



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

For the Period 1 January – 31 December 2019  
Board of Directors' Activity Report

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S  
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT**

To the General Assembly of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

**1) Opinion**

As we have audited the full set consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries ("the Group") for the period between 01/01/2019–31/12/2019, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

**2) Basis for Opinion**

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**3) Auditor's Opinion for the Full Set Consolidated Financial Statements**

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 01/01/2019–31/12/2019 in our Auditor's Report dated 11 February 2020.

**4) Management's Responsibility for the Annual Report**

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,

- b) Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
- The significant events occurred in the Group's activities subsequent to the financial year ends,
  - The Group's research and development activities,
  - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

## **5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report**

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

**DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.**  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Volkan Becerik  
Partner

İstanbul, 11 February 2020

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

01.01.2019 - 31.12.2019

**2. Information About the Association****- Title:** EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.**- Trade Registry Number:** 863637**- Address:** Barbaros Mah. Ardiç Sok. No: 6 Ataşehir/ İSTANBUL**- Website:** [www.erdemir.com.tr](http://www.erdemir.com.tr)**3. Shareholding and Capital Structure**

Authorized Capital : TRY 7.000.000 thousand

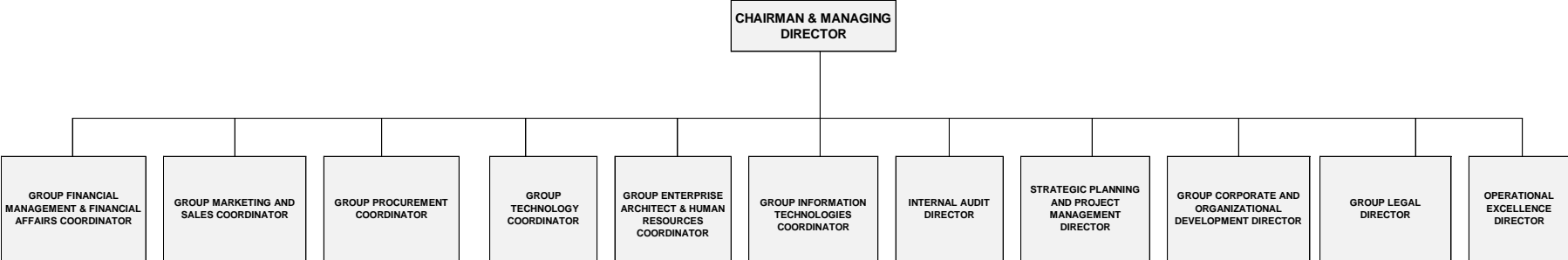
Paid-in Capital : TRY 3.500.000 thousand

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

No change in shareholding and capital structure.

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

4. Organization Chart



**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE  
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1****5. Preferred Stocks and information about the voting rights of the stocks**

In the 8<sup>th</sup> Item of 7<sup>th</sup> Article of Articles of Association stated as *"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 capital is divided into shares Group A and Group B.

In the 9<sup>th</sup> Item of 7<sup>th</sup> Article of Articles of Association stated as *"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")" the right of usufruct is established.*

Within the frame of the right of usufruct, the rights and powers entitled to Privatization Administration in Articles of Association are as follows:

- In 3<sup>rd</sup> Item of 10<sup>th</sup> Article of Articles of Association stated as "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."
- In 3<sup>rd</sup> Item of 11<sup>th</sup> Article of Articles of Association stated as "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."
- In 2<sup>nd</sup> Item of 12<sup>th</sup> Article of Articles of Association stated as "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."
- In 3<sup>rd</sup> Item of 12<sup>th</sup> Article of Articles of Association stated as "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 4<sup>th</sup> Item of 12<sup>th</sup> Article of Articles of Association stated as "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."

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE  
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- In 5<sup>th</sup> Item of 12<sup>th</sup> Article of Articles of Association stated as “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.”
- In 6<sup>th</sup> Item of 12<sup>th</sup> Article of Articles of Association stated as “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.”
- In 7<sup>th</sup> Item of 12<sup>th</sup> Article of Articles of Association stated as “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.”
- In 22<sup>th</sup> Article stated as “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.”

- In 37. Article stated as “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.”
- In 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.”

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In Article 21, headed Voting Right and Form of Representation stated as:

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.

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.

**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 2018 Regular General Assembly has been executed on March 21, 2019.

Within the frame of Turkish Commercial Code and Capital Market Law, at the Ordinary General Assembly held on March 21, 2019, 3 Independent Board members were selected for 1 year instead of 3 Independent Board Members whose term of office has expired, pursuant to the 10. and 11. Articles of Article of Association by the General Assembly.



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

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

(\*) Legal entity's duty starting dates were considered.

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

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

- It has been decided to be registered and to be announced in the trade registry gazette with the 29 January 2019 dated and 9597 numbered decision, the assignment of Aslihan DÖĞER as the representative of Board Member OMSAN Lojistik A.Ş. due to the end of Ahmet Türker ANAYURT's duty.
- It has been decided to be registered and to be announced in the trade registry gazette with the 18 February 2019 dated and 9611 numbered decision, the assignment of Baran ÇELİK as the representative of Board Member OYKA Kağıt Ambalaj Sanayi ve Ticaret A.Ş. due to the end of Ertuğrul AYDIN's duty.
- By the General Assembly executed on 21 March 2019; Yunus ARINCI, Ali FİDAN and Kurtuluş Bedri VAROĞLU have been elected as independent board members for one year.
- It has been decided to be registered and to be announced in the trade registry gazette with the 2 April 2019 dated and 9622 numbered decision, the assignment of Tahsin YAZAR as the representative of Board Member Republic of Turkey Ministry of Treasury and Finance Privatization Administration due to the end of H. Abdullah KAYA's duty.

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

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

Duties and Responsibilities of Audit Committee, Risk Committee, Early Detection of Risk Committee and Corporate Governance Committee created on the Board of Directors are indicated in App. 3.

**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. 2.

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

Audit Committee, Risk Committee, Early Detection of Risk Committee and Corporate Governance Committee was established for the Board of Directors.

Board of Auditors held 4 meetings in 2019 and continued its activities in accordance with CMB Principles. Board Members participated in the meetings regularly.

Early Detection of Risk Committee held 6 meetings and Corporate Governance Committee 6 meetings in 2019. The Committees have continued to performed their works in accordance with CMB regulations.

The working instructions relating to the Committees take place on "[www.erdemir.com.tr](http://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 6 meetings in 2019. Board Members participated in the meetings regularly.

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**Executive Management**

<b>Executive Management</b>	<b>Title</b>	<b>Effective from</b>	<b>Education</b>	<b>Experience</b>
Toker ÖZCAN	Head of Group	12.10.2018	Middle East Technical University – Mechanical Engineering	27 Years
Salih Cem ORAL	General Manager	06.06.2018	İstanbul Technical University – Metallurgy Engineering	26 Years
Ural DURUSU	Executive Vice President (Operations)	29.11.2018	İstanbul Technical University – Metallurgy Engineering	32 Years
Ferat GÖÇ (By Proxy)	Executive Vice President (Financial Affairs)	30.07.2019	Erciyes Üniversitesi - İşletme	24 Years
İbrahim Emrah SİLAV	Financial Management and Financial Affairs Group Vice President	01.12.2017	Middle East Technical University - Economy	20 Years
Fatih ÇITAK (By Proxy)	Marketing and Sales Group Vice President	18.01.2020	İstanbul Technical University – Industrial Engineering	21 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University – Political Science and Public Administration	24 Years
Can ÖRÜNG	Enterprise Architecture and Human Resources Group Vice President	07.02.2017	İstanbul Technical University – Business Administration Engineering	18 Years
Can ÖRÜNG (By Proxy)	Information Technologies Group Vice President			
Vacant	Technology Group Vice President			

As of December 31, 2019 due to the end of Marketing and Sales Group Vice President Başak Turgut's duty, Fatih ÇITAK has assigned as of Marketing and Sales Group Vice President (by proxy) by January 18, 2020.

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**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 21 March 2019, it is consented to give the authority for transactions for 2019 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**

27th Period Collective Labor Agreement, which will be valid between 01.09.2018-31.08.2020, has been signed on March 11, 2019 between Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and Turkish Metal Union as the collective bargaining agency.

26th Period Collective Labor Agreement, which will be valid between 01.01.2018-31.12.2020, has been signed on 29 December, 2017 between Iron, Steel, Metal and Metallic Products Worker's Union and İskenderun Iron and Steel Works CO.

In the scope of collective agreement applications, the rights and benefits of the employees are classified under bonuses, social benefits, and vacations. Bonuses and social benefits are; bonuses, holiday allowance, heating allowance, paid annual leave allowance, marriage allowance, birth allowance, bereavement allowance (worker's death, worker's spouse's, children's, mother's, father's or sibling's death, in the case of a death as a result of a work accident it will pass onto the worker's heir at law), military service allowance, children allowance, educational allowance (play school, primary school, secondary school, high school, higher education), meal allowance and transportation.

Vacations are; paid annual leaves, accompaniment leaves for medical purposes, accompaniment leaves (handicapped child) excused absences, unpaid leaves, and other paid leaves consisting marital leaves, bereavement leaves, pregnancy leaves, maternity leaves, nursing leaves, adoption leaves, part-time work leaves, transport leaves and leaves in case of a natural catastrophe.

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

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

<b>(thousand TRY)</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Due to personnel	109.689	153.178
Social security premiums payable	43.669	36.298
	<b>153.358</b>	<b>189.476</b>

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Provision for employee benefits as of reporting period are as follows:

(thousand TRY)	31 December 2019	31 December 2018
Employee termination benefits	651.998	527.970
Seniority incentive premium	71.234	55.351
Provision for unpaid vacations	84.092	86.070
	<b>807.324</b>	<b>669.391</b>

The number of the personnel on as of reporting period are as follows:

	31 December 2019 Personnel	31 December 2018 Personnel
Hourly paid	7.521	7.725
Monthly paid	3.907	3.882
	<b>11.428</b>	<b>11.607</b>

#### **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 2018 were met during the period 01.01.2019–31.12.2019. The Company issued "Statement of Compliance with Corporate Governance", "Corporate Governance Compliance Report" and "Corporate Governance Information Form", which are prepared in accordance with Capital Markets Board decision dated 10.01.2019 and numbered 2/49 and the II-17.1 Corporate Governance Communiqué, are given in App.3.

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

Not available.

### **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 March 21, 2019 is as follows:

In the 9<sup>th</sup> 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. Işıl GÜNEŞ EFE, and with no other comment, it was submitted to the General Assembly's approval and in accordance with the proposal;

It was decided by the majority of votes that no wages will be paid to the Board members representing Group B shares, the monthly net wage that will be paid to the members representing Group A shares will be TRY 4.000 (monthly, in cash), the wages of independent Board members will be TRY 8.800 (monthly, in cash) and the new wages will be valid from the date of April 1, 2019.

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

No payment of performance was made to Board Members.

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

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

Other than the wages determined by Company Rating System efficiency premium payment was made once in 2019 according to effectiveness periods. All healthcare costs and individual annuity insurance of the management are covered with insurance.

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

A total of TRY 22.396 thousand is recorded as expense related to Company Board Members and Executive Management as of reporting period.

**C – Research and Development Studies**

OYAK Mining Metallurgy Group carries out research and development activities at "Erdemir R&D Center". R&D activities mainly consist of four groups as raw materials and iron making, steel making and casting technologies, hot rolled products and process, cold rolled products and process.

The R&D Center, which serves in the OYAK Mining Metallurgy Group, moved to a separate campus in Karadeniz Ereğli to expand the laboratory infrastructure from its old campus located at the factory in 2018. In this new campus, two comprehensive laboratories for Raw Material and Product Development R&D infrastructures were built. Assembly works of simulators and equipment that will be used for R&D projects, completed and startup works have been continued.

As part of the R&D activities, 45 projects have been continued. Within the scope of TÜBİTAK / TEYDEB Projects 1501 program, until today 6 projects have been completed successfully. The studies and reporting activities have been continued for 3 supported projects. Also, evaluation stage of 3 projects' application dated as 2019, have been going on.

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

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In the year of 2019, 10 patent/utility model applications filed, 2 of them are joint applications (İsdemir and Erdemir Engineering). 7 of these applications are patent, 3 of them are utility model. With 2019 applications, Erdemir has reached 18 patent/utility model applications in total and one of them has been granted as utility model.

**D – Activities and Important Developments Regarding the Activities****1. Investment Activities**

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

In Erdemir Plants,

Second Galvanizing Line Project, Cold Rolling Mill Picking Tandem Line (CPL-TCM) Product Range and Capacity Increase Project and New Coastal Protection Construction Projects were commissioned.

First phases has been completed in Surface Inspection Systems Project and Second Hot Mill Quality and Sustainability Investment. Equipment shipments and field activities continue for Second Hot Mill Quality and Sustainability Investment. Site applications are ongoing in Additional Investments Energy Distribution Systems Project, Steel Shop BOF Convertors Modernization Project, Modernization of Level 1-2 Automation Systems for Steel Shop & Continous Casting Project, Raw Material Stocking and Blending Yard Modernization Project and Projects related to Environmental Investments. Construction works of R&D Simulation Center Project have been completed and commissioning works of the simulators are continuing. Detailed engineering, manufacturing, supply and field works are going on in the 6th Steam Boiler Project and the 2nd Blast Furnace Renovation Project. The contract was signed with the technology supply company in the New Wide Inspection and Recoiling Line Project. Equipment manufacturing and supply works are ongoing for New Slab Grinding Machine Investment. Equipment supply activities and installation works continue for Various Fire Detection and Extinguishing Systems Investment.

Purchasing studies are ongoing in the 4.Coke Batteries and By Product Plant Modernization and Ersem Cold Slitting Line and Warehouse Investment Projects. New Sinter Plant Investment, Steel Shop Secondary Dust Collection System Capacity Improvement and 1. Slab Furnace Modernization Projects' purchasing studies started with Board Approval.

In İsdemir Plants,

The Electric Station Dust Collection and Water Cooling System Modernization Project was completed and commissioned. Slab Casting Mold Level Control System Modernization Project was commissioned and almost completion phase with performance tests.

Engineering, purchasing, supply, manufacturing and site studies continue in New Coke Gas Gasometer, Expansion of Steel Shop A-B Hall and Crane project, New No.1 Blast Furnace, Vacuum Degassing Plant and Modernization of the Coke Oven Battery No.3 Projects. Purchasing activities of İsdemir New Sinter Plant and 1. Blast Furnace TRT Projects started with the decision of the Board of Directors.

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As of December 31, 2019, the Group's total investment expenditures amount to USD 251 million (31 December 2018: USD 216 million).

## 2. Internal Control System and Internal Auditing Activities

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

## 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:

<b>Name of the Company</b>	<b>Country of Operation</b>	<b>Operation</b>	<b>2019 Effective Share %</b>	<b>2018 Effective Share %</b>
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Iron and Steel Manufacturing	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silica Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47



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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 reporting period (%) and their functional currencies:

	31 December 2019			31 December 2018		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	94,87	94,87	US Dollars	94,87	94,87
Ersem	US Dollars	100	100	US Dollars	100	100
Ermaden	Turkish Lira	90	90	Turkish Lira	90	90
Erdemir Mühendislik	Turkish Lira	100	100	Turkish Lira	100	100
Erdemir Romania S.R.L.	Euro	100	100	Euro	100	100
Erdemir Asia Pasific	US Dollars	100	100	US Dollars	100	100
Erdemir Enerji Üretim	Turkish Lira	100	100	Turkish Lira	100	100
İsdemir Linde Gaz	US Dollars	50	47	US Dollars	50	47

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" Erdemir, as of 31 December 2019, holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2018: TRY 107.837 thousand). Erdemir's own shares have been reclassified with its inflation adjusted value in the reporting period as a deduction under equity.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE  
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It is decided to make one-year agreement with "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Deloitte Touche Tohmatsu)" for our company's and its subsidiaries' Independent External Audit for the year of 2019.

**6. Subjects Related to Law****a) Lawsuits**

The Company, prepared its 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 Group 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.

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 (IFRS) caused a decrease amounting to TRY 152.330 thousand on the period due to negative goodwill 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 October 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 152.330 thousand, 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 judgement. CMB appealed the Chamber's decision on 6 September 2010.

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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.

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after December 31, 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 December 31, 2019 and December 31, 2018 will not be affected from the above mentioned disputes.

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 was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 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 thousand 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 judgement 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. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber's decision dated 24.05.2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11 th Civil Chamber dated 27.06.2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to our Company on 28.08.2019, it was notified that our Company's request for revision of the decision has been rejected. The case is still pending in the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara. Next hearing will be held on April 2, 2020.

The Company, based on the above mentioned reasons, doesn't expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 December 2019 and 31 December 2018.

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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 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 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notified made to the Company on 21 July 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. This case is also dismissed by the court from jurisdiction aspect.

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 USD 4.800 thousand together with accessory against the Company before Ankara 14. 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 judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against our Company. Our company has applied for the appeal against the decision. A provision amounting to TRY 52.083 thousand recognised on financial statements for related lawsuit.

**b) Other issues****Provision for state right on mining activities**

According to "Mining Law" numbered 3213 and regulation on "Mining Law Enforcement" published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is obliged to pay state right on mining activities based on the sales.

**Land occupation**

The Group have land property within the Erdemir factory area being within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3 % of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision recognised on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE  
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As a result of the comprehensive corporate tax audit of Erdemir Romania SRL, one of the subsidiaries of the Group, in 2009-2014 by the local tax authority in Romania, tax payments and penalties are issued for the years 2009, 2013 and 2014. The lawsuit filed against the tax authority has been resulted in favor of the Company. In line with the evaluations of the Group Management and the usual practices of public lawsuits, the provision in the financial statements was reversed due to the fact that there will be no cash outflow regarding the lawsuit. The defendant tax office has the right to appeal.

**Privatization Administration Litigation**

In the litigation filed by the Company for indemnification of the payments made to the Company as per the share transfer agreement, with the File No 2015/125 E to the 19<sup>th</sup> Commercial Court of First Instance in Ankara against the Privatization Administration, the Court decided to accept the claim partially and to collect the amount of TRY 52.857 thousand TRY with the interest to be accrued thereon from 26 January 2012 and pay such amounts to the Company. The ruling was appealed by TR Prime Ministry Privatization Administration, where after 11<sup>th</sup> Chamber Office of the Supreme Court approved the resolution of the 19<sup>th</sup> Commercial Court of First Instance in Ankara, and such approval decision was notified to our Company. As the adjustment process against the approval decision was not eliminated, our company has continued to carry the provisions for the receivables in the financial statements in the reporting period related to this subject.

**Resolution of Constitutional Court on Electric and Coal Gas Tax**

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, on 16 March 2015, the Company used its right to apply the Constitutional Court individually. In the General Assembly Resolution adopted by the Constitutional Court notified to the Company on 27 December 2018, it is stated that the property rights of the Company were violated, and retrial was decided for the applicable claims to eliminate the consequences of the violation of the property rights regarding to consolidated 15 cases.

In the consolidated 4 cases subject to Company's individual application, The Constitutional Court has decided to retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

The aforementioned 19 cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company. Those 19 resolutions which were appealed against by the Municipality of Kdz. Ereğli have not finalized yet.

Regarding to ongoing cases, resolutions are made in favor of Company.

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**Lawsuit against The Municipality of Kdz. Ereğli's Tax Penalty Notifications**

A real estate tax review was carried out by the Municipality of Kdz Ereğli under the name of "Real Estate Tax Determination Field Study" at Company's Ereğli facilities in August 2019. As a result of this tax inspection, 1924 tax penalty notifications were notified to our company on 23 December 2019. With the 1924 tax penalty notices, the building tax and related cultural assets contribution share has been levied for 2014 to 2019, as well as the tax loss penalty for the same periods. The amount of tax and related cultural assets contribution assessment is TRY 25.586 thousand and TRY 23.888 thousand tax loss penalty has been imposed.

6 lawsuits have been filed at the Zonguldak Tax Court on 20 January 2020 against penalty notifications and the lawsuits are still pending.

No provision has been set aside in our accounting records for the tax levied, cultural assets contribution share and tax penalty imposed since there is no cash out flow highly likely to occur according to the Group Management's assessments.

**c) Penal Sanctions**

None.

**7. General Assemblies**

The company had achieved the aims stated in past terms. It has been decided to be registered adopted at the Ordinary General Assembly held on March 21, 2019 had been implemented.

**8. Donations Made and Social Responsibility Projects**

Donations of the Group's companies are as follows:

<b>(thousand TRY)</b>	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Cooperative Activities with Public Institutions and Organizations	2.314	1.317
Education and Training Activities	1.278	1.495
Volunteer Studies and Cooperative Activities for Charities	689	611
Cooperative Activities with Foundations, Associations, Organizations, Institutes	339	333
Cultural and Artistic Activities	123	11
Sportive Activities	17	131
Health-Benefit and Financial Support Activities	1	15
<b>Total</b>	<b>4.761</b>	<b>3.913</b>

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## 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 2019. In year 2019, all commercial transactions between our Company and our Controlling Shareholder and its subsidiaries are executed according to market conditions.

In 2019, commercial activities between the Entity and its subsidiaries İskenderun Demir ve Çelik A.Ş and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. exceed 10% under CMB II-17.1 Corporate Governance Communiqué. It is predict that by the year 2020 operations will continue under determined circumstances. Operations are consistent with last year.

### 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 December 31, 2019 and December 31, 2018.

#### Statement of Financial Position

	(Audited)	(Audited)
	Current Period	Previous Period
(Thousand TRY)	31 December 2019	31 December 2018
Current Assets	24.136.704	22.512.149
Non-current Assets	22.535.921	19.269.961
<b>Total Assets</b>	<b>46.672.625</b>	<b>41.782.110</b>
Current Liabilities	9.450.454	7.887.487
Non-current Liabilities	5.974.696	4.639.998
Shareholders' Equity	31.247.475	29.254.625
<b>Total Liabilities</b>	<b>46.672.625</b>	<b>41.782.110</b>

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**Statement of Profit or Loss**

(Thousand TRY)	(Audited)	(Audited)
	Current Period	Previous Period
	1 January - 31 December 2019	1 January - 31 December 2018
Sales Revenue	27.465.185	27.015.254
Gross Profit	5.011.160	8.383.300
Operating Profit	4.378.290	7.814.311
Operating Profit Before Fin. Income (Expenses)	4.456.996	7.682.374
Profit Before Tax	5.067.384	8.630.677
Net Profit for the Period	3.494.207	5.844.721
Equity Attributable to the Parent	3.316.527	5.597.990
EBITDA	5.521.001	8.302.103
Earnings Per Share	94,76%	159,94%

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

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

**2. Key Ratios**

(%)	1 January - 31 December 2019	1 January - 31 December 2018
Gross Profit Margin	18,2%	31,0%
Operating Profit Margin	15,9%	28,9%
Operating Profit Before Fin. Income (Expenses) Margin	16,2%	28,4%
Net Profit Margin	12,7%	21,6%
Net Profit Margin Attributable to the Parent	12,1%	20,7%
EBITDA Margin	20,1%	30,7%

**3. Financial Strength**

According to the calculation made with the ratios issued in 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**

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



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**5. The Nature and Amount of Issued Capital Market Instruments**

As of 31 May 2019; bond issue 28 May 2021 term, quarterly TRLibor + 0,50 spread coupon interest, principal and coupon interest payment at the end of maturity TRY 550.000 thousand was performed.

**6. Dividend Distribution Policy**

Groups' Dividend Distribution Policy is as follows:

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

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

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

Dividend distribution (gross dividend per share: TRY 1,38) amounting to TRY 4.830.000 thousand from 2018 net profit was approved during Annual General Assembly Meeting dated 21 March 2019. The dividend distribution realized between May 8 and May 10, 2019.

**7. Information about the sector**

Global crude steel production in December 2019 increased by 2.9 percent month on month and rose by 4 percent year on year to 152.1 million tonne. In 2019, global crude steel production increased to 1.9 billion tonne, up by 3.4 percent year on year.

In 2019, crude steel output in Asia amounted to 1.3 billion tonne, rising by 5.7 percent, with 996.3 million tonne produced by China, up 8.3 percent, 99.3 million tonne produced by Japan, decreasing by 4.8 percent, 111.2 million tonne produced by India, rising by 1.8 percent, and 71.4 million tonne produced by South Korea, falling by 1.4 percent - with all comparisons on year-on-year basis.

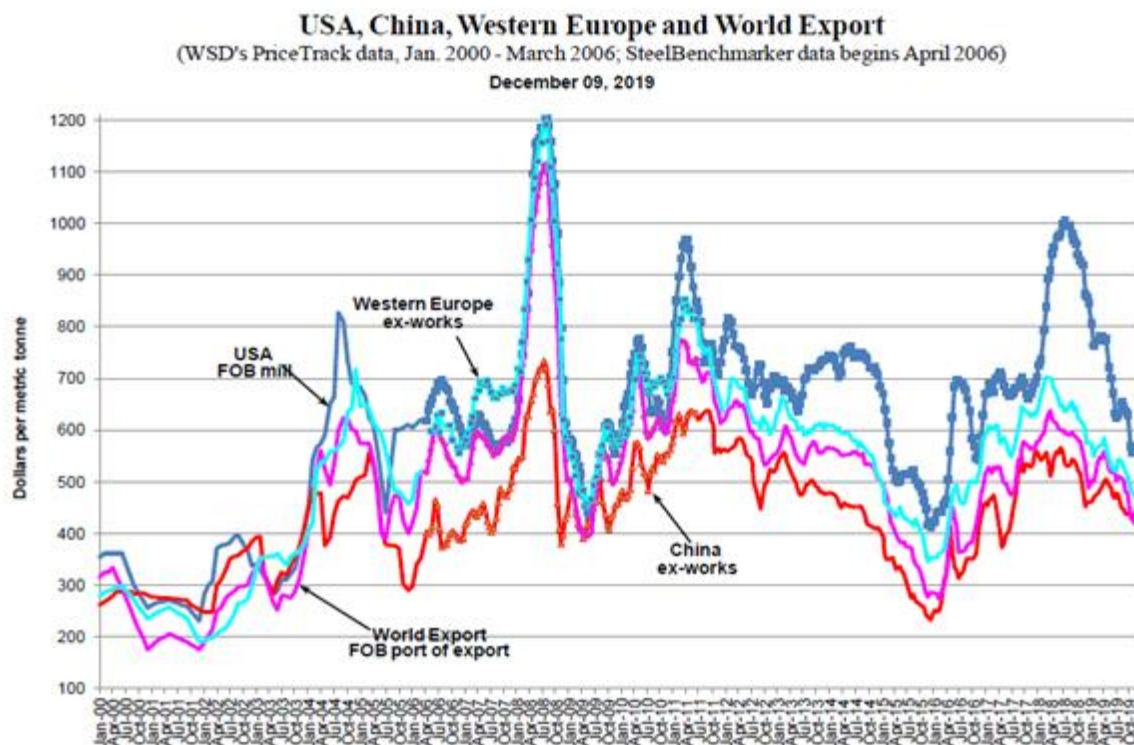
EU-28 countries produced 159.4 million tonne of crude steel in 2019, down by 4.9 percent year on year. In the given period, Germany's output was 39.7 million tonne, falling by 6.5 percent year on year, Italy's crude steel output was 23.2 million tonne, down by 5.2 percent year on year, and France's crude steel output amounted to 14.4 million tonne, down by 6.1 percent year on year.

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Iran's crude steel production in 2019 amounted to 31.9 million tonne, up by 30.1 percent year on year. The CIS registered a crude steel output of 100.2 million tonne, decreasing by 0.6 percent on year-on-year basis, with Russia producing 71.6 million tonne, down by 0.8 percent, and Ukraine producing 20.8 million tonne, declining by 1.2 percent, both on year-on-year basis.

In North America in 2019, crude steel output totaled 120 million tonne, falling by 0.8 percent, with the US producing 87.9 million tonne, rising by 1.5 percent, and Mexico producing 18.6 million tonne, down by 8 percent, all on year-on-year basis. Crude steel output in South America in 2019 amounted to 41.2 million tonne, decreasing by 8.4 percent from 2018, with Brazil's output totaling 32.2 million tonne, declining by 9 percent year on year.

Price changes of hot rolled products follows:



Turkish crude steel output in December 2019 0.3 percent month on month and 0.2 percent year on year to 2.9 million tonne. In the given month, Turkey's crude steel output by electric arc furnaces fell by 11.3 percent, while production by integrated plants decreased by 5.7 percent, both year on year.

In 2019, Turkish crude steel output fell by 9.6 percent to 33.7 million tonne, year on year. Last year, Turkey's crude steel output by electric arc furnaces declined by 11.3 percent to 22.9 million tonne, while production by integrated plants decreased by 5.7 percent to 10.8 million tonne, both year on year.

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### 8. The Position within the Sector

Group's production in 2018 had been 9.1 million tonne. In 2019, the crude steel production in Ereğli Plant has decreased by 9% and went down to 3.072 thousand tonne while the crude steel production in İskenderun went down to 5.536 thousand tonne with a decrease of 4%. In 2019 Group production has decreased by 6% and went down to 8.608 thousand tonne.

### 9. Government Grants

These grants and incentives can be used by all companies, which meet the related legislative requirements and those grants have no sectoral differences:

- ✓ Incentives under the jurisdiction of the research and development law (100% corporate tax exemption etc.)
- ✓ Cash support from Tubitak and Teydeb for research and development expenditures.
- ✓ Inward processing permission certificates,
- ✓ Social Security Institution incentives
- ✓ Insurance premium employer share incentive.

Research and development incentive premiums taken or certain to be taken amounts to TRY 2.181 thousand (2018: TRY 1.266 thousand) which are accounted under income statement for the year ended December 31, 2019.

### 10. Developments Regarding the Plants

Turkey's first and only integrated flat steel producer, Group, who carries out production, operation, maintenance and modernization activities within its all facilities. Manufacturing 26% of all crude steel production in Turkey, Group again continued its operations in line with the principle of optimal costs, maximum productivity and quality of production in 2019.

Construction of 2nd Galvanizing Line, finished and started to commercial production in Ereğli. Value added galvanized production is aimed from new line to increase sales for manufacturing industry mainly automotive and white goods sectors.

### 11. Production Plants and Productivity

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

Capacity used (%)	1 January - 31 December 2019	1 January - 31 December 2018
Liquid Steel	91%	97%
Slab	87%	93%
Billet	41%	40%

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**12. Products**

The main products of Group are as follows:

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

**13. Production (quantity)**

Final Products (000 Tonne)	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Flat Products	7.257	7.743
Long Products	1.026	980
Iron Ore and Pellet	1.938	1.770

**14. Developments Regarding Sales**

The iron and steel industry is a delivering force in national economies and Turkey is one of the leading countries in terms of both production and consumption of steel, ranking as the world's eighth largest steel consumer and producer. Steel consumption of Turkey in 2019 is nearly 26 million tonne, which is lower 15% than the previous year. Due to the domestic consumption shrinkage and increasing protectionism in the world, crude steel production decreased 10% to the level of 34 million tonne in the same period.

Total flat product sales of the Group of Companies reached the level of 7.2 million tonne in 2019. The domestic flat product sales has reached 5.7 million tonne, %3 lower than 2018. Long products sales increased by 15% and went up to 1.1 million tonne. Domestic long product sales increased 3% and went up to 0.9 million tonne.

Group also exported 1.504 thousand tonne of flat products to 52 countries and 219 thousand tonne of long products to 23 countries. The level of the Group's export sales is 21% of total sales.

Group continues to deliver shipments in line with its objectives in industries such as metal packaging, automotive or steel pipe. Because of its customer-oriented strategy, Group has added 25 new customers to long product portfolio and 39 new customers to flat product portfolio totaling 64 new customers in 2019.

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

### **15. Sales (quantity)**

Final Products (000 Tonne)	1 January - 31 December 2019	1 January - 31 December 2018
Flat Products	7.250	7.482
Long Products	1.057	919
Iron Ore and Pellet Sales (*)	1.941	1.880

(\*) As of 31 December 2019, 1.839 thousand tonne of Ermaden's sales are made for Group Companies (2018: 1.820 thousand tonne).

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

### **1. Enterprise Risk Management**

Enterprise Risk Management Procedure has been published with the purpose of ensuring systematic and comprehensive identification, evaluation, control and monitoring of risks and opportunities that may affect Group's assets, reputation, profitability. The procedure includes guidance on support and positioning, risk identification, prioritization, improvement, reporting, monitoring/surveillance, and communication principles related to risks in order to manage Group-wide risks to the highest standard.

In order to measure the risks incurred by the company and ensure conformity to the risk tolerance limits; risks are monitored and managed in accordance with regulations and guidelines developed for critical risks.

### **2. The Early Detection of Risk Committee**

The Early Detection of Risk Committee Regulation is included in the Policies and Regulations tab of the Investor Relations section on the company's website.

The purpose of the Committee is to identify the risks that may threaten the existence, progress and continuation of the Company operations within the scope of this regulation and legal legislation, to implement the necessary measures related to the risks identified and to manage those risks.

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The Meetings of the Committee are held bimonthly and in accordance with the regular meetings of the Board of Directors. After each meeting, a written report on the activities of the Committee is submitted to the Board of Directors with a summary of the minutes. Meeting minutes are stored in the secretariat.

**3. Prospective Risks**

- 1) *Market /Price risks:* Due to the industry that Company operates in, it is exposed to price change risks due to fluctuations in main inputs namely iron ore and coking coal prices as well as to fluctuations in the price of steel products. In addition, the time lag between supply of inputs and delivery of outputs may contribute to price change risk. Models are being developed and outputs are reported for close follow up of the impact of this risk to major company financial indicators. In order to keep the risk level within acceptable levels and to lock the sales profits, Company utilizes derivative solutions in line with Group Financial Risk Management Policy for "hedging" product/commodity prices.
  - 2) *Currency risks:* Company is exposed to currency risk when sales; collection or payment transactions (credit repayments, supplier payments, energy payments, other payments, etc.) are transacted in currencies other than functional currency. Under these situations, Company's basic approach to currency risk management is to utilize derivative transactions for hedging purposes in accordance with the Financial Risk Management Policy.
  - 3) *Interest Rate Risk:* Changes in interest rates may result in increase in financing expenses. The company manages interest rate risk by creating a balanced financial asset-liability portfolio in line with the Group Financial Risk Management Policy. In order to manage the interest rate risks incurred, duration based profit/loss sensitivity is calculated considering the credit portfolio and cash flow projections. Besides natural hedging, considering the cost advantage, maturity advantage and similar reasons Company makes use of derivative transactions for hedging.
  - 4) *Liquidity Risk:* With the purpose of increasing productivity through incorporating evolving production technologies and increasing capacity, Company continuously makes large investments. In order to bear these high costs we incorporate financial instruments besides cash from revenues. In the absence of proper planning, these financial liabilities may not be met on time, at a sufficient level and at an optimum cost. Therefore, the company manages its liquidity needs by monitoring credit usage, repayments and cash flow projections in accordance with the Group Financial Risk Management Policy. The company has established an appropriate liquidity risk management structure for short, medium and long-term funding and liquidity requirements. The Company manages liquidity risk by regularly tracking estimated and actual cash flows and maintaining sufficient funds and borrowing reserves by matching the maturities of financial assets and liabilities.
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- 5) *Counter-Party Risk*: Company may suffer financial losses because of the failure of a counter-party to meet its obligations. Company's basic approach in managing counter-party risk is to distribute the exposure risk at a balanced and measurable level. In order to manage customer related counter-party risk, almost all of our receivables are secured by Direct Debiting System, Credit Direct Collection System and Credit Insurance. Our customers' risk exposures are constantly monitored and when a limit is breached, a call for collateral completion is made. Financial Institution Model is created to manage and monitor the risk of counter-party risk associated with financial institutions.

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.

**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**

Information about social rights of the employees and vocational training and other company actions bearing social and environmental outcomes. In accordance with the collective labor agreement, blue collar employees are entitled to 120 days of bonus payment per year, bairam allowance, fuelwood allowance, annual leave allowance, marriage bonus, maternity benefit, death benefit, complementary health insurance, annual leave, notice period and payment in lieu of notice. Both blue collar workers and white collar employees are provided food and company service, incentive bonus for senior workers; white collar employees are entitled to have private health insurance, supervisors and executives work in higher positions are offered private pension scheme. Erdemir, whose one of fundamental priorities is to offer its employees a healthy and safe working environment, also provides services of preventive medicine, pre-job examinations, periodical examinations, preventive activities for occupational accidents and occupational illnesses, first-aid and emergency treatment.

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Our training programs have continued at Erdemir Training Center, Laboratories and Welding Shop for occupational and personal development of human resource. In 2019, training hour per employee was 44.7 where training programs included occupational health and safety, management systems, occupational development trainings and personal and leadership programs.

Training programs were planned to accomplish the strategic goals of Erdemir and to contribute realization of the fundamental principles of Quality, OHS, Environment, Energy and Information Management System Policies. In addition to various learning opportunities, such as on-the-job, classroom, domestic and international trainings and conferences, several training methods are used for adult training at Erdemir. Also, online trainings are available companywide.

In 2018 59% and in 2019 63% of the training hours were realized by in-company trainings.

As per Law No 6331, the trainings, to inform our employees and raise their awareness about occupational health and safety issues regarding their legal rights and responsibilities, the dangers and risks they face and precautions to be taken, have continued. To make our work place much safer and healthier, to produce our steel accident free we had started 5x5 Güvenli Üretim Candır (5x5 Safe Production is Vital) and behavior oriented safety management trainings completed in 2019. Observation- feed back activities, analysis of risky behaviours and action practices started in 2019. In line with 5x5 Safety in Powered Environments is Vital (5x5 Enerjili Ortamlarda Güvenlik Candır) scope of our 5x5 Güvenli Üretim Candır project, Lockout/Tagout (LOTO/EKED) system implemented.

As a Company under the scope of dangerous and very dangerous jobs, we cooperated with Ministry of National Education for realization and certification of the occupational and technical courses and trained in-company trainers. Similarly, certifications of our employees based on title and job and of trainings of occupational areas requiring mandatory professional competency certificates continued.

Know-how and transfer of this know-how during on-the-job trainings within master-apprentice relation is one of the strengths of Company. In line with this, activities to establish and restructure the infrastructure of In-unit Training System (ÜES, Ünite içi Eğitim Sistemi) continued in 2019. Ongoing projects are Corporate Memory Project- initiated to avoid the knowledge and know-how over years and let it flow to coming generations, and Maintenance Engineer Development Program- set up for the maintenance engineers working at operation units.

2019, Leadership Faculty- Manager Level Executive Development Program for the managers in Group companies and Digital Human Resources Learning and Development Project started. Online training platform project, where theoretical information and practical applications will be available, and from which the new recruits or the more experienced employees will benefit, proceeded in 2019.



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**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 transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note.

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

<u>Due from related parties (short term)</u> <u>(thousand TRY)</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Oyak Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	69.773	53.806
Bolu Çimento Sanayi A.Ş. <sup>(1)</sup>	4.756	3.776
Adana Çimento Sanayi T.A.Ş. <sup>(1)</sup>	6.034	8.525
İsdemir Linde Gaz Ortaklığı <sup>(3)</sup>	-	724
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. <sup>(1)</sup>	92.064	-
Other	669	1.755
	<b>173.296</b>	<b>68.586</b>

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

<u>Other receivables from related parties (short term)</u> <u>(thousand TRY)</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	3.817	-
	<b>3.817</b>	<b>-</b>

<u>Other receivables from related parties (long term)</u> <u>(thousand TRY)</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	25.136	-
	<b>25.136</b>	<b>-</b>

According to TFRS 16 provision, other short term and long term receivables from related parties arise from monetary receivables the leased contracts under the sub-lease transactions.

(1) Subsidiaries of the parent company

(2) Joint venture of the parent company

(3) Joint venture of subsidiary

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<u>Prepaid expenses to related parties(short term)</u> <u>(thousand TRY)</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	6.264	-
Omsan Lojistik A.Ş. <sup>(1)</sup>	44	-
	<b>6.308</b>	<b>-</b>
	<b>31 December</b> <b>2019</b>	<b>31 December</b> <b>2018</b>
<u>Prepaid expenses to related parties (long term)</u> <u>(thousand TRY)</u>		
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	8	-
Oyak Konut İnşaat A.Ş. <sup>(1)</sup>	-	509
Oyak Savunma ve Güvenlik sistemleri A.Ş. <sup>(1)</sup>	25.612	67.757
	<b>25.620</b>	<b>68.266</b>

Prepaid expenses generally related with port services and purchasing of tangible assets.

<u>Due to related parties (short term)</u> <u>(thousand TRY)</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Omsan Lojistik A.Ş. <sup>(1)</sup>	29.535	24.447
Omsan Denizcilik A.Ş. <sup>(1)</sup>	3.141	2.863
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	16.891	12.053
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	10.849	15.484
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	11.404	7.067
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. <sup>(1)</sup>	-	74.262
Other	13.911	11.596
	<b>85.731</b>	<b>147.772</b>

Trade payables to related parties mainly arise from purchased service transactions, tangible assets and energy.

(1) Subsidiaries of the parent company

(2) Joint venture of the parent company

(3) Joint venture of subsidiary

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<u>Major sales to related parties</u> <u>(thousand TRY)</u>	<u>1 January –</u> <u>31 December</u> <u>2019</u>	<u>1 January –</u> <u>31 December</u> <u>2018</u>
Oyak Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	271.773	305.221
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	13.714	-
Adana Çimento Sanayi T.A.Ş. <sup>(1)</sup>	21.904	27.521
Miilux OY <sup>(1)</sup>	10.917	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	13.363	-
Bolu Çimento Sanayi A.Ş. <sup>(1)</sup>	8.521	10.531
Aslan Çimento A.Ş. <sup>(1)</sup>	-	2.572
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	11.621	15.882
İskenderun Enerji Üretim ve Ticaret A.Ş. <sup>(1)</sup>	51.953	-
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. <sup>(1)</sup>	73.531	-
İsdemir Linde Gaz Ortaklığı <sup>(3)</sup>	56.963	49.642
Other	4.803	4.734
	<b>539.063</b>	<b>416.103</b>

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

<u>Major purchases from related parties</u> <u>(thousand TRY)</u>	<u>1 January –</u> <u>31 December</u> <u>2019</u>	<u>1 January –</u> <u>31 December</u> <u>2018</u>
Miilux OY <sup>(1)</sup>	36.257	-
Omsan Denizcilik A.Ş. <sup>(1)</sup>	175.185	171.129
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	130.675	104.398
Omsan Lojistik A.Ş. <sup>(1)</sup>	271.747	203.566
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	158.378	58.278
Omsan Logistica SRL <sup>(1)</sup>	14.399	16.342
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	121.928	121.671
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. <sup>(1)</sup>	-	97.830
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	91.838	77.229
Oyak Yardımlaşma Kurumu	10.998	9.268
Omsan Havacılık A.Ş. <sup>(1)</sup>	-	14.422
Oyak Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	61.949	29.004
Other	15.347	13.397
	<b>1.088.701</b>	<b>916.533</b>

The major purchases from related parties are generally due to the purchased service transactions, tangible assets and energy.

(1) Subsidiaries of the parent company

(2) Joint venture of the parent company

(3) Joint venture of subsidiary

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The period end balances are non-secured, and their collections will be done in cash. As of December 31, 2019, the Group provides no provision for the receivables from related parties (December 31, 2018: none).

In 2019, commercial activities between the Entity and its subsidiaries İskenderun Demir ve Çelik A.Ş and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. exceed 10% under CMB II-17.1 Corporate Governance Communiqué. It is predict that by the year 2020 operations will continue under determined circumstances. Operations are consistent with last year.

**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: Süleyman Savaş ERDEM)	Chairman	<ul style="list-style-type: none"> <li>• İskenderun Demir ve Çelik A.Ş. – Chairman (Representative)</li> <li>• OYAK Global Investments S.A.– Chairman</li> <li>• OYAK Capital Investments B.V. – Chairman</li> <li>• Chemson Polymer Additive AG (Austria) – Chairman of Supervisory Board</li> <li>• Chemson Limited – Board Member</li> <li>• OYAK Sermaye Yatırımları A.Ş. – Chairman (Representative)</li> </ul>
OYAK Pazarlama ve Turizm A.Ş. (Represented by: Toker ÖZCAN)	Deputy Chairman - Executive Director	<ul style="list-style-type: none"> <li>• İskenderun Demir ve Çelik A.Ş. - Deputy Chairman – Executive Director (Representative)</li> <li>• Erdemir Madencilik Sanayi ve Ticaret A.Ş. – Chairman (Representative)</li> <li>• Erdemir Mühendislik, Yönetim ve Danışmanlık Hizmetleri A.Ş. – Chairman (Representative)</li> <li>• Erdemir Romania S.R.L. - Chairman</li> <li>• Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. – Chairman (Representative)</li> <li>• İsdemir Linde Gaz Ortaklığı A.Ş. – Chairman</li> <li>• Akdeniz Kimya San. ve Tic. A.Ş. – Chairman (Representative)</li> <li>• Akdeniz Kimyasal Ürünler Pazarlama İç ve Dış Ticaret A.Ş. – Chairman (Representative)</li> <li>• Chemson Polymer Additive AG (Austria) – Supervisory Board Member</li> <li>• Chemson Inc. – Board Member</li> <li>• Chemson LTDA – Board Member</li> <li>• Chemson Limited – Board Member</li> <li>• Chemson Pasific PTY – Board Member</li> <li>• Dalian Chemson Chemical Products Co. Ltd. – Board Member</li> <li>• Dalian Chemson Technical CO. LTD. – Board Member</li> <li>• Chemson Polymer Additives (Changzhou) CO., LTD. – Board Member</li> <li>• Chemson Polymer Additives (Zhejiang) – Board Member</li> <li>• Ataer Madencilik San. ve Tic. A.Ş. – Chairman (Representative)</li> <li>• Miilux OY – Chairman</li> <li>• Ata Steel Investments B.V. – Chairman</li> </ul>

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Board of Directors	Title	Titles out of the Company
<p>Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Tahsin YAZAR)</p>	<p>Board Member</p>	<ul style="list-style-type: none"> <li>• Ministry of Treasury and Finance – Counsellor to Minister</li> <li>• Enerji Piyasaları İşletme A.Ş. – Board Member</li> </ul>
<p>OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)</p>	<p>Board Member</p>	<ul style="list-style-type: none"> <li>• ATAER Holding A.Ş. – Board Member (Representative)</li> <li>• İskenderun Demir ve Çelik A.Ş. – Board Member (Representative)</li> <li>• Ata Steel Investments B.V. – Board Member</li> <li>• OYAK Capital Investments B.V. – Board Member</li> <li>• Cimpor Global Holdings B.V. – Board Member</li> <li>• OYAK Çimento A.Ş. – Board Member (Representative)</li> <li>• OYAK Selülöz Kağıt Fab. A.Ş. – Board Member (Representative)</li> <li>• Akdeniz Kimya San. ve Tic. A.Ş. – Board Member (Representative)</li> <li>• Akdeniz Kimyasal Ürünler Paz. İç ve Dış Tic. A.Ş. – Board Member (Representative)</li> <li>• Hektaş Tic. T.A.Ş. – Board Member (Representative)</li> <li>• OYAK Sermaye Yatırımları A.Ş. – Board Member (Representative)</li> </ul>

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Board of Directors	Title	Titles out of the Company
OYAK Denizcilik Liman İşletmeleri A.Ş. (Represented by:Güliz KAYA)	Board Member	<ul style="list-style-type: none"> <li>İskenderun Demir ve Çelik A.Ş. – Board Member (Representative)</li> <li>Akdeniz Kimya San. ve Tic.. A.Ş. – Board Member (Representative)</li> <li>Erdemir Enerji Üretim A.Ş. – Board Member (Representative)</li> </ul>
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	Board Member	<ul style="list-style-type: none"> <li>İskenderun Demir ve Çelik A.Ş. – Board Member (Representative)</li> <li>Erdemir Madencilik San. ve Tic. A.Ş.– Deputy Chairman (Representative)</li> <li>Erdemir Mühendislik, Yönetim ve Danışmanlık Hizmetleri A.Ş. – Deputy Chairman (Representative)</li> <li>Erdemir Romania S.R.L. –Board Member</li> <li>Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. – Deputy Chairman (Representative)</li> <li>Erdemir Asia Pacific PTE. LTD. – Board Member</li> <li>OMSAN Lojistik A.Ş. – Board Member (Representative)</li> <li>OMSAN Havacılık A.Ş. – Board Member (Representative)</li> <li>OMSAN Denizcilik A.Ş. – Board Member (Representative)</li> <li>OYAK Biyoteknoloji San. ve Tic. A.Ş. – Board Member (Representative)</li> <li>Miilux OY – Board Member</li> <li>OYAK Capital Investments B.V. – Board Member</li> </ul>
Yunus ARINCI	Independent Board Member	<ul style="list-style-type: none"> <li>State Supervisory Council Chairman</li> <li>Borsa İstanbul Board Member</li> <li>Vakıfbank Supervisory Board Member</li> <li>İskenderun Demir ve Çelik A.Ş. – Independent Board Member</li> </ul>
Ali FİDAN	Independent Board Member	<ul style="list-style-type: none"> <li>Central Governor</li> <li>İskenderun Demir ve Çelik A.Ş. – Independent Board Member</li> </ul>
Kurtuluş Bedri VAROĞLU	Independent Board Member	<ul style="list-style-type: none"> <li>Varoğlu Law Firm - Lawyer and Legal Counselling</li> <li>İskenderun Demir ve Çelik A.Ş. – Independent Board Member</li> </ul>

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<b>Executive Management</b>	<b>Title</b>	<b>Titles out of the Company</b>
Salih Cem ORAL	General Manager	<ul style="list-style-type: none"> <li>TED Kdz. Ereğli Koleji Vakfı Özel Okulları – Chairman</li> </ul>
Ural DURUSU	Executive Vice President (Operations)	<ul style="list-style-type: none"> <li>None</li> </ul>
İbrahim Emrah SİLAV	Financial Management and Financial Affairs Group Vice President	<ul style="list-style-type: none"> <li>Erdemir Romania S.R.L –Board Member</li> <li>OYAK Yatırım Menkul Değerler A.Ş. – Chairman (Representative)</li> <li>OYAK Yatırım Ortaklığı A.Ş. – Chairman (Representative)</li> <li>OYAK Grup Sigorta ve Reasürans Brokerliği A.Ş. – Chairman (Representative)</li> <li>OYAK ANKER Bank GMBH – Chairman</li> <li>Orfin Finansman A.Ş. – Board Member</li> </ul>
Ferat GÖÇ (By Proxy)	Executive Vice President (Financial Affairs)	<ul style="list-style-type: none"> <li>None</li> </ul>
Fatih ÇITAK	Marketing and Sales Group Vice President	<ul style="list-style-type: none"> <li>None</li> </ul>
İsmail Kürşad KORKMAZ	Procurement Group Vice President	<ul style="list-style-type: none"> <li>Erdemir Madencilik Sanayi ve Ticaret A.Ş. – Board Member (Representative)</li> <li>OMSAN Lojistik A.Ş. – Board Member(Representative)</li> <li>Erdemir Asia Pacific Pte. Ltd. – Board Member</li> </ul>
Vacant	Technology Group Vice President	
Can ÖRÜNG	Enterprise Architecture and Human Resources Group Vice President	<ul style="list-style-type: none"> <li>İsdemir Linde Gaz Ortaklığı A.Ş. – Board Member</li> </ul>
Can ÖRÜNG (By Proxy)	Information Technologies Group Vice President	



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App.2: DECLERATIONS OF INDEPENDENT BOARD MEMBERS

BAĞIMSIZLIK BEYANI

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. (Şirket) Yönetim Kurulu'nda, mevzuat, esas sözleşme ve Sermaye Piyasası Kurulu'nun Kurumsal Yönetim Tebliği'nde belirtilen kriterler kapsamında "bağımsız üye" olarak görev yapmaya aday olduğumu, bu kapsamda;

a) Şirket, şirketin yönetim kontrolü ya da önemli derecede etki sahibi olduğu ortaklıklar ile şirketin yönetim kontrolünü elinde bulunduran veya şirkette önemli derecede etki sahibi olan ortaklar ve bu ortakların yönetim kontrolüne sahip olduğu tüzel kişiler ile kendim, eşim ve ikinci dereceye kadar kan ve sıhri hısımlarım arasında; son beş yıl içinde önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda istihdam ilişkisinin bulunmadığını, sermaye veya oy haklarının veya imtiyazlı payların %5 inden fazlasına birlikte veya tek başına sahip olunmadığını ya da önemli nitelikte ticari ilişkinin kurulmamış olduğunu,

b) Son beş yıl içerisinde, başta şirketin denetimi (vergi denetimi, kanuni denetim, iç denetim de dahil), derecelendirilmesi ve danışmanlığı olmak üzere, yapılan anlaşmalar çerçevesinde şirketin önemli ölçüde hizmet veya ürün satın aldığı veya sattığı şirketlerde, hizmet veya ürün satın alındığı veya satıldığı dönemlerde, ortak (%5 ve üzeri), önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda çalışmadığımı veya yönetim kurulu üyesi olmadığımı,

c) Bağımsız yönetim kurulu üyesi olmam sebebiyle üstleneceğim görevleri gereği gibi yerine getirecek mesleki eğitim, bilgi ve tecrübeye sahip olduğumu,

d) 31/12/1960 tarihli ve 193 sayılı Gelir Vergisi Kanunu (G.V.K.)'na göre Türkiye'de yerleşmiş sayıldığımı,

e) Şirket faaliyetlerine olumlu katkılarda bulunabilecek, şirket ile pay sahipleri arasındaki çıkar çatışmalarında tarafsızlığımı koruyabilecek, menfaat sahiplerinin haklarını dikkate alarak özgürce karar verebilecek güçlü etik standartlara, mesleki itibara ve tecrübeye sahip olduğumu,


f) Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiğim görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabileceğimi,

g) Şirketin yönetim kurulunda son on yıl içerisinde altı yıldan fazla yönetim kurulu üyeliği yapmadığımı,

ğ) Şirketin veya şirketin yönetim kontrolünü elinde bulunduran ortakların yönetim kontrolüne sahip olduğu şirketlerin üçten fazlasında ve toplamda borsada işlem gören şirketlerin beşten fazlasında bağımsız yönetim kurulu üyesi olarak görev almıyor olduğumu,

h) Yönetim Kurulu üyesi olarak seçilen tüzel kişi adına tescil ve ilan edilmemiş olduğumu,

beyan ederim.

  
Yunus ARINCI  
18/01/2019

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WITH THE COMMUNIQUE SERIAL:II, NO:14.1**

**BAĞIMSIZLIK BEYANI**

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. (Şirket) Yönetim Kurulu'nda, mevzuat, esas sözleşme ve Sermaye Piyasası Kurulu'nun Kurumsal Yönetim Tebliği'nde belirtilen kriterler kapsamında "bağımsız üye" olarak görev yapmaya aday olduğumu, bu kapsamda;

a) Şirket, şirketin yönetim kontrolü ya da önemli derecede etki sahibi olduğu ortaklıklar ile şirketin yönetim kontrolünü elinde bulunduran veya şirkette önemli derecede etki sahibi olan ortaklar ve bu ortakların yönetim kontrolüne sahip olduğu tüzel kişiler ile kendim, eşim ve ikinci dereceye kadar kan ve sıhrı hısımlarım arasında; son beş yıl içinde önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda istihdam ilişkisinin bulunmadığını, sermaye veya oy haklarının veya imtiyazlı payların %5 inden fazlasına birlikte veya tek başına sahip olunmadığını ya da önemli nitelikte ticari ilişkinin kurulmamış olduğunu,

b) Son beş yıl içerisinde, başta şirketin denetimi (vergi denetimi, kanuni denetim, iç denetim de dahil), derecelendirilmesi ve danışmanlığı olmak üzere, yapılan anlaşmalar çerçevesinde şirketin önemli ölçüde hizmet veya ürün satın aldığı veya sattığı şirketlerde, hizmet veya ürün satın alındığı veya satıldığı dönemlerde, ortak (%5 ve üzeri), önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda çalışmadığımı veya yönetim kurulu üyesi olmadığımı,

c) Bağımsız yönetim kurulu üyesi olmam sebebiyle üstleneceğim görevleri gereği gibi yerine getirecek mesleki eğitim, bilgi ve tecrübeye sahip olduğumu,

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h) Yönetim Kurulu üyesi olarak seçilen tüzel kişi adına tescil ve ilan edilmemiş olduğumu,

beyan ederim.

Ali FİDAN

18/01/2019

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c) Bağımsız yönetim kurulu üyesi olmam sebebiyle üstleneceğim görevleri gereği gibi yerine getirecek mesleki eğitim, bilgi ve tecrübeye sahip olduğumu,

ç) Bağlı oldukları mevzuata uygun olması şartıyla, üniversite öğretim üyeliği hariç, üye olarak seçildikten sonra kamu kurum ve kuruluşlarında tam zamanlı çalışmıyor olduğumu,

d) 31/12/1960 tarihli ve 193 sayılı Gelir Vergisi Kanunu (G.V.K.)'na göre Türkiye'de yerleşmiş sayıldığımı,

e) Şirket faaliyetlerine olumlu katkılarda bulunabilecek, şirket ile pay sahipleri arasındaki çıkar çatışmalarında tarafsızlığımı koruyabilecek, menfaat sahiplerinin haklarını dikkate alarak özgürce karar verebilecek güçlü etik standartlara, mesleki itibara ve tecrübeye sahip olduğumu,

f) Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiğim görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabileceğimi,

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h) Yönetim Kurulu üyesi olarak seçilen tüzel kişi adına tescil ve ilan edilmemiş olduğumu,

beyan ederim.

Kurtuluş Bedri VAROĞLU

18/01/2019

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**APP.3: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

**SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE  
PRINCIPLES**

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Company"), 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. In this context, the Company has adopted the concepts of "equality", "transparency", "accountability" and "responsibility", which form the basis of corporate governance in its activities, and has taken maximum care and effort to comply with the Capital Markets Law and the secondary regulations and decisions of the Capital Markets Board (CMB).

In line with the corporate governance efforts, the Company has started to operate corporate governance mechanisms in accordance with the principles since 26.06.2012. Our Company, which is included in the BIST Corporate Governance Index ("XKURY") as of 29.07.2015 and also is subject to corporate governance rating every year by the rating agency KOBİRATE, which is authorized to perform activities in Turkey in accordance with the rating methodology approved by the CMB. Corporate Governance Rating Reports are available on our Corporate Website ([www.erdemir.com.tr](http://www.erdemir.com.tr)).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. believes in the importance of ensuring full compliance with the Principles of the Corporate Governance. In the activity period ended on 31 December 2019, the Company has continued to adopt the mandatory corporate governance principles that are included in the Corporate Governance Communiqué annexed to the relevant legislation.

The Company pays utmost attention to compliance with voluntary principles that are not fully complied yet with in the relevant legislation and there is no conflict of interest between the stakeholders so far.

For the period ended at 31 December 2019, compliance with the corporate governance principles included in the Corporate Governance Communiqué and the explanations of those who have not yet achieved compliance are included in the annual report; Corporate Governance Compliance Report and Corporate Governance Information Form and other related sections of the report.

In the future, corporate governance practices of the Company, efforts to improve our corporate governance practices, including non-mandatory principles that have not been put into practice in a limited number, will be continued.

When there is a change in the Corporate Governance Compliance Report or Corporate Governance Information Form, there will be a material event disclosure and it will be published in the interim activity reports as well.

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	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>Corporate Governance Compliance Report</b>						
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	X					
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.					X	In 2019 fiscal year, there was no participation demand from the media.
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.		X				Company's 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. 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.
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	No cross-shareholding relations exist in the capital of the Company.
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.				X		Even though minority rights are not determined less than one in twenty by the Articles of Association, in accordance with Article 38 of the Articles of Association, provisions of Turkish Commercial Code and Capital Market Law shall be applied to

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<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					Some of the policies and procedures related to the rights of stakeholders are published on the company's website.
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			Although there is no provision in the articles of association, employees are encouraged to participate in management through internal practices.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					The requests, suggestions and complaints of the stakeholders are taken and evaluated in important decisions that result in some of the stakeholders.

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3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					Although there is an employment policy providing equality of opportunity, succession planning process is in progress.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					Although some informations have been carried out from time to time, information meetings have not been conducted since some studies are ongoing.
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

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4.2. ACTIVITIES OF THE BOARD OF DIRECTORS							
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X						
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X						
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X						
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X						
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X						
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X						
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X						There is an executive liability insurance for the damages caused by the board members during their duties but the total insurance does not exceed 25% of the capital .
4.3. STRUCTURE OF THE BOARD OF DIRECTORS							
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X				The Board of Directors does not have a policy for a minimum 25% target rate for female members.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X						

4.4. BOARD MEETING PROCEDURES							
4.4.1-Each board member attended the majority of the board meetings in person.	X						
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X						
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X						
4.4.4 - Each member of the board has one vote.	X						
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X						
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X						
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	X						There is no restriction for the Board Members to assume any other duties outside the company. The Board Members' duties outside the Company were announced to the shareholders at the General Assembly Meeting.



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4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Due to the number of Board members, each board member is assigned to more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	In 2019, any committee did not receive consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			The performance of the Board of Directors was not evaluated.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				Total salaries, bonuses and other benefits of the key management are shared in the annual report but not disclosed on a personal basis.

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<b>1. SHAREHOLDERS</b>	
<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc. ) organised by the company during the year	63
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/en/Bildirim/742048">https://www.kap.org.tr/en/Bildirim/742048</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There was no such transaction during the year.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction under Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	<a href="https://www.kap.org.tr/en/Bildirim/738605">https://www.kap.org.tr/en/Bildirim/738605</a>
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Corporate Governance / Policies and Regulations / Donations and Contribution Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/194744">https://www.kap.org.tr/tr/Bildirim/194744</a>
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	There was no participation in the General Assembly meeting regarding 2018 activities except for the shareholders. However, there is no restriction on participation of
	stakeholders in the General Assembly.

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<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	Evet (Yes)
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	Privatization Administration / 0.0% / One share of certificate, issued to the bearer amounting to one kuruş.
The percentage of ownership of the largest shareholder	% 49,29
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	Hayır (No)
If yes, specify the relevant provision of the articles of association.	-
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance / Policies and Regulations / Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	-
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

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## General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
21/03/2019	0	% 66	%% 0,02	% 66	Investor Relations / General Assembly / Minutes of General Assembly	Investor Relations / General Assembly / The questions asked on General Assembly Meetings	-	203	<a href="http://www.kap.org.tr/en/Bildirim/749186">www.kap.org.tr/en/Bildirim/749186</a>

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<b>2. DISCLOSURE AND TRANSPARENCY</b>	
<b>2.1. Corporate Website</b>	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations / Corporate Governance, Reports and Presentations, Annual Reports, Disclosures and Announcements, General Assembly, FAQ
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Corporate Governance / Ownership Structure
List of languages for which the website is available	Turkish, English
<b>2.2. Annual Report</b>	
<b>The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.</b>	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Investor Relations / Reports and Presentations / Interim Financial Reports / Declarations of Independent Board Members
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Investor Relations / Annual Reports / Board of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Investor Relations / Reports and Presentations / Interim Financial Reports / Number of Meetings of the Board of Directors and Attendance of the Board Members
	Investor Relations / Reports and
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Presentations / Interim Financial Reports / Information about Amendments in Legislation That May Significantly Affect the Company's Activities

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d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Provision for Lawsuits
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Investor Relations / Annual Reports / Other Issues
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	No cross ownership subsidiaries that the direct contribution to the Company's capital exceeds 5%.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Investor Relations / Annual Reports / Corporate Social Responsibility

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<b>3. STAKEHOLDERS</b>	
<b>3.1. Corporation's Policy on Stakeholders</b>	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations / Corporate Governance / Policies and Regulations / Staff Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	285
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ethics Committee
The contact detail of the company alert mechanism	Mail: etik@erdemiretik.com, Phone : 0 850 211 30 00
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation's Management</b>	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	Union
<b>3.3. Human Resources Policy</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	-
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	OYAK Mining Metallurgy Group / Career / HR Practices
Whether the company provides an employee stock ownership programme	Pay edindirme planı bulunmuyor (There isn't an employee stock ownership programme)
	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct / Responsibilities to Our Employees (We have our employees use their personal rights

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<p>The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.</p>	<p>completely and accurately. Employees are treated with integrity and fairness. We are committed to providing a secure, healthy and non-discriminative work environment. We strive to support our employees' personal development, encourage them to volunteer in appropriate social and community activities as well as try to ensure their work-life balance.)</p>
<p>The number of definitive convictions the company is subject to in relation to health and safety measures</p>	<p>30</p>
<p><b>3.5. Ethical Rules and Social Responsibility</b></p>	
<p>The name of the section on the corporate website that demonstrates the code of ethics</p>	<p>Investor Relations / Corporate Governance / Code of Ethics and Business Conduct</p>
<p>The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.</p>	<p>Sustainability / CSR Policy</p>
<p>Any measures combating any kind of corruption including embezzlement and bribery</p>	<p>OYAK Mining Metallurgy Group's Board members, employees and all third parties acting on the Group's behalf should avoid any act or behavior that may bring OYAK Mining Metallurgy Group under suspicion of corruption. Regardless of being in public or private sector, accepting or giving any cash/ non-cash benefit that may be in the scope of corruption is forbidden.</p>



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<b>4. BOARD OF DIRECTORS-I</b>	
<b>4.2. Activity of the Board of Directors</b>	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	Hayır (No)
Whether all board members released from their duties at the GSM	Evet (Yes)
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Süleyman Savaş ERDEM - Chairman ( Representative of OYTAŞ İç ve Dış Ticaret A.Ş), Toker ÖZCAN - Deputy Chairman and Managing Director (Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş.)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	5
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Investor Relations / Annual Reports / Internal Audit Aystem
Name of the Chairman	Süleyman Savaş ERDEM - Chairman ( Representative of OYTAŞ İç ve Dış Ticaret A.Ş)
Name of the CEO	Salih Cem Oral
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	CEO and Chairman are not the same person.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	There is an executive liability insurance for the damages caused by the board members during their duties but the total insurance does not exceed 25% of the capital .
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	2, 22%

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Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date	Link To PDP Notification That Includes Independence Declaration	Whether Independent Director Considered By Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	27/05/2013		Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Toker ÖZCAN)	İcrada görevli (Executive)	Bağımsız üye değil (Not independent director)	13/09/2012		Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Tahsin YAZAR)	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	20/09/2012		Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	12/09/2012		Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	12/09/2012		Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	11/09/2012		Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Yunus ARINCI	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	31/03/2016	<a href="https://www.kap.org.tr/tr/Bildirim/738601">https://www.kap.org.tr/tr/Bildirim/738601</a>	Değerlendirildi (Considered)	Hayır (No)	Evet (Yes)
Ali FİDAN	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	31/03/2017	<a href="https://www.kap.org.tr/tr/Bildirim/738601">https://www.kap.org.tr/tr/Bildirim/738601</a>	Değerlendirildi (Considered)	Hayır (No)	Evet (Yes)
Kurtuluş Bedri VAROĞLU	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	31/03/2017	<a href="https://www.kap.org.tr/tr/Bildirim/738601">https://www.kap.org.tr/tr/Bildirim/738601</a>	Değerlendirildi (Considered)	Hayır (No)	Evet (Yes)

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<b>4. BOARD OF DIRECTORS-II</b>	
<b>4.4. Meeting Procedures of the Board of Directors</b>	
Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	% 98
Whether the board uses an electronic portal to support its work or not	Evet (Yes)
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3-5 Days
The name of the section on the corporate website that demonstrates information about the board charter	There are internal regulations in which the working principles of the Board of Directors meetings are determined , but they are not published on the corporate website.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-
<b>4.5. Board Committees</b>	
Page numbers or section names of the annual report where information about the board committees are presented	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Link(s) to the PDP announcement(s) with the board committee charters	The working principles of the Committee are available on our corporate website. ( Investor Relations / Corporate Governance / Policies and Regulations)

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## Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As " Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Kurumsal Yönetim Komitesi (Corporate Governance Committee)		- Kurtuluş Bedri Varoğlu	Evet (Yes)	Yönetim kurulu üyesi (Boardmember)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)		- Yunus Arıncı	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)		- İdil Önay Ergin	Hayır (No)	Yönetim kurulu üyesi değil (Not board member)
Denetim Komitesi (Audit Committee)		- Yunus Arıncı	Evet (Yes)	Yönetim kurulu üyesi (Boardmember)
Denetim Komitesi (Audit Committee)		- Ali Fidan	Hayır (No)	Yönetim kurulu üyesi (Boardmember)
Riskin Erken Saptanması Komitesi ( Committee of Early Detection of Risk)		- Ali Fidan	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi ( Committee of Early Detection of Risk)		- Kurtuluş Bedri Varoğlu	Hayır (No)	Yönetim kurulu üyesi (Board member)

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4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the corporate governance committee are presented in your annual report or website ( Page number or section name in the annual report/website )	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the early detection of risk committee are presented in your annual report or website ( Page number or section name in the annual report/website )	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report ( Page number or section name in the annual report)	Investor Relations / Annual Reports / Other Issues
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Policies and Regulations / Compensation Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Related Party Disclosures / Salaries, bonuses and other benefits of the key management

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## Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Denetim Komitesi (Audit Committee)	-	% 100	%100	4	4
Kurumsal Yönetim Komitesi ( Corporate Governance Committee)	-	% 100	% 67	6	3
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	% 100	%100	6	6