



## **EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.**

For the Period 1 January – 30 June 2020  
Board of Directors' Activity Report

BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE  
WITH THE COMMUNIQUE SERIAL:II, NO:14.1**A – GENERAL INFORMATION****1. Period of the Report**

01.01.2020 – 30.06.2020

**2. Information About the Association**

- **Title:** EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
- **Trade Registry Number:** 863637
- **Address:** Barbaros Mah. Ardiç Sok. No: 6 Ataşehir/İSTANBUL
- **Website:** [www.erdemir.com.tr](http://www.erdemir.com.tr)

**3. Shareholding and Capital Structure**

Authorized Capital : TRY 7.000.000 thousand  
Paid-in Capital : TRY 3.500.000 thousand

Shareholders	Shares (Thousand TRY)	%
ATAER Holding A.Ş.	1.724.982	49,29
Publicly Held	1.667.181	47,63
Erdemir's Own Shares	107.837	3,08
<b>Total</b>	<b>3.500.000</b>	<b>100,00</b>

No change has occurred in shareholding and capital structure in the period.

**4. Board of Directors, Executive Management and Number of Personnel**

According to the Turkish Commercial Code and related regulations, the election of the Board of Directors is executed by the General Assembly within the framework of the Articles of Association. Should there be an opening in the Board of Directors Membership within the respective period; an election for the available positions is made according to the provisions of Turkish Commercial Code and Company's Articles of Association and the results are submitted to the next general assembly to be approved. The Company's 2019 Regular General Assembly has been executed on 14 July 2020.

The membership number of Board of Directors has determined as 9 and 6 Board Members have been elected for three years and 3 independent board members have been elected for one year by the General Assembly executed on 14 July 2020 according to the 10<sup>th</sup> and 11<sup>th</sup> articles of Articles of Association within the framework of Turkish Commercial Code and Capital Market Law.

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The active members of the Board of Directors as of reporting date:

<b>Board of Directors</b>	<b>Title</b>	<b>Effective from</b>
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	Chairman	27.05.2013 (*)
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Toker ÖZCAN)	Deputy Chairman – Executive Director	13.09.2012 (*)
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Tahsin YAZAR)	Board Member	20.09.2012 (*)
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)	Board Member	12.09.2012 (*)
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	Board Member	12.09.2012 (*)
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	Board Member	11.09.2012 (*)
Yunus ARINCI	Independent Board Member	31.03.2016
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017

(\*) Inauguration date of the legal entity.

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**Changes in the Executive Board within the Period**

After the reporting period;

- By the General Assembly executed on 14 July 2020;
  - OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM),
  - OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Toker ÖZCAN),
  - Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Bekir Emre HAYKIR),
  - OYKA Kâğıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK),
  - OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA),
  - OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)

have been elected as board members for three years.

- Yunus ARINCI,
- Ali FİDAN and
- Kurtuluş Bedri VAROĞLU

have been elected as independent board members for one year.

- Our Company's Independent Board Member Yunus ARINCI resigned from this duty as of 17 July 2020. The necessary procedure to elect a new Independent Board Member instead of Yunus ARINCI have been initiated in accordance with the Corporate Governance Communiqué of the Capital Markets Board.

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**Powers and Duties of the Members of the Board of Directors'**

The Chairman and the members of the Board of Directors possess duties and authorities set out in the Turkish Trade Act's relevant clauses and in the Articles of Association.

**Executive Management**

<b>Executive Management</b>	<b>Title</b>	<b>Effective from</b>	<b>Education</b>	<b>Experience</b>
Toker ÖZCAN	Head of Group	12.10.2018	Middle East Technical University – Mechanical Engineering	28 Years
Salih Cem ORAL	General Manager	06.06.2018	İstanbul Technical University – Metallurgy Engineering	27 Years
Ural DURUSU	Executive Vice President (Operations)	29.11.2018	İstanbul Technical University – Metallurgy Engineering	32 Years
Ferat GÖÇ (by proxy)	Executive Vice President (Financial Affairs)	30.07.2019	Erciyes University – Business Administration	25 Years
İbrahim Emrah SİLAV	Financial Management and Financial Affairs Group Vice President	01.12.2017	Middle East Technical University - Economics	20 Years
Fatih ÇITAK	Marketing and Sales Group Vice President	18.01.2020	İstanbul Technical University – Industrial Engineering	21 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University – Political Science and Public Administration	24 Years
Ercan KAYA	Enterprise Architecture and Human Resources Group Vice President	21.07.2020	National Defence University – Business Administration	33 Years
Can ÖRÜNG	Information Technologies Group Vice President	21.02.2017	İstanbul Technical University – Management Engineering	19 Years

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Fatih ÇITAK, who was acting as Marketing and Sales Group Vice President by proxy from 18 January 2020 has assigned as Marketing and Sales Group Vice President as principal by 1 June 2020.

Can ÖRÜNG's duty as Enterprise Architecture and Human Resources Group Vice President, has ended by 21 July 2020 and Ercan KAYA has assigned to Enterprise Architecture and Human Resources Group Vice President position by 21 July 2020.

Can ÖRÜNG, who was acting as Information Technologies Group Vice President by proxy from 21 February 2017 has assigned as Information Technologies Group Vice President as principal by 21 July 2020.

**5. The Transactions of Board Members made on its behalf or on behalf of other and the activities as part of prohibition of competition**

At the Ordinary General Assembly held on 14 July 2020, it is consented to give the authority for transactions for 2020 according to article 395 and 396 of Turkish Commercial Code (TCC) to the Members of the Board.

No transaction had been realized in this context.

**6. Collective Labor Agreement Applications and the Benefits**

27th Period Collective Labor Agreement, which will be valid between 1 September 2018-31 August 2020, has been signed on 11 March 2019 between Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and Turkish Metal Union as the collective bargaining agency.

26th Period Collective Labor Agreement, which will be valid between 1 January 2018 and 31 December 2020 has been signed on 29 December 2017 between Iron, Steel, Metal and Metallic Products Worker's Union and İskenderun Demir ve Çelik A.Ş.

In the scope of collective agreement applications, the rights and benefits of the employees are classified under bonuses, social benefits, and vacations. Bonuses and social benefits are; bonuses, heating allowance, paid annual leave allowance, marriage allowance, birth allowance, bereavement allowance (worker's death, worker's spouse's, children's, mother's, father's or sibling's death, in the case of a death as a result of a work accident it will pass onto the worker's heir at law), military service allowance, children allowance, educational allowance (play school, primary school, secondary school, high school, higher education), meal allowance and transportation. Vacations are; paid annual leaves, accompaniment leaves for medical purposes, accompaniment leaves (handicapped child) excused absences, unpaid leaves, and other paid leaves consisting marital leaves, bereavement leaves, pregnancy leaves, maternity leaves, nursing leaves, adoption leaves, part-time work leaves, transport leaves and leaves in case of a natural catastrophe.

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Bereavement allowance (in the case the worker dies), transportation and meal allowance, derived from the social benefits, are given to all employees; the rest is given only to blue-collar workers. Paid annual leaves, leaves of absence with excuse, marital leaves, bereavement leaves, maternity leaves, and pregnancy leave, accompaniment leaves (handicapped child), adoption leaves, part-time work leaves, transport leaves, unpaid leaves and nursing leaves can be taken by all employees; the rest is taken only by blue-collar workers.

The number of the personnel employed by the Group as of reporting date:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>Personnel</b>	<b>Personnel</b>
Hourly Paid	7.437	7.521
Monthly Paid	3.954	3.907
	<b>11.391</b>	<b>11.428</b>

## **7. Compliance With The Corporate Governance Principles**

The "Corporate Governance Principles" published by the Capital Markets Board (CMB) which were declared in our Annual Activity Report for the year ending 2019 were met during the period 1 January 2020 – 30 June 2020.

## **8. Amendments in The Articles of Association**

None.

## **B – Financial Rights Given to Board Members and Executive Management**

### **1. Total amount of financial rights like attendance fee, wages, bonus, premium and dividend payments**

The relevant section of the minutes of the General Assembly dated 14 July 2020 is as follows:

In the 9th article of the agenda related to the Rate Setting of the Board Members', the proposal was read by the representative of ATAER Holding A.Ş. Emre ÇETİN, and with no other comment, it was submitted to the General Assembly's approval and in accordance with the proposal;

It was decided by the majority of votes that; no wages will be paid to the Board members representing Group B shares, the monthly net wage that will be paid to the members representing Group A shares will be TRY 4.450 (monthly, in cash), the wages of independent Board members will be TRY 9.800 (monthly, in cash) and the new wages valid from the date of 1 August 2020.

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Personal accident and life insurances were arranged for Board of Directors and no other benefits were given.

No payment of performance was made to Board Members.

No payables were given, no loans were issued directly or through a third party and no indemnity was given (like sureties) to Board Members or Executive Management during the period.

Wages of the Executive Management is determined by the Board. Performance based additional payment is given to paid monthly personnel including Executive Management.

**2. Allowances given, travel, housing and representation expenses and real and cash advances, insurance and other pledges**

A total of TRY 14.573 thousand is recorded as expense related to Company Board Members and Executive Management for the period 1 January – 30 June 2020.

**C – Research and Development Studies**

OYAK Mining Metallurgy Group carries out research and development activities at "Erdemir R&D Center" that has been approved by Turkish Ministry of Industry and Technology in 2014. Research and development activities gathered in four main groups as raw materials and iron making, steel making and casting technologies, hot rolled products and process, cold rolled products and process.

R&D Center, owned by the OYAK Mining Metallurgy Group, has well-equipped laboratory facilities such as material characterization, thermomechanical simulation, metal forming, welding, corrosion, enameling, spectral analysis and X-Ray diffraction etc. and simulators for pilot scale trials such as agglomeration systems, melting, rolling and coating processes.

In the half period of 2020, 9 new flat steel grades were developed so the number of flat products reached to 510.

As being in the scope of the R&D activities 11 projects have been completed and 56 projects have been still going further during that period.

Within the scope of TÜBİTAK / TEYDEB Projects 1501 program, 6 projects have been completed successfully so far. Periodical reports for 3 supported projects and also final reports for 2 supported projects have been completed. Even though for one project application has done at the end of June 2019, approval of TUBITAK still has been waited.

R&D Center employees contributed to the intellectual capital of our company by participating the national / international organizations related to the iron and steel sector activities cumulatively with 68 papers / oral or poster presentations until today.



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**D – Activities and Important Developments Regarding the Activities**

**1. Investment Activities**

Operating within the modern plants and by a modern production technology, Oyak Mining Metallurgy Group produces competitive products globally and continues its investments aligned to continuous development strategy. In this scope;

In Erdemir Plants

Studies continue after commissioning of the 2. Hot Rolling Mill Quality and Sustainability Investments Project.

Detailed engineering, manufacturing, supply and field works are ongoing in the 2nd Blast Furnace Renovation Project. Second phase preparations have been made in the Surface Inspection Systems Project. Site applications are ongoing in Additional Investments Energy Distribution Systems Project, Modernization of Level 1-2 Automation Systems for Steel Shop & Continuous Casting Project, Raw Material Stocking and Blending Yard Modernization Project and Projects related to Environmental Investments. Detailed engineering, manufacturing, supply and field works continue in Steam Boiler No:6 Project. The main engineering works of the technology supply company have been completed in the New Wide Inspection and Recoiling Line Project. Preparations for assembly continue for the Steel Shop BOF Convertors Modernization Project and New Slab Grinding Machine Project. Field activities continue for Various Fire Detection and Extinguishing Systems Project.

Purchasing studies continue in 4. Coke Oven Battery and By Product Plant Modernization Project, Steel Shop Secondary Dust Collection System Capacity Improvement Project, 1st Slab Furnace Modernization Project, 60MW Turbo Generator Project and Ersem Cold Slitting Line and Warehouse Investment Project. Technical specification works have been started for Erdemir 6th Turbo Blower Project.

In Isdemir Plants

Slab Casting Mold Level Control System Modernization Project has been commissioned and almost completed with performance tests.

Procurement, manufacturing and field activities continue within the scope of the New Coke Gas Gasometer and Steel Mill A-B Hall Extension and Overhead Crane Projects. Engineering, purchasing processes, equipment supply, manufacturing and site studies continue in the 1st New Blast Furnace, Vacuum Degassing Plant and Modernization of the 3. Coke Oven Battery Projects. Purchasing activities continue in the 1st Blast Furnace Top Recovery Turbine (TRT) Project. Isdemir 3rd Steam Boiler Retubing (Partial Pipe Replacement) and Burner Modification Project started with the Board Approval.

As of 30 June 2020, Group's total investment expense amount is USD 107 million (30 June 2019: USD 83 million).

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## 2. Internal Control System and Internal Auditing Activities

Internal Audit Department is in charge of evaluating and improving the effectiveness of risk management, control and governance processes of Group companies and it reports directly to the Deputy Chairman and the Executive Director of the Board. Regarding the CMB's related announcement, efficiency of internal control system is evaluating regularly by the Board of Directors. The Audit Committee, which comprises of independent board members, is informed regularly about the internal audit activities and effectiveness of the internal control system.

### Direct and Indirect Subsidiaries

#### The Information about Affiliates Subject to Consolidation

The main scope of business and the participation in their shareholding of the affiliates subject to consolidation are as follows:

Name of the Company	Country of Operation	Operation	2020 Effective Share %	2019 Effective Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Iron and Steel Manufacturing	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Müh. Yönetim ve Danışmanlık Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silica Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 27 February 2020, reducing capital by TRY 26.667 thousand and decisions regarding the distribution of cash dividend of TRY 17.302 thousand from the net profit of 2019 have been unanimously approved. The payment for the capital reduction and 25% of the dividend has been completed on 4 June 2020.

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**E - Financial Position****1. Consolidated Summary of Financial Statements**

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and reviewed as of 30 June 2020.

**Summary of Financial Position**

	<b>(Reviewed)</b>	<b>(Audited)</b>
	<b>Current Period</b>	<b>Previous Period</b>
<b>(Thousand TRY)</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Current Assets	29.162.120	24.136.704
Non-current Assets	26.309.841	22.535.921
<b>Total Assets</b>	<b>55.471.961</b>	<b>46.672.625</b>
Current Liabilities	11.904.439	9.450.454
Non-current Liabilities	6.822.530	5.974.696
Shareholders' Equity	36.744.992	31.247.475
<b>Total Liabilities</b>	<b>55.471.961</b>	<b>46.672.625</b>

**Summary of Income Statement**

	<b>(Reviewed)</b>	<b>(Reviewed)</b>
	<b>Current Period</b>	<b>Previous Period</b>
<b>(Thousand TRY)</b>	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>
Sales Revenue	13.783.158	14.594.816
Gross Profit	2.066.198	3.247.980
Operating Profit Before Finance Income (Expenses)	1.933.479	2.919.039
Profit Before Tax	1.948.962	3.546.635
Profit for the Period	926.858	2.413.110
Shareholder's share in the Profit for the Period	868.001	2.304.622
EBITDA	2.465.735	3.490.709
Earnings Per Share	0,2480	0,6585

The Entity prepares its budgets within the frame of its strategic goals that is approved by the Board of Directors.

In the regular meetings of the Board of Directors is reviewing the current position of the Entity and activities are compared with the previous period and budget targets.

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## 2. Key Ratios

(%)	1 January - 30 June 2020	1 January - 30 June 2019
Gross Profit Margin	15,0%	22,3%
Operating Profit Before Finance Income (Expenses) Margin	14,0%	20,0%
EBITDA Margin	17,9%	23,9%
Profit Margin	6,7%	16,5%
Shareholder's Share in the Profit Margin	6,3%	15,8%

## 3. The Availability of Financial Sources and The Policies The Group Applies in This Framework

Group has full access to all national and international financial sources with its market making power based on high trading volume in money markets. New funding alternatives according to changing market conditions are continuously analyzed and offers are evaluated. The debt policy of Group is developed based on the capability of cash generation and the strong equity structure. Hedging methods and amounts used against financial risks are developed based on a frame of systematic models. Within the risk tolerances, forward, futures, swap and options reflecting market conditions are implemented, if necessary.

## 4. Dividend Distribution Policy

Group's Dividend Distribution Policy is as follows:

“As a principle, Company implements the policy of distributing all of its distributable profit in cash within the provision of forecasted free cash flow generation by considering financial leverage ratios, investment/ financing needs and anticipation of the market under the scope of effective regulations and clauses of Company's Articles of Association. The dividend distribution policy is reviewed annually by the Board of Directors every year considering to national and global economic conditions, the projects on the company's agenda and the state of its funds.

Dividend is paid by fixed or variable installments in accordance with the legislation by giving authority to the Board of Directors at the General Assembly Meeting, where dividend distribution is decided, until 15 December of the relevant calendar year.

General Assembly is authorized for “ the distribution of dividend advance in accordance with relevant legislations.”

At the Ordinary General Assembly Meeting held on 14 July 2020, the decision regarding the distribution of a cash dividend amounting to TRY 805.000 thousand (profit share per gross share: TRY 0,23) from the profit of 2019 was approved. Dividend distribution started on 17 July 2020.

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### 5. Information about the sector

Global crude steel production in June 2020 decreased by 0,3% month-on-month and dropped by 7% year-on-year to 148,3 million metric tons. In the January-June period of this year, global crude steel production decreased to 873,1 million mt, down 6% year-on-year.

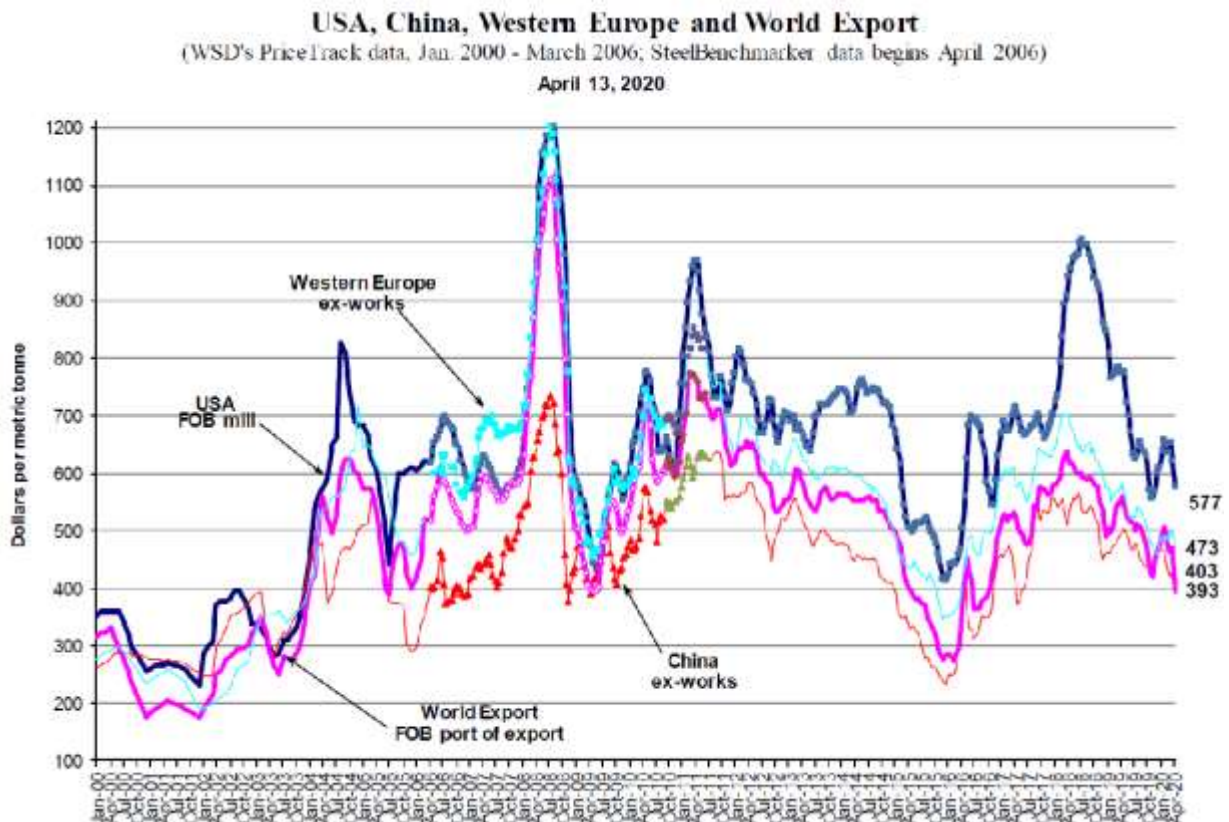
In June, Asia produced 113,3 million tonne of crude steel, down 2,3% year-on-year. China produced 91,6 million tonne of crude steel in June 2020, an increase of 4,5% compared to June 2019; India produced 6,9 million tonne, down 26,3%; Japan produced 5,6 million tonne, down 36,3% and South Korea produced 5,1 million tonne, down by 14.3%.

The EU-28 countries produced 10,2 million tonne of crude steel in June, down 24,6% year-on-year. Germany produced 2,5 million tonne of crude steel, down 27,3%, Italy produced 1,8 million tonne, down 13% and France and Spain each produced 0,8 million tonne of crude steel, down 34,9% and 31,5%, respectively.

The CIS produced 7.9 million mt, down 5% on June 2019, with Russia producing 5.6 million tonne, down 7,6%, and Ukraine producing 1.8 million tonne, up 9%.

In North America in June, crude steel output totaled 6,7 million tonne, down 32,2% from June 2019, with the US producing 4,7 million tonne, down 34,5% and Mexico producing 1,1 million tonne, down 21,4% year-on-year. Crude steel output in South America in June totaled 2,6 million tonne, down 30,4% year-on-year, with Brazil's output totaling 2,1 million tonne, down 27,1 % from June 2019.

Price changes of hot rolled products follows:



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Turkish crude steel output in June this year increased by 23,2% month on month and was up by 4% year on year to 2,8 million tonne. In the given month, Turkey's crude steel output by electric arc furnaces increased by 1% and the production by integrated plants increased by 11,1% both year on year.

In the January-June period, Turkish crude steel output fell to 16,3 million tonne, down 4,1% year on year. In the same period, Turkey's crude steel output by electric arc furnaces declined by 4,3% to 10,9 million tonne, while production by integrated plants decreased by 3,6% to 5.4 million tonne, both year on year.

## 6. The Position of Group within the Sector

Group's production in 2019 has been 8,6 million tonnes. In the first six months of 2020, the crude steel production in Ereğli Plant has increased by 14,2% and went to 1.837 thousand tonne while the crude steel production in İskenderun Plant has decreased by 17,4% and went down to 2.330 thousand tonne. In the first six months of 2020, Group's production has decreased by 5,9% and went down to 4.167 thousand tonnes.

## 7. Operational Developments

Turkey's first and only integrated flat steel producer, Group, who carries out production, operation, maintenance and modernization activities within its all facilities. Manufacturing 26% of all crude steel production in Turkey, Group again continued its operations in line with the principle of optimal costs, maximum productivity and quality of production in the first six months of 2020.

Galvanized products with high added value are produced from the Company's 2nd Galvanization Line, and sales are made for the import industry, especially automotive and white goods.

Ersem, with 1 million 950 thousand tonnes of slitting and cut-to-length capacity, is Turkey's largest steel service center. With 4 production footprints in Gebze, Kdz. Ereğli, İskenderun and Manisa, Ersem supplies just in time deliveries and storage services for our customers.

## Production Plants and Productivity

The information about the capacities of main product groups by Group are stated below:

Capacity used (%)	1 January - 30 June 2020	1 January - 30 June 2019
Liquid Steel	88%	94%
Crude Steel	87%	93%

## 8. Products

The main products of the Group are as follows:

Erdemir	İsdemir	Ermaden
Tinplate	Billet	Pellets
Galvanized	Wire Rod	Iron Ore
Cold Rolled	Slab	
Hot Rolled	Hot Rolled	
Plate		

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**Production (quantity)**

Final Products (000 Tonne)	1 January - 30 June 2020	1 January - 30 June 2019
Flat Products	3.546	3.740
Long Products	450	522
Iron Ore and Pellet	948	885

**9. Development in Sales**

The iron and steel industry is a delivering force in national economies and Turkey is one of the leading countries in terms of both production and consumption of steel, ranking as the world's eighth largest steel consumer and producer. Steel consumption of Turkey in the first six months of 2020 is nearly 13,4 million tonne, which is upper 9% than the previous year. Despite the domestic consumption recovery, because of Covid-19 crisis crude steel production decreased 4% to the level of 16,3 million tonne in the first half of year.

Total flat product sales of the Group reached to the level of 3,5 million tonne in the first six months of 2020. The domestic flat product sales reached 2,8 million tonne %4 decrease than the same period of 2019. Long products sales have decreased by 16% and went down to 453 thousand tonne. Domestic long product sales have increased by 6% compared to the previous year and reached 419 thousand tonnes.

The group exported a total of 721 thousand tons of finished products, 687 thousand tons of flat products and 34 thousand tons of long products. This amount constitutes 18% of the total sales. It exports to 35 countries in flat products and 9 countries in long products.

Group continues to deliver shipments in line with its objectives in industries such as metal packaging, automotive or steel pipe. Because of its customer-oriented strategy, Group has added 10 new customers to long product portfolio and 18 new customers to flat product portfolio totaling 28 new customers in the first half of 2020.

In order to provide rapid and effective response to the needs of the steel market, our industrially structured marketing and sales organization have continued to customer visits, congress and exhibition participations in Turkey and abroad, meetings with industry unions and organizations of customer activities. Our product range are managed dynamically and tailored to customer expectations. Additionally, product developments and newer steel grade works aiming the final user demand, keeps developing.

**10. Sales (quantity)**

Final Products (000 Tonne)	1 January - 30 June 2020	1 January - 30 June 2019
Flat Products	3.490	3.782
Long Products	453	540
Iron Ore and Pellet Sales (*)	889	876

(\*) 818 thousand tonnes of Ermaden's sales are to Group Companies as of 30 June 2020 (30 June 2019: 826 thousand tonnes).

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**F - Risks and Evaluation of the Board**

**1. Risk Management Policy**

Risks are monitored and managed in compliance with the regulation and procedures related with management of the market and customer risks which are directed towards measuring the risks the Group is exposed to and developing hedging methods to keep these risks within risk tolerances.

Almost all of our receivables are guaranteed with the Direct Debit System, the Credited Direct Collection System and the Trade Credit Insurance.

Risk positions of our customers are monitored regularly and when exceeding the limits, a margin call is issued.

Duration is calculated based on the credit portfolio and cash flow projections in order to manage interest rate risks the Group is exposed to and the amount of gain / loss, which may arise possible interest rate changes, is measured using a sensitivity analysis. Additionally, the ratio of total amount of loans with a floating interest rate to whole credit portfolio of the Group is monitored and actions are taken to keep this ratio within a defined limit. Derivative instruments are assessed and analyzed in detail. According to firm and market situation, convenient transactions are executed within certain limits.

Similarly, with regards to liquidity risk management, credit usage and paybacks and cash flow projections are monitored and necessary actions are taken.

The feasibility reports, including all types of technical and financial evaluations, related to all planned investments in the Group's mid/long term strategic road map are prepared by Department of the relevant Group Companies and are submitted to Investment Development Directorate. The Investment Development Department examines the feasibility reports from their consistency and accuracy perspectives, then prepares the financial evaluation reports by analyzing "Internal Rate of Return, Net Present Value, Return on Investment period and ratio, then submits these reports to the Group Financial Management and Financial Affairs Group Vice President.

**2. Committee of Early Risk Detection**

The Early Detection of Risk Committee (Committee) was set up in accordance with the Capital Market Board's legislation. The duties and working principles directive of the Committee are published on the company's website on the Investor Relations / Policies tab.

Within the scope of this directive and legal legislation, the purpose of the Committee is to timely detect risks that may threaten Company's assets, development and existence; and manage the identified risks through implementing the necessary measurers.

The Committee meets every two months in line with the Board of Directors' meetings and the Committee fulfills its duties during these meetings. The Committee submits its activity report and summary of the minutes to the Board of Directors after the meetings. The secretariat is responsible for keeping the meeting minutes.



**G - Other Information**

**1. Organizations Out of the Headquarters**

None.

**2. Information for Shareholders**

The Company held the Ordinary General Assembly Meeting for 2019 on 14 July 2020. Based on the provision of temporary Article 13 of Turkish Commercial Code "In capital companies only twenty-five percent of the net profit for the year 2019 can be distributed in cash, prior years' profits and provisions cannot be subject to distribution from the enactment of the temporary article 13 of the Law until the date of 30 September 2020." it was decided to distribute TRY 805.000.000 cash shareholder profit share and to start profit distribution as of 17 July 2020.

The lawsuit which was filed by İsdemir, subsidiary of the Company, against the Privatization Administration in accordance with the share transfer agreement with the request of recourse for the payment of the employment termination benefit, the difference of collective agreements made to subcontractors, overtime fees and annual leave fees, concluded with the collection of TRY 52.857.450 and advance interest under the decision of the Court dated 30 June 2016 and numbered 2016/340K. The lawsuit was recorded in the file numbered 2015/125E of 19th Civil Court of First Instance. Appeals and decision correction applications made by the Privatization Administration against the court decision were rejected by the 11th Civil Chamber of the Supreme Court of Appeals and the court decision was finalized in favor of İsdemir. In this context, from total of TRY 84.147.491 for which the provision was made in the prior periods' financial statements, a portion of TRY 111.849.623 including the principal and interest amounting to TRY 52.857.450 was collected on 21 July 2020.