



SÜTAŞ SÜT ÜRÜNLERİ A.Ş.

ANNUAL REPORT

2018



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MISSION

In order to provide natural and delicious dairy products that improve people's quality of life and bring them health and happiness, we manage and develop the dairy value chain -From Farm to Table- and the resources entrusted to us in the most efficient way, with the passion of spreading the goodness and abundance of milk.

VISION

To become the most loved brand, the most trusted corporation and the leading company in dairy.

VALUES

Respect

We have respect for humans, society and nature.

Responsibility

We act in a fair and transparent manner and we are accountable for our actions, we own up to our responsibilities.

Excellence

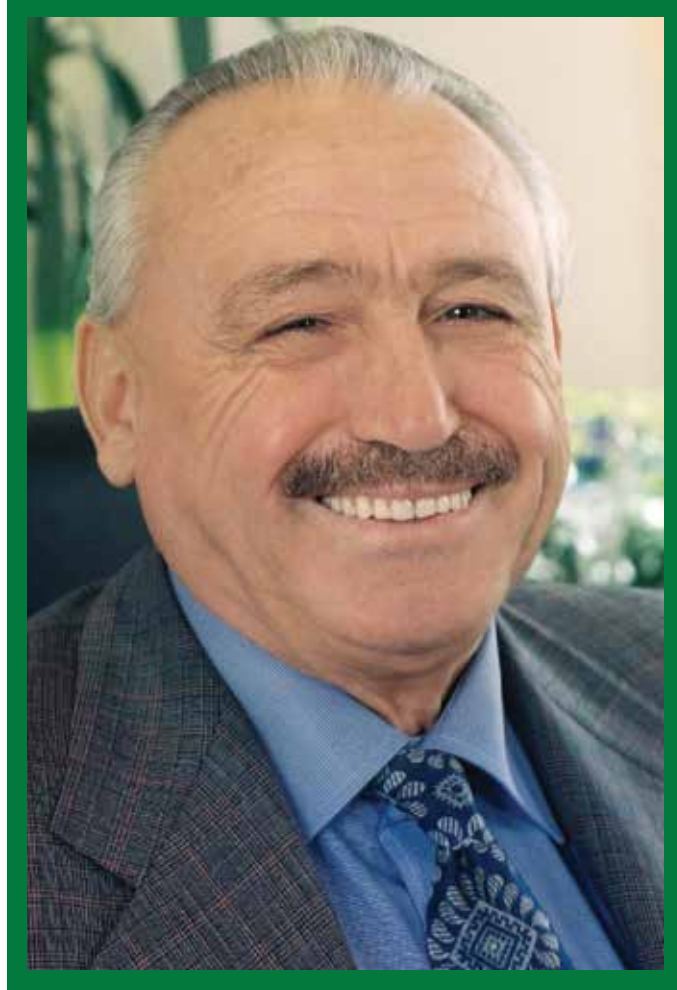
We always improve ourselves and seek excellence to become the masters of our business.

Passion

We passionately commit ourselves to the goodness and abundance of milk and to dairy.



OUR FOUNDER



Sadık Yılmaz
(1929 - 2005)

"Our love for you lives in our passion for milk..."



An Assessment from Chairman of the Board of S taş



Dear Stakeholders,

The 2018, we have left behind has been a financially and competitively hard one both for the world and our country. Despite, fluctuations in the conjuncture, we resolutely continue taking further steps towards our long-term goals. We continue our investments in our personnel, production facilities, and distribution and marketing networks and prepare our company for the future.

We have begun our Eastern and Southeastern Anatolia Dairy Project, Bing l Integrated Technical Livestock and Production Industry in 2018. We will increase the production capacity of S taş in Turkey at 30 percent through these facilities, we will establish with 733 million TRY of investment, which will process 1.063 tons of milk in a day and provide direct employment to 1.012 people. In addition, we will provide 83 million TRY regular monthly cash income to 8.000-10.000 producer, farmer, carrier and etc. households. Through this investment to be put into operation by 2020 which is a Regional Development Project, we will contribute comprehensive and sustainable financial, social and cultural development of Bing l and its vicinity. Through out investments, we will spread abundance of milk and natural taste of S taş more efficiently to Eastern and Southeastern regions of our country.

In 2018, milk production in Turkey has been 22.1 million tons. We have supplied 900 thousand tons of raw milk corresponding to 10% of 9.1 million tons raw milk processed in industry from 27.500 producer families by paying 1 billion and 330 million TRY. We delivered our products produced in our integrated facilities in Karacabey, Aksaray and Tire to all directions of Turkey. We have

provided direct employment to 4.378 people through out activities and indirect employment to 2.500 people through our distribution system. We have closed our 2018 activities with 3 billion 183 million TRY turnover and 199.8 million TRY net profit.

We have been bestowed several honoring awards in 2018. We have been granted an award in Sustainable Business Awards organization with our 'From Farm to Tables Value Chain Waste Management Model' and in 'Zero Waste Summit' we have been granted the 'Zero Waste Production Award'. We have experienced the pride and happiness that we have a strong corporate structure once again by getting the "the Non-Public Family Company with the Highest Corporate Management Rating Score" award, for the fourth time, which is granted by the Corporate Management Association of Turkey.

Since the day of our foundation, we have always considered natural resources as resources entrusted to us, our business as our social responsibility and financial development as our goal. We place sustainability in the core of our From Farm to Tables Business Model and corporate culture with its financial, environmental, social and corporate management aspects.

We have published our second S taş Sustainability Report which has been prepared in accordance with international standards. We have evaluated the developments in the last two years for achieving our 2020 goals as well as our contribution in activities at global scale.

We try to Spread Goodness and Abundance of Milk and place Love for Milk in hearts by preserving and strengthening our corporate structure based on happy and healthy individuals, a prosper society and a clean environment goal.

I want to express my deepest gratitude towards all our employees, customers, business partners and esteemed shareholders who believe in our mission, strengthen us and make our achievements sustainable.

Best Regards,

Muharrem Yılmaz

Chairman of the Board of Directors



1. IMPORTANT DEVELOPMENTS IN TURKEY AND OUR ACTIVITIES



Bingöl Integrated Facility Investment has been bestowed the Project Based Incentive Certificate

Sütaş Eastern Southeastern Anatolia Dairy Project, Bingöl Integrated Technical Livestock and Production Industrial Investment considered appropriate to be supported within the context of "the Decision on Providing Project-Based State Assistance in Investments" has been bestowed the Project-Based Incentive Certificate.

1.063 tons/day milk will be processed, 600 tons/day forage and 80 tons/day organomineral fertilizer as well as 6.4 MWh electricity will be produced in these facilities which will increase production capacity of Sütaş in Turkey at 30%.

2020 Sütaş Bingöl Integrated Facilities

- Employment for 1.012 people
- 8.000 producer families
- 83 million TRY regular monthly income for the region
- 1.063 tons/day milk production
- 600 tons/day forage production
- 80 tons/day organomineral fertilizer production
- 6.4 MWh electricity generation
- Dairy farming training center and training farm
- 10.000 milker capacity
- Growing farm with 7.100 heads capacity
- Breeding farm with 5.000 heads capacity
- Diagnosis laboratory and health center for dairy farming and breeding
- Genomic selection center
- Embryo production center
- Genomic bull breeding center

Through this huge project which will provide 83 million TRY regularly monthly income by working with 8.000 producer families, great financial, social and corporate contributions will be provided to Bingöl and its vicinity.

When, the project which will be implemented with 733 million and 709 thousand Turkish Liras of investment is completed, 1.012 people will be employed.

Investments for dairy cattle improvement farms with 10.000 heads capacity, a growing farm with 7.100 heads capacity and a breeding farm with 5.000 heads capacity will be made and a Dairy Farming Training Center and Training Farm will be established.





Sütaş was Bestowed the Zero Waste Production Award

Sütaş Group was bestowed the “Zero Waste Production Award” in “the Zero Waste Summit” organized within the context of “the Zero Waste Project” which is implemented by the Ministry of Environment and Urban Planning in 2018 in the frame of the sustainable development principles in order to contain wastes and leave a cleaner and more habitable world for the future generations.



Sütaş was Bestowed the Corporate Management Award for the 4th Time

Sütaş was granted “the Non-Public Family Company with the Highest Corporate Management Rating Score” for the 4th time in the

Corporate Management Award Ceremony during the 12th Corporate Management Summit organized by the Corporate Management Association of Turkey (TKYD).

Sütaş increasing its rating to 9,57 Corporate Management Score compared to the previous year which was given by SAHA Kurumsal Yönetim Derecelendirme Hizmetleri A.Ş. licensed by the Capital Market Board through rating in accordance with the Corporate Management Index of the Istanbul Stock Exchange has experience the happiness and pride of achieving one of its 2020 sustainability goals.

Sütaş was Bestowed the Sustainable Business Award

Sütaş was considered worthy for an award in the Sustainable Business Awards through its “From Farm to Tables Value Chain Waste Management Model”.



In the Sustainable Business Awards intending to support the year’s successful sustainable business models of Turkey for setting an example for the business world, Sütaş has clinched its activities carried out through a sustainability approach with the award bestowed in the Sustainable Business Awards Waste Management category.

‘Sustainable Business Awards’ intend to support sustainability transformation of Turkey by sharing successfully projects creating significant impacts in social, financial and environmental aspects with large masses.



Sütaş was Bestowed “the Jury’s Special Award” in the ICC Environment Awards

Sütaş was considered worthy of “the Jury’s Special Award” in the Environment and Sustainability Management Category through its “From Farm to Tables Integrated Business Model” in the “Environment Awards” of the Istanbul Chamber of Commerce (ICC) which is organized for rewarding the industrial facilities centering “environment and sustainability” in various phases of production, product design and decision-making mechanisms as a step beyond fulfilling the requirements of environmental regulations.





Süttaş Sustainability Report was Published

The 2017 Sustainability Report of Süttaş which has been prepared in accordance with the Principles of Sustainability Reporting of Global Reporting Initiative (GRI) was published.

In this report, the sustainability approaches of Süttaş Group and the developments in the last two years with regards to the primary fields determined as society, finance, environment and institution are given in detail.

2020 goals have been updated in the Sustainability Report and each goal has been redefined by associating them with 17 Global Sustainable Development Goals accepted by the United Nations in 2015 which are considered as bases for sustainable development.

In accordance with its 2020 goals of Süttaş, all business processes in individual domains of employees from every level have been redefined by considering through a sustainability approach. By this way, exemplary and pioneer practices have been implemented in every step taken in all decision-making and production processes from used water to consumed electricity, satisfaction of employees to development of stakeholders, productivity increasing practices to attempts for reducing footprints.



Organomineral Fertilizer Workshop was Organized with the Cooperation of the Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats (TEMA)

The book of "Organomineral Fertilizer Workshop" which has been held with the cooperation of Süttaş and TEMA and participations and contributions of 20 academics from various universities and representatives of the Ministry of Food, Agriculture and Livestock in order to raise awareness in improving quality of soil and contributing in agricultural sustainability has been released to public through a press conference.

Attention was drawn into lack of organic matter as one of the main health and quality indicators of farmlands and it was emphasized that it is one of the most important problems influencing productivity of soil in the press conference where the workshop book has been introduced.





Good Practices Guide for Sustainable Agricultural Principles

Representatives of national and international companies and public institutions and non-governmental agencies and academics attended in the meeting of Sustainable Agriculture and Food Access which has been held with the cooperation of the Sustainable Development Agency (SDA Turkey), TÜSİAD and Global Compact Turkey.

Sütaş has become of the main sponsors of the Good Practices Guide for Sustainable Agricultural Principles.



Sütaş Tagem R&D Project

Within the context of the R&D Support Program of the Ministry of Food, Agriculture and Livestock; contract signing ceremony for 53 R&D projects decided to be supported in 2018 was organized in 21st June 2018 with the attendance of the General Manager of Agricultural Researches and Policies, Mr. H. Gazi Kaya.



Sütaş was Bestowed Two A.L.F.A Awards by Customers

Sütaş has taken the first place in "food" and "dairy and dairy products" categories of A.L.F.A. Awards where the brands which ideally manage customer experience are rewarded.

Sütaş, the leading brand of Turkey in dairy and dairy products sector for the last 13 years, has clinched its activities to become the most loved brand, most trusted enterprise and leading company of dairy sector with the awards bestowed by customers.



Sütaş Attended in the Agro-Expo

Sütaş got together with its producers in the 13th Agro-Expo International Agriculture and Livestock Fair.





Süttaş Website

In 2018, totally 1.691.498 pages in Süttaş website were displayed which was visited for 830.291 times by 705.257 users.



Süttaş Social Media Communication

In 2018; number of people liked the Corporate Facebook page of Süttaş increased to 271.368 and there were 204.564 interactions with its followers. The number of followers of Süttaş Corporate Instagram account increased by 1,17% and reached 20.002 and shared posts got 99,436 likes.



Süttaş Farm Comic Book has been Published

Süttaş Farm Comic Book where the most liked comics of Süttaş Farm published in various medias throughout 2018 has been published.



Süttaşkı Band

"Süttaşkı Band" a real marching band made up of cute cow mascots came together with consumers during the year through various events.

2. HUMAN RESOURCES ACTIVITIES



Süttaş Meetings

Traditional “Süttaş Meetings” where we get together for expanding goodness and abundance of milk and love for it have been held with high participation in all Süttaş facilities and regions.

The meetings begun in Aksaray in 26th May within the context of World Milk Day in June became colorful with attendance of executives, Seniority Award Ceremonies and programs prepared by employees.

The meetings were held in Aksaray in 26-27 May, Ankara in 29 May, Istanbul Anatolia and Kartal Regions in 31 May, the Main Office in 1st June, Karacabey in 2-3 June, İzmir in 7 June, Tire in 8 June and Istanbul Merter, Kağıthane & Kırşehir Regions in 11 June.

The activities of Süttaş in the previous year have been evaluated and the joy of getting together as Süttaş Family has been experienced during Süttaş Meetings.



During the Seniority Awards Ceremony within “Süttaş Meetings” organized within the frame of World Milk Day Celebrations, 551 Süttaş employees were presented awards.

5 Years	344 Employees
10 Years	96 Employees
15 Years	59 Employees
20 Years	33 Employees
25 Years	15 Employees
30 Years	3 Employees
35 Years	1 Employee



Sütaş Fieldwork Model trainings as the 1st phase training of the program have continued with 26 sales executives who were employed and assigned in 2018. Satisfaction score of the program was 4.91.

Sütaş Management School

It is intended to create a happy working environment and continue successful business results by ensuring permanence of human resources through improving expertise and specialty in team management.



Team Leadership "LEADER LEAGUE" Development Program

Within the context of Academy Sütaşkı, the 2nd module of the Leader League Development Program which is prepared within the Production School for improving administrative skills of team leaders has been completed by 63 employees in 2018. In the modules completed within the program, contents for improving the issues such as basic management skills, efficient feedback and coaching techniques, performance management and communication and relation management have been addressed. The program will continue with the seminars of Giving Performance-Oriented Feedbacks, Positive Communication and Motivation Techniques, Internalizing Diversities and Leadership Styles during the last quarter of 2018 and 2019.

Executive Improvement Program

In 2018, employees have participated in a 2 day-classroom training program within the context of Executive Improvement Program. The program has continued with 2 one-to-one improvement coaching interview sessions and improvement presentations.

Achieving as a team, creating common goal awareness, motivation management and feedback techniques in the frame of Leadership of Values and Leadership of a Team competences included in Sütaş Behaviour Model were addressed throughout the program. Satisfaction score of the program was 4.88.



Sütaş Expert Improvement Program (Sütaş Up)

15 employees have attended in the Sütaş Expert Program (Sütaş Up) in 2018 which is designed for supporting improving experts in core competences to trigger business manners of them. There are 2 development action planning interviews carried out by the program consultant as well as the Positive Communication and Presentation Skills, Planning and Prioritizing, Innovative Thinking and Innovation trainings. Satisfaction score of the program was 4.66.

Internal Mentorship Program

The internal mentorship program is prepared for supporting adaptation of expert candidates to professional life and accelerating their adaptation to corporate culture. The program consists of the steps of identifying strengths of expert candidates and their sides open for improvement, determining improvement goals and planning, implementing and tracking actions.



Appreciation and Rewarding Tools

Sütaş Recommendation System allows all Sütaş employees to share their recommendations and opinions on the work environment and business processes. 596 recommendations have been made by employees in 2018.

690 employees have participated in the Kaizen studies in 2018 which are followed within a different category and 1037 improvement activity have been performed.

In addition, the staff members creating a difference with their activities are rewarded immediately by their executives through "the Great Job Awards". Within this scope, 227 employees were bestowed "Great Job Award" in 2018. 551 employees were bestowed seniority awards in 2018.



Employment

176.679 job applications were received and 1.317 people have been employer by Sütaş in 2018. The "Beings a Part of Sütaş" program is organized for all new employees and trainings, senior management introduction meetings and experience talks for accelerating their term of adaptation to their job and the company are organized. In 2018, participant evaluation survey average of the Orientation Program was 4,90.

Internship Program

The Being a Part of Sütaş Orientation, workshop activity, personal development training of "Principles of a Professional Life", a visit to a Dairy Center, talks with senior management members, career coaching, project activities and presentations are included within the 8-weeks long internship program for the 3rd and 4th grades of graduate students. In 2018, 21 graduate and 21 associate degree students participated in the summer internship program at Karacabey and Aksaray facilities.



Group Sütaskı

Group Sütaskı allows employees to have small breaks and have fun during intensive tempo of their jobs through various events planned in the company from talent shows to karaoke parties, hobby clubs as well as external culture tours where they become socialized with their families. In 2018, 37.230 got together through 226 events within the activities of Group Sütaskı.





Training and Development

In Süttaş, it is aimed to support corporate development and accelerate learning through training and skill development approach. All development activities are collected under the roof of "Academy Süttaş". Within the context of Academy Süttaş aiming to support develop expertise of employees, improve their performance and support using their potential, contributions have been made in development of employees through the Being a Part of Süttaş Orientation Program, Professional Skill and Competence Development Program, Leadership Development programs and etc.

In 2018, 77.900 hours of training has been provided by Academy Süttaş. 17.3 hours of training has been provided per employee. In addition, 10.597 hours of training has been provided to mono-distributors and distributors.

81% of internal trainings has been provided by internal instructors. Professional improvement programs and corporate development to improve mastership and expertise have been focused in these trainings.

Süttaş Production School

Dairy Certificate Program

In 2018, 63 employees have participated in the program which is designed to improve professional calibration on Dairy of the employees at expert and higher roles working in production and develop mastership and expertise of employees in career path. 22,5% average knowledge improvement has been achieved through the program which is implemented through 44 years of experience and search for excellence for canalizing mastership and

expertise, ensuring professional skill development in production and more efficient adaptation to dynamics of changing technology and business world. Satisfaction score of the training was 4.52.

Süttaş Sales School

Field Sales Development Program

The Sales Development Program designed within the context of the Sales School with the target group of roles below sales manager has also been continued in 2018. The program which is implemented with the goals of ensuring Süttaş fieldwork model is implemented as a standard, improving level of knowledge on products and business processes and improving sales skills, consists of 4 separate modules.

The Being a Part of Süttaş Orientation Program, Süttaş Sales Steps, Return and Fund Management, Complaint Management, Product and Organization Exhibition trainings are provided within modules. In 2018, 1.916 employees participated in these trainings provided in all sales regions, 55% average knowledge improvement has been achieved and satisfaction score was 4,61.



Süttaş Sales Marathon

The Süttaş Sales Marathon designed within the context of the Sales School with the target group of sales executives and higher roles, is prepared in 2 separate phases as providing coaching knowledge and skills in order to ensure and follow that Süttaş Fieldwork Model is implemented as a standard, improve professional sales skills and improve sales performance.

3. MANAGEMENT SYSTEM ACTIVITIES

The Project of Compliance with the Privacy Law

The Project of Compliance with the Privacy Law has been initiated within the Financial Affairs Department with the cooperation of the Legal Department in order to comply with the Privacy Law. As a data controller, the activities for establishing the personal data inventory and completing the actions required for completing the necessary legal and technical actions have been continuing in order to comply with the related law.



Infrastructure Risk Analyses of Production Automation Systems

Risk analyses with regards to business continuity and efficiency of the systems in production automation environment have been prepared. These risks have been projected in the frame of a plan and more current and safer projects have been implemented in order to add value to business continuity. Combining these systems with specific authorities has provided cost efficiency as well as business continuity, efficiency and traceability.

Security of Information and Event Management (SIEM) Project

Integrated with this project, the detection, analysis, intervention and action processes of information security events have been accelerated, instant detection and intervention on security threats and violations on critical information systems has been ensured, detection and intervention on the events showing abnormal behaviors in network structure, detailed the pre-event, time of event and post-event status analysis processes and root-cause analysis processes have been accelerated and end-to-end reporting of information security incidents has been ensured.

Penetration Test Against Cyber Attacks

Penetration Test has been conducted in order to detect existing security gaps and take necessary actions against potential cyber attacks.

TSISO/IEC 27001 BGYS Context Extension Project

The Context Extension Project as a progress project of the TS ISO/IEC 27001 Information Security Management System (ISMS) which has been certified within the context of the Management Systems Directorate has been completed. Through this project, all directorates have been included into the system within the context of TS ISO/IEC 27001 ISMS. In addition to this, the International Markets and Export Coordination Department has been expanded to cover the unit with potential to become a part of it in near future such as the R&D Center, Internal-External Logistics (Production Logistics) and E-Trade Group Directorate.



Backup Systems within the Context of Business Continuity and Sustainability

Two critical centers have been established for backing up the data produced in server and user computers.



Süttaş Collection Portal

Süttaş Collection Portal project to allow our customers make their payments through internet by means of Virtual Post has been activated in July.

Süttaş Collection Tracking Project

It has been ensured by considering payment details of our customers that they can track their collection processes through mobile devices by creating work orders for collection staff through the system.



Weighing Application

It has been ensured that the amount information of the product compounds required for production processes is automatically transferred from weighing devices to the system. It has been ensured that compounds are weighed as needed and inventory levels are followed instantly through automatic confirmation based on these amounts.

Optimization of Logistics Processes

Implementation of the updated internal and external logistic process operations into Erp system has been completed.

It is intended to provide efficiency by integrating logistics and shipment processes of factories with new technology mobile devices and supporting through user interfaces.

Product Package Preparation and Distribution System

It has been ensured that the products distributed among the factory employees are prepared through a system and identity authentication of employees is done through an electronic device.

Authorization, instant tracking and reporting capacities have been provided by migrating the system into electronic environment.

System Optimization of the Technical Directorate and Technical Expertise Center Processes

The scheduled maintenance, failure reporting and technical material inventory management processes have been improved and implemented in the ERP systems according to the updated procedures and workflows.

Through this optimization, saving from time and labor, instant inventory management and cost advantage are intended.



Paperless Office and Electronic Forms

The forms used in marketing, purchasing, sales, human resources, financial affairs and production departments are transferred into the Electronic Information Flow (EBA) system by using electronic forms to eliminate paper use, get information needed for process flow automatically from operational systems, control new inputs and eliminate errors, follow the entire process through the system, improve control and analysis capacities of processes, never impede processes through warning mechanisms and determine blind spots causing delays.

Industrial Development Activities

Within the context of Süttaş Industrial Development activities, 1.037 improvement (Kaizen) projects have been successfully completed with participation of 690 employees. Totally 1.094 employees have participated in the trainings provided by the Industrial Development Coordinatorship staff on Lean Production, Kaizen, 5S, Problem Solving and On-the-Job Training. "Autonomous Maintenance" activities have been started on 13 pilots machines determined in Aksaray, Karacabey and Tire factories and the 4th step projected for these lines have been successfully started. In order to prevent experienced/potential work accidents in our factories, the "Behavior Oriented Observation" approach has been implemented at the helm of the Industrial Development Coordinatorship and field practices have been initiated in all three factories upon required trainings.

4. CONSUMER MARKETING ACTIVITIES



World Milk Day Celebrations

The commercial film with World Milk Day theme prepared parallel to main brand communication of Süttaş was broadcasted in 1 June for 111 times in national and thematic TV channels and placed as a sponsored advertisement in Facebook and Instagram platforms.



The World Milk Day themed caricature was published in social media accounts of Süttaş and Hürriyet Newspaper. Süttaşkı Marching Band met with consumers and employees in Istanbul, Ankara, İzmir and Bursa in 1-2-3 June and celebrated the World Milk Day and "Milk of Happy Cows" story book was distributed to children.

The World Milk Day was also celebrated enthusiastically during Süttaşkı Gatherings with exhibitions of World Milk Day from past to present themed Süttaş caricatures, commercial films and Süttaşkı Marching Band.

Presents were sent to employees and external stakeholders especially the members of press for emphasizing the importance of consuming milk and dairy products. Süttaş employees shared the photos they were taken by wearing the presented special white aprons with their names on them through social media with their World Milk Day celebration messages.





Goodness of Milk Must be Preserved, Its Essence Must Never Be Lost

Sütaş, considering production and consumption of milk and dairy products very important for proper nutrition of people and mental and physical development of future generations, considers enlightening public opinion on goodness of milk and dairy products as its natural responsibility.

Through the communication campaign prepared in this direction, it is intended that Sütaş as one of the good examples of good dairy practices in Turkey tells how it preserves goodness of milk as well as answers the questions of consumers on packaged milk and dairy product transparently, in detail and clearly. The main goals of this company are as below;

- Improving natural and healthy perception on Sütaş brand,
- Telling the passion of Sütaş on dairy, the "Farm to Tables" business model as the security of its natural taste and its mastership protecting the culture of dairy products and expertise embracing today's technology,
- Supporting and strengthening the 'Reference Enterprise' position of Sütaş in the sector and the trust in Sütaş brand by providing exact information to public opinion on milk and dairy products.



In the first commercial film, it was displayed how Sütaş preserves naturality, freshness and taste of milk during its journey from farm to tables and in the second film it was told how Sütaş Yogurt with its ideal taste and consistency is prepared from these milks. The guiding approach of this course is summarized through "Milk must be loved, it must be preserved natural and we must never lose its essence" slogan in the campaign where milk and yogurt production process is told through a plain language.



The commercial films begun to be broadcasted as of 28 March were reached by large masses by covering radio, outdoor and digital media as well as strong TV communication.

Communication campaign of Sütaş was also included in the agenda of social media celebrities. As well as a briefing with mothers, a group of mothers were entertained in Sütaş Aksaray Integrated Facilities.

1.5 millions of people were reached, 116 thousand of likes were given and Instagram stories of opinion leaders were displayed almost 3 millions of times through these activities carried out at digital phase of the campaign.

In addition, story books prepared for children, especially the children of Sütaş employees, whom we entrust our future, to learn the core knowledge on milk and dairy products enjoyably were presented to them.





Süttaş Ramadan and Bayram Communication

For years, at every Ramadan, Ramadan and Bayram advertisements reflecting the warm, sincere atmosphere, unity and solidarity of Ramadan, embracing families which strengthen the bond of Süttaş with its consumers and become an indispensable part of

Ramadan communications have been broadcasted with "It is time of iftar for Turkey and time of pride for Süttaş" slogan.



In 2018, the commercial films where large families getting together at sincere and warm Ramadan tables set with Süttaş tastes through "If, your loved ones are with you, iftar is much more delicious" theme have become unforgettable with its "Burnt Brother-in-Law, Shy Uncle-in-Law, Entrepreneur Nephew and Modern Grandma" characters each one more colorful than the other one. The commercial films were reached to large masses through strong TV broadcasts.



It was ensured that the consumers put direct orders by being directed to Süttaş Ramadan Package in Süttaş Market through digital communication and social media contents. Consumers were included in the Instagram contest of the bayram term and they were invited to share their family photos at bayram tables set with Süttaş tastes under #SüttaşileBayramdaSelfie (a Bayram Selfie with Süttaş).

Through the advertisement campaign built on the idea that the man factor giving its unique taste to Ramadan tables is the spirit of solidarity as well as legendary dishes, Süttaş was once again one of the brands catching the Ramadan spirit ideally and strengthened its emotional bond with its consumers.

Through high regard created by the campaign during the Ramadan period, Süttaş left behind its tough competitors investing in Ramadan communication and increased its brand image scores.





Local Chains Meeting Organization

Süttaş has strengthened its cooperation channels more in 2018 by becoming the main sponsor of the biggest organization of the organized good retail, 'the Local Chains Meeting Organization' (CMO) once again which was organized by the Turkish Retailers Federation in 11-12 April at Haliç Congress Center. 51 firms participated and 8.183 sector professionals visited the organization where producer and supplier firms providing products and services to the food sector and local chain markets get together.



Fresh from Süttaş Farm to Your Homes

Through its online shopping website established in 2010, There are more than 100 different Süttaş tastes in 7 categories in total mainly as milk, yogurt, cheese, ayran and butter in Süttaş Market which enables its consumers to get the fresh tastes of Süttaş through special prices at anywhere and anytime they want.

The natural tastes of Süttaş as the one and only milk and dairy products brand which can handle such a huge operation where it is extremely important to preserve cold chain are delivered fresh and safely without losing cold chain in thermally-insulated and impact-resistant special boxes including cool-packs.

In addition to Süttaş Market, the virtual markets opened in 2018 on hepsiburada.com and gittigidiyor.com and through cooperation with electronic sales applications allowing instant delivery such as Getir and İstegelsin, natural tastes of Süttaş are reached to bigger masses.



Süttaş Lactose-Free Milk Promotion

Süttaş Lactose-Free Milk launching promotion was held in February, 2018.

Within the context of promotion activities, antifatulent and easily digestible properties of Süttaş Lactose-Free Milk as a source of natural calcium, protein and vitamins are introduced and it is emphasized that it helps consumers improve their life quality without missing out goodness and health of milk.

5 millions individual users were reached through the promotional activities in digital media as well as the outdoor promotion activities covering six big cities.





Sütaş Chocolate and Fruit Milks Promotion Campaign during Semesters

Children were invited to “the Cheerful and Entertaining” world through the promotion campaigns for Sütaş Chocolate and Fruit Milks during semesters. In the commercial film prepared for making Sütaş Chocolate and Fruit Milks the most favorite milk brand of children, children were invited to an entertaining world of our music-lover and sports fan calf eager to explore which runs from an adventure to another adventure.

Entertaining contents from puzzles to videos as well as an entertaining karaoke game which children can join by reading single packages of Chocolate and Fruit Milks and sing various versions of the jingle are presented to them through ‘Cheerful and Entertaining’ mobile application with Augmented Reality and the micro website ‘neselienglenceli.com’.



Sütaş Fruity: Plenty of Fruit Very Delicious

During the promotion activities in summer 2018, the varieties of Fruit Yogurt family each one more delicious than other have been promoted to consumers.

During the consumer activities performed in January at Meydan Avm, Zorlu Center, Kanyon Avm, Koza Plaza, 34.000 people tasted the varieties of Sütaş Fruit Yogurt.

In June, through a cooperation with Rafinera, a service which delivers the nutritional packages appropriate with life style of consumers with calculated calories prepared based on healthy and balanced diet principle to doors of consumers, Sütaş Fruit Yogurt varieties were sent to almost a thousand consumers in Istanbul, Ankara and Kocaeli.

In the promotion campaign organized in July-August term, taste of Sütaş Fruit Yogurt based on plenty of fruit content was told and the consumers were invited to try this pleasing taste. In addition to intensive radio communication through 15 radio channels, the campaign was reached to large masses through powerful promotion activities in digital media.

During the term of 3 months, fruit yogurt sales were increased 6% compared to the previous three months of 2018 through promotional activities in radio and digital media.¹

1. Olap 2018 July-August-September and April-May-June average tonnage comparison.





There are Lots of Reasons for Us to Love It Because There is Nothing Like Sütaş Süzme (Cottage Cheese)

In "There are Lots of Reason for Us to Love It Because There is Nothing Like Sütaş Süzme" campaign of Sütaş Cottage Cheese as the most loved cheese of Turkey, it was told why Sütaş Süzme (Cottage Cheese) as the cheese brand preferred by most households in Turkey is loved so much. Within the context of the promotion campaign, sales point practices were used as well as advertisements in TV, radio and digital media.



For the Ones to Stay in Shape with "Süzme" Taste "Süzme Form"

Süzme product family which is loved very much and become an indispensable member of tables with its soft taste, mouth-soluble consistency and practical use has also been expanded in 2018. Süzme Form, for the ones willing to stay in shape and keep healthy without compromising the taste of Sütaş Süzme, the most favorite cheese taste of Turkey for everyone, has been presented to the taste of consumers as a light and nutritious alternative. Süzme Form, as a delicious and a light cheese contains "50% less fat and salt". Süzme Form which can be preferred in any meal from breakfast to salads contains 17% more protein.



Sütaş Cheese Family Grows with Brand New Varieties

Süzme product family which is loved very much and become an indispensable member of tables with its soft taste, mouth-soluble consistency and practical use has also been expanded in 2018. Süzme Form, for the ones willing to stay in shape and keep healthy without compromising the taste of Sütaş Süzme, the most favorite cheese taste of Turkey for everyone, has been presented to the taste of consumers as a light and nutritious alternative. Süzme Form, as a delicious and a light cheese contains "50% less fat and salt". Süzme Form which can be preferred in any meal from breakfast to salads contains 17% more protein. It has also been



continued to strengthen non-domestic portfolio of Sütaş in 2018 by developing special products for non-domestic customers. 2 cheese hoops inside Süzme Dilimle, developed by Süzme, the most favorite cheese of Turkey, loved by everyone, especially for non-domestic customers, can be sliced easily, provides use without any loss and provides convenience for professionals in various fields of use.

An auxiliary product for professionals, Sütaş White Cheese Professional Performance presents combination of high slicing performance and taste-price balance. Sütaş White Cheese Professional Performance can be used in several fields from breakfast plates to fries and bakery products.

Sliced cheese family has been expanded by adding "Cheddar Slices of Taste". Burger, sandwich and toast cheese varieties presented by Sütaş in 110g packages flavors meals of consumers and they are quite practical with easily separating slices.



Being You is the Coolest Thing so Shake Sütaş Ayrân

It has been emphasized in 2018 promotion campaign of Sütaş Ayrân that it is much more important to be you and act natural rather than being cool. With its slogan 'Being You is the Coolest Thing, so Shake Sütaş Ayrân', Sütaş Ayrân as the most preferred ayran brand of Turkey and a 100% natural beverage, it was

especially aimed to encourage young people to act as they were. In the frame of this campaign, TV promotions were presented through national, local and thematic TV channels and radio promotions were presented through national and radio channels.



Award-Winning Campaigns from Sütaş Ayrân

It was aimed to support sales through various promotion campaigns to be organized for Sütaş Ayrân for throughout the year.

During the promotion campaign Sütaş Ayrân which can be preferred with its unique consistency and taste for domestic and non-domestic use, alongside meals and appetizers anywhere at anytime, which was started in April, 250 ml Sütaş Ayrân was presented for each orange-bottlecap 2 liter-Sütaş Ayrân purchased from markets. Tens of thousands people participated in the orange-bottlecap campaign of Sütaş Ayrân which has a strong communion bond with its consumers.

The "Shake Sütaş Ayrân and Win Megabytes" campaign of Sütaş Ayrân, the most preferred ayran brand of Turkey started in September and continued until the end of 2018. Everyone sending the password under caps of 250 ml, 1 liter, 1.5 liter, 2 liters and 2.5 liters Sütaş Ayrân packages with campaign labels to www.100mbhediye.com, has won daily 100 megabytes of mobile internet package.



Educating and Entertaining Promotions from Sütaş Büyümix

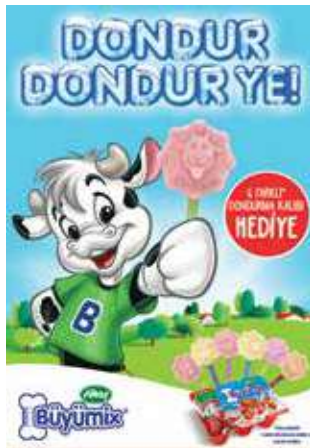
Sütaş Büyümix has brought children together with educating and entertaining promotions throughout the year.

In April, it was ensured that children discovered colors hidden in images through the magic cards in Sütaş Büyümix packages. These cards colored through water-coloring technique were designed in 5 different concepts with questions specific to Sütaş Büyümix.

Sütaş Büyümix has strengthened its leadership in the organized retail channel through this promotion.¹

During the summer, colored ice-cream sticks and animal-shaped ice-cream molds were presented with Sütaş Büyümix.

By this way, Sütaş Büyümix which can also be consumed by freezing has become a healthy and entertaining appetizer for children during summer.



"Sütaş Büyümix Freeze and Eat" promotion campaign was supported through visual materials at sales points during the summer. During this term, monthly average sales of Sütaş Büyümix increased 32% compared to the term without any promotion.

Sütaş UHT Banana Pudding is on the Shelves!

Sütaş UHT Pudding launching has been held in December 2018 in order to utilize regional opportunities and meet a long-life product needed in pudding category.



New product of Sütaş, UHT Banana Pudding was firstly presented for sale in Eastern and Southeastern Anatolia and Adana - Mersin - Gaziantep Regions.



Sütaş Salted Butter Takes Place on Shelves

Sütaş Salted Butter, one of the members of non-domestic product range of Sütaş Butter with its naturalness and perfect taste as the most preferred brand of Turkish cuisine has begun meeting with consumers at retail sales points as of February 2018.

1. Nielsen, Children Fresh Cheese Market, SPM April 2018

2. OLAP, Turkey Total 2018

4.1 Significant Developments in the Market



In 2018, Süttaş has reached 82.2% of the households in Turkey and become the brand with the highest household access in the milk and dairy products market.¹

In 2019, turnover of the retail packaged dairy products market has reached up to 13 billions of TRY with 22.5% growth. Süttaş has continued its market leadership in that term by growing 13%.²

The turnover and shares in the leading categories of Süttaş were as below:

Category -2018*	Quantity(%)	Turnover Share (%)
UHT Semi-Skimmed Milk	8,2	10,4
Cream-on-Top Yogurt	23,7	26,5
Set Yogurt	8,6	11,8
Strained Yogurt	11,5	15,0
Seasoned Yogurt	99,8	99,7
Kid Fruity Yogurt Tube	100,0	100,0
Baby Yogurt	99,9	99,9
Light Yogurt	86,4	81,4
Tava Yogurt	4,9	8,2
Ayran	20,5	24,2
White Cheese - Cultured	13,8	15,5
Fresh Kashkaval	13,1	15,1
UltraFiltrated White Cheese-Süzme	21,5	23,4
Mihaliç Cheese	47,3	62,3
Butter	10,7	12,8

Süttaş Milk

In 2018, Süttaş Milk has taken the third place in the market with 7,7% turnover share. In the same period, Süttaş UHT Milk has reached 6.5%, Süttaş Pasteurized Milk 14.5% and Süttaş Chocolate and Fruit Milk 12.7% turnover share.²

Süttaş Butter

Süttaş Butter has completed 2018 as the leader with 12,8% turnover share.²

Süttaş Yogurt

In 2018, Süttaş Yogurt has kept its leading position with 13,5% turnover share. In the same period, Süttaş Set Yogurt has reached 11.8%, Süttaş Light Yogurt 81.4%, Süttaş Cream-on-Top Yogurt 26.5% and Süttaş Fruit Yogurt for Adults 14% turnover share. Süttaş Filtrated Yogurt has kept its leading position in its category with 15% turnover share.²

Süttaş Ayran

In 2018, Süttaş Ayran has kept its leading position in the ayran market with 24,2% turnover share.²

Süttaş Cheese

In 2018, Süttaş Cheese has kept its leading position in overall cheese market with 12,1% turnover share. Süttaş White Cheese has been the leader in its category with 15,5% , Süttaş Süzme with 23,4% and Süttaş Kashkaval with 15.1% turnover shares. With regards to cream cheese categories, Süttaş Cream Cheese has reached to 9.4%, Süttaş Triangular Cheese 7.0% and Süttaş Labaneh 8.4% turnover shares.²

Pleasing, Delicious and Functional Products

Süttaş Büyümix: Kid fresh cheese market including Süttaş Büyümix has increased its turnover by 8% in 2018. Süttaş Büyümix has taken the 2nd place in the market with 16% turnover share.²

Süttaş Tatlımımm: In 2018, Süttaş Tatlımımm has reached to 13.5% turnover share in fresh pudding category. Süttaş Tatlımımm has taken the 2nd place in the market.²

Süttaş Hüprik: Süttaş Hüprik, as the first fruity yogurt tube of Turkey, has increased its turnover by 22% in 2018 as the one and only product in its category.²

Süttaş Minimix: In 2018, Süttaş Minimix has reached 23,6% turnover share.²

Süttaş Babymix: Süttaş Babymix as the first special baby yogurt of Turkey has been the one and only product in the market in 2018 with 6% turnover growth.²

1. Ipsos Household Consumption Panel, 2018

2. Nielsen Retail Assessment Panel, Including Discount Markets, 2018, Among branded products



4.2 Significant Developments and Activities in Foreign Countries



Süttaş becomes more powerful through its promotion activities in Macedonia

Macedonia promotion activities of Süttaş have been continued through corporate advertising campaign of Süttaş and the advertisements with "Being You is the Coolest Thing so Shake Süttaş Ayran" slogan. As well as the advertisements broadcasted through television, radio and digital channels within the context of these promotion campaign making Süttaş more powerful, consumers in Macedonia have been invited to the natural, delicious and dynamic world of Süttaş and Süttaş Ayran.



Yovita in Macedonia

Yovita launching has been done in Macedonia in June 2018.

Yovita is a 100% natural yogurt enriched with probiotic culture. Yovita where living and active traditional yogurt cultures combined with protein, vitamins and minerals, presents goodness of yogurt with ideal taste and consistency. Yovita supporting regulating digestive system and strengthening immune system through the probiotic cultures in it, has drinkable and spoonable small and king-size varieties.

Within the context of the launching activities of Yovita anytime invigorative at home and outside, as well as Yovita brand, new products with Yovita brand were introduced to consumers. Through the promotion activities on television, street, radio, internet and shopping locations, consumers in Macedonia have been reached widely within the context of the campaign.



4.3 Export Activities



The United Arab Emirates (UAE), Kuwait, Bahrain and Russia as the markets which Süttaş already has regular export activities, have become prominent in 2018 with significant growth rates.

Through new distributorship structuring of the UAE, serious steps have been taken for making Süttaş brand as a regional brand with the support of 'Turquality' and considering organized retail points, the digital distribution/listing goal reaching up to 80% has been implemented. In 2019, this approach will be continued in the Gulf markets especially for Kuwait and Bahrain and the steps towards branding will be continued.

While, continuing a steady growth in the Gulf as the main market for Turkish sector exporters, 'the sustainable growth' goal will be achieved by increasing the 'brand investments' towards settled markets such as Iraq, Azerbaijan, Cyprus and etc.

Süttaş, determining its export goal as "becoming the leading milk and dairy products exporter of Turkey", has added Saudi Arabia and the Seychelles to its portfolio of countries where the company regularly exports. Furthermore, Süttaş with its products for 'Non-Domestic Chains' which have

the quality and cost-structure to compete with global competitors, has added the Far East-Asia and Africa markets in its growth plans for the new term and developed its 'Export Organization' in 2018 through this perspective.

Regular fresh product export to the Russian Federation begun in 2018 has also continued in 2018. The activities to take a share from the Non-domestic channel which has a high potential in Russia have been continuing. These export activities have been showing a growth trend despite all tough conditions.

In 2018, Süttaş attended in the 'GulFood' expo, accepted as the most important food fair of the region, with an assertive booth in the dairy producers' area and had face-to-face meetings with more than 250 potential buyers from more than 30 countries.

In industrial product sales, it has been tried to preserve the existing markets despite limited PST production, market studies have been conducted for YST (SMP) in new countries such as Russia, Bangladesh and Egypt and it is planned to start shipments in the beginning of 2019.

In 2018, totally 8.23 millions of USD export to 23 countries has been done.



5. SÜTAŞ A.Ş. FINANCIAL REPORT AND STATEMENTS OF 2018

5.1 General Information

5.1.1	Report Related Accounting Term	01.01.2018-31.12.2018
5.1.2	Commercial Title of the Company	SÜTAŞ SÜT ÜRÜNLERİ ANONİM ŞİRKETİ
5.1.3	Commercial Registration Number of the Company	543
5.1.4	Main Office / Contact Details of the Company	Uluabat District Karacabey BURSA / 0224 688 51 01
5.1.5	Website of the Company	www.sutas.com.tr
5.1.6	Branches and Contact Details of the Company	Given in the following table.

Sütaş A.Ş. General Directorate	0216 572 30 50	Kayseri Regional Sales Directorate	0352 240 26 21
Aksaray Factory	0382 266 20 01	Konya Regional Sales Directorate	0332 345 47 36
Karacabey Factory	0224 688 51 01	Mersin Regional Sales Directorate	0324 235 40 05
Tire Factory	0232 216 27 00	Eskişehir Regional Sales Directorate	0222 330 42 42
Ankara Regional Directorate	0312 354 87 15	Trabzon Regional Sales Directorate	0462 341 29 22
Antalya Regional Directorate	0242 340 48 13	Aksaray Regional Sales Directorate	0382 266 20 01
Bursa Regional Directorate	0224 211 40 66	Alanya Regional Sales Directorate	0242 519 04 48
Ist.Anatolian Side Regional Directorate	0216 572 30 50	Bandırma Regional Sales Directorate	0266 721 01 52
Ist.European Side Regional Directorate	0212 294 63 02	Bodrum Regional Sales Directorate	0252 358 61 83
Ist.European Side Merter Regional Directorate	0212 483 08 08	Kocaeli Regional Directorate	0262 349 22 06
İzmir Regional Directorate	0232 435 39 30	Keşan Regional Sales Directorate	0284 715 28 27
Adana Regional Sales Directorate	0322 445 32 95	Söke Regional Sales Directorate	0256 518 88 92
Çorlu Regional Sales Directorate	0282 686 77 87	Yalova Regional Sales Directorate	0226 825 33 50
Denizli Regional Sales Directorate	0258 251 89 10	Ist. Kartal Regional Sales Directorate	0216 427 72 18
Diyarbakır Regional Sales Directorate	0412 251 82 76	Balıkesir Regional Sales Directorate	0266 243 83 10

5.1.7 Organization and Senior Management Staff of the Company

The senior management of the company consists of 1 General Director and 3 Deputy General Directors.

Name and Surname	Position
Funda Ak	General Manager
Fatih Büyüktutku	Deputy General Director - Financial Affairs
Korel Tunay	Deputy General Director - Production
Hüseyin Yılmaz	Deputy General Director - Sales Operation



The following departments within our affiliated group support activities of the company.

<i>Name and Surname</i>	<i>Departments</i>
Murat Arat	The Department of R&D and Technology
Hüseyin Mustafa Çevik	The Department of Financial Affairs
Ergun Ermutlu	The Department of Marketing
Hasan Tulgar	The Department of Strategic Planning and Business Development
Serpil Veral	The Department of Management Systems / Human Resources
Aynur Duygu Yılmaz	The Department of Audits

Number of our employees including our affiliates is 4.378 as of 31.12.2018.

5.1.8 Shareholding Structure of the Company

The shareholding structure of the company is shown below.

<i>Shareholders of the Company</i>	<i>Capital Amount (TRY)</i>	<i>Capital Share (%)</i>
Yılmaz Holding A.Ş.	20.527.333,33	50,07
Muharrem Yılmaz	20.307.442,62	49,53
Other	165.224,05	0,40
Total	41.000.000,00	100

There is not any privileged share and voting right in our company.

5.1.9 Information on the Direct and Indirect Affiliates of the Company and Share Rates of Them

5.1.9.1 Affiliates

<i>Commercial Title of the Affiliate</i>	<i>Field of Activity</i>	<i>Registered Capital (TRY)</i>	<i>Paid Capital (TRY)</i>	<i>Amount of Capital Contribution (TRY)</i>	<i>Capital Ratio (%)</i>
Paksüt Süt San ve Ticaret A.Ş.	Production of Dairy and Dairy Products	100.000	100.000	24.860	24.86

Main office of Paksüt A.Ş. is Uluabat District, Karacabey/Bursa.



5.1.9.2 Subsidiary Affiliates:

Commercial Title of the Subsidiary	Field of Activity	Registered Capital (Euro)	Paid Capital (Euro)	Amount of Capital Contribution (Euro)	Capital Ratio (%)
Euro Dairy DOOEL / Macedonia	Production, Sales and Distribution of Dairy and Dairy Products	7.000.000	7.000.000	7.000.000	100
Euro Dairy SRL / Romania	Production, Sales and Distribution of Dairy and Dairy Products	10.000.000	10.000.000	10.000.000	100
Balkan Dairy Shpk / Albania	Production, Sales and Distribution of Dairy and Dairy Products	50.000	50.000	50.000	100
Balkan Dairy Shpk / Kosovo	Production, Sales and Distribution of Dairy and Dairy Products	50.000	50.000	50.000	100
Euro Dairy Farm Doel / Macedonia	Wheat, Pulse and Seed Production	5.000	5.000	5.000	100
Euro Dairy G.m.b.h. / Germany	Production, Sales and Distribution of Dairy and Dairy Products	500.000	500.000	500.000	100

5.1.10 The Board of Directors

Name and Surname	Position	Starting Date of Assignment
Muharrem Yılmaz	The Chairman of the Board of Directors and the Executive Director	21.04.2018
Serpil Veral	The Deputy Chairman of the Board of Directors	21.04.2018
Selim Tarık Tezel	The Deputy Chairman of the Board of Directors	21.04.2018
Murat Arat	Member	21.04.2018
Hüseyin Mustafa Çevik	Member	21.04.2018
Ergun Ermutlu	Member	21.04.2018
Mürvet Tezel	Member	21.04.2018
Hasan Tulgar	Member	21.04.2018
Aynur Duygu Yılmaz	Member	21.04.2018
Haydar Yılmaz	Member	21.04.2018
İzzet Karaca	Independent Member	21.04.2018
İlhan İl	Independent Member	21.04.2018

The decisions on representation and binding the company have been made in 21.04.2018 and the necessary announcements have been made. The company is represented in external transactions through signatures of two authorized signatories. The authority limits of the company indicating representing and binding authorities of the company are provided in the list of authorized signatures with 01.06.2016 date and 19006 roll number which has been issued by the 17th Public Notary of Üsküdar.

5.1.11 Committees of the Board of Directors

5.1.11.1 Audit and Risk Committee

The Audit and Risk Committee consists of the following members.

The committee has held four meetings during the January-December 2018 period.

Name and Surname	Position	Starting Date of Assignment
İlhan İl	Chairman	21.04.2018
Aynur Duygu Yılmaz	Member	21.04.2018
İzzet Karaca	Member	21.04.2018

5.1.11.2 Business Ethics Board

The Ethics Board consists of the following members.

The board holds regular weekly meetings.

Name and Surname	Position	Starting Date of Assignment
Mürvet Tezel	Chairman	21.04.2018
Serpil Veral	Member	21.04.2018
Aynur Duygu Yılmaz	Member	21.04.2018

5.1.11.3 The Sustainability Committee

The Sustainability committee consists of the following members.

The committee holds regular weekly meetings.

Name and Surname	Position	Starting Date of Assignment
Aynur Duygu Yılmaz	Chairman	21.04.2018
İzzet Karaca	Member	21.04.2018
Murat Arat	Member	21.04.2018
Ergun Ermutlu	Member	21.04.2018

5.1.11.4 The Corporate Management Committee

The committee consists of the following members. The committee has held four meetings during the January-December 2018 period.

Name and Surname	Position	Starting Date of Assignment
Aynur Duygu Yılmaz	Chairman	21.04.2018
İlhan İl	Member	21.04.2018
Serpil Veral	Member	21.04.2018



5.1.12 Details on the Noncompetition related Activities of the Members of the Board of Directors

During the January-December 2018 activity term, the members of our Board of Directors did not do any transaction related with the company and they did not make any attempt competing with its activity fields.

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

The overall total of benefits provided to the members of the Board of Directors for the January-December 2018 period, such as daily allowance, wage, bonus, dividend and etc. is 13.141.738 TRY.

5.1.14 Research and Development Activities of the Company

In accordance with the environmentally sensitive sustainability goals, Sütaş Süt Ürünleri A.Ş. ("Company") has spent 11.353.552 TRY in technology and R&D field during the January-December 2018 activity period, as a part of its industrial development activities and efficiency studies.

5.1.15 Domestic and Foreign Investments of the Company

Our Company has made 165.424.943 TRY total investment during the January-December 2018 period.

5.1.16 Details about Private and Public Audits

The ordinary audits for the January-December 2018 period have been conducted by public institutions and as a result of the analysis of the Tax Inspectorate on the 2012 accounts of Sütaş A.Ş., the company was subjected to a tax penalty of 4.296.371 TRY on the account of the fact that the commercial turnovers were not assessed by the assessment commission and this penalty was announced in 29.11.2017. Within the same inspection, 509.360 TRY Value Added Tax and 595.199 TRY tax penalties have been issued and announced. The company made a conciliation request for this assessment but no conciliation date has been notified. Related with the same issue, the corporate tax assessment for 2005 was previously classified unfair by the Central Conciliation Commission, therefore it is expected by the Company that the assessment of 2012 will be resolved through conciliation in the same way. As the company and tax consultants consider that the course is against the law and the opinions and practices of the Ministry of Finance, it is expected that this conflict ends in favor of the Company if it becomes the subject matter of a suit. Therefore, the Company does not reserve any provision for this penalty in its financial statements.

5.1.17 Important Cases

There is not any suit filed against the company during the January-December 2018 period which might influence the activities and financial status of it.

5.1.18 Legal and Administrative Sanctions

There is not any administrative or legal sanction on the company or the members of its executive organ during the accounting year due to practices in contrary with provisions of related regulations.

5.1.19 Donations and Contributions

Our company has provided 301.832 TRY donations and contributions to various institutions and organizations during the January-December 2018 period.

5.1.20 Relations with the Holding Company

Our Company did not conducted any transaction which would benefit the group companies or need equalization through direction of the holding companies other than its normal commercial activities with its holding company Yılmaz Holding A.Ş. and other group companies.



5. SÜTAŞ A.Ş. FINANCIAL REPORT AND STATEMENTS OF 2018

5.2 Corporate Management

5.2.1 The Board of Directors



MUHARREM YILMAZ
CHAIRMAN
OF THE BOARD OF DIRECTORS

Muharrem Yılmaz was born in 1957 in Karacabey district of Bursa. After completing his secondary education at Galatasaray High School, he graduated from the Faculty of Economics and Administrative Sciences of Uludağ University in 1980. Having started working at the family company Süttaş since the undergraduate years, Yılmaz was appointed as General Manager in 1989. He has been serving as the Chairman of the Board of Directors of Süttaş since 2005.

Muharrem Yılmaz has also undertaken active roles in non-governmental organizations besides his business life. Between 1999 and 2002, he served as the Chairman of the Board of Directors of Young Businessmen Association of Turkey. He served two 2-year terms on TÜGİAD's Board of Directors, first as

a Member of Board of Directors between 2009-2010, as the Vice Chairman between 2011-2012 and then as the Chairman between 2013-2014. Carrying out parallel duties in business organizations during his Board Membership in TUSİAD, he served as the Chairman of Board of Directors of Corporate Governance Association of Turkey (TKYD). In the same period, he served as the Vice Chairman of Board of Directors of the territorial and sectorial partners of TUSİAD, both Turkish Enterprise and Business Confederation (TÜRKON-FED) and Federation of Sectoral Associations (SEDE-FED), respectively.



S. TARIK TEZEL
VICE CHAIRMAN
OF THE BOARD OF DIRECTORS

Born on November 13, 1961, Selim Tarık Tezel graduated from Interior Architecture Department of State Academy of Fine Arts (Mimar Sinan University) in 1987. After working abroad for a while, he completed his postgraduate education upon his return to Turkey. Working at his own architectural officer between 1989 and 1994, Tezel became the Advertising and Public Relations Manager of Süttaş in 1994.

He served as the Vice General Manager of Purchasing and Logistics in Süttaş between 1998 and 2007 and as Supply Chain Director between 2007 and 2012. Tezel who was appointed as General Manager of Tarfaş A.Ş. in 2011, serves as the Vice Chairman of Board of Directors of both Süttaş A.Ş. and Tarfaş A.Ş.



SERPİL VERAL
VICE CHAIRMAN
OF THE BOARD OF DIRECTORS

Serpil Veral, who was born on March 9, 1966, graduated from Ege University, Department of Food Engineering in 1989. She started her career in 1988 at Süttaş Süt Ürünleri A.Ş. She worked as Production Manager, Quality Assurance Coordinator, Deputy Technical General Manager and Management Systems Director respectively. Veral who worked as General Manager of Süttaş Süt Ürünleri A.Ş. between

2010 and 2016, continues to serve as the Vice Chairman of the Board of Directors.

Serpil Veral also serves as the Deputy Chairman of the Board of Directors of the Turkish Enterprise and Business Confederation (TÜRKONFED).



MURAT ARAT
MEMBER
OF THE BOARD OF DIRECTORS

He was born on February 19, 1970 in İstanbul. Completing his primary, secondary and high school education in Bursa, Arat graduated from METU Department of Food Engineering in 1992. He completed his MBA degree at İstanbul University in 1993. He worked as Planning Specialist and Planning Manager at Mis Süt Sanayi A.Ş. between 1993 and 1996. He started to work at Süttaş as Assistant to the General Manager in 1996. He served as Investment Coordinator between 1998 and 2006.

He served as Deputy General Manager Responsible for Production between 2006 and 2008. He has been serving as the Chief R&D and Technology Officer since 2008. In addition to these duties, he has been serving as Vice Chairman of the Board of Directors of Enfaş A.Ş. which is Energy Activities Company of Süttaş Group since 2013.





H. MUSTAFA ÇEVİK
MEMBER
OF THE BOARD OF DIRECTORS

H. Mustafa Çevik, who was born on December 12, 1958, graduated from Uludağ University, Faculty of Economics and Social Sciences, Department of Economics in 1980. In the same year, he started his career as Deputy Inspector at Pamukbank and served as Head of Inspection Board, Branch Manager and Deputy General Manager. At Sütaş A.Ş., where he started to

serve as Deputy Chief Financial Officer in 2002, M. Çevik became the Chief Financial Officer in 2004. In addition to this, he continues to serve as a member of the Board of Directors of Sütaş Süt Ürünleri A.Ş.



ERGUN ERMUTLU
MEMBER
OF THE BOARD OF DIRECTORS

Ergun Ermutlu, born in 1958, completed his secondary education at Galatasaray High School and then started his university education at METU, Department of Business Administration and later graduated from Boğaziçi University, Department of Economics. He completed his MBA at Marmara University. Ergun Ermutlu who started his career as Marketing Officer at Erbak Uludağ A.Ş. in 1975, worked as Marketing Director between 1993 and 1995 at

Total Group. He served as Franchising Director at Boyner Group between 1995 and 2000. He joined Sütaş as the Marketing Adviser in 2001. He currently serves as Chief Marketing Officer and Member of the Board of Directors at Sütaş Group.



MÜRVELT TEZEL
MEMBER
OF THE BOARD OF DIRECTORS

Mürvet Tezel, who was born on November 28, 1961, graduated from Uludağ University Balıkesir Necati Bey Faculty of Education, Department of Biology-Chemistry. Tezel who started her career at Sütaş in 1995, worked at accounting departments of İstanbul and Bursa Regional Directorates until

2004. Mürvet Tezel had served as a member of Sütaş Audit Committee between 2005 and 2015, and continues to serve as Member of the Board of Directors of Sütaş Süt Ürünleri A.Ş. and the Chairman of Business Ethics Committee.



HASAN TULGAR
MEMBER
OF THE BOARD OF DIRECTORS

Hasan Tulgar who graduated from Boğaziçi University, Department of Mechanical Engineering and Department of Physics in 1979, also completed his MA in Mechanical Engineering degree at the same university. Tulgar also graduated from İstanbul University Institute of Business Economics Department of Business Administration in 1986. Tulgar, who started his career at Demirören Group in 1982, worked at Efes Pilsen and Sinai Yatırım ve Kalkınma Bankası in the following years. Tulgar continued his senior management career which he started in 1988 at Marsa Margarin Sanayi A.Ş. as Business Development and Investments Manager, and as Business Development and Finance Group Manager at MarsaKra Jacobs Suchard.

Tulgar who served as Deputy Technical and Financial General Manager at FrukoTamek (Pepsi Cola) for a short period of time, joined Koç Group in 1995. Hasan Tulgar served as SEK (Dairy Industry Institution) General Manager and Member of the Board of Directors from 1997 until 2003, and then transferred to Sabancı Holding in the same year and became GıdaSA Farm Business Unit General Manager. Tulgar who continued his career as Sütaş General Manager between 2007 and 2010, serves as the Chief Strategic Planning and Business Development Officer and Member of the Board of Directors.





A. DUYGU YILMAZ
MEMBER
OF THE BOARD OF DIRECTORS

Duygu Yılmaz, who was born in Bursa in 1976, graduated from Boğaziçi University, Faculty of Business Administration in 1998. Mrs. Yılmaz started her career as an auditor at PriceWaterhouse Coopers in Turkey in 1998. She worked as the Group Manager in the Financial Planning and Financial Affairs Department at Yapı Kredi Bank between 2005 and 2008. Mrs. Yılmaz is serving as the Chief Audit Officer and member of the Board of Directors

since 2011 at Sütaş Group, where she started to work as the Internal Audit Coordinator in 2008. Mrs. Yılmaz is also Chairman of Corporate Governance Committee and Sustainability Committee of Sütaş Group. She is also a Member of the Board of Business Council for Sustainable Development of Turkey (SKD).



HAYDAR YILMAZ
MEMBER
OF THE BOARD OF DIRECTORS

Haydar Yılmaz, who was born on February 2, 1958, started his career at Sütaş in 1990. He served as Collective Consumption Sales Chief between 1990 and 1991, as İstanbul Regional Manager between 1991 and 2000, as Special Customer Sales Coordinator between 2000 and 2004, as Deputy General Manager Responsible

for Sales between 2004 and 2006, HORECA Food and Consumption Services Group Manager between 2006 and 2010. Yılmaz, who has been Member of the Board of Directors since 2010, became General Manager of Sütaş's operation in Macedonia as of 2015.



İLHAN İL
INDEPENDENT MEMBER
OF THE BOARD OF DIRECTORS

İlhan İl, who graduated from Ankara University Faculty of Political Sciences Department of Finance in 1983, did his master's degree at West of England University in the field of International Business Economics in England in 1994. He started his career in 1984 as a Public Accountant at the Ministry of Finance. He was appointed as Advisor to State Minister in Charge of Economy in 1994 and Deputy General Manager of Economic Research and Assessment of Prime Ministry Undersecretariat of Foreign Trade in 1995. İlhan İl who joined Bilkent Holding in 1997, served as

Member of Bilkent Holding Coordination Committee, Chairman of the Board of Directors of Tepe Home, Tepe Betopan, Tepe Prefabrik, Vice Chairman of the Board of Directors of Bilkent Cyberpark until 2015. İlhan İl took the position of independent member at Sütaş Group's Board of Directors in April 2015. İlhan İl still continues to serve as Chairman of the Board of Directors of Travelex Turkey, independent member of the Board of Directors of Trakya Cam Sanayi A.Ş. and Anadolu Cam Sanayi A.Ş., both affiliated with Şişecam Group.



İZZET KARACA
INDEPENDENT MEMBER
OF THE BOARD OF DIRECTORS

İzzet Karaca, who was born in 1954 graduated from Boğaziçi University, Department of Industrial Engineering in 1977. Karaca who started his career at Koç Research and Development Center in 1977, served as Industrial Engineering and Information Technologies Manager until 1985. İzzet Karaca who served as System and Organization Director at Ford Otosan between 1985 and 1988, has served as Internal Audit Group Manager, Logistics Manager, Commercial Director, General Manager at Unilever including Germany, Turkey

and Baltic countries from 1988 onwards. İzzet Karaca also served as President of International Investors' Association between 2011 and 2013. Karaca also served as Chief Executive Officer of Unilever Turkey and Unilever North Africa, Middle East, Russia, Ukraine and Belarus regions and member of Unilever CEO Forum. İzzet Karaca still continues to serve as independent member at Sütaş Group's Board of Directors.



5.2.2 Working Principles of the Board of Directors

The Board of Directors is the highest strategic decision-making, direction, supervision and representation organ of the company.

Provided that the rights and authorities of the Board of Directors is entitled to decide on anything which cannot be assigned and waived in accordance with the provisions of related laws and the Articles of Incorporation of the Company, except the issues under discretion of the Shareholders' Assembly, the Board of Directors can assign all or some of its management authorities to one or several Members of the Board of Directors, the Committees of the Board of Directors, the Chief Executive Officer (CEO), the Executive Board of the Members of the Executive Board in the frame of restrictions and limitations to be determined in accordance with an internal directive. The Board of Directors is entitled to terminate, partially or completely change or rearrange rights and authorities entrusted in this way.

The Members of the Board of Directors are severally liable for the results if they willfully or negligently do not fulfill the responsibilities encumbered on them by the related regulations, the articles of incorporation or the shareholders' assembly.

The Members of the Board of Directors (excluding independent members) cannot undertake any task or duty which might cause any external conflict of interest or negligence.

As a principle, the Members of the Board of Directors cannot conduct any commercial transaction with the company or compete with it. If, such a case arises, the related Member of the Board of Directors notifies the Board of Directors in written. The shareholders are also informed in the first shareholders' assembly meeting to be held and this issue is included in the activity report. It is only possible for the Members of the Board of Directors to conduct commercial transac-

tions with the company and compete with it by the confirmation of the shareholders. The Board of Directors obtains authorization for this during Shareholders' Assembly meetings.

The Board of Directors meets regularly once in a month as previously planned and scheduled and if it becomes necessary, the Board of Directors meets immediately without considering this term. The Board of Directors holds its meetings in Istanbul; however the meetings can be held at another place to be considered appropriate by majority of the members. A secretariat under the Chairman of the Board of Directors is established to serve the Members of the Board of Directors for properly keeping the documents related with the meetings of the Board of Directors.

The Board of Directors met 21 times in total between 01.01.2018 - 31.12.2018. These meetings were held with full participation of all members. The meetings were held at the main office of the company and invitations to these meetings were sent through phone and e-mail. The decisions made in the meetings of the Board of Directors were made unanimously and there were not any member of the Board of Directors against these decisions.

5.2.3 Committee Assessment of the Board of Directors

It was indicated by the Board of Directors that the Committees worked in accordance related working principles and meeting frequency. The minutes related with the results of these meetings were submitted to the Board of Directors. It was determined that the Committees executed their duties in an efficient manner. In addition, the Audit and Risk Management Committee issued a written notification to the Board of Directors for once in 2018.

5.2.4 Internal Control and Audit Activities of the Company

The 'Audit and Risk Committee' established by the Board of Directors of the Company carries out installation of the systems needed for the accounting, internal control, risk management and financial planning departments of the company, ensures the functionality, operation, compliance and efficiency of these systems and determines the internal rights and authorities. While, the Audit and Risk Committee carries out these duties, the Audit Department uses the findings of institutions conducting certification processes within the context of independent audit and certified financial accounting.

The Audit Department regularly review the risk management and internal control system of the company in the frame of the risk-based annual audit plan in order to achieve the following goals and directly reports these findings to the Audit and Risk Committee:

- Accuracy and reliability of the financial and operational information
- Efficiency and productivity of operations
- Protection and preservation of Company's assets
- Ensuring compliance with laws, regulations and contracts

The Audit function of the company determines whether internal control systems of the company functions properly and makes suggestions for improving existing systems and establishing new systems in areas determined as in need.

5.2.5 Risk Management

The basis of company's risk management is to identify all existing or potential risks against our company, develop practices for minimizing identified risks and follow functionality and application of these practices.

The Audit and risk Committee carries out its activities in order to implement the precautions related with

risks which might endanger existence, development and permanence of our Company and manage these risks. The existing and potential risks of our company are generally assessed as below:

- All production activities of the company are carried out in accordance with food safety and the provisions of related regulations and controlled through food safety management systems. Operational process has been dynamized through the ISO9001:2008 (Quality Management System Standard), FSSC 22000 (Food Safety Management System Standard), ISO50001 (Energy Management System Standard), ISO 14001:2004 (Environmental Management System Standard), OHSAS 18001 (Occupational Health and Safety System Standard) and ISO/IEC 27001 (Information Security System Standard), adapted in our existing management system. These systems are constantly kept current through the internal and external audits conducted every year.
- The relation between capital/liabilities, exchange risk and other financial risk factors which might directly influence financial status of the Company are checked on weekly/monthly basis by related business departments.
- The "Security - Risk Management System" is used for following the risks related with customers. By this way, if there is any limit excess in accordance with the purchasing limits of our customers, our systems do not allow dispatch of the excessive parts.
- The SAP system which is used by our company is an important technological means allowing minimizing existing risks and supporting decision-making support processes in this regard. By means of this system, human mistakes are eliminated through instant tracking of activity results and efficiency of the internal control system is improved.

The company assets are insured for protecting against natural disasters such as natural risks, fires, earthquakes and etc. These procedures are carried out by getting service from competent insurance brokering companies in accordance with actual values of these assets.



5. SÜTAŞ A.Ş. FINANCIAL REPORT AND STATEMENTS OF 2018

5.3 Financial Status

The consolidated financial statements related with the activity results of 2017 and 2018 which have been within the scope of the related Turkish Commercial Code and prepared in accordance with the Turkish Accounting Standards are given below.

5.3.1 January-December 2018 Consolidated Financial Statement

<i>Assets</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
<i>Circulating Assets</i>		
Cash and cash equivalents	197.240.703	135.520.938
Financial investments	3.201	2.949
Trade Accounts Receivables	363.531.037	300.206.628
- From related parties	8.944	-
- From unrelated parties	363.522.093	300.206.628
Stocks	406.073.454	237.547.498
Prepaid Expenses	7.839.673	22.023.266
Other Circulating Assets	80.698.190	62.948.304
Total Circulating Assets	1.055.386.258	758.249.583
<i>Fixed Assets</i>		
Trade Accounts Receivables	64.246	62.708
- From unrelated parties	64.246	62.708
Financial investments	186.450	186.450
Investment Properties	4.875.097	4.879.802
Tangible Fixed Assets	641.243.200	544.493.533
Intangible Fixed Assets	20.126.419	12.670.730
Deferred Tax Assets	22.936.703	22.452.307
Prepaid Expenses	5.314.884	11.023.511
Total Fixed Assets	694.746.999	595.769.041
TOTAL ASSETS	1.750.133.257	1.354.018.624



Resources	31 December 2018	31 December 2017
Short-term liabilities		
Short-term loans	483.958.619	321.021.552
Short-term parts of long-term loans	9.572.678	28.422.710
Commercial Liabilities	348.287.871	291.910.973
- To related parties	82.121.775	45.896.135
- To unrelated parties	266.166.096	246.014.838
Liabilities within the context of employee benefits	19.681.714	16.912.614
Other short-term credits	61.547.324	7.208.966
- To related parties	54.294.384	-
- To unrelated parties	7.252.940	7.208.966
Deferred incomes	1.317.157	1.365.522
Short-term provisions	18.525.995	17.301.206
- Short-term provisions related with employee benefits	10.010.826	9.777.420
- Other short-term provisions	8.515.169	7.523.786
TOTAL SHORT-TERM LIABILITIES	942.891.358	684.143.543
Long-term liabilities		
Long-term loans	-	26.563.275
Deferred incomes	804.565	2.120.398
Long-term provisions related with employee benefits	30.594.103	24.429.677
TOTAL LONG-TERM LIABILITIES	31.398.668	53.113.350
Shareholders' Equity		
Shareholders' equity of the main partner		
Paid Capital	41.000.000	41.000.000
Other accumulated incomes or expenditures to be reclassified based on profit or loss	8.440.819	10.979.327
- Re-appraisal and classification incomes of the available for-sale financial assets	1.191	939
- Foreign currency conversion adjustments	8.439.628	10.978.388
Accumulated earnings	504.499.043	431.639.869
Actuarial loss	(14.776.338)	(11.547.316)
Reserves on retained earnings	36.830.677	33.535.677
Net profit of the term	199.849.030	111.154.174
TOTAL SHAREHOLDERS' EQUITY	775.843.231	616.761.731
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.750.133.257	1.354.018.624



5.3.2. 1 January - 31 December 2018 Profit or Loss and Other Comprehensive Income Statement

Continuing operations	1 January 31 December 2018	1 January 31 December 2017
Revenue	3.182.971.183	2.574.256.632
Costs of Sales	(2.481.550.728)	(2.020.233.676)
Gross Profit	701.420.455	554.022.956
General Management Costs(-)	(139.797.329)	(121.298.105)
The Marketing, Sales and Distribution Expenses (-)	(286.509.663)	(277.559.094)
Research and Development Costs (-)	(11.353.552)	(9.888.815)
Other real operating income	67.329.960	35.093.559
Other real operating losses (-)	(34.682.734)	(15.459.277)
Operating profit	296.407.137	164.911.224
Income from investment activities	9.944.571	7.270.088
Costs of investment activities	(1.941.563)	(413.125)
Financing expense before operating profit	304.410.145	171.768.187
Net Financing Costs	(102.403.381)	(59.565.565)
Pretax Profit	202.006.764	112.202.622
Tax cost of continuing operations	(2.157.734)	(1.048.448)
Tax cost of the term	(1.834.937)	(993.457)
Deferred tax cost	(322.797)	(54.991)
NET TERM PROFIT FROM CONTINUING OPERATIONS	199.849.030	111.154.174
Other comprehensive income		
Ones which will not be reclassified as profit or loss		
Re-appraisal income/(loss) from defined benefit pension plans	(4.036.278)	388.348
Re-appraisal income/(loss), tax impact on from defined benefit pension plans	807.256	(77.670)
Ones which will be reclassified as profit or loss		
Foreign currency conversion adjustments	(2.538.760)	(32.908)
Re-appraisal incomes of the available-for-sale financial assets	252	720
Other comprehensive (expense) / income	(5.767.530)	278.490
TOTAL COMPREHENSIVE INCOME	194.081.500	111.432.664

5.3.3 Incidents after January-December 2018 Period

There is not any important incident from the statement date to the issue date of the report.

5.3.4 Key Indicators related with Financial Results

Key Indicators	2018(%)	2017(%)
Current Ratio	1,12	1,11
Recovery Term of Debts (Day)	38,1	38,5
Term of Inventory Turnover (Day)	47,3	49,4
Total Liabilities/Total Active Assets	56	54
Gross Sales Profit Rate	22	22
Net Profit Rate	6	4

5.3.5 Financial Status Evaluation of the Management

In January-December 2018, we have achieved parallel results to our growth goals in accordance with our estimations and expectations. Our total assets used to be 1.354 million TRY in 2017 have been 1.750 million TRY as of 31.12.2018. Net sales have been 3.183 billion TRY and our net profit for the term is 199,8 million TRY.

5.3.6 Dividend Policy and Distribution of Dividends

Our company acts on the provisions of the Turkish Commercial Code, tax regulations and other related regulations as well as the dividend distribution related articles of our Articles of Incorporation for the decisions related with distribution of dividends.

A balanced and stable policy between the shareholders and the interests of the Company is followed and dividends distributed in accordance with the Corporate Management Principles of the Capital Market Board. It is aimed to distribute dividends in cash and/or bonus shares as minimum 20% distributable profit of the term, which is calculated in the frame of the Turkish Commercial Code and other related regulations. However, this policy is reevaluated by the Board of Directors of the Company and submitted for approval of the Shareholders' Assembly by considering the investment strategies, economic climate, market expectations, financing requirements, profitability and cash status to be needed for long-term growth. Unless otherwise is decided in a Shareholders' Assembly meeting, the dividends are distributed at the latest until the end of the year when the related Shareholders' Assembly meeting is held. The Shareholders' Assembly or if authorized the Board of Directors can decide distribution of dividends in equal or varying installments in accordance with the provisions of applicable regulations. The Articles of Incorporation of our Company is appropriate with distribution of advance dividends, it can be decided to distribute advance dividends provided that the Board of Directors is authorized by the Shareholders' Assembly, the provisions of applicable regulations are followed and the term is limited with the related accounting term.

The shareholders' equity of the Company consisting of its paid capital, capital reserves and the equity capital of undistributed profits has reached up to 775.843.231 TRY as of 31.12.2018.



THE BOARD OF DIRECTORS OF SÜTAŞ SÜT ÜRÜNLERİ ANONİM ŞİRKETİ

MUHARREM YILMAZ
CHAIRMAN OF THE
BOARD OF DIRECTORS

S. TARIK TEZEL
VICE CHAIRMAN OF THE
BOARD OF DIRECTORS

SERPİL VERAL
VICE CHAIRMAN OF THE
BOARD OF DIRECTORS

MURAT ARAT
MEMBER OF THE
BOARD OF DIRECTORS

H. MUSTAFA ÇEVİK
MEMBER OF THE
BOARD OF DIRECTORS

ERGÜN ERMUTLU
MEMBER OF THE
BOARD OF DIRECTORS

MÜRVET TEZEL
MEMBER OF THE
BOARD OF DIRECTORS

HASAN TULGAR
MEMBER OF THE
BOARD OF DIRECTORS

A. DUYGU YILMAZ
MEMBER OF THE
BOARD OF DIRECTORS

HAYDAR YILMAZ
MEMBER OF THE
BOARD OF DIRECTORS

İLHAN İL
INDEPENDENT MEMBER
OF THE BOARD OF DIRECTORS

İZZET KARACA
INDEPENDENT MEMBER
OF THE BOARD OF DIRECTORS



6. THE REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1.The Conformance Statement to Corporate Management Principles

Sütaş Süt Ürünleri A.Ş. pays utmost attention for adapting and complying all legal regulations and the Company voluntarily adopts the equality, transparency, accountability and responsibility concepts of the Corporate Management Principles published by the Capital Market Regulatory Board.

Therefore, the assessment and evaluation activities conducted by independent institutions are considered very important with regards to continuous improvement and development of Corporate Management practices.

The “Corporate Management Rating Periodically Revision Report” has been completed by SAHA Corporate Management and Credit Rating which is an international rating institution licensed to conduct rating activities in Turkey in accordance with the Corporate Management Principles of the Capital Market Regulatory Board. Our Corporate Management Rating score which used to be 9,51 in 29 December 2017, has been revised as 9,57 in 28 December 2018 as a result of continuous improvement activities. The sub-heading-based distribution of the corporate management rating score is given below.

Sub-Headings	Weight	Note
Shareholders	%25	95,29
Public Disclosure and Transparency	%25	97,81
Stakeholders	%15	97,84
The Board of Directors	%35	93,63
Total	%100	95,72

The activities for improving corporate management practices are continued by the Corporate Management Committee.

Duygu Yılmaz
Chairman of the Corporate
Management Committee

İlhan İl
Member of the Corporate
Management Committee

Serpil Veral
Member of the Corporate
Management Committee

CHAPTER I - SHAREHOLDERS

2.The Department of Relations with Shareholders

In accordance with the Corporate Management Principle, there is a Department of Relations with Shareholders in our company to follow and observe the relations between the Company and the shareholders, ensure communication between the shareholders and the Board of Directors and fulfill the information requests of the shareholders completely. Mr. Murat Özdalga, Mr. Murat Coşkun and Mrs. Dilara Köktürk serve in the Department of Relations with Shareholders. Mr. Murat Özdalga carries out management of the department.

The contact details of our employees serving in this department are given below.

Name and Surname	Phone Number	E-Mail Address
Murat Özdalga	0 224 688 51 01	mozdalga@sutas.com.tr
Murat Coşkun	0224 688 51 01	mcoskun@sutas.com.tr
Dilara Köktürk	0216 572 30 50	dkokturk@sutas.com.tr



For the most part, the Department of Relations with Shareholders serves;

- to ensure proper, secure and up-to-date tracking of records related with the shareholders,
- excluding the nonpublic and confidential information and/or trade secrets of the company, to respond the written requests of shareholders related with the company in the frame of the articles of incorporation, the corporate management principles and the information policy,
- to ensure that the shareholders' assembly meetings are held in accordance with the applicable regulations, the articles of incorporation and other internal regulations and directives of the company,
- to prepare the documents which the shareholders can use during a shareholders' assembly meeting,
- to help the meeting chairman for properly keeping the minutes of shareholders' assembly meetings and conduct the necessary related procedures, to ensure that voting results are registered and results related reports are prepared,
- to make recommendations for the activity reports to be prepared in accordance with related regulations and the Corporate Management Principles.

3. Exercising the Right to Information by Shareholders

Excluding the nonpublic and confidential information and/or trade secrets of the company, the requests of information from our shareholders during the term have completely been responded.

Our company has taken precautions for instantly, fully, accurately and carefully assessing and responding the information requests of our shareholders by the Department of Relations with Shareholders. The descriptions and explanations which will be frequently needed by our shareholders and the developments which will significantly influence exercising their rights are given in our website: www.sutas.com.tr

All information needed for proper use of shareholding rights is presented to the information and use of our shareholders through our website, annual activity report and responding personal requests.

4. Details of the Shareholders' Assembly

The Shareholders' Assembly meeting where the results of 2018 will be addressed, has been planned to be held in 22nd April 2019 at 11.00 in Karacabey, Uludağ District Bursa address of Süttaş Süt Ürünleri Anonim Şirketi.

The invitation to this meeting was firstly announced in the Commercial Registry Gazette of Turkey with 03 April 2019 date. In addition, the invitation to the meeting is announced in our website and a local newspaper and the date, place and agenda of the meeting has been notified to the shareholders by sending letters to the ones with a notification address.

The announcements related with meeting invitation of the shareholders' assembly of the company are made in the frame of the 20th Article "Announcements" of the articles of incorporation and in accordance with the related provisions of the Turkish Commercial Code and regulations, declarations, directives and other subjected legislations enacted in the frame of this law.

Including annual activity reports, financial charts, statements and reports, the informative documents prepared related with the items on the agenda of the shareholders' assembly meeting if considered necessary, the final version of the articles of incorporation and the amendment draft and its grounds if any change to be made on the articles of incorporation are kept open for review of our Shareholders beginning from the date of invitation of the shareholders' assembly meeting at the main office and indicated branches of our Company. If, there is any amendment on the articles of incorporation, the previous and new versions are included.

In order to enable direct access by all our shareholders to the information related with ordinary shareholders' assembly meetings, they can reach them from our the website of our Company: www.sutas.com.tr

If, a question raised in a shareholders' assembly is not related with the agenda or if it is so comprehensive not to be responded instantly, the question raised during a meeting is answered in written by the Department of Relations with Shareholders.



5. Voting Rights and Minority Rights

The general assemblies and the quorum of these meetings are subjected to the provisions of the Turkish Commercial Code. The shareholders' and the representatives of the shareholders who are present in the ordinary and extraordinary shareholders' assemblies have once each vote per share.

The votes are used in shareholders' assembly meetings by raising hands. It is possible to have a secret voting, if it is requested by the shareholders with ten percent of the capital represented in an ordinary shareholders' assembly meeting. The shareholders cannot vote for any personal matter or legal case between him or his spouse or anyone with lineal consanguinity.

The shareholders can have themselves represented by other shareholders or third party representatives to be assigned externally in the frame of voting by proxy regulations of the Turkish Commercial Code. As well as their own votes, the shareholders of the company are authorized to use the votes of the shareholders, they are representing.

There is a mutual participation relation between our shareholders and our Company and the capital of Paksüt Süt San. ve Ticaret A.Ş., which is an affiliate of our company is 100.000 TRY. 24,86% of this capital belongs to our company while 40% belongs to Mr. Muharrem Yılmaz, as one of our shareholders.

6. Dividend Distribution Policy

Our company acts on the provisions of the Turkish Commercial Code, tax regulations and other related regulations as well as the dividend distribution related articles of our Articles of Incorporation for the decisions related with distribution of dividends. A balanced and stable policy between the shareholders and the interests of the Company is followed and dividends distributed in accordance with the Corporate Management Principles of the Capital Market Board.

It is aimed to distribute dividends in cash and/or bonus shares as minimum 20% distributable profit of the term, which is calculated in the frame of the Turkish Commercial Code and other related regulations. However, this policy is reevaluated by the Board of Directors of the Company and submitted for approval of the Shareholders' Assembly by considering the investment strategies, economic climate, market expectations, financing requirements, profitability and cash status to be needed for long-term growth.

Unless otherwise is decided in a Shareholders' Assembly meeting, the dividends are distributed at the latest until the end of the year when the related Shareholders' Assembly meeting is held. The Shareholders' Assembly or if authorized the Board of Directors can decide distribution of dividends in equal or varying installments in accordance with the provisions of applicable regulations. The Articles of Incorporation of our Company is appropriate with distribution of advance dividends, it can be decided to distribute advance dividends provided that the Board of Directors is authorized by the Shareholders' Assembly, the provisions of applicable regulations are followed and the term is limited with the related accounting term.

The shareholders' equity of the Company consisting of its paid capital, capital reserves and the equity capital of undistributed profits has reached up to 775.843.231 TRY as of 31.12.2018.

7. The Transfer of Shares

There is not any provision in the articles of incorporation of our company which restricts assignment of shares. The shares of our company can be assigned/transferred in the frame of the provisions of the Turkish Commercial Code.



CHAPTER II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Notification and Announcement Policy

The main purpose of the information policy of Sütaş Süt Ürünleri A.Ş.'nin ("Sütaş" or "the Company") is to ensure that in-time, correct, complete and clear information is provided to the shareholders and stakeholders and determine the guidelines of written and oral communication. This information policy is established based on the provisions of the Turkish Commercial Code ("TCC"), other legal regulations and the Corporate Management Principles. The Corporate Management Committee assigned by the Board of Directors is responsible for establishing, developing and following the processes of the Information Policy. Our company uses the following methods and instruments for implementing its public disclosure and information policy:

A) Information Provided to Shareholders:

- Our Ordinary Shareholders' Assemblies are held every year within the determined legal terms and the announcements for the shareholders related with participating in the Shareholders' Assembly, capital increase and dividend distribution are made through the Commercial Registry Gazette of Turkey, mail and e-mail.
- The financial statements, charts and footnotes of the Company prepared in accordance with the Turkish Accounting Standards ("TAS") and the Turkish Financial Reporting Standards ("TFRS") are shared upon the approval of the Audit and Risk Committee and the independent audit reports are announced to them in accordance with the provisions of the TCC.
- Our activity reports and all kinds of information and documents in the frame of legal regulations are accessible by our shareholders. The activity report approved by the Board of Directors is announced to public in Turkish and English through our website.
- All kinds of opinions, information and meeting requests from our shareholders are considered by "the Department of Relations with Shareholders".

B) Information provided through the corporate website:

- The detailed information and current and previous data related with the Company are presented in the website of the Company: www.sutas.com.tr within the scope of the Corporate Management Principles. Important headings to be followed from the website can be listed as below:

C) Information provided through the press and following press releases

- Press releases (bulletins) are prepared or press conferences are held related with the activity results and performance of our Company, other developments during the term and future plans including the year-end results. The Corporate Communication Coordination Department is responsible for these activities through the press and meeting the information requests by the press. The released press bulletins are currently presented in the website.

- | | |
|---|---|
| ▪ Mission, Vision and Values | ▪ Frequently Asked Questions |
| ▪ Corporate Management Principles Compliance Report | ▪ The Members of the Board of Directors |
| ▪ Information related with Corporate Management | ▪ Press releases |
| ▪ Shareholders' Assembly Reports (Meeting date, agenda and the attendants list of the Shareholders' Assembly) | ▪ Committees of the Board of Directors |
| ▪ Articles of Incorporation | ▪ Information related with Corporate Social Responsibility activities |
| ▪ Commercial Registry Details | ▪ Corporate Management Policies |
| ▪ Activity Reports | ▪ Information related with the activity field and products |
| ▪ Shareholding Structure of the Company | ▪ Ethic Rules |
- The spokesman to represent our Company in all communication channels including the press is assigned by the Chairman of the Board of Directors.



- All kinds of news related with the Company broadcasted/published by local, national or international media such as TV, written press including internet and radio are followed by the Corporate Communication Coordination Department. It is ensured that the senior executives use this information.
- If, any nonfactual Company related news is determined, the issue is addressed with the Chairman of the Board of Directors.

D) Information provided to other stakeholders:

- If, it becomes necessary to disclose any information as a response to questions raised to our Company by the shareholders or stakeholders which has not been disclosed to public, yet, the issue is addressed by a group under coordination of the Corporate Management Committee, consisting of the Chairman of the Board of Directors, the Director of the Department of the Relations with Shareholders and the Corporate Communication Coordinator and assessed within the scope of the Information Policy.
- The requests and problems notified by customers, suppliers and consumers to the Sütaş Call Center through phone, electronic mail, fax and etc. means of communication are replied maximum within 24 hours and applicants are informed. If, the addressed issue needs more time, the applicant is informed at every phase of the process. Analysis time is considered as a performance criteria for the related executive.

9. Corporate Website and its Contents

For public disclosure, the website of SÜTAŞ SÜT ÜRÜNLERİ ANONİM ŞİRKETİ: www.sutas.com.tr is used actively in accordance with the new Turkish Commercial Code. All public statements by SÜTAŞ SÜT ÜRÜNLERİ ANONİM ŞİRKETİ can be accessed through the corporate Website. Website is structured and departmentalized accordingly. Important headings to be followed through the website are shown below.

- Information related with the Corporate Identity
- Commercial Registry Details
- Corporate Management Compliance Report
- The Members of the Board of Directors
- Financial Charts
- Information Policy
- Partnership Structure
- Activity Reports
- Frequently Asked Questions
- The Articles of Incorporation of the Company
- Meeting Date of the Shareholders' Assembly
- Contact Information

Address of our website is provided in the letterhead of our company.

10. Statements by Real Person Ultimate Controlling Shareholder / Shareholders

Our company has real and corporate person shareholders. The latest shareholding structure of our company is as below.

Shareholders	Share Amount (TRY)	Share Rate (%)
Yılmaz Holding A.Ş.	20.527.333,33	50,07
Muharrem Yılmaz	20.307.361,99	49,53
Other	165.304,68	0,40
Total	41.000.000,00	100

There is not any privileged share and voting right in our company.

CHAPTER III - STAKEHOLDERS

11. Notifying Stakeholders

Our Stakeholders are: Our Shareholders, Employees, Customers and Suppliers. We care regularly notifying our stakeholders on Company related issues involving them and drawing up written contracts with them for mutual relations within the bound of possibility if it is considered necessary. Where, the rights of stakeholders are not regulated through a regulation or a written contract, their interests are protected in the frame of goodwill rules within the capacity of the Company by considering reputation of it.



The Company does not get any investment consultancy service. In order to prevent potential conflicts of interest between the institutions where the Company gets service for the issues such as rating, mutual rights are guaranteed by signing contracts. There is not any conflict of interest between the institutions where the Company gets consultancy services.

12. Participation of Stakeholders in Management

Our company is in constant communication with its stakeholders. Assessments of stakeholders are presented to consideration of the senior management after subjected particular processes in accordance with internal procedures and solution proposals and policies are developed. Quality, efficiency and institutionalization oriented practices are very important for our Company.

13. Human Resources Policy

Our Human Resources vision is to found a family of good people, good citizens at a high level of conscious and responsibility and good dairy farmers specialized and mastered in their works, which adopts the mission of expanding goodness and abundance of milk even makes it a passion and make Süttaş a powerful employee brand with a respected mission.

Employment Policy

Our employment policy is to bring in skilled human resources with potential by using tools and techniques to provide equal opportunities to candidates and allow employing them in the most proper way.

Within this scope, based on the nature of related position, candidates we reach through various channels are included in evaluation processes determined in accordance with the related position. In addition to interviews, there are levels of related positions and personality analysis if needed, English and general ability tests, case practices and etc.

Orientation Policy

Our orientation process aims that our new employees adopt Süttaş values and start their duties by getting ready. During this term, our employees are informed on the vision, mission, values and business manner of Süttaş and provided all technical trainings needed for their positions.

Performance Management Policy

A target and competence based performance management system is implemented in order to direct our employees towards common goals, improve efficiency and award achievements. Performance based backup planning and career constructs are established. Salary and side benefit processes are managed.

Training Policy

We consider training of our employees as an important aspect for development of our company and we constantly invest in our human resources. Our training policy is to support our employees through required trainings for them to carry out their responsibilities with high motivation and performance. From this perspective, we provide personal development trainings, job/position based specialty and technical trainings for improving their work methods.

Career Management Policy

Our career policy is based on supporting sustainability of our institution and preparing our employees for their future roles. Our employees are prioritized in career opportunities and their developments are followed closely through this approach.

Rewarding Policy

The ideas of our employees adding value to the company within the scope of an advice system to enable they participate and encourage and celebrate their creative and innovative ideas making a difference for the company.



Equal Opportunity Policy

Equal opportunity is the basis of our ethic rules and policies and practices of our human resources approach. No discrimination such as gender, ethnic origin and etc., can be accepted by our company by no means. None of our employees can make propaganda of his/her religious and politic views and cannot prioritize these views in his/her decisions. All our employees can notify the Ethics Board without disclosing their identities against any problem such as gender inequality, mobbing, sexual harassment and etc.

Policy of Compliance with Ethics Principles

All our employees are obliged to follow our ethics rules. Within the context of the orientation program applied on our new employees; our ethics principles, things to do for supporting following ethics rules in the company, the ethics board, functionality of the ethics board, terms of applications to the board and the processes implemented if ethics principles are violated are instructed in detail orally and in written. The evaluations and sanctions of the ethics board are implemented in accordance with related laws and regulations.

Wage Policy

The wage policy of Sütaş A.Ş. is constructed to make our company competitive in the labor market and encourage sustainable performance of our employees.

Within the context of this policy, a wage system, which is based on business values and directed through a rank structure has been established for our company. In accordance with this system, our total wage package consists of the base salary, premiums, bonuses and additional benefits. These components of our wage package vary based on the position, rank, market value of their position, individual performance, qualifications, inflation and sector conditions.

Base salary is increased in the frame of determined criteria. Bonuses are paid in specific terms and rates during a year considering the base salary. Performance Premium is paid annually while the Sales Premium is paid monthly and quarterly in accordance with the results of their achievements and our premium and bonus system. In addition to these, we also have a task-based premium system.

Compensation Policy

Our compensation policy is established by taking the provisions of the applicable 4857 numbered Labor Law as reference. In this frame;

- The Severance Pay is paid to the employees with minimum a year of employment in our company whose employment contract is terminated/annulled due to reasons needing to pay severance pay in accordance with the 4857 numbered Labor Law or to legal heirs of our employees if they pass away based on the term of employment and wage of our employees within the frame of the top limit of legal severance pay.
- Notice Pay is implemented by allowing an employee to look for a job during the times provided in the Law based on his/her rank or paying his/her wage until the end of notice period in cash, who will be notified that his/her employment contract will be terminated in accordance with the 17th Article of the 4857 numbered Labor Law.

14. Information on the Relations with Customers and Suppliers

Our company is in a constant and regular commercial relation with its suppliers and customers directly or indirectly through the distributors assigned by it.

In order to continue this relation in accordance with business ethics, the issue of customer and supplier relations is addressed in detail in "Being a Part of Sütaş" booklet which includes our ethics rules. Sütaş A.Ş. prioritizes customer satisfaction in all its commercial activities. Customer satisfaction is guaranteed by post-sales follow-up of our products, practices for our products on shelves and the procedures adopted for product returns and we pay utmost attention to confidentiality of our customers'



and suppliers' information as commercial secrets. Several channels where our suppliers, customers and final customers (consumers) can submit and notify all kinds of comments, recommendations or complaints about our products or services are closely followed, their problems are resolved and performance of the organization established on this purpose is continuously assessed in electronic environment through particular criteria.

Our suppliers, customers or consumers can reach our company through our corporate phone and mail addresses as 444 4 SUT (788), tuketici@sutas.com.tr and iletisim@sutas.com.tr. All access channels are visibly included on packages of our products, in our website and advertising channels. All kinds of written request is necessarily replied in written. There are forms in www.sutas.com.tr, where suppliers can request business relations with Süttaş A.Ş. Maximum response time for all received requests is determined as 24 hours. Our consumer hotline gets several thank-you-messages from users.

Information of all our suppliers and customers are kept through a continuously updated database. We reach our suppliers and customers for celebrating special days such as the World Milk Day, new year, bairams and etc. Satisfaction of our suppliers, customers and consumers are periodically assessed through surveys conducted by independent survey firms and in consequence, the improvements which are considered necessary are implemented.

15. Social Responsibility

SÜTAŞ A.Ş. is the company, which carries out production and distribution activities of the dairy products of SÜTAŞ GROUP. SÜTAŞ GROUP considers its activities in production of milk and dairy products also as its social responsibility. SÜTAŞ GROUP has developed the "From Farm to Tables" integrated business model in order to guarantee the quality and naturality of the products presented through SÜTAŞ A.Ş. The Group carries out its agricultural activities and power recycling activities which are carried out within the context of this model through two separate companies working in cooperation with SÜTAŞ A.Ş.

SÜTAŞ A.Ş. provides products contributing in healthy nutrition and development of the society and future generation and contributes in improving the level of welfare of society by sharing abundance of milk with all its producers through the activities of other companies of its group. SÜTAŞ A.Ş. carries out all these activities through an environment friendly approach for giving back all it takes from the nature.

Training Activities:

The most important part of the "From Farm to Tables" business model which allows managing and supervising the entire process from the grass cows eat to the milk and dairy products on tables is the training activities. Training activities are carried out by another company of group of companies which SÜTAŞ A.Ş. is also an affiliate. Within the scope of training activities, SÜTAŞ GROUP has provided free training to 20 thousands of milk producers and students from all around Turkey and provided free consultancy to 30 thousands of producers and entrepreneurs at its training centers in Karacabey opened in 2000 and Aksaray opened in 2010. Through its training activities, SÜTAŞ aims to improve amount and quality of milk produced by producers, contribute in their welfare, allow consumers reach healthier and higher quality dairy products and train qualified personnel for the sector.

SÜTAŞ GROUP carries out its training activities in cooperation with the related Occupational Schools of Uludağ, Aksaray and Bingöl Universities and the Ministry of Food, Agriculture and Livestock. Trainees who complete their trainings are deserved to get a certified which is also certified by the Ministry.

SÜTAŞ GROUP also provides scholarships to successful students in "Dairy and Livestock Farming", "Dairy and Dairy Products Technology", "Laborant and Veterinary Medicinal Products" and "Forage Technology and Animal Nutrition" programs of the cooperated Occupational Schools for qualified personnel needed for the sector to be trained. As well the training and accommodation expenses of these students, food and social needs of them are provided by SÜTAŞ GROUP.

We have provided support to 43 students within the context of our new program including personal development and career coaching, which we have started in 2018 for bringing in the most successful engineering students of Turkey to our sector. (For detailed information: www.sutas.com.tr)



Environmental Activities

SÜTAŞ GROUP considers all natural resources used by it as entrusted resources, so uses them in the most efficient way and guarantees their recycling. 100% of water used by the GROUP is refined through efficient water management and the water treatment facilities improved through continuous investments.

With regards to the energy recycling facilities established as a part of the integrated facilities of SÜTAŞ GROUP, all organic wastes arising during production processes, fertilizers from breeding dairy cattle farms within the Group and product wastages and factory wastes are firstly converted into biogas then electricity and thermal energy.

In 2018, electricity to meet 94% of energy demand of our dairy factories has been generated in our biogas and electricity generation facilities.

It is ensured by the company that the projects financed within the social responsibility and sustainable environment are carried out in accordance with all applicable regulations with regards to the environment and public health.

Sponsorships

SÜTAŞ GROUP provides sponsorship to conferences, seminars and events organized by various non-governmental institutions for contributing in development of the milk and dairy products sector.

Just like the previous years, in 2018, SÜTAŞ A.Ş. has supported the “Local Chains Meeting” (LCM) organization, as the main sponsor, which is organized by the Turkish Retailers Federation.

CHAPTER IV - BOARD OF DIRECTORS

16. Structure, Formation and Independent Members of the Board of Directors

The Board of Directors is the organ which manages and supervises the company at the highest level by using its rights and authorities provided by the shareholders of the Shareholders’ Assembly in the frame of related regulations, the articles of incorporation, internal directives and policies of the company.

In accordance with the Articles of Incorporation, the Board of Directors is authorized to make and execute the decisions in all issues other than the ones exclusively under authority of the Shareholders’ Assembly in accordance with the provisions of the Turkish Commercial Code and related regulations.

The Board of Directors is selected by the Shareholders’ Assembly for a maximum term of 3 years. A member whose duty term is over can be selected, again. The Members of the Board of Directors can be replaced by the Shareholders’ Assembly whenever considered necessary. It is considered significant to select at least 25% female members.

There members in the Board of Directors with and without executive functions. A member of the Board of Directors who does not have any executive function is a person who does not have another administrative duty or any department under his supervision, who cannot intervene daily flow of business and ordinary activities of the Company other than his/her membership to the Board of Directors.

The Chairman of the Board of Directors and the General Director of our Company are not the same person. The Board of Directors plays a leading role in maintaining an efficient communication between the Company and its shareholders and resolves any potential conflict between them.

Two members of the Board of Directors are independent members determined in accordance with the Corporate Management Principles. Statement of independence of the members of our Board of Directors and their resumes including their external responsibilities are presented in our corporate website.



There is not any restriction on the external duties and responsibilities of the Independent Members of Board of Directors. Details of the Members of our Board of Directors are given below.

Name and Surname	Title	Executive/Independent/Nonexecutive	Enterprise
Muharrem Yılmaz	Chairman-Executive Member	Executive/Nonindependent	SÜTAŞ A.Ş.
Selim Tarık Tezel	The Deputy Chairman of the Board of Directors	Executive/Nonindependent	SÜTAŞ A.Ş.
Serpil Veral	The Deputy Chairman of the Board of Directors	Executive/Nonindependent	SÜTAŞ A.Ş.
Murat Arat	Member	Executive/Nonindependent	SÜTAŞ A.Ş.
Hüseyin Mustafa Çevik	Member	Executive/Nonindependent	SÜTAŞ A.Ş.
Ergin Ermutlu	Member	Executive/Nonindependent	SÜTAŞ A.Ş.
Mürvet Tezel	Member	Nonexecutive/Nonindependent	SÜTAŞ A.Ş.
Hasan Tulgar	Member	Executive/Nonindependent	SÜTAŞ A.Ş.
Aynur Duygu Yılmaz	Member	Nonexecutive/Nonindependent	SÜTAŞ A.Ş.
Haydar Yılmaz	Member	Executive/Nonindependent	SÜTAŞ A.Ş.
İlhan İl	Member	Nonexecutive/Independent	
İzzet Karaca	Member	Nonexecutive/Independent	

17. The Members of the Board of Directors and Rights and Responsibilities of the Executives

The authorities of our Board of Directors are given in the related clauses of the articles of incorporation.

In accordance with the Articles of Incorporation, the Board of Directors is authorized to make and execute the decisions in all issues other than the ones exclusively under authority of the Shareholders' Assembly in accordance with the provisions of the Turkish Commercial Code and related regulations.

The Board of Directors is responsible for management and representation of the company. It is necessary for all documents and contracts to be signed by the company are deemed valid, they are signed by the signatories authorized to represent and bind the company under the seal of it.

The Board of Directors can decide distributing administration and representation duties among its members in accordance with the related provisions of the Turkish Commercial Code or assign these duties to an executive committee to be established from its members or an executive member or members, director or directors who are/not shareholders of the company or any third party through an internal directive.

18. Qualifications of the Members of the Board of Directors

The qualifications required by related regulations and the ones indicated in the Corporate Management Principles are considered for selecting the members of the Board of Directors. The Board of Directors is established from persons with these qualifications to provide the highest authority and efficiency.

In addition to these qualifications considered for the persons to be assigned as the Members of the Board of Directors, it is considered that they are equipped and have basic knowledge of the processes, procedures and transactions related with the activity fields of the company and related legal regulations.

19. Activity Procedures of the Board of Directors

The Board of Directors meets regularly once in a month as previously planned and scheduled and if it becomes necessary, the Board of Directors meets immediately without considering this term.



The first meeting of the Board of Directors is held in the day when the members are assigned by the Shareholders' Assembly. In the first meeting, the Chairman of the Board of Directors and at least 1 Deputy Chairman are selected and the issues related with distribution of tasks are decided.

The Chairman of the Board of Directors determines the agenda of the meetings of the Board of Directors. Meeting agendas notified to the members of the Board of Directors before meetings. If, any information and document is needed for the issues in agendas of the Board of Directors meetings, they are submitted to consideration of the members of the Board of Directors before meetings. Changes can be made on the agenda through the decisions of the Board of Directors. Invitation to meetings is made in written, by phone or e-mail. The Board of Directors meets with the invitation of the Deputy Chairman if the Chairman of the Board of Directors is not available. In addition, the Chairman or if he/she is not available, the Deputy Chairman can invite the Board of Directors for a meeting upon a written request of any member of the Board of Directors. The provisions of the 4th paragraph of the 390th article of the Turkish Commercial Code are reserved.

The Board of Directors can meet if 2/3 of its members are present and the decisions are made with content of 2/3 of its members. Each member of the Board of Directors has one voting right. Our members do not have any weighted voting and veto right. If, the votes are equal in decisions of the Board of Directors, the issue is delayed for the next meeting. If, the votes are equal once again it is considered that the related proposal is rejected. A secretariat under the Chairman of the Board of Directors is established to serve the Members of the Board of Directors for properly keeping the documents related with the meetings of the Board of Directors. The Board of Directors met 21 times in total between 01.01.2018 - 31.12.2018. These meetings were held with full participation of all members. The meetings were held at the main office of the company and invitations to these meetings were sent through phone and e-mail. The decisions made in the meetings of the Board of Directors were made unanimously and there were not any member of the Board of Directors against these decisions.

20. Contractual Capacity and Noncompetition

Contractual capacity and noncompetition issues for the Members of the Board of Directors are considered by our Shareholders' Assembly in Ordinary Shareholders' Assembly meetings held every year in the frame of the 395th and 396th articles of the Turkish Commercial Code and the related authorities and permits are provided.

21. Number, Structure and Independence of the Committees Established by the Board of Directors

The Audit and risk Management Committee, Sustainability Committee, Corporate Management Committee and the Ethics Board have been formed for the Board of Directors to carry out its duties and responsibilities properly and these committees and the board carry out their activities in the frame of the guidelines determined by the Board of Directors.

The chairmen of these committees are selected among the members of the Board of Directors. The decisions made by our committees as a result of independent activities are submitted to the Board of Directors and the final decisions are made by the Board of Directors. The activity fields, working principles and guidelines as well as their members are determined by the Board of Directors. The Chairman of the Board of Directors and the General Director cannot participate in the committees in accordance with the Corporate Management Principles determined by the regulations of the Capital Market and declared by the Capital Market Board. All kinds of resources and support for the committees to carry out their tasks are provided by the Board of Directors. The committees can invite the person/persons considered necessary to their meetings and get their opinions. The committees put all their activities on paper and record them, and minutes of their meetings are submitted to the Board of Directors.

The committees meet in timeframes considered necessary for efficiency of their activities in accordance with the provisions of their guidelines. The information on their activities and the reports containing results of their meetings are submitted to the Board of Directors. Efficiency of committees is analyzed by the Board of Directors.



Audit and Risk Committee

Related with an audit;

The committee is responsible for inspecting the accuracy and transparency of annual financial charts and other financial information and their compliance with the regulations and international accounting standards. The selection process of an independent audit firm, initiating the independent audit process by preparing the audit contract and the activities of the independent audit firm at any phase is implemented under the supervision of this committee. The firm reviews the activities, organizational structure and characteristics of the internal audit function and makes recommendations and evaluations to the Board of Directors. These evaluations cover the issues such as the responsibilities of the internal audit functions of the Company, budget of the Audit Department and human resources. In addition, the Committee approves the annual supervision plan prepared by the Directorate of Supervision and any amendments in necessary cases. The Audit Committee determines the methods and criteria to be implemented for analyzing and closing complaints about the accounting, internal control system and independent audit of the company and evaluating the feedbacks of the company personnel on accounting and independent audit issues of the company in the frame of confidentiality principle.

Related with the Risk Management;

The committee carries out activities for early detection of any strategic, operational, financial, legal and other kinds of risks which might endanger the existence, development and continuance of the company, implementing necessary precautions for the detected risks and managing risks. Performs or has any third party perform the activities required for determining the Risk map of the Company in accordance with the opinions of the Board of Directors and reviews these activities anytime considered necessary. Determines the Risk Management Policies and practice methods and supervises whether they are followed or not.

The committee can demand information, opinion and reports from the related departments whenever considered necessary in order to ensure implementing risk monitoring function efficiently.

The committee Reviews the Risk Management Systems at least once in a year.

The Audit and Risk Committee consists of 3 members, the Committee Chairman is selected among the independent members of the Board of Directors and meets a week before meetings of the Board of Directors at least 4 times in a year. At least one of the committee members should have minimum 10 years of experience in supervision/accounting and finance issues.

The information about the members of the Supervision and Risk Committee of our Company is in the following.

The Corporate Management Committee

The committee determines whether the corporate management principles are implemented, if not, related causes and conflicts of interest arise if these principles are not completely followed and submits its advices to the Board of Directors for improving corporate management practices. The committee reviews the "Corporate Management Compliance Report" to be disclosed to public and checks whether the information in this report is accurate and consistent with the information of the Committee.

the committee ensures that the Corporate Management Principles are developed, adopted and followed within the Company and conducts activities for issues where they are not followed and submits its advices to the Board of Directors for improving compliance level.

Name and Surname	Title in the Committee	Title in the Board of Directors
İlhan İl	Chairman	Independent Member
Aynur Duygu Yılmaz	Member	Member
İzzet Karaca	Member	Independent Member

The committee follows the Corporate Management Principles at global scale and submits its advices to the Board of Directors for necessary issues to be implemented within the Company. The Corporate Management Committee also fulfills the duties and responsibilities of "the Nomination Committee" and "the Wage Committee".



The Corporate Management Committee consists of 3 members and meets at least 4 times in a year. The details related with the members of our Corporate Management Committee are given below.

Name and Surname	Title in the Committee	Title in the Board of Directors
Aynur Duygu Yılmaz	Chairman	Member
İlhan İl	Member	Independent Member
Serpil Veral	Member	Member

Business Ethics Board

The board announces the business ethics rules and the codes of practice to inform employees and provides regular trainings. The board ensures that the business ethics culture settles and develops.

The board updates the business ethics rules and implementation processes of the Board in accordance with the opinions and recommendations submitted to it, and submits them for approval of the Board of Directors. The Business Ethics Board meets at least once in a month and reviews the applications submitted to it for violations on business ethics rules and decides whether it is necessary to conduct an investigation and there is any issue to be submitted for consideration of the discipline board.

The Business Ethics Board is responsible for conducting investigations for applications on violations of business ethics rules and resolving them. A decision of an application is stated by indicating the related clause of the ethics rules. Decision of the board is immediately implemented. The board members act independent from the organizational hierarchy while fulfilling their duties. If, it becomes necessary, the Business Ethics Board can apply opinions of experts and invite them to its meetings as external consultants. The details related with the members of our Business Ethics Board are given below.

Name and Surname	Title in the Committee	Title in the Board of Directors
Mürvet Tezel	Chairman	Member
Serpil Veral	Member	Member
Aynur Duygu Yılmaz	Member	Member

22. Risk Management and Internal Control Mechanism

The basis of company's risk management is to identify all existing or potential risks against our company, develop practices for minimizing identified risks and follow functionality and application of these practices.

The Audit and Risk Committee carries out its activities in order to implement the precautions related with risks which might endanger existence, development and permanence of our Company and manage these risks.

The existing and potential risks of our company are generally assessed as below:

- All production activities of the company are carried out in accordance with food safety and the provisions of related regulations and controlled through food safety management systems. Operational process has been dynamized through the ISO9001:2008 (Quality Management System Standard), FSSC 22000 (Food Safety Management System Standard), ISO50001 (Energy Management System Standard), ISO 14001:2004 (Environmental Management System Standard), OHSAS 18001 (Occupational Health and Safety System Standard) and ISO/IEC 27001 (Information Security System Standard), which are adapted in our existing management system. These systems are constantly kept current through the internal and external audits conducted every year.



- The relation between capital/liabilities, exchange risk and other financial risk factors which might directly influence financial status of the Company are checked on weekly/monthly basis by related business departments.
- The “Security - Risk Management System” is used for following the risks related with customers. By this way, if there is any limit excess in accordance with the purchasing limits of our customers, our systems do not allow dispatch of the excessive parts. The SAP system which is used by our company is an important technological means allowing minimizing existing risks and supporting decision-making support processes in this regard. By means of this system, human mistakes are eliminated through instant tracking of activity results and efficiency of the internal control system is improved.
- The company assets are insured for protecting against natural disasters such as natural risks, fires, earthquakes and etc. These procedures are carried out by getting service from competent insurance brokering companies in accordance with actual values of these assets.

The ‘Audit and Risk Committee’ established by the Board of Directors of the Company carries out installation of the systems needed for the accounting, internal control, risk management and financial planning departments of the company, ensures the functionality, operation, compliance and efficiency of these systems and determines the internal rights and authorities.

While, the Audit and Risk Committee carries out these duties, the Audit Department uses the findings of institutions conducting certification processes within the context of independent audit and certified financial accounting.

The Audit and Risk Department regularly review the risk management and internal control system of the company in the frame of the risk-based annual audit plan in order to achieve the following goals and directly reports these findings to the Audit and Risk Committee:

- Accuracy and reliability of the financial and operational information
- Efficiency and productivity of operations
- Protection and preservation of Company’s assets
- Ensuring compliance with laws, regulations and contracts

The Audit function determines whether internal control systems of the company functions properly and makes suggestions for improving existing systems and establishing new systems in areas determined as in need.

23.Mission, Vision and Strategic Goals of the Company

The strategic goals of our company are determined by our directors considering financial parameters, market and competitive conditions, long and short term goals of our company and submitted to the approval of the Board of Directors. These strategies and goals are reviewed and assessed by the Board of Directors. The annual budget approved in the meetings of the Board of Directors and its realization level are assessed by considering the company’s sector and its position in it, its performance during the term, the financial status and previous term performances of the company. SÜTAŞ A.Ş. carries out all its activities through the mission; “In order to provide natural and delicious dairy products that improve people’s quality of life and bring them health and happiness with the passion of spreading the goodness and abundance of milk”. The vision of the company is “To become the most loved brand, the most trusted corporation and the leading company in dairy”.

Mission and vision of SÜTAŞ A.Ş. is announced to public in www.sutas.com.tr.

24. Financial Benefits Provided to the Board of Directors

The Members of the Board of Directors are paid monthly wages determined by the Shareholders’ Assembly. The members of the Board of Directors do not have any loan or credit relation.





**We Never Compromise from Naturalness
Never Abandon Freshness
That's Just the Way We Will Carry on**

