917.002)	(23.923.530)	(13.425.551)
Foreign exchange expenses	(4.499.260)	(2.226.852)	(13.570.621)	(10.769.675)
Interest expenses on bond issued	(3.757.186)	(1.741.483)	--	--
Derivative transactions fair value difference losses, net	(3.328.357)	(1.801.297)	--	--
Credit early closing commission expenses	(1.457.426)	(761.111)	--	--
Lease interest expenses	(1.240.928)	(623.718)	(1.416.763)	(928.348)
Other	(249.112)	(153.326)	(390.840)	(390.840)
	(24.919.519)	(12.224.789)	(39.301.754)	(25.514.414)

NOTE 16 – INCOME TAX

Total income tax benefit/ (expense) recognized in profit or loss for the year ended 30 June 2020 and 2019 are as follows:

	1 January -30 June 2020	1 April-30 June 2020	1 January -30 June 2019	1 April-30 June 2019
Current tax expense	(20.213.187)	(8.095.294)	(3.831.924)	(2.068.774)
Deferred tax (expense)/ income	893.717	(216.235)	(980.700)	(267.070)
Toplam tax expense	(19.319.470)	(8.311.529)	(4.812.624)	(2.335.844)

NOTE 17 – OTHER ASSETS

As of 30 June 2020 and 31 December 2019, the details of other assets are as follows:

	30 June 2020	31 December 2019
Other current assets:		
VAT receivables	28.069.728	26.441.934
Income accruals	12.295.868	8.946.907
Advances given	2.669.461	--
VAT receivables arising from exports	441.067	1.409.478
Other	--	51.759
	43.476.124	36.850.078
	30 June 2020	31 December 2019
Other non-current assets:		
Advances given	2.522.435	63.000
VAT receivables	--	25.147.872
	2.522.435	25.210.872

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NOTE 18 – RELATED PARTY TRANSACTIONS

i) As of 30 June 2020 and 31 December 2019, the details of related party balances are as follows:

a) Deposits at banks:

Yapı ve Kredi Bankası A.Ş.	30 June 2020	31 December 2019
Time Deposits	7.541.634	3.106.042
Current Deposits	--	22.823
	7.541.634	3.128.865

b) Due from related parties:

	30 June 2020	31 December 2019
Düzey (*)	418.125.042	369.803.995
Ram Dış Ticaret A.Ş.	10.334.579	6.499.236
	428.459.621	376.303.231

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

c) Due to related parties:

Trade Payables	30 June 2020	31 December 2019
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	14.503.711	17.540.424
Koç Sistem A.Ş.	1.774.641	2.885.934
Yapı Kredi Bankası A.Ş. (**)	1.161.908	8.004.495
Ingage Dijital Pazarlama A.Ş.	768.059	2.551.738
Otokoç Otomotiv Tic.ve San.A.Ş.	728.726	927.740
Other	1.443.020	4.191.622
	20.380.065	36.101.953

Other Payables	30 June 2020	31 December 2019
Koç Holding A.Ş.	2.503.646	6.434.748
Total Trade and Other Payables	22.883.711	42.536.701

(*) Supplies, services, logistics and media are purchased from Zer Merkezi Hizmetler ve Ticaret A.Ş.

(**) It is the balance resulting from the assignment of receivables agreement with Yapı Kredi Bank.

Lease liabilities	30 June 2020	31 December 2019
Temel Ticaret Yatırım A.Ş.	7.019.701	6.963.131
Otokoç Otomotiv Tic.ve San.A.Ş.	4.433.007	4.063.097
Zer Merkezi Hizmetler ve Ticaret A.Ş.	224.026	255.188
Total lease liabilities	11.676.734	11.281.416

ii) For the periods ended 30 June 2020 and 2019, the details of significant sales to related parties and purchases from related parties are as follows:

a) Sales to related parties:

	1 January-30 June 2020	1 January-30 June 2019
Düzey (*)	619.983.721	463.919.902
Ram Dış Ticaret A.Ş.	35.889.383	32.804.134
Zer Merkezi Hizmetler ve Ticaret A.Ş.	21.559.690	--
	677.432.794	496.724.036

(*) The Company's domestic selling and marketing operations are carried out by the Koç Group Company, Düzey. Average maturity date for Düzey is 90 days (2019: 90 days).

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NOTE 18 – RELATED PARTY TRANSACTIONS (CONTINUED)

ii) For the periods ended 30 June 2020 and 2019, the details of significant sales to related parties and purchases from related parties are as follows (continued)

b) Purchase from related parties:

	1 January-30 June 2020	1 January-30 June 2019
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	11.435.174	13.531.146
Opet Petrolcülük A.Ş.	420.896	528.422
Divan Turizm İşletmeleri A.Ş.	160.985	117.841
Arçelik Pazarlama A.Ş.	--	47.996
Other	10.936	24.168
	12.027.991	14.249.573

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

c) Services obtained from related parties:

	1 January-30 June 2020	1 January-30 June 2019
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	29.339.645	25.340.741
Koç Holding A.Ş. (**)	3.800.704	3.707.911
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2.054.017	1.905.720
Eltak Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	1.997.218	2.808.056
Ingage Dijital Pazarlama A.Ş.	1.369.598	2.506.357
Otokoç Otomotiv Tic. ve San. A.Ş.	1.178.262	1.179.276
Temel Ticaret ve Yatırım A.Ş.	1.059.526	911.278
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	700.811	680.786
Ram Dış Ticaret A.Ş.	473.352	1.254.173
Setur Servis Turistik A.Ş.	230.783	395.688
Other	163.849	199.268
	42.367.765	40.889.254

(*) In the context of insurance policies signed via acting as insurance agent Ram Insurance Brokerage Services A.Ş. and insurance companies, it includes the amount of premium paid accrued in the period ended June 30, 2020 and 2019, respectively.

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

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

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NOTE 18 – RELATED PARTY TRANSACTIONS (CONTINUED)

iii) For the periods ended 30 June 2020 and 2019, the details of financial income to related parties are as follows:

a) Interest income:

	1 January-30 June 2020	1 January-30 June 2019
Yapı ve Kredi Bankası A.Ş.	254.575	45.497
	254.575	45.497

iv) For the periods ended 30 June 2020 and 2019, the details of other income and expenses from / to related parties are as follows:

a) Rent payment:

	1 January-30 June 2020	1 January-30 June 2019
Temel Ticaret ve Yatırım A.Ş.	1.462.447	1.120.820
Otokoç Otomotiv Tic.Ve San.A.Ş.	1.209.303	811.787
Zer Merkezi Hiz.Ve Tic.A.Ş.	83.562	74.892
	2.755.312	2.007.499

b) Payments to key management:

	1 January-30 June 2020	1 January-30 June 2019
Payments to key management	3.513.560	2.682.240
	3.513.560	2.682.240

NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

a) Financial Risk Factors

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

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

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

a.1) Credit Risk Management

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

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

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

NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

<u>30 June 2020</u>	<u>Receivables</u>				<u>Deposits</u> <u>in Banks</u>	<u>Derivative</u> <u>instruments</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)	428.459.621	18.182.453	--	1.067.551	180.613.950	742.559
- The portion of the maximum risk guaranteed by collateral.	--	--	--	--	--	--
A. Net book value of financial assets not overdue or impaired	318.306.598	1.549.430	--	1.067.551	180.613.950	742.559
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	110.153.023	16.633.023	--	--	--	--
- Collateral. vs secured part	--	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	2.881.365	--	--	--	--
- Impairment (-)	--	(2.881.365)	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off-balances sheet items with credit risk	--	--	--	--	--	--

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

NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

<u>31 December 2019</u>	<u>Receivables</u>				<u>Deposits in Banks</u>	<u>Others</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)	376.303.231	7.577.101	--	1.336.347	10.476.743	--
- the portion of the maximum risk guaranteed by collateral.	--	--	--	--	--	--
A. Net book value of financial assets not overdue or impaired	273.372.731	5.503.562	--	1.336.347	10.476.743	--
B. Conditions found in re-interviewed, otherwise, the carrying amount of financial assets overdue or impaired.	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	102.930.500	2.073.539	--	--	--	--
- Collateral. vs secured part	--	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	2.861.871	--	--	--	--
- Impairment (-)	--	(2.861.871)	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off-balances sheet items with credit risk	--	--	--	--	--	--

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NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

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

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

30 June 2020	TL Equivalent	USD	EUR	Other
1. Trade Receivables	15.085.588	520.133	1.495.251	--
2.a Monetary financial assets	92.679.934	5.087.253	7.506.520	--
2.b Non-monetary financial assets	2.670.244	390.147	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	110.435.766	5.997.533	9.001.771	--
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	110.435.766	5.997.533	9.001.771	--
10. Trade Payables	(1.251.056)	--	(162.302)	--
11. Financial Liabilities	(17.110.500)	(2.500.000)	--	--
12.a Other Monetary Financial Liabilities	(23.270.280)	(3.400.000)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(41.631.836)	(5.900.000)	(162.302)	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	(2.917.307)	--	(378.468)	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	(6.127.307)	--	(794.908)	--
17. NON CURRENT LIABILITIES	(9.044.614)	--	(1.173.376)	--
18. TOTAL LIABILITIES	(50.676.450)	(5.900.000)	(1.335.678)	--
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	(77.637.920)	(3.459.998)	(6.999.948)	--
19.a Off-balance sheet foreign currency derivative assets	8.555.500	1.250.037	--	--
19.b Off balance sheet foreign currency derivative liabilities	86.193.420	4.710.035	6.999.948	--
20. Net foreign currency asset/liability position	(17.878.604)	(3.362.465)	666.145	--
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	63.216.379	(292.614)	8.461.001	--
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

31 December 2019	TL Equivalent	USD	EUR	Other
1. Trade Receivables	6.867.429	1.149.542	5.852	--
2.a Monetary financial assets	4.902.178	594.593	206.023	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	11.769.607	1.744.135	211.875	--
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	11.769.607	1.744.135	211.875	--
10. Trade Payables	(4.511.766)	(617.578)	(125.264)	(1.305)
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(2.171.600)	--	(326.527)	--
12.b Other Non-monetary Financial Liabilities	1.582.255	266.364	--	--
13. CURRENT LIABILITIES	(5.101.111)	(351.214)	(451.791)	(1.305)
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	(4.861.615)	--	(731.004)	--
17. NON CURRENT LIABILITIES	(4.861.615)	--	(731.004)	--
18. TOTAL LIABILITIES	(9.962.726)	(351.214)	(1.182.795)	(1.305)
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)
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	5.086.241	1.126.557	(239.916)	(1.305)
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

Foreign currency sensitivity

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

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

	30 June 2020	
	Profit / Loss	
	<u>Appreciation of foreign currency</u>	<u>Devaluation of foreign currency</u>
In the case of appreciation of USD at 10% ratio compared to TL		
1 – USD net asset / liability	66.754	(66.754)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect	66.754	(66.754)
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	5.909.178	(5.909.178)
5 – Part of hedged from EUR risk (-)	--	--
6- EUR net effect	5.909.178	(5.909.178)
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	--	--
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	--	--
TOTAL	5.975.932	(5.975.932)

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NOTE 19 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

Foreign currency sensitivity (continued)

	31 December 2019	
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	827.423	(827.423)
2- Part of hedged from US Dollar risk (-)	--	--
3- US Dollar net effect	827.423	(827.423)
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	(645.720)	645.720
5 – Part of hedged from EURO risk (-)	--	--
6- Euro net effect	(645.720)	645.720
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	(1.015)	1.015
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	(1.015)	1.015
TOTAL	180.688	(180.688)

NOTE 20 – SUBSEQUENT EVENTS

None.

NOTE 21 – OTHER MATTERS THAT MAY AFFECT THE FINANCIAL STATEMENTS OR TO BE EXPLAINED FOR THE FINANCIAL STATEMENTS TO BE INTERPRETABLE AND EXPLAINABLE

The Covid-19 epidemic and the measures taken against the epidemic, declared as a pandemic by the World Health Organization (WHO) on March 11, 2020, continue to cause disruptions in operations and adversely affect economic conditions in all countries exposed to the epidemic. As a result, asset prices are affected by liquidity, exchange rates, interest rates and many other issues and remain uncertain about the future due to the effects of the epidemic.

In this process, necessary actions were taken by the company management to minimize the possible effects of COVID-19 on the Company's operations and financial status. As of the balance sheet date, production and sales activities continue uninterruptedly.

It is not yet clear how long the impact of COVID-19 will continue and how long it will spread both in the world and in Turkey, and as the severity and duration of the effects become clear, it will be possible to make a more clear and healthy assessment for the medium and long term. In June 30, 2020, the company management evaluated the possible effects of the Covid-19 outbreak on its condensed interim financial statements and did not determine any significant impact on the company's financial position or performance that would affect the recoverable amount of its assets.