



EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

For the Period 1 January – 30 September 2015
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**

01.01.2015 - 30.09.2015

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

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
Total	3.500.000	100,00

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 2014 Regular General Assembly has been executed on 31 March 2015.

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 31 March 2014 according to the 10th and 11th articles of Articles of Association within the framework of Turkish Commercial Code and Capital Market Law. Due to this, 3 independent board members have been elected for one year instead of the 3 independent board members whose duties expired, by the General Assembly executed on 31 March 2015.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUE SERIAL:II, NO:14.1**

The active members of the Board of Directors as of 30.09.2015:

Board of Directors	Title	Effective from
OYTAŞ İÇ VE DIŞ TİCARET A.Ş. (Represented by: Ali Aydın PANDIR)	Chairman – Executive Director	27.05.2013
OYAK Girişim Danışmanlığı A.Ş. (Represented by: Nihat KARADAĞ)	Deputy Chairman	12.09.2012
Republic of Turkey Prime Ministry Privatization Administration (Represented by: Ali KABAN)	Board Member	20.09.2012
OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR)	Board Member	11.09.2012
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Ertuğrul AYDIN)	Board Member	12.09.2012
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Fatma CANLI)	Board Member	13.09.2012
Emin Hakan EMİNSOY	Independent Board Member	04.03.2014
Hakkı Cemal ERERDİ	Independent Board Member	31.03.2015
Ali Tuğrul ALPACAR	Independent Board Member	31.03.2015

Changes in the Executive Board within the Period

Due to the end of duties of Nazmi DEMİR, Atilla Tamer ALPTEKİN and Emin Hakan EMİNSOY who have been elected as independent board members for one year on 31 March 2014, Emin Hakan EMİNSOY, Hakkı Cemal ERERDİ and Ali Tuğrul ALPACAR have been elected as independent board members for one year at the Regular General Assembly executed on 31 March 2015.

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.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUE SERIAL:II, NO:14.1**

Executive Management

Executive Management	Title	Effective from	Education	Experience
Sedat ORHAN	Chief Executive Officer	16.08.2013	Karadeniz Technical University – Mechanical Engineering	29 Years
Esat GÜNDAY	Executive Vice President (Operations)	13.07.2006	Middle East Technical University – Metallurgical Engineering	35 Years
Kaan BÖKE	Executive Vice President (Human Resources)	02.04.2012	Gazi University – Labor Economics	25 Years
Bülent BEYDÜZ	ERDEMİR Group Financial Affairs Coordinator	11.04.2011	Hacettepe University - Business Administration	29 Years
Sami Nezih TUNALITOSUNOĞLU	Executive Vice President (Financial Affairs)	11.04.2011	Gazi University - Economy	32 Years
Başak TURGUT	ERDEMİR Group Marketing and Sales Coordinator	01.02.2013	Middle East Technical University – Business Administration	18 Years
Şevkinaz ALEMDAR	ERDEMİR Group Procurement Coordinator	18.05.2013	Boğaziçi University – Business Administration	20 Years
Oğuz Nuri ÖZGEN	ERDEMİR Group Production Coordinator	02.07.2012	Middle East Technical University – Metallurgical Engineering	32 Years
Eric Andre Cornil VITSE	ERDEMİR Grup Technology Coordinator	14.10.2015	University of Nancy France- Science Mechanics	33 Years
Vacant	ERDEMİR Group Human Resources Coordinator			
Naci Özgür ÖZEL	ERDEMİR Group Strategy and Business Development Coordinator	29.05.2014	İstanbul Technical University – Industrial Engineering	19 years
Banu KALAY ERTON	ERDEMİR Group Corporate Affairs Coordinator	13.06.2014	Mimar Sinan University - City and Regional Planning	21 years
Ahmet Tunç NOYAN	ERDEMİR Group Information Technologies Coordinator	01.07.2014	Naval Academy - Electronics Engineering	26 years
Oya ŞEHİRLİOĞLU	ERDEMİR Grup Legal Coordinator	14.01.2015	Ankara University – Faculty of Law	21 years

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUE SERIAL:II, NO:14.1**

Mehmet Mücteba BEKCAN's duty as Executive Vice President (ERDEMİR Technical Services and Investments) has ended as of 09.01.2015 and this position has been abrogated.

ERDEMİR Group Legal Coordinator position has been established and Oya ŞEHİRLİOĞLU has been assigned to this position on 14.01.2015.

Due to the Mesut Uğur YILMAZ's duty as ERDEMİR Group Technology Coordinator has ended as of 29.01.2015, Burak BÜYÜKFIRAT has been assigned to this position by proxy on 24.02.2015. Burak BÜYÜKFIRAT's duty has ended as of 13.10.2015 and Eric Andre Cornil VITSE has taken up his duty as ERDEMİR Group Technology Coordinator on 14.10.2015.

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 31 March 2015, it is consented to give the authority for transactions 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

25th Period Collective Labor Agreement, which will be valid between 01.09.2013-31.08.2016, has been signed on March 24, 2014 between Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and Turkish Metal Union as the collective bargaining agency.

25th Period Collective Labor Agreement expired on December 31, 2014 for İskenderun Demir ve Çelik A.Ş. from this date, no union agreement has been taken a place between İskenderun Demir ve Çelik A.Ş. and any union. Legal proceedings are still underway. However contract provisions after expiration are currently being applied.

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, holiday pay, 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 (primary school, secondary school, high school, higher education), meal allowance and transportation. Vacations are; paid annual leaves, accompaniment leaves for medical purposes, excused absences, unpaid leaves, and other paid leaves consisting marital leaves, bereavement leaves, pregnancy leaves, maternity leaves, nursing leaves, adoption leaves, transport leaves and leaves in case of a natural catastrophe.

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 for medical purposes, adoption leaves, transport leaves, unpaid leaves and nursing leaves can be taken by all employees; the rest is taken only by blue-collar workers.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUE SERIAL:II, NO:14.1**

The number of the personnel on 30 September 2015 and 31 December 2014 are as follows:

	30 September 2015	31 December 2014
	Personnel	Personnel
Blue Collar	8.581	8.813
White Collar	4.118	4.059
	<u>12.699</u>	<u>12.872</u>

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 2014 were met during the period 01.01.2015 – 30.09.2015.

8. Amendments in The Articles of Association

No amendment has been made.

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 31 March 2015 is as follows:

In the 10th 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. Çiğdem AYIK OKUR, 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 as opposed to 6.143.727.661,7 refusal votes and 225.596.507.784,9692 affirmative 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 2.360 TRY (monthly, in cash), the wages of independent Board members will be 5.500 TRY (monthly, in cash) and the new wages will be valid from the date of 1 April 2015.

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.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

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

A total of TRY 7.184 thousand is recorded as expense related to Company Board Members and Executive Management as of reporting period.

C – Research and Development Studies

The Grand Opening of Erdemir Group R&D Center was realized officially on 22nd of May, 2015 by the Turkish Minister of Science, Industry and Technology.

In this period; two TEYDEB project were presented to TUBITAK as application. One of them – Removal of The Organic Wastes in Steel Industry by Pyrolysis Method – is accepted and another one – Development of Dual Phase Steels (DP800) with Extra Formability Properties – has been in evaluation stage. Also, the application documents of three other projects are prepared.

Technical specifications for the product R&D simulation and raw material R&D simulation laboratories were prepared. Technical evaluation of hot dip galvanizing simulator completed and commercial evaluations have been continued. The relocation of R&D Center was decided due to enlarge the facilities. Civil engineering and design works are still continuing currently. All the equipment's technical specifications were almost completed and finishing the all purchasing orders by the end of this year is the target.

For managing of R&D projects systematically, all projects were transferred to software platform. Since we have completed one year as R&D center where is certified by Turkish Ministry of Science, Industry and Technology; the annual report of R&D activities was prepared and presented to Turkish Ministry of Science, Industry and Technology.

D – Activities and Important Developments Regarding the Activities

1. Investment Activities

Operating within the modern plants and by a modern production technology, Erdemir Group produces competitive products globally and continues its investments aligned to continuous development strategy.

In Ereğli plant; In Air Separation Plant No.7 punch list items are being worked on for final acceptance. Activities related to Environmental Investments and Erdemir Additional Environmental Investments_1 continue. Negotiations of main plant contract of Hot Mill No.2 Level 2 Systems Modernization, Modernization of Level 1-2 Automation Systems for BOF and CC and Galvanizing Line No.2 projects are ongoing. Construction permit of Blast Furnace Top Pressure Recovery Turbines has been given and contractor began excavation activities. In Steam Generator No.6, proposals have been evaluated and 60 MW New Steam Generator is added to the project. In CPL-TCM Modernization, proposals have been evaluated and sent to ERDEMİR General Manager for approval. Clarifying unclear topics of contractors proposals is ongoing. In Erdemir Coke Oven Battery No.4 and Modernization of the By-Product Plant project activities related to the technical specifications are finished and project is on bidding stage. In BF No.1 Stove project contract has been signed and major engineering activities are started. Tender studies of CPL No.2 Welding Machine with Side Trimmer and Scrap Cutting Unit Revamping project continue. In ERDEMİR R&D Simulation

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

Center, except simulator purchase, all construction, installation, design works are being revised. In Converting Ladle Treatment to the Ladle Furnace project manufacturing continues. Activities related to Raw Material Stocking and Blending Yard Modernization are ongoing. Contract has been signed in Normalizing Furnace Modernization project. In Reconstruction of Gülüç Entrance Zone as Delivery Gate project contract has been signed with the road construction firm. Tender studies of New Central Baths and Dining Hall Buildings, Online Surface Inspection Equipment and Converter Slack Stopping System Modernization Projects are ongoing.

On the other hand, in İskenderun facilities; after the commercial operation of Modernization of the Coke Oven Battery No.4 project, completion of incomplete works continues. In No.2 Blast Furnace Reline and Stove Modernization project field applications are on going. Activities related to Harbor Investments and Environmental Investments are ongoing. In Hot Rolling Mill Revamping project contract negotiations have been made and agreement studies have been completed. In Blast Furnace Top Pressure Recovery Turbines No.3 and 4 Project field applications and equipment shipments are ongoing. Evaluation of proposals for Air Separation Plant No.8 project is completed but the contract hasn't been signed yet. In Modernization of the Coke Oven Battery No.3 project evaluations and negotiations have been made. In the scope of Environment Package Project, 12 projects, out of 25 projects, have been completed.

Total investments in Erdemir Group plants in 2015 amount to USD 120 million as of 30 September 2015 (30 September 2014: USD 106 million).

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 Erdemir Group companies and it reports directly to the Chairman and Executive Director of the Board. In accordance with Capital Markets Board regulations, the effectiveness of internal control system is evaluated by the Board of Directors at least once in a year. In this context, Internal Audit Department reports to the Audit Committee, which comprises of independent board members, about internal audit activities regularly as requested.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

3. 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	2015 Share %	2014 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Iron and Steel Manufacturing	95,07	95,07
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100,00	100,00
Ereco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100,00	100,00
Erdemir Romania S.R.L.	Romania	Silica Steel Production	100,00	100,00
Erdemir Asia Pacific Private Limited	Singapore	Trading	100,00	100,00

The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

E - Financial Position

1. Summary of Financial Statements

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have not been reviewed as of 30 September 2015.

Summary of Balance Sheet

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period 30 September 2015	Previous Period 31 December 2014
Current Assets	9.226.939	7.371.353
Non-current Assets	11.119.185	8.562.321
Total Assets	20.346.124	15.933.674
Current Liabilities	3.321.202	3.105.422
Non-current Liabilities	3.952.344	2.517.945
Shareholders' Equity	13.072.578	10.310.307
Total Liabilities	20.346.124	15.933.674

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

Summary of Income Statement

(Thousand TRY)	(Unaudited)	(Unaudited)
	Current Period	Previous Period
	1 January - 30 September 2015	1 January - 30 September 2014
Sales Revenue	8.915.238	8.594.739
Gross Profit	1.733.441	1.768.458
Operating Profit	1.536.652	1.561.205
Profit from Continuing Operations Before Taxation	1.392.891	1.460.869
Net Profit for the Period	1.118.199	1.260.161
Shareholder's share in the Net Profit for the Period	1.088.125	1.214.445
EBITDA	1.891.655	1.833.743
Earnings Per Share	31,09%	34,70%

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.

2. Key Ratios

(%)	1 January - 30 September 2015	1 January - 30 September 2014
Gross Profit Margin	19,4%	20,6%
Operating Profit Margin	17,2%	18,2%
EBITDA Margin	21,2%	21,3%
Net Profit Margin	12,5%	14,7%
Shareholder's share in the Net Profit Margin	12,2%	14,1%

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

Erdemir 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 Erdemir 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.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

4. Dividend Distribution Policy

Erdemir Groups' 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. Dividend distribution policy is reviewed by the Board of Directors every year considering national and global economic conditions, Company's projects on agenda and 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 distribution of dividend advance in accordance with relevant legislations.”

Dividend distribution (gross dividend per share: TRY 0,40) amounting to TRY 1.400.000.000 from 2014 net profit was approved during Annual General Assembly Meeting dated 31 March 2015. The dividend distribution has been realized on 26 May 2015.

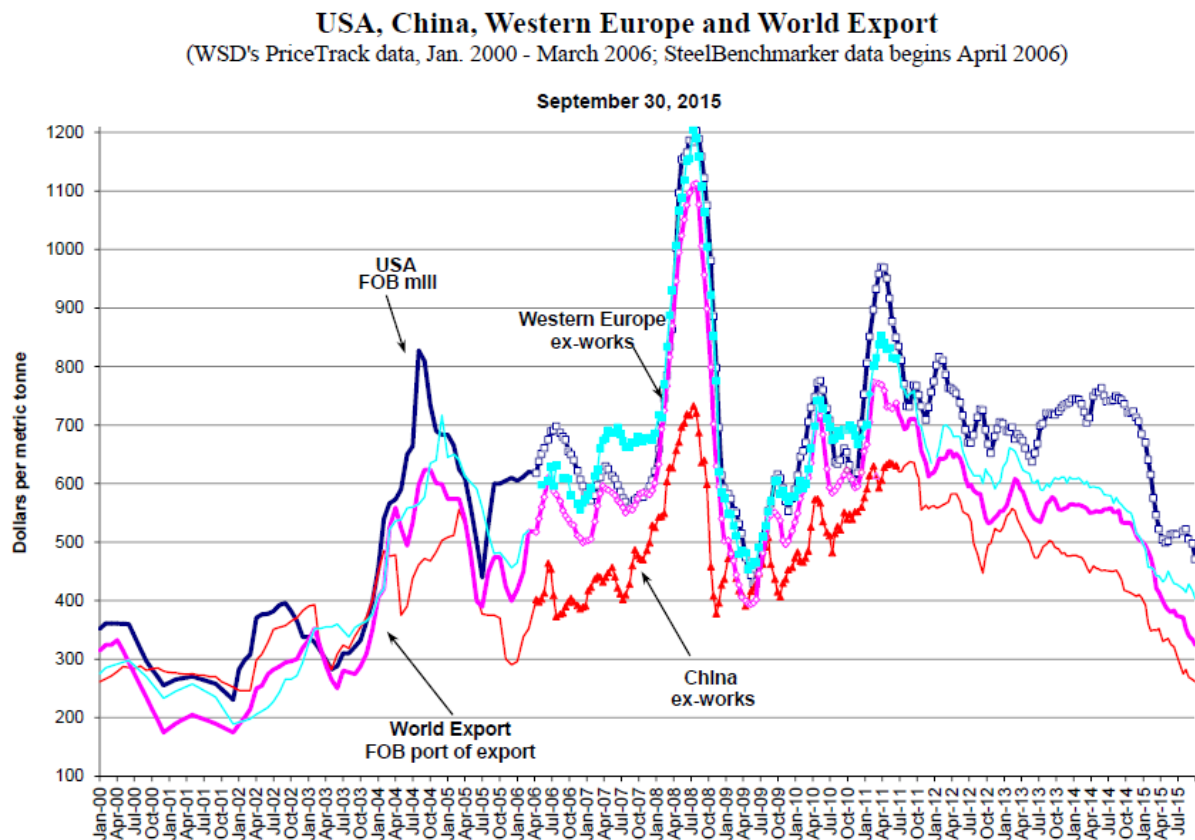
5. Information about the sector

Global crude steel production in September 2015 decreased 3,7% year on year to 131 million metric tons. In the meantime, total global crude steel production in the first nine months of the current year decreased by 2,4% compared to the same period of 2014, amounting to 1,212 million metric tons. In the first nine months, crude steel output in Asia amounted to 828.9 million metric tons, down 2%, with 608,9 million metric tons produced by China, down 2,1%, 78,8 million metric tons produced by Japan, down 5,2%, and 51,9 million metric tons produced by South Korea, down 3,4% - with all comparisons on year-on-year basis. EU-28 countries produced 127,5 million metric tons of crude steel in the first nine months, down by 0,3% compared with the same period of 2014.

In September, the average capacity utilization of steel mills across the globe was 69,3%, 4 points lower compared to September 2014.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

The global hot rolled product price change is provided in the graph below:



In September this year, Turkey's crude steel production decreased by 2,9 percent month on month and 14,1 percent year on year to 2,5 million metric tons. In the same month, Turkey's crude steel output by electric arc furnaces declined by 23.4 percent year on year to 1,6 million metric tons, while crude steel production by integrated plants increased by 8,2 percent year on year.

Meanwhile, in the first nine months of 2015, Turkey's crude steel production decreased by 7,8 percent to 23,8 million metric tons, with crude steel production by electric arc furnaces decreased by 14,6 percent to 15,6 million metric tons, while the output of integrated plants increased by 8,3 percent to 8,2 million metric tons, both on year-on-year basis.

6. The Position of Erdemir Group within the Sector

Erdemir Group's production in 2014 has been expanded to 8,5 million tons. In the first nine months of 2015, the crude steel production in Ereğli Plant has increased 3,6% and went up to 2.887 thousand tons while the crude steel production in İskenderun went up to 3.787 thousand tons with an increase of 10,1%. In the first nine months of 2015 Erdemir Group's production has increased by 7,1% and went up to 6.673 thousand tons compared to September 2014.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

7. Operational Developments

Being the only integrated flat steel producer in Turkey and having the most comprehensive flat steel product range among Turkish producers, The Erdemir Group of Companies (Erdemir Group) continues to provide product and service quality to customers. Additionally, throughout modernization of production lines and steel service center investments, Erdemir Group endures its sustainable growth goal in a stable fashion as it has been achieved during the recent years.

Our company has signed an agreement in July with Primetals Technologies France SAS, a joint venture between Mitsubishi and Siemens, for building the 2nd Galvanizing Line which will be an addition to our current cold rolling substructure in our Ereğli Plants.

The new plant will add 350.000 tons/year to our current galvanizing production capacity and the total cost of this investment will be approximately 120 million USD. The 2nd Galvanizing Line will commence commercial production 29 months after the date of entry into force of the agreement.

To supply just in time deliveries and storage services mainly for the customers operating in the Aegean region of Turkey has completed in Manisa steel service center of Ersem. In November with new 150 thousands ton per year capacity cold slitting line, Ersem will be serve processed products especially for white goods and panel radiator producers.

Production Plants and Productivity

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

Capacity used (%)	1 January - 30 September 2015	1 January - 30 September 2014
Liquid Steel	100%	93%
Slab	85%	83%
Billet	58%	42%

8. Products

The main products of Erdemir Group are as follows:

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

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

9. Production (quantity)

Final Products (000 Tons)	1 January - 30 September 2015	1 January - 30 September 2014
Flat Products	5.558	5.223
Long Products	1.046	819
Iron Ore and Pellet	1.813	2.011

10. Development in Sales

In the first nine months of the year, there is a strong view on steel demand in Turkey. Especially production of automotive industry and white goods increased in the first nine months of the year. Steel pipe and profile industry which has the biggest volume on steel using industries is getting strong especially with TANAP project and other domestic projects.

With increased consumption in Turkey, total flat product sales of the Erdemir Group of Companies increased 1% in 2015 first nine months and reached to the level of 5,3 million tons. The domestic flat product sales increased 3% and reached 4,9 million tons. Long products sales increased 20% and went to 1,0 million tons. The domestic long product sales increased 30% and went down to 883 thousand tons.

Erdemir Group of Companies also exports 558 thousand tons, 427 thousand tons of flat products to 39 countries and 131 thousand tons of long products to 8 countries. The level of Erdemir Group's export sales is 9% of total sales.

Erdemir Group continues to deliver shipments in line with its objectives in industries such as packing, automotive or steel pipe. As a result of its customer oriented strategy, ERDEMİR Group has added 13 new customers to long product portfolio and 59 new customers to flat product portfolio totaling 72 new customers during 2015 first nine months.

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.

11. Sales (quantity)

Final Products (000 Tons)	1 January - 30 September 2015	1 January - 30 September 2014
Flat Products	5.302	5.237
Long Products	1.014	848
Iron Ore and Pellet Sales (*)	1.661	2.137

(*) 1.564 thousand tons of Erdemir's sales are to Group Companies as of 30 September 2015. (30 September 2014: 1.850 thousand tons).

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUE SERIAL:II, NO:14.1**

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 Erdemir 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 Erdemir 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 Erdemir Group's mid/long term strategic road map are prepared by the System Development Department of the relevant Group Companies and are submitted to Business Development Directorate. The Business 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 Affairs Coordinator.

No planned investments can be submitted to the Board of Directors without the approval of the Group Financial Coordinator.

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 were 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 early detect of risks to the Company's assets, development and existence, implement the measures necessary to deal with identified risks and manage risks.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1**

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 about Related Party Transactions

None.
