

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN
ACCORDANCE WITH THE COMMUNIQUE SERIAL:XI, NO:29**

1. Period of the Report

01.01.2013 - 31.03.2013

2. Title of the Association

EREGLI IRON AND STEEL WORKS, INC.

3. Members of the Board of Directors and Auditors

According to the Turkish Commercial Code and related regulations, the election of the Board of Directors and Auditors are executed by the General Assembly within the framework of the Articles of Association. Should there be an opening in the Board of Directors Membership or in Auditors' Board within the respective period; an election for the available positions is made according to the provisions of Turkish Commercial Code and Company's Articles of Association and the results are submitted to the next regular general assembly to be approved. The Company's 2012 Regular General Assembly has been executed on 29 March 2013.

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

In accordance with the Turkish Capital Markets Board's respective legislation on the Determination and Implementation of the Corporate Governance Principles and Turkish Commercial Code Article 363 and Articles of Association Article 11, the election of Independent Members of Board of Directors has been made.

The active members of the Board of Directors as of 31.03.2013:

Board of Directors	Title	Effective from
ATAER Holding A.Ş. Represented by: Fatih Osman TAR)	Chairman – Executive Director (till the first General Assembly)	11.09.2012
OYAK Girişim Danışmanlığı A.Ş. (Represented by: Nihat KARADAĞ)	Deputy Chairman– Executive Director (till the first General Assembly)	12.09.2012
Republic of Turkey Prime Ministry Privatization Administration (Represented by: Mehmet SARITAŞ)	Board Member (till the first General Assembly)	04.01.2013
OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR	Board Member - Executive Director (till the first General Assembly)	11.09.2012
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Ertuğrul AYDIN)	Board Member (till the first General Assembly)	12.09.2012

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OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Fatma CANLI)	Board Member (till the first General Assembly)	13.09.2012
Nazmi DEMİR	Independent Board Member (1 year)	29.06.2012
Atilla Tamer ALPTEKİN	Independent Board Member (1 year)	29.06.2012
Ali Aydın PANDIR	Independent Board Member (till the first General Assembly)	20.09.2012

Changes in the Executive Board within the Period

Depending on the resolution of Board of Directors, dated 04.01.2013 and numbered 9178, it has been resolved to register and notice the assignment of Mehmet SARITAŞ as representative of the Board Member Privatization Administration under Turkish Commercial Code Article 364.

The active members of the Board of Auditors as of 31.03.2013:

Board of Auditors	Title	Effective from
Ahmet Türker ANAYURT	Board of Auditors Member (1 year)	09.03.2010
Ünal TAYYAN	Board of Auditors Member (1 year)	31.03.2011

Changes in the Board of Auditors within the Period

None.

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

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

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4. Executive Management

Executive Management	Title	Effective from	Education	Experience
Fatih Osman TAR (by proxy)	Chief Executive Officer	02.07.2012	Boğaziçi University – Business Administration	38 Years
Esat GÜNDAY	Executive Vice President (Operations)	13.07.2006	Middle East Technical University – Metallurgical Engineering	33 Years
Kaan BÖKE	Executive Vice President (Human Resources and Admin. Affairs)	02.04.2012	Gazi University – Labor Economics	23 Years
Bülent BEYDÜZ	ERDEMİR Group Financial Affairs Coordinator	11.04.2011	Hacettepe University - Business Administration	27 Years
Sami Nezh TUNALITOSUNOĞLU	Executive Vice President (Financial Affairs)	11.04.2011	Gazi University - Economy	30 Years
Başak TAV (by proxy)	ERDEMİR Group Marketing and Sales Coordinator	25.02.2013	Middle East Technical University – Business Administration	16 Years
Ahmet Samim ŞAYLAN (by proxy)	ERDEMİR Group Procurement Coordinator	12.07.2012	Middle East Technical University – Business Administration	41 Years
Ahmet Samim ŞAYLAN	Executive Vice President (Procurement)	23.03.2011	Middle East Technical University – Business Administration	41 Years
Mehmet Müçteba BEKCAN	Executive Vice President (Technical Services and Investments)	14.07.2010	Middle East Technical University – Industrial Engineering	36 Years
Öner SONGÜL	ERDEMİR Group Information Technologies Coordinator	12.08.2010	Middle East Technical University – Industrial Engineering	34 Years
Oğuz Nuri ÖZGEN	ERDEMİR Group Production Coordinator	02.07.2012	Middle East Technical University – Metallurgical Engineering	30 Years
Mesut Uğur YILMAZ	ERDEMİR Grup Technology Coordinator	02.07.2012	Middle East Technical University – Metallurgical Engineering	33 Years

Başak TAV was appointed as the Erdemir Group Marketing and Sales Coordinator by proxy effective from February 25, 2013.

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5. Compliance With The Corporate Governance Principles

The "Corporate Governance Principles" published by the Capital Markets Board (CMB) which were declared in our Annual Activity report for the year ending 2012 were met during the period 01.01.2013 – 31.03.2013. In this context, in order to strengthen our capacity of capital markets legislation, qualified personnel has been charged.

6. Amendments in The Articles of Association

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

"Head Office of the Company:

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

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

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

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

Voting Right and Form of Representation:

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

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

Attendance in general assembly meetings via electronic means

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

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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."

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

"Capital:

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

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

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

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

Each share certificate has a 1 voting right.

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

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

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

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

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

8. Main Factors that Effect the Company's Performance, Significant Changes Occurring in the Environment the Company Operates in and the Policies Executed by the Company in Return, Policy of Investment and Dividends the Company Executes to Enhance the Company's Performance

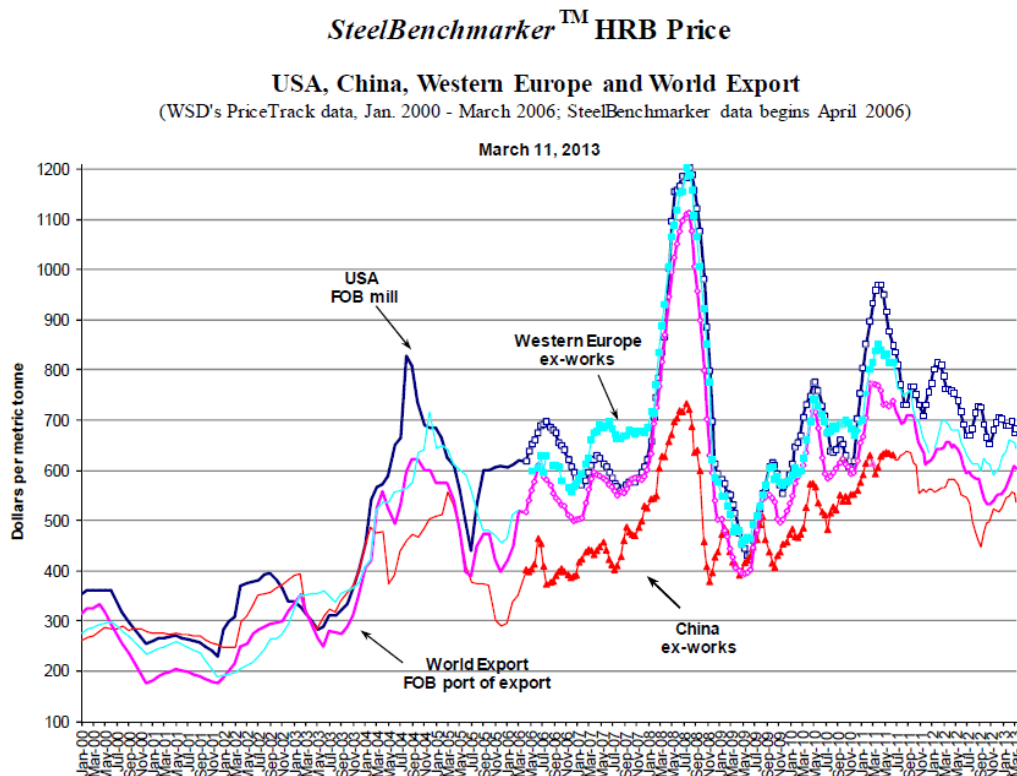
While no significant changes occurred in the environment the company operates in, the effects of developments in neighboring countries to Erdemir Group are measured and necessary precautions are taken. Information in relevant subjects are given in other sections of the Report.

9. Information about the sector

World crude steel output in March 2013, reached 135.02 million tonnes, increasing by 1.1 percent compared to March 2012 and up 3.6 percent compared to March 2011. Total global crude steel production in the first quarter of the current year increased by 2.3 percent to 388.8 million tons compared to the same period of 2012 and was up 4 percent compared to January-March 2011. In March, crude steel output in Asia amounted to 90 million tons, up by 4.8 percent, with 66.3 million tons produced by China, up by 6.6 percent, 9.45 million tons produced by Japan, up by 1.3 percent, and 5.7 million tons produced by South Korea, down by 7 percent with all comparisons on year on year basis. EU-27 countries produced 14.6 million tons of crude steel in March, down 6.6 percent compared with March 2012. In March this year, Germany's output was 3.8 million tons, down by 2.2 percent year on year and Italy's crude steel output was 2.2 million tons down by 18,4 percent year on year. The CIS registered a crude steel output of 9.4 million tons in March, down 4.5 percent year on year. In North America in March, crude steel output totaled 10.2 million tons, down 6 percent year on year. Meanwhile, crude steel output in South America in March amounted to 3.97 million tons, down by 7.8 percent year on year. In the given month, the average capacity utilization of steel mills across the globe was 79.4 percent, down from 80.5 percent in February this year, and down 2.1 percentage points compared to the same month last year.

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



Turkish crude steel output in March at 2.98 million tons, with a 4.6 percent decrease from the same month in 2012. In the first quarter of 2013, crude steel production was 8.493 million tons, 5.9% lower than the same period in 2012. Turkey has produced 8.493 million tons of crude steel in the first quarter of 2013 consisting of 5.948 and 2.545 million tons produced in electrical arc furnaces and in integrated plants respectively.

10. The Position of Erdemir Group within the Sector

Erdemir Group's production in 2012 has been expanded to 7,9 million tons. In 2013, the crude steel production in Ereğli Plant has increased by 8.2% and went down to 0,9 million tons while the crude steel production in İskenderun went up to 1,3 million tons with an increase of 9.3%.

11. Research and Development Activities

Product development studies have been carried out in terms of different standard and customer demands regarding the petroleum and natural gas pipe sector within the period. In line with the requests of the leading companies of automotive industry, the quality homologation and industrial test studies have been ongoing and after successful completion of studies, special steel grades have been developed and presented to the market. Optimization and cost decreasing studies have been ongoing for the production processes. Accordingly, the first steps have been taken in terms of establishing an R&D Center and the core team were formed in this respect. Within this scope, the R&D Center building and laboratory installation studies have been expedited.

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12. Investment Activities

Operating within the modern plants and by a modern production technology, Erdemir Group produces competitive products globally and continues its investments aligned to continuous development strategy. In 'Ereğli plant, Ereğli Steel Service Center projects' contracts for all lines were signed and the site activities are continuing. Cold Slitting Line was put on the operation in the first quarter of 2013. Tender studies related to 'Blast Furnace Top Pressure Recovery Turbines' projects have currently been in progress. 'Air Separation Plant No.7', 'New Turbo Blower' and 'TinCal Automation Modernization' project's main contracts were signed; engineering and construction works were initiated. 'Investments in BOF and Continuous Casting Facilities in accordance with reline' is almost completed. Continuous Galvanizing Line No:2 project was approved by the Board.

On the other hand, in İskenderun Facilities; 'Modernization of the Coke Oven Battery No.4', 'Harbor Investments', 'Environmental Investments' and "Alternative Reladling Pit, Changing Crane Girders" and "Hot Slitting Line" projects are in progress. 'Improvement of Desulfurization' and 'Development of Existing Coil Stock Yard' projects have been completed.

Total investments (except the routine fixed asset expenditure) in Ereğli and İskenderun plants in the first quarter of 2013 amount to USD 15.832.968. (31 March 2012: USD 48.271.358)

13. Government Grants

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

(TRY)	1 January - 31 March 2013	1 January- 31 March 2012
Social Security Grant	264.051	123.485
Total	264.051	123.485

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

There is an investment incentive right of the Group amounting to TRY 205.907.529 with indefinite useful life, deductible in the next periods within the concept of the law numbered 5479, article 2 which repealed the 19th article of Income Tax Law (ITL) as of 1 January 2006 (31 March 2012: TRY 46.316.010).

14. Developments Regarding the Plants

The first quarter of 2013 had started with positive expectations; however, the preliminary monthly data showed that the real economies have a weak performance. The delay of economic reforms in the Euro area holds the economic recovery behind desired levels. On the other hand, central banks around the world use all monetary policy instruments in order to support the economic recovery. In fact, FED Chairman Bernanke stated that monetary expansion policies has not yet fully-achieved and will be sustained until the appointed the employment targets are reached.

Spending cuts in the United States officially became operational due to lack of agreement at the Congress. This situation is expected to have an adverse effect on the growth of US Economy. On the other hand, the U.S. economy showing a better performance compared to the European Economies. For example, as a leading economic indicator, improvement in the US's housing markets and labor markets continues.

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The concerns on Eurozone Economies are still on the agenda. Despite all efforts, the growth in the EU Economies is below historical standards and EU sounds alarm on Spain and Slovenia. In Italy, the majority for a single-party government could not be achieved after the elections. Although negotiations for the establishment of a coalition government continue, the uncertainty in the country negatively affected the markets.

The data for the Chinese economy shows conflicting signals about the economic activity in the country. 2013. In spite of the fact that the industrial production points out an expansion; it is weaker than expected. Moreover, the country's retail sales have a weak performance. However, total exports of the country significantly increased in the first months of the year. The progress in the global economy will be clarified after the release of growth data for the real economy.

On the steel industry side, World Steel Association (WSA) reported that the global crude steel production increased 2.3% in the quarter of 2013 and reached 389 million tons. In addition, the capacity utilization ratio reached 79.4% as of March.

According to the WSA data, Turkey produced 8.5 million tons of crude steel in the first quarter of 2013 and the steel production fell 5.9% compared to 2012. Despite the fall in crude steel production Turkey protected its eighth place in the ranking of top steel producers.

Apparent steel use in European Union (EU27) declined by 5.6% in 2012, but 2.4% increase is expected in 2013 as per the recent developments. The growth will be dependent on the performance of Germany, Italy and France which are holding the half of the total consumption. Any change at one of these economies will shift EU's total steel consumption. The apparent steel consumption increased 0.8% in CIS. Besides the negative environment in EU, WSA estimates a 3.2% increase in the global apparent steel use.

Turkish Iron and Steel Producers Association (TISPA) reported that consumption of flat and long finished products increased 5.2% in the first two months of 2013 and reached 4.7 million tons. The consumption of flat finished steel products reached to 2.3 million tons with a 5.9% increase and long finished steel products reached to 2.4 million tons with a 4.5% increase.

Erdemir Group increased its total flat product sales volume by 1% and reached to 1,6 million tons level. With the effects of increasing exports, domestic flat product sales decreased by 2% and reached to 1,4 million tons level and flat products export volume increased by 28% and realized as 205 ktons. It is estimated that ERDEMIR Group kept its market share.

ERDEMIR Group increased its total long products sales volume by 62% and reached to 0,5 million tons level. While domestic shipments increased 31% compared to the previous year; the export shipments of long products increased 172% and reached 165 ktons. It is estimated that ERDEMIR Group market share in wire rods products is 25%.

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15. Products

The main products of Erdemir Group are as follows:

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

16. Production Plants and Productivity

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

	1 January- 31 March 2013	1 January- 31 March 2012
	C.U.P. (%)	C.U.P. (%)
Liquid Steel	98	99
Tinplate	101	81
Galvanized	106	94
Cold Rolled	88	74
Hot Rolled	71	69
Plate	84	100

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

	1 January- 31 March 2013	1 January- 31 March 2012
	C.U.P. (%)	C.U.P. (%)
Liquid Steel	97	89
Billet	70	45
Wire Rod	129	111
Hot Rolled	81	70

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17. Production (quantity)

Final Products (000 Tons)	1 January - 31 March 2013	1 January - 31 March 2012
Flat Products	1.600	1.506
Long Products	445	278
Iron Ore and Pellet	496	533

18. Developments Regarding Sales

ERDEMİR Group, with the widest flat product mix in Turkey, has made improvements on credit and payment terms in order to ensure customers to be more competitive especially in export markets.

In February, ERDEMİR hosted the XXVII Steel Success Strategies (SSS) Conference in Istanbul. SSS is known as one of the most important and reputable conferences in the steel industry. Strategies that will lead steel companies to success are discussed at the conference with the participation of many local and foreign representatives.

The sales executives and regional representatives continued and increased their planned customer visits in order to increase customer loyalty. In the third quarter of 2012, in addition to the regional customer meetings, sector-specific meetings have also been organized for the customers in panel radiator and automotive industries.

Our dynamically managed product mix has been improved with renewals and additions coming from end-user oriented quality and product development studies for fulfillment of customer needs. In the first quarter, 13 steel qualities are added to our product range.

Also feasibility studies, regarding investments for the continuous improvement of service quality delivered by ERDEMİR Group, are carried on at full speed.

19. Sales (quantity)

Final Products (000 Tons)	1 January - 31 March 2013	1 January - 31 March 2012
Flat Products	1.571	1.555
Long Products	456	282
Iron Ore and Pellet Sales (*)	636	794

(*) 552 thousand tons of Ermaden's sales are to Group Companies as of 31 March 2013. (31 March 2012: 693 thousand tons).

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20. Indicators and Ratios

Financial statements are prepared in accordance with the CMB's Communiqué Serial:XI, No:29 and have not been reviewed as of 31 March 2013 and 31 March 2012.

Summary of Balance Sheet

	(Not Reviewed)	(Restated) (Audited)	(Restated) (Audited)
	Current Period	Previous Period	Previous Period
(TRY)	1 January - 31 March 2013	1 January - 31 December 2012	1 January - 31 December 2011
Current Assets	5.986.322.821	5.854.230.082	6.024.733.105
Non-current Assets	7.254.835.806	7.287.190.543	7.365.849.568
Total Assets	13.241.158.627	13.141.420.625	13.390.582.673
Current Liabilities	2.782.534.402	2.817.904.101	2.415.353.191
Non-current Liabilities	2.937.783.666	2.907.604.439	3.687.681.410
Shareholders' Equity	7.520.840.559	7.415.912.085	7.287.548.072
Total Liabilities	13.241.158.627	13.141.420.625	13.390.582.673

Summary of Income Statement

	(Not Reviewed)	(Not Reviewed)
	Current Period	Previous Period
(TRY)	1 January - 31 March 2013	1 January - 31 March 2012
Sales Revenue	2.428.942.385	2.435.338.933
Operating Profit	320.076.395	118.811.273
Profit from Continuing Operations Before Taxation	301.136.761	170.242.725
Profit for the Period (*)	240.503.448	136.402.267
EBITDA	424.410.905	208.697.146
Earnings Per Share	6,52%	3,54%

(*) Shareholder's share in the net profit for the period is TRY 228.248.166 in March 2013 (March 2012: TRY 123.953.378).

Key Ratios

(%)	1 January - 31 March 2013	1 January - 31 March 2012
Operating Profit Margin	13,2	4,9
Profit Margin	9,4	5,1
EBITDA Margin	17,5	8,6

21. Collective Labor Agreement Applications and the Benefits

23rd Period Collective Labor Agreement, which was valid between 01.09.2010-31.08.2012, expired. Signature Procedure for the New Collective Labor Agreement has been initiated and the first meeting was held on February 25, 2013. A total of 5 meetings had been conducted during the legal period and as the parties failed to negotiate an agreement, a dispute protocol was signed with Turkish Metal Union on April 24, 2013.

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

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

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

	31 March 2013	31 December 2012
Employee Termination Benefits	267.264.762	265.082.814
Seniority Incentive Premium	19.852.244	18.896.395
	287.117.006	283.979.209

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

	31 March 2013	31 December 2012
Monthly paid personnel (A)	3.059	3.180
Hourly paid personnel (B)	9.029	9.096
Candidate worker (C)	656	675
Contractual personnel (D)	18	18
Contractual personnel (Contractor)	71	76
TOTAL	12.833	13.045

22. Shareholding and Capital Structure

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

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

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Erdemir Groups' Dividend Distribution Policy is as follows:

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

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

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

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

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

25. Risk Management Policy

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

Almost all of our receivables are guaranteed with the Direct Debit System and the Credited Direct Collection System. Risk positions of our customers are monitored daily and when exceeding the limits, a margin call is issued.

Duration is calculated based on the credit portfolio and cash flow projections in order to manage interest rate risks Erdemir Group is exposed to and the amount of gain / loss, which may arise possible interest rate changes, is measured using a sensitivity analysis. Additionally, the ratio of total amount of loans with a floating interest rate to whole credit portfolio of the Group is monitored and actions are taken to keep this ratio within a defined limit. According to firm and market situation, derivative instruments are recommended to executives and also bank offers are analyzed for compliance test.

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

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

26. The Information About Affiliates Subject to Consolidation

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

Name of the Company	Country of Operation	Operation	2013 Share %	2012 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Iron and Steel	92,91	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Iron and Steel	100,00	100,00
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100,00	100,00
Erdemir Romania S.R.L.	Romania	Iron and Steel	100,00	100,00

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

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

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries controlled by the Group. This control is normally evidenced when Group is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries

The companies which the Group, directly or indirectly, has above 50% ownership interest or 50% voting rights or has power to exercise control on operations, have been fully consolidated. If the Group has the power to govern the financial and operating policies of the subsidiaries for its own benefit, control is deemed to present.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The accounting policies of the subsidiaries consolidated are changed and aligned with the Group's accounting policies when necessary. All significant transactions and balances between the Company and its subsidiaries are eliminated during consolidation.

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When the Group purchases a company, the assets and liabilities of the relevant subsidiary are measured at their fair values at the date of acquisition. The amount of the non-controlling interest shares is obtained by the calculation of the fair values of assets and liabilities with respect to the proportion of the non-controlling interest. The operational results of subsidiaries are included or excluded from consolidation according to their effective dates of acquisition and disposal, respectively.

Non-controlling interests in the net assets of the subsidiaries included in consolidation, appears as a separate item in Group's equity. Non-controlling interests consist of non-controlling party's amount that already exists as of the first acquisition date and the amounts take place during the changes in the parent company's equity related to non-controlling interest after the first acquisition date. Losses of the non-controlling interests are distributed to the shares of the non-controlling interests. The equity and net income attributable to non-controlling interests are shown separately in the consolidated balance sheet and income statement, respectively.

27. Organizations Out of the Headquarters

None.

28. Information About Approval Given by the Board to Controlling Shareholders, Board Members, Executive Management and Relatives up to the Second Degree to Make Transactions and Get into Competition with the Company or Its Subsidiaries That May Cause Conflicts of Interest

At the Regular General Assembly held in 29 March 2013, the aforementioned subject of approval according to article 395 and 396 of Turkish Commercial Code (TCC) is submitted for approval of General Assembly and as a result of the voting it is consented to give the approval according to article 395 and 396 of Turkish Commercial Code (TCC) to the Members of the Board.

29. Information About the Report on the Conditions and Market Comparison of Transactions That Amount to 10% or more of the Total Assets or Gross Sales in Annual Financial Statements in Accordance with the Capital Markets Board Legislation

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

Also a report is prepared to give information about transactions between Controlling Company and its Subsidiaries according to Article 199 of Turkish Commercial Code (TCC) and it is approved as of 14 March 2013. The conclusion of the report is stated as: "There is no act of law conducted beneficial to Our Company's Controlling Shareholder Ordu Yardımlaşma Kurumu (OYAK) or/and its subsidiaries or there is no measure taken beneficial to Ordu Yardımlaşma Kurumu (OYAK) or/and its subsidiaries in business year 2012. In year 2012, all commercial transactions between our Company and our Controlling Shareholder and its subsidiaries are executed according to market conditions."

30. Information for Shareholders

None.
