

**(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS'
REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH)**

TAT GIDA SANAYİ A.Ş.

**FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022
FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

TAT GIDA SANAYİ A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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TAT GIDA SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

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

		Audited	Audited
Assets	Notes	31 December 2022	31 December 2021
Current Assets			
Cash and cash equivalents	4	287,657,658	106,046,019
Trade receivables		843,981,378	473,882,599
-Trade receivables from related parties	7.28	715,269,310	433,602,270
-Trade receivables from third parties	7	128,712,068	40,280,329
Other receivables		1,426,048	2,875,061
-Other receivables from third parties	8	1,426,048	2,875,061
Inventories	9	2,392,033,134	627,595,375
Derivatives	16	-	9,063,664
Prepaid expenses	10	76,798,187	29,206,570
Current income tax assets	26	1,982,603	-
Other current assets	19	311,099,028	101,146,584
Total Current Assets		3,914,978,036	1,349,815,872
Non-Current Assets			
Other receivables		68,085	68,085
-Other receivables from third parties	8	68,085	68,085
Financial investments	5	9,017,263	5,122,949
Property, plant and equipment	11	415,119,255	229,427,009
Right of use assets	12	34,142,076	25,481,697
Intangible assets	12	16,873,924	8,737,285
Deferred tax assets	26	47,231,597	18,891,876
Other non-current assets	19	-	294,817
Total Non-Current Assets		522,452,200	288,023,718
Total Assets		4,437,430,236	1,637,839,590

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

TAT GIDA SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

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

		Audited	Audited
Liabilities	Notes	31 December 2022	31 December 2021
Short term liabilities			
Short term financial borrowings	6	1,913,025,463	92,401,001
Short term leasing borrowings	6	8,751,196	5,618,972
- Leasing borrowings to related parties	28	6,335,136	3,866,636
- Leasing borrowings to third parties		2,416,060	1,752,336
Short term portion of long-term borrowings	6	408,907,507	147,144,849
Trade payables		636,790,381	257,816,497
- Trade payables to related parties	7.28	97,141,555	49,053,751
- Trade payables to third parties	7	539,648,826	208,762,746
Employee benefit obligations	18	24,159,639	4,475,763
Other payables		44,216,868	19,047,239
- Other payables from related parties	28	27,915,166	11,724,613
- Other payables from third parties	8	16,301,702	7,322,626
Deferred income	10	53,998,834	6,505,824
Current tax liabilities	26	-	6,066,187
Short-term provisions		17,301,557	14,159,957
- Short term provisions for employment benefits	18	3,172,433	1,747,433
- Other short term provisions	14	14,129,124	12,412,524
Total short term liabilities		3,107,151,445	553,236,289
Long term liabilities			
Long term financial borrowings	6	149,781,000	160,000,000
Long term leasing borrowings	6	29,313,818	22,096,945
- Long term leasing borrowings to related parties	28	5,467,780	4,488,922
- Long term leasing borrowings to third parties		23,846,038	17,608,023
Long term provisions		47,027,824	17,295,879
- Long term provisions for employment benefits	18	47,027,824	17,295,879
Total long term liabilities		226,122,642	199,392,824
Total liabilities		3,333,274,087	752,629,113
Equity attributable to equity holders of the parent company			
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		2,929,927	3,409,399
- Financial assets revaluation reserve	20	6,840,727	3,409,399
- Losses related to hedging from flow risk		(3,910,800)	-
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	20	(22,189,177)	(2,812,064)
- Actuarial gains/(losses) in defined benefit plan		(22,189,177)	(2,812,064)
Restricted reserves	20	118,758,083	72,461,784
Prior years' profit		541,685,950	421,252,127
Profit for the period		295,262,469	223,190,334
Total equity		1,104,156,149	885,210,477
Total liabilities and equity		4,437,430,236	1,637,839,590

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 2022**

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

		1 January - 31 December 2022	1 January - 31 December 2021
	Notes	Audited	Audited
Continuing operations			
Sales	21	2,786,598,384	1,091,763,568
Cost of sales (-)	21	(1,969,231,744)	(772,830,339)
Gross profit from continuing operations		817,366,640	318,933,229
Marketing expenses (-)	22	(233,792,825)	(103,101,813)
General administrative expenses (-)	22	(195,071,609)	(83,037,369)
Research and development expenses (-)	22	(4,090,187)	(1,780,780)
Other income from operating activities	23	260,387,088	71,024,074
Other expenses from operating activities (-)	23	(179,671,978)	(63,887,442)
Operating profit from continuing operations		465,127,129	138,149,899
Income from investing activities	24	2,926,140	2,249,385
Expenses from investing activities (-)	24	-	(205,051)
Operating profit before finance income/(expense)		468,053,269	140,194,233
Finance income	25	76,191,877	161,685,339
Finance expense (-)	25	(254,197,094)	(147,581,571)
Profit before tax		290,048,052	154,298,001
Tax income/(expense)		5,214,417	3,328,549
- Current tax expense	26	(17,487,506)	(9,394,735)
- Deferred tax income	26	22,701,923	12,723,284
Profit for the period from continuing operations		295,262,469	157,626,550
Profit for the period from discontinued operations	15	-	65,563,784
Profit for the period		295,262,469	223,190,334
Earnings per share		2.17	1.64
Earnings per common and diluted share from continuing operations	27	2.17	1.16
Earnings per common and diluted share from discontinued operations	27	-	0.48

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 2022

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

	1 January - 31 December 2022	1 January - 31 December 2021
Notes	Audited	Audited
Profit for the period	295,262,469	223,190,334
Other comprehensive income:		
Actuarial gain (loss) of revaluation or classification of investments using equity method	3,431,328	704,307
Expense (income) relating to avoidance of risk of cash flow	(3,910,800)	743,102
Actuarial gains /(losses) on employee benefits	(19,377,113)	(2,062,433)
Total other comprehensive income	(19,856,585)	(615,024)
Total comprehensive income	275,405,884	222,575,310

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 2022**

(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
Balance as at 1 January 2021	136,000,000	21,601,088	10,107,809	2,705,092	(743,102)	(749,631)	29,533,338	167,274,341	339,018,230	704,747,165
Transfers	-	-	-	-	-	-	42,928,446	(167,274,341)	124,345,895	-
Total comprehensive income	-	-	-	704,307	743,102	(2,062,433)	-	223,190,334	-	222,575,310
Dividends (Note 20)	-	-	-	-	-	-	-	-	(42,111,998)	(42,111,998)
Balance as at 31 December 2021	136,000,000	21,601,088	10,107,809	3,409,399	-	(2,812,064)	72,461,784	223,190,334	421,252,127	885,210,477
Balance as at 1 January 2022	136,000,000	21,601,088	10,107,809	3,409,399	-	(2,812,064)	72,461,784	223,190,334	421,252,127	885,210,477
Transfers	-	-	-	-	-	-	46,296,299	(223,190,334)	176,894,035	-
Total comprehensive income	-	-	-	3,431,328	(3,910,800)	(19,377,113)	-	295,262,469	-	275,405,884
Dividends (Note 20)	-	-	-	-	-	-	-	-	(56,460,212)	(56,460,212)
Balance as at 31 December 2022	136,000,000	21,601,088	10,107,809	6,840,727	(3,910,800)	(22,189,177)	118,758,083	295,262,469	541,685,950	1,104,156,149

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 2022

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

		Audited	Audited
	Notes	1 January - 31 December 2022	1 January - 31 December 2021
Continuing profit before tax		295,262,469	157,626,550
Discontinued operations profit		-	65,563,784
Adjustments to reconcile profit for the period:			
Adjustments related to depreciation and amortization expenses	11.12	34,013,620	19,890,887
Adjustments related to impairment			
<i>Adjustments related to impairment of stocks</i>	9	(2,091,066)	1,974,019
Adjustments related to provisions			
<i>Adjustments related to provision for employee termination benefit</i>	18	17,265,119	4,897,749
<i>Adjustments related to other provisions</i>	14	1,825,764	534,494
Adjustments related to gain or loss on sales of property, plant and equipment	24	(303,157)	96,036
Adjustment related to gain on available for sales	15	-	(69,041,724)
Adjustments related to income accruals	19	(8,329,051)	(8,147,515)
Adjustments related to increase in fair value of derivatives	16	9,063,664	(9,576,035)
Adjustments related to tax expense	26	(5,214,417)	(3,328,549)
Unrealized foreign exchange loss		7,523,654	21,132,999
Discount expense		1,189,273	(5,185,690)
Discount income		49,758,062	8,022,824
Interest income	25	(22,527,649)	(15,867,768)
Interest expense	25	210,159,395	38,794,911
Changes in working capital		587,595,680	207,386,972
Adjustments related to changes in trade receivables and other receivables		(88,171,999)	(20,458,289)
Adjustments related to changes in due from related parties		(281,776,204)	(4,467,888)
Adjustments related to changes in inventories		(1,762,346,693)	(221,985,895)
Adjustments related to changes in prepaid expenses		(47,591,617)	(16,486,699)
Adjustments related to changes in other current and non-current assets		(203,372,899)	(10,118,697)
Adjustments related to changes in trade payables		281,128,018	29,074,850
Adjustments related to changes due to related parties		64,278,357	7,289,776
Adjustments related to changes in deferred income		47,493,010	1,869,620
Adjustments related to changes in employee benefit payables		-	(66,293)
Adjustments related to changes in other current liabilities		20,144,504	1,978,364
Cash flows from operating activities		(1,382,619,843)	(25,984,179)
Employee termination benefits paid	18	(5,485,287)	(2,553,410)
Taxes refund/(paid)	26	(25,039,683)	(28,392,959)
Net cash flows (used in)/from operating activities		(1,413,144,813)	(56,930,548)
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	11.12	(218,921,564)	(155,397,255)
Cash generated from sale of property, plant and equipment and intangible assets		434,734	168,381
Dividend received		-	182,128,321
Net cash used in investing activities		(218,486,830)	26,899,447
Financing activities:			
Cash outflow due to leasing	6	(14,402,080)	(10,277,424)
Cash inflows due to loan received	6	2,424,908,289	255,412,950
Cash outflows due to loan received	6	(523,551,734)	(177,064,128)
Interest paid		(39,778,630)	(26,362,272)
Interest gained	25	22,527,649	15,867,768
Dividend paid	20	(56,460,212)	(42,111,998)
Net cash (used in)/from financing activities		1,813,243,282	15,464,896
Net change in cash and cash equivalents		181,611,639	(14,566,205)
Cash and cash equivalents at the beginning of the period	4	106,046,019	120,612,224
Cash and cash equivalents at the ending of the period	4	287,657,658	106,046,019

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 2022

(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 TRY250.000.000 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 2021 - 2025 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 TRY136.000.000 and its parent is Koç Holding A.Ş. Detailed information on the shareholding structure is given in Note 20.

The shares of the Company are traded in Borsa İstanbul as of 9 August 1993 and the share in the actual circulation is 41.40%.

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.

The domestic marketing and sales activities of the Company are performed mostly 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 2022 and 31 December 2021, the number of end-of-period, average, permanent and temporary personnel employed within the Company is as follows:

	2022		2021	
	End of Period	Average	End of Period	Average
Permanent Personnel	484	459	426	467
Temporary Personnel	289	637	227	558
Total	773	1,096	653	1,025

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basic Principles of Presentation

Principles of measurement

The 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.

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

Public oversight accounting and auditing Standards Authority ("POA") made an announcement on 20 January 2022 about application of financial reporting in hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities. In accordance with the announcement, companies That apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting In Hyperinflationary Economies for the year 2021. As of the preparation date of this year end condensed Consolidated financial information, POA did not make an additional announcement And no adjustment was made to this interim condensed consolidated financial Information in accordance with TAS 29.

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 TRY.

Going concern

The Company prepared financial statements in accordance with the going concern assumption.

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/TRY and USD/TRY exchange rates are as follows at the end of the reporting period:

	31 December 2022	31 December 2021
EUR/TRY	19.9349	15.0867
EUR/TRY	18.6983	13.3290

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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 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 “Announcement regarding with TAS Taxonomy” which was published on April 15, 2019 by POA and the format and mandatory information recommended by CMB.

Approval of financial statements:

The financial statements prepared as of and for the year ended 31 December 2021 is approved by the Board of Directors on 8 February 2022. 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.

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.

2.4 Changes in significant accounting policies

The accounting policies applied in the financial statements of the company as of 31 December 2022 are the same as the accounting policies applied in the financial statements as of the year ending 31 December 2021.

2.5 New and Revised Accounting Standards

a) Standards, amendments, and interpretations applicable as of 31 December 2022:

- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

2.5 New and Revised Accounting Standards (Continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ 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.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial Instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to IFRS 16 - Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 - Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The effects of these changes on the financial position and performance of the Company are being evaluated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

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 5 - 30 years
- Buildings 10 - 50 years
- Machinery, plant and devices 3 - 20 years
- Flooring and fixtures 3 - 15 years
- Vehicles 4 - 10 years
- Private costs 4 - 6 years

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

Intangible fixed assets

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

- Rights 3 - 15 years
- Computer software 5 - 10 years
- Other intangible assets 5 - 10 years

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

Corporate income taxes

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

Deferred tax (Continued)

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.

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 2021 and 1 January - 31 December 2022 all of them are classified under "Profit/(loss) for the period from discontinued operations". As of 31 December 2021, assets of SEK business line are classified under "Assets as held for sale" and liabilities under "Liabilities as held for sales" (Note 15).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

Government grants

The Company recognizes 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 recognized 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 recognized 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 recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

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: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

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 amortized 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

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. 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 realizing 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 Company's claim to cash flows from specified assets (e.g. non-recourse features).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

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, (i) for a financial asset acquired at a discount or premium to its contractual par amount, (ii) 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 (iii).

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

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. See Note (v) for financial liabilities designated as hedging instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

ii) Derecognition

Financial assets

The Company derecognizes 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 recognized 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 derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes 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 recognized 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 recognized in profit or loss.

iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

iv) 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 recognized 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

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 recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized 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 recognized immediately in profit or loss.

Company's other derivative financial instruments consist of forward transactions. These derivatives are accounted for as trading derivative financial instruments in the financial statements, since they do not meet the necessary conditions in the relevant standards in terms of protection against financial risk, although they provide an effective protection against risks for the Company economically. Company has determined the estimated fair values of financial instruments using already available market information and appropriate valuation principles.

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 recognized.

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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

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.

Revenue from contracts with customers

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

Step 2: Identifying the performance obligations

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

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

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

Step 3: Determining the transaction price

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

Significant financing component

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

Variable consideration

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

Step 4: Allocating the transaction price to performance obligations

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

Step 5: Recognition of revenue

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

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

**NOTES TO THE FINANCIAL STATEMENTS
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(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)

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

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

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

Contract changes

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

Sales of Goods

The revenue items that the Company generates revenue mainly consists of the sales of the manufactured food products to the related party companies. Revenue is recognized in the financial statements when the Company fulfills its performance obligation by transferring control of the promised products to its customers.

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.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(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)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in- substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low - value assets

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
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(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)

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.

Time difference financing income/expenses represent income/expenses incurred due to forward purchases and sales. Such income/expenses are considered as financial income and expenses arising from forward purchases and sales within the period and are included in other income and expenses from main activities during the maturity period.

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.

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 3 - SEGMENT REPORTING

Primary reporting format - Business segment

In addition to the industrial segment reporting, the company discloses the details of the revenue for the period on the basis of the geographical locations in Note:21 for domestic and international sales. However, it has been concluded that the activities do not have the feature of a reportable segment in terms of geographical regions since all of the Company's reportable assets and liabilities are located in Turkey. 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 2 September 2019, and sales activities as of 2 October 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 13 October 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 TRY85.500.000, 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 2021. The assets of Pastavilla business line for the period 1 January - 31 December 2021 are classified under "Assets as held for sales" (Note 15).

With the public announcement made on 6 January 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 2021 and from 1 January to 31 December 2022. The assets of the SEK business line for the period between 1 January - 31 December 2021 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 TRY1,618,485,457 for the period ending on 31 December 2022 (31 December 2021: TRY835,440,865).

a) Revenue segmental analysis for the year ended 1 January - 31 December 2022 and 2021

	31 December 2022	31 December 2021
Tomato pasta and canned products	2,786,598,384	1,091,763,568
Discontinued Operations (*)	-	186,049,310
- <i>Milk and milk products</i>	-	186,049,310
	2,786,598,384	1,277,812,878

(*) Based on the decision to exit the milk and milk products business as of 2021, all income and expenses arising from SEK business line were classified under "Period profit/(loss) from discontinued operations".

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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:

	31 December 2022	31 December 2021
Tomato pasta and canned products	415,119,255	225,564,933
Discontinued operations	-	-
- <i>Milk and milk products</i>	-	-
Assets that cannot be allocated to segments	16,873,924	12,599,361
	431,993,179	238,164,294

c) Segment liabilities

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

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

d) Depreciation and amortization and capital expenditures

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

Depreciation and amortization	31 December 2022	31 December 2021
Tomato paste and canned products	26,828,343	12,731,369
Discontinued operations	-	1,988,112
- <i>Milk and milk products</i>	-	1,988,112
Depreciation and amortization charges that cannot be allocated to segments	7,185,277	7,159,518
	34,013,620	21,878,999

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

Investment expenditures	31 December 2022	31 December 2021
Tomato pasta and canned products	205,004,602	130,734,914
Discontinued operations	-	306,028
- <i>Milk and milk products</i>	-	306,028
Investment expenditures that cannot be allocated to segments	12,831,030	3,216,822
	217,835,632	134,257,764

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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:

	31 December 2022	31 December 2021
Banks	287,657,658	106,046,019
- Time deposit - TRY	208,798,300	43,700,000
- Time deposit - foreign currency	-	54,516,335
- Demand deposit - TRY	40,580,202	7,829,684
-Demand deposit foreign currency	38,279,156	-
	287,657,658	106,046,019

The maturity of time deposits varies between 2 January 2023 and 27 January 2023, with interest rates of TRY 21,00%, USD 2,60%. (31 December 2021: The maturity of time deposits varies between 3 January 2022 and 28 January 2022, with interest rates of TRY 26,00%, USD 1,10%).

As of 31 December 2022, there is no blockage on cash and cash equivalents. (2021: 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:

	%	31 December 2022	%	31 December 2021
<u>Fair value change reflected in other comprehensive income - equity instruments</u>				
Ram Dış Ticaret A.Ş.	7,5	8,182,500	7,5	4,570,575
Düzey	1,1	544,641	1,1	544,641
Yapı Kredi Portföy Yönetimi A.Ş.	0,1	282,389	0,1	-
Others		7,733		7,733
		9,017,263		5,122,949

NOTE 6 - FINANCIAL BORROWINGS

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

	31 December 2022	31 December 2021
Short-term loans	839,821,956	92,401,001
Short term portions of long-term loans	173,376,000	145,244,849
Short-term portions of long-term issued bonds	235,531,507	1,900,000
Short-term issued bonds	1,073,203,507	-
Short-term leasing liabilities	8,751,196	5,618,972
Total short-term borrowings	2,330,684,166	245,164,822
Long-term loans	149,781,000	110,000,000
Long-term issued bonds	-	50,000,000
Long-term leasing liabilities	29,313,818	22,096,945
Total long-term financial borrowings	179,094,818	182,096,945
	2,509,778,984	427,261,767

The Company does not have any pledges or mortgages given for its financial liabilities (31 December 2021: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 6 - FINANCIAL BORROWINGS (Continued)

The Company has local currency unsecured loans with fixed interest rates. The details of financial liabilities as at 31 December are as follows:

	The weighted average interest rate	Original amount	31 December 2022 Net book value (TRY)
Short term financial borrowings			
TRY borrowings	19.10%	1,013,197,956	1,013,197,956
Bond issued and bills (*)	25.73%	1,308,735,014	1,308,735,014
			2,321,932,970
Long term financial borrowings			
EUR borrowings	6.31%	7,500,000	149,781,000
			149,781,000

* Includes coupon interest rates for issued bonds and bills.

	The weighted average interest rate	Original amount	31 December 2021 Net book value (TRY)
Short term financial borrowings			
TRY borrowings	10.02%	184,233,850	184,233,850
USD borrowings	1.15%	4,000,000	53,412,000
Bond issued		1,900,000	1,900,000
			239,545,850
Long term financial borrowings			
TRY borrowings	19.81%	110,000,000	110,000,000
Bond issued	19.00%	50,000,000	50,000,000
			160,000,000

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

	31 December 2022	31 December 2021
To be paid on demand or within 1 year	2,321,932,970	239,545,850
1-2 years	149,781,000	160,000,000
	2,471,713,970	399,545,850

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

	31 December 2022	31 December 2021
To be paid on demand or within 1 year	8,751,196	5,618,972
1-2 years	4,284,335	4,811,909
2-3 years	4,572,740	2,029,535
3-4 years	2,746,082	1,853,060
4-5 years	2,721,955	1,644,450
More than 5 years	14,988,706	11,757,991
	38,065,014	27,715,917

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 6- FINANCIAL BORROWINGS (Continued)

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

	31 December 2022	31 December 2021
Opening balance on 1 January	427,261,767	303,045,501
<i>Cash transactions</i>		
Cash inflows from credit debts used	2,424,908,289	255,412,950
Cash outflow related to loan debt repayments	(523,551,734)	(177,064,128)
Cash outflow due to leasing	(14,402,080)	(10,277,424)
<i>Non-cash transactions</i>		
Change in interest accrual	170,088,137	12,564,412
Change in foreign exchange	7,523,654	22,025,268
Impact of new lease agreements/contract changes	17,950,951	21,555,188
31 December closing balance	2,509,778,984	427,261,767

Bank loan agreement provisions

The company has signed a foreign currency loan agreement on 9 November 2022. The loan includes commitments on the Net Financial Debt/EBITDA ratio within 2 years. The Company will evaluate the terms of the contract with its 30 June 2023 financial statements.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

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

	31 December 2022	31 December 2021
Trade receivables from related parties (Note 28)	715,269,310	433,602,270
Trade receivables	131,464,775	43,142,200
Provisions for doubtful receivables	(2,752,707)	(2,861,871)
	843,981,378	473,882,599

Movement of provision for doubtful receivables as of 31 December 2021 and 31 December 2020 are as follows: The nature and level of risk in trade receivables are given in Note 29.

	31 December 2022	31 December 2021
Opening balance	(2,861,871)	(2,861,871)
Provisions made during the year	109,164	-
	(2,752,707)	(2,861,871)

Trade Payables

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

	31 December 2022	31 December 2021
Suppliers	539,648,826	208,762,746
Trade payables to related parties (Note 28)	97,141,555	49,053,751
	636,790,381	257,816,497

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

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

	31 December 2022	31 December 2021
Short term other receivables:		
Other receivables	1,426,048	2,875,061
	1,426,048	2,875,061
Long term other receivables:		
Deposits and guarantees given	68,085	68,085
	68,085	68,085
Payables to third parties:		
Taxes and funds payable	16,301,702	7,322,626
	16,301,702	7,322,626

NOTE 9 - INVENTORIES

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

	31 December 2022	31 December 2021
Raw material	291,949,725	61,566,164
Finished goods	2,098,154,639	568,003,230
- <i>Tomato paste and canned products</i>	2,098,154,639	568,003,230
Other inventory	1,928,770	117,047
Inventory impairment	-	(2,091,066)
	2,392,033,134	627,595,375

As at 31 December 2022, the provision for inventory impairment is not available. (31 December 2021: TRY2,091,066).

As at 31 December 2022, there are no assets pledged as collateral. (31 December 2021: None).

As at 31 December 2022, inventories are insured amounting to TRY1,733,954,181 (31 December 2021: TRY654,408,207).

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

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

	31 December 2022	31 December 2021
Short-term prepaid expenses		
Expenses related to future months	38,237,409	11,438,879
Advances given for the purchase of inventory	38,560,778	17,767,691
	76,798,187	29,206,570
Short-term deferred income		
Advances received	53,998,834	6,505,824
	53,998,834	6,505,824

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 2022 and 31 December 2021 are as follows:

	1 January 2022	Additions	Disposals	Transfers	31 December 2022
Cost:					
Lands	2,419,338	-	-	-	2,419,338
Underground and overland plants	17,081,420	18,592,566	-	1,079,383	36,753,369
Buildings	43,417,558	12,675,450	-	483,301	56,576,309
Machinery and equipment	319,163,273	143,870,010	(28,558)	11,677,894	474,682,619
Vehicles	1,096,547	3,553,041	(208,651)	-	4,440,937
Furniture and fixtures	27,017,564	10,973,401	(71,766)	410,000	38,329,199
Special costs	10,212,051	362,139	-	-	10,574,190
Construction in progress	13,904,497	19,720,315	-	(14,618,944)	19,005,868
	434,312,248	209,746,922	(308,975)	(968,366)	642,781,829
	1 January 2022	Current year depreciation	Disposals	Transfers	31 December 2022
Accumulated depreciation:					
Underground and overland plants	3,621,855	1,142,792	-	-	4,764,647
Buildings	24,503,743	1,258,559	-	-	25,762,302
Machinery and equipment	149,024,691	17,756,198	(28,558)	-	166,752,331
Vehicles	599,490	366,908	(124,858)	-	841,540
Furniture and fixtures	17,798,950	2,026,896	(23,982)	-	19,801,864
Special costs	9,336,510	403,380	-	-	9,739,890
	204,885,239	22,954,733	(177,398)	-	227,662,574
Net book value	229,427,009				415,119,255

As at 31 December 2021, tangible assets are insured amounting to TRY2,599,813,000 (2021: TRY873,586,241).

As of 2021 and 2020 December, there are no guaranties, hypotecs and and mortgageges on fixed assets

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31 December 2021, depreciation expenses amounting to TRY21,638,361 (2021: TRY11,055,180) has been recognized under cost of sales, TRY1,261,535 (2021: TRY865,956) has been recognized under general administrative expenses, TRY54,837 (2021: TRY54,981) has been recognized under research and development expenses and TRY0 (2021: TRY14,064) has been recognized under selling, marketing and distribution expenses.

The estimated useful lives of tangible assets are as follows:

Underground and overland plants	5 - 30 years
Buildings	10 - 50 years
Machinery, plant and equipment	3 - 20 years
Furniture and fixtures	3 - 15 years
Vehicles	4 - 10 years
Special costs	4 - 6 years

NOTE 12 - INTANGIBLE ASSETS

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

Costs:	1 January 2022	Additions	Disposals	Transfers	31 December 2022
Rights	12,678,854	5,968,732	-	968,366	19,615,952
Other intangible assets	2,625,892	3,205,910	-	-	5,831,802
	15,304,746	9,174,642	-	968,366	25,447,754
Accumulated depreciation:					
Rights	5,919,396	1,622,495	-	-	7,541,891
Other intangible assets	648,065	383,874	-	-	1,031,939
	6,567,461	2,006,369	-	-	8,573,830
Net book value	8,737,285			968,366	16,873,924
Costs:	1 January 2021	Additions	Disposals	Transfers	31 December 2021
Rights	9,849,787	2,829,067	-	-	12,678,854
Other intangible assets	1,709,220	977,872	(61,200)	-	2,625,892
	11,559,007	3,806,939	(61,200)	-	15,304,746
Accumulated depreciation:					
Rights	4,140,949	1,778,447	-	-	5,919,396
Other intangible assets	298,499	349,566	-	-	648,065
	4,439,448	2,128,013	-	-	6,567,461
Net book value	7,119,559				8,737,285

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 12 - INTANGIBLE ASSETS (Continued)

As of 31 December 2022, all of the amortization expenses amounting to TRY2,006,369 (2021: TRY2,128,013) 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 2021, there is no arrears were capitalized in intangible assets (2021: None).

The estimated useful lives of intangible assets are as follows:

Rights	3 - 15 years
Computer software	5 years
Other intangible assets	5 - 10 years

Right of use assets

Right of use assets as of 31 December 2022 are as follows:

Costs:	1 December 2022	Additions	Disposals (-)	Transfers	31 December 2022
Buildings	26,522,566	9,547,126	-	-	36,069,692
Machinery and equipment	49,566	-	-	-	49,566
Vehicles	7,754,794	8,256,700	(669,484)	-	15,342,010
Furniture and fixtures	3,762,441	147,125	-	-	3,909,566
	38,089,367	17,950,951	(669,484)	-	55,370,834

Accumulated depreciation:	1 January 2022	Current year depreciation	Disposals (-)	Transfers	31 December 2022
Buildings	6,177,174	5,364,937	-	-	11,542,111
Machinery and equipment	49,566	-	-	-	49,566
Vehicles	4,323,608	2,857,467	(431,430)	-	6,749,645
Furniture and fixtures	2,057,322	830,114	-	-	2,887,436
	12,607,670	9,052,518	(431,430)	-	21,228,758

Net book value	25,481,697				34,142,076
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 12 - INTANGIBLE ASSETS (Continued)

Right of use assets as of 31 December 2021 are as follows:

Costs:	1 December 2021	Additions	Disposals (-)	Transfers	31 December 2021
Buildings	11,143,825	17,945,117	(2,566,376)	-	26,522,566
Machinery and equipment	49,566	-	-	-	49,566
Vehicles	5,811,099	2,349,790	(406,095)	-	7,754,794
Furniture and fixtures	2,843,163	1,260,281	(341,003)	-	3,762,441
	19,847,653	21,555,188	(3,313,474)	-	38,089,367

Accumulated depreciation:	1 January 2021	Current year depreciation	Disposals (-)	Transfers	31 December 2021
Buildings	4,703,781	3,428,636	(1,955,243)	-	6,177,174
Machinery and equipment	49,566	-	-	-	49,566
Vehicles	3,018,940	1,440,867	(136,199)	-	4,323,608
Furniture and fixtures	1,353,050	903,190	(198,918)	-	2,057,322
	9,125,337	5,772,693	(2,290,360)	-	12,607,670

Net book value	10,722,316				25,481,697
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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.

NOTE 14 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

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

	31 December 2022	31 December 2021
Provisions		
Provisions for lawsuits	5,641,000	4,641,000
Provision for sales expenses	4,763,954	4,407,670
Provision for other administrative expenses	584,616	295,551
Shipping allowance	160,578	274,102
Other provisions	2,978,976	2,794,201
	14,129,124	12,412,524

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

<u>Provisions for lawsuits</u>	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	4,641,000	4,641,000
Additions during the period	1,000,000	-
	5,641,000	4,641,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 15 - ASSETS CLASSIFIED AS HELD FOR SALE

With the material event disclosure declared on 14 March 2021, the Company announced that preconditions specified in the transfer agreement regarding transfer transactions of the facilities located in Bursa province Mustafakemalpaşa district and Aydın province Söke district, and the real estate where these facilities are located on, machinery and equipment exist in these facilities, all intellectual property rights included SEK brand which are related to milk and dairy products business unit, domain names and social media accounts, inventory, related business unit personnel and some related procurement and subcontractor contracts related to the milk and dairy products business unit have been fulfilled. After deducting the rights of the transferred employees from the sales price specified in the contract and other adjustments, a total of 218,3 million TRY + VAT was collected and the title deed registration procedures were completed as of 12 March 2021 with the approval of the competition authority dated 5 March 2021.

With the material event disclosure declared on 1 April 2021, an agreement has been reached with the buyer on the stocks, and as a result of the calculations, the estimated stock value in the contract and the stocks to be sold by our company and the packaging that the buyer can not use etc. About 36 million TRY was paid to the buyer for the difference between the actual stock value transferred after products, and the payment transactions related to the transfer were completed.

	1 January - 31 December 2021		
	Milk and milk products	Pasta and bakery products	Total
Sales revenues	186,049,310	-	186,049,310
Cost of sales	(171,631,288)	-	(171,631,288)
Gross operating profit	14,418,022	-	14,418,022
Marketing expenses (-)	(11,316,273)	202	(11,316,071)
General and administrative expenses (-)	(2,563,177)	122	(2,563,055)
Research and development expenses (-)	(86,866)	-	(86,866)
Operating profit	451,706	324	452,030
Other income from operating activities	12,803,536	-	12,803,536
Other expenses from operating activities (-)	(9,886,153)	(249,862)	(10,136,015)
Real operating profit	3,369,089	(249,538)	3,119,551
Other income from investment activities (*)	-	-	-
Other expenses from investment activities (-)	(605,581)	-	(605,581)
Financing expenses. net	(103,395)	-	(103,395)
Discontinued operating profit before tax	2,660,113	(249,538)	2,410,575
Tax expense	(5,888,515)	-	(5,888,515)
Profit/(loss) from discontinued operations	(3,228,402)	(249,538)	(3,477,940)
Income from the sale of non-current assets held for sale	182,128,321	-	182,128,321
Minus: Net asset value of non-current assets held for sales as at disposal date	113,086,597	-	113,086,597
Gain on sales of non-current assets held for sale	69,041,724	-	69,041,724
Profit/(loss) for the period from discontinued operations	65,813,322	(249,538)	65,563,784

(*) General expenses and corporate tax expense not directly attributable to a line of business are presented under continuing operations. Sales profit and related tax expense arising from the sale of fixed assets of the related business are presented under discontinued operations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 16 - DERIVATIVE INSTRUMENTS

Receivables from derivative instruments for the periods of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Short term derivative instruments	-	9,063,664
Total derivative instruments receivables (*)	-	9,063,664

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

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:

	31 December 2022	31 December 2021
A. Total amount of TPMB given on behalf of own legal entity	195,636,780	98,624,653
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.	-	-
	195,636,780	98,624,653

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 TRY195,636,780 (31 December 2021: TRY98,624,653).

The ratio of other TPMB given to the shareholders' equity is 0% as of 31 December 2022 (31 December 2021: 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:

	31 December 2022	31 December 2021
Payables related to employee benefit:		
Due to personnel	19,199,673	2,429,354
Social security premium payable	4,959,966	2,046,409
	24,159,639	4,475,763
Short-term provisions for employment benefits:	31 December 2022	31 December 2021
Provision for unused vacation	3,172,433	1,747,433
	3,172,433	1,747,433

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 18 – EMPLOYEE BENEFITS (Continued)

Long-term employee benefits

Severance pay liability:

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 15,371.40 as of December 31, 2022 (December 31, 2021: full TRY 8,284.51) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, the provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 10.00% and interest rate of 10.60% and a discount rate of 0.55% resulting in a real discount rate of approximately (31 December 2021: 4.40%).

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 19,982.83 (January 1, 2022: full TRY 10,848.59) which is effective from January 1, 2023 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	17,295,879	11,736,540
Service cost	9,162,478	3,221,503
Interest cost	1,833,363	2,313,205
Paid in the period	(5,485,287)	(2,553,410)
Actuarial gains	24,221,391	2,578,041
	47,027,824	17,295,879

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 19 - OTHER ASSETS AND LIABILITIES

As at 31 December, other assets and liabilities are as follows:

Other current assets

	31 December 2022	31 December 2021
VAT transferred	278,940,229	78,435,679
Income accruals	26,186,873	17,857,822
VAT receivables arising from exports	2,886,670	4,097,290
Others	3,085,256	755,793
	311,099,028	101,146,584

Other non - current assets:

	31 December 2022	31 December 2021
Fixed asset advance paid	-	294,817
	-	294,817

NOTE 20 - EQUITY

a) Share capital and capital adjustment differences

The Company's share capital of year 2022 consists of 13,600,000,000 number of shares and there is no preferred stock (2021: 13,600,000,000 number of shares).

As at 31 December 2022 and 2021, the shareholders and paid-in capital with the historical values are as follows:

	%	31 December 2022	%	31 December 2021
Koç Holding A.Ş.	43,7	59,364,947	43,7	59,364,947
Shares publicly open in stock exchange	41,4	56,312,844	41,4	56,312,844
Kagome Co. Ltd.	3,7	5,071,168	3,7	5,071,168
Temel Ticaret ve Yatırım A.Ş.	3,3	4,427,889	3,3	4,427,889
Sumitomo Corporation	1,5	2,077,983	1,5	2,077,983
Others	6,4	8,745,169	6,4	8,745,169
Total Share Capital	100	136,000,000	100	136,000,000
Capital Correction Differences		21,601,088		21,601,088
Adjusted Capital		157,601,088		157,601,088

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

The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law ("CMB") No: 6362 and passed to this system with the permission of the Capital Markets Board ("CMB") dated 20 August 1992 and numbered 454. The registered capital ceiling of the Company is TRY250,000,000 and each Kuruş consists of 25,000,000,000 shares with a nominal value.

As of 31 December 2022, capital adjustment differences amounting to TRY21,601,088 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 2021: TRY21,601,088).

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 20 - EQUITY (Continued)

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 2021, the share of the Company's share in the financial statements is TRY10,107,809 (31 December 2020: TRY10,107,809).

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 prepared in accordance with the Tax Procedure Law 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 2022 and 2021, the Company's details of restricted reserves are as follows:

	31 December 2022	31 December 2021
Legal reserves	38,030,659	33,064,538
Special reserves	80,727,424	39,397,246
Total	118,758,083	72,461,784

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

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

Special Reserves

According to the article 5/1-e of Corporate Tax Law No: 5520, 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years, and from the sales of founders' shares, preference shares and preferred rights they have kept for same duration are exempted from corporate tax. This exception shall apply in the term the sale is made, and the part of the proceeds of the sale that benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale. However, the sale price must be collected until the end of the second calendar year following the year the sale is made.

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

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

As of 31 December 2022, actuarial loss amounting to TRY22,189,177 is recognized as other comprehensive income (31 December 2021: actuarial loss amounting to TRY2,812,064).

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 20 - EQUITY (Continued)

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

Financial asset revaluation and classification gains:

As of 31 December 2022, it consists of revaluation and reclassification gains on financial assets amounting to TRY6,840,727 (31 December 2021: TRY3,409,399).

Losses related to cash flow hedging:

As of 31 December 2022, TRY3,910,800 (31 December 2021: None).

f) Dividend distribution

According to the decision taken at the Ordinary General Assembly meeting held on 17 March 2022, the Company allocated legal reserves in the amount of TRY4,966,121, special reserves in the amount of TRY41,080,179, and extraordinary reserves in the amount of TRY120,682,822 from the net profit for the year 2021, amounting to TRY223,190,334. The remaining net profit amounting to TRY56,460,212, TRY45,560,000 was distributed as dividend, TRY10,901,212 was distributed as usufruct.

As of 31 December 2022, the total amount of resources that can be subject to profit distribution without incurring additional corporate tax burden in Tat Gıda's legal records is TL 877 million.

NOTE 21 - SALES AND COST OF SALES

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

	31 December 2022	31 December 2021
Domestic sales	1,818,954,908	751,081,410
Foreign sales	967,643,476	340,682,158
Net sales	2,786,598,384	1,091,763,568
Raw material costs	(2,856,575,934)	(827,177,860)
General production expenses	(503,800,412)	(104,720,001)
Labor costs	(116,528,027)	(66,774,570)
Depreciation costs	(22,478,780)	(11,223,134)
Change in inventory	1,530,151,409	237,065,226
Cost of sales	(1,969,231,744)	(772,830,339)
Gross profit	817,366,640	318,933,229

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 22 - EXPENSES BY NATURE

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

	31 December 2022	31 December 2021
Research and development expenses:		
Personnel expenses	(3,555,219)	(1,264,508)
Depreciation expenses	(404,834)	(377,339)
Other	(130,134)	(138,933)
	(4,090,187)	(1,780,780)

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

	31 December 2022	31 December 2021
Marketing, sales and distribution expenses:		
Shipping and insurance expenses	(74,202,367)	(23,721,113)
Advertising expenses	(46,760,516)	(29,898,333)
Personnel expenses	(43,161,308)	(18,741,386)
Export expenses	(25,516,360)	(11,604,266)
Action, sale, incentive and gondola participation costs	(16,059,320)	(7,110,891)
Sales support expenses	(10,982,016)	(5,756,503)
Subcontracting expenses	(7,698,388)	(4,434,233)
Other	(9,412,550)	(1,835,088)
	(233,792,825)	(103,101,813)

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

	31 December 2022	31 December 2021
General and administrative expenses:		
Personnel expenses	(70,775,272)	(30,594,004)
Consultancy and lawsuit expenses	(54,327,860)	(15,031,147)
Information technology expenses	(17,284,944)	(8,611,201)
Administrative expenses	(13,078,509)	(4,745,893)
Depreciation and amortization	(11,130,007)	(8,290,414)
Severance expense	(10,995,840)	(6,092,727)
Transport, travel expenses	(5,173,668)	(1,223,555)
Tax and duties expenses	(2,455,013)	(1,885,088)
Repair and maintenance expenses	(1,384,959)	(1,558,909)
Other	(8,465,537)	(5,004,431)
	(195,071,609)	(83,037,369)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 23 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

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

	31 December 2022	31 December 2021
Other Operating Income		
Term differences interest income from trading activities	214,977,936	35,584,396
Foreign exchange gain on trading activities	34,168,815	27,548,404
Others	11,240,337	7,891,274
	260,387,088	71,024,074

As at 31 December, details of other expenses and losses from operating activities are as follows:

	31 December 2022	31 December 2021
Other Operating Expense		
Term differences interest expense of trading activities	(144,578,547)	(16,508,611)
Foreign exchange loss on trading activities	(22,063,643)	(33,339,140)
Expenses due from provisions of lawsuit and others	(1,254,792)	(3,639,666)
Others	(11,774,996)	(10,400,025)
	(179,671,978)	(63,887,442)

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

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

	31 December 2022	31 December 2021
Income from Investing Activities		
Dividend income	1,874,997	1,499,998
Rent income	747,986	640,372
Gain on sale of property, plant and equipment	303,157	109,015
	2,926,140	2,249,385

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

	31 December 2022	31 December 2021
Expenses from Investing Activities		
Loss on sale of property, plant and equipment	-	(205,051)
	-	(205,051)

NOTE 25 - FINANCIAL INCOME AND EXPENSES

As at 31 December, financial incomes are as follows:

	31 December 2022	31 December 2021
Foreign exchange gains	53,664,228	145,768,113
Interest income on bank deposits	22,527,649	15,867,768
Other	-	49,458
	76,191,877	161,685,339

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 25 - FINANCIAL INCOME AND EXPENSES (Continued)

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

	31 December 2022	31 December 2021
Bond interest expense	(106,835,014)	(8,153,224)
Bank loans interest expenses	(96,652,408)	(26,590,936)
Foreign exchange expenses	(33,920,255)	(107,794,842)
Leasing liabilities interest expenses	(6,671,973)	(3,519,321)
Derivatives interest expense	-	(531,430)
Other	(10,117,444)	(991,818)
	(254,197,094)	(147,581,571)

NOTE 26 - TAX ASSESTS AND LIABILITIES

	1 January - 31 December 2022	1 January - 31 December 2021
Current tax expense	(16,990,893)	(20,649,966)
Discontinued operations tax expense	-	12,271,203
Deferred tax income	22,701,923	19,105,972
Discontinued operations deferred tax expense	-	(6,382,688)
Other	(496,613)	(1,015,972)
Total tax expense	5,214,417	3,328,549

	31 December 2022	31 December 2021
Current tax (asset)/liability		
Prepaid taxes and funds (-)	(18,973,496)	(14,583,779)
Current corporate tax provision	16,990,893	20,649,966
	(1,982,603)	6,066,187

Corporate Tax

The Company is subject to corporate tax applicable in Turkey. The Company has provided necessary provisions for the estimated tax liabilities regarding the current period operating results in the accompanying financial statements.

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.

In Turkey, after 1 January 2021 the corporate tax rate has been applied 20% to the legal tax base which was calculated by adding the non - deductible expenses and by deducting the exemptions in the tax laws in accordance with the tax laws. With the publication of Law No. 7316 on Certain Amendments to the Law on the Collection of Public Receivables and Certain Laws in the Official Gazette on April 22, 2021, the corporate tax rate applicable to income for the years 2021 and 2022 was modified as; 25% for the income derived in 2021, 23% for the income derived in 2022 and these rates will apply for the period starting within the relevant year for the taxpayers, subject to a special accounting period. This change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, the tax rate was used as 23% in the calculations of the corporate tax in the financial statements dated 31 December 2022.

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 26 - TAX ASSESTS AND LIABILITIES (Continued)

According to the amendment, deferred tax assets and liabilities included in the financial statements as at 31 December 2021 are calculated at the rate of 20%

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Income Withholding Tax (Continued)

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.

Investment Incentive Certificate dated 26.03.2020 and numbered 509964 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.

Investment Incentive Certificate dated 11.03.2021 and numbered 521238 has been obtained for the modernization investment of Bursa Karacabey 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 10.03.2021 and numbered 521171 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.

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

The 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>	31 December 2022	31 December 2021
Difference between tax base and carrying value of inventories	23,939,837	1,558,274
Maturity difference	15,762,956	7,914,230
Severance pay liability	9,405,564	3,459,176
Provision for litigation expenses	1,128,200	928,200
Sales expense provisions	952,791	881,534
Right of use assets and liabilities, net	784,588	446,844
Provision for unused vacation	634,487	349,487
Difference between tax base and carry value of property, plant and equipment	(4,751,434)	5,894,497
Derivative instruments	-	(2,084,643)
Other	(625,392)	(455,723)
	47,231,597	18,891,876

There is no carry forward tax losses have been recognized as of 31 December 2022 (31 December 2021: None).

Movement of the deferred tax for the years ended 31 December 2021 and 31 December 2020 is as follows:

<u>Deferred tax assets movements:</u>	31 December 2022	31 December 2021
Opening balance as of 1 January	18,891,876	4,974,330
Deferred tax income	22,701,923	12,723,284
Recognized directly in equity	5,637,798	292,764
Discontinued operations disposal from sales	-	901,498
	47,231,597	18,891,876

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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:

	31 December 2022	31 December 2021
The reconciliation of tax:		
Period profit from continuing operations	290,048,052	154,298,001
Period profit from discontinued operations	-	71,452,298
Effective tax rate	23%	25%
Current period tax expense	(66,711,052)	(56,437,575)
Tax effect:		
- Tax effect of nondeductible expenses	(5,116,320)	12,123,155
- Tax effect of government incentives and grants	69,378,837	39,673,791
- Other	7,662,952	2,080,663
Tax provision expense on income statement	5,214,417	(2,559,966)
Continuing activities tax expense	5,214,417	3,328,549
Discontinued operations tax expense	-	(5,888,515)

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:

	31 December 2022	31 December 2021
Net profit of the period for continuing operations	295,262,469	157,626,550
Net profit of the period for discontinued operations	-	65,563,784
Average number of shares available during the period	136,000,000	136,000,000
Earnings per common and diluted share due from continuing operations	2.17	1.16
Earnings per common and diluted share due from discontinued operations	-	0.48
Earnings per common and diluted share	2.17	1.64

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:

Yapı ve Kredi Bankası A.Ş.	31 December 2022	31 December 2021
Time Deposits	75,314,530	7,822,690
Current Deposits	-	6,802,835
	75,314,530	14,625,525

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 28 - RELATED PARTY TRANSACTIONS(Continued)

b) Receivables from related parties:

	31 December 2022	31 December 2021
Düzey (*)	621,189,201	408,572,926
Ram Dış Ticaret A.Ş. (**)	94,001,613	24,063,916
Other	78,496	965,428
	715,269,310	433,602,270

(*) 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.

c) Payables to related parties:

	31 December 2022	31 December 2021
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	50,305,953	19,337,955
Yapı Kredi Bankası A.Ş.	13,819,627	15,122,654
Koç Sistem A.Ş.	12,018,643	4,057,654
Ram Dış Ticaret A.Ş.	5,950,173	2,860,469
Eltek Elektrik Enerjisi İthalat İhracat	4,032,308	-
Ark İnşaat San ve Tic. A.Ş.	3,868,000	-
Ingage Dijital Pazarlama A.Ş.	1,753,780	2,792,808
Koç Digital Çözümler A.Ş.	1,698,734	1,015,964
Otokoç Otomotiv Tic.ve San.A.Ş.	1,239,041	1,002,904
Setur Servis Turistik A.Ş.	928,516	465,222
Koç Holding Emekli ve Yardım Sandığı	443,651	24,709
Ram Sigorta Aracılık Hizmetleri A.Ş.	120,180	1,395,871
Others	962,949	977,541
	97,141,555	49,053,751
Other Payables		
Koç Holding A.Ş.	27,915,166	11,724,613
Total trade and other payables	125,056,721	60,778,364

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

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

c) Payables to related parties: (Continued)

	31 December 2022	31 December 2021
Leasing borrowings		
Otokoç Otomotiv Tic.ve San.A.Ş.	8,627,804	3,368,008
Temel Ticaret Yatırım A.Ş.	3,175,112	4,987,550
Total leasing borrowings	11,802,916	8,355,558
Financial liabilities	31 December 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş.	20,000,000	21,589,001
Total financial liabilities	20,000,000	21,589,001

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:

	31 December 2022	31 December 2021
Düzey (*)	1,618,485,457	835,440,865
Ram Dış Ticaret A.Ş.	246,309,826	109,707,611
Zer Merkezi Hizmetler ve Ticaret A.Ş.	344,568	1,113,971
	1,865,139,851	946,262,447

(*) 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 (2021: 100 days).

b) Purchases from related parties:

	31 December 2022	31 December 2021
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	115,929,116	46,317,225
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	86,939,464	-
Koç Sistem A.Ş.	6,517,151	2,287,989
Ark İnşaat San ve Tic. A.Ş.	5,980,893	-
Opet Petrolcülük A.Ş.	3,776,512	977,633
Koç Digital Çözümler A.Ş.	1,882,307	998,000
Opet Fuchs Madeni Yağ. San ve Tic. A.Ş.	38,463	30,733
Others	1,118,012	235,921
	222,181,918	50,847,501

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

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

c) Service purchases from related parties:

	31 December 2022	31 December 2021
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	93,284,297	46,907,903
Düzey	24,570,802	15,993,725
Koç Holding A.Ş. (**)	53,088,000	14,422,563
Koç Sistem A.Ş.	13,749,241	6,169,897
Ingage Dijital Pazarlama A.Ş.	7,636,873	5,288,880
Otokoç Otomotiv Tic. ve San. A.Ş.	6,282,832	2,907,145
Setur Servis Turistik A.Ş.	5,486,994	1,107,495
Ram Dış Ticaret A.Ş.	4,622,589	3,949,879
Temel Ticaret ve Yatırım A.Ş.	3,366,636	2,814,912
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	1,548,043	1,945,919
Others	2,061,887	406,919
	215,698,194	101,915,237

(*) 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:

	31 December 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş.	992,444	145,877
	992,444	145,877

b) Interest expense:

	31 December 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş.	3,913,611	1,592,250
	3,913,611	1,592,250

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

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

a) **Rental payments:**

	31 December 2022	31 December 2021
Otokoç Otomotiv Tic.Ve San.A.Ş.	4,219,000	2,416,026
Temel Ticaret ve Yatırım A.Ş.	3,366,636	2,814,912
Zer Merkezi Hiz.Ve Tic.A.Ş.	-	181,542
	7,585,636	5,412,480

b) **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 2022, the total of benefits provided to Tat Gıda's senior executives is TRY34,202,089 (31 December 2021: TRY16,587,803). All of this amount consists of short-term benefits. (December 31, 2021: TL 2,791,928 consists of payments made due to leaving).

NOTE 29 - NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

a) **Capital Risk Management**

The company aims to increase its profits by using the debt and equity balance in the most efficient way while trying to ensure the continuity of its activities in capital management the Company's capital risk consists of short-term and long-term financial liabilities disclosed in Note 6, cash and cash equivalents disclosed in Note 4 and equity items disclosed in Note 20.

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:

	31 December 2022	31 December 2021
Total Liabilities (Note 6)	2,509,778,984	427,261,767
Less: Cash and cash equivalents (Note 4)	(287,657,658)	(106,046,019)
Net Debt	2,222,121,326	321,215,748
Total Equity	1,104,156,149	885,210,477
Net Liability/Equity	2,0125	0,3629

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FOR THE YEAR ENDED 31 DECEMBER 2022**

(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

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 2022**

(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)

31 December 2022	Trade Receivables				Deposit in Banks	Derivatives
	Related Party	Third Party	Related Party	Third Party		
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	715,269,310	128,712,068	-	1,494,133	287,657,658	-
- The portion of the maximum risk guaranteed by collateral	88,737,425	6,595,002	-	-	-	-
A. Net book value of financial assets not overdue or impaired	617,999,067	23,518,066	-	1,494,133	287,657,658	-
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	97,270,243	105,194,002	-	-	-	-
- Collateral, etc. secured part	-	46,686,898	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	2,752,707	-	-	-	-
- Impairment (-)	-	(2,752,707)	-	-	-	-
- 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 2022**

(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)

31 December 2021	Trade Receivables				Deposit in Banks	Derivatives
	Related Party	Third Party	Related Party	Third Party		
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	433,602,270	40,280,329	-	2,943,146	106,046,019	9,063,664
- The portion of the maximum risk guaranteed by collateral	-	1,733,043	-	-	-	-
A. Net book value of financial assets not overdue or impaired	320,093,772	35,910,948	-	2,943,146	106,046,019	9,063,664
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	113,508,498	2,636,338	-	-	-	-
- Collateral etc. 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 2022

(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)

31 December 2022	Trade Receivables	Other Receivables	Deposits in Banks	Others
Past due 1-30 days	186,157,990	-	-	-
Past due 1-3 months	2,963,185	-	-	-
Past due 3-12 months	13,343,070	-	-	-
Total past due receivables	202,464,245	-	-	-

31 December 2021	Trade Receivables	Other Receivables	Deposits in Banks	Others
Past due 1-30 days	89,447,904	-	-	-
Past due 1-3 months	26,268,396	-	-	-
Past due 3-12 months	428,536	-	-	-
Total past due receivables	116,144,836	-	-	-

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

	2022	2021
	Nominal Value	Nominal Value
The part under guarantee with collateral	6,595,002	1,733,043

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 2022

(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)

31 December 2022

Contractual maturity analysis	Carrying value	Total cash outflows in accordance with contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings and issued bonds	2,471,713,970	2,498,831,929	607,426,426	1,883,433,002	7,972,500	-
Trade payables	539,648,826	539,648,826	539,648,826	-	-	-
Trade payables to related parties	97,141,555	97,141,555	97,141,555	-	-	-
Derivative financial liabilities						
Derivative instruments liabilities	-	-	-	-	-	-
Total liabilities	3,108,504,351	3,135,622,310	1,244,216,807	1,883,433,002	7,972,500	-

31 December 2021

Contractual maturity analysis	Carrying value	Total cash outflows in accordance with contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings and issued bonds	307,144,849	442,355,099	132,229,703	108,755,798	201,369,598	-
Trade payables	208,762,746	208,762,746	208,762,746	-	-	-
Trade payables to related parties	49,053,751	49,053,751	49,053,751	-	-	-
Derivative financial liabilities						
Derivative instruments liabilities	-	-	-	-	-	-
Total liabilities	564,961,346	700,171,596	390,046,200	108,755,798	201,369,598	-

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 2022

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

NOTE 29 - NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.4) Foreign currency risk management

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

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

31 December 2022	TRY Equivalent	USD	EUR	Others
1. Trade receivables	193,816,150	6,970,477	3,184,121	220
2.a Monetary financial assets	93,972,156	2,978,506	1,920,208	-
2.b Non - monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	287,788,306	9,948,983	5,104,329	220
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non - monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON - CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	287,788,306	9,948,983	5,104,329	220
10. Trade payables	101,373,054	3,685,169	1,619,488	-
11. Financial liabilities	149,511,750	7,981,622	-	-
12.a Other monetary liabilities	643,479	34,352	-	-
12.b Other non - monetary financial liabilities	11,055,261	591,244	-	-
13. CURRENT LIABILITIES	262,583,544	12,292,387	1,619,488	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16.a Other monetary liabilities	1,243,931	66,407	-	-
16.b Other non - monetary liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	1,243,931	66,407	-	-
18. TOTAL LIABILITIES	263,827,475	12,358,794	1,619,488	-
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	23,960,831	(2,409,811)	3,484,841	220
21. Net foreign currency asset/liability position of non-monetary items (1+2a+6a-10-12a-12b-14-15-16b)	35,016,092	(1,818,566)	3,484,839	220
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 2022

(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)

31 December 2021	TRY Equivalent	USD	EUR	Others
1. Trade receivables	93,341,335	4,618,087	2,069,232	31,668
2.a Monetary financial assets	62,324,585	1,335,809	2,950,916	-
2.b Non - monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	155,665,920	5,953,896	5,020,148	31,668
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non - monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	155,665,920	5,953,896	5,020,148	31,668
10. Trade payables	53,666,845	2,779,360	1,095,287	-
11. Financial liabilities	53,412,000	4,000,000	-	-
12.a Other monetary financial liabilities	342,530	25,652	-	-
12.b Other non - monetary financial liabilities	-	-	-	-
13. CURRENT LIABILITIES	107,421,375	6,805,012	1,095,287	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16.a Other monetary liabilities	916,171	68,612	-	-
16.b Other monetary liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	916,171	68,612	-	-
18. TOTAL LIABILITIES	108,337,546	6,873,624	1,095,287	-
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	47,328,374	(919,728)	3,924,861	31,668
21. Net foreign currency asset/liability position of non - monetary items (1+2a+6a-10-12a-12b-14-15-16b)	47,328,374	(919,728)	3,924,861	31,668
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

Currency risk sensitivity

The Company is mainly exposed to foreign currency risk in USD and EUR.

The following table details the Company's sensitivity to a 20% increase and decrease in the USD, GBP and EUR. 20% 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 20% 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.

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

	31 December 2022 Profit/Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
In the case of appreciation of USD at 20% ratio compared to TRY		
1 - USD net asset/liability	(6,800,819)	6,800,819
2- Part of hedged from USD risk (-)	-	-
3- USD net effect	(6,800,819)	6,800,819
In the case of appreciation of EUR at 20% ratio compared to TRY		
4 - EUR net asset/liability	13,893,983	(13,893,983)
5 - Part of hedged from EUR risk (-)	-	-
6- EUR net effect	13,893,983	(13,893,983)
In the case of appreciation of GBP at 20% ratio compared to TRY		
7 - GBP net asset/liability	990	(990)
8 - Part of hedged from GBP risk (-)	-	-
9 - GBP net effect	990	(990)
TOTAL	7,094,154	(7,094,154)
	31 December 2021 Profit/Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
In the case of appreciation of USD at 20% ratio compared to TRY		
1 - USD net asset/liability	(2,451,811)	2,451,811
2- Part of hedged from USD risk (-)	-	-
3- USD net effect	(2,451,811)	2,451,811
In the case of appreciation of EUR at 20% ratio compared to TRY		
4 - EUR net asset/liability	11,842,640	(11,842,640)
5 - Part of hedged from EUR risk (-)	-	-
6- EUR net effect	11,842,640	(11,842,640)
In the case of appreciation of GBP at 20% ratio compared to TRY		
7 - GBP net asset/liability	113,794	(113,794)
8 - Part of hedged from USD risk (-)	-	-
9 - GBP net effect	113,794	(113,794)
TOTAL	9,504,623	(9,504,623)

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 29 - NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk management

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

Interest-sensitive financial instruments are as follows:

	Interest Position Table	
	31 December 2022	31 December 2021
Fixed Rate Instruments		
Financial Assets	208,798,300	98,216,335
Financial Liabilities	2,509,778,984	427,261,767

DİPNOT 30 - HEDGE ACCOUNTING FOR HIGH PROBABILITY ESTIMATED TRADING CURRENCY RISK

The Company provides hedging against the foreign exchange risk on the balance sheet by borrowing in the same currency against the foreign currency risks arising from the foreign currency sales amounts that are highly probable to be realized in the future within the scope of the agreements it has made and the corporate budget.

In this context, repayments of foreign currency borrowings, which are subject to hedge accounting and determined as hedging instrument, are made with foreign currency sales cash flows that will be realized on close dates and determined as hedged item within the scope of hedge accounting.

Within the scope of the currency risk management strategy it has determined, the Company applies hedge accounting for the purpose of hedging the currency risk component of the highly probable estimated transaction cash flow risk, and the foreign exchange rate that has occurred on the hedging instrument, whose effectiveness has been mathematically proven in accordance with TFRS 9, has not yet been realized. It pulls the fluctuations from the income statement and parks it in the comprehensive income statement and aims to present a healthier income statement.

The Company pays attention to maintain a %100 hedging ratio and a hedging efficiency between %80 and %125 within the scope of the hedge accounting it has established, and as of 30 December 2022, the hedging efficiency has been calculated as %101.04.

USD	31 Aralık 2022
The present value of the hedged item (current portion)	1,614,418
The present value of the hedged item (non-current portion)	6,007,084
Hedging instrument present value (current portion)	-
Hedging instrument present value (non-current portion)	7,500,000

TRY	31 Aralık 2022
Cumulative exchange difference on the hedged item (current portion)	1,052,278
Cumulative exchange difference on the hedged item (non-current portion)	3,915,418
Cumulative exchange difference on the hedging instrument (current portion)	-
Cumulative exchange difference on the hedging instrument (non-current portion)	4,888.500
Hedging effectiveness rate	101,620%

TAT GIDA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 2022	31 December 2021	31 December 2022	31 December 2021
<u>Financial Assets</u>				
Cash and cash equivalents	287,657,658	106,046,019	287,657,658	106,046,019
Trade receivables	132,799,636	40,280,329	110,424,575	40,280,329
Receivables from related parties	715,269,310	433,602,270	715,269,310	433,602,270
Other financial assets	-	-	-	5,122,949
<u>Financial Liabilities</u>				
Loan and borrowings	2,509,778,984	427,261,767	2,509,778,984	427,261,767
Trade payables	539,648,826	208,762,746	539,648,826	208,762,746
Payables to related parties	97,141,555	49,053,751	97,141,555	49,053,751
Derivative instruments	-	-	-	-

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

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

Financial assets

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

Financial liabilities

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments

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

31 December 2022	Level of fair value as of reporting date		
	1st Level TRY	2nd Level TRY	3rd Level TRY
Financial assets	-	-	-
Fair value change reflected in other comprehensive income - equity instruments	-	-	9,017,263
Derivative instruments	-	-	-
Total	-	-	9,017,263
Financial liabilities	-	-	-
Fair value change reflected in other comprehensive income - equity instruments	-	-	-
Total	-	-	-

31 December 2021	Level of fair value as of reporting date		
	1st Level TRY	2nd Level TRY	3rd Level TRY
Financial assets	-	-	-
Fair value change reflected in other comprehensive income - equity instruments	-	-	5,122,949
Derivative instruments	-	9,063,664	-
Total	-	9,063,664	5,122,949
Financial liabilities	-	-	-
Fair value change reflected in other comprehensive income - equity instruments	-	-	-
Total	-	-	-

NOTE 31 - DISCLOSURE OF FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR OR AUDITOR'S

	31 December 2022 Company Independent Audit Firm	31 December 2021 Company Independent Audit Firm
Independent audit fee for the reporting period	513,600	112,100
- Statutory and voluntary independent audit services (including interim periods)	513,600	112,100
Fee for other assurance services	-	10,000
- Services provided within the scope of assurance standards (ISAE 3000/3400/3402/3420)	-	10,000
Total	513,600	122,100

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NOTE 32 - SUBSEQUENT EVENTS

None