



YATAŞ YATAK VE YORGAN SANAYİ TİCARET A.Ş.

01.01.2019-06.30.2019

ACTIVITY REPORT



This Annual Report of the period 01.01.2019 – 06.30.2019 has been prepared within the scope of the Capital Market Board's Communiqué II-14.1 on Principles concerning with the Financial Reporting In The Capital Market. Financial statements for the period 01.01.2019-06.30.2019 has been used during the preparation of the Annual Report.

- Relevant Financial Statements and this Annual Report have been reviewed by us,
- Within the framework of the information we have in the field of duty and responsibility in the enterprise, the financial statement and annual report do not contain any unrealistic disclosure or any deficiencies that may result in misleading as of the date of disclosure on important matters,

- Within the framework of the knowledge we have in the field of duty and responsibility at the company, the financial statements prepared in accordance with the CMB Communiqué No: II-14.1 reflect honestly the truth about the company's assets, liabilities, financial position and profit and loss, and this Activity Report honestly reflects the development and performance of the business and the financial position of the business, together with the significant risks and uncertainties faced,

- According to decision of Capital Markets Board dated 10.01.2019 and numbered 2/49 prepared the Corporate Governance Compliance Report and the Corporate Governance Information Form have been reviewed by us,

we declare and submit to your information.

Yataş Yatak ve Yorgan San. Tic. A.Ş
Board of Directors

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

1. Company Profile

Yataş Group, one of the first companies in Anatolia, was founded in 1976. In 1979, the company started production of sponge mattresses and spring mattresses in 1981 with new investments. In 1987, Yataş Yatak ve Yorgan Sanayi Ticaret INC. (Yataş) was founded and the company took its current name, and in the same year, home textile products started to be produced. In 1993, the product range was enriched by the production of sofa bed and sofa sets. In 1996, with the title of the first furniture company in the stock market, the company shares were offered to the public.

Enza Home brand was established in 2010 in order to strengthen the brand perception in furniture sector and to get more shares from the sector. In the same period, a comprehensive study was initiated to renew the organizational structure and corporate identity, and all processes were modernized and the company gained its new logo. Thus, we reinforced the trust in Yataş brand with our service concept and quality.

In 2011, In 2011, Yataş Group and İstanbul Pazarlama INC. merged with to acquire many operational expenses. At the end of 2017, investments covering bed, sponge and sofa areas were completed. As of November 2017, both Enza Home and Yataş Bedding were included in the scope of Turquality with two brands which enabled us to increase the existing exports and make the best use of government incentives.

TRADE NAME	: Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş
FOUNDING DATE	: 10.09.1987
SCOPE OF ACTIVITY	: Bed, Quilt, Home Textile and Furniture Manufacturing
HEAD OFFICE ADDRESS	: Organize Sanayi Bölgesi 18.Cadde No:4-6 Melikgazi/Kayseri
WEB ADDRESS	: www.yatasgrup.com.tr
E-MAIL	: yatirimci@yatas.com.tr
PHONE	: (352) 321 24 00 PBX
FAX	: (352) 321 21 49
PRODUCTION FACILITIES ADDRESS	: <u>Bed, Home Textile and Sponge Manufacture Factory:</u> Organize Sanayi Bölgesi 18.Cadde No:4-6 - Kayseri <u>Sofa Factory:</u> Organize Sanayi Bölgesi 11.Cadde No:88 - Kayseri <u>Ankara Modular Sofa Factory:</u> Hasanoğlu O.S.B. No:6 Hasanoğlu - Ankara <u>İstanbul Branch (Head Office):</u> Cumhuriyet Mah. Kartal Cad. No:41A Yakacık Kartal – İstanbul
REGISTRY OFFICE / NUMBER	: Kayseri Registry Office / 14222
TAX OFFICE / NUMBER	: Gevhernesibe Tax Office/ 9400017183
PAID-IN/ISSUED CAPITAL	: 149.798.932,5 TL
AUTHORIZED CAPITAL	: 150.000.000 TL
LABOR UNION	: Öz İplik Labor Union /Öz Ağaç Labor Union
EMPLOYER'S UNION	: Türkiye Tekstil Employer's Union
INDEPENDENT AUDIT COMPANY	: Aday Bağımsız Denetim ve SMMM A.Ş.

* In our KAP announcement on 18.07.2019, our head office address was changed to Yalı Mahallesi, Kadir Sokak, N14/1 Kartal/İstanbul (Helis More Office).

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

2. Capital Structure

(According to KAP data dated August 09, 2019.)
(Shareholders with a share of 5% and above)

Shareholder	Share in Capital (TL)	Ratio in Capital (%)
Hacı Nuri Öztaşkın	12.427.403	8,30
Yılmaz Öztaşkın	10.940.192	7,30
Bostancı Otelcilik ve Turizm İşletmesi A.Ş	8.467.847	5,65
Yataş Yatak ve Yorgan San.Tic.A.Ş*	3.871.458	2,58
Other	117.963.489,22	78,75
TOTAL	149.798.932	100

**The company has purchased its shares from the stock market within the scope of buy-back program in force. The average paid amount for each share in the buyback is 3.74-TL.*

There are no privileged shares in the Company's capital. All shares have equal rights in terms of voting rights, dividends and election of members to the Board of Directors.

The Company's paid-in capital was increased by 250% free of charge, with the approval of the Capital Markets Board dated 07.06.2018, to be covered entirely from 2017 profit and internal resources. Total paid-in capital increased from TL 47.799.695 to TL 149.798.932.50 with the increment process.

Article 6 of the Company's contract titled capital has been rearranged and registered at trade registry according to according to the new capital amount as follows.

Article 6-

The Company has accepted the authorized capital system according to the provisions of the Capital Market Law numbered 2499 and has been introduced to this system with the permission of the Capital Markets Board dated 10.09.2009 and numbered 31/859.

The authorized capital ceiling of the Company is TL 150,000,000 (one hundred and fifty million Turkish Liras) and is divided into 15,000,000,000 (fifteen billion) bearer written shares each with a nominal value of 1 (One) Kuruş.

The authorized capital ceiling permission granted by the Capital Markets Board is valid for the years 2017-2021 (5 years). Even if the permitted registered capital ceiling has not been reached at the end of 2021, it is mandatory to obtain authorization for a new period not exceeding 5 years from the General Assembly by consent permission from the Capital Markets Board for the given ceiling or a new ceiling amount. In case the said authorization is not obtained, capital increase cannot be made with the decision of the Board of Directors.

The issued capital of the Company is TL 149,798,932.50 (one hundred forty-nine million seven hundred ninety-nine thousand nine hundred and ninety-two Turkish Liras fifty Kuruş) and has been fully paid free of collusion.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

The capital of the Company can be increased in accordance with the provisions of the Turkish Commercial Code and Capital Market Legislation, if required.

Shares which are representing the capital is monitored within the framework of dematerialization principles

The Board of Directors is authorized to increase the issued capital by issuing new shares up to the registered capital ceiling when deemed necessary in accordance with the provisions of the Capital Markets Law, and to take decisions regarding the limitation of the shareholders' right to purchase new shares and the issue of premium shares. The authority to restrict the right to buy new shares cannot be used in a way that causes inequality among the shareholders.

3. Subsidiaries, Financial Assets

	Partnership interest (%)	Capital	
Yataş Europe GMBH	100	100.000	EURO
Kay-Ser INC.	100	1.000	TL

Yataş Europe GMBH was founded in July 2015 and regarding the establishment announcements transactions were made on Public Disclosure Platform (KAP) on 03.03.2015 and 07.10.2015.

4. Off-Center Organizations

Bed, Home Textile and Sponge Manufacture Factory:

Organize Sanayi Bölgesi 18.Cadde No:4-6 Melikgazi/Kayseri

Logistic warehouse:

Organize Sanayi 20. Cadde No:1 Melikgazi/Kayseri

Ankara Moduler Sofa Factory:

Hasanoğlu O.S.B. No:6 Hasanoğlu/Ankara

İstanbul Branch (Head Office):

Cumhuriyet Mah. Kartal Caddesi No:41/A Yakacık Kartal/İstanbul

İzmir District Office:

Yeşillik Cad. No:536 Karabağlar/İzmir

5. Board Of Directors

BOARD OF DIRECTOR MEMBERS

Yavuz ALTOP – Chairman of Board Directors

Yavuz Altop was born in Kayseri in 1939. He graduated from primary, secondary and high school in Kayseri. After graduating from Istanbul University, Faculty of Economics, Department of Business Administration and Finance in 1964, he has won the state overseas scholarship as third one and received his MBA and PhD degrees from New York University in 1965. He served as a lecturer in the Turkish Military Academy Teaching Committee with a special lot during his military service and returned to Kayseri in August 1975. He served as the representative of Kayseri in the Constituent Assembly, which made the 1982 Constitution. In 1976, he founded Sünger ve Yatak Inc and after he made establishment of Yataş Yatak ve Yorgan Inc in 1987 thereby to become one of the founding partners of both companies. He made as the General Manager of the Group till 1998. After 1998, he became a member of the Board of Directors and CEO at the same Group. Yavuz Altop, who is married and has two children, has more than forty years of industrial experience and has become the doyen of the sector by leading the development of sponge, mattress and furniture production in Anatolia and especially in Kayseri.



Yılmaz ÖZTAŞKIN - Executive Director

Yılmaz Öztaşkın was born in Kayseri in 1936. After graduated from Kayseri High School, he started trading in 1952. In 1961, Öztaşkın bought the Army Relief Fund Grapette soft drinks Kayseri dealership, and then he bought Kocataş Cola. In 1965, he made Anatolian distributor of Taşkınlar INC under name of Fruko-Tamek, Pepsi, General Electrics, Kav Kibrit, Soda, İpek Kağıt such as products. In 1976, Süntas Sünger ve Yatak INC. took the first step in industrialism. He began production of spring-loaded beds as well as its sponge and mattress, in 1979. He established the Ankara facility in 1982 and the quilt facility in 1984. He founded Yatas Yatak ve Yorgan INC thereby entered the home textile field in 1987. IN 1991, Öztaşkın founded Yataş İstanbul Pazarlama INC and made a widespread chain of stores throughout the country. Thus, he leaded the sector in this field. In 1992 he established facilities for sofa beds and seating groups. He opened Yataş Towel facility in 1995. He worked as Chairman of the Board of Directors at Süntaş and Yataş. He is still working in these institutions as Executive Director. Öztaşkın has made significant contributions to our country in the fields of charity and social responsibility and has donated his heart hospital to Erciyes University. Yılmaz Öztaşkın is married and has 3 children.

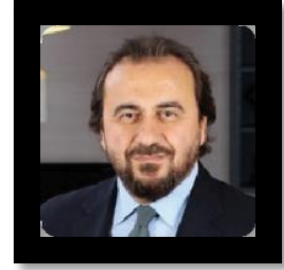


YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

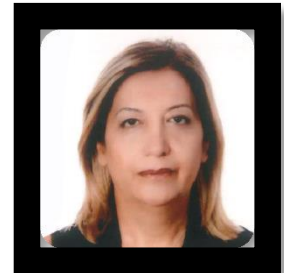
H. Nuri ÖZTAŞKIN - Vice Chairman of the Board Directors

Hacı Nuri Öztaşkın was born in Kayseri in 1964. He studied primary, secondary and high school in Kayseri TED College. Öztaşkın graduated from Istanbul University School of business in 1987 and he started his career in 1988 as Yataş Yatak and Yorgan A.Ş. He worked as Deputy General Manager in charge of sales and marketing until 1995. Mr. Öztaşkın worked as General Coordinator between 1995 and 2002, as a member of the executive committee between 2002 and 2013 and as General Manager between 2013 and 2016. In addition, he has worked as Vice Chairman of the Board of Directors since 2013, and he has been working as CEO since 2016. Öztaşkın, who continued his professional life as MOSDER President in 2017, is married and has two children.



Şükran BALÇIK – Member

Şükran Balçık was born in Kayseri in 1961. He studied primary, secondary and high school in Kayseri. He graduated from Kayseri TED College in 1979. Şükran Balçık was appointed as a Board of Director at Yataş Yatak ve Yorgan Inc in 2010. She is still working as a member of the Board of Directors and as a member of the Corporate Governance Committee. Balçık supports the organization of social enterprises, Turquality studies, productivity and Lean / 6 Sigma studies. She is married and has two daughters.



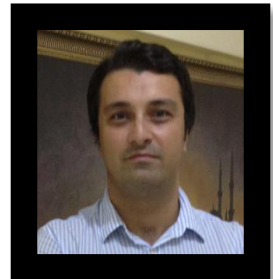
Nimet EŞELİOĞLU - Member

Nimet Eşelioğlu was born in Kayseri in 1975. After graduated secondary and high school from TED Kayseri College, he continued her education at Dequesne University in 1996. After graduated in 2000, he returned to the country in 2001 after an internship in marketing communication at Pizza Outlet company for 6 months. She has joined to Yataş Yatak ve Yorgan Inc by working in the export department in 2001. Between 2001 and 2003, he worked as a Sales Manager of the Middle East region. She worked as a Purchasing Manager of Commercial Products in 2004 and she was appointed as a Board Member in 2011. She still continuing his duty. Eşelioğlu is married and has two children, one girl and one boy.



Dr. Ertuğrul Bertan KAYA - Independent Member of The Board of Directors

After graduated at the Faculty of Business Administration in Bilkent University, he took MBA degree from Başkent University and Ph.D. in Business Administration from Ankara University. He has carried out academic studies on improving corporate performance, internal audit, corporate risk management and internal control systems. He started his career as a consultant in the field of Information Technologies. Subsequently, he worked as an auditor for four years in an international independent audit company. In September 2003, he resigned from this position as Assistant Manager and started to work as an Internal Auditor at the Central Bank and he continued this mission for 7 and a half years without interruption. He took part in the team that established the first international standards internal audit unit in the public sector and carried out works to improve the internal control system of the CBRT.



From 2007 to 2009, he consulted many public administrations on the development of internal audit activities. In October 2010, he resigned from his position at the Central Bank and started to work as

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

Director of the Internal Audit & Corporate Risk Management services at Control Solutions International. He is the author of the book Internal Audit, Internal Control and Risk Management for Improving Corporate Performance and the Internal Control E-Book in “Government Business Enterprises” and “Public Administration”. He is still continuing to work in regarding company Managing Partner of Turkey.

He gave training and consultancy services in the field of internal control, internal audit and risk management to many public administrations, companies including among to Prime Ministry, Ministry of the Interior, Ministry of Health, Ministry of Justice, Ministry of Forestry, Culture and Tourism Ministry, Ministry of Labor and Social Security, SSI, Justice Academy of Turkey, Yurtkur, Ministry of Science, Industry and Technology, KOSGEB, DMO, MK, TMO, EÜAS, TEİAŞ, ASAT İZSU, Küçükçekmece Municipality, Kadıköy Municipality, Municipality of Pendik, Turkey Finance Bank, Kuwait Turk Bank, Al Baraka Turk Bank, İller Bank, Yüksel Holding, İttifak Holding, Hedef Group, Aras Cargo, Tuvasaş, Teksan, Yüksel Project, 8 Laboratories of Düzen Yataş Yatak ve Yorgan Inc, Unimar, FNSS, Petkim.

İzzet SÜMER - Independent Member of The Board of Directors

İzzet Sümer was born in Kayseri in 1959. He studied primary and secondary school in Kayseri and graduated from Ankara College. He started his business life with Sümer Halıcılık which he founded between 1977-1982. After he completed his military service, he worked in the sector as Marketing Manager, Regional Manager and General Manager between 1983-1992. He became an industrialist in the bed and furniture sector by founding Sertaş Inc in 1993 and he worked as a General Manager and Board Member until 2016. He also worked as a Council Member in Kayseri Chamber of Industry, Chairman of The Professional Committee and Board Member. He worked only one term as a Board Member at Turkey Furniture Manufacturers Association. Mr. Sümer is married and has two children.



Terms of Duty

With the Ordinary General Assembly Resolution dated 05.21.2019, all members of the Board of Directors were elected for one year until 05.21.2020.

Authority & Duties

The authority and authority limits of the Board of Directors are regulated at Article 10 of the company's articles of Association as follows.

The management of the company belongs to the representative Board of Directors at the courts against shareholders and third parties. The Board of Directors is authorized to make all kinds of agreements and transactions related to the administration of Company goods and the purpose of the company and has the right to use the signature of the company. Either with law or with this agreement it is authorized to make transactions that are related to property saving that are no clearly banned.

The Board of Directors shall increase the in accordance with the provision of Capital Market Law issued capital by issuing bearer stock up to the authorized capital upper limit when deemed necessary.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

The Corporate Governance Principles, which are mandatory by the Capital Markets Board, are complied with. Transactions made and decisions of the board of directors without complying with the compulsory principles shall be invalid and deemed to be contrary to the Articles of Association.

The regulations of the Capital Markets Board regarding Corporate Governance are obeyed in high transactions, related party transactions and giving third party beneficiary contracts- hypothecs.

Provisions of the relevant legislation are applied in the formation of the committees which it is obliged to establish within the scope of the relevant legislation in order for the Board of Directors to fulfill its duties and responsibilities in a healthy manner in accordance with the situation and requirements of the Company.

Declaration of Independence of Independent Members

Independence Declaration

I am a candidate to work as an independent member on the Board of Directors of the Yataş Yatak Yorgan Inc and that there is no element affecting my independence as indicated in the Corporate Governance Principles of the Capital Markets Board. And in this context;

- a) No employment relationship has been established during the last five years between me, my spouse and my relatives by blood or marriage up to second degree and the company, partnerships which the company controls the management of or has material influence over or shareholders who control the management of or have material influence over the company and legal entities which these shareholders control the management of, which has caused me to assume important duties and responsibilities in an executive position nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,*
- b) I was not a shareholder of (%5 and more) nor held an executive position which would cause me to assume important duties and responsibilities or officiated as a board member, during the last five years, in any company from or to which the company purchases or sells a substantial quantity of services or products based on agreements made, during the periods these services or products were sold or purchased including especially those companies which carry out audit (including tax audits, legal audits, internal audits), rating and consultancy services for the company,*
- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent board member,*
- d) I am not a full time employee with any public entity or organization following my election as a member with the exception of employment as a university professor provided that such employment is in compliance with the laws and regulations that are applicable to universities,*
- e) I am assumed to be a resident in Turkey in accordance with the Income Tax Law dated 12.13.1960, numbered 193,*
- f) I have strong ethical standards, professional reputation and experience that shall allow me to contribute positively to the activities of the company, maintain partiality in conflicts of interests between the company and its shareholders and decide freely by taking into account the rights of beneficiaries,*
- g) I am able to dedicate a sufficient I did not officiate as a board member at the board of directors of the company for longer than 6 years during the last ten years, amount of time to the affairs of the company in a manner to follow up the conduct of company activities and duly perform the duties I have assumed,*
- h) I am not officiating as an independent board member with more than three of the companies which the company controls or shareholders that control the management of the company*

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

control the management and in total more than five of the companies which are traded on the stock Exchange,

i) I am not registrated and announced as a board member representing a legal entity,

and thus I shall carry out the duties imposed upon me due to my being a board member as an independent member.”

İzzet SÜMER



Dr. Ertuğrul Bertan KAYA



Activities;

In the period of 01.01.2019–06.30.2019, the Members of the Board of Directors held physical meetings 32 times in order to evaluate the general performance of the company, to evaluate the budget, to evaluate the operational processes and to evaluate the general economic course. All members participated in the meetings.

Other;

In this quarter time the payment of 12.124.525 Turkish Liras was made to the Members of the Board of Directors and Senior Managers within the scope of daily allowance, salary, Premium etc. Payments.

6. Committees and Audit

AUDIT COMMITTEE	DUTY	DUTY TERM
Ertuğrul Bertan KAYA	Chairman	05.21.2019-05.21.2020
İzzet SÜMER	Member	
CORPORATE GOVERNANCE COMMITTEE		
Ertuğrul Bertan KAYA	Chairman	05.21.2019-05.21.2020
İzzet SÜMER	Member	
Şükran BALÇIK	Member	
Tuba BEKTAŞ	Member	
EARLY DETECTION OF RISK COMMITTEE		
İzzet SÜMER	Chairman	05.21.2019-05.21.2020
Ertuğrul Bertan KAYA	Member	
Şükran BALÇIK	Member	
Nimet EŞELİOĞLU	Member	
Tevfik ALTOP	Member	

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

THE OPERATING PRINCIPLES AND ACTIVITIES OF AUDIT COMMITTEE

CHAPTER ONE

Purpose, Authority, Scope, Basis, Organisation and Definitions

Purpose

ARTICLE 1- (1) The purpose of this Regulation is to regulate the procedures and principles regarding the Audit Committee gathered under Yataş Group and the miscellaneous aspects. Hereinafter shall be referred to as “Committee”.

Authority and Scope

ARTICLE 2- (1) Committee is formed by Yataş Yatak ve Yorgan Sanayi ve Ticaret A.Ş. Board of Directors and are authorised in order to provide services to all Yataş Group companies. Committee acts under its own authority and responsibility, supervises within the scope of its responsibilities and makes recommendations to the Board of Directors, but the responsibility of the final decision always rests with the Board of Directors.

(2) The audit committee supervises the operation and effectiveness of the company’s accounting system, public disclosure of financial information, independent audit and the internal control and internal audit system of the company.

(3) The Committee is authorised to invite Yataş Group’s personnel and the representatives of affiliated persons and companies internal and external auditors, executives of all levels, including the senior management of the company, and subject matter experts to meetings and obtain information, to ask questions in the name of Board of Directors and to receive legal and professional consultancy service from outside. The Committee makes use of the opinions of independent experts in the required fields related to its activities. Prices of the consultancy service that the Committee needs are paid by the Company. However, in this matter, details regarding the person/entity whom services are received and information whether this person/entity has an affiliation with the company is included to the activity report.

Basis

ARTICLE 3- (1) This Regulation has been prepared based on the Turkish Code of Commerce No. 6102, Capital Markets Law and Capital Markets Board’s Communiqué on Corporate Governance and the resolution of the Board of Directors dated .././2019 and no.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

Organisation

ARTICLE 4- (1) Committee consists of at least two members. All members of the audit committee must be in the capacity of independent management board members.

(2) Committee Chairman; selected among the Independent Members of Yataş Group Board of Directors, by the Yataş Group Board of Directors.

(3) At least one person must be present in the committee having professional experience in accounting, finance, audit areas. This experience shall not be less than 5 years. Additionally, the other member(s) are also expected to be experienced on these areas and/or internal control, internal audit and corporate governance fields.

(4) CEO/general manager, may not take part in the committee.

(5) Membership of the Audit Committee Members shall continue as long as they are assigned in the Board of Directors. Members whose assignments are expired may be elected again.

(6) Committee gathers at least four times a year quarterly. The results of the meeting are recorded in a minute and the decisions are submitted to the board of directors. Activities of the committee and the meeting results must be explained under the annual activity report. It is also indicated under the annual activity report how many times the audit committee has made notifications to the board of directors in writing within the accounting period.

(7) In emergencies, Committee may gather upon the call-up by Yataş Group Chairman of the Board, Committee Chairman and/or any member of the Committee.

(8) The Committee convenes with the participation of more than half of the number of its members and takes decisions by a majority. If the majority of votes cannot be achieved, the vote of the Committee Chairman shall be counted as two votes.

Definitions

ARTICLE 5- (1) In the implementation of this regulation;

a) **Independent External Auditor:** Refers to persons responsible for carrying out the independent external audit activities within the company,

a) **Independent External Audit:** The audit activity carried out by an independent body, which standards are set by the regulatory authority, and that provide opinions on the accuracy and compliance of financial statements,

c) **Audit Committee Secretariat:** The unit or persons appointed by the Committee for the purpose of

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

reporting, keeping the minutes of the meetings, archiving and providing effective information to the Committee members,

d) **Regulatory Authority:** Public institutions and organisations that audit and restrict the group activities through legal regulations,

ğ) **Yataş Group Board of Directors:** Yataş Yatak ve Yorgan Sanayi ve Ticaret A.Ş. Board of Directors,

h) **Internal Auditor:** Personnel assigned to carry out all internal audit activities within the Company,

ı) **Internal Audit:** Audit services carried out with independent and impartial assurance and consultancy functions against all risks in order to audit, develop, improve and add value to the Company's business processes.

i) **Internal Audit Group Management:** Internal Audit Unit, which consists of the Internal Audit Group Manager and internal auditors, which is responsible for carrying out the internal audit activities within the Group.

ı) **Internal Audit Group Manager:** Senior manager responsible for all internal audit activities, reporting to Audit Committee and CEO, responsible for monitoring the consequences of the duties,

k) **Internal Audit Regulation:** Internal procedures within the Company, which define the purpose, authority, responsibility and position of the internal audit activities within the Group, are prepared by the Internal Audit Group Manager, reviewed by the Audit Committee and approved by Yataş Group Board of Directors,

l) **Internal Control:** The system, process, policy, procedure, organisation and rules designed and implemented by the Group management and personnel for the protection of the Group's assets in order to carry out the Group's activities effectively and efficiently, to comply with the legislation, to ensure that internal and external reporting is accurate and reliable,

m) **Committee:** Yataş Group Audit Committee 

n) **Risk:** Each of the potential events that could affect the Group's achievement of its main objectives and goals.

o) **Company:** All Companies under Yataş Group

p) **Branch:** Yataş Group's domestic and foreign businesses operating under the main headquarters, regional directorates and stores,

r) **International Financial Reporting Standards:** A set of international standards developed to ensure

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

that all companies provide uniform, comparable and truthful financial reports,

s) **International Internal Audit Standards:** Professional Implementation Framework published by Institute of Internal Auditors.

ş) **Senior Management:** Yataş Group CEO and the managers of the Company acting under general manager and deputy general manager titles

CHAPTER TWO

Duties and Responsibilities

Accounting System and Financial Reporting

ARTICLE 6- (1) The Committee makes its own evaluations by taking the comments of the responsible executives of the Company, independent external auditors and internal auditors regarding the accuracy of the financial statements and footnotes to the accounting principles followed by the Company and in case of inconsistencies, misconduct or errors, the Company shall notify the Board of Directors in writing.

(2) The Committee shall supervise the significant accounting and reporting issues and legal issues by the internal audit and independent external audit, supervise the investigation of the impact of these on the financial statements and submit to the information of Yataş Group Board of Directors.

(3) The Committee shall determine the methods and criteria to be applied for the examination and conclusion of the complaints received by the Company regarding the accounting and internal control system and independent audit of the Company, and the evaluation of the company employees' notifications on accounting and independent audit within the framework of confidentiality principle.

(4) Committee reviews the annual activity report and reviews whether the details specified herein are accurate and consistent compared to the information owned and informs the Company Board of Directors on this matter.

Independent External Audit

ARTICLE 7- (1) Committee takes the necessary measures in order for the independent external audit to be made efficiently, adequately and transparently.

(2) The Committee is responsible for the election and modification of the independent audit committee of the Company, the preparation of audit contracts and the initiation of the independent audit process, and the supervision of the activities of the independent audit institutions at all stages.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

(3) The Committee shall review the scope and audit approach proposed by independent external auditors; advises and makes suggestions to the Board of Directors on the issues that restrict or obstruct their activities.

(4) The Committee evaluates whether there is a situation that would impair the independence of the independent external audit committee and the performance of the auditors.

(5) The Committee shall ensure that important problems identified during or as a result of the audits carried out by independent external auditors and recommendations for the solution of such problems are received and discussed in a timely manner.

(6) The Committee ensures the independent external auditors to communicate and discuss the important issues regarding the accounting policies and applications of the Company, alternative implementation options within the framework of international accounting standards previously communicated to the management of the Company, their possible consequences and recommendations for implementation as well as important correspondences with the Group management.

(7) The Committee ensures that the suggestions made by independent external auditors are received, discussed and answered by the Company's Board of Directors.

(8) The Committee oversees the coordination between the independent external auditors and the Internal Audit Unit.

Internal Audit

ARTICLE 8- (1) The Committee reviews the activities and organisational structure of the Internal Audit Group Management, informs and makes recommendations to the Board of Directors of Yataş Group on matters that limit or prevent the effective work of internal auditors.

(2) The Committee reviews and approves the "Internal Audit Regulation" prepared by the Internal Audit Group Management in compliance with the International Internal Audit Standards.

(3) The Committee shall review and approve the amendments to the Regulation.

(4) The Committee shall review the effectiveness and adequacy of the internal audit activities.

(5) The Committee shall ensure that important problems identified during or as a result of the audits carried out by the Internal Audit Group Management and suggestions for the elimination of these problems are received and discussed in a timely manner.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

- (6) The Committee ensures that the findings and suggestions made by the Internal Audit Group Management are received, discussed and answered by the senior management and related department managers.
- (6) The Committee shall ensure that the coordination and communication between the Senior Management and the Internal Audit Group Management are functioning properly.
- (7) The Committee decides on the appointment, dismissal, remuneration and personal rights of the Internal Audit Group Manager and communicates these matters to the Board of Directors for approval.
- (8) The Committee makes decisions regarding the appointment, relocation, dismissal and personal rights of the internal auditors other than the Internal Audit Group Manager, taking into consideration the qualifications of these persons and submits them to the Board of Directors for approval.
- (9) The Committee approves the internal audit plan and internal audit budget prepared by the Internal Audit Group Management.
- (10) The Committee monitors the internal audit activities, evaluates its performance and makes recommendations to the Board of Directors.
- (11) The Committee convenes at least 4 times a year and evaluates the critical determinations, risks and recommendations in the internal audit reports and the developments in the action plans of the Units together with the relevant Unit Managers, Internal Audit Group Management and Senior Management.
- (12) The Committee monitors the competence and professional development of the internal auditors and the organisation of the internal audit unit, evaluates the qualitative and quantitative risks that constitute an obstacle to effective and efficient internal audit and makes recommendations to the Internal Audit Group Manager.

Internal Control

ARTICLE 9- (1) The Committee notifies the Board of Directors of the recommendations made by the Independent External Audit and Internal Audit regarding the healthy functioning of the internal control system, its understanding by the personnel and support by the management.

(2) The Committee shall submit to the Board of Directors recommendations for the preparation of internal control processes in written format, integration into business processes and periodically updated in order to ensure the effectiveness of the process.

(3) The Committee oversees the controls on the security and operation of the Company's information

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

systems and the business continuity and disaster plans of the Company.

(4) The Committee supervises whether the warnings and recommendations made by the Independent External Auditors and Internal Auditors regarding internal control have been implemented.

(5) The Committee evaluates the compliance of the internal control system with international standards and frameworks, conducts gap analysis and shares the recommendations required for the structuring, execution and monitoring of the internal control system on the basis of COSO 2013 with the Board of Directors, CEO and General Manager.

(6) In order to evaluate the internal control system and the other managerial systems (corporate risk management, process management, ISO management systems, etc.) related to internal control, internal audit may be assigned and services may be received from external specialists and auditors.

Compliance with Internal and External Legislation and Ethical Rules

ARTICLE 10- (1) Committee reviews the monitoring system it has developed for compliance with internal and external legislation, ethical rules according to the results of the investigations and follow-ups initiated by Company senior management in abuse, including disciplinary penalties, unfair gain, non-compliance with internal and external legislation, ethical rules, etc. issues, and makes recommendations to the group senior management and the Board of Directors for regulating and establishing the internal legislation necessary.

(2) The Committee ensures that significant complaints and notifications it has received regarding the Company's accounting systems, internal control systems, independent external audit, abuses, frauds, significant negligences etc. are reviewed and resolved and ensures that the notifications of the Company personnel on these matters are communicated to the Board of Directors within the scope of confidentiality principle.

(3) The Committee receives regular reports from the Company's management, attorneys or external legal advisers about the lawsuits filed against the Group, provisions reserved for these lawsuits, unreserved provisions and the total risk that may arise and evaluates these reports.

(4) The Committee submits to the Board of Directors information about any conflicts of interest that may arise between the members of the Board of Directors, executives, other personnel and units and the findings on the misuse of the Company's trade secrets. It makes recommendations on measures to be taken to prevent this situation.

(5) The results of the audits and investigations carried out by the regulatory authorities shall be reviewed by the Committee and any necessary amendments shall be submitted to the Board of

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

Directors.

(6) The Committee develops measures to ensure that the internal and external legislation and ethical rules are in written format and accessible to all personnel, and evaluates the work carried out by the Company's Senior Management for monitoring compliance with internal legislation and ethical rules.

Reporting Responsibility

ARTICLE 11- (1) The Committee shall immediately notify the board in writing of its findings, evaluations and suggestions regarding the issues within its area of duty, authority and responsibility.

(2) All activities of the Committee shall be kept in writing and recorded by the Audit Committee Secretariat. The procedures and principles regarding the secretariat are decided by the Committee.

(3) The activities, proposals, meeting notes and summaries of the Committee are made in writing by the Audit Committee Secretariat, approved in writing by the Committee Members and submitted to the Board of Directors by the Committee Chairman.

Other Authorities and Responsibilities

ARTICLE 12- (1) The Committee shall ensure that other oversight activities requested are carried out by the Board of Directors where deemed necessary. This includes oversight and evaluation of all types of managerial activities, including strategic management activities and performance management activities and budget.

(2) The Committee may initiate special investigations if it deems necessary and its results shall be written down by the Secretariat and reported to the Yataş Group Board of Directors by the Committee Chairman. The Committee may appoint subject matter experts to assist in private investigations and may decide on the method and form of the investigation.

(3) If deemed necessary, the Committee may request data, information, reports or opinions from the senior management, other executives, consultants, independent external audit or internal audit unit under any format, in order to conduct research and evaluations on the issues falling within the scope of its authority and responsibility.

(4) The Committee may, if it deems necessary, examine the data and information obtained from notification lines, complaint and suggestion lines and other communication channels, and may request data and information directly from the Company Senior Management regarding its field of activity or other issues. In line with its purpose, it may evaluate all financial and non-financial data, information and reports related to the company, by receiving them from the Senior Management. As a result of these evaluations, the opinions are shared with the Board of Directors.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

CHAPTER THREE

Review and Entry into Force

Review

ARTICLE 13 - (1) This Regulation is reviewed by the Committee every year. Changes made in line with the needs are communicated to the Board of Directors by the Committee Chairman.

Entry into Force

ARTICLE 14- (1) The Committee's duties and operating principles and the related amendments shall come into force with the resolution of the Board of Directors.

THE OPERATING PRINCIPLES AND ACTIVITIES OF EARLY DETECTION OF RISK
COMMITTEE

SECTION ONE

Purpose, Authority, Scope, Basis, Organization and Definitions

Purpose

ARTICLE 1- (1) The purpose of this Regulation is to determine the early risk of strategic, operational financial, legal and other risks that may endanger the existence, development and continuation of Yataş, in order to take the necessary precautions for these risks and to manage the risks faced by the company in the most effective way, to regulate the procedures and principles and other matters related to the Early Risk Detection Committee (Risk Committee) established within the group.

Authority and Scope

MADDE 2- (1) Identification, measurement and prioritization of risks that may jeopardize the existence, development and continuation of the Company, determination of appropriate risk management strategies for these, reporting of risk management activities and results, prevention of crises, ensuring business continuity and realization of all of these corporate systems and performs studies in order to design processes, make mentorship to Senior Management and conduct oversight activities related to risk management on behalf of the board of directors.

(2) In addition to the duties of establishment and effective functioning of the following corporate systems within the framework of its duties and responsibilities, the Committee makes periodic evaluations on the following issues and takes these issues into consideration::

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

- a) Evaluates the developments in macroeconomics, politics, international relations and financial markets and the effects of these developments on Yatas Group within the framework of the risks to strategic financial management.
- b) Receives presentations from the CFO about the current financial situation, financial strategies, developments and expectations and makes evaluations.
- c) Receives presentations from the managers regarding the current situation and developments related to the trade receivables risks of the Group, evaluates the credit risks and presents their opinions.
- d) Evaluates the critical process risks (operational risks) and the developments in the risk action plans for these critical risks within the framework of the Company's Enterprise Risk Management system.
- e) Regarding important investment decisions of the company, the Board of Directors conducts a risk assessment of the investments with an appropriate timing before the decision is made, receives presentations from interlocutors, examines feasibility studies and develops suggestions for risks.
- f) Evaluates the risks related to the company's newly started and ongoing important corporate projects, receives presentations from interlocutors for this purpose, recommends strategies for managing risks.
- g) The issues come with denunciation line, complaint line and suggestion line is evaluated periodically by company within the framework of opportunities and risks.
- h) Periodically evaluates the quality faults and deficiencies of the products, monitors the parameters such as returns, leakage, waste rates, capacity utilization and capacity decreases, and evaluates the issues within the framework of risks by getting information from the senior management or related managers.

(3) The Committee reviews the internal control and risk management systems of the company at least once a year and supervises the implementation of internal control and risk management practices in accordance with the Committee Decisions.

(4) The Committee shall benefit from the opinions of independent experts on the matters it needs in relation to its activities. The cost of the consultancy services required by the Committee shall be borne by the Company. Information about the person / organization to whom the service is received and information about whether this person / organization has any relationship with the Company shall be included in the Activity Report.

(5) The resolutions of the Committee are advisory to the Board of Directors and the final decision-making authority on the relevant matters is the Board of Directors. The committee shall notify the

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

Board of directors in writing of its assessments, recommendations and solutions, if any, of the above issues.

(6) The Committee fulfills other duties and responsibilities imposed / to be imposed in accordance with the Turkish Commercial Code and other relevant legislation.

Basis

ARTICLE 3- (1) This Regulation has been prepared on the basis of the Turkish Commercial Code number 6102, Communiqué on the Corporate Governance of the Capital Markets Board and the decision of the Board of Directors dated 30/06/2019 and numbered 38.

Organization

MADDE 4- (1) The committee must consist of at least two members. If it consists of two members, both of them; if they have more than two members, the majority of the members should be composed of non-executive Board Members.

(2) Committee Chairman; Chairman is elected by the Board of Directors of Yataş Group from among the Independent Members of the board of Directors of Yataş Group.

(3) The Committee must have at least one person with experience in the fields of accounting, finance, internal audit or risk management, and at least one person with knowledge and experience of company operations. These experiences can not be less than 5 years.

(4) the CEO/General Manager cannot serve on the committee.

(5) The membership of the members of the Risk Committee shall continue as long as they are on the Board of Directors or within the company. Expired members may be re-elected.

(6) The Committee meets at least four times a year, once every three months. The results of the meeting are submitted to the Board of Directors.

(7) In case of emergency, the committee may extraordinary convene upon the call of the Chairman of the Board of Directors of the Yataş Group, the Chairman of the Committee and/or any member of the committee.

(8) The committee shall convene with the participation of more than half the number of members, and shall decide with the majority. If a majority of votes cannot be obtained, the vote of the Chairman of the Committee shall be counted as two votes.

(9) At the beginning of each year, the annual meeting schedule of the committee is determined by the Chairman of the Committee in accordance with the meeting schedule of the Board of Directors and announced to all members.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

(10) The agenda of the meeting shall be determined by the Chairman of the Committee. The members of the Board of Directors and the committee shall inform the Chairman of the Committee of the issues they wish to be brought to the agenda.

(11) The agenda of the meeting is determined within the framework of the duties and responsibilities of the committee. The Board of Directors may request that the committee make opinions and recommendations on some additional issues within the strategic management and corporate governance processes of the company, beyond its scope of duties and responsibilities.

Definitions

ARTICLE 5- (1) In the implementation of this regulation;

a) **Group:** Yataş Yatak ve Yorgan Sanayi ve Ticaret A.Ş. and other Group Companies

b) **Copany:** Yataş Yatak ve Yorgan Sanayi ve Ticaret A.Ş. and other Group Companies

c) **Regulatory authority:** Public institutions and organizations that oversee group activities through legal arrangements and impose restrictions on them,

d) **Yataş Group's Board of Directors:** Yataş Yatak ve Yorgan Sanayi ve Ticaret A.Ş. Board of Directors,

e) **Chairman:** Chairman of the Risk Committee,

f) **Internal Audit:** The system, process, policy, procedure, organization and rules designed and implemented by the Group management and employee for the purpose of effective and efficient conduct of the Group's activities, compliance with the legislation, correct and reliable internal and external reporting, protection of the Group's assets,

g) **Committee:** Risk Committee of Yataş Group,

h) **Risk:** Each of the potential events that may affect the achievement of the Group's main objectives and objectives,

i) **Branch:** Yataş Group's domestic and overseas businesses operating under its headquarters; regional directorates and stores,

i) **Top Management:** CEO of Yataş Group, General Manager and Managers at the level of Deputy General Manager,

refers to.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

SECTION TWO

Duties and Responsibilities

Duties and Authorities of Chairman

ARTICLE 6- (1) The Chairman of the Committee is appointed by the Company's Board of Directors. Chairman; It chairs the Committee, determines and manages the agenda of the meeting, coordinates the flow of information between the Board of Directors and senior management and the Committee, and takes the necessary measures to ensure that the Committee performs its duties and responsibilities effectively.

(2) In the event that the Committee Presidency becomes vacant for any reason, at the following Board of Directors meeting, a new chairman appoints the Chairperson and appoints one of the Committee Members as the temporary chairman of the Board.

(3) The Chairman; during the discussion of certain issues, if necessary, may invite internal or external experts to the meeting.

(4) Submits the opinions and recommendations made in the Committee to the Board of Directors.

(5) The Risk Committee follows the process of fulfilling its decisions and recommendations.

Duties and Authorities of Committee Members

ARTICLE- (1) Members of the Committee closely follow national and international developments, standards, best practices and company activities related to risk management in the performance of their duties and share them with other members by keeping them up-to-date in this field.

(2) Members participate in matters that need to be worked out in the committee. Members extend their opinion on the agenda to the Chairman of the Committee.

(3) The Committee declares views on the agenda at the meetings, makes recommendations, contributes in line with its competence and experience to evaluate the agenda successfully.

(4) The committee reviews on issues that fall within the scope of its duties and responsibilities shall conduct assessments and, if necessary, and shall share its opinion with the Chairman.

The Committee declares views on the agenda at the meetings, makes recommendations, contributes in line with its competence and experience to evaluate the agenda successfully and to make decisions and in order to make decisions.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

SECTION THREE

Review and Validness

Review

ARTICLE 13- (1) This regulation is reviewed annually by the Committee. Changes made in line with the requirements are communicated to the Board of Directors by the Chairman of the Committee.

Validness

ARTICLE 14- (1) This Regulation and related to this regulation amendments on the duties and working principles of Committee shall come into force by the decision of the Board of Directors. The Chairman is responsible for the carry out of this regulation.

THE OPERATING PRINCIPLES AND ACTIVITIES OF CORPORATE GOVERNANCE
COMMITTEE

1. Purpose

YATAŞ Yatak ve Yorgan Sanayi ve Ticaret A.Ş. (Company) Corporate Management Committee (Committee) shall support and assist the board of directors by carrying out works on the compliance of the Company with the corporate management principles; determination of the board members and senior executives; career planning with remuneration, reward and performance evaluation; investor relations and public disclosure.

The Committee shall review, evaluate and make recommendations on the systems and processes established or to be established by the Company in the implementation of management practices that improve the performance of the Company.

2. Basis

This document has been prepared within the framework of the regulations, terms and principles under the Capital Markets Legislation, Articles of Association of the Company and Communiqué on the Determination and Application of Capital Markets Board Corporate Governance Principles.

3. Authority and Scope

The Committee is formed and authorised by the Board of Directors. The Committee is authorised to invite the Company employees or the representatives of affiliated persons and companies, internal and external auditors (Auditors) and subject matter experts to meetings and obtain information and to receive legal and professional consultancy service from outside.

Committee acts under its own authority and responsibility and makes recommendations to the Board of Directors, but the responsibility of the final decision always rests with the Board of Directors.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

4. Organization

Membership

- 4.1. Committee is formed in compliance with the Articles of Association of the Company.
- 4.2. Committee Chairman is selected among independent Board of Directors members. Where it is not possible, Committee Chairman may be selected among the subject matter expert third parties.
- 4.3. In the committee, persons expertised in accounting, finance, audit, law, management, capital markets etc. fields may take part.
- 4.4. Committee consists of at least two members.
- 4.5. The members of the Committee shall be elected from among persons who are not in charge in execution. The General Manager and the Assistant General Manager for Financial Affairs may not serve on the Committee.
- 4.6. Where necessary, experts who are not members of the Board may take part in the Committee.
- 4.7. The Committee is re-elected every year at the first Board of Directors meeting to be held after the ordinary general meeting.
- 4.8. The Committee convenes with the participation of more than half of the number of its members and takes decisions by a majority.
- 4.9. The secretariat activities of the Committee are carried out by the secretariat of the Board of Directors.

Participation in Meetings

- 4.10. The Committee convenes at least four times a year quarterly, except in case of necessity, at the Company headquarters upon the invitation of the Committee Chairman.
- 4.11. Decisions taken at the Committee meetings shall be kept in writing, signed by the Committee members and retained on an orderly basis.

5. Responsibility

Compliance with Corporate Governance Principles

- 5.1. The Committee evaluates whether the Company management shares the importance and benefits of having good management practices with the Company's employees and whether an efficient and effective "corporate governance culture" is established in the Company.
- 5.2. The Committee makes recommendations to the Board of Directors on the healthy functioning of the infrastructure for the management practices aimed at improving the performance of the Company in all of its affiliates as well as the understanding, adoption by the employees and supporting by the management.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

5.3. The Committee determines whether the corporate governance principles are applied, if not, the rationale and conflicts of interest arising from non-compliance with these principles and makes suggestions to the Board of Directors to improve the practices.

Managerial Control

5.4. The Committee takes the opinions of the management and related parties about the plans to identify the areas that may create administrative risk and vulnerability and to eliminate the deficiencies.

5.5. The Committee examines important complaints received by the management regarding the partnership; and ensures that employees' notifications are communicated to management within the framework of confidentiality principle.

Public Disclosures

5.6. The Committee reviews the activity report to be disclosed to the public and reviews whether the information contained therein is accurate and consistent with the information possessed by the Committee.

5.7. The Committee develops proposals to ensure that public disclosures and analyst presentations are made in accordance with the Company's "information policy", in particular with laws and regulations.

Compliance with Internal Regulations

5.7. The Committee ensures that internal regulations are in writing and accessible by all employees.

5.9. The Committee evaluates whether the internal regulations and acceptable behaviours are communicated to the employees by the Company management through an appropriate communication method.

5.10. The Committee evaluates the activities carried out by the Company management in order to monitor compliance with internal regulations.

5.11. The Committee oversees compliance with internal regulations that prevent conflicts of interest that may arise between board members, executives and other employees and the misuse of trade secret information.

Determination of the Candidates to be Elected to the Board of Directors

5.12. The Committee carries out works on establishing a transparent system for identifying candidates suitable for the board of directors and senior management and on developing policies and strategies in this regard.

Performance Evaluation, Remuneration and Reward Policy and Career Planning of Board Members and Executives

5.13. The Committee carries out works on the determination of approaches, principles and practices in the areas of performance evaluation, remuneration and reward policy and career planning for the members of the board of directors and senior executives.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

5.14. The Committee develops recommendations on the number of board members and managers.

6 . Investor Relations

6.1. The “Shareholder Relations Unit” (Unit) was established under the Committee and in affiliation with the Committee Chairman to monitor all relations between shareholders and investors and to ensure that their information rights requirements are fully fulfilled.

6.2. Unit is formed by adequate number of expert personnel.

6.3. Unit shall;

- Satisfy the information requests of the shareholders and investors in accordance with the legislation, articles of association, corporate governance principles and notification policy;
- Hold or participate in periodic investor informing meetings in Turkey and overseas within the framework of legislation, articles of association, corporate governance principles and notification policy,
- Carry out the necessary works on making the Website an active communication platform for domestic and foreign investors,
- Observe and monitor the process of public disclosure in accordance with the legislation,
- Ensure that shareholders’ records are kept in a healthy, secure and up-to-date manner,
- Ensure that the activity reports are prepared in accordance with the legislation and the CMB Corporate Governance Principles,
- Follow whether the General Assembly meetings are held duly,
- Prepare the documents to be presented to the shareholders at the General Assembly meetings,
- Carry out the necessary works in order to keep the minutes of the meeting in due form.

7. Reporting Responsibility

7. 1. Committee ensures that the Board of Directors is informed on the issues within its field of roles and responsibilities.

7.2. The Committee shall keep all the works carried out in writing and keep records.

7.3. The Committee prepares a report of its works and recommendation and submits it to the Board of Directors.

Other Responsibilities

7.4. The Committee follows the developments in the literature on corporate governance and examines the impact of these on the management of the Company.

7.5. The Committee performs other activities that may be considered within the scope of corporate governance requested by the board of directors.

7.6. The Committee may, if deemed necessary, initiate special investigations and appoint subject matter experts as consultants to assist in such investigations.

7.7. The Committee regularly reviews its own performance.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

8. Budget

The Committee shall have an annual budget approved by the Board of Directors to ensure that it carries out its activities effectively and efficiently.

9. Effective Date

The Committee's duties and operating principles and the amendments herein shall come into force with the resolution of the Board of Directors.

10. 2019 II. Quarter-Period Activities

The Corporate Governance Committee has held a total of 2 meetings in the second quarter of 2019. The report of Committee transferred to the Board of Directors in relation to the meetings held. The Committee operations were reviewed by the Board of Directors and the operations were found effectively.

7. Senior Managers

Hacı Nuri Öztaşkın	CEO
Nevzat Yıldız	General Manager
Ali Ömerli	Deputy General Manager (Technical)
Onur Tuşa Baykal	Deputy General Manager (International Sales)
Tevfik Altop	CFO
Ertuğrul Kaya	Director of Human Resources
Kerem Efe Koçyiğit	Director of Information Technologies
Selmin Gündoğdu	Director of Corporate Relations & Publicity
Okan Bandırma	Director of Customer Relations
Erim Tamer	Director of Product & Architecture Management
Tolga Kaya	Director of Retail Business Development
Mevlüt Çembertaş	Director of Dealer Business Development
Hüseyin Burak Gürmemiş	Director of Design
Erkan Ekinci	Director of Kayseri Operations
Mustafa Işık	Director of Planning and Operation
Ertan Boğa	Director of Selena and Dealer Sales
Uluç Kesenay	Director of Purchasing

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

8. Access to Internal Information List

	Name	Surname	Title		Name	Surname	Title
1	Yavuz	Altop	Board of Director Member	9	Ali	Ömerli	Deputy General Manager
2	Yılmaz	Öztaşkın	Board of Director Member	10	Onur Tuşa	Baykal	Deputy General Manager
3	H.Nuri	Öztaşkın	Board of Director Member	11	Kerem	Koçyiğit	IT- Director of Inf. Tec.
4	Şükran	Balçık	Board of Director Member	12	Tevfik	Altop	CFO
5	Nimet	Eşelioğlu	Board of Director Member	13	Murat	Arı	Lawyer
6	Ertuğrul Bertan	Kaya	Board of Director Member	14	Esra	Kuru	General Accounting Group Manager
7	İzzet	Sümer	Board of Director Member	15	Tuba	Bektaş	Inversto Relations Manager
8	Nevzat	Yıldız	General Manager				

9. Human Resources

Policy of Human Resources

Our Company's human resources policy is based on determination of the appropriate employee to the aims and objectives of the company, monitoring and improving company performance, and the long-term work with the personnel. To this end, the adoption of the corporate identity and continuous with internal and external training are provided with to increase the performance of the staff. Performance measurement and improvements are provided every term. Both owned rights and job definition absolutely announced previously to employees or newly hired candidates if the equivalent of their performance is defined.

Relations with employees are carried out by our Human Resources Department. At the company wide, all rights are distributed equitably with respect to possessed title and job definitions to all employee on Yataş payroll and our Human Resources department did not receive any complaints about discrimination.

Employee Informations

06.30.2019

White-Collar	835
Woman	341
Man	494
Blue-Collar	1345
Woman	58
Man	1287
Total Employee	2.180

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

Age Category	Total	Seniority Category	Number of Employee
18-25 Age	167	12 Years&Over	299
25-35 Age	947	7-12 Years	214
35-45 Age	818	3-7 Years	433
45-55 Age	232	1-3 Years	788
55 Over the Age	16	0-1 Year	446
	2180		2180

Educational Background

Master	University	High School	Primary School	Total
30	593	761	796	2180



10. Domestic Sale Points

The number of stores reached at the end of 2019/2Q has been 75 in line with the company's targets for increasing the number of retail stores owned by it.(2018 yearend;74)

It also carries on a business 294 stores as dealers as of the end of 2019/2Q. Store concepts vary according to the existing square meter areas, while stores between 250m2 and 550m2 are in the Yataş Bedding concept, while larger stores are in the Enza Home concept. Enza Home concept in the sale points furniture, seats, beds, baza, textile products and decorative products such as all products in the

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

product range are offered for sale, Yataş Bedding concept in the sale points bed, baza, textile products and decorative products are sold.

Our products are sold in 309.567m2 exhibition area at a total of 369 sales points throughout Turkey. As of the end of 2019/22, the number of stores and dealers located domestically, along with concept separation, is as follows:

		Enza Home	Yataş Bedding	Total M ²
Total Stores Number	75	44	31	79.664

		Enza Home	Yataş Bedding	Total M ²
Total Dealers Number	294	155	139	229.903

		Enza Home	Yataş Bedding	Total M ²
General Total	369	199	170	309.567

11. Abroad Sale Points and Export

Since its foundation, with its ever-evolving technology and increasing quality, Yataş Group is firmly on its way to becoming a world Company day by day and adds important cover a distance on adventure of opening up to foreign markets Furniture and bedding products are sold as an project-based in nearly 30 countries, from the United States to China, at nearly 50 locations, both as franchises, both corner. Using the geographical advantage of our country and the dynamism of the sector, Middle East, Africa, Europe, Central Asia and even the Far East are our priority export markets.

32 out of a total of 44 outlets serves as Enza Home and 12 of them serves as Yataş Bedding

As of the end of 2019/II.Q, it was located as 44 franchise stores in foreign countries. 32 out of a total of 44 outlets serves as Enza Home and 12 of them serves as Yataş Bedding. As of the end of 2019/II.Q, the total display area we have in our stores abroad is approximately 46,825 M2. In the second quarter of 2019, the newly opened stores in foreign centuries are here;

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

32

enza HOME

12

yataş bedding

Country	Store Type	M ²
Germany	Enza Home	1.200
Germany	Yataş Bedding	1300
Albania	Enza Home	3.100
Azerbaija	Enza Home	1.200
Azerbaija	Yataş Bedding	330
Bulgaria	Yataş Bedding	330
Fas	Enza Home	4600
Georgia	Enza Home	1.800
Netherlands	Enza Home	1.100
England	Enza Home	350
Iran	Enza Home	6.630
İtaly	Yataş Bedding	165
Montenegro	Enza Home	3100
Qatar	Enza Home	2.500
Kazakhstan	Enza Home	2.800
Cyprus	Enza Home	700
Kosovo	Enza Home	2.100
Northern Iraq	Enza Home	1.200
Hungary	Yataş Bedding	980
Macedonia	Yataş Bedding	1.130
Egypt	Enza Home	1.750
Pakistani	Enza Home	1.100
Romania	Yataş Bedding	170
S. Arabia	Enza Home	4.200
Turkmenistan	Enza Home	2.190

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

12. Net Sales

Total domestic and international net sales reached by the company in 2019 6-month period of 2019 were TL 556 million, a growth of approximately 30.37% compared to the previous period. (2018/2Q; 426,5 million Turkish Liras). In addition, 3% growth in sales was achieved according to Like for like analysis in the 2018-2019 six-month period in our stores excluding dealers.

According to the like for Like measurement, which took place in comparison to the 2018 and 2019 six-month periods in our stores excluding dealers, customer visits and conversion rates for sale are as follows:

Customers Rate of Conversion

	2019/1Q	2019/2Q	(%)Exchange
Customer Visit	871.112	1.001.778	15
Pieces That Turn into Sales	55.315	63.612	15
Rate of Conversion	6,30%	6,43%	

Note: customers can bring more than one visitor with them. It is not purged of similar multiple entries.

13. Distribution Of Sales By Region

The regional distribution of the average sales realized by retail stores and dealers in domestic in 2019/IIQ compared to the same period of the previous year was as follows.

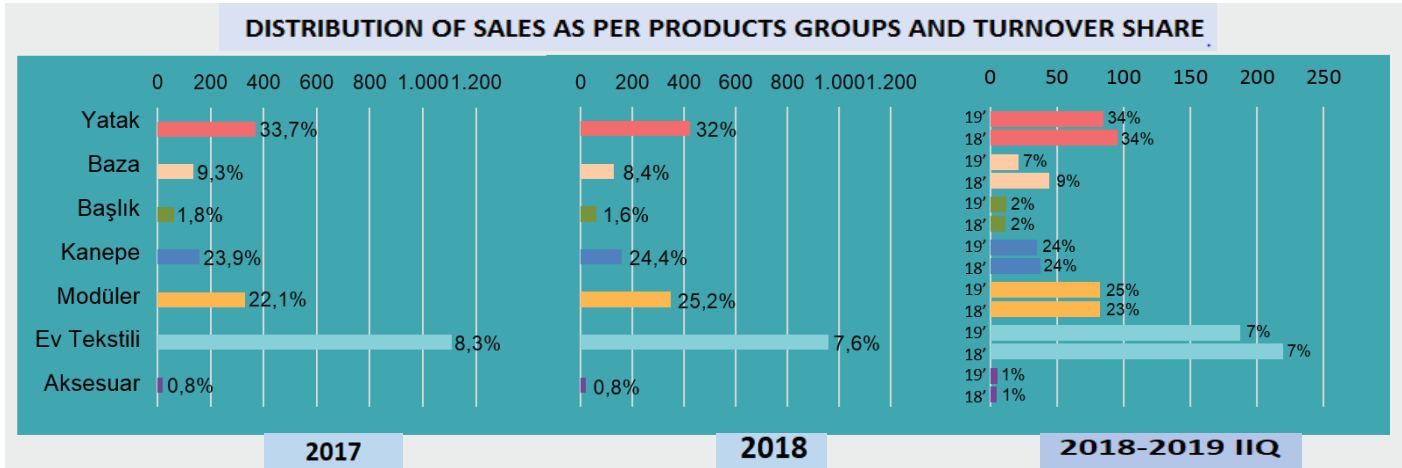
REGION (Dealers)	2019/IQ (%)Distribution	2019/IIQ (%)Distribution
Marmara	45,9	45,1
Central Anatolian	12,5	12,7
Ege	12,5	12,5
Black sea	8,1	8,2
Akdeniz	13,0	13,8
East and Southeastern Anatolia	8,0	7,7
	100,00	100,00

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
01.01.2019-06.30.2019 Activity Report

REGION (Dealers)	2019/IQ (%)Distribution	2019/IIQ (%)Distribution
İst. Europe	36,6	34
İst. Anatolian	15,9	16
Ankara	26,9	28
Kayseri	7,0	7
İzmir	13,6	15
	100	100

14. Distribution Of Sales By Product Groups

The distribution of the sales made in our stores and dealers on the basis of the product group as amounts and units has been as follows.



15. Sources of Finance and Risk Management Policies

1. Capital Risk Management

The company aims to increase its profit in capital management by using its debt and equity balance in the most efficient way on the other hand while trying to ensure continuity of its operations on the one hand.

The company's capital structure consists of liabilities including loans, cash and cash equivalents, and equity items that include paid-in capital, reserves, and past-year earnings.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

2. Targets At The Financial Risk Management

The Company's financing department; while providing services related to commercial activities, in the same time, is responsible for ensuring regular access to domestic and foreign financial markets and monitoring the level and magnitude of the financial risks exposed related to the Company's operations. These risks are; Includes market risk (including exchange rate risk, fair interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

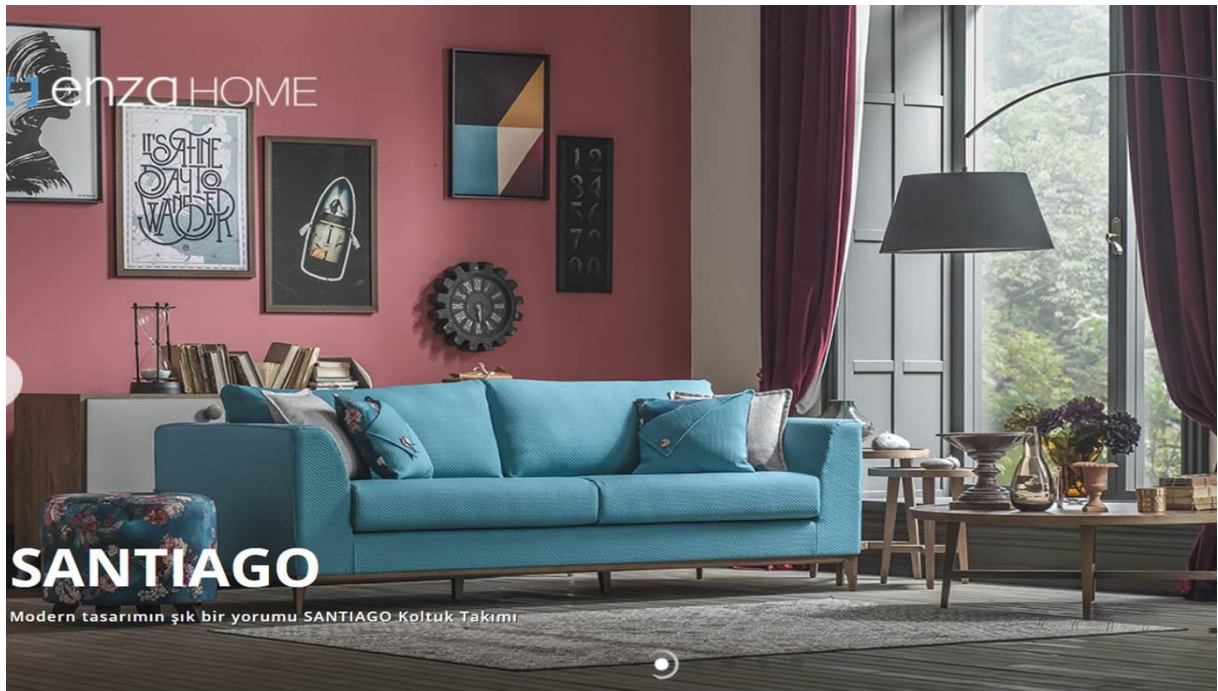
The company has no financial instruments (including derivative financial instruments) for speculative purposes and has no activity related to the purchase and sale of such instruments.

In accordance with Article 378 of the Turkish Commercial Code and in line with the Corporate Governance Principles published by the Capital Markets Board, the "Early Detection of Risk Committee" was occurred. Independent Board Member İzzet Sümer was elected as Chairman of Committee; and Ertuğrul Bertan KAYA, Nimet EŞELİOĞLU, Şükran BALÇIK and Finance and Financial Affairs Director Tevfik ALTOP were elected as committee members.

In addition, the production costs and the entire financial audit are carried out by the independent auditor and the tax audit of the company is carried out by the Certified Public Accountant. In addition, periodic audits of the internal audit unit comply with internal procedures and instructions, inventories, accounting records, stores are reviewed and necessary recommendations are made.

16. Donations

Total donations and grants to various institutions and organizations in the period 01.01.2019–06.30.2019 amount is 520,032-TL.



17. Major Events After The Period

On 18 July 2019, the announcement of the change of address of the headquarters was made through the Public Disclosure Platform (KAP). Our company started to operate at Yalı mahallesi, Kadir sokak, No:14/1 Kartal / ISTANBUL address.

On 08 August 2019, the announcement of the foundation of "Yataş Rus Limited Şirketi" was made through the Public Disclosure Platform (KAP).

In order to operate in Russian market; "Yataş Rusya Limited Şirketi" which main activity is textil, furniture and bed sales was founded with a capital of 3.500.000,00 Rubles as a 100% partner of Yataş Yorgan Sanayi Ticaret Anonim Şirketi.

18. Corporate Governance Compliance Report

CORPORATE GOVERNANCE COMPLIANCE DECLARATION

Yataş Yatak ve Yorgan Inc (Company), aims to comply fully with the corporate governance communiqué II-17.1 issued by The Capital Markets Board (CMB) and the corporate governance principles attached to the communiqué. All of the mandatory the number of **(1.3.1.)**, **(1.3.5.)**, **(1.3.6.)**, **(1.3.9.)**, **(4.2.6.)**, **(4.3.1.)**, **(4.3.2.)**, **(4.3.3.)**, **(4.3.4.)**, **(4.3.5.)**, **(4.3.6.)**, **(4.3.7.)**, **(4.3.8.)**, **(4.5.1.)**, **(4.5.2.)**, **(4.5.3.)**, **(4.5.4.)**, **(4.5.9.)**, **(4.5.10.)**, **(4.5.11.)**, **(4.5.12.)**, **(4.5.13.)**, **(4.6.2.)** and **(4.6.3.)** principles stated in the communiqué are complied with. In addition to this, the majority of the other principles covered by the optional implementation are complied with and our explanations regarding those that are not implemented or partially implemented from these principles are stated below.

In addition to this, the majority of the other principles which are within the scope of the optional application are complied with and our explanations regarding those which are not or partially applied are stated below.

(1.3.11); It is open only to the participation of the related managers and shareholders in order to serve the purpose of the General Assembly in the best way. In addition, the minutes of the meeting are announced to the public at the end of the meeting. **(1.5.2);** The rates regarding the exercise of minority rights are not regulated separately in the articles of association and the relevant authority and legislation provisions are complied with in this regard. **(2.2.2);** The Activity Reports contain important and minimum information that may affect the company's market price. **(3.1.2);** The Company protects the compensation rights of stakeholders through the agreements concluded, therefore no different policy has been prepared. Legal compensation rights are provided for the employees and no different policy has been determined. **(3.5.1);** Ethical rules for the operation of the company and the employees have been determined and information is provided prior to the employment contract and is not available on the website. **(4.2.8);** Members of the Board of Directors are selected from among experts.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

01.01.2019-06.30.2019 Activity Report

For this reason, no insurance has been made regarding the compensation of the losses arising from administrative errors. **(4.4.7)**; At the General Assembly meeting, the members of the Board of Directors were allowed to carry out the tasks specified in this article. No extra disclosure is made regarding the work performed by the members of the Board of Directors outside the company and in the selection of members, the selection of the members who will not hinder the company's business is considered. **(4.5.5)**; Due to the number of members of the Board of Directors, one member may take part in more than one committee. **(4.6.1)**; The Board of Directors make evaluations in its internal affairs towards company's goals and executive performance It is not disclosed in the Activity Report. **(4.6.5)**; Salaries of the members of the Board of Directors is determined by the General Assembly and announced to the public. In addition, all benefits given to executives and senior executives with administrative responsibility are disclosed on a group basis in the Activity Report.

Differences between existing practices and the practices specified in the policies do not cause any conflict of interest.

Within the scope of exceptions mentioned in article 6 of the Communiqué, number of Independent Board Members specified in policy of **(4.3.4)** is applied as two. Furthermore, the third sub-article of the principle of **(4.3.7)** and the second sub-article of the principle of **(4.3.8)** are not applied within the scope of article 5 of the related communiqué.