

AUDITOR'S REPORT ON ANNUAL REPORT

To the Board of Directors of
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

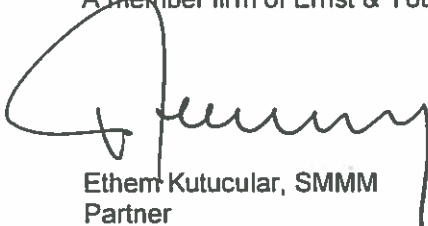
1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (collectively referred to as "the Group") prepared as of December 31, 2013 are consistent with the audited financial statements as of the same date.
2. Management is responsible for the preparation of the annual report in accordance with "the Communiqué related to the Determination of the Minimum Content of the Companies' Annual Report".
3. Our responsibility as independent auditors is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated February 13, 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. In our opinion, the financial information and the assessment and explanations of the Board of Director's in the accompanying annual report of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. are consistent with the audited financial statements as at December 31, 2013.

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



Ethem Kutucular, SMMM
Partner

February 13, 2014
İstanbul, Türkiye

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

01.01.2013 - 31.12.2013

2. Information About the Association

- Title: EREGLI IRON AND STEEL WORKS, INC.
- Trade Registry Number: 90659
- Address: Merdivenköy Yolu Cad. No: 2 34750 Küçükbakkalköy Ataşehir/İSTANBUL
- Website: www.erdemir.com.tr

3. Shareholding and Capital Structure

Authorized Capital : TRY 7.000.000.000
Paid-in Capital : TRY 3.500.000.000

Shareholders	Shares (TRY)	%
Ataer Holding A.Ş.	1.724.982.584	49,29
Publicly Held	1.667.180.563	47,63
Erdemir's Own Shares	107.836.853	3,08
Total	3.500.000.000	100,00

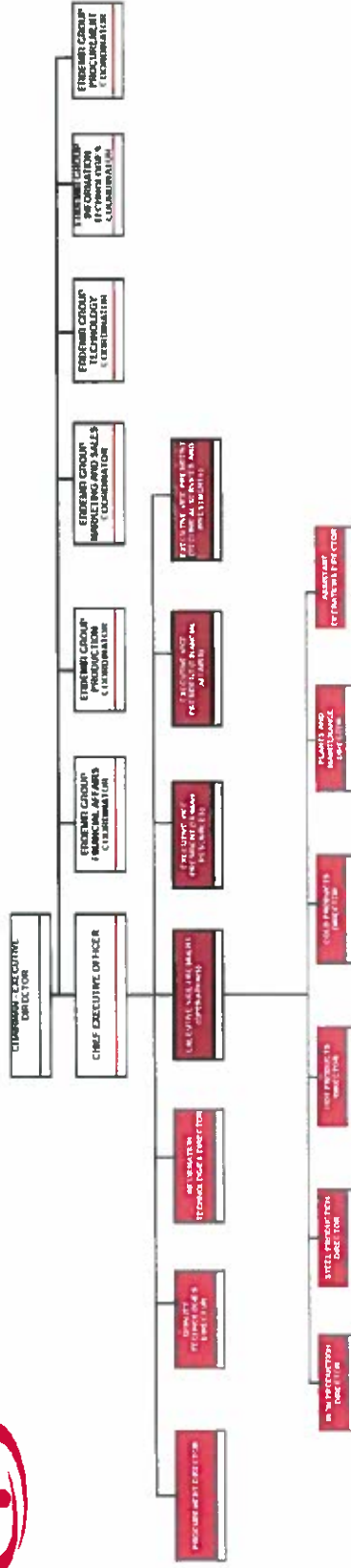
With the decision of Ereğli Iron and Steel Inc.'s Board Meeting as of 19 February 2013 and approval no: 9189 as of 19 February 2013; it is decided that TRY 3.090.000.000 of issued capital will be increased to TRY 3.500.000.000 by increasing TRY 410.000.000, TRY 185.581.944,96 from capital restatements positive differences, TRY 18.465.461,72 from special funds, TRY 205.952.593,32 inflation difference from investment funds, by 13,2686% of current issued capital to be covered from retained earnings and inflation adjustments to capital. The procedures for the increase in capital have been completed with the registration and publication of the Capital Market Board document dated 26 March 2013 and numbered 10/357 in the Turkish Trade Registry Gazette dated 05 April 2013 and numbered 8294.

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4. Organization Chart



EREĞLİ IRON AND STEEL INC. GENERAL ORGANIZATION CHART



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5. Preferred Stocks and information about the voting rights of the stocks

Beneficial interest had been established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization. All voting rights on the shares of A Group are exercised by the holder of beneficial interest. The information about the voting rights of the stocks are given in article 10 below, in the Articles of Association, articles 21 and 22.

6. 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 regular general assembly to be approved. The Company's 2012 Regular General Assembly has been executed on 29 March 2013.

According to the Enforcement and Application of Turkish Commercial Code numbered 6103, Article 25, Board Members have resigned and instead of those Board of Director Memberships the election has been made depending on the resolutions of Board of Directors numbered 9163, 9164, 9165 and 9166 under Turkish Commercial Code Article 363 and Articles of Association Article 11.

Fatih Osman TAR who was the representative of Board member ATAER HOLDİNG A.Ş. had resigned on 27 May 2013 and according to the Article 363 of Turkish Commercial Code and depending on the resolution of Board of Directors numbered 9221 an election had been hold to fill this vacancy. The result of this election had been approved by the General Assembly at the Extraordinary General Assembly held on 28 June 2013.

According to the Article 22 of Enforcement and Application of Turkish Commercial Code numbered 6103, The Extraordinary General Assembly held on 28 June 2013 to the adjust the Turkish Commercial Code numbered 6102 and to make the changes in Article of Association and other required regulations.

The active members of the Board of Directors as of 31.12.2013:

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– Executive Director	12.09.2012
Republic of Turkey Prime Ministry Privatization Administration (Represented by: Mehmet SARITAŞ)	Board Member	04.01.2013

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OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR	Board Member - Executive Director	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
Nazmi DEMİR	Independent Board Member	29.06.2012
Atilla Tamer ALPTEKİN	Independent Board Member	29.06.2012
Vacancy	Independent Board Member	

Information about Board Members' titles out of the company is given in App.1.

Changes in the Executive Board within the Period

Depending on the resolution of Board of Directors, dated 4 January 2013 and numbered 9178, it has been resolved to register and notice the assignment of Mehmet SARITAŞ as representative of the Board Member Privatization Administration under Article 364 of Turkish Commercial Code 6102.

Fatih Osman TAR who was the representative of Board member ATAER HOLDİNG A.Ş. had resigned on 27 May 2013 and he was elected as representative of the Board Member OYTAŞ İç ve Dış Ticaret A.Ş. to fill this vacancy on the same date.

Erdemir Chairman OYTAŞ İÇ VE DIŞ TİCARET A.Ş. Representative Osman Fatih TAR left all his duties in Erdemir Group as of 14 August 2013.

Ali Aydın PANDIR who was one of the Independent Board Members had resigned on 14 November 2013. Depending on the resolution of Board of Directors, dated 15 November 2013 and numbered 9261, Ali Aydın PANDIR was appointed as representative of the Board Member OYTAŞ İç ve Dış Ticaret A.Ş and this was registered in Trade Registry and promulgated in Turkey Trade Registry Gazette in accordance with provisions of article 364 of the Turkish Commercial Code numbered 6102.

Board of Auditors

According to the Turkish Commercial Code no:6102, no election had hold for the Board of Auditors at the Ordinary General Assembly held on 29 March 2013.

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.

Information About Board Members' and Executive Management's Titles out of the Company and The Declarations of Independent Board Members

Information about Board Members' and executive management's titles out of the Company is given in App.1, the declarations of Independent Board Members are given in App. 3.

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Members of Board Committees, Frequency of Meetings, Operating Principals also Including Activities Performed and Evaluation of the Board on the Effectiveness of the Committees

Board of Auditors held 5 meetings in 2013 and continued its activities in accordance with CMB Principles. Board Members participated in the meetings regularly. The operating principles of the Board of Auditors have been determined with the policy entitled Board of Auditors Policy dated 21 November 2012. The working instructions relating to the Committees take place on "www.erdemir.com.tr" website. No outside consultancy service procured by the Committees during the year.

Number of Meetings of the Board of Directors and Attendance of the Board Members

Board of Directors held 10 meetings in 2013. Board Members participated in the meetings regularly.

Executive Management

Executive Management	Title	Effective from	Education	Experience
Sedat ORHAN	Chief Executive Officer	16.08.2013	Karadeniz Teknik University – Mechanical Engineering	27 Years
Esat GÜNDAY	Executive Vice President (Operations)	13.07.2006	Middle East Technical University – Metallurgical Engineering	33 Years
Kaan BÖKE	Executive Vice President (Human Resources)	02.04.2012	Gazi University – Labor Economics	23 Years
Bülent BEYDÜZ	ERDEMİR Group Financial Affairs Coordinator	11.04.2011	Hacettepe University - Business Administration	27 Years
Sami NeziH TUNALITOSUNOĞLU	Executive Vice President (Financial Affairs)	11.04.2011	Gazi University - Economy	30 Years
Başak TURGUT	ERDEMİR Group Marketing and Sales Coordinator	01.02.2013	Middle East Technical University – Business Administration	16 Years
Şevkinaz ALEMDAR	ERDEMİR Group Procurement Coordinator	18.05.2013	Boğaziçi University – Business Administration	18 Years
Mehmet Müçteba BEKCAN	Executive Vice President (Technical Services and Investments)	14.07.2010	Middle East Technical University – Industrial Engineering	36 Years
Öner SONGÜL	ERDEMİR Group Information Technologies Coordinator	12.08.2010	Middle East Technical University – Industrial Engineering	34 Years
Oğuz Nuri ÖZGEN	ERDEMİR Group Production Coordinator	02.07.2012	Middle East Technical University – Metallurgical Engineering	30 Years
Mesut Uğur YILMAZ	ERDEMİR Grup Technology Coordinator	02.07.2012	Middle East Technical University – Metallurgical Engineering	33 Years

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Şevkinaz ALEMDAR who had performing as ERDEMİR Group Procurement Coordinator by proxy was assigned ERDEMİR Group Procurement Coordinator from November 07, 2013.

Başak TAV who had performing as ERDEMİR Group Marketing and Sales Coordinator by proxy since 1 February 2013 was assigned as ERDEMİR Group Marketing and Sales Coordinator from 10 June 2013. Her family name was changed as TURGUT because of her marriage.

Erdemir Chairman OYTAŞ İÇ VE DIŞ TİCARET A.Ş. Representative and Chief Executive Officer (by proxy) Fatih Osman TAR left all his duties in Erdemir Group as of 14 August 2013.

Company's paid hourly personnel number is 9.267, paid montly personnel number is 3.534 with a total personnel number of 12.801 (article 8).

7. 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 29 March 2013, it is consented to give the approval 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.

8. Collective Labor Agreement Applications and the Benefits

Ereğli Iron and Steel Inc.'s 24th Period Collective Labor Agreement, which was valid between 1.09.2012-31.08.2013, had expired. Signature Procedure for the New Collective Labor Agreement has been initiated and the first meeting was held on December 2, 2013, and the second, on December 24, 2013. Negotiations are in progress as of reporting date. A protocol of disagreement is issued between our Company's representative Turkish Employer's Association of Metal Industries and Turkish Metal Workers Union as of 17 January 2014, within the progress of 25. Period Collective Agreement meetings that have been ongoing since December 2, 2013.

25th Period Collective Labor Agreement, which will be valid between 1.01.2013-31.12.2014 has been signed on August 5, 2013 between Turkish Employers' Association of Metal Industries (MESS) on behalf of İskenderun Demir ve Çelik A.Ş. and Steel Trade Union as the collective bargaining agency.

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

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Bereavement allowance (in the case the worker dies), meal allowance, and transportation allowance, derived from the social benefits, are paid both to white-collar and blue-collar workers; the rest is paid only to blue-collar workers. Paid annual leaves, leaves of absence with excuse, unpaid leaves, and nursing leaves can be taken by both white-collar and blue-collar workers; the rest is taken only by blue-collar workers.

The Group's payables for employee benefits as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Due to personnel	66.870.456	61.083.831
Social security premiums payable	22.676.369	21.941.319
Income tax due to personnel	19.247.364	18.291.964
	108.794.189	101.317.114

Provision for employee benefits on 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Employee Termination Benefits	307.527.785	265.082.814
Seniority Incentive Premium	17.666.859	18.896.395
Provision For Unpaid Vacations	67.037.200	62.269.715
	392.231.844	346.248.924

The number of the personnel on 31 December 2013 and 31 December 2012 are as follows:

	Paid Hourly Personnel	Paid Montly Personnel	31-Dec-2013 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.612	1.824	6.436
İskenderun Demir ve Çelik A.Ş.	4.271	1.255	5.526
Erdemir Madencilik San. ve Tic. A.Ş.	123	148	271
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	43	95	138
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	160	160
Erdemir Romania S.R.L.	218	52	270
	9.267	3.534	12.801

	Paid Hourly Personnel	Paid Montly Personnel	31 December 2012 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.732	1.898	6.630
İskenderun Demir ve Çelik A.Ş.	4.658	885	5.543
Erdemir Madencilik San. ve Tic. A.Ş.	128	145	273
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	33	86	119
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	180	180
Erdemir Romania S.R.L.	208	72	280
Erdemir Lojistik A.Ş.	12	8	20
	9.771	3.274	13.045

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9. 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 2012 were met during the period 1.01.2013 – 31.12.2013. In this context, in order to strengthen our capacity of capital markets legislation, qualified personnel has been charged. Corporate Governance Principles Compliance Report" the Company issues is given in App.2.

10. Amendments in The Articles of Association

In the Regular General Assembly Meeting held on March 29, 2013, Article 5 "Head Office of the Company" and "Article 21 "Voting Rights and Form of Representation" of the Company's Articles of Association is amended as following;

"Head Office of the Company:

Article 5 - The head office of company is located in Istanbul. Its Address is Merdivenköy Yolu Caddesi No: 2 34750 - Küçükbakkalköy Ataşehir/İSTANBUL.

In case of address change, new address shall be registered in Trade Registry and promulgated in Turkey Trade Registry Gazette and furthermore notified to Ministry of Customs and Trade and Capital Market Board.

Written notification served to the registered and promulgated address shall be considered as notification duly served to the company. Although it has moved from the registered and promulgated address into new address which is not registered within its legal period shall be deemed as a reason to terminate the company.

Company may open branches or offices in such other suitable places upon the resolution of Board of Directors, provided that the same is notified to Capital Market Board as well as Ministry of Customs and Commerce.

Voting Right and Form of Representation:

Article 21 - Shareholders and attorneys who attended in the ordinary and extraordinary General Assembly meetings shall have one vote as per share. In the meetings of General Assembly, shareholders may cause to represent themselves through other shareholders or attorneys assigned from outside of the Company. Assignees who are company shareholder have the authority to cast the votes of shareholders to whom they represent, in addition to their own votes.

Capital Market Board's regulations on voting by proxy shall be reserved.

Attendance in general assembly meetings via electronic means

Shareholders may attend in General Assembly meetings via electronic environment pursuant to Article 1527 of Turkish Commercial Code. Company may setup an electronic general assembly system which will enable Shareholders to attend in the General Assembly meetings, to communicate their opinions, to furnish suggestions and exercise their voting rights or may purchase service of systems set up for such purposes pursuant to the provisions of Regulation on General Assembly meetings of Joint-Stock Companies to be held via Electronic Environment.

Pursuant to present article of Articles of Association, at all general assembly meetings, shareholders and their proxies shall be allowed to exercise their rights provided in the provisions of said Regulation over such a system set up."

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In addition, as a result of an increase in the issued capital of our company from TRY 3,090,000,000 to TRY 3,500,000,000, Article 7 (Capital) of our Company's Articles of Association is amended as follows with the resolution no 9205 dated March 12, 2013 of our Board of Directors and became effective following the approval letter no 912/3213 dated March 29, 2013 of Capital Market Board:

"Capital:

Article 7- Company accepted the registered capital system according to provisions of Law No 2499 amended by Law No 3794 and began to implement this system with permission İDİD/150/No 2416 dated August 15, 1983 of Capital Market Board.

The registered capital ceiling of the company is TRY 7,000,000,000.00 (seven billion Turkish Liras). When deems it necessary, Board of Directors may increase its capital by issuing share certificates each with a par value of 1 Kr (one Kurush) and all issued to their bearers up to the amount of registered capital between 2012 and 2016, provided that the terms of this Article are complied with.

The permission of registered capital ceiling given by Capital Market Board is valid for 5 years between the years 2012 and 2016. Even if permitted registered capital ceiling would have not been reached at the end of 2016, in order for a decision on capital increase to be able to be taken by Board of Directors after 2016, Board of Directors must be empowered by General Assembly on a new period for the ceiling permitted before or a new ceiling after obtaining the permission of Capital Market Board. Should such an empowerment cannot be obtained, company shall be deemed to be removed from registered capital system.

Board of Directors is authorized to limit rights of shareholder to acquire new share certificates and issue share certificates above their nominal values.

Each share certificate has a 1 voting right.

The issued capital of the company is TRY 3,500,000,000.00 (three billion five hundred million Turkish Liras) and all paid-in. This capital consists of 350,000,000,000 (three hundred fifty billion) share certificates, each with a par value of 1 Kr (one Kurush).

Shares representing the capital are monitored on records within the framework of registration principles.

This capital is divided into shares Group A and Group B. 1 (one) share of certificate, issued to the bearer amounting to 1 Kr (one Kurush) is A group and 349,999,999,999 (three hundred forty nine billion nine hundred ninety nine million nine hundred ninety nine thousand nine hundred ninety nine) share of certificates amounting to 3,499,999,999.99 (three billion four hundred ninety nine million nine hundred ninety nine thousand nine hundred ninety nine Turkish Liras, ninety nine Kurush) is B Group.

Beneficial interest shall be established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization. All voting rights on the shares of A Group shall be exercised by the holder of beneficial interest. ("beneficial interest")

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The Article of Association was wholly amended at the the Extraordinary General Assembly held on 28.06.2013 as follows:

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
ARTICLES OF ASSOCIATION

SECTION I:

Incorporation:

Article 1 - A Joint Stock Company was incorporated under the title of "Ereğli Demir ve Çelik Fabrikaları Türk Anonim Şirketi" between the founders with names and addresses written in article 2, in order to perform the following activities and procedures in frame of provisions, terms and conditions contained in the present Articles of Association.

Founders:

Article 2 - The Company's founders are as follows:

NAME	LOCATION
1 Koppers Associates, S.A.	Zurich, Switzerland
2 General Directorate of Türkiye İş Bankası A.Ş.	Ankara
3 General Directorate of Türkiye Demir ve Çelik İşletmeleri A.Ş.	Karabük
4 General Directorate of Sümerbank	Ankara
5 Ankara Chamber of Trade and Industry	Ankara

Title:

Article 3 - The Company's title is "Ereğli Demir ve Çelik Fabrikaları Türk Anonim Şirketi". It shall be hereinafter referred to as the "Company".

The name of the enterprise is "ERDEMİR".

Purpose and Scope:

Article 4 - The objectives and field of operations of the Company are as follows:

A. To purchase, lease or otherwise acquire real estates directly or indirectly relating to the objectives and subject-matter of the Company together with all rights thereon in connection of use thereof including establishing any lien thereon and renting out the same, and to sell any redundant real estates,

B. To construct, purchase and operate all facilities and equipment inland and abroad whether by itself or by establishing partnerships to that end, which are necessary or relating to the manufacture of any type, nature and size of iron and steel rolling products, alloyed or pure iron, steel and pig cast iron, cast and press products as well as inputs and byproducts necessary for the manufacture thereof,

C. To purchase, lease or otherwise acquire other raw materials, derivatives as well as any type and nature of mineral ores that are directly or indirectly necessary for the manufacture and production of the products as indicated in the subparagraph (B) above, and to discover, explore, extract, process and produce mines,

D. To purchase, construct, establish and operate any facilities and equipment that are directly or indirectly necessary for the further process and use of the byproducts, wastes, and scraps obtained at any process or stage of the products or processes as indicated in subparagraphs (B) and (C) above,

E. To establish generating plants and generate electric and heat energy, mainly for the purpose of meeting its own needs for electric and heat energy within the auto producer license (the production license to be issued in place of auto producer license as per

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Provisional Article 7 of Electricity Market Law No.6446), in accordance with the legislations relating to the Electricity Market and, in case of surplus generation, to sell generated electric and heat energy and/or capacity to other legal entities having the pertinent license and free consumers within the framework of the said legislations, and to engage in such activities relating to obtain all equipment and fuels necessary for the electric generating plants, provided that such activities shall not be of commercial nature,

F. To establish Research Centers, and to provide national and international laboratory services of any kind as well as training and consultancy services,

G. To operate ports and piers by constructing, purchasing and landing them for the purpose of shipping the products and supplying the inputs inland and abroad, and to provide pilotage, marine towing, storage and transportation services by letting other individuals and companies use such ports and piers, and to engage in land and sea transport activities inland and abroad or to establish separate companies and/or partnerships to that end,

H. To perform any kind of financial, commercial and industrial procedures directly or indirectly relating to the foregoing including but without limited to the below mentioned authorities,

I. To carry out borrowing, financing and cash management procedures and use any kind of risk management instruments by means of using any kind of money and capital market instruments in terms of Turkish Lira and/or foreign currencies inland or abroad without being limited to certain amounts for or in connection with any of the subject of the activity of the Company, provided that such transactions shall not be qualified as the investment services and activities,

J. Save for all rights vested to the Group A by virtue of article 22 hereof, to lend and receive deeds and/or bank letters of guarantee as security in connection with any field of operation of the Company, provided that this shall not be contrary to the legislations relating to lending procedures; to establish current accounts; to provide pecuniary, non-cash or personal guarantees for the financial liabilities of third parties, provided that the Company shall make necessary disclosures in accordance with the procedures set forth by the Capital Market Board,

K. To carry out all procedures relating to its own interests in accordance with provisions of articles 379 and 382 of the Turkish Commercial Code and the other relevant provisions,

L. To participate and purchase domestic or foreign companies which engage in the production or consumption of iron and steel products or which directly or indirectly provided services in respect thereof inland and abroad, or to establish new companies to that end, provided that the provisions of the Capital Market Law regarding regulations on hidden profit transfer shall be reserved,

M. To provide its personnel with training both in Turkey and foreign countries so that they have technical knowledge and skills in various specialization areas of the iron and steel industry; to establish training facilities and provide training and consultancy services,

N. To make license, know-how and similar agreements with domestic and foreign companies; to participate in tenders and commitments in respect of establishment of factories, and to purchase or sell information and technology,

O. To construct/cause to be constructed pipe lines and facilities for the purpose of purchasing, selling, storing and distributing natural gas,

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P. To perform any kind of corporate activities and procedures both in Turkey and foreign countries, which are directly or indirectly relating to the field of operation of the Company, in accordance with the pertinent laws,

R. To act and to grant rights others to act as a representative office, agency, distributor, authorized dealer; and to receive and give commission, in connection with its objectives and field of activity,

S. To acquire, use, lease, rent out, transfer and sell authorizations, permits, patents, patent rights, trademark rights, licenses and royalties as well as any kind of industrial and/or intellectual property rights in connection with its objectives and field of activity, and to take and give mortgages thereon,

T. To purchase, lease, take over and transfer and dispose of any kind of land, air and sea transport vehicles in order to achieve its objectives and fields of activity, and to sell the surplus quantity thereof. To engage in any kind of activity directly or indirectly relating to the objectives and fields of operation as set forth hereinabove;

U. To carry out Engineering and Architectural activities for any kind of studies, calculations, designs and technical drawings relating to the projects for which the Company may be in need in relation with its subjects of activity; and to follow up the implementation thereof;

V. Providing that it is not contrary to the regulations of Capital Market Law, governing hidden profit transfer and the provisions of other relevant legislation, the necessary special condition statements are made and the donations made within the year are presented to the information of the shareholders in the general assembly, the company may make any donation and provide any support in a way that does not hinder its own objective and activity scope.

Without prejudice to the rights granted to Group A under Article 22 herein, the Company may also engage in other activities other than those listed herein, which are related to its scope of activity or which the company will deem useful for its scope of activity on the condition that the company fulfills the requirements provided for within the frame of the legislation and such activities are not contrary to the legislation.

Head Office of the Company:

Article 5 - The head office of company is located in Istanbul. Its Address is Merdivenköy Yolu Caddesi No: 2 34750 Küçükbakkalköy Ataşehir/İSTANBUL.

In case of address change, new address shall be registered in Trade Registry and promulgated in Turkey Trade Registry Gazette and furthermore notified to Ministry of Customs and Trade and Capital Market Board.

Written notification served to the registered and promulgated address shall be considered as notification duly served to the company. Although it has moved from the registered and promulgated address into new address which is not registered within its legal period shall be deemed as a reason to terminate the company.

Company may open branches or offices in such other suitable places upon the resolution of Board of Directors, provided that the same is notified to Capital Market Board as well as Ministry of Customs and Trade.

Term:

Article 6 - The term of the Company is unlimited from the registration and announcement of the present Articles of Association.

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SECTION II:

Capital:

Article 7- Company accepted the registered capital system according to provisions of Law No 2499 amended by Law No 3794 and began to implement this system with permission No 2416 dated August 15, 1983 of Capital Market Board.

The registered capital ceiling of the company is TRY 7,000,000,000.00 (seven billion Turkish Liras). When deems it necessary, Board of Directors may increase its capital by issuing share certificates each with a par value of 1 Kr (one Kuruş) and all issued to their bearers up to the amount of registered capital between 2012 and 2016, provided that the terms of this Article are complied with.

The permission of registered capital ceiling given by Capital Market Board is valid for 5 years between the years 2012 and 2016. Even if permitted registered capital ceiling would have not been reached at the end of 2016, in order for a decision on capital increase to be able to be taken by Board of Directors, Board of Directors must be empowered by General Assembly on a new period for the ceiling permitted before or a new ceiling after obtaining the permission of Capital Market Board. Should such an empowerment cannot be obtained, company shall be deemed to be removed from registered capital system.

Board of Directors is authorized to limit rights of shareholder to acquire new share certificates and issue share certificates above their nominal values, provided that it is not contrary to the provisions of Turkish Commercial Code and Capital Market Law.

Each share certificate has a 1 voting right.

The issued capital of the company is TRY 3,500,000,000.00 (three billion five hundred million Turkish Liras) and all paid-in. This capital consists of 350,000,000,000 (three hundred fifty billion) share certificates, each with a par value of 1 Kr (one Kuruş).

Shares representing the capital are monitored on records within the framework of registration principles.

This capital is divided into shares Group A and Group B. 1 (one) share of certificate, issued to the bearer amounting to 1 Kr (one Kuruş) is A group and 349,999,999,999 (three hundred forty nine billion nine hundred ninety nine million nine hundred ninety nine thousand nine hundred ninety nine) share of certificates amounting to 3,499,999,999.99 (three billion four hundred ninety nine million nine hundred ninety nine thousand nine hundred ninety nine Turkish Liras, ninety nine Kuruş) is B Group.

The right of usufruct shall be established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization. All voting rights on the shares of A Group shall be exercised by the holder of usufruct. ("usufruct")

Capital Increase or Decrease:

Article 8 - Without prejudice to the rights granted to Group A under article 22 herein, the capital of the company may be increased or decreased within the frame of the provisions of Turkish Commercial Code and Capital Market Legislation, when necessary.

Issue of Debt Instruments:

Article 9 - The Company may issue any debenture, financial bill, asset-backed commercial paper, other debt instruments, including those drawn up on the basis of discount, the replaceable and purchasable bonds as well as any sort of security and other capital market

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instruments in the form of debt instrument through the resolution of the Board of Directors in accordance with Turkish Commercial Code and Capital Market legislation.

In the issue of these securities, The Board of Directors is authorized indefinitely pursuant to relevant provisions of Capital Market Law.

SECTION III:

Board of Directors:

Article 10 - Company's business and management is governed by the Board of Directors.

Board of Directors consists of minimum 5 and maximum 9 members to be selected by the General Assembly of Shareholders under the provisions of Turkish Commercial Code and Capital Markets Board Law.

One of the Board members is elected by the General Assembly from among the candidates to be shown by the Directorate of Privatization Administration, which has the right of usufruct in representation of Group A shares.

The number and the qualifications of the independent members that shall take office in the Board of Directors are determined according to the regulations of Capital Market Board regarding corporate management.

General Assembly of Shareholders determines the number of members to be selected for Board of Directors in such a manner to ensure the members to perform effective and creative activities, to take quick and rational decisions and efficiently organize their activities as well as formation of committees.

Term of Board of Directors:

Article 11 - Members of Board of Directors are appointed for three years and the independent members are appointed for 1 year; the members with expired tenure may be re-elected. In case of vacancy in a position of a member for any reason, the Board of Directors shall appoint someone with the qualifications stipulated in Turkish Commercial Code, Capital Markets Board legislation and the present Articles of Association temporarily for this position, and submit to the approval of first coming General Assembly of Shareholders. So the elected member completes the former member's post term.

General Assembly of Shareholders is entitled to change members of the Board of Directors whenever it deems necessary.

In case the duty of the member of Board of Directors representing the Group A shares expires in any way within the term he has been elected for, the substitute member must also be elected among the candidates to be offered by the Privatization Administration as the usufructuary to represent the Group A shares.

Meetings:

Article 12- Board of Directors gathers at the corporate headquarters or at another location upon the resolution of Board of Directors at least six times a year or whenever deemed necessary for the Company's business. Board of Directors elects a chairman and one vice chairman at least to act as proxy in his absence among the members during the first meeting of each year. The procedure to be followed to assemble the Board of Directors, the quorum for the meeting and the resolution, voting, as well as duties, rights and authorities of Board of Directors are subject to provisions of Turkish Commercial Code and related legislation. Resolutions of Board of Directors are entered into the official minutes book. It is also signed by the chairman and the members. Without prejudice to the rights conferred upon the Group A by the article 22 of the present Articles of Association; Board of Directors may grant all or

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some part of the authority of representation and administration to one or several executive directors who are also the members of Board of Directors other than independent board members. The provisions of Article 367 of TCC are reserved in this subject.

Board of Directors shall have to discuss on a detailed report issued by the General Directorate showing the quarterly progress of investment projects, and to pass a resolution upon the suggestions made by the member of Board of Directors as the usufructuary to represent the Group A shares. The development of investment projects is reflected on the annual report of Board of Directors in detail. Furthermore, no resolution can be passed by Board of Directors on the issues mentioned in articles 22 and 37 of the present Articles of Association without the affirmative vote of the member of Board of Directors as the usufructuary to represent the Group A shares.

The member of Board of Directors in the capacity of usufructuary or a person to be addressed by him shall participate in the General Assemblies of Shareholders of Subsidiaries to represent the Group A shares of the Company in Subsidiaries. One of the members of Board of Directors of the Subsidiary shall be elected among the candidates to be shown by that representative or the member of the Board of Directors.

In the event that a resolution is to be passed in General Assemblies of the Subsidiary on issues concerning the rights granted to the Group A shares in the Subsidiary, the affirmative vote of the said representative or the member of the Board of Directors shall be sought.

Resolutions to be passed by the Company's Board of Directors on any rights and obligations regarding the Group A shares in the Subsidiaries shall be passed upon the affirmative vote of the member of Board of Directors in the capacity of the usufructuary.

For the purposes of the present Articles of Association, "Subsidiary" refers to İskenderun Demir ve Çelik Anonim Şirketi and Erdemir Madencilik Sanayi ve Ticaret Anonim Şirketi.

It's mandatory that the member of Board of Directors in the capacity of usufructuary also casts an affirmative vote on resolutions to be passed concerning the rights granted to the Group A shares.

It shall be observed the Corporate Management Principles, the implementation of which is made obligatory by Capital Markets Board. The transactions made and the resolutions passed without observing the obligatory principles are held invalid and deemed contrary to the articles of association.

With regard to the implementation of the Corporate Management Principles, the regulations of Capital Market Board on corporate management are observed in the transactions deemed to have an important nature and any related party transactions of the company, which are of important nature as well as the transactions for giving security and establishing pledge and mortgage in favor of third persons.

If none of the members requests to make a meeting, the resolutions of board of directors can be taken upon the obtainment of the written approval of the majority of the total member number at least for the proposal of one of board members on any issue, which is written in the form of resolution. Such resolution taken in this way can be only valid if the same proposal is made to all members of board of directors. It is not required to have all approvals on the same paper; however, affixation of all papers, where the approval signatures take place, on the resolution of board of directors or transformation of them to a resolution that includes the signatures of the approvers and recording it on the resolution book is required for the validity of the resolution.

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The resolutions are not valid unless they are in written form and signed.

The board members may neither cast vote in representation of one another nor attend to the meetings through a representative.

In case that the votes are equal, this subject is left to the next meeting. If the votes are equal in the second meeting, as well, such proposal is deemed to be rejected.

Authorities of the Board of Directors:

Article 13 – The Board of Directors shall manage and represent the Company.

Except for the managing and representing rights as determined by the Resolution of the Board of Directors in respect of the appointment of a managing director or directors in accordance with the last sentence of subparagraph 1 of article 12 of the Articles of Association, no documents to be issued and no agreements to be made by the Company shall be valid unless signed by at least two persons authorized to represent and bind the Company, which signatures shall be affixed below the corporate name of the Company.

The term of office of the general manager, assistant general managers, managers and other employees authorized to sign on behalf of the Company shall not be limited to the term of office of the Members of the Board of Directors.

The Board of Directors shall determine, register and announce the persons who are to be authorized to sign on behalf of the Company, and how they affix their signatures on behalf of the Company.

The Board of Directors is entitled to assign the management completely or partially to a couple of board members or a third party according to an internal guideline to be set out, as per Article 367 of Turkish Commercial Code, except for the untransferable duties and authorities defined in Article 375 of Turkish Commercial Code. Also board of directors may assign the representation authority to one or more executive directors or a third party as a manager. At least one board member has to have representative authority.

Such transactions as the acquisition, putting in pledge and securing with a pledge etc. regarding the own shares of the company are carried out by the Board of Directors. The provisions of TCC and relevant legislation are observed in this respect.

Duties of Board of Directors :

Article 14- The primary duties of Board of Directors are; to fulfill the resolutions of General Assembly of Shareholders, to invite the General Assembly of Shareholders to meeting under the law and articles of association, to execute any kind of disposals deemed necessary and useful for the Company, to purchase and acquire any immovable properties and similar real rights on behalf of and for the possession of the Company; to restrict the Company's immovable properties under a certain real right or execute sales transactions; to lease and hire out any kind of movable and immovable properties that it shall deem as necessary for the interests of the Company; to grant and owe loans on the account and behalf of the Company, whenever necessary to establish liens on the immovable properties of the Company, and to take mortgages form real and legal entities on behalf of the Company and to submit motions of the same; to cancel such mortgages and any and all types of restrictions and limitations; and to submit the necessary cancellation motions.

The principles stipulated within the scope of Capital Market regulations shall be complied with, concerning the issues as to Company's giving guarantees, securities, warranties or giving collaterals including liens, mortgages on its behalf and for the benefit of third parties.

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The Board of Directors is authorized to take decisions about any transactions other than the issues exclusively left to the discretion of General Assembly of Shareholders in the Law and the Articles of Association.

Remuneration of the Members of Board of Directors:

Article 15 - Remuneration of the members of Board of Directors shall be determined by General Assembly of Shareholders.

Appointment and Duties of the General Manager:

Article 16 - The Company's General Manager is appointed by Board of Directors.

The General Manager conducts the Company's business in frame of the resolutions of Board of Directors and in line with the principles specified in the legislation.

Assignment of Powers to the General Manager:

Article 17- The General Manager is liable to manage the Company according to the provisions of Turkish Commercial Code, Capital Market Law, Communiqués of Capital Markets Board and other related legislations and in compliance with resolutions of Board of Directors.

Power to represent the company before official bodies, private institutions and persons, assemblies, courts, all judicial and administrative bodies as well as the rights to accept a reconciliation offer regarding a dispute, to release a debtor and to recourse arbitration are vested in and belong to the Board of Directors, and the Board may delegate some parts of these powers to the Company's General Manager duly depending on the requirements and necessity of the work.

SECTION IV:

AUDIT

Article 18- Regarding the audit of the company, the relevant articles of Turkish Commercial Code and Capital Market Legislation are applied.

Committees:

Article 19 – Concerning the formation of the committees that the Board of Directors is obliged to set up, including the commission for the determination in time of the exposure within the frame of Capital Market legislation and Article 378 of Turkish Commercial Code as well as duties and working principles of such committees and their relations with the Board of Directors, the provisions of the relevant legislation are applied.

SECTION V:

GENERAL ASSEMBLY

Shareholders' General Meetings:

Article 20- Ordinary General Assembly shall be held within three months from the end of the Company's activity period and at least once in a year, discussing and resolving upon the subjects of agenda. Extraordinary General Assembly shall be held whenever required by the Company's business in compliance with the provisions written in the law and the present Articles of Association.

Voting Right and Form of Representation:

Article 21 – The shareholders or their proxies who present in the Ordinary and Extraordinary General Assembly meetings shall exercise their voting rights pro rata to the total nominal value of the shares. Each share has only one voting right. In the meetings of General Assembly, shareholders may cause to represent themselves through other shareholders or proxies assigned from outside of the Company. Proxies who are also company shareholders

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have the authority to cast the votes of shareholders to whom they represent, in addition to their own votes.

Capital Market Board's regulations on voting by proxy shall be reserved.

The functioning manner of the general assembly meeting is regulated through an internal directive. The general assembly meeting is conducted in accordance with the provisions of TCC, capital market legislation and internal directive.

Participating in general assembly meetings via electronic means

Shareholders may participate in General Assembly meetings via electronic environment pursuant to Article 1527 of Turkish Commercial Code. Company may setup an electronic general assembly system which will enable Shareholders to participate in the General Assembly meetings, to communicate their opinions, to furnish suggestions and to cast their votes or may purchase service of systems set up for such purposes pursuant to the provisions of Regulation on General Assembly meetings of Joint-Stock Companies to be held via Electronic Environment.

Pursuant to present article of Articles of Association, at all general assembly meetings, shareholders and their proxies shall be allowed to exercise their rights provided in the provisions of said Regulation over such a system set up.

Adopting Resolutions on Issues which shall affect the Group A Shares:

Article 22- Resolutions regarding any amendment in the Articles of Association which are likely to affect, directly or indirectly, the obligations in the Share Sale Agreement in respect of investment and employment, and, the rights granted to the Group A shares in connection with those obligations as well as the amendments which are to affect the quorum for meeting and resolution of Board of Directors and the rights belonging to the Group A shares,

- Resolutions regarding closedown or sales of or an encumbrance upon the integrated steel production facilities and mining facilities owned by the Company and/or its subsidiaries or a resolution on reduction in capacity of such facilities,
- Resolutions regarding closedown, sales, demerger or merger or liquidation of the Company and / or its subsidiaries owning the integrated steel production facilities and mining facilities, can be passed only through affirmative votes of the usufructuary in representation of Group A shares. Otherwise, the resolutions passed shall be invalid.

Quorum:

Article 23- For the general assembly meetings and the necessary quorum in these meetings, the provisions of Turkish Commercial Code, capital market legislation and the corporate governance principles of Capital Market Board are observed.

Meeting Venue:

Article 24- General Assemblies are held in the province where the corporate headquarters is located or in Ankara or in Karadeniz Ereğli where is deemed appropriate by Board of Directors. If the meeting is to be held anywhere else other than the place where the corporate headquarters is located, venue of the meeting shall be expressly stated in the announcement regarding general meetings.

Chairman

Article 25- General Assemblies are headed by the Chairman of Board of Directors. Vice chairman performs this duty in absence of the chairman. The person to act as the chairman in absence of both shall be appointed by the General Assembly of Shareholders.

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Powers of General Assembly of Shareholders:

Article 26- Powers of General Assembly of Shareholders are,

- a) To decide upon the issues that fall outside the powers of Board of Directors,
- b) To give special permissions to Board of Directors and to ascertain the conditions thereof, and to determine the manner of managing the corporate business,
- c) To accept or reject reports, balance sheets, income statements to be arranged by the Board of Directors and auditors concerning company operations, or through performing a negotiation, to resolve that they shall be rearranged. To decide the acquittance and liability of the Board of Directors' debit. To choose the members of the Board of Directors and auditors, and when necessary, to dismiss them and to appoint others. To determine the fees to be paid to the members of the Board of Directors and auditors.

Other Powers:

Article 27- The powers mentioned in the article above are not limited. Taking resolutions regarding subjects that concern the Company either directly or indirectly, such as the management of the company operations or modification of the Articles of Association are within the powers of the General Assembly of Shareholders within the context of the Turkish Commercial Code and Capital Market Law provisions.

Acquittance:

Article 28- The general assembly resolution regarding the approval of the balance sheet results in the release of the members of board of directors, managers and auditors, unless otherwise explained in the resolution. In addition to it, if some issues are not stated properly or at all or the balance sheet involves some matters that will hinder the consideration of company's actual status and if it is acted intentionally in this regard, the approval does not result in release.

Ministry Representative:

Article 29- Concerning the methods and principles regarding at which conditions the Ministry representative will be present in the general assembly as well as the assignment of representatives for the general assembly meetings, and the qualifications, duties and authorities of such representatives, the provisions of the relevant legislation are observed.

Announcement:

Article 30 - The announcements of the company shall be made in accordance with Turkish Commercial Code, regulations of Capital Market Board and the provisions of relevant legislation.

The provisions of Article 1524 of TCC are reserved.

Amendments of the Articles of Association:

Article 31- The amendment to the articles of association shall be decided within the frame of the provisions stated in the legislation and articles of association, in a general assembly to be invited in accordance with the legislation and the provisions of the articles of the association, upon obtainment of a permit from Ministry of Customs and Trade with the assent of the Capital Market Board.

Documents to be sent to the Ministry of Customs and Trade and Capital Markets Board:

Article 32- One copy from the Board of Directors activity report, independent audit report and annual balance sheet, and profit&loss statement as well as minutes of general assembly and attendants' list shall be submitted to the Ministry of Customs and Trade within one month at latest as of general assembly meeting date.

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The financial statements and reports which are required by the Capital Market Board to be issued as well as the independent audit report in case that it is subjected to an independent audit are announced to the public within the frame of the relevant provisions of TCC and the principles and procedures determined by Capital Market Board.

SECTION VI:

Activity Period:

Article 33- The activity period of the Company starts in the first day of the month of January and ends in the last day of the month of December.

Determination and Allocation of the Profit:

Article 34- General Assembly is entitled to take resolutions regarding non-distribution of the profit or distribution of the profit partially or completely in line with the profit distribution policies.

General legal reserves and the applications regarding dividend account are carried out in accordance with the provisions of TCC, CMB and the relevant legislation.

Unless the reserves required to be set aside legally and the dividend determined for the shareholders are set aside, it may not be resolved for setting aside any other reserve, transferring profit to the next year, and distributing dividend to the dividend share owners, board members and employees of the partnership and unless the determined dividend is paid, it may not be distributed dividend to those people.

Also General Assembly is entitled for the distribution of Dividend Advance within the frame of the relevant provisions of TCC, Capital Market Board and relevant legislation.

The dividend distributed in accordance with the provisions of this Articles of Association may not be claimed back. In case of distribution of dividend advance, reclaiming dividend is exception.

SECTION VII:

Miscellaneous Provisions:

Competent Court:

Article 35- The competent court of the district in where the Company's headquarters is located shall handle and conclude all conflicts that may arise between the company and its shareholders and all disputes that may occur during activity or liquidation period.

The Termination and Liquidation of the Company:

Article 36- Board of Directors may call for a General Assembly due to any reason in order to discuss the termination or liquidation procedure of the Company or its consequences. The Company shall be terminated through reasons determined by the Turkish Commercial Code or by court decision. Furthermore, it may also be terminated through the decision of the General Assembly of Shareholders within the context of legal provisions. Provisions of the Turkish Commercial Code are applicable concerning the method of termination and liquidation of the company and related transactions.

Article 37- Provided that it will be effective from the signature date of the Share Sale Agreement to be signed following the realization of the privatization transaction concerning the shares pertaining to the Republic of Turkey Prime Ministry Privatization Administration as per the Law no 4046, the fulfillment of commitments contemplated in the Share Sale Agreement concerning investment and employment shall be under the responsibility of the Company's Board of Directors. This present Article 37 may be amended with the affirmative vote of the usufructuary representing Group A shares.

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Article 38- Provisions of Turkish Commercial Code and Capital Market Law shall be applied to the issues that are not written in this Articles of Association.

Temporary Article 1- The provisions of the Articles of Association concerning the right of usufruct, other than the amendments made in the clause 9 of the Article 7 of the Articles of Association of the Company, shall be eliminated when the usufruct established on Group A shares are removed.

Usufruct established in favor of the Republic of Turkey Prime Ministry Privatization Administration comes to an end through a resolution to be taken by the Privatization High Council concerning this subject. This circumstance shall be reflected to the Company's Articles of Association.

The present Temporary Article 1, may be changed with the affirmative vote of the usufructuary representing Group A shares.

Temporary Article 2- While the nominal value of the shares was TL 500, it first changed to 1 New Kuruş in accordance with the Law No. 5274 on Amendment to the Turkish Commercial Code, and then to 1 Kuruş since the word "New" was removed from the words "New Turkish Lira" and "New Kuruş" on 1 January 2009, in accordance with the Decree of the Council of Ministers no. 2007/11963 dated 4 April 2007. For the reason of such change, the number of total shares was reduced, and a share with nominal value of 1 (New) Kuruş was given in consideration of 20 shares with a value of TL 500. The rights of the shareholders arising from the shares held by them shall be reserved in respect of the said change.

The words "Turkish Liras" contained herein are the words changed by the above mentioned Decree of the Council of Ministers.

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 29 March 2013 is as follows:

9- 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. Ahmet Türker ANAYURT, 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 583.803.505,9000 refusal 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 2.200 TRY (monthly, in cash), the wages of independent Board members will be 5.000 TRY (monthly, in cash) and the new wages will be valid from the date of 1 April 2013.

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.

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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.

Other than the wages determined by Company Rating System efficiency premium payment was made once in 2013 with Board's decision according to effectiveness periods. All healthcare costs of the management are covered with insurance.

A total of TRY 5.578.484 is paid to Company's Executive Management as wage and success incentive premium as of reporting period.

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

A total of TRY 6.004.085 is recorded as expense related to Company Board Members and Executive Management as of reporting period.

C – Research and Development Studies

Within the period, the equipment for ARGE Center has been defined and the procurement processes have been started. Besides the improvement studies of the existing process conditions and products, certain studies have been carried out in terms of the development of dual phase hot rolled steel grades for automotive wheel rim, upgradable API grades for the casing and tubing and heavy gauge API grades for natural gas transfer for pipe companies and high carbon steel grades for cutting disk manufacturers. The homologation studies and industrial trial tests have been continued in accordance with the demands of leading companies of automobile industry. After achieving successful results from the homologation and trial tests, special steel grades have been developed and presented to the market.

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; Ereğli Steel Service Center project contracts for all lines were signed and the site activities are continuing. Cold Slitting Line and Oscillating Cut to Length Line were put on the operation in the first half of 2013. Circular Sinter Cooler Waste Heat Recovery Boiler project is completed. Investments in BOF and Continuous Casting Facilities in accordance with reline is almost completed. Air Knife for Continuous Galvanizing Line No:1 and New Turbo Blower projects are completed and was put on the operation. Air Separation Plant No.7, TinCal Automation Modernization, Environmental Investments and Installation of an External Combustion System at the Cogeneration Power Plant projects were initiated. Tender studies related to Blast Furnace Top Pressure Recovery Turbines and Galvanizing Line No.2 projects have currently been in progress. Modernization of Slab Furnace No:3 project's contracts were signed. Improvement of Cooling Systems, The Integration of the No.3 Coal Grinding Plant into the Coal Injection Plant (PCI), and Converting Ladle Treatment to the Ladele Furnace projects have currently been in progress.

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On the other hand, in Iskenderun Facilities; 'Modernization of the Coke Oven Battery No.4', 'Harbor Investments', 'Environmental Investments' and "Alternative Reladling Pit, Changing Crane Girders" and "Hot Slitting Line" projects are in progress. Hot Rolling Mill Revamping project has currently been in bidding phase.

Total investments in Erdemir Group plants in 2013 amount to USD 162 million as of 31 December 2013 (31 December 2012: USD 242 million).

2. Internal Control System and Internal Auditing Activities

The objective of the Internal Control system established within Erdemir Group companies is to ensure operational effectiveness and efficiency, financial reporting system reliability and compliance with legal regulations. The system is routinely evaluated by Business Process Analysis and Auditing Unit for effectiveness and adequacy.

Erdemir Group Audit directly reports to the Chairman of the Board of Directors to ensure the independent operation of the unit and compliance to Capital Markets Board Regulations. In addition to that, on a quarterly basis an activities report is submitted to the Audit Committee which is comprised of Independent Board Members.

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	2013 Share %	2012 Share %
Iskenderun Demir ve Çelik A.Ş.	Turkey	Iron and Steel	95,07	92,91
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	Iron and Steel	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	Iron and Steel	100,00	100,00
Erdemir Lojistik A.Ş.	Turkey	Logistics Services	100,00	100,00

Erdemir Gaz San. ve Tic. A.Ş. as disclosed in non-current financial investments is excluded from consolidation, as it has not been dormant operating since its establishment and as it does not significantly affect the consolidated financial statements of the Group.). In the Extraordinary General Meeting of Erdemir Gaz San. ve Tic. A.Ş. dated 7 May 2012, liquidation of the Company has been decided.

In the General Meeting of Erdemir Lojistik A.Ş. dated 8 June 2012, the merger of the Company with Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. has been decided. Merger operations are completed as of 13 February 2013. This merger had no impact on the financial position of the Group.

In the Extraordinary General Meeting of Iskenderun Demir ve Çelik A.Ş., it was decided to raise the capital to TRY 2.900.000.000,00 from TRY 483.126.252,12. The Company has increased its share capital in Iskenderun Demir ve Çelik A.Ş from %92,91 to %95,07 (within the preferential rights).

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Subsidiaries

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Erdemir in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2013 and 2012 (%) and their functional currencies:

	31 December 2013			31 December 2012		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	95,07	95,07	Turkish Lira	92,91	92,91
Ersem	US Dollars	100,00	100,00	Turkish Lira	100,00	100,00
Ermaden	Turkish Lira	90,00	90,00	Turkish Lira	90,00	90,00
Erenco	Turkish Lira	100,00	100,00	Turkish Lira	100,00	100,00
Erdemir Romania S.R.L.	Euro	100,00	100,00	Euro	100,00	100,00

Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value.

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.

4. Information about Company Shares the Company Acquires

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" allows Erdemir to purchase, hold, sell or transfer its own shares, without voting rights. As of 31 December 2013, the Company holds its own shares with a nominal value of TRY 107.836.853 (31 December 2012: TRY 95.204.536). The shares that the Company acquired don't have the rights to be publicly traded in Istanbul Stock Exchange.

5. Information about public and private audits

An anti-dumping investigation was initiated in February 2013, regarding hot rolled flat steel exports to Morocco by numerous countries including Turkey. The investigation still continues and it is expected to be finalized by April 2014. In the preliminary findings, various dumping margins were accounted for the exporters except Erdemir Group. Consequently Erdemir

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Group is exempted from provisional measures, while such duties are being implemented for numerous other exporters. Provisional findings acknowledge that Erdemir Group companies operate in compliance with the conditions of global competition, according to the principles of fair competition.

United States authorities have initiated a countervailing duties investigation in July 2013, regarding OCTG producers from India and Turkey that were allegedly supplied by state subsidized hot rolled flat steel products; so Erdemir Group was taken under the scope of the investigation. The investigation still continues and it is expected to be finalized by June 2014. In the preliminary findings, some Indian OCTG and hot rolled steel producers were accounted for actionable subsidy margins, thus provisional countervailing duties are being implemented. Turkish OCTG producers were accounted for subsidy margins within deminimis levels, so no provisional measures are being applied. Erdemir Group was not accounted for any state subsidy; therefore no provisional action is at stake. As such, it was once more acknowledged that Erdemir Group pricing policy is set in compliance with the circumstances of fair competition and Erdemir Group pricing competitiveness does not depend on any type of government subsidy. On the other hand, a parallel anti-dumping investigation regarding OCTG producers from several countries including Turkey also continues, concurrently. However in contrast to the investigation on subsidies, the anti-dumping investigation has no affiliation with the Erdemir Group.

As a result of limited investigation on 2008 financial records of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. in terms of stamp tax, 03.12.2012 dated and 2012-B-147/2 numbered Stamp Tax Investigation Report is drawn up on behalf of the company by Tax Inspection Board. Briefly, it was concluded in the report that because of the enjoyment from provisions of a contract, signed abroad on 28.04.2008, was held in Turkey; the stamp tax of the contract must be applied.

A reconciliation process regarding to the report has been requested from Revenue Administration. The reconciliation meeting was held on 15.08.2013. As a result of negotiation, it was reconciled as total amount of 1.537.595 TL financial obligation. Payment of the agreed amount was held on 13.09.2013.

It is decided to make one-year agreement with "Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited)" for our company's and its subsidiaries' Independent External Audit.

6. Subjects Related to Law

a) Lawsuits

The Company, prepared its interim consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB's Communiqué Serial XI No 25 on "Accounting Standards to be implemented in Capital Markets" which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB's letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Company Management. The aforementioned Communiqué (Serial XI No. 25 on the "Accounting Standards to be implemented in Capital Markets"), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

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CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (UFRS) caused decrease amount of TRY 152.329.914 on the period income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 September 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company's lawyers on 16 July 2012.

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the IFRS, by adding the negative goodwill of TRY 152.329.914, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that "Article 726 and Temporary Provision 1 of CMB's Communiqué Serial XI, No. 25 authorize the use of IFRS on consolidated financial statements of 2005, although CMB had given the Company a 'permission' No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". The Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgment. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgement by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

In the meeting no. 29/1110 dated 7 December 2008, CMB imposed administrative fine upon management of the Company as the Company did not obey the decision of CMB dated 2 December 2006 asking the Company to restate its consolidated financial statements of 31 December 2005. The Company appealed against the administrative fine. Ankara 1. Criminal Court of Peace accepted the appeal request with its decision no. 2006/1480 dated 7 July 2009. CMB appealed this decision. However, this time Ankara 3. High Criminal Court rejected CMB's appeal request with its decision no. 2009/320 dated 10 August 2009 and the rejection decision is final and definite.

Consequently, the decisions given by two different courts conflicted with each other.

In 1 August 2012, the Company applied to 11th Administrative Court of Ankara to remove the decision conflict of these courts by adopting Ankara 1. Criminal Court of Peace's decision no. 2006/1480 dated 7 July 2009 instead of decisions no E.2006/2548, K.2007/1071 dated 25 June 2007 and no. E.2006/1396, K.2007/494 dated 29 March 2007.

Meanwhile, Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which were prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to

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Ataer Holding A.Ş., filed a lawsuit before the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673.249 allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. Therefore the case is still pending (E. 2011/551).

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on "IFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with "IFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 December 2013 and 31 December 2012 will not be affected from the above mentioned disputes.

The Company, based on the above mentioned reasons, did not make any adjustments in the accompanying consolidated financial statements for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above and waits for the result of its claim about removal of decision conflict and resolution of the pending lawsuit opened by Privatization Administration.

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 02.07.2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company. However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27.03.2010 claiming that the objection should be overruled and 68.312.520 USD should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23.06.2011. Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915) and after this, the case file was sent back to the 7th Commercial Court of Ankara. Therefore the case is still pending (E. 2013/17) before the 7th Commercial Court of Ankara and the next court hearing is on 17 April 2014.

An action of debt was instituted by Messrs. Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. against our company at the 3rd Civil Court of Kdz. Ereğli on 17 April 2013 under file no 2013/253 Esas claiming for the compensation of the loss arising from the sales contract of TL 17.800,-, reserving the rights for surplus. The Company was informed from the amendment petition, which was served to the company on 01 November 2013 that the plaintiff pleaded from the court to raise the claim to TL 10.837.801,69 as assessed by the expert opinion submitted to the court. The Company contested to the expert opinion and the amendment petition within the statutory period. The court will examine the file. The next trial is on 11 March 2014.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from our company but thereafter alleged that they directed

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claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800.000,00 together with accessory against the Company in Illinois State District Court of USA. KAP statement regarding this lawsuit is made by the Company on 17 August 2010.

After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. KAP statement explanation regarding this lawsuit is made by the Company on 24 August 2011 and it is submitted to public opinion that this case is dismissed by the court from jurisdiction aspect through KAP statements on 16 July 2012.

It is learnt through a notified made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of TRY 8.668.800 (USD 4.800.000,00) together with accessory against the Company before Ankara 14th Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgment becomes definite and in case of request. The case still continues on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. The court file has been entrusted to the expert. Date of next hearing of the case is 29 May 2014.

b) Penal Sanctions

None.

7. General Assemblies

The company had achieved the aims stated in past terms. The resolutions adopted at the Ordinary General Assembly held on 29 March 2013 had been implemented. In 2013, the General Assembly had met extraordinary two times. The dates of the extraordinary general assembly meetings and the information about the resolutions adopted are given below.

a. At the Extraordinary General Assembly Meeting held on 28 June 2013, the election for the membership of the Board of Directors and the amendments made in the Articles of Association, the Dividend Distribution Policy and the Internal Directive Regarding the Working Principles and Procedures of the General Assembly in accordance with the provisions of Turkish Commercial Code numbered 6102 had been consented.

b. At the Extraordinary General Assembly Meeting held on 30 October 2013, the resolutions about the allocation of cash dividend from cumulative profit and profit reserves and the revision of maximum limit of the donations as %0,03 had been adopted.

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8. Donations Made and Social Responsibility Projects

Donations of the Erdemir Group's companies are as follows:

(TRY)	1 January- 31 December 2013	1 January- 31 December 2012
Cooperative Activities with Public Institutions and Organizations	7.116.424	499.971
Education and Training Activities	554.602	751.725
Volunteer Studies and Cooperative Activities for Charities	247.978	226.620
Cooperative Activities with Foundations, Associations, Organizations, Institutes	477.584	42.573
Sportive Activities	103.267	4.000
Cultural and Artistic Activities	7.200	29.429
Health-Benefit and Financial Support Activities	21.933	445
Total	8.528.988	1.554.763

9. Group Companies

a) Transactions

There is no act of law conducted beneficial to Ordu Yardımlaşma Kurumu (OYAK) or/and its subsidiaries or there is no measure taken beneficial to Ordu Yardımlaşma Kurumu (OYAK) or/and its subsidiaries in business year 2013.

b) Information About Transactions

None.

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 been audited as of 31 December 2013 and 31 December 2012.

Summary of Balance Sheet

(TRY)	(Audited)	(Audited)
	Current Period	Previous Period
	1 January - 31 December 2013	1 January - 31 December 2012
Current Assets	6.008.498.444	5.854.230.082
Non-current Assets	8.025.985.849	7.287.190.543
Total Assets	14.034.484.293	13.141.420.625
Current Liabilities	2.475.405.792	2.817.904.101
Non-current Liabilities	2.852.258.782	2.907.604.439
Shareholders' Equity	8.706.819.719	7.415.912.085
Total Liabilities	14.034.484.293	13.141.420.625

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Summary of Income Statement

(TRY)	(Audited)	
	Current Period	Previous Period
	1 January - 31 December 2013	1 January - 31 December 2012
Sales Revenue	9.780.751.418	9.570.396.709
Operating Profit	1.559.203.891	753.335.711
Profit from Continuing Operations Before Taxation	1.248.161.209	681.482.829
Profit for the Period (*)	960.407.573	483.575.552
EBITDA	1.877.722.027	1.083.160.817
Earnings Per Share	26,28%	12,91%

(*) Shareholder's share in the net profit for the period is TRY 919.974.007 in December 2013 (December 2012: TRY 452.016.769).

2. Key Ratios

(%)	1 January - 31 December 2013	1 January - 31 December 2012
Operating Profit Margin	15,9	7,9
Profit Margin	9,4	4,7
EBITDA Margin	19,2	11,3

3. Financial Strength

According to the calculation made with the ratios issued in Şirketin Turkish Commercial Code Article No: 376., the Company's equity is fully covered.

4. 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.

The Nature and Amount of Issued Capital Market Instruments

With the decision of Ereğli Iron and Steel Inc.'s Board Meeting as of 19 February 2013 and approval no: 9189 as of 19 February 2013; it is decided that TRY 3.090.000.000 of issued capital will be increased to TRY 3.500.000.000 by increasing TRY 410.000.000, TRY 185.581.944,96 from capital restatements positive differences, TRY 18.465.461,72 from special funds, TRY 205.952.593,32 inflation difference from investment funds, by 13,2686% of current issued capital to be covered from retained earnings and inflation adjustments to capital. The procedures for the increase in capital have been completed with the registration and publication of the Capital Market Board document dated 26 March 2013 and numbered 10/357 in the Turkish Trade Registry Gazette dated 05 April 2013 and numbered 8294.

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As of 13 March 2013, completed sales of the Group is the total nominal value of TRY 200.000.000 floating rate bond issue with 6-months coupon payments, principal payment at the maturity date of 11 March 2015 and 150 basis points added to the benchmark interest payments that is determined at coupon payment dates.

5. Dividend Distribution Policy

Erdemir Groups' Dividend Distribution Policy is as follows:

"Clause 37 of our Articles of Association titled "Determinaton and Distribution of the Dividend", which is drafted in accordance with Capital Market Board's respective regulations, explains the procedure and the merits of our dividend distribution.

Our Company tries to balance the financial burden of the investments with our shareholders' expectations for corporate governance in determining the ratio of the cash or bonus shares to be distributed from the net distributable profit of the period calculated according to the aforementioned clause of our Articles of Association and legislation, without ignoring Capital Markets Board's compulsory minimum distribution ratio, and aims to distribute the maximum dividend that the financial leverage ratios allow.

As stated above, in the determination and distribution of the dividend, Our Company abides by Capital Markets Board's regulations, distributes dividends within the legally specified periods, and informs shareholders at General Meetings about every issue regarding dividend distribution."

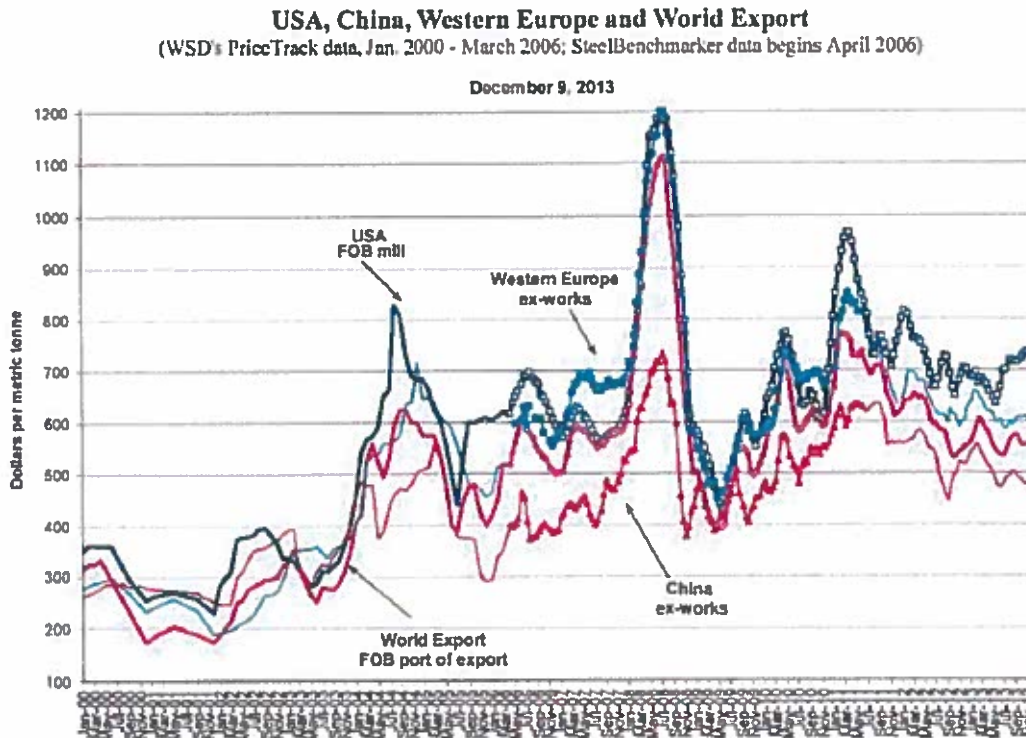
Annual General Assembly dated 29 March 2013, dividend distribution (gross dividend per share: TRY 0,03429 (2012: TRY 0,0971)) amounting to TRY 120.000.000 (30 March 2012: TRY 300.000.000) from 2012 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 29 March 2013, dividends for treasury shares are netted off under dividends paid. The dividend payment was completed at 30 May 2013. Annual General Assembly dated 30 October 2013, dividend distribution (gross dividend per share: TRY 0,11571) amounting to TRY 405.000.000 from retained earnings was approved. The dividend payment was completed at 20 November 2013.

6. Information about the sector

The world crude steel output in 2013, reached 1.61 billion mt, increasing by 3.5 percent on year-on-year basis, hitting a new record for global crude steel production. In 2013, crude steel output in Asia amounted to 1.08 billion mt, up 6 percent, with 779 million mt produced by China, up 7.5 percent, 110.6 million mt produced by Japan, down 3.1 percent, and 66 million mt produced by South Korea, down 4.4 percent - with all comparisons on year-on-year basis. The Asia region's share of world steel production increased from 66 percent in 2012 to 67 percent in 2013. EU-27 countries produced 165.6 million mt of crude steel in 2013, down 1.8 percent compared with 2012. In 2013, Germany's output was 42.6 million mt, same as 2012, Italy's crude steel output was 24.1 million mt, down 11.7 percent year on year, and Spain's crude steel output was 13.7 million mt, up 0.7 percent year on year. The CIS registered a crude steel output of 108.9 million mt in 2013, down 1.8 percent year on year. In North America in 2013, crude steel output reached 119.3 million mt, down 1.9 percent year on year. Meanwhile, crude steel output in South America in 2013 declined to 46 million mt, down by 0.8 percent year on year. In December 2013, the average capacity utilization of steel mills across the globe was 74.2.

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



Turkey produced 34.7 million metric tons of crude steel in 2013, with a 3.4 percent decrease over 2012, ranking the eighth largest crude steel producer in the world. Turkey has produced 34.7 million tons of crude steel in 2013, out of 24.7 million tons have been produced in electrical arc furnaces while 9.9 million tons have been produced in integrated plants.

7. The Position of Erdemir Group within the Sector

Erdemir Group's production in 2013 has been expanded to 8.3 million tons. In 2013, the crude steel production in Ereğli Plant has increased by 16.2% and went up to 3.8 million tons while the crude steel production in İskenderun went down to 4.5 million tons with a decrease of 2.7%.

8. Government Grants

Government grants and incentives, received by Erdemir Group are as follows:

(TRY)	1 January - 31 December 2013	1 January - 31 December 2012
Research and Development Grant	130.547	678.942
Social Security Grant	1.348.291	500.839
Total	1.478.838	1.179.781

These grants and incentives can be used by all companies who meet the related legislative requirements.

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The subsidiary of the Group Erdemir Madencilik Sanayi ve Ticaret A.Ş has taken an investment incentive certificate numbered 110476 for Iron Ore Beneficiation and Pellet Plant in 31 May 2013. The investment takes a place in Malatya city Hekimhan Hasaelebi town and the production capacity 3.000.000 ton/per year. Total expenses of the new investment is TRY 1.569.000.000. There is no investment incentive used as of 31 December 2013.

There is an investment incentive right of the Group amounting to TRY 221.264.104 with indefinite useful life, deductible in the next periods within the concept of the law numbered 5479, article 2 which repealed the 19th article of Income Tax Law (ITL) as of 1 January 2006 (31 December 2012: TRY 204.883.114 TL).

9. Developments Regarding the Plants

Recovery signals seen in the European Union economy since the second half of 2013, which points out that the economy in the region will have a more positive tendency in 2014 especially due to increases in production, purchasing managers' and confidence indices. However, sovereign debt levels, fragility in economy and sustainability of economic activity still constitute risks in 2014. While foreign trade surplus occurs in Germany, one of the leading economies in the region; Italy tries to get out of recession with the new government receiving received vote of confidence from the parliament, Spain to overcome the problems in the banking system and keep the foreign investors in the country, France to get rid of high public debts and Greece to actualize the new belt tightening policies to close budget deficit that establishes a threat in the European Union. Besides, while inflation in housing prices establish disturbance in the region, significant increases in problematic credit amounts of banks appear as a threatening factor on economic stability. The agreement reached by the European Union countries on 2014 year budget and resulting cutbacks, global recovery to be continued with moderate steps as declared by OECD and positive figures in indices raises positive expectations in the continents' economy for 2014.

Positive outcomes of negotiations on budget ceiling in USA have removed the risks related to continuance of public expenditures in the country. Though the decision of FED about reduction in quantitative easing measures gradually has decreased the uncertainties in the economy in some extent, insufficient and unstable improvement in employment rate causes anxiety about the future. On the contrary, improvement signals in the housing sector and increase in the automotive sales seems to support the manufacturing.

The Chinese government is preparing to realize the new measures to decrease the high public debts in a manner which minimizes the effects of it on the economy. The continuous decrease of Purchasing Managers' index in China indicates that risk associated with the economic slowdown seems to prevail also in 2014. Another important point in China was the air pollution level in the country, which forced local municipalities to cut-back production in some industries. Steel and cement are the major industries which were affected the most by this decision.

In Japan, because of weakening in export activities and of increasing foreign trade deficit, economic growth has slowed down. As stability in industrial manufacturing remains under expectations, this establishes an obstacle in front of the sustainable growth. Struggle of the Japan Central Bank to increase the inflation does not give a result because of the decision of the government about increase on consumer taxes as date of April 2014.

Though the political instability in the Middle East negatively affected the exports made to the region, the agreement of Iran and United Nations Security Council on nuclear program of Iran and acceptance of Iran to restrict its nuclear program against losing of the sanctions

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applied to country gave positive signs of increasing economic activity in the region. However, the ongoing tension in Syria, Libya, Egypt and Iraq indicates that risks in the region are probably going to be there also for 2014, which negatively affects the second biggest export market of Turkey.

Turkey has continued the growth trend in the last quarter as in the third quarter of 2013. More positive signals from manufacturing industry and trust indices in the global market gave positive signals in terms of economical growth in the future period. While it is expected that restrictions of BDDK on consumer credits and credit card uses will make positive contributions on current deficit, concerns about decreasing of consumption continue. Agreement on softening of international embargo for Iran has given positive signal about further increasing of Turkey-Iran economical relations in the future period.

In parallel to economical outline stated above, according to the report prepared by the World Steel Association (WSA), the crude steel production has increased 3.4% in 2013 compared to last year and reached to 1.581 billion tons.

According to WSA data, Turkey's crude steel production decreased 3.4% compared to 2012 and Turkey produced 34.7 million tons crude steel. Turkey was in the eighth rank among the biggest steel manufacturers of the world in 2013 and is in the second position following Germany among the European Union countries.

An increase is expected in steel consumption in 2014 in Europe with the effect of improvement signals started in the second half of 2013. However apparent steel consumption is expected to decrease 3.8% in Europe for the full year of 2013. In parallel to moderate global growth expectations; 3.3% increase is expected in the world's apparent steel consumption in 2014 according to WSA estimations.

According to the data recently published by the Turkish Iron Steel Manufacturers Association; the flat and long finished steel consumption of Turkey increased 10% in 2013 compared to previous year and reached to the level of 28.7 million tons. In the same period, the consumption of flat steel products increased 13.2% and reached 15.4 million tons and long steel production increased 6.6% and reached 13.3 million tons.

According to these developments in the industry, the total flat product sales of our group increased 5.7% in 2013 and reached to the level of 6.37 million tons. The domestic flat product sales increased 8.2% compared to previous year and reached 5.89 million tons.

Despite economic slowdown in Europe and political instability in the Middle East ERDEMİR Group also managed to export 491 thousand tons of flat products to over 40 countries all over the world. Also, it is estimated that ERDEMİR Group has increased its domestic flat steel market share and increased it to the level of 34%.

The total long product sales decreased to 1.3 million tons with a 9.1% fall in 2013. The domestic long product dispatch increased 8.3% and reached 1.5 million tons and the total long product exports were 275 thousand tons.

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10. Production Plants and Productivity

The information about the capacities of main product groups by Ereğli Iron and Steel Works Inc. are stated below:

	1 January- 31 December 2013	1 January- 31 December 2012
	C.U.P. (%)	C.U.P. (%)
Liquid Steel	100	86
Tinplate	103	95
Galvanized	101	102
Cold Rolled	92	80
Hot Rolled	76	70
Plate	84	82

The information about the capacities of main product groups by İskenderun Iron and Steel Works Co. is stated below:

	1 January- 31 December 2013	1 January- 31 December 2012
	C.U.P. (%)	C.U.P. (%)
Liquid Steel	87	90
Billet	56	62
Wire Rod	96	95
Hot Rolled	73	68

11. Products

The main products of Erdemir Group are as follows:

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

12. Production (quantity)

Final Products (000 Tons)	1 January - 31 December 2013	1 January - 31 December 2012
Flat Products	6.427	5.983
Long Products	1.356	1.519
Iron Ore and Pellet	2.459	2.832

13. Developments Regarding Sales

ERDEMİR Group, having the most comprehensive flat steel product range in Turkey, continues its sustainable growing target consistently with its steel service center investments, plus product and service quality it offers to its customers.

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In contrary to the slowdown in global economy, ERDEMİR Group has realized record level of deliveries to the industries like packaging, automotive, steel, pipe manufacturing. In addition to these industries, ERDEMİR Group has added 135 new customers to its customer portfolio thanks to its customer focused sales & marketing approach.

By the first quarter of 2013 year, orders are continued to be taken from the market intensively for the cold slitting line at the modern steel service center commissioned in Ereğli and besides, trapezoid and multi blanking lines have been launched and serial orders have begun to be delivered tailored to the demands of the market. Another project realized in 2013 was the Customer Relations Management (CRM) project. It is being actively used under the structure of existing Marketing and Sales Organization and the system developments are continuously carried out in order to satisfy challenging demands of today's marketplace.

In order to develop our relations with customers who have become a focus point with reconstruction of the Sales & Marketing Organization; customer visits, congress and exhibition participations in Turkey and abroad, meetings with industry unions and organizations of customer activities have been continued. Our product range, managed dynamically according to expectations of our customers with the new quality and product development studies aimed to final user, is continued to be developed with additions and changes made in the last quarter and our number of grades offered to the market in flat steels has reached to 390 and in long products to 239.

Feasibility studies of the investments planned to continuously improve the product & service quality presented by ERDEMİR Group are continued during 2013.

14. Sales (quantity)

Final Products (000 Tons)	1 January - 31 December 2013	1 January - 31 December 2012
Flat Products	6.338	5.980
Long Products	1.346	1.468
Iron Ore and Pellet Sales (*)	2.399	2.895

(*) 2.228 thousand tons of Ermaden's sales are to Group Companies as of 31 December 2013. (31 December 2012: 2.479 thousand tons).

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 and the Credited Direct Collection System. Risk positions of our customers are monitored daily 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

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limit. According to firm and market situation, derivative instruments are recommended to executives and also bank offers are analyzed for compliance test.

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

Financial valuation and technical assessment report of investments is presented to the Corporate Finance Management. According to the investment amount and duration of investment, production and sales volumes, the expected net cash flows of the project, the net present value, internal rate of return and Payback Period, Corporate Finance Management evaluates the results of the financial affairs and reports to Finance Coordinator. Investment advices not approved by Corporate Finance Management will not be offered to the Board of Directors.

2. The Early Detection of Risk Committee

With the decision of Ereğli Iron and Steel Inc.'s Board Meeting dated 24 September 2012 and numbered 9167, 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.

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.

3. Future Risks

1) Market risks: The price risks that rose in commodity markets after 2008 are still going on at the end of 2013. Especially the surplus capacity due to Europe is putting pressure on steel prices. Furthermore the fluctuation of iron ore prices which depends on China's iron ore demand cause fluctuation in raw material prices due to the quarterly contracts on iron ore prices. The fluctuation of iron ore and coke prices that are the inputs of our Group, the fluctuation of steel products that are the outputs of our Group and the fluctuations that arise from the duration of the process between procurement and delivery which takes longer in iron and steel market compared to other markets are the most specific market risks.

2) Macroeconomic risks: Since the changes in collection policies and raw material price and sales price from TRY to USD Dollars, USD Dollars is accepted as a functional currency of the Company and its subsidiaries starting from 1 September 2013. As a result, the Company avoided the foreign currency risk in the financial statements. In addition; devaluation of the Turkish Lira, liquidity crunch that occurred in emerging markets due to the reduction of FED's asset purchases, the increase of interest rate in TRY, and the possibility of reduction in steel demand are the macro-economic risks that the Group may be confronted with.

In addition to these risks, operational and financial risks that may occur are continuously monitored by Risk Management and reported to Board of Directors by the early detection of risk committee that is under the Board of Directors.

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G - Other Information

1. Organizations Out of the Headquarters

None.

2. Information about Amendments in Legislation That May Significantly Affect the Company's Activities

None.

3. Information About Conflicts of Interest Between the Company and Institutions that Provide Services to the Company on Issues Such as Investment Advisory and Ratings and Cautions Taken by the Company to Prevent These Conflicts

None.

4. Social Rights of Employees, Professional Training and Other Activities of the Company that Cause Communal and Environmental Consequences

In accordance with the provisions of the collective labor agreement, our employees who are inclusive of the agreement are provided social benefits such as 120 days bonus payments, holiday pay, heating allowance, paid annual leave allowance, marriage, childbirth, bereavement, military service and education allowances, transportation and meal allowances, incentive allowances for senior employment. Our employees are entitled to paid annual leaves, notice period, severance payment, above than those provided under the law. Besides there are facilities such as lodging, guesthouses, cultural centres, cafes and restaurants, beaches and swimming pools, outdoor and indoor sports areas to enrich our employee's social lives. ERDEMİR who sees providing a safe and healthy work environment as one of its main priorities, provides employees preventive medicine, job entry examinations, periodic examinations, preventive activities for job accidents and diseases, first aid and emergency treatment services.

Our employees are provided a wide range of learning opportunities such as on-site and off-site training events, ERDEMİR Akademi, an e-learning platform they can access wherever and whenever they want, In-unit Training System -a dynamic education model developed with the knowledge and experiences of our employees gained via continuous improvements, seminars and conferences. Education programs are planned to contribute achieving ERDEMİR's strategic targets and actualizing the main principles of the Quality, OHSAS, Environment and Energy Management Systems Policy. Performance evaluation results are used to determine the education and development needs of employees. Education activities contribute the company's performance on product, service and process basis.

In 2013, "ERDEMİR Executive Development Program" was launched to develop a common management culture, to make difference on corporate performance, to bring up leaders who will carry our company to future successes, to sustain development, by improving managing and leadership competences of our managing employees. In order to bring the knowledge and competences of the employees' to light, to transfer the leadership competences to the new generations, to increase the quality and the efficiency, to support the corporate loyalty and motivation of employee's, a mentorship program was put into practice. Business law trainings of all managers at all levels were also completed.

In order to show the importance of science, introducing the children with the scientific thought and reinforcing learning through experiments, ERDEMİR performed the "Taking the Science to the Society Project" to the primary and secondary school students at Ereğli with partnership of Middle East Technical University Society and Science Application and Research Centre in 2013.

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Additionally, for drawing attention to the existence of steel in our lives through art, supporting young sculptors and contributing their training, ERDEMİR carried out a National Steel Sculpture Student Competition with the "Life and Steel" theme in partnership with Mimar Sinan Fine Arts University.

ERDEMİR's environmental performance is monitored continuously through the audits within the context of ISO 14001 Environmental Management System, and the feedbacks acquired from the audits are used in improvements.

In accordance with the Regulation on Environmental Permits and Licenses, ERDEMİR got the Temporary Operating License on 14.11.2013 and commenced the licensing process. In 2013 environmental investments such as maintenance works, improving dust collection systems were continued.

5. Information about Related Party Transactions

The immediate parent and ultimate controlling parties of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively.

The details of transactions between the Group and other related parties are disclosed below:

	31 December 2013	31 December 2012
<u>Due from related parties (short term)</u>		
Oyak Renault Otomobil Fab. A.Ş. ⁽²⁾	27.443.131	12.152.741
Bolu Çimento Sanayi A.Ş. ⁽¹⁾	4.263.032	2.764.405
Adana Çimento Sanayi T.A.Ş. ⁽¹⁾	4.688.904	2.898.838
Other	298.720	125.405
	<u>36.693.787</u>	<u>17.941.389</u>

The trade receivables from related parties mainly arise from sales of iron, steel and by-products.

(1) Subsidiaries of the parent company

(2) Joint venture

	31 December 2013	31 December 2012
<u>Due to related parties (short term)</u>		
Omsan Lojistik A.Ş.(1)	2.530.528	2.960.289
Omsan Denizcilik A.Ş.(1)	2.468.842	2.239.702
Oyak Pazarlama Hizmet ve Turizm A.Ş.(1)	2.894.010	2.164.485
Oyak Savunma ve Güvenlik Sistemleri A.Ş.(1)	2.262.624	464.866
Omsan Logistica SRL(1)	478.998	404.639
Oyak Teknoloji Bilişim ve Kart Hizmetleri (1)	18.307	990.089
OYAK Yatırım Menkul Değerler A.Ş. (1)	2.141.431	-
Diğer	1.648.409	2.503.165
	<u>14.443.149</u>	<u>11.727.235</u>

Trade payables to related parties mainly arise from purchased service transactions.

(1) Subsidiaries of the parent company

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	1 January – 31 December 2013	1 January – 31 December 2012
<u>Major sales to related parties</u>		
Oyak Renault Otomobil Fab. A.Ş.(2)	97.796.863	64.086.439
Adana Çimento Sanayi T.A.Ş.(1)	15.464.873	8.926.821
Bolu Çimento Sanayi A.Ş.(1)	13.010.231	9.350.438
Aslan Çimento A.Ş.(1)	1.756.979	1.702.283
Ünye Çimento Sanayi ve Ticaret A.Ş.(1)	635.443	914.520
Mardin Çimento Sanayi ve Ticaret A.Ş.(1)	449.501	626.591
Oyka Kağıt Ambalaj Sanayi ve Ticaret A.Ş.(1)	188.596	140.692
Oytaş İç ve Dış Ticaret A.Ş. (1)	68.263	135.995
	<u>129.370.749</u>	<u>98.717.593</u>

(1) Subsidiaries of the parent company

(2) Joint venture

The major sales to related parties are generally due to the sales transactions of iron, steel and by-products.

	1 January – 31 December 2013	1 January – 31 December 2012
<u>Major purchases from related parties</u>		
Omsan Denizcilik A.Ş. ⁽¹⁾	68.150.961	51.725.673
Oyak Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	26.840.850	24.530.354
Omsan Lojistik A.Ş. ⁽¹⁾	26.602.746	19.741.878
Oyak Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	23.481.325	4.839.118
Omsan Logistica SRL ⁽¹⁾	7.020.999	10.044.050
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş. ⁽¹⁾	5.384.198	7.004.393
Oyak Yatırım Menkul Değerler A.Ş. ⁽¹⁾	1.814.255	-
Oyak Genel Müdürlüğü	710.796	156.600
Omsan Havacılık A.Ş. ⁽¹⁾	508.705	155.859
Oyak Telekomünikasyon A.Ş. ⁽¹⁾	304.070	777.149
Other	3.373.717	3.168.354
	<u>164.192.621</u>	<u>122.143.428</u>

(1) Subsidiaries of the parent company

The major purchases from related parties are generally due to the purchased service transactions.

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The period end balances are non-secured, interest free and their collections will be done in cash. As of 31 December 2013, the Group provides no provision for the receivables from related parties (31 December 2012: none).

There is no transaction amounting to 10% or more of the total assets or gross sales in consolidated financial statements as of 31 December 2013.

Also a report is prepared to give information about transactions between Controlling Company and its Subsidiaries according to Article 199 of Turkish Commercial Code (TCC) and it is approved as of 13 February 2014. The conclusion of the report is stated as: "There is no act of law conducted beneficial to Our Company's Controlling Shareholder Ordu Yardımlaşma Kurumu (OYAK) or/and its subsidiaries or there is no measure taken beneficial to Ordu Yardımlaşma Kurumu (OYAK) or/and its subsidiaries in business year 2013. In year 2012, all commercial transactions between our Company and our Controlling Shareholder and its subsidiaries are executed according to market conditions."

6. Information for Shareholders

None.

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App.1: Information About Board Members' and Executive Management's Titles out of the Company

Board of Directors	Title	Titles out of the Company
OYTAŞ İÇ VE DIŞ TİCARET A.Ş. Represented by: Ali Aydın PANDIR	Chairman – Executive Director	
OYAK Girişim Danışmanlığı A.Ş. (Represented by: Nihat KARADAĞ)	Deputy Chairman and Executive Director	<ul style="list-style-type: none"> - Iskenderun Demir ve Çelik A.Ş. – Board Member/Executive Director (Representative) - Akdeniz Kimya San. ve Tic. A.Ş.- Chairman of the Board (Representative) - Akdeniz Kimyasal Ürünler Pazarlama İç ve Dış Tic. A.Ş.- Chairman of the Board (Representative) - OYAK Yatırım Menkul Değerler A.Ş. – Chairman of the Board (Representative) - HEKTAŞ Ticaret T.A.Ş.– Chairman of the Board (Representative) - TUKAŞ Gıda San. ve Tic. A.Ş.– Chairman of the Board (Representative) - Atterbury S.A. (Luxembourg)– Member of Supervisory Committee - Chemson Polymer Additive AG (Austria) – Member of Supervisory Committee - Chemson Ltd. (England) – Board Member - Chemson Inc.(USA) – Board Member - Chemson Pacific PTY Ltd. (Australia) – Board Member - Chemson LTDA (Brazil) – Member of Advisory Council - Dalian Chemson Chemical Products Co.Ltd.(China) – Board Member
Republic of Turkey Prime Ministry Privatization Administration (Represented by: Mehmet SARITAŞ)	Board Member	- Ministry of Finance – Ministry Advisor

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Board of Directors (cont'd)	Title (cont'd)	Titles out of the Company (cont'd)
<p>OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR</p>	<p>Board Member - Executive Director</p>	<ul style="list-style-type: none"> - Iskenderun Demir ve Çelik A.Ş. – Deputy Chairman/Executive Director (Representative) - Erdemir Madencilik San. ve Tic. A.Ş.– Chairman of the Board (Representative) - ERDEMİR Romania SRL – Chairman of the Board (Representative) - OYAK Birleşik Enerji A.Ş.- Chairman of the Board (Representative) - Ayas Enerji Üretim ve Ticaret A.Ş.– Chairman of the Board - Iskenderun Enerji Üretim ve Ticaret A.Ş. – First Vice Chairman of the Board (Representative) - Akdeniz Kimya San. ve Tic. A.Ş.- Board Member (Representative) - Akdeniz Kimyasal Ürünler Pazarlama İç ve Dış Tic. A.Ş.- Board Member (Representative) - OYAK Elektrik Enerjisi Toptan Satış A.Ş.- Chairman of the Board (Representative) - OYAK Pazarlama Hizmet ve Turizm A.Ş.- Chairman of the Board (Representative) - OYAK Girişim Danışmanlığı A.Ş.- Chairman of the Board (Representative) - Atterbury S.A. (Luxembourg) – Member of Supervisory Committee - Chemson Polymer Additive AG (Austria) – Member of Supervisory Committee - Chemson Ltd. (England) – Board Member - Chemson Inc. (USA) – Chairman of the Board - Chemson Pacific PTY Ltd. (Australia) – Board Member - Chemson LTDA (Brazil) – Member of Advisory Council - Innostar Vertriebs Und Entwicklungs GmbH (Australia) - Member of Advisory Council - Dalian Chemson Chemical Products Co.Ltd. (China) – Board Member

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Board of Directors (cont'd)	Title (cont'd)	Titles out of the Company (cont'd)
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Ertuğrul AYDIN)	Board Member	<ul style="list-style-type: none"> - Iskenderun Demir ve Çelik A.Ş. – Board Member (Representative) - OYAK Birleşik Enerji A.Ş.- Board Member (Representative) - Ayas Enerji Üretim ve Ticaret A.Ş.- Board Member - Iskenderun Enerji Üretim ve Ticaret A.Ş. – Board Member (Representative)- - OYAK Anker Bank GmbH – Member of Supervisory Committee - ATAER Holding A.Ş. – Vice Chairman of the Board (Representative) - Chemson Polymer Additive AG (Austria) – Member of Supervisory
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Fatma CANLI)	Board Member	<ul style="list-style-type: none"> - Iskenderun Demir ve Çelik A.Ş. – Board Member (Representative) - Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. – Deputy Chairman of the Board (Representative) - OYAK Anker Bank GmbH – Member of Supervisory Committee - OYAK Birleşik Enerji A.Ş.- Board Member (Representative)- - AYAS Enerji Üretim ve Tic. A.Ş.- Board Member - Akdeniz Kimya San. ve Tic. A.Ş.- Board Member (Representative)- - Iskenderun Enerji Üretim ve Tic. A.Ş.- Board Member (Representative)– - Vize Agregatör Asfalt Madencilik San. ve Tic. A.Ş. - Chairman of the Board (Representative)- - Marmara Madencilik San. ve Tic. Ltd. Şti.- Board Member (Representative)– - Aslan Health, Educational and Cultural Foundation – Chairman of the Board
Nazmi DEMİR	Independent Board Member	<ul style="list-style-type: none"> - Iskenderun Demir ve Çelik A.Ş. Independent Board Member - Head of Bilkent University Banking and Finance Department -Academic Member of Bilkent University
Atila Tamer ALPTEKİN	Independent Board Member	<ul style="list-style-type: none"> - Saray Halı A.Ş. Board Member - Saray Tarım Hayvancılık A.Ş. Board Member - Akmetal Madencilik A.Ş. Board Member - Gümüştaş Madencilik A.Ş. Board Member

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Executive Management	Title	Titles out of the Company
Sedat ORHAN	Chief Executive Officer	- Erdemir Madencilik San. ve Tic. A.Ş.- Deputy Chairman and Executive Director (Representative)
Esat GÜNDAY	Executive Vice President (Operations)	- Erdemir Romania S.R.L. – Board Member
Kaan BÖKE	Executive Vice President (Human Resources)	
Bülent BEYDÜZ	ERDEMİR Group Financial Affairs Coordinator	
Sami NeziH TUNALITOSUNOĞLU	Executive Vice President (Financial Affairs)	- World Steel Association Member of Economy Committee
Başak TURGUT	ERDEMİR Group Marketing and Sales Coordinator	-Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. – Board Member (Representative) - Member of Turkish Steel Producers Association
Şevkinaz ALEMDAR	ERDEMİR Group Procurement Coordinator	
Mehmet Mücteba BEKCAN	Executive Vice President (Technical Services and Investments)	- ERDEMİR Foundation – Chairman of the Board - Turkish Steel Producers Association – Board Member
Öner SONGÜL	ERDEMİR Group Information Technologies Coordinator	
Oğuz Nuri ÖZGEN	ERDEMİR Group Production Coordinator	- Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. – Chairman of the Board (Representative) - Turkish Employers' Association of Metal Industries – Board Member - Turkish Employers' Association of Metal Industries – Ankara Region Chairman of Representatives Board
Mesut Uğur YILMAZ	ERDEMİR Grup Technology Coordinator	- Turkish Steel Producers Association – Member of High Advisory Council

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APP.2: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Ereğli Demir ve Çelik Fabrikaları T.A.Ş., one of the public companies in Turkey with the broadest base, enjoys a leading position in its field in the Turkish industry, and is well aware of its responsibilities towards its stakeholders. Transparency, accountable management approach, compliance with ethical and legal codes is integral components of the corporate management. ERDEMİR has always fulfilled its responsibilities, arising from legislations, in an accurate and prompt manner.

In order to fulfill liabilities arising from the Capital Market Legislation and ensure coordination for compliance with "The Principles of Corporate Governance", published by the Board and raising the level of harmonization, our Company has assigned qualified personnel awarded with 'Advanced License for Capital Market Activities' and 'Corporate Management Ranking Specialist License', duly deemed mandatory pursuant to the Capital Markets Board Communiqué Serial: IV, No: 41.

Within the year 2013, our Company has been continued its endeavors to ensure full compliance with the mandatory or optional regulations of the Corporate Governance Principles within the scope of Communiqué Serial: IV, No: 56 "Regarding Determination and Implementation of Corporate Governance Principles" and Communiqué numbered II-17.1 "Corporate Governance" - the details of which are presented below. The Extraordinary General Assembly held in 2013 modified our Articles of Association as the Communiqué required. In addition, the procedures for designating independent candidates and making public disclosures were completed and candidates were elected according to regulations. The committees established under the BoD began functioning effectively. The information that must accompany the disclosure document to be submitted to the General Assembly includes such standard documents as those indicating preferred shares, voting rights and organizational changes, as well as the CVs of BoD membership applicants and the reports and announcements that need to be prepared for related party transactions, all of which were provided to our investors three weeks prior to the General Assembly. In addition, the Company's website and annual report were reviewed and revisions required to comply with the principles were made. The policies formed under the scope of the Corporate Governance Principles and the working directives of the committees are published on our website.

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. believes in the importance of ensuring full compliance with the Principles of the Corporate Governance. However, a number of obstacles stand in the way of compliance. There are a number of difficulties in the national and international arena concerning compliance, failure to ensure an overlap with the market and the current structure of the Firm. These are the difficulties which have caused possible delays in practice for the operations within the firm and a number of arguments in Turkey. Thus, full compliance has not yet been achieved as to a number of non- mandatory principles. An array of efforts and undertakings towards the goal of ensuring full compliance promptly are in progress. This goal will have been achieved upon the completion of administrative, legal and technical infrastructure projects. The said goal also includes the monitoring of the recent developments including the Capital Markets Board, which are to be issued, concerning the limited number of principles that have not been put into practice. The Principles of the corporate governance in practice and those which have not yet been harmonized are presented below.

SECTION II – THE SHAREHOLDERS

2.1. Investor Relations Department

The relationships with our partners, corporate investors and analysts are carried out systematically in a fashion that supports Company value. In line with this very purpose, the Company organizes meetings with the domestic and the foreign investors and announces material disclosures to the public immediately.

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Additionally, the Company fulfills its responsibilities towards regulatory bodies such as the Borsa Istanbul and the Capital Markets Board, and provides prompt replies to the queries of the partners, the analysts and the portfolio managers. In 2013, Investor Relations Department answered per month around 300 questions received from shareholders, institutional investors and analysts of investment firms by phone and e-mail.

Inquiries made by our shareholders by telephone and e-mail within the year are responded to. Such inquiries are concerned with the entry into the registration system, the general assembly and the dividend distribution. Depending on the nature and the content of the requested information in case of necessity, the query is shared with the independent auditors of the Company and the relevant responses are submitted to the enquirer.

The remarks concerning the Financial Statements and the Footnotes as well as the material disclosures are announced to the investors of the Borsa Istanbul and to the public via Public Disclosure Platform. The Financial statements, The Footnotes and the material disclosures are also published on the Company website.

Investor Relations Department has been formed which reports directly to the Group Chief Financial Officer Bülent Beydüz. The relevant contact information is available in the annual report and on the Company website.

Investor Relations Department

Name	Title	Telephone	E-mail
Avni Sönmezyıldız	Manager (Acting)	+90-216-578 80 61	asonmezyildiz@erdemir.com.tr
İdil Önay	Assistant Manager	+90-216-578 81 49	ionay@erdemir.com.tr

Uğur Cudi Gül, who holds CMB Advanced Level Licence and Corporate Governance Rating Specialist Licence, took the responsibility arising from capital markets legislation and coordination of corporate governance practices.

Investor Relations Department prepares an activity report, at least annually, to the BoD. 2013 activity report presented in BoD meeting dated 13 February 2014.

The table below present's activities performed within 2013 so that investors could be informed in-depth concerning the operations of the Company:

The number of the investor meetings attended in Turkey and abroad	33
The number of investors and analysts who have been contacted	422
The number of tele-conferences held regarding financials	4
The number of analyst meetings held	2

2.2. The Use of Shareholders' Rights to Obtain Information

Pursuant to the inquiry policy of our Company, all shareholders, potential investors and analysts shall be treated equally and fairly with regard to their right of the use of request and enquiry of information. It is also essential that our disclosures be passed onto everyone simultaneously with the same content. All information sharing is to be made in line with the content announced to the public earlier. Within the framework of the sharing of information, the shareholders and the market players are informed regarding all types of information along with material disclosures. The retrospective material disclosures are published on the Company website.

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Loads of written and verbal requests for information from the shareholders are responded to promptly under the supervision of the Investor Relations Department and in line with the provisions of the Capital Markets Board Legislation. For the purpose of extending the shareholders' right to enquiry, any information that might harbour an impact on the shareholders' right of use under the principles of the Corporate Governance is updated and published on the website. The information on our website is published in Turkish and English, and duly allows fair use for both domestic and foreign shareholders. The company's activities are audited by an Independent Auditor(s) and statutory auditor, appointed by the General Assembly/Board, regularly and periodically. The independent auditing procedures for the year 2013 were carried out by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (i.e. A Member Firm of Ernst & Young Global Limited)

The request of shareholders allowing the appointment of a special auditor has not been drawn out as an individual right as per our Articles of Association. Accordingly, no request concerning the appointment of a special auditor has, yet, been received by our Company.

2.3. The General Assembly Meetings

Ordinary General Assembly shall be held within three months from the end of the Company's activity period and at least once in a year, discussing and resolving upon the subjects of agenda. Extraordinary General Assembly shall be held whenever required by the Company's business in compliance with the provisions written in the law and Articles of Association.

The Ordinary General Assembly Meeting for the year 2012 was held on March 29, 2013 in Ankara and 48.88% of the shares were represented in the General Assembly.

The first Extraordinary General Assembly of the Company was held on June 28, 2013 in Istanbul and 54.99% of the shares were represented in the General Assembly.

The second Extraordinary General Assembly of the Company was held on October 30, 2013 in Ankara and 59.82% of the shares were represented in the General Assembly.

Invitations to the General Assembly Meetings are issued by the BoD in compliance with the TCC, Capital Markets Code and Company's Articles of Association. The public is informed immediately of the BoD's decision to hold the General Assembly Meeting through the Public Disclosure Platform and Electronic General Meeting System (e-GEM). It is also published in the Turkish Trade Registry Gazette and national newspapers. General Assembly announcements are made in a way that complies with legal regulations as well as made on our website at www.erdemir.com.tr no later than 21 days prior to the General Assembly in order to reach the highest number of shareholders possible.

Prior to the General Assembly Meeting, the agenda items and related documents are announced to the public in compliance with all legal processes and regulations. Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Meetings and made available to shareholders within the period determined in the applicable regulation via the website, at the Ereğli branch and at the Head Office of the Company in Istanbul and a copy of the above documents are provided upon request. The General Assembly Meeting Minutes and information documents which Company is obliged to provide as per corporate governance principles, are made available for uninterrupted access to our shareholders at www.erdemir.com.tr.

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Open ballot voting is used in the General Assembly for voting on agenda articles simply by raising hands. Chairman of the General Assembly Meeting is responsible from managing the meeting efficiently and providing usage of shareholders' rights.

A number of shareholders intended to raise their concerns outside of the agenda during the speeches they delivered at the Ordinary and Extraordinary General Assembly Meetings. They addressed queries relating to the Company's performance and strategies. Such questions were replied by the Assembly Chairman and the relevant executives under the guidance of the Chairman. No shareholders submitted a written question to the Investor Relations Department on the basis of not having received an answer at the General Assembly.

During the Ordinary and Extraordinary General Assembly Meetings held in 2013, the company did not receive any requests from shareholders for any additional items to be included on the agenda.

The minutes and the list of attendants of the General Shareholders' Meetings are disclosed to public via the Company's website, Electronic General Meeting System (e-GEM) and published in the Turkish Trade Registry Gazette pursuant to the relevant regulations. Consequently, media members and other stakeholders cannot attend the general shareholders' meetings.

General Assembly meetings are held at Company Headquarters and Electronic General Meeting System to facilitate attendance at meetings. Under conditions stipulated in the Articles of Association, meetings may be held in Ankara or Karadeniz Ereğli. The location of the General Assembly meeting is selected to enable easy access to all shareholders. Proxy forms were placed on our website and announced to shareholders in a newspaper for shareholders wishing to be represented through proxy at the meeting. Resolutions made by the Board of Directors for the convention of General Shareholders' Meetings are shared with the public via disclosures.

A separate item on the General Assembly agenda regarding the donations and the aids offered in the period is included. Within the framework of the Company's policy, the Shareholders were kept informed of the donations and aids realized in 2011 and 2012, which amounted to 366,519 TRY and 379,526 TRY, respectively.

2.4. Voting Rights and Minority Rights

The shareholders or their proxies who present in the Ordinary and Extraordinary General Assembly meetings shall exercise their voting rights pro rata to the total nominal value of the shares. Each share has only one voting right. In the meetings of General Assembly, shareholders may cause to represent themselves through other shareholders or proxies assigned from outside of the Company. Proxies who are also company shareholders have the authority to cast the votes of shareholders to whom they represent, in addition to their own votes.

Shareholders may participate in General Assembly meetings via electronic environment pursuant to Article 1527 of Turkish Commercial Code. Company may setup an electronic general assembly system which will enable Shareholders to participate in the General Assembly meetings, to communicate their opinions, to furnish suggestions and to cast their votes or may purchase service of systems set up for such purposes pursuant to the provisions of Regulation on General Assembly meetings of Joint-Stock Companies to be held via Electronic Environment.

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The capital is divided into shares Group A and Group B. 1 share of certificate, issued to the bearer amounting to 1 Kr is Group A and 349,999,999,999 share of certificates amounting to 3,499,999,999.99 Turkish Liras is Group B.

Resolutions regarding any amendment in the Articles of Association which are likely to affect, directly or indirectly, the obligations in the Share Sale Agreement in respect of investment and employment, and, the rights granted to the Group A shares in connection with those obligations as well as the amendments which are to affect the quorum for meeting and resolution of Board of Directors and the rights belonging to the Group A shares,

- Resolutions regarding closedown or sales of or an encumbrance upon the integrated steel production facilities and mining facilities owned by the Company and/or its subsidiaries or a resolution on reduction in capacity of such facilities,

- Resolutions regarding closedown, sales, demerger or merger or liquidation of the Company and / or its subsidiaries owning the integrated steel production facilities and mining facilities,

can be passed only through affirmative votes of the usufructuary in representation of Group A shares. Otherwise, the resolutions passed shall be invalid.

No cross shareholding relations exist in the capital of the Company. Minority shares are not represented in the management. Minority rights are not determined less than one in twenty by the Articles of Association.

2.5. Dividend Right

The Articles of Association do not grant any privileges regarding participation in the company's profits. Each share has an equal dividend right.

The dividend distribution policy, as disclosed to shareholders at the General Assembly, is in the activity report. In addition, the policy is posted on the Company website, along with a short history of dividend distribution and detailed information about capital accumulation.

The distribution of the company profit is stated, in compliance with the arrangements of the Capital Markets Board, following the Article 34 of the Articles of Association, titled "Determination and Allocation of the Profit".

As for the estimation of the rate to be allocated to our shareholders in cash and/or in the form of bonus shares from the Net Distributable Profit for the Period estimated by not ignoring the minimum distribution level of Capital Markets Legislation and according to the procedure described in the related clause of the Articles of Association, our Company aims at achieving the maximum distribution of the profit to the extent allowed by the financial leverage rates in accordance with the principles of corporate governance, exerting efforts to establish a balance between the financial burden resulting from the investment expenditures and the Corporate Governance expectations of the shareholders.

As mentioned above, the regulations of the Capital Markets Board are abided by while calculating and distributing the profit. The dividend distribution is performed within the legal period and the shareholders are informed of all matters concerning the dividend distribution at the General Assembly Meeting.

At March 29, 2013 dated Ordinary General Assembly, it has been decided to distribute TRY 120 million cash dividend based on 2012 financial results and as of May 30, 2013 dividend distribution has started.

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Furthermore, at October 30, 2013 dated Extraordinary General Assembly, it has been decided to distribute TRY 405 million cash dividend from retained earnings and as of November 20, 2013 dividend distribution has started.

7. Transfer of Shares

There is no restriction regarding the transfer of our Company's shares in the Articles of Association, and the provisions of the Turkish Commercial Code shall be applicable on this matter.

SECTION III – THE PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Contents

Erdemir's corporate website (www.erdemir.com.tr) is actively in use both in Turkish and English. The website includes the following issues under the Investor Relations heading:

- Annual Message from Management
- Corporate Governance
- Corporate Governance Principles Compliance Report
- Board of Directors,
- Management
- Capital Structure
- Trade Registry Information
- Articles of Association
- Minutes of General Assembly
- Information About Golden Share
- General Assembly List of Attendants
- Safe Harbour Statement
- Code of Business Ethics
- Internal Directive on the Operation Principles and Procedures of the General Assembly
- Credit Ratings
- Annual Reports
- Interim Reports
- Financial Statements
- Summary Information for Investors
- Presentations
- Financial and Operational Highlights
- BIST Disclosures
- Dividend Payments and Capital Increases
- Analyst Information
- Policies and Directives
- Forms
- Frequently Asked Questions
- Contact

Complete information required by the CMB Corporate Governance Principles is available on our company website.

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3.2. Annual Report

The Ereğli Demir ve Çelik Fabrikaları T.A.Ş. annual report is prepared in detail and according to CMB Corporate Governance Principles to ensure that complete and accurate information about the Company's operations reaches the public.

3.3. Disclosure Policy

Disclosure activities are carried out in compliance with our Company's "Disclosure Policy", the Capital Markets Legislation, the Capital Markets Board decisions and other related legislations. The issues which require explanation or announcement are disclosed to the public explicitly, accurately and promptly.

In line with this objective, it is essential that the necessary information and explanations, barring commercial secrets, be forwarded to all beneficiaries including shareholders, investors, employees and customers in an accurate, complete, correct, prompt, comprehensible and plain fashion, at the lowest cost under equal and fair conditions.

The Board of Directors is authorized in preparing of our Company's disclosure policy and changes to be made in this policy. After the disclosure policy and the alterations to be made in the policy are approved by the Board of Directors, they are published on the Company website and submitted to the shareholders in the succeeding General Assembly Meeting. The Investors Relations Department, which details such name and title given in Article 2.1., is in charge of carrying out the requirements of the disclosure policy.

Considering the fact that the Company is publicly-held and is expected to act accordingly in view of this arising responsibility, the necessary announcements in relation to all the developments under the scope of a Communiqué regarding Material Disclosures are undertaken promptly both to the investors and to the public. All changes and developments that may arise are constantly updated and shared with the public. A total of 78 material disclosures were made by the Company in 2013.

In addition, the investors are provided with an email account with which they can address all sorts of queries and requests. The Investors Relations Department is in charge of responding to the questions addressed by the shareholders in compliance with our Company's disclosure policy whose principles of integrity require accurate, complete and fair responses.

SECTION IV – STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders such as the company employees, the customers, the suppliers, the trade unions, the non-governmental organizations, the state and the prospective investors are provided, upon request, with written or verbal information on the issues concerning them besides the information included in the financial statements and the reports disclosed to the public as per the legislations of the Capital Markets Board.

The Company employees are informed regarding the company practices through news bulletins and intranet announcements.

The demands and expectations of our customers are received through customer visits, and activities for developing new qualities are carried out depending on the changing demands that may emerge in the market. The customer complaints are delved into in the field and the required corrective actions are taken accordingly.

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The tender system is practiced for all procurement of the domestic goods and services. The tenders are disclosed through fax and e-mail messages. The specifications are also published on the Company website. On the other hand, cooperative actions are carried out to assist the manufacturer suppliers in our region to expand their business in turn.

Additionally, our Company exchanges ideas with the potential customers and suppliers during the exhibitions and fairs.

The recommendations and ideas of our employees are received through the ERDEMİR Recommendation System (ERÖS) and the Performance Management System. The required upgrading and improvement actions are practiced accordingly.

The Company has set up a mechanism which allows the stakeholders to convey transactions against the company legislation and non-ethical behaviours to the Ethical Committee and/or the Ethical Consultant. For this purpose, contact addresses are provided on the Company website under the heading of the Code of Business Ethics.

4.2. Participation of Stakeholders in Management

No particular regulation exists for the stakeholders' participation in the management. However, our affiliates, employees and the other stakeholders are informed through meetings. All of the Board Members are elected by voting in General Assembly with the attendance of stakeholders.

4.3. Human Resources Policy

Operating in an industry where competitive market conditions prevail, ERDEMİR Group has established its human resources policies and practices on forming, improving and retaining qualified labour force equipped with skills of producing knowledge, identifying solutions to problems, taking initiative by assuming responsibility, being open to improvement and suitable for teamwork.

For this main objective, the Group is attentive to employing staff members who are appropriate for the Group's strategies and objectives. The Group also pays due notice to offering training opportunities to the current employees so that they can have the means of enriching their professional experience.

ERDEMİR Group effectively identifies the needs of its white and blue collar employees for training and improvement as well as the added-value they create through the Performance Management System. Moreover, the Group carries out processes of assignments and appointments in a manner that would maximize business productivity in line with objective criteria.

Relations with unionized workforce are carried out through the representatives of the trade union. For white-collar employees, there is no extra trade union representative. However, the required divisions such as the Human Resources, the Training, the Administrative Affairs, the Occupational Health and Safety have been established within the Group in order to carry out relations with our employees. The Group did not receive any complaints from the employees in relation to any cases concerning discrimination in 2013 or the previous years.

The following issues regarding the employees of our company have been laid out in the Personnel Regulations: working order, relations between subordinates and supervisors, responsibility, safeguarding the benefits of the company, relations with customers and business owners, attendance requirement, handover and delegation, keeping secrets, commercial operation, employment prohibition (for other

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companies and business entities), family relationship, promulgation regarding the business, occupational safety, requests and complaints.

The company has created written procedures and regulations regarding all human resources processes and all these documents are made available to all employees at an easily-accessible corporate portal. Furthermore, employees are also informed via e-mail.

4.4. Code of Ethics and Social Responsibility

The fundamental principles of the business conduct have been determined by the business ethical codes, which are disclosed to the public through the Company's website. These ethical codes of business constitute the common values and creeds of our company along with the changes occurring in legal, societal and economic conditions.

Our Company fulfills its responsibilities towards the society. While creating value for the economy of the region and the country, the Group operates through its goods and services. Furthermore, ERDEMİR Group subsidiaries maintain their contributory activities for the societal development in a broad range, which is considered an integral part of the business processes.

For the Group, contributing to social issues voluntarily and effectively by coming up with solutions is a significant principle. Accordingly, the Group maintained its activities regarding social responsibility in cooperation with the local authorities and the non-governmental organizations in 2013. In order to provide a number of activities: improving the physical conditions and technical equipment of the health and education institutions, philanthropic undertakings, supporting arts and sports activities, supporting scientific studies of universities, offering opportunities of internship to the university and vocational school students can be listed all pursuant to the Group's adherence to the principle of social responsibility.

SECTION V – BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

Within the scope of Articles of Association which was changed in the Extraordinary General Assemblies dated 29.06.2012 and 28.06.2013, Board of Directors consists of minimum 5 and maximum 9 members to be selected by the General Assembly of Shareholders under the provisions of Turkish Commercial Code and Capital Markets Board Law. Members of Board of Directors are appointed for three years and the independent members are appointed for 1 year; the members with expired tenure may be re-elected.

9 members, 3 of whom would be independent members, were elected at the Ordinary General Assembly Meeting dated March 29, 2013. Our Chairman, Vice/Deputy Chairman of the Board and one Board Member were appointed as the Managing Directors. Although there is no executive board in the Company, Mr Ali Aydın Pandır, Mr Dinç Kızıldemir and Mr Nihat Karadağ serve as the Managing Directors. Sedat Orhan was appointed as Chief Executive Officer of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. in 16.08.2013.

The procedure to be followed to assemble the Board of Directors, the quorum for the meeting and the resolution, voting, as well as duties, rights and authorities of Board of Directors are subject to provisions of Turkish Commercial Code and related legislation.

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Board of Directors	Title	Effective from
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Ali Aydın PANDIR)	Chairman – Executive Director	27.05.2013
OYAK Girişim Danışmanlığı A.Ş. (Represented by: Nihat KARADAĞ)	Deputy Chairman– Executive Director	12.09.2012
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı (Represented by: Mehmet SARITAŞ)	Board Member	04.01.2013
OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR)	Board Member - Executive Director	11.09.2012
OYKA Kağıt Ambalaj San. ve Tic. A.Ş. (Represented by: Ertuğrul AYDIN)	Board Member	12.09.2012
OYAK Pazarlama Hizmet ve Tur. A.Ş. (Represented by: Fatma CANLI)	Board Member	13.09.2012
Nazmi DEMİR	Independent Board Member	29.06.2012
Atilla Tamer ALPTEKİN	Independent Board Member	29.06.2012
Vacancy	Independent Board Member	

Erdemir Chairman OYTAŞ İç ve Dış Ticaret A.Ş. Representative Osman Fatih Tar left all his duties in Erdemir Group as of 14 August 2013. Ali Aydın Pandır who was one of the Independent Board Members had resigned on 14 November 2013. Depending on the resolution of Board of Directors, dated 15 November 2013 and numbered 9261, Ali Aydın Pandır was appointed as representative of the Board Member OYTAŞ İç ve Dış Ticaret A.Ş and this was registered in Trade Registry and promulgated in Turkey Trade Registry Gazette in accordance with provisions of article 364 of the Turkish Commercial Code numbered 6102.

Three applications to our Company were evaluated in 2013 for Independent Board Member position. In our Company tasks of Candidate Nomination Committee are carried out by Corporate Governance Committee. The Committee reports, prepared by the Committee on January 21, 2013, pertaining to the candidacy of Mr Ali Aydın Pandır, Mr Atilla Tamer Alptekin and Mr Nazmi Demir as the independent board members were submitted to the Board of Directors on January 21, 2013. Due to being members of the Group 1 within the scope of Corporate Governance Principles, the application was submitted to the Capital Markets Board in line with the required process pertaining to the independent board members. No opposing or dissenting view was received for this. Due to the resignation of Mr Ali Aydın Pandır on November 14, 2013, the required application was submitted for the replacement of independent board member position. The independence declarations of the Independent Board Members are included in the Appendix of the Board of Directors' Activity Report. In 2013, no situation has occurred for violation of the independency.

The members of the Board of Directors are not prevented from assuming other duties outside the company. The Board Members' résumés and duties outside of the Company, are published on the Company website, under the scope of the Corporate Governance Principles No: 1.3.1.

Except the Independent Board Members, Board of Directors consists of legal persons and Company has a woman member who is the proxy of a legal person.

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5.2. Principles of Activity of the Board of Directors

The Board of Directors meets at the Company headquarters or at a different location, determined by the Board, at least six times a year or as often as business requires. The Board of Directors elects a chairman among its members during the first meeting of the year. In the absence of the chairman, a deputy chairman is also elected by the Board of Directors to act on behalf of the chairman. The procedure applied for assembling the Board of Directors, the quorum for the meeting, the resolution and voting as well as the task, rights and powers of the Board of Directors are subject to the Turkish Commercial Code and the provisions of relevant legislation. The decisions of the Board of Directors are written down on the decision book and signed by the Chairman and the members. Reserving the Article 22 of the Articles of Association, the rights and powers assigned to the Group A, the Board of Directors can delegate all or a number of the representative and administrative powers of the Company to one member of the Board of Directors or to several managing directors, other than the independent board members.

The development of investment projects is reflected on the annual report of Board of Directors in detail. Furthermore, no resolution can be passed by Board of Directors on the issues mentioned in articles 22 and 37 of the present Articles of Association without the affirmative vote of the member of Board of Directors as the usufructuary to represent the Group A shares.

The requests of the members of the Board and the managers are taken into consideration concerning the items on agenda, whereas the meeting agenda of the Board of Directors is formed by the Chairman of the Board. 10 meetings were held by the Board of Directors in 2013. The attendance rate was 99% for these meetings. The date for the following Board meeting is set based on the requirement of the company and on the requests arising from the members. The members are invited to the meeting via e-mail messages. The secretariat, set up in accordance with the Corporate Governance Principles under the body of the Board of Directors, informs the Board members on the meeting agenda and forwards them the relevant documents on the agenda. Neither the Chairman nor the members of the Board have a weighted voting right. All members, including the Chairman, have equal voting rights. Dissenting opinions and votes, disclosed at Board of Directors' meetings, are written down in the minutes.

It shall be observed the Corporate Management Principles, the implementation of which is made obligatory by Capital Markets Board. The transactions made and the resolutions passed without observing the obligatory principles are held invalid and deemed contrary to the articles of association.

With regard to the implementation of the Corporate Management Principles, the regulations of Capital Market Board on corporate management are observed in the transactions deemed to have an important nature and any related party transactions of the company, which are of important nature as well as the transactions for giving security and establishing pledge and mortgage in favor of third persons.

The amount of the insurance, which covers personal responsibilities of Board Members arising from the legal obligations, is USD 75 million. The insurance compensates for the legal expense and indemnity.

5.3. Number, Structure and Independence of the Committees Established Under the Board of Directors

The Audit Committee, The Early Detection of Risk Committee and The Corporate Governance Committee were set up so that the Board of Directors is able to perform their tasks and responsibilities more effectively. By considering the structure of the Board of Directors, the fulfilling of the power, the duty and the responsibility foreseen for The Candidate Nomination Committee and the Remuneration Committee was delegated to and passed onto the Corporate Governance Committee upon the Board of Directors' decision Numbered 9148, dated June 29, 2012. The frequency of gathering for the committees, their

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activities and procedures to be followed while carrying out the activities are stated in the regulations published on our website. The decisions made as a result of work carried out independently by the committees are submitted to the Board of Directors as proposals and the ultimate decision is reached conclusively by the Board of Directors.

Our Company has ensured the structuring of the management within the framework of the Communiqué regarding the Corporate Governance Principles. One member is assigned for more than one committee due to the condition that requires the Auditing Committee to be made up of completely independent board members and the chairmen of the other committees to be comprised of the independent board members.

Ali Aydın Pandır who was one of the Independent Board Members had resigned on 14 November 2013. Due to the resignation, the required application was submitted for the replacement of independent board member position.

Audit Committee

Name-Surname	Title	Relation with the Company	Details
Atilla Tamer Alptekin	Chairman	Board Member	Independent / Not Executive
Nazmi Demir	Member	Board Member	Independent / Not Executive

Early Detection of Risk Committee

Name-Surname	Title	Relation with the Company	Details
Nazmi Demir	Chairman	Board Member	Independent / Not Executive
Atilla Tamer Alptekin	Member	Board Member	Independent / Not Executive

Corporate Governance Committee

Name-Surname	Title	Relation with the Company	Details
Nazmi Demir	Chairman	Board Member	Independent / Not Executive
Atilla Tamer Alptekin	Member	Board Member	Independent / Not Executive

5.4. Risk Management and Internal Control Mechanism

Under the body of the Board of Directors, The Early Detection of Risk Committee was set up and the working directives of the Committee were published on the company website.

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 and the Credited Direct Collection System. Risk positions of our customers are monitored daily 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

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ratio within a defined limit. According to firm and market situation, derivative instruments are recommended to executives and also bank offers are analyzed for compliance test.

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

Financial valuation and technical assessment report of investments is presented to the Consolidation and the Group Risk Management Center. According to the investment amount and duration of investment, production and sales volumes, the expected net cash flows of the project, the net present value, internal rate of return and Payback Period, Consolidation and Group Risk Management Center evaluates the results of the financial affairs and reports to Finance Coordinator. Investment advices not approved by Consolidation and Group Risk Management Center will not be offered to the Board of Directors.

The degree and state of satisfaction and the procedure of our company's internal control systems are carried out by the Business Processes Analysis and Supervision Directorate who reports to the Board of Directors.

5.5. Strategic Targets of the Company

Our Company has been directed in line with the ERDEMİR Strategic Management Model since 1999. The ERDEMİR Group Strategies and Business Plan were determined and approved by the Board of Directors in 2005. In later years, the decision that required the business plan to be approved by the General Management was reached. Accordingly, the business plans formed in line with the approved strategies are drawn up each year for the following year.

The objectives in the business plan containing strategic and operational targets set in association with strategies approved by the Board of Directors, are safeguarded by all the units utilizing the target spread system and the result is spread towards individual targets. Moreover, our business plans are reviewed by preparing quarterly assessment reports. The condition of the company as to meeting the objectives, relevant remarks and explanations are submitted to the management appearing in the year-end assessment reports.

5.6. Financial Rights

All types of rights, benefits and fees vested upon the board members and executives, and the criteria deemed to determine such rights, benefits and fees as well as the compensation basics are published under the Compensation heading of our Company website. The Board Members are paid in accordance with the decision of General Assembly based on the Articles of Association of the Company, which is also disclosed to the public through the general assembly minutes published on the Company website. The fees remitted to the executives are determined by the General Assembly. The payments effected to the executives are disclosed to the public and included in the footnotes of the financial statements.

According to the decisions made by the General Assembly Meeting held on March 29, 2013, the Board Members elected in representation of the B Group shares shall not be paid. The Board Members elected in representation of the A Group Shares shall be paid 2,200 TRY per month (at the beginning of the relevant month, paid in advance, net) and the Independent Board Members shall be paid 5,000 TRY per month (at the beginning of the relevant month, paid in advance, net).

No loans were offered to either a board member or an executive within the period. No loan utilization was granted directly or through a third party. Furthermore, no collaterals such as bails were offered in favour.

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App.3: DECLERATIONS OF INDEPENDENT BOARD MEMBERS

BAĞIMSIZ YÖNETİM KURULU ÜYELİK BEYANI

Sermaye Piyasası Kurulu'nun Seri: IV, No: 56 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ (KYI Tebliği) ve eki, ayrıca KYI Tebliğinde değişiklik yapılmasına ilişkin yayınlanan Seri: IV, No: 57, Seri: IV, No:60 sayılı Tebliğler'inde yer alan Sermaye Piyasası Kurulu Kurumsal Yönetim İlkelerinin okuyup, anladığımı, ilkede sayılan ve işbu beyanın ekinde de yer alan Bağımsız Yönetim Kurulu Üyelik kriterlerinin tamamını taşıdığımı kabul, taahhüt ve beyan ederim. 21.01.2013


Atilla Tamer ALPTEKİN

EK:1 Sermaye Piyasası Kurulu'nun Seri: IV, No: 56 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ, SPK Seri: IV, No: 57 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ'de Değişiklik Yapılmasına Dair Tebliğ ve SPK Seri: IV, No: 60 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ'de Değişiklik Yapılmasına Dair Tebliğ

EK:2 SPK Seri: IV No:56, SPK Seri: IV No: 57 ve SPK Seri: IV No:60 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğler çerçevesinde hazırlanan kriterler

"Ereğli Demir ve Çelik Fabrikaları T.A.Ş.'de (ve Ereğli Demir ve Çelik Fabrikaları T.A.Ş.'nin grup şirketlerinde) son on yıl içerisinde altı yıldan fazla yönetim kurulu üyesi olmaması, ayrıca söz konusu şirketlerde son 5 yıl içerisinde icracı yönetim kurulu üyesi olmaması, ilaveten

a) Şirket, şirketin ilişkili taraflarından biri veya şirket sermayesinde doğrudan veya dolaylı olarak %5 veya daha fazla paya sahip hissedarların yönetim veya sermaye bakımından ilişkili olduğu tüzel kişiler ile kendisi, eşi ve ikinci dereceye kadar kan ve sıhrî hisimleri arasında, son beş yıl içinde, doğrudan veya dolaylı önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda istihdam, sermaye veya önemli nitelikte ticari ilişkinin kurulmamış olması,

b) Son beş yıl içerisinde, başta şirketin denetimini, derecelendirilmesini ve danışmanlığını yapan şirketler olmak üzere, yapılan anlaşmalar çerçevesinde şirketin faaliyet ve organizasyonunun tamamını veya belli bir bölümünü yürüten şirketlerde çalışmamış ve yönetim kurulu üyesi olarak görev almamış olması,

c) Son beş yıl içerisinde, şirkete önemli ölçüde hizmet ve ürün sağlayan firmaların herhangi birisinde ortak, çalışan veya yönetim kurulu üyesi olmaması,

d) Yönetim kurulu görevi dolayısıyla hissedar ise sermayede sahip olduğu payın oranının %1'den fazla olmaması ve bu payların imtiyazlı olmaması,

e) Bağımsız yönetim kurulu üyesi olması sebebiyle üstleneceği görevleri gereği gibi yerine getirecek meslekî eğitim, bilgi ve tecrübeye sahip olması,

f) Bağlı oldukları mevzuata uygun olması şartıyla Üniversite öğretim üyeleri hariç, kamu kurum ve kuruluşlarında üye olarak seçildikten sonra tam zamanlı çalışmıyor olması,

g) Gelir Vergisi Kanunu'na göre Türkiye'de yerleşmiş sayılması

h) Şirket faaliyetlerine olumlu katkılarda bulunabilecek, şirket ortakları arasındaki çıkar çatışmalarında tarafsızlığını koruyabilecek, menfaat sahiplerinin haklarını dikkate alarak özgülce karar verebilecek göçü etik standartlara, meslekî itibara ve tecrübeye sahip olması,

i) Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiği görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabiliyor olması."

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

BAĞIMSIZ YÖNETİM KURULU ÜYELİK BEYANI

Sermaye Piyasası Kurulu'nun Seri: IV, No: 56 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ (KYİ Tebliğ) ve eki, ayrıca KYİ Tebliğinde değişiklik yapılmasına ilişkin yayınlanan Seri: IV, No: 57, Seri: IV, No:60 sayılı Tebliğler'inde yer alan Sermaye Piyasası Kurulu Kurumsal Yönetim İlkelerinin okuyup, anladığımı, ükede sayılan ve işbu beyanın ekinde de yer alan Bağımsız Yönetim Kurulu Üyelik kriterlerinin tamamını taşıdığımı kabul, taahhüt ve beyan ederim. 21.01.2013



Nazmi DEMİR

EK:1 Sermaye Piyasası Kurulu'nun Seri: IV, No: 56 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ, SPK Seri: IV, No: 57 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ'de Değişiklik Yapılmasına Dair Tebliğ ve SPK Seri: IV, No: 60 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğ'de Değişiklik Yapılmasına Dair Tebliğ

EK:2 SPK Seri: IV No:56, SPK Seri: IV No: 57 ve SPK Seri: IV No:60 sayılı Kurumsal Yönetim İlkelerinin Belirlenmesine ve Uygulanmasına İlişkin Tebliğler çerçevesinde hazırlanan kriterler

"Ereğli Demir ve Çelik Fabrikaları T.A.Ş.'de (ve Ereğli Demir ve Çelik Fabrikaları T.A.Ş.'nin grup şirketlerinde) son on yıl içerisinde altı yıldan fazla yönetim kurulu üyesi olmaması, ayrıca söz konusu şirketlerde son 5 yıl içerisinde icracı yönetim kurulu üyesi olmaması, ilave olarak

a) Şirket, şirketin ilişkili taraflarından biri veya şirket sermayesinde doğrudan veya dolaylı olarak %5 veya daha fazla paya sahip hissedarların yönetim veya sermaye bakımından ilişkili olduğu tüzel kişiler ile kendisi, eşi ve ikinci dereceye kadar kan ve sıhrî hısımları arasında, son beş yıl içinde, doğrudan veya dolaylı önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda istihdam, sermaye veya önemli nitelikte ticari ilişkinin kurulmamış olması,

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ı) Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiği görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabiliyor olması."