

**KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2020
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

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

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kerevitaş Gıda Sanayi ve Ticaret A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Kerevitaş Gıda Sanayi ve Ticaret A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Accounting of property, plant and equipment by revaluation method</p> <p>The Group has selected revaluation model, which is one of the valuation method in TAS 16 as accounting policy, presenting land and building with fair values, starting from December 31, 2018.</p> <p>Due to the complexity of the valuation model and dependency on estimates and assumptions, we consider the application of revaluation method as key audit matter.</p> <p>The detailed disclosures about property, plant and equipment are stated in Note 10.</p>	<p>In our audit, the compliance of the methods used by real estate appraiser in their valuation report, that is formative to fair value of relevant tangible assets, which are measured according to revaluation model, has been evaluated.</p> <p>The real estate appraiser of another company that are included in the same audit network of our firm are involved in assessing the compliance of market data used in the assumptions during valuation by independent real estate appraiser. In this context, in consequence of studies and examination that are implemented by appraiser on real estate valuation calculation, whether the estimations and assumptions that are used in the valuation report are in acceptable range have been evaluated.</p> <p>The accuracy of using valuation method has checked by evaluating together with intended use of relevant real estates, and the square meter that are used in calculation fair value has compared to registry of deeds of real estates.</p> <p>The average value per square meter used in market approach by valuation appraiser are compared to market information on sampling basis. The sensitivity assessment of assumptions like negotiation share and location adjustment on fair value is performed.</p> <p>In addition, we have assessed the conformity of the information in the financial statements and explanatory notes in accordance with TAS 16.</p>

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 10, 2021.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Seda Akkuş Tecer, SMMM
Partner

May 17, 2021
İstanbul, Turkey

CONTENTS	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS.....	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	6-75
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS	6-7
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	8-36
NOTE 3 SEGMENT REPORTING.....	37-38
NOTE 4 RELATED PARTY DISCLOSURES	39-42
NOTE 5 TRADE RECEIVABLES AND PAYABLES	42
NOTE 6 OTHER RECEIVABLES AND PAYABLES	43
NOTE 7 INVENTORIES	43
NOTE 8 PREPAID EXPENSES AND DEFERRED REVENUE.....	44
NOTE 9 INVESTMENT PROPERTIES	44-45
NOTE 10 PROPERTY, PLANT AND EQUIPMENT	46-48
NOTE 11 RIGHT OF USE ASSETS.....	49
NOTE 12 INTANGIBLE ASSETS	49-50
NOTE 13 GOVERNMENT GRANTS AND INCENTIVES	50-51
NOTE 14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	51
NOTE 15 COMMITMENTS AND CONTINGENCIES	52
NOTE 16 PAYABLES RELATED TO EMPLOYEE BENEFITS	53-54
NOTE 17 OTHER ASSETS AND LIABILITIES	55
NOTE 18 CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	55-56
NOTE 19 REVENUE AND COST OF SALES	56
NOTE 20 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	57
NOTE 21 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	58
NOTE 22 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES	58
NOTE 23 FINANCIAL INCOME AND EXPENSES	59
NOTE 24 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	59-62
NOTE 25 EARNING PER SHARE / (LOSS)	63
NOTE 26 FINANCIAL INSTRUMENTS	63
NOTE 27 BORROWINGS	63-64
NOTE 28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	65-74
NOTE 29 CASH AND CASH EQUIVALENTS	74
NOTE 30 DISCLOSURE OF INTEREST IN OTHER ENTITIES	75
NOTE 31 SUBSEQUENT EVENTS.....	75

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Audited Current Year 31 December 2020	Audited Prior Year 31 December 2019
ASSETS			
Current Assets			
Cash and cash equivalents	29	57.508.936	13.208.215
Trade receivables	5	616.127.143	447.038.978
- Trade receivables from related parties	4	355.017.915	269.099.666
- Trade receivables from third parties	5	261.109.228	177.939.312
Other receivables	6	1.033.161.360	638.071.763
- Other receivables from related parties	4	1.028.887.113	632.699.658
- Other receivables from third parties	6	4.274.247	5.372.105
Inventories	7	612.880.936	417.527.030
Prepaid expenses	8	13.566.187	10.733.554
Current income tax assets	24	233.428	15.473
Other current assets	17	14.724.195	6.525.797
Non-Current Assets			
Other receivables	6	866.853	1.466.589
- Other receivables from third parties	6	866.853	1.466.589
Financial investments	26	1.394.933	1.394.933
Investment properties	9	197.748.000	219.842.001
Property, plant and equipment	10	893.124.810	865.150.925
Right of use assets	11	42.179.883	4.245.452
Intangible assets	12	20.222.779	15.045.787
Prepaid expenses	8	5.286.781	8.069.552
Deferred tax assets	24	15.901.243	54.978.956
TOTAL ASSETS		3.524.927.467	2.703.315.005

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	Audited Current Year 31 December 2020	Audited Prior Year 31 December 2019
LIABILITIES			
Current Liabilities		1.093.409.010	620.562.397
Short-term borrowings	27	368.478.207	71.353.171
- Bank loans	27	357.165.807	70.057.502
- Lease liabilities	27	11.312.400	1.295.669
Trade payables	5	560.046.095	346.440.949
- Trade payables to related parties	4	55.492.346	12.261.101
- Trade payables to third parties	5	504.553.749	334.179.848
Other payables	6	55.406.035	149.772.705
- Other payables to related parties	4	55.250.643	149.772.705
- Other payables to third parties	6	155.392	-
Payables related to employee benefits	16	15.139.378	12.020.130
Deferred income	8	3.495.067	4.492.874
Current income tax liabilities	24	45.326.229	16.460.798
Short-term provisions		26.715.396	15.027.956
- Short-term provisions for employee benefits	16	14.196.096	11.458.762
- Other short-term provisions	14	12.519.300	3.569.194
Derivative financial instruments		3.966.396	-
Other current liabilities	17	14.836.207	4.993.814
Non-Current Liabilities		983.883.420	1.116.372.739
Long-term borrowings	27	29.692.619	2.878.423
- Lease liabilities	27	29.692.619	2.878.423
Other payables	6	866.046.711	1.031.988.897
- Other payables to related parties	4	866.046.711	1.031.988.897
Long-term provisions		43.512.273	33.225.074
- Long-term provisions for employee benefits	16	43.512.273	33.225.074
Deferred tax liabilities	24	44.631.817	48.280.345
Total Liabilities		2.077.292.430	1.736.935.136
EQUITY			
Paid in capital	18	662.000.000	662.000.000
Other comprehensive income or expenses not be reclassified to profit or loss		312.960.947	313.272.561
- Gains on revaluation of plant, property and equipment		317.437.700	314.411.591
- Losses on remeasurement of defined benefit plans		(11.682.196)	(10.340.254)
- Gains on revaluation of investment properties		7.205.443	9.201.224
Other comprehensive income or expenses to be reclassified to profit or loss		133.998.007	102.626.699
- Currency translation differences		133.998.007	102.626.699
Share premium		702.050	702.050
Restricted reserves	18	37.378.874	36.192.002
Retained earnings		(356.511.215)	(496.423.379)
Net profit for the year		415.726.204	137.831.653
Equity holders of the parent		1.206.254.867	756.201.586
Non-controlling interests		241.380.170	210.178.283
Total Equity		1.447.635.037	966.379.869
TOTAL LIABILITIES AND EQUITY		3.524.927.467	2.703.315.005

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	Audited Current Year 1 January - 31 December 2020	Audited Prior Year 1 January - 31 December 2019
Revenue	19	3.055.708.233	2.492.865.759
Cost of sales (-)	19	(2.309.686.373)	(1.879.435.873)
Gross profit		746.021.860	613.429.886
General administrative expenses (-)	20	(71.372.289)	(59.295.803)
Marketing expenses (-)	20	(254.237.363)	(220.546.434)
Research and development expenses (-)	20	(4.160.364)	(3.930.240)
Other income from operating activities	21	27.627.357	22.987.064
Other expenses from operating activities (-)	21	(81.778.976)	(49.651.111)
OPERATING PROFIT		362.100.225	302.993.362
Income from investment activities	22	129.336.413	130.825.599
Expenses from investment activities (-)	22	(29.005.100)	(13.499.824)
OPERATING PROFIT BEFORE FINANCIAL INCOME / (EXPENSE)		462.431.538	420.319.137
Financial income	23	233.563.612	-
Financial expenses (-)	23	(126.130.989)	(214.802.162)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		569.864.161	205.516.975
Tax expense/income from continuing operations		(124.688.729)	(46.593.957)
- Current tax expense	24	(85.240.545)	(57.388.020)
- Deferred tax income/(expense)	24	(39.448.184)	10.794.063
PROFIT FOR THE YEAR		445.175.432	158.923.018
Profit for the year attributable to:			
Non-controlling interests		29.449.228	21.091.365
Equity holders of the parent		415.726.204	137.831.653
Earnings per share (Kr)	25	0,63	0,21
OTHER COMPREHENSIVE INCOME:			
Items to not be reclassified subsequently to profit or loss		2.927.136	(561.987)
- Gain on revaluation of property, plant and equipment	18	5.594.982	-
- Actuarial loss on defined benefit plans	16	(1.388.575)	(724.331)
- Other comprehensive income/(loss) not to be reclassified to profit or (loss), tax effect	24	(1.279.271)	162.344
Items to be reclassified subsequently to profit or loss		33.152.600	26.037.393
- Currency translation differences		33.152.600	26.037.393
Other Comprehensive Income		36.079.736	25.475.406
TOTAL COMPREHENSIVE INCOME		481.255.168	184.398.424
Total comprehensive income for the year attributable to:			
Non-controlling interests		31.201.887	28.788.025
Equity holders of the parent		450.053.281	155.610.399

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)**

	Accumulated other comprehensive income or expenses not to be reclassified to profit or lose				Accumulated other comprehensive income or expenses to be reclassified to profit or lose	Share premium	Restricted reserves	Effect of business combinations under common control	Retained Earnings			Equity holders of the parent	Non-controlling interests	Total Equity
	Paid in capital	Gains on revaluation of plant, property and equipment	Losses on remeasurement of defined benefit plans	Gains on revaluation of investment properties					Currency translation differences	Retained earnings	Net profit / loss for the year			
Balances as of 1 January 2019	662.000.000	314.411.591	(9.892.689)	9.201.224	84.400.388	702.050	36.192.002	(895.717.515)	433.864.245	(34.570.109)	600.591.187	181.390.258	781.981.445	
Transfers	-	-	-	-	-	-	-	895.717.515	(930.287.624)	34.570.109	-	-	-	
Total comprehensive income	-	-	(447.565)	-	18.226.311	-	-	-	-	137.831.653	155.610.399	28.788.025	184.398.424	
Balances as of 31 December 2019	662.000.000	314.411.591	(10.340.254)	9.201.224	102.626.699	702.050	36.192.002	-	(496.423.379)	137.831.653	756.201.586	210.178.283	966.379.869	
Balances as of 1 January 2020	662.000.000	314.411.591	(10.340.254)	9.201.224	102.626.699	702.050	36.192.002	-	(496.423.379)	137.831.653	756.201.586	210.178.283	966.379.869	
Transfers	-	(1.242.969)	-	(1.995.781)	-	-	1.186.872	-	139.883.531	(137.831.653)	-	-	-	
Total comprehensive income	-	4.269.078	(1.341.942)	-	31.371.308	-	-	-	28.633	415.726.204	450.053.281	31.201.887	481.255.168	
Balances as of 31 December 2020	662.000.000	317.437.700	(11.682.196)	7.205.443	133.998.007	702.050	37.378.874	-	(356.511.215)	415.726.204	1.206.254.867	241.380.170	1.447.635.037	

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	Audited Current Year 1 January- 31 December 2020	Audited Current Year 1 January- 31 December 2019
A. Cash flows from operating activities		206.668.969	362.667.852
Profit/loss for the year		445.175.432	158.923.018
Adjustments to reconcile profit/(loss) for the year		(27.233.737)	213.997.376
Adjustments related to depreciation and amortization expenses	10,11,12	52.403.016	49.689.074
Adjustments related to provision for/(reversal) of impairment loss		2.990.014	2.569.547
- Adjustments related to impairment loss on receivables	5	2.753.894	2.581.000
- Adjustments related to impairment net loss on inventories	7	236.120	(37.114)
- Adjustments related to impairment (cancellation) of other financial assets or investments	26	-	25.661
Adjustments related to provisions		27.007.341	24.528.839
- Adjustments related to provisions employee benefit	16	25.846.932	22.158.187
- Adjustments related to lawsuit provisions	14	1.160.409	2.370.652
Adjustments related to interest income and expenses		14.324.318	85.446.470
- Adjustments related to interest expense	23	108.000.867	195.551.303
- Adjustments related to interest income	22	(93.676.549)	(110.104.833)
Adjustments related to unrealized currency translation differences	23	940.440	18.039.315
Adjustments related to tax expense/(income)	24	124.688.729	46.593.957
Adjustments related to loss/(gain) on fair value		(12.130.066)	(7.735.000)
- Adjustments related to fair value loss (gain) of investment properties	9	(16.096.462)	(7.735.000)
- Adjustments related to fair value loss (gain) of derivative financial instruments	23	3.966.396	-
Adjustments related to loss/(gain) on disposal of non-current assets	22	(4.129.917)	(5.134.826)
Adjustments for other items that cause cash flows from investing or financing activities	23	(233.327.612)	-
Changes in working capital		(140.468.683)	58.822.615
Changes in trade receivables	5	(171.842.059)	59.778.922
- Increase in trade receivables from third parties	5	(85.923.810)	(8.807.691)
- (Increase) / decrease in trade receivables from related parties	5	(85.918.249)	68.586.613
Changes in inventories	7	(195.590.026)	(54.451.300)
Changes in other receivables related with operations		(6.550.666)	36.538.576
Changes in trade payables	5	213.605.146	17.526.707
- Increase in trade payables to third parties	5	170.373.901	12.991.309
- Increase in trade payables to related parties	5	43.231.245	4.535.398
Changes in other payables		19.908.922	(570.290)
Cash generated from operations		277.473.012	431.743.009
Cash outflow from paid in employee benefit provisions	16	(14.210.974)	(18.615.646)
Income taxes paid	24	(56.593.069)	(50.459.511)
B. Cash flows from investing activities		97.989.593	106.035.135
Payments for purchase of property, plant and equipment and intangible assets		(54.904.334)	(17.169.796)
- Payments for purchase of property, plant and equipment	10	(49.438.893)	(13.873.905)
- Payments for purchase of intangible assets	12	(5.465.441)	(3.295.891)
Proceeds from sale of property, plant and equipment and intangible assets	10,12,22	14.383.895	13.100.098
Proceeds from sale of investment property	9,22	44.833.483	-
Interest income from investing activities	22	93.676.549	110.104.833
C. Cash flows from financing activities		(249.578.359)	(466.744.735)
Cash inflows from financial debts	27	352.145.504	178.554.522
Cash outflows from repayment of borrowings	27	(113.491.463)	(439.287.687)
Payments of lease liabilities		(4.421.266)	(2.124.187)
Interest and commissions paid		(108.000.867)	(195.551.303)
Changes in other payables to related parties		(375.810.267)	(8.336.080)
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes (A+B+C)		55.080.203	1.958.252
D. Effects of exchange rate changes on cash and cash equivalents		(10.779.482)	(8.198.310)
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)		44.300.721	(6.240.058)
E. Cash and cash equivalents at the beginning of the year	29	13.208.215	19.448.273
Cash and cash equivalents at the end of the year (A+B+C+D+E)	29	57.508.936	13.208.215

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Main operations of Kerevitaş Gıda Sanayi ve Ticaret Anonim Şirketi (“Kerevitaş” or “the Company”) and its subsidiaries (“Group”) are production and trading of frozen and canned vegetables and fruits, frozen and canned sea food, frozen pastry products, croquettes, canned tuna fish, oil and margarine. Products in the frozen product category; bakery products, vegetables and fruit products, potatoes and croquettes, meat products and sea food. Canned product categories; canned tuna, vegetables and convenience foods. Kerevitaş was initially established in 1978, to export its sea food and has been one of the pioneer food companies since 1990 with “Superfresh” brand.

The Company distributes frozen and canned products that are produced in Bursa and Afyon facilities throughout Turkey through its dealers and own direct distribution channels, as well as exports its products. The Company has vegetables, fruits, seafood, tuna canned food, bakery products and pizza facilities in the its Bursa factory, and has potato, vegetables and fruit production facilities in its the Afyon factory.

Kerevitaş acquired Besler Gıda ve Kimya Sanayi ve Ticaret A.Ş. (“Besler”) which is operating in margarine and oil businesses on 24 November 2017 for an amount of TL904.500.000. Thus, the field of activities of the Group expanded to include the production and trading of oil and margarine.

Besler has two production plants of oil and margarine in Pendik/İstanbul and in Adana. The third production plant of Besler was established by the end of 2017 in Sultanate of Brunei.

The Company’s registered office is in Kısıklı Mahallesi Yenişen Sokak Yıldız Holding B Blok Apt. No:8 B/1 Üsküdar İstanbul.

The ultimate shareholder of the Group is Yıldız Holding A.Ş. and Yıldız Holding A.Ş. is managed by Ülker Family.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1994.

As of 31 December 2020 and 2019, the principal shareholders and their respective shareholding rates in the Company are as follows:

	31 December 2020	31 December 2019
	(%)	(%)
Yıldız Holding A.Ş.	54,27	54,27
Ufuk Yatırım Yönetim ve Gayrimenkul A.Ş.	10,34	10,34
Murat Ülker	9,98	9,98
Trade Türk Gıda Yatırım A.Ş.	-	5,42
Other	25,41	20,00
	100	100

As of 31 December 2020, the number of employees employed by the Group is 1.704 (31 December 2019: 1.736).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS (Continued)

The subsidiaries included in the scope of consolidation of the Group as of 31 December 2020 and 2019 and respective effective ownership rates are as follows:

Direct and Indirect Effective Ownership %

Subsidiaries	31 December 2020	31 December 2019	Countries of activity	Nature of business
Besler Gıda ve Kimya San. Ve Tic. A.Ş.	100	100	Turkey	Production and Trading of Oil and Oil Products
Kerpe Gıda Sanayi ve Tic. A.Ş. (**)	100	-	Turkey	Production and Trading of Agricultural and Animal Products
Berk Enerji Üretimi A.Ş. (*)	88,07	88,07	Turkey	Generation of Electricity
Marsa Yağ Sanayi ve Tic. A.Ş. (*)	70	70	Turkey	Production and Trading of Oil and Oil Products
Western Foods and Packaging SDN BHD (*)	70	70	Brunei	Production and Trading of Oil and Oil Products

(*) The Group has indirect ownership.

(**) Kerpe Gıda San. ve Tic. A.Ş., which is fully owned by Kerevitaş Gıda Sanayi ve Ticaret A.Ş., is engaged in the production, trade, marketing and export activities of all kinds of agricultural and animal products, with a capital of TL 50.000. It was registered on 5 February 2020 and its establishment procedures were completed.

Approval of the financial statements

The consolidated financial statements as of and for the year ended 31 December 2020 have been approved by the Board of Directors on 10 March 2021. General Assembly has authority to change the financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 - Basis of Presentation

Statement of Compliance with TAS

The accompanying financial statements are prepared in accordance with the requirements of the Communiqué Serial II, no: 14.1 “Basis of Financial Reporting in Capital Markets” as issued by Capital Markets Board of Turkey (“CMB”) which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements have been prepared in accordance with the Turkish Accounting Standards (“TAS”) and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) under Article 5th of the Communiqué.

In addition, financial statements and disclosures have been presented in accordance with the resolution of POA dated 15 April 2019 on “2019 TAS Taxonomy”.

With the 11/367 numbered decision taken on 17 March 2005, CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the listed companies operating in Turkey which are preparing their financial statements in accordance with Turkish Accounting Standards. Accordingly, the Group did not apply “Financial Reporting in High Inflation Economies” (“TAS 29”) since 1 January 2005.

The Company and its subsidiaries in Turkey maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The consolidated financial statements have been prepared on the historical cost basis except for land and building and financial assets and liabilities accounted with their fair values. Historical cost is generally based on the nominal or original cost of assets when acquired by the Company.

Functional Currency

The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

As of 31 December 2020 and 2019, the exchange rates announced by Central Bank of Turkey are as below:

EUR 1 = TL 9,0079, USD 1 TL 7,3405 TL
(31 December 2019: EUR 1 = TL 6,6506; USD 1 TL 5,9402)

As of 31 December 2020, and 2019, the average of the exchange rates announced by Central Bank of Turkey are as below:

EUR 1=TL 8,0140, USD 1=TL 7,0034
(1 January – 31 December 2019: EUR 1=TL 6,3481; USD 1=TL 5,6712)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.1 - Basis of Presentation (Continued)

Going Concern

The consolidated financial statements of the Group are prepared on a going concern basis.

Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

(b) Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to owners of the Company.

(c) Losses control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. transfer to profit / loss or transfer to retained earnings in accordance with TFRSs). The fair value of any investment retained after the sales of a subsidiary at the date when control is lost, is regarded as the fair value on initial recognition accounting within the scope of TFRS 9 Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 - Basis of Presentation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recategorized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recategorized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *TFRS 9 Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.2 - Changes in Accounting Policies

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to allow the determination of financial position and performance trends, the Group's consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. The Group has made some reclassifications in prior year financial statements in order to conform presentation with current period financial statements for prior periods.

Change in accounting policies is applied retrospectively and previous year financial statements are restated accordingly.

The Group has made following reclassifications in financial statements as of 31 December 2019 in order to conform with the presentation of current year consolidated financial statements.

In the consolidated financial statements as of 31 December 2019, the payable of TL 38.691.398 TL to Yıldız Holding, which was recognised under "Trade Payables to Related Parties" under Short-Term Liabilities; is classified under "Other Payables to Related Parties" under Short-Term Liabilities. The classification has no effect on the net profit for the period.

In the consolidated financial statements as of 31 December 2019, the liability amounting to TL 19.860.191 recognised under the "Deferred Tax Liability" item under Long-Term Liabilities; is netted off with the item "Deferred Tax Assets" under Non-current Assets. The classification has no effect on the net profit for the period.

In the consolidated statement of profit or loss and other comprehensive income as of 31 December 2019, the foreign exchange profits amounting to TL 14.275.211 recognised under "Other Operating Income" were netted off with the item "Other Operating Expenses". The classification has no effect on the net profit for the period.

In the consolidated statement of profit or loss and other comprehensive income as of 31 December 2019, commission income amounting to TL 9.452.180 recognised under "Other Operating Income" has been netted off with the "Financing Expenses" item. This classification has no effect on the net profit for the period.

In the consolidated financial statements as of 31 December 2019, the amount of TL 895.717.515 recognised under the item "Effect of Business Combinations Under Common Control" under equity; is netted off with the item "Retained Earnings" under equity. The classification has no effect on the net profit for the period.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.3 - Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are related only for one period, changes are applied in the current year but if the changes in estimates affect following periods, changes are applied both in current and following years prospectively. In current year, there are no significant changes in the accounting estimates of the Group.

The accounting errors identified are corrected retrospectively and prior year financial statements are restated. In current year, there are no changes in accounting estimates and no errors identified.

2.4 - New and Revised Turkish Accounting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendment did not have a significant impact on the financial position or performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

The amendment did not have a significant impact on the financial position or performance of the Group.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendment did not have a significant impact on the financial position or performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 31 December 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

The amendment did not have a significant impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Group evaluates the effects of this change on the financial position and performance of the Group.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

The Group evaluates the effects of this change on the financial position and performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The Group evaluates the effects of this change on the financial position and performance of the Group.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Group evaluates the effects of this change on the financial position and performance of the Group.

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 (Continued)

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

IBOR Reform and its Effects on Financial Reporting—Phase 2 (Continued)

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The Group evaluates the effects of this change on the financial position and performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Group evaluates the effects of this change on the financial position and performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

The income from the sale of the goods is recognized as soon as all the following conditions are met.

- b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Revenue recognition

The revenue of the Group mainly consists of frozen food, canned food and oil sales.

The Group recognizes revenue based on the following five main principles: according to TFRS 15 “Revenue from Contracts with Customers”:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

The Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services: a) presence of Group’s collection right of the consideration for the goods or services, b) customer’s ownership of the legal title on goods or services, c) physical transfer of the goods or services, d) customer’s ownership of significant risks and rewards related to the goods or services, e) customer’s acceptance of goods or services. If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated 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 profit or 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. Inventories have been valued with weighted average cost method.

Property, Plant and Equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties’ revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Unless the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is not transferred to retained earnings. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated useful life of property, plants and equipment’s are shown below:

Useful Life (Year)

Buildings	10-50
Land improvements	8-50
Machinery and equipment’s	3-25
Furniture and fixtures	3-50
Motor vehicles	4-10
Leasehold improvements	3-5
Other tangible assets	10

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Estimated useful life of intangible assets are between 2 and 15 years.

Internally generated intangible assets – Research and Development Expenses

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Internally generated intangible assets – Research and Development Expenses (Continued)

The amount of intangible assets created within the enterprise is the total amount of expenditures incurred from the moment the intangible asset meets the above-mentioned accounting requirements. When intangible assets created within the business fail to meet the above-mentioned conditions, development expenses are recorded as expense in the period they occur.

After initial accounting, intangible assets created within the business are also shown over the amount after deducting accumulated amortization and accumulated depreciation from cost values such as separately purchased intangible assets.

Derecognition of intangible assets

An intangible asset is derecognized from statement of financial position on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Impairment of Assets Other Than Goodwill (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date (e.g. as of the date that the asset is available for use). Right-of-use assets are measured by deducting accumulated depreciation and impairment losses from their cost value. In case of revaluation of lease liabilities, this figure is also adjusted. Right-of-use assets are depreciated by separating into components if deemed necessary by asset class.

The cost of the right-of-use asset includes:

- a) The initial measurement amount of the lease liability,
- b) The amount obtained by deducting all lease incentives received from all lease payments made on or before the actual commencement date, and
- c) All initial direct costs incurred by the Group.

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably certain, the Group depreciates the right-of-use asset from the actual commencement date to the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Lease liabilities

The Group measures the lease liability over the present value of the unpaid lease payments at the start of the lease.

The lease payments included in the measurement of the lease liability at the actual commencement date consist of the following payments to be made for the right to use the underlying asset during the lease term and not paid at the time the lease actually commences:

- a) Fixed payments,
- b) Variable lease payments based on an index or rate, whose first measurement is made using an index or rate on the actual commencement date,
- c) Amounts expected to be paid by the Group within the scope of residual value commitments,
- d) If the Group is reasonably sure that it will use the purchase option, the exercise price of this option and
- e) If the lease term indicates that the Group will use an option to terminate the lease, penalty payments regarding the termination of the lease.

Variable lease payments that are not dependent on an index or rate are recorded as an expense in the period in which the event or condition triggering the payment occurs.

The Group uses the revised discount rate for the remaining part of the lease period, if the implied interest rate in the lease can be easily determined, as this rate; if it cannot be determined easily, the Group determines it as the alternative borrowing interest rate on the date of re-evaluation.

The Group measures the lease liability as follows, after the date the lease actually commences:

- a) Increases the book value to reflect the interest on the lease liability, and
- b) Reduces the book value to reflect the lease payments made.

In addition, the value of the lease liabilities is remeasured in the event of a change in the lease term, in substance a change in fixed lease payments, or in the assessment of the option to purchase the underlying asset.

Short-term leases and leases where the underlying asset is of low value

The Group applies the short-term lease registration exemption to short-term machinery and equipment lease contracts (e.g assets with a lease term of 12 months or less from the start date and without a call option). It also applies the exemption from accounting for low value assets to office equipment whose rental is considered to be of low value. Short-term lease contracts and lease contracts of low value assets are recorded as expense according to the linear method throughout the lease term.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Assets

Classification and Measurement

The Group classifies its financial assets in three categories, as being financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets with a maturity date shorter than 12 months are classified as current assets and with a maturity date longer than 12 months are classified as non-current assets. Financial assets of the Group measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “other receivables”.

The related assets which are initially measured at their fair values are in subsequent records recognized in the income statements at their discounted values using the effective interest rate method. Gains and losses resulting from valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

(a) Financial assets measured at amortized cost (Continued)

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model”. The impairment model applies for amortized financial and contractual assets.

The Group has preferred to apply “simplified approach” for the recognition of impairment losses on trade receivables, carried at amortized cost and that do not comprise of any significant finance component. In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to lifetime expected credit losses except incurred credit losses in which trade receivables are already impaired for a specific reason. In calculation of the expected credit losses, the future estimations of the Group are taken into account together with past credit loss experiences.

In all other cases of impairment on financial assets, 12-month expected credit loss calculation is applied. 12-month expected credit loss is the expected credit loss due to defaults within 12 months after the reporting period.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the provision related to impairment is released and the release of the provision is credited to profit or loss.

(b) Financial assets measured at fair value

Assets that are held by the management for the collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) “Financial assets carried at fair value through profit or loss” are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

ii) Financial assets carried at fair value through other comprehensive income comprise of “financial assets” in the statement of financial position. The Group measures these assets with their fair values. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

(b) Financial assets (Continued)

Trade Receivables

Trade receivables that are created by way of providing services directly to a debtor are measured at amortized cost, using the effective interest rate method, Short-term trade receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities

The Group's financial liabilities and equity instruments are classified based on contractual arrangements and the definition of a financial liability and an equity instrument. A financial liability is measured at fair value during its initial recognition. During the initial recognition of financial liabilities whose fair value difference is not reflected in profit or loss, transaction costs that can be directly associated with the undertaking of the relevant financial liability are added to the fair value in question. Financial liabilities are accounted over the amortized cost value by using the effective interest method together with the interest expense calculated over the effective interest rate in the following periods.

Fair values, as much as possible, are derived from current market prices in active markets, if not available, are determined through the appropriate way of discounted cash flows and option pricing models.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair values at each reporting periods, with any gains or losses arising on remeasurement recognized in profit or loss. Change in fair values are recognised in statement of profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, trade payables and other payables, are immediately measured at fair value at intial recognition, net of transactions costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

In the event that the Group fulfills its contractual obligations, or the obligations specified are cancelled oor expired, the Group derecognises the financial liability from its statement of financial position. The difference between the book value of the financial liability derecognised and the amount paid or the fair value of the new financial liability recognised is recognised in the statement of profit or loss.

Amendments to debt instruments

The exchange of debt instruments with "significantly" different terms between an existing debtor and a creditor indicates that the old financial liability is eliminated and a new financial liability should be included in the financial statements. Similarly, a significant change in the terms of an existing financial liability, in whole or in part, indicates that the old financial liability has disappeared and a new financial liability should be included in the financial statements.

An amendment agreement was signed with all the lending banks in August 2020 regarding the syndicated loan of the Group to Yıldız Holding A.Ş. In this context, changes in original maturities and interest rate risk have been accepted as a significant change. In loans where there is no change in the original currency and interest rate, the cash flows that are discounted with the original effective interest rate by at least 10% from the net present value of the new terms are considered as significant changes. These loans are evaluated as the removal of the old financial liability and the recognition of a new financial liability in the financial statements and the difference is recognized in the income statement.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Amendments to debt instruments (Continued)

The amortized cost of financial liabilities, which are not considered as the extinguishing of the old financial liability, is recalculated by calculating the present value of future flows discounted at the original effective interest rate ("EIR") of the financial instrument. Any adjustments resulting from this have been recognized in profit or loss.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised with the market value on the date the derivative contract is signed at the first registration and subsequently re-evaluated with the market value. Gains or losses arising from the increase or decrease in the fair values of derivative instruments that do not provide sufficient conditions for hedge accounting are directly associated with the profit or loss statement. Fair values are determined, as far as possible, with the applicable market prices in active markets, otherwise discounted cash flows and option pricing models. Derivatives with positive fair value are carried as assets and derivatives with negative fair values are carried in the balance sheet as liability.

Hedge accounting is terminated when the term of use of the financial risk protection instrument is expired, sold or used, or when it fails to meet the requirements for hedge accounting. The cumulative gain or loss arising from the hedging instrument recorded in equity at the relevant date continues to be included in the equity until the date when the transaction is expected to take place. If the hedged transaction is not realized, the cumulative net gain or loss in equity is recorded in the profit or loss statement of the period.

Effect of Exchange Differences

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Effect of Exchange Differences (Continued)

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Assets and liabilities of the Group’s foreign operations are presented in TL considering exchange rates prevailing at the reporting date. Income and expenses are translated by using the average rates calculated for the year when the transaction occurred, unless significant fluctuation has happened in exchange rates. In case of any significant fluctuation in exchange rates, the transaction is translated by using the exchange rate at the transaction date. The translation difference is accounted under comprehensive income as a component of equity.

Earnings Per Share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date. The events that do not require correction after the reporting period are disclosed in the footnotes of the consolidated financial statements, in case they are the issues affecting the economic decisions of the users of the financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Reporting of Financial Information According to Department

The Group’s main operations are producing and trading frozen and canned vegetables and fruits, frozen and canned sea food, frozen pastry products, croquettes, canned tuna fish, oil and margarine. The Group management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group’s management has separated its operations two segments which are canned products and margarine. Segment reporting is disclosed in Note 3.

Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position (balance sheet) and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Group accounts for such property in accordance with the policy stated under “Property, Plant and Equipment” up to the date of change in use.

Fair value of investment properties is determined by valuation companies which have enough experience in valuation of investment property and have CMB valuation certificate. Investment properties are classified in level 2 of the fair value hierarchy table.

Corporate taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current income tax and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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 deferred tax 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Corporate taxes (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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.

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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The management reviewed the Group’s investment property portfolios and concluded that none of the Group’s investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the management has determined that the ‘sale’ presumption set out in the amendments to TAS 12 is not rebutted.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.5 - Summary of Significant Accounting Policies (Continued)

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) *Employee Benefits* (“TAS 19”).

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Statement of Cash Flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

Cash flows from operating activities indicate cash flows due to the Group entities’ operations.

Cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

Cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 - Significant Accounting Judgements, Estimates and Assumptions

During the implementation of accounting policies specified in Note 2.5, the management made the following comments (except for the estimates below), which have a significant impact on the amounts recognized in the financial statements:

Provisions Related to Employee Benefits

Provisions related to defined benefit plans of the employees are determined by actuarial assumptions including discount rates, future salary increases and employee turnover rates. As these plans are long term, these assumptions contain significant uncertainties. Details on provisions for employee benefits are provided in Note 16.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

2.6 - Significant Accounting Judgements, Estimates and Assumptions (continued)

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets recognised on tax loss carry-forwards and deductible temporary differences, all of which could be utilized in the taxable income in the future. Partial or fully recoverable amount of deferred tax assets are evaluated under current conditions. During the evaluation, future projected income, current year losses, due date of tax loss carry forwards and other deductible temporary differences and tax-planning strategies that would, if necessary, be implemented are taken into consideration.

Expected Credit Loss

The Group has preferred to apply “simplified approach” the recognition of expected credit losses on trade receivables. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the Group measures expected credit loss from these receivables by the life-time expected credit loss by using an impairment matrix. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

Fair Value of Derivative Instruments and Other Financial Assets

The fair value of derivative instruments not traded in an active market is determined on the basis of market rates and expected returns. The fair values of non-derivative financial assets are determined based on the future principal and interest cash flows. These cash flows are calculated over the discount rates valid as of the reporting date.

2.7 – Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – SEGMENT REPORTING

The main operations of the Group are production and distributing frozen and canned vegetables and fruits, frozen and canned sea food, frozen pastry products, croquettes, canned tuna fish and edible oil. Operating segments are determined and reported in a manner consistent with the reporting provided to the Board of Directors and their strategic decision-making processes.

The Board of Directors and top management monitor the operations of the Group on the basis of the different business units, which are “frozen and canned food” and “edible oil”.

The segment information for the periods 1 January – 31 December 2020 and 2019 are as follows:

	31 December 2020			Total Assets / Liabilities According to Consolidated Financial Statements
	Frozen and Canned	Edible Oil	Consolidation Adjustment	
Segment assets	1.809.807.231	2.812.486.136	(1.097.365.900)	3.524.927.467
Segment liabilities	1.068.472.500	1.201.685.830	(192.865.900)	2.077.292.430

	31 December 2019			Total Assets / Liabilities According to Consolidated Financial Statements
	Frozen and Canned	Edible Oil	Consolidation Adjustment	
Segment assets	1.542.340.036	2.072.757.816	(911.782.847)	2.703.315.005
Segment liabilities	932.592.811	811.625.172	(7.282.847)	1.736.935.136

	31 December 2020			
	Frozen and Canned	Edible Oil	Consolidation Adjustment	Total
Revenue (Note 19)	889.601.976	2.166.106.257	-	3.055.708.233
Intersegment revenue	-	37.232.416	(37.232.416)	-
Revenue	889.601.976	2.203.338.673	(37.232.416)	3.055.708.233
Operating Profit (*)	73.034.819	338.716.044	4.500.981	416.251.844
Other income from operating activities	3.170.379	28.957.959	(4.500.981)	27.627.357
Other expenses from operating activities (-)	(23.041.237)	(58.737.739)	-	(81.778.976)
Operating Profit	53.163.961	308.936.264	-	362.100.225
Depreciation and amortization expense (Note 12)	24.862.964	27.540.052	-	52.403.016
EBITDA (**)	97.897.783	366.256.096	4.500.981	468.654.860
Investment (Note 10, 12)	31.725.352	23.178.982	-	54.904.334

(*) Represents profit before other income / expense from operating activities.

(**) EBITDA has calculated by adding depreciation and amortization expenses to the operating profit before other income / expenses from operating activities.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – SEGMENT REPORTING (Continued)

	31 December 2019			Total
	Frozen and Canned	Edible Oil	Consolidation Adjustment	
Revenue (Note 19)	732.461.991	1.760.403.768	-	2.492.865.759
Intersegment revenue	-	20.721.281	(20.721.281)	-
Revenue	732.461.991	1.781.125.049	(20.721.281)	2.492.865.759
Operating Profit (*)	112.039.431	216.558.523	1.059.455	329.657.409
Other income from operating activities	5.095.012	18.951.507	(1.059.455)	22.987.064
Other expenses from operating activities (-)	(14.604.844)	(35.046.267)	-	(49.651.111)
Operating Profit	102.529.599	200.463.763	-	302.993.362
Depreciation and amortization expense (Note 12)	26.281.219	23.407.855	-	49.689.074
EBITDA (**)	138.320.650	239.966.378	1.059.455	379.346.483
Investment (Note 10, 12)	3.024.832	11.051.193	-	14.076.025

(*) Represents profit before other income / expense from operating activities.

(**) EBITDA has calculated by adding depreciation and amortization expenses to the operating profit before other income / expenses from operating activities.

EBITDA is not a measurement instrument that is prescribed in TAS and it cannot be comparable other entities calculations.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES

Due to related parties, due from related parties and summary of significant transactions with related parties as of 31 December 2020 and 2019 are as follows.

The related parties listed below are composed of Yıldız Holding group companies.

Trade receivables from related parties	31 December 2020	31 December 2019
Pasifik Tük.Ürün. San.ve Tic. A.Ş.	103.782.932	106.338.214
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	72.541.780	50.246.363
G2mEksper Satış ve Dağıtım Hizmetleri A.Ş.	49.446.096	35.196.843
Horizon Hızlı Tüketim Ürünleri Paz. ve Tic. A.Ş.	33.320.274	37.205.473
Şok Marketler Tic. A.Ş.	22.151.538	-
Önem Gıda San. ve Tic. A.Ş.	21.161.084	15.332.731
Ülker Bisküvi San. A.Ş.	20.787.704	6.199.929
Bizim Toptan Satış Mağazaları A.Ş.	11.699.564	6.192.651
Biskot Bisküvi Gıda San. Tic. A.Ş.	7.883.279	2.866.752
Ülker Çikolata San. A.Ş.	6.034.811	1.767.027
PNS Pendik Nişasta San. A.Ş.	1.791.037	2.675.679
E Star GLobal E Ticaret Satış ve Pazarlama A.Ş.	803.264	1.353.518
Other	3.614.552	3.724.486
	355.017.915	269.099.666

Trade payables to related parties	31 December 2020	31 December 2019
United Biscuits (UK) Ltd.	37.781.338	-
Aytaç Gıda Yatırım A.Ş.	9.274.328	4.004.572
Donuk Fırıncılık Ürn. San. Tic. A.Ş.	5.045.788	-
Most Bilgi Sistemleri Ticaret A.Ş.	1.205.179	2.908.364
Polinas Plastik San. Tic. A.Ş.	472.165	1.137.070
Önem Gıda San. ve Tic. A.Ş.	110.936	213.896
Şok Marketler Ticaret A.Ş.	-	89.813
Other	1.602.612	3.907.386
	55.492.346	12.261.101

Due from related parties and due to related parties balances comprised of purchasing and selling goods and services. Supply of goods comprise of mainly purchases of raw materials.

Other receivables from related parties	31 December 2020	31 December 2019
Yıldız Holding A.Ş.(*)	1.028.887.113	632.699.658
	1.028.887.113	632.699.658

(*) The relevant amount consists of balances made available to Yıldız Holding for financing purposes, and these balances do not have a certain maturity. Interest rates are re-determined on a monthly basis, taking into account market conditions, and as of 31 December 2020, the average interest rates of TL-based receivables are 16,34% (31 December 2019: 11,95%).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Other payables to related parties	31 December 2020	31 December 2019
Yıldız Holding A.Ş.	55.188.992	149.749.732
Other	61.651	22.973
	55.250.643	149.772.705

Other non-current payables to related parties	31 December 2020	31 December 2019
Yıldız Holding A.Ş. (*)	866.046.711	1.031.988.897
	866.046.711	1.031.988.897

(*) As of 12 April 2018, Yıldız Holding A.Ş and some Yıldız Holding Group entities including Group, signed a syndicated loan agreement with creditors. Thus, the Group's borrowings to banks were transferred to Yıldız Holding. Total of the long-term payables of the Group to Yıldız Holding is composed of syndicated debts. The amount of collateral given as guarantorship and mortgage within the scope of the syndication debts is 2.334.404.436 TL (31 December 2019: 2.206.904.071 TL) (Note 13).

Transactions with related parties comprised of purchasing and selling goods and services. Purchases are mainly comprised of purchases of raw materials.

Mal satışları	1 January - 31 December 2020	1 January - 31 December 2019
Pasifik Tük. Ürün. San. ve Tic. A.Ş.	402.034.027	368.571.175
Ülker Bisküvi San. A.Ş.	250.735.468	173.255.479
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	293.294.394	249.597.516
Horizon Hızlı Tüketim Ürünleri A.Ş.	180.621.353	178.101.609
Biskot Bisküvi Gıda San. Tic. A.Ş.	135.822.466	99.847.266
G2mEkspert Satış ve Dağıtım Hizmetleri A.Ş.	118.130.381	111.156.630
Ülker Çikolata San. A.Ş.	72.321.210	43.219.200
Önem Gıda San. ve Tic. A.Ş.	70.658.951	63.682.102
Bizim Toptan Satış Mağazaları A.Ş.	48.013.474	33.012.277
Şok Marketler Tic. A.Ş.	33.231.693	-
PNS Pendik Nişasta San. A.Ş.	16.869.725	16.057.213
Other	18.026.984	9.109.110
	1.639.760.126	1.345.609.577

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Purchase of goods and services	1 January - 31 December 2020	1 January - 31 December 2019
United Biscuits (UK) Ltd.	96.780.476	-
Yıldız Holding A.Ş.	32.108.076	20.795.093
Aytaç Gıda Yatırım San. Tic. A.Ş.	32.533.526	5.314.467
Pasifik Tük. Ürün. San. ve Tic. A.Ş.	10.584.506	2.946.632
Şok Marketler Ticaret A.Ş.	9.243.520	18.919.142
Most Bilgi Sistemleri Ticaret A.Ş.	8.572.170	6.630.189
Sağlam İnşaat Taahhüt Tic. A.Ş.	4.707.979	1.654.929
Bizim Toptan Satış Mağazaları A.Ş.	3.459.223	692.396
Önem Gıda San. ve Tic. A.Ş.	1.295.482	3.649.741
İzsal Gayrimenkul Geliştirme A.Ş.	1.323.431	869.776
Other	3.265.923	2.091.455
	203.874.312	63.563.820

Service, rent and other income	1 January - 31 December 2020	1 January - 31 December 2019
Sağlam İnşaat Taahhüt Tic. A.Ş.	264.751	229.858
Bizim Toptan Satış Mağazaları A.Ş.	251.230	213.704
PNS Pendik Nişasta San. A.Ş.	183.289	170.281
Pakyağ Endüstriyel Ürünler San. ve Tic. A.Ş.	131.543	131.543
Other	55.849	19.999
	886.662	765.385

Commission and financial expense	1 January - 31 December 2020	1 January - 31 December 2019
Yıldız Holding A.Ş.	96.847.895	195.542.668
Other	169.436	112.125
	97.017.331	195.654.793

Commission and financial income	1 January - 31 December 2020	1 January - 31 December 2019
Yıldız Holding A.Ş.	233.327.612	-
Other	236.000	-
	233.563.612	-

Investment income	1 January - 31 December 2020	1 January - 31 December 2019
Yıldız Holding A.Ş. (*)	68.200.869	64.450.709
Other	537.730	468.649
	68.738.599	64.919.358

(*) Income from investment activities obtained from Yıldız Holding comprised of interest and exchange differences.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Key management compensation:

Key management personnel of the Company consist of the members of Board of Directors and members of Executive Board. The compensation of key management personnel comprises salaries, bonus, health insurance and transportation. The compensation of key management during the years are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Salaries and other benefits	14.215.454	13.285.307
	14.215.454	13.285.307

NOTE 5 – TRADE RECEIVABLES AND PAYABLES

As of 31 December 2020 and 2019 trade receivables of the Group are as follows:

Current trade receivables	31 December 2020	31 December 2019
Trade receivables	267.042.535	167.487.930
Notes receivable	21.905.658	35.536.453
Provision for doubtful receivables (-)	(27.838.965)	(25.085.071)
Trade receivables, net	261.109.228	177.939.312
Trade receivables from related parties (Note 4) (*)	355.017.915	269.099.666
	616.127.143	447.038.978

(*) Trade receivables from related parties mainly comprised from sales of goods. Purchases are mainly comprised of purchases of raw materials.

Average maturity for trade receivables is 63 days (31 December 2019: 69 days).

Movements of provision for doubtful receivables as of 1 January - 31 December 2020 and 2019 are as follows:

Movement of Provision for Doubtful Receivables	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	(25.085.071)	(22.504.071)
Charge for the year	(3.040.193)	(3.544.989)
Collections	286.299	963.989
End of the period	(27.838.965)	(25.085.071)

Short-term trade payables	31 December 2020	31 December 2019
Trade payables	504.553.749	334.179.848
Trade payables, net	504.553.749	334.179.848
Trade payables to related parties (Note 4) (*)	55.492.346	12.261.101
	560.046.095	346.440.949

(*) Trade payables to related parties mainly comprised from purchases of goods and services. Purchases are mainly comprised of purchases of raw materials.

Average maturity for trade payables is 70 days (31 December 2019: 65 days).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

Other Receivables

	31 December 2020	31 December 2019
Other Current Receivables		
Other receivables from related parties (Note 4)	1.028.887.113	632.699.658
Tax receivables	2.553.467	2.425.683
Receivables from personnel	45.713	112.820
Export progress receivables	-	1.357.577
Other miscellaneous receivables	1.675.067	1.476.025
	1.033.161.360	638.071.763

	31 December 2020	31 December 2019
Other Non-Current Receivables		
Deposits and guarantees given	866.853	1.466.589
	866.853	1.466.589

Other Payables

	31 December 2020	31 December 2019
Other Current Liabilities		
Other payables to related parties (Note 4)	55.250.643	149.772.705
Other miscellaneous liabilities	155.392	-
	55.406.035	149.772.705

	31 December 2020	31 December 2019
Other Non-Current Liabilities		
Other non-current liabilities to related parties (Note 4)	866.046.711	1.031.988.897
	866.046.711	1.031.988.897

NOTE 7 – INVENTORIES

	31 December 2020	31 December 2019
Raw materials	282.172.174	180.438.575
Work in process	191.911.634	130.445.513
Finished goods	109.404.106	82.937.793
Trade goods	15.358.524	14.475.143
Other inventory (*)	14.687.322	9.646.710
Provision for impairment of inventory (-)	(652.824)	(416.704)
	612.880.936	417.527.030

(*) Other stocks consist of packaging and technical operating materials.

Movements of provision for impairment of inventories as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	(416.704)	(453.818)
Charge for the year (Note 20)	(306.401)	(416.704)
Provisions no longer required	70.281	453.818
Closing balance	(652.824)	(416.704)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

	31 December 2020	31 December 2019
Short-Term Prepaid Expenses		
Prepaid expenses	8.398.383	5.579.838
Advances given for inventory purchases	5.153.004	5.153.716
Business advances	14.800	-
	13.566.187	10.733.554

	31 December 2020	31 December 2019
Long-Term Prepaid Expenses		
Advances given for fixed asset purchases	4.605.429	7.353.776
Prepaid expenses	681.352	715.776
	5.286.781	8.069.552

	31 December 2020	31 December 2019
Short-Term Deferred Income		
Advances received	2.177.751	3.678.382
Deferred income	1.317.316	814.492
	3.495.067	4.492.874

NOTE 9 – INVESTMENT PROPERTIES

Cost Value	1 January 2020	Change in fair value	Disposals	31 December 2020
Land & building	219.842.001	16.096.462	(38.190.463)	197.748.000
	219.842.001	16.096.462	(38.190.463)	197.748.000

Cost Value	1 January 2019	Change in fair value	Disposals	31 December 2019
Land & building	212.107.001	7.735.000	-	219.842.001
	212.107.001	7.735.000	-	219.842.001

The Group has earned rent income from its investment properties amounting to TL 8.640.550 in the current period. (1 January - 31 December 2019: TL 7.583.648)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 9 – INVESTMENT PROPERTIES (Continued)

Fair value of investment properties

31 December 2020			
	Level 1	Level 2	Level 3
Investment properties	-	197.748.000	-
Total	-	197.748.000	-

31 December 2019			
	Level 1	Level 2	Level 3
Investment properties	-	219.842.001	-
Total	-	219.842.001	-

As of 31 December 2020, the fair value of the Group's investment properties has been determined by Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. and Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş. holding a CMB License. The change between the fair value and cost value of the investment properties at initial recognition is included under equity. Gains or losses arising from changes in fair value in subsequent measurement periods are included in the consolidated statement of profit or loss.

The table above present the fair value hierarchy of investment properties of the Group as of 31 December 2020 and 31 December 2019. The levels of hierarchies of fair values are detailed below.

- Level 1: Quoted prices in active markets for identical assets or liabilities,
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly,
Level 3: Inputs for the asset or liability that are not based on observable market data

Valuation techniques used to derive level 2 fair values.

Level 2 fair values of investment properties have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Cost Value	1 January 2020	Additions	Disposas	Transfers (**)	Currency translation differences	Increase in value	Impairment (-)	31 December 2020
Land	402.515.109	-	(1.293.334)	-	17.483	6.943.332	(47.359.452)	360.823.138
Land Improvements	15.721.432	-	-	29.100	-	-	(8.262.584)	7.487.948
Buildings	319.266.764	178.757	(62.356)	192.600	47.002.561	31.572.651	(21.400.402)	376.750.575
Machinery and Equipment	476.334.923	13.984.226	(17.596.672)	16.575.905	11.523.673	-	-	500.822.055
Motor Vehicles	5.890.850	277.350	(3.727.723)	-	41.230	-	-	2.481.707
Furniture and Fixtures	48.854.491	1.031.054	(1.364.946)	314.350	919.680	-	-	49.754.629
Leasehold Improvements	3.430.115	-	(81.546)	-	-	-	-	3.348.569
Other tangibles (*)	37.553.031	3.122.882	(2.567.447)	-	-	-	-	38.108.466
Construction in Progress	3.016.486	30.844.624	(84.956)	(21.807.583)	-	-	-	11.968.571
	1.312.583.201	49.438.893	(26.778.980)	(4.695.628)	59.504.627	38.515.983	(77.022.438)	1.351.545.658
Accumulated Depreciation	1 January 2020	Additions	Disposas	Transfers (**)	Currency translation differences	Increase in value	Impairment (-)	31 December 2020
Land Improvements	(8.795.129)	(640.450)	-	-	(2.643)	-	8.262.584	(1.175.638)
Buildings	(65.669.210)	(7.966.124)	62.356	-	(1.682.691)	(3.145.648)	21.400.402	(57.000.915)
Machinery and Equipment	(301.576.943)	(29.387.946)	3.817.289	-	(1.454.755)	-	-	(328.602.355)
Motor Vehicles	(5.890.547)	(163.573)	3.707.348	-	(134.935)	-	-	(2.481.707)
Furniture and Fixtures	(30.116.505)	(2.902.550)	652.408	-	(182.274)	-	-	(32.548.921)
Leasehold Improvements	(2.794.786)	(344.350)	6.089	-	-	-	-	(3.133.047)
Other tangibles	(32.589.156)	(3.434.850)	2.545.741	-	-	-	-	(33.478.265)
	(447.432.276)	(44.839.843)	10.791.231	-	(3.457.298)	(3.145.648)	29.662.986	(458.420.848)
Net Defter Değeri	865.150.925							893.124.810

(*) Other tangibles comprised of refrigerators.

(**) Transfers are comprised of transfers made to intangible assets.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost Value	1 January 2019	Additions	Disposals	Transfers (**)	Currency translation differences	31 December 2019
Land	402.506.901	-	(868)	-	9.076	402.515.109
Land Improvements	15.721.432	-	-	-	-	15.721.432
Buildings	298.615.263	120.285	(2.162.423)	-	22.693.639	319.266.764
Machinery and Equipment	469.261.123	5.347.154	(3.502.439)	475.052	4.754.033	476.334.923
Motor Vehicles	14.169.698	-	(8.757.119)	-	478.272	5.890.850
Furniture and Fixtures	44.187.328	388.953	(1.521.413)	-	5.799.623	48.854.491
Leasehold Improvements	3.781.322	-	(351.207)	-	-	3.430.115
Other tangibles (*)	40.932.626	-	(3.379.595)	-	-	37.553.031
Construction in Progress	1.307.942	8.017.513	(7.500)	(6.301.470)	-	3.016.486
	1.290.483.635	13.873.905	(19.682.564)	(5.826.418)	33.734.643	1.312.583.201

Accumulated Depreciation	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Land Improvements	(8.152.374)	(641.972)	-	-	(783)	(8.795.129)
Buildings	(58.603.156)	(6.632.644)	52.869	-	(486.279)	(65.669.210)
Machinery and Equipment	(275.180.836)	(28.376.601)	2.311.051	-	(330.557)	(301.576.943)
Motor Vehicles	(11.977.181)	(1.319.823)	7.456.394	-	(49.937)	(5.890.547)
Furniture and Fixtures	(28.300.402)	(3.129.501)	1.357.612	-	(44.214)	(30.116.505)
Leasehold Improvements	(2.467.434)	(608.310)	280.958	-	-	(2.794.786)
Other tangibles	(31.657.629)	(4.053.389)	3.121.862	-	-	(32.589.156)
	(416.339.012)	(44.762.240)	14.580.746	-	(911.770)	(447.432.276)
Net Book Value	874.144.623					865.150.925

(*) Other tangible assets consist of refrigerated cabinets.

(**) Transfers to intangible assets.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group decided to apply “Fair Value Model” to land, land improvements and buildings in accordance with “TAS 16 Property, Plant and Equipment”, and performed revaluation through obtaining a valuation report from a CMB licenced valuation firm Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. and Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş. as of 31 December 2020.

The determined fair values of land, land improvements and buildings were based on market comparable approach and cost approach.

Gains on revaluation of plant, property and equipment after deferred tax amounting to TL 317.437.700 is recognised under equity as of 31 December 2020 (31 December 2019: TL 314.411.591).

The fair values of land, land improvements and buildings of the Group as of 31 December 2020 and 2019 are provided below. The levels of hierarchies of fair values are detailed below:

- Level 1: Quoted prices in active markets for identical assets or liabilities,
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly,
Level 3: Inputs for the asset or liability that are not based on observable market data.

Valuation techniques used to derive level 2 fair values

Level 2 fair values of investment properties have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

	31 December 2020		
	Level 1	Level 2	Level 3
Land	-	360.823.138	-
Land improvement	-	6.312.310	-
Buildings	-	319.749.660	-
Total	-	686.885.108	-

	31 December 2019		
	Level 1	Level 2	Level 3
Land	-	402.515.109	-
Land improvement	-	6.926.303	-
Buildings	-	253.597.554	-
Total	-	663.038.966	-

The total mortgage and pledge on the property, plant and equipments and investment properties is TL 526.236.750. The said amount consists of mortgage and pledge amounts given within the scope of the Syndication Loan Agreement signed by Yıldız Holding and some of the companies including the Group. (31 December 2019: TL 564.577.000) (Note 14).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 11 – RIGHT OF USE ASSETS

Cost Value- Effect of IFRS 16	1 January 2020	Additions	Disposals	Current Year Depreciation	31 December 2020
Buildings	3.243.026	-	-	(1.039.056)	2.203.970
Refrigerated cabinets	-	8.090.929	-	(413.865)	7.677.064
Machinery and Equipment	-	25.989.577	-	(230.020)	25.759.557
Motor Vehicles	1.002.426	7.171.688	-	(1.634.822)	6.539.292
	4.245.452	41.252.194	-	(3.317.763)	42.179.883

Cost Value- Effect of IFRS 16	1 January 2019	Effect of Change in Accounting Policy (Note 2.4)	Additions	Disposals	Current Year Depreciation	31 December 2019
Buildings	-	3.673.285	-	-	(430.259)	3.243.026
Motor Vehicles	-	2.624.996	-	-	(1.622.570)	1.002.426
	-	6.298.281	-	-	(2.052.829)	4.245.452

The interest rate used for the lease obligations is in the range of % 10.95-% 19.00 for 31 December 2020 and 19% for 31 December 2019. Interest expenses are TL 1.715.791 (31 December 2019: TL 588.967).

NOTE 12 – INTANGIBLE ASSETS

Cost Value	1 January 2020	Additions	Disposals	Transfers(*)	Currency translation differences	31 December 2020
Haklar	12.295.999	1.940.777	-	-	142.060	14.378.836
Geliştirme Maliyetleri	17.458.017	3.524.664	(909.249)	4.695.628	-	24.769.060
Diğer Maddi Olmayan Duran Varlıklar	694.962	-	-	-	-	694.962
	30.448.978	5.465.441	(909.249)	4.695.628	142.060	39.842.858

Accumulated Amortization	1 January 2020	Additions	Disposals	Transfers(*)	Currency translation differences	31 December 2020
Haklar	(11.413.803)	(1.132.877)	-	-	28.522	(12.518.158)
Geliştirme Maliyetleri	(3.307.638)	(3.099.320)	-	-	-	(6.406.958)
Diğer Maddi Olmayan Duran Varlıklar	(681.750)	(13.213)	-	-	-	(694.963)
	(15.403.191)	(4.245.410)	-	-	28.522	(19.620.079)
Net Defter Değeri	15.045.787					20.222.779

(*) Transfers comprised of transfers from property, plant and equipment.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 12 – INTANGIBLE ASSETS (Continued)

Cost Value	1 January 2019	Additions	Disposals	Transfers(*)	Currency translation differences	31 December 2019
Rights	12.123.329	146.573	(458.678)	-	484.775	12.295.999
Development expenses	10.887.057	3.149.318	(2.404.776)	5.826.418	-	17.458.017
Other intangible assets	694.962	-	-	-	-	694.962
	23.705.348	3.295.891	(2.863.454)	5.826.418	484.775	30.448.978

Accumulated Amortization	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Rights	(10.603.310)	(819.331)	-	-	8.838	(11.413.803)
Development expenses	(1.425.880)	(1.881.758)	-	-	-	(3.307.638)
Other intangible assets	(508.834)	(172.916)	-	-	-	(681.750)
	(12.538.024)	(2.874.005)	-	-	8.838	(15.403.191)
Net Book Value	11.167.324					15.045.787

(*) Transfers comprised of transfers from property, plant and equipment

Allocation of depreciation and amortization expenses of property, plant and equipments, intangible assets, and right-of-use assets as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Cost of sales (Note 19)	(40.223.998)	(37.063.586)
Marketing expense (Note 20)	(7.490.104)	(8.583.171)
Research and development expenses (Note 20)	(3.006.237)	(2.013.040)
General administration expenses (Note 20)	(1.682.677)	(2.029.277)
	(52.403.016)	(49.689.074)

NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES

On 31 August 2016, the Group received Investment Incentive Certificate no. 125488 from the General Directorate of Incentives and Foreign Investment. The certificate is valid for a three years period until 26 December 2020. The support elements stipulated by the Investment Incentive Certificate were as follows: 100% customs exemption, value added tax exemption, 7 years support of employer's share of social security premium, 80% Investment Contribution Rate and 40% tax deduction. The total amount of investment stipulated in the Investment Incentive Certificate was TL 15.600.000. As of 31 December 2020, the investment amount realized under the incentive certificate was TL 6.606.447. (31 December 2019: TL 5.793.736)

On 1 November 2017, the Company received Investment Incentive Certificate no. 133479 from General Directorate of Incentive Implementation and Foreign Investments. The certificate is valid for a three years period until 21 July 2020. The support elements stipulated by the Investment Incentive Certificate were as follows: 100% customs exemption, value added tax exemption, 2 years support of employer's share of social security premium, 50% tax deduction. The total amount of investment stipulated in the Investment Incentive Certificate was TL 10.500.000. As of 31 December 2020, the investment amount realized under the incentive certificate was TL 4.310.720. (31 December 2019: TL 3.944.563)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES (Continued)

The rights that the Group has available to all companies meeting the criteria required by the legislation without sector separation: Incentives covered by the research and development law (100% corporate tax exemption etc.), inward processing permit documents, social security institution incentives and insurance premium employer's share support.

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Contingent Assets and Liabilities

Contingent assets and liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Contingent assets		
Letters of guarantees received	190.541.737	155.800.917
Pledges and mortgages received	8.282.670	8.558.670
	198.824.407	164.359.587

Letter of guarantees received and pledged and mortgages received are comprised of the guarantees received from customers within the scope of credit risk.

	31 December 2020	31 December 2019
Contingent liabilities		
Guarantorship given (*)	1.805.667.686	1.639.827.071
Mortgages given (*)	526.236.750	564.577.000
Letters of guarantees given	325.592.550	92.350.801
Guarantees given	60.225.000	-
Business pledges given (*)	2.500.000	2.500.000
	2.720.221.986	2.299.254.872

(*) Mortgages and guarantees given are given as Yıldız Holding syndication loan guarantees. Letter of guarantees given comprised of guarantees given to public institutions for various reasons.

	31 December 2020	31 December 2019
Other short-term provisions		
Provisions for lawsuits	4.717.294	3.556.885
Other provisions	7.802.006	12.309
	12.519.300	3.569.194

The movements of provisions for lawsuits as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Movement of provision for lawsuits		
Opening	3.556.885	1.186.233
Charge for the period (Note 21)	1.160.409	2.370.652
End of the period	4.717.294	3.556.885

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Guarantee, pledge and mortgages given by the Group

Guarantee, pledge and mortgages (“GPM”) in respect of commitment and contingencies realized in the ordinary course of business given for the years ended 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020			31 December 2019		
	Original Currency	Amount	TL Equivalent	Original Currency	Amount	TL equivalent
A. CPMs given for Company’s own legal personality (*)	TL	1.850.870.393	1.850.870.393	TL	1.595.743.894	1.595.743.894
	US Dollar	118.432.204	869.351.593	US Dollar	118.432.204	703.510.978
B. CPMs given on behalf of fully consolidated companies	TL	-	-	TL	-	-
C. CPMs given in the normal course of business activities on behalf of third parties		-	-	-	-	-
D. Total amount of other CPMs		-	-	-	-	-
i. Total amount of CPMs given on behalf of the parent		-	-	-	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-	-	-	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-	-	-	-	-
			2.720.221.986			2.299.254.872

As of 31 December 2020, the Group has export commitments of USD 19.807.540 and EUR 23.509.204 (31 December 2019: USD: 950.000 EUR 9.685.820). The fulfillment period of export commitments is two years.

(*) On February 2018, Yıldız Holding A.Ş. started negotiations with the creditors in order to refinance the loan payables for which no guarantee was provided and the balances which are used by the itself and by various Yıldız Holding group entities in connection with the miscellaneous loan agreements the Holding company entered into with Turkish banks. The purpose of these negotiations is to move all loan payable balances to the level of Yıldız Holding A.Ş. within the framework of a single maturity, interest rate and payment plan.

The bank loans of the Company and it’s subsidiaries which in total TL 745 million in cash and TL 202 million non-cash contingencies were moved to the level of Yıldız Holding A.Ş. through syndication. The Company’s total debt has not increased as a result of the syndicated loan but cash and non-cash loans are moved to Yıldız Holding A.Ş. level. In addition the Group provided guarantee to Yıldız Holding A.Ş. within the scope and limited to cash and non-cash loans belonging to the Group that are moved to Yıldız Holding A.Ş. level. Some real estates of the Group which have a market value of 526,2 million TL have been provided as a mortgage and financial investments with a fair value of TL 2.7 million were pledged to banks.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 16 – PAYABLES RELATED TO EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
Payables related to employee benefits		
Due to personnel	9.830.292	8.670.608
Social security premiums payable	5.309.086	3.349.522
	15.139.378	12.020.130

	31 December 2020	31 December 2019
Short-term provisions for employee benefits		
Provisions for performance premium	8.473.508	6.973.630
Provisions for unused vacations	5.722.588	4.485.132
	14.196.096	11.458.762

The movements of provisions for performance premium as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	6.973.630	6.278.726
Charge for the year	8.473.508	6.973.630
Cash payments during the year	(6.973.630)	(6.278.726)
End of the period	8.473.508	6.973.630

The movement of provisions for unused vacations as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	4.485.132	3.832.751
Charge for the year	3.671.893	2.213.823
Used	(2.434.437)	(1.561.442)
End of the period	5.722.588	4.485.132

	31 December 2020	31 December 2019
Non-current provisions for employee benefits		
Provisions for employee termination benefits	43.512.273	33.225.074
	43.512.273	33.225.074

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 16 – PAYABLES RELATED TO EMPLOYEE BENEFITS (Continued)

Provision for Employee Termination Benefit

In accordance with the existing labour law in Turkey, the Group is required to make up lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die.

Such payments are calculated on the basis of 30 days' pay maximum TL 7.117,17 as at 31 December 2020 (31 December 2019: TL 6.379,86) per year of employment at the of pay applicable at the date of retirement or termination.

Employee termination benefit is not funded and does not require any legal funding requirement. The reserve employee termination benefit has been calculated by estimating the present value of future probable obligation of Group from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government. TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2020 has been calculated assuming an annual inflation rate of 9,03% and a discount rate of 13,23% resulting in a real discount rate of approximately 3,85% (31 December 2019: 4,00%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 5,24% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 7.638,96 which is in effect since 1 January 2021 is used in the calculation of Groups’ provision for retirement pay liability (1 January 2020: TL 6.730,15).

The movement of provisions of employee termination benefit as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	33.225.074	30.305.487
Service cost	14.865.266	13.320.632
Interest cost	1.270.702	1.211.544
Actuarial loss	1.388.575	724.331
Payments during the year	(7.237.344)	(12.336.920)
End of the period	43.512.273	33.225.074

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 17 – OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2020	31 December 2019
Deferred VAT	14.433.511	6.296.097
Other VAT	290.684	229.700
Total	14.724.195	6.525.797

Other Current Liabilities	31 December 2020	31 December 2019
Taxes and funds payables	1.793.022	1.918.259
Other current liabilities	13.043.185	3.075.555
Total	14.836.207	4.993.814

NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

As of 31 December 2020, the Company's capital was issued and consisted of 66.200.000.000 shares, each with a nominal value of TL 0,01. (31 December 2019: 66.200.000.000 shares).

The Group’s shareholders and their share in the capital as of 31 December 2020 and 2019 are as follows:

Shareholders	31 December 2020		31 December 2019	
	Share %	Amount	Share %	Amount
Yıldız Holding A.Ş.	54,27	359.245.941	54,27	359.245.941
Ufuk Yatırım Yönetim ve Gayr. A.Ş.	10,34	68.429.804	10,34	68.429.804
Murat Ülker	9,98	66.079.898	9,98	66.079.898
Trade Türk Gıda Yatırım A.Ş.	-	-	5,42	35.845.529
Other	25,41	168.244.357	20,00	132.398.828
Total	100	662.000.000	100	662.000.000

Restricted Reserves and Retained Earnings

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserves 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 reserves is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash dividend distributions. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

As of 31 December 2020, restricted reverses are amounting to TL 37.378.874 (31 December 2019: TL 36.192.002). There are no remaining period profit and other sources subject to profit distribution after deducting previous year’s losses recorded in statutory records of the Company.

Restricted reserves	31 December 2020	31 December 2019
Legal reserves	37.378.874	36.192.002
Total	37.378.874	36.192.002

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The Group decided to apply “Fair Value Model” to land, land improvements and buildings in accordance with “TAS 16 Property, Plant and Equipment”, and performed revaluation through obtaining a valuation report from a CMB licenced valuation firm Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. and Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş. as of 31 December 2020.

As of 31 December 2020, there is a tangible asset revaluation fund of the parent company, after deferred tax, amounting to TL 317.437.700.

Gains on revaluation and measurement	31 December 2020	31 December 2019
Opening balance	314.411.591	314.411.591
Gain on revaluation of property, plant and equipment	5.594.982	-
Deferred tax expense related to revaluation of tangible fixed assets	(1.325.904)	-
Disposals effect	(1.242.969)	-
Closing balance	317.437.700	314.411.591

NOTE 19 – REVENUE AND COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Domestic sales	3.214.971.314	2.582.722.172
Export sales	397.051.783	353.104.091
Other income	35.665.823	9.129.109
Gross sales	3.647.688.920	2.944.955.372
Sales returns and discounts (-)	(591.980.687)	(452.089.613)
Net sales	3.055.708.233	2.492.865.759
Cost of sales (-)		
- Raw materials	(1.858.403.752)	(1.379.854.706)
- Labour costs	(100.630.826)	(81.182.263)
- Depreciation and Amortization Expense (Note 10-11-12)	(40.223.998)	(37.063.586)
- Manufacturing overhead costs	(310.427.797)	(381.335.318)
Cost of sales (-)	(2.309.686.373)	(1.879.435.873)
Gross profit	746.021.860	613.429.886

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

Selling and marketing expenses	1 January - 31 December 2020	1 January - 31 December 2019
Transportation expenses	(66.298.875)	(57.782.929)
Personnel expenses	(56.571.494)	(63.975.534)
Advertisement expenses	(48.451.661)	(35.030.693)
Tax duties and fees (*)	(23.078.060)	-
Rent expenses	(12.165.805)	(10.121.615)
Outsourced benefits and services expenses	(10.687.858)	(13.234.041)
Depreciation and amortization expense (Note 10-11-12)	(7.490.104)	(8.583.171)
Energy expenses	(5.507.455)	(11.757.806)
Export expenses	(2.968.961)	(2.387.575)
Maintenance and repair expenses	(2.837.079)	(4.447.614)
Consultancy expenses	(1.237.077)	(1.116.093)
Other	(16.942.934)	(12.109.363)
	(254.237.363)	(220.546.434)

(*) These are expenses incurred regarding the recycling contribution share (GEKAP).

General administrative expenses	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	(25.432.117)	(23.185.468)
Outsourced benefits and services expenses	(17.767.711)	(14.965.395)
Consultancy expenses	(14.599.339)	(6.607.376)
Rent expenses	(1.896.984)	(1.646.794)
Depreciation and amortization expense (Note 10-11-12)	(1.682.677)	(2.029.277)
Communication expenses	(713.222)	(590.631)
Energy expenses	(444.304)	(435.357)
Other	(8.835.935)	(9.835.505)
	(71.372.289)	(59.295.803)

Research and development expenses	1 January - 31 December 2020	1 January - 31 December 2019
Depreciation and amortization expense (Note 10-11-12)	(3.006.237)	(2.013.040)
Personnel expenses	(1.117.941)	(1.699.483)
Other	(36.186)	(217.717)
	(4.160.364)	(3.930.240)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Other Income from Operating Activities	1 January - 31 December 2020	1 January - 31 December 2019
Finance charges on term sales	10.882.802	-
Service income	8.184.159	11.001.625
Provisions no longer required of doubtful receivables (Note 5)	286.299	963.989
Provisions no longer required for impairment of inventory (Note 7)	70.281	453.818
Other	8.203.816	10.567.632
	27.627.357	22.987.064

Other Expense from Operating Activities	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange losses from operating activities	(47.031.103)	(15.944.058)
Finance charges on term purchases	-	(5.244.769)
Restructuring and one-off expenses	(12.721.389)	(8.006.104)
Provision expenses for doubtful receivables (Note 5)	(3.040.193)	(3.544.989)
Provision expenses of lawsuits (Note 14)	(1.160.409)	(2.370.652)
Provision expenses for impairment of inventories (Note 7)	(306.401)	(416.704)
Other	(17.519.481)	(14.123.835)
	(81.778.976)	(49.651.111)

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from Investment Activities	1 January - 31 December 2020	1 January - 31 December 2019
Interest income	93.676.549	110.104.833
Gain on fair value of investment property (Note 9)	16.096.462	7.735.000
Rent income	8.640.550	7.583.648
Gain on sale of investment properties	6.643.020	-
Gain on sale of fixed assets	4.279.832	5.402.118
	129.336.413	130.825.599

Expense from Investment Activities	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange loss on investing activities	(22.212.165)	(13.232.532)
Losses on sale of fixed assets	(6.792.935)	(267.292)
	(29.005.100)	(13.499.824)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 23 – FINANCIAL INCOME AND EXPENSES

Financial income	1 January - 31 December 2020	1 January - 31 December 2019
Discount income from financing (*)	233.327.612	-
Other	236.000	-
	233.563.612	-

(*) The favorable balance between the interest rate agreed within the framework of the amendment agreement made within the syndicated loan and the interest rates valid in the market in the long-term non-trade debts of the Company to Yıldız Holding A.Ş. .

Financial expense	1 January - 31 December 2020	1 January - 31 December 2019
Interest expense	(94.045.945)	(142.925.349)
Commission expenses	(13.954.922)	(52.625.954)
Derrivative transaction expenses	(3.966.396)	-
Financial expense on employee termination benefit (Note 16)	(1.270.702)	(1.211.544)
Foreign exchange losses on loans	(940.440)	(18.039.315)
Other	(11.952.584)	-
	(126.130.989)	(214.802.162)

NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2020	31 December 2019
Current income tax liabilities		
Current income tax expense	85.240.545	57.388.020
Less: prepaid taxes	(40.147.744)	(40.942.695)
Current income tax liability / (Current income tax assets)	45.092.801	16.445.325

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

**NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

As of 31 December 2020 and 2019, the breakdown of the accumulated temporary differences related to the Group and the deferred tax assets and liabilities using the applicable tax rates are as follows:

	Total temporary differences		Deferred tax assets / (liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Provisions for employee termination benefits	43.512.273	33.225.074	8.702.454	6.849.485
Provisions for doubtful receivables	11.947.691	9.958.309	2.389.538	2.190.828
Provisions for lawsuits	4.717.294	3.556.885	943.459	782.515
Provision for unused vacations	5.722.588	4.485.132	1.144.518	963.678
Provision for impairment on inventories	652.824	416.704	130.565	91.675
Carry-forward tax losses (*)	324.907.123	315.971.611	63.806.383	63.012.505
Derivative transactions	3.966.396	-	793.280	-
Discount income from financing	(233.327.612)	-	(46.665.523)	-
Provision of performance premium	8.473.508	6.973.630	1.694.702	1.534.199
Foundation and organization expenses	927.144	927.144	185.429	185.429
Net differences between the carrying values and tax bases of investment properties	(185.222.988)	(200.760.120)	(18.255.697)	(17.462.658)
Revaluation differences on property, plant and equipment	(370.557.260)	(455.777.944)	(45.519.642)	(48.575.679)
Other	13.912.824	(14.819.872)	1.919.960	(2.873.366)
Deferred tax assets, net	(370.368.195)	(295.843.447)	(28.730.574)	6.698.611

(*) As of 31 December 2020, based on the projections and future estimations, there is no previous year loss for which deferred tax is not recognised. (31 December 2019: TL 73.496.855).

Details of carry-forward tax losses are as below:

	31 December 2020	31 December 2019
2020	-	20.554.830
2021	75.072.632	72.117.625
2022	86.298.713	74.179.085
2023	91.545.499	73.812.657
2024	52.131.143	43.578.317
2025	19.859.136	31.729.097
	324.907.123	315.971.611

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

**NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

Movements in deferred tax assets as of 1 January - 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening	6.698.611	(5.177.012)
Charged to profit or loss	(39.448.184)	10.794.063
Actuarial gain charged to equity	46.633	162.344
Revaluation differences charged to equity	(1.325.904)	-
Currency translation differences	5.298.270	919.216
End of the period	(28.730.574)	6.698.611

Income tax expense for the years ended 31 December 2020 and 31 December 2019 comprised of the following items:

	31 December 2020	31 December 2019
Current income tax expense	(85.240.545)	(57.388.020)
Deferred tax income / (expense)	(39.448.184)	10.794.063
Total tax income / (expense)	(124.688.729)	(46.593.957)

The reconciliation of the current tax income and current profit before tax are as follows:

Total charge for the year can be reconciled to the accounting profit as follows:	1 January - 31 December 2020	1 January - 31 December 2019
Profit / (loss) from before tax	569.864.161	205.516.975
Domestic income tax rate	22%	22%
Tax expense at the domestic income tax rate	(125.370.115)	(45.213.735)
Expenses that are not deductible in determining taxable profit	(2.726.991)	(2.636.384)
Revenue that is exempt from taxation	4.916.704	2.134.966
Other tax expenses	(1.508.327)	(878.804)
Income tax provision recognised in profit or loss	(124.688.729)	(46.593.957)

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

**NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, current income taxes recognised in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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.

Corporate tax rate in Turkey is 20%. The Corporate tax rate is applied to the corporate income of the corporations, which is the result of the addition of expenses that are not allowed to be deducted in accordance with the tax laws and the exemptions and discounts included in the tax laws. The 7061 numbered law on the Amendment of Some Tax Laws was approved by the Turkish Grand National Assembly on 28 November 2017 and entered into force by being published in the Official Gazette dated 5 December 2017. In accordance with the article 91 of the mentioned Law and the provisional article 10 added to the Corporate Tax Law, the corporate tax rate was increased from 20% to 22% for 2018, 2019 and 2020. Unless there is a new regulation as from 2021, it is foreseen that the corporate tax rate will continue to be applied as 20%.

The 7061 numbered law on the Amendment of Some Tax Laws was entered into force by being published in the Official Gazette dated 5 December 2017 and numbered 30261. With the 89th article of this Law, amendments are made in the 5th article titled “Exceptions” of the Corporate Tax Law. The first paragraph of the article; With paragraph (a), the 75% exemption applied to the earnings arising from the sale of real estates which were stated in the assets of the institutions for two full years has been reduced to 50%. This amendment was entered into force on 5 December 2017.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory financial statements for tax purposes. These differences usually resulted from the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2019: 22%).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 25 – EARNING PER SHARE / (LOSS)

	1 January - 31 December 2020	1 January - 31 December 2019
Net gain for the year attributable to equity holders of the parent	415.726.204	137.831.653
Weighted average number of shares	662.000.000	662.000.000
Earning per share (Kr)	0,63	0,21

NOTE 26 – FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
Associates	4.460.594	4.460.594
Impairment on associate shares (-)	(3.065.661)	(3.065.661)
	1.394.933	1.394.933

The Group has been accounting financial investments of Pakyağ Endüstriyel Ürünler Sanayi ve Ticaret A.Ş., PNS Pendik Nişasta Sanayi A.Ş. and Baytom Makine Sanayi ve Ticaret A.Ş. with their cost values less impairment. The Group is in the opinion that the fair values of the shares converge to the cost less impairment values.

As of 1 January - 31 December 2020 and 31 December 2019 movements of provisions for impairment of financial investment are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	(3.065.661)	(3.040.000)
Addition	-	(25.661)
Closing balance	(3.065.661)	(3.065.661)

NOTE – 27 BORROWINGS

	31 December 2020	31 December 2019
Short term borrowings		
Short term foreign currency loans	357.165.807	70.057.502
Short term lease liabilities	11.312.400	1.295.669
	368.478.207	71.353.171
Long term borrowings		
Long term lease liabilities	29.692.619	2.878.423
	29.692.619	2.878.423

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 27 – BORROWINGS (Continued)

As of 31 December 2020 and 2019 details of short-term borrowings are as follows:

31 December 2020				
Original Currency	Maturity	(%)	Original Amount	TL Equivalent
	July 2021-			
EUR	November 2021	0,06 – 3,10	23.509.204	211.768.560
USD	Auguts 2021	0,93	19.807.540	145.397.247
				357.165.807
31 December 2019				
Original Currency	Maturity	(%)	Original Amount	TL Equivalent
EUR	September 2020	1,50 – 2,00	9.685.820	64.416.514
USD	September 2020	1,50 – 2,00	949.629	5.640.988
				70.057.502

Movement of borrowings	1 January - 31 December 2020	1 January - 31 December 2019
Opening	70.057.502	317.984.874
Foreign exchange differences	48.454.264	12.805.793
Borrowing received in current year	352.145.504	178.554.522
Payments in current year	(113.491.463)	(439.287.687)
Closing	357.165.807	70.057.502

Details of short and long-term borrowings are as follows:

31 December 2020				
Currency	Maturity	(%)	Amount	TL
TL	January 2025	10,95 - 19,00	41.005.019	41.005.019
				41.005.019
31 December 2019				
Currency	Maturity	(%)	Amount	TL
TL	June 2024	19,00	4.174.092	4.174.092
				4.174.092

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using net financial debt / capital ratio, which calculated by dividing net debt to total capital. Net debt is calculated by deducting cash and cash equivalents and other receivables from related parties from total financial liabilities which is calculated by summing total short-term and total long-term liabilities, total short-term and total long-term other payables to related parties. Total capital (in other words total equity) is the difference between total assets and total liabilities.

Net financial debt / total capital ratios as of 31 December 2020 and 2019, are as follows:

	31 December 2020	31 December 2019
Total financial liabilities	1.319.468.180	1.255.993.196
Less: Other receivables from related parties	1.028.887.113	632.699.658
Less: Cash and cash equivalents (Note 29)	57.508.936	13.208.215
Net financial debt	233.072.131	610.085.323
Total equity	1.447.635.037	966.379.869
Total capital	1.680.707.168	1.576.465.192
Net debt / total capital ratio	0,14	0,39

b) Financial Risk Factors

The Group has exposure to the market risk, credit risk, liquidity risk arising from its operations. Risk management activities of the Group are focused minimizing the negative effects of uncertainties in market conditions on the Group’s financial performance.

Risk management is conducted by a centralized finance department in accordance with the policies approved by Board of Directors. The risks are identified, evaluated by the finance department of the Group and instruments to reduce the impacts of the risk are utilized with the cooperation with operation units of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.1) Credit Risk

Credit Risks Exposed According to Types of Financial Instruments

31 December 2020	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum credit risk exposed as of balance sheet date (*)	355.017.915	261.109.228	1.028.887.113	5.141.100	57.508.936
- Secured portion of the maximum credit risk by guarantees (**)	-	59.383.810	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	301.451.767	227.556.203	1.028.887.113	5.141.100	57.508.936
B. Net book value of financial assets that are past due but not impaired	53.566.148	33.553.025	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	21.157.923	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	27.838.965	-	-	-
- Impairment	-	(27.838.965)	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(*) On the determination of the amount, factors that increase credit reliability, such as collaterals received, are not considered.

(**) Guarantees are comprised of *letter of guarantees, mortgages and cheques of cheques received from customers.*

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.1) Credit Risk (Continued)

31 December 2019	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum credit risk exposed as of balance sheet date (*)	269.099.666	177.939.312	632.699.658	6.838.694	13.206.731
- Secured portion of the maximum credit risk by guarantees (**)	-	24.069.090	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	252.189.237	165.883.794	632.699.658	6.838.694	13.206.731
B. Net book value of financial assets that are past due but not impaired	16.910.429	12.055.518	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	21.072.903	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	25.085.071	-	-	-
- Impairment	-	(25.085.071)	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(*) On the determination of the amount, factors that increase credit reliability, such as collaterals received, are not considered.

(**) Guarantees are comprised of *letter of guarantees, mortgages and cheques of cheques received from customers*.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.1) Credit Risk (Continued)

As of 31 December 2020 and 2019, the aging of trade receivables that are past due but not impaired are as below:

	31 December 2020	31 December 2019
Past due up to 30 days	82.564.488	23.468.097
Past due 1 - 3 months	1.993.430	4.150.103
Past due 3 - 12 months	2.561.255	1.332.340
Past due 1 - 5 year	-	15.407
Total past due receivables	87.119.173	28.965.947
Secured portion of receivables by guarantees	21.157.923	21.072.903

b.2) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Funding risk of current and future requirement of liquidity is managed by maintaining adequate reserves, banking facilities and reserve borrowing facilities.

The followings presents, contractual maturities of non-derivative financial liabilities of the Group.

Contractual Maturities

	Non-Derivative Financial Liabilities				
	Carrying value	Total Contractual Cash Outflows (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
31 December 2020					
Borrowings	357.165.807	357.165.807	-	357.165.807	-
Lease Liabilities	41.005.019	52.088.439	4.142.816	12.428.447	35.517.175
Trade payables to third parties	504.553.749	504.553.749	337.274.785	167.278.964	-
Trade payables to related parties	55.492.346	55.492.346	55.492.346	-	-
Other payables	155.392	155.392	155.392	-	-
Other payables to related parties	921.297.354	1.154.624.976	55.250.643	-	1.099.374.333
Payables to employees	15.139.378	15.139.378	15.139.378	-	-
	1.894.809.045	2.139.220.087	467.455.360	536.873.218	1.134.891.508

The maturities that the Group estimated is the same with the contractual maturities.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.2) Liquidity Risk (Continued)

Contractual Maturities

	Non-Derivative Financial Liabilities				
	Carrying value	Total Contractual Cash Outflows (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
31 December 2019					
Borrowings	70.057.502	70.057.502	-	70.057.502	-
Lease Liabilities	4.174.092	7.321.687	554.724	1.664.175	5.102.788
Trade payables to third parties	334.179.848	334.179.848	326.337.875	7.841.973	-
Trade payables to related parties	12.261.101	12.261.101	12.261.101	-	-
Other payables to related parties	1.181.761.602	1.181.761.602	149.772.705	-	1.031.988.897
Payables to employees	12.020.130	12.020.130	12.020.130	-	-
	1.614.454.275	1.617.601.870	500.946.535	79.563.650	1.037.091.685

The maturities that the Group estimated is the same with the contractual maturities.

b.3) Market Risk Management

Due to its operations, the Group exposed to financial risks related to changes in foreign exchange rates and interest rates

The Group evaluates market risk with sensitivity analysis.

The Group’s market risk management policies have not changed during the period compared to previous period.

b.3.1) Currency Risk Management

The Group is exposed to currency risk on its operations that are denominated in other currencies.

The distribution of the Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of the balance sheet date is as follows:

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3) Market Risk (Continued)

31 December 2020	TL Amount	US Dollar	Euro	Other
1. Trade Receivables	34.546.822	3.404.470	864.532	177.916
2a. Monetary Financial Assets	3.774.663	425.000	72.708	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	2.085.792	74.455	170.878	-
4.CURRENT ASSETS (1+2+3)	40.407.277	3.903.925	1.108.118	177.916
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	955.145	-	106.034	-
8. NON-CURRENT ASSETS (5+6+7)	955.145	-	106.034	-
9. TOTAL ASSETS (4+8)	41.362.422	3.903.925	1.214.152	177.916
10. Trade Payable	138.751.864	7.352.122	9.306.262	105.290
11. Financial Liabilities	357.165.807	19.807.540	23.509.204	-
12a. Monetary Other Liabilities	1.019.994	18.242	98.368	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	496.937.665	27.177.904	32.913.834	105.290
14. Trade Payable	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	198.284.111	27.012.344	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	198.284.111	27.012.344	-	-
18. TOTAL LIABILITIES (13+17)	695.221.776	54.190.248	32.913.834	105.290
19 Off-balance Sheet Derivative Instruments				
Net Asset/Liability Position (19a - 19b)	113.442.300	13.000.000	2.000.000	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	(113.442.300)	(13.000.000)	(2.000.000)	-
20.Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	(540.417.054)	(37.286.323)	(29.699.682)	72.626
21.Monetary Items Net Foreign Currency Assets / (Liabilities)(1+2a+3+5+6a-10-11-12a-14-15-16a)	(653.859.354)	(50.286.323)	(31.699.682)	72.626
22. Fair value of financial instruments used for currency hedge	3.966.396	461.645	64.131	-
23. Hedged foreign currency assets	-	-	-	-
24. Export	356.104.152	43.967.568	5.444.994	505.976
24. Import	660.968.529	72.274.315	19.227.466	7.374

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3) Market Risk (Continued)

31 December 2019	TL Amount	US Dollar	Euro	Other
1. Trade Receivables	46.080.327	5.287.553	2.120.167	73.403
2a. Monetary Financial Assets	4.814.838	738.418	62.024	2.110
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	1.340.486	82.805	127.637	-
4.CURRENT ASSETS (1+2+3)	52.235.651	6.108.776	2.309.828	75.513
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	4.166.709	-	626.516	-
8. NON-CURRENT ASSETS (5+6+7)	4.166.709	-	626.516	-
9. TOTAL ASSETS (4+8)	56.402.360	6.108.776	2.936.344	75.513
10. Trade Payable	135.962.717	2.931.841	17.697.280	126.662
11. Financial Liabilities	70.057.502	949.629	9.685.821	-
12a. Monetary Other Liabilities	391.360	-	58.846	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	206.411.579	3.881.470	27.441.947	126.662
14. Trade Payable	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	166.457.472	28.022.200	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	166.457.472	28.022.200	-	-
18. TOTAL LIABILITIES (13+17)	372.869.051	31.903.670	27.441.947	126.662
19 Off-balance Sheet Derivative Instruments	-	-	-	-
Net Asset/Liability Position (19a - 19b)	-	-	-	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	-	-	-	-
20.Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	(316.466.691)	(25.794.894)	(24.505.603)	(51.149)
21.Monetary Items Net Foreign Currency Assets / (Liabilities)(1+2a+3+5+6a-10-11-12a-14-15-16a)	(316.466.691)	(25.794.894)	(24.505.603)	(51.149)
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Export	320.206.484	47.795.053	7.380.683	318.010
24. Import	524.612.156	66.763.528	22.966.948	32.736

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis to Currency Risk

The Group is mainly exposed to foreign currency risks in US Dollars and Euro. The following table shows the Group's sensitivity to a 10% increase and decrease in USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis comprises the borrowings used for foreign operations within the Group outside the functional currency. A positive number indicates an increase in profit / loss and other equity.

	Profit/Loss	
	Appreciation foreign currency	Depreciation foreign currency
31 December 2020		
In case of US Dolar increases in 10% against TL		
1- US Dollar net asset/liability	(36.912.675)	36.912.675
2- US Dollar hedged portion (-)	9.542.650	(9.542.650)
3- Net effect of US Dollar (1 +2)	(27.370.025)	27.370.025
In case of Euro increases in 10% against TL		
4- Euro net asset/liability	(28.554.757)	28.554.757
5- Euro hedged portion (-)	1.801.580	(1.801.580)
6- Net effect of Euro (4+5)	(26.753.177)	26.753.177
TOTAL (3+6)	(54.123.202)	54.123.202

	Profit/Loss	
	Appreciation foreign currency	Depreciation foreign currency
31 December 2019		
In case of US Dollar increases in 10% against TL		
1- US Dollar net asset/liability	(15.322.683)	15.322.683
2- US Dollar hedged portion (-)	-	-
3- Net effect of US Dollar (1 +2)	(15.322.683)	15.322.683
In case of Euro increases in 10% against TL		
4- Euro net asset/liability	(16.297.696)	16.297.696
5- Euro hedged portion (-)	-	-
6- Net effect of Euro (4+5)	(16.297.696)	16.297.696
TOTAL (3+6)	(31.620.379)	31.620.379

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3.1) Interest Rate Risk Management

The Group’s borrowings with fixed and variable interest rates exposes the Group to interest rate risk.

As at 31 December, the interest rate profile of the Group’s interest-bearing financial instruments are as follows:

Interest Position	31 December 2020	31 December 2019
Fixed interest rate instruments		
Borrowings	398.170.826	74.231.594
Cash and cash equivalents (term deposits)	53.887.213	5.025.617
Trade receivables	616.127.143	447.038.978
Other receivables	1.034.028.213	638.071.763
Trade payables	560.046.095	346.440.949
Other payables	921.452.746	1.181.761.602
Derrivative financial instruments	3.966.396	-

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, there would be no impact on Group’s net profit for the year ended 31 December 2020 (31 December 2019: None).

b.4) Categories of financial instruments and fair values

31 December 2020	Financial liabilities at amortized cost	Financial instruments at fair value recognised in the profit and loss statement	Carrying value	Fair value	Note
Financial assets					
Cash and cash equivalents	57.508.936	-	57.508.936	57.508.936	29
Trade receivables from third parties	261.109.228	-	261.109.228	261.109.228	5
Trade receivables from related parties	355.017.915	-	355.017.915	355.017.915	4
Other receivables from third parties	5.141.100	-	5.141.100	5.141.100	6
Other receivables from related parties	1.028.887.113	-	1.028.887.113	1.028.887.113	4
Financial investments	-	1.394.933	1.394.933	1.394.933	26
Financial liabilities					
Borrowings	398.170.826	-	398.170.826	409.254.246	27
Trade payables to third parties	504.553.749	-	504.553.749	504.553.749	5
Trade payables to related parties	55.492.346	-	55.492.346	55.492.346	4
Other payables to third parties	155.392	-	155.392	155.392	6
Other payables to related parties	921.297.354	-	921.297.354	1.099.374.333	4
Derrivative financial instruments	-	3.966.396	3.966.396	3.966.396	

The Group management is in the opinion that, carrying values of financial assets reflects their fair values.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.4) Categories of financial instruments and fair values (Continued)

31 December 2019	Financial liabilities at amortized cost	Financial instruments at fair value recognised in the profit and loss statement	Carrying value	Fair value	Note
Financial assets					
Cash and cash equivalents	13.208.215	-	13.208.215	13.208.215	29
Trade receivables from third parties	177.939.312	-	177.939.312	177.939.312	5
Trade receivables from related parties	269.099.666	-	269.099.666	269.099.666	4
Other receivables from third parties	6.838.694	-	6.838.694	6.838.694	6
Other receivables from related parties	632.699.658	-	632.699.658	632.699.658	4
Financial investments	-	1.394.933	1.394.933	1.394.933	26
Financial liabilities					
Borrowings	74.231.594	-	74.231.594	77.379.189	27
Trade payables to third parties	334.179.848	-	334.179.848	334.179.848	5
Trade payables to related parties	12.261.101	-	12.261.101	12.261.101	4
Other payables to related parties	1.181.761.602	-	1.181.761.602	1.181.761.602	4

The Group management is in the opinion that, carrying values of financial assets reflects their fair values.

NOTE 29 – CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	-	1.484
Cash at banks	56.389.384	10.637.633
- Demand deposits	2.502.171	5.612.016
- Time deposits (*)	53.887.213	5.025.617
Credit card receivables	1.119.552	2.569.098
	57.508.936	13.208.215

(*) The maturity of time deposit balances at banks is 4 January 2021 and the average interest rates are in the range between 13,8% and 18,5%, in the range between 0,25% and 2,1% for US Dollar and 0,01% for Euro time deposits (31 December 2019: 1,10% for US Dollar, 0,05% for Euro).

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

NOTE 30 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Condensed financial information of the subsidiaries that the Company does not has significant effective interest rate as of 31 December 2020 and 2019 are as follows:

Marsa Yağ Sanayi ve Tic. A.Ş.	31 December 2020	31 December 2019
Total assets	1.332.764.304	956.317.858
Total liabilities	531.195.340	257.615.787
Net assets	801.568.964	698.702.071

	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	996.359.156	820.091.274
Profit for the year	97.025.147	69.318.123
Cash flows from operating activities	165.912.612	124.358.915
Cash flows from investing activities	(6.733.524)	2.582.513
Cash flows from financing activities	(114.019.621)	(125.490.893)
Effects of foreign currency translation	(16.643.068)	(6.686.520)

31 December 2020

	Non- controlling share	Non-controlling income / (expense)	Accumulated non- controlling interest
Marsa Yağ Sanayi ve Tic. A.Ş.	30,00%	29.107.544	240.470.687

31 December 2019

	Non- controlling share	Non-controlling income / (expense)	Accumulated non- controlling interest
Marsa Yağ Sanayi ve Tic. A.Ş.	30,00%	28.146.002	209.606.946

NOTE 31 – SUBSEQUENT EVENTS

None.