



EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

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

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

01.01.2020 – 30.09.2020

2. Information About the Association

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

3. Shareholding and Capital Structure

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

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

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

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

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

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

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

Board of Directors	Title	Effective from
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: Bekir Emre HAYKIR)	Board Member	20.09.2012 (*)
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)	Board Member	12.09.2012 (*)
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	Board Member	12.09.2012 (*)
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	Board Member	11.09.2012 (*)
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017
Vacant	Independent Board Member	

(*) Inauguration date of the legal entity.

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Changes in the Executive Board within the Period

In the reporting period;

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

have been elected as board members for three years.

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

have been elected as independent board members for one year.

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

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

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

Executive Management

Executive Management	Title	Effective from	Education	Experience
Toker ÖZCAN	Head of Group	12.10.2018	Middle East Technical University – Mechanical Engineering	28 Years
Salih Cem ORAL	General Manager	06.06.2018	İstanbul Technical University – Metallurgy Engineering	27 Years
Ural DURUSU	Executive Vice President (Operations)	29.11.2018	İstanbul Technical University – Metallurgy Engineering	32 Years
Ferat GÖÇ (by proxy)	Executive Vice President (Financial Affairs)	30.07.2019	Erciyes University – Business Administration	25 Years
Mustafa Serdar BAŞOĞLU	Financial Management and Financial Affairs Group Vice President	24.09.2020	Karadeniz Technical University - Economics	17 Years
Fatih ÇITAK	Marketing and Sales Group Vice President	18.01.2020	İstanbul Technical University – Industrial Engineering	21 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University – Political Science and Public Administration	24 Years
Ercan KAYA	Enterprise Architecture and Human Resources Group Vice President	21.07.2020	National Defence University – Business Administration	33 Years
Can ÖRÜNG	Information Technologies Group Vice President	21.02.2017	İstanbul Technical University – Management Engineering	19 Years

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

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

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

İbrahim Emrah SİLAV's duty as Financial Management and Financial Affairs Group Vice President, has ended by 24 September 2020 and Mustafa Serdar BAŞOĞLU has assigned to Enterprise Architecture and Human Resources Group Vice President position by 24 September 2020.

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

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

No transaction had been realized in this context.

6. Collective Labor Agreement Applications and the Benefits

27th Period Collective Labor Agreement, which will be valid between 1 September 2018-31 August 2020, has been signed on 11 March 2019 between Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and Turkish Metal Union as the collective bargaining agency. The negotiations within the scope of the 28th Period Collective Labor Agreement continue.

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

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

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

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

	30 September 2020	31 December 2019
	Personnel	Personnel
Hourly Paid	7.501	7.521
Monthly Paid	3.952	3.907
	11.453	11.428

7. Compliance With The Corporate Governance Principles

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

8. Amendments in The Articles of Association

None.

B – Financial Rights Given to Board Members and Executive Management

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

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

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

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

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

No payment of performance was made to Board Members.

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

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

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

A total of TRY 18.719 thousand is recorded as expense related to Company Board Members and Executive Management for the period 1 January – 30 September 2020.

C – Research and Development Studies

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

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

During nine months of 2020 19 new flat steel grades were developed, the number of flat products reached to 520.

As being in the scope of R&D activities 15 projects have been completed and 59 projects have been still going further during that period.

Within the scope of TÜBİTAK / TEYDEB Projects 1501 program, 7 projects have been completed successfully so far. Periodical report for 1 supported project has been completed. One project applied for at the end of June 2019 has been approved.

R&D Center employees contributed to the intellectual capital of our company by participating the national / international organizations related to the iron and steel sector activities cumulatively with 69 papers / oral or poster presentations, until today.

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D – Activities and Important Developments Regarding the Activities

1. Investment Activities

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

In Erdemir Plants

Post-commissioning studies are ongoing for the 2. Hot Rolling Mill Quality and Sustainability Investments Project.

Equipment manufacturing, supply and site works are ongoing in the 2. Blast Furnace Renovation Project. Site works are ongoing in Additional Investments Energy Distribution Systems Project, Raw Material Stocking and Blending Yard Modernization Project and Projects related to Environmental Investments. Construction permit has been obtained and the site has been delivered to the main contractor in the Steam Boiler No:6 Project. The detailed engineering works are in progress by technology supplier in the New Wide Inspection and Recoiling Line Project. In the New Slab Grinding Machine Project, equipment installation works have been completed and test studies have been initiated. Site activities continue for the Steel Shop BOF Convertors Modernization Project and Various Fire Detection and Extinguishing Systems Projects.

Procurement activities continue for the 4. Coke Oven Battery and By Product Plant Modernization Project, Steel Shop Secondary Dust Collection System Capacity Improvement Project, 1. Slab Furnace Modernization Project, 60MW Turbo Generator Project and Moving the Existing Slitting Line to ERSEM Facilities and Building Warehouse Project. Preparing technical specification for the Erdemir 6. Turbo Blower Project is in progress.

In Isdemir Plants

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

As of 30 September 2020, Group's total investment expense amount is USD 216 million (30 September 2019: USD 125 million).

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2. Internal Control System and Internal Auditing Activities

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

Direct and Indirect Subsidiaries

The Information about Affiliates Subject to Consolidation

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

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

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

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

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have not been audited as of 30 September 2020.

Summary of Financial Position

	(Unaudited)	(Audited)
	Current Period	Previous Period
(Thousand TRY)	30 September 2020	31 December 2019
Current Assets	31.035.758	24.136.704
Non-current Assets	30.466.668	22.535.921
Total Assets	61.502.426	46.672.625
Current Liabilities	11.843.819	9.450.454
Non-current Liabilities	8.160.435	5.974.696
Shareholders' Equity	41.498.172	31.247.475
Total Liabilities	61.502.426	46.672.625

Summary of Income Statement

	(Unaudited)	(Unaudited)
	Current Period	Previous Period
(Thousand TRY)	1 January - 30 September 2020	1 January - 30 September 2019
Sales Revenue	21.936.023	21.011.261
Gross Profit	3.491.162	4.424.346
Operating Profit Before Finance Income (Expenses)	3.533.714	3.920.694
Profit Before Tax	3.504.677	4.513.662
Profit for the Period	1.549.222	3.238.808
Shareholder's share in the Profit for the Period	1.449.609	3.089.021
EBITDA	4.312.753	4.754.840
Earnings Per Share	0,4142	0,8826

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

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

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2. Key Ratios

(%)	1 January - 30 September 2020	1 January - 30 September 2019
Gross Profit Margin	15,9%	21,1%
Operating Profit Before Finance Income (Expenses) Margin	16,1%	18,7%
EBITDA Margin	19,7%	22,6%
Profit Margin	7,1%	15,4%
Shareholder's Share in the Profit Margin	6,6%	14,7%

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

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

4. Dividend Distribution Policy

Group's Dividend Distribution Policy is as follows:

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

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

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

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

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5. Information about the sector

Global crude steel production in August increased by 2,3% month on month, while it rose by 0,6% year on year to 156,2 million tons. In the January-August period of this year, global crude steel production totaled 1,2 billion, down 4,2% year on year.

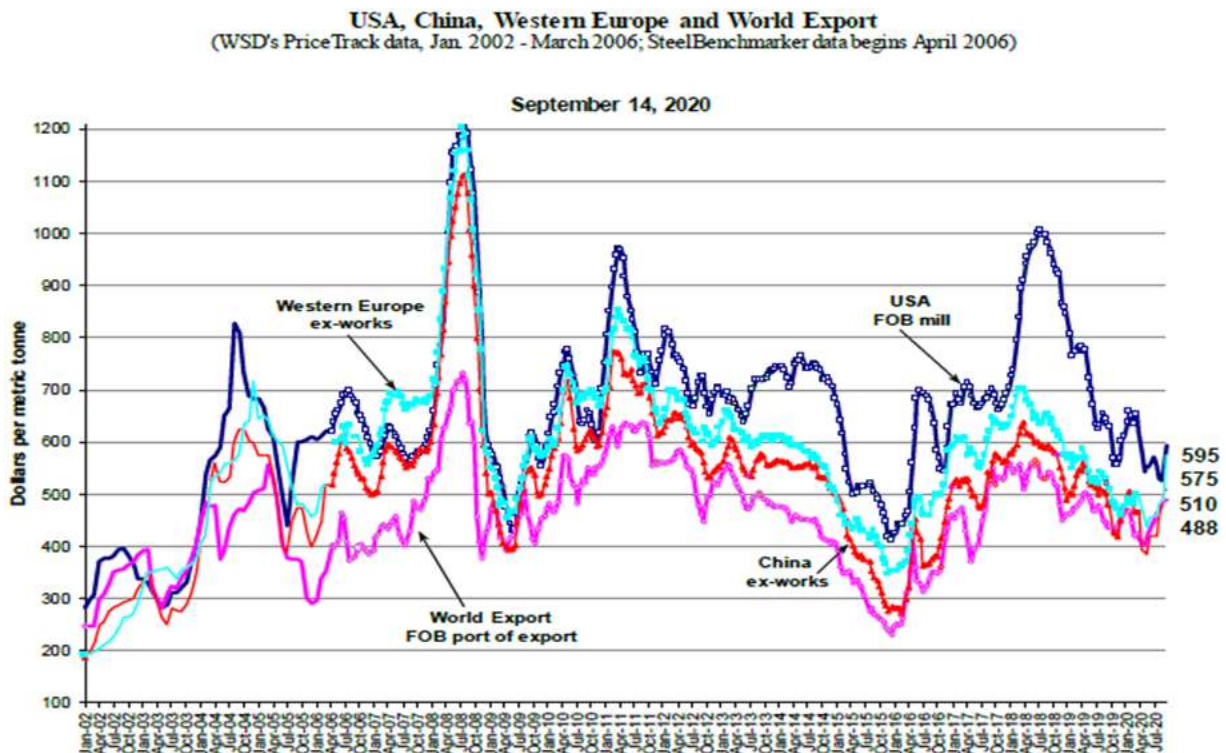
In August this year, Asia produced 120,2 million tonne of crude steel, up 4,8% year on year. China produced 94,8 million tonne of crude steel in August, an increase of 8,4%; India produced 8,4 million tonne, down 4,4%; Japan produced 6,4 million tonne, down 20,6%; and South Korea produced 5,8 million tonne, down by 1,8%, all year on year.

The EU-28 countries produced 9,3 million tonne of crude steel in August, down 16,6% year on year. Germany produced 2,8 million tonne of crude steel, down 13,4%; Italy produced 939 thousand tonne, up 9,7%; and France produced 722 thousand tonne of crude steel, down 31,2%, all year on year.

The CIS produced 7,9 million tonne, down 6,2% from August 2019, with Russia producing 5,5 million tonne, down 4,6% and Ukraine producing 1,8 million tonne, down 5,7% year on year.

In North America in August, crude steel output totaled 7,7 million tonne, down 23,7% from August 2019, with the US producing 5,5 million tonne, down 24,4% and Mexico producing 1,2 million tonne, down 17,3% year on year. Crude steel output in South America in August totaled 3,3 million tonne, down 1,7% year on year, with Brazil's output totaling 2,7 million tonne, up 6,5% from August 2019.

Price changes of hot rolled products follows:



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Turkey's crude steel production in August this year came to 3,2 million tonne, up by 22,9% from August 2019. In the January-August period, Turkish crude steel output increased by 0,6% to 22,7 million tonne. Turkey's crude steel output by electric arc furnaces increased by 0,3% and the production by integrated plants increased by 1,1% both year on year.

In the January-August period, Turkish crude steel output fell to 22,7 million tonne, down 0,6% year on year. In the same period, Turkey's crude steel output by electric arc furnaces increased by 0,3% to 15,3 million tonne, while production by integrated plants increased by 1,1% to 7,4 million tonne, both year on year.

6. The Position of Group within the Sector

Group's production in 2019 has been 8,6 million tonnes. In the first nine months of 2020, the crude steel production in Ereğli Plant has increased by 22% and went to 2.736 thousand tonne while the crude steel production in İskenderun Plant has decreased by 11% and went down to 3.748 thousand tonne. In the first nine months of 2020, Group's production has remained same and went to 6.484 thousand tonnes.

7. Operational Developments

Turkey's first and only integrated flat steel producer, Group, who carries out production, operation, maintenance and modernization activities within its all facilities. Manufacturing 25% of all crude steel production in Turkey, Group again continued its operations in line with the principle of optimal costs, maximum productivity and quality of production in the first eight months of 2020.

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.

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

Production Plants and Productivity

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

Capacity used (%)	1 January - 30 September 2020	1 January - 30 September 2019
Liquid Steel	91%	91%
Crude Steel	91%	90%

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8. Products

The main products of the Group are as follows:

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

Production (quantity)

Final Products (000 Tonne)	1 January - 30 September 2020	1 January - 30 September 2019
Flat Products	5.423	5.504
Long Products	773	757
Iron Ore and Pellet	1.544	1.408

9. Development in Sales

The iron and steel industry is a delivering force in national economies and Turkey is one of the leading countries in terms of both production and consumption of steel, ranking as the world's eighth largest steel consumer and producer. Steel consumption of Turkey in the first eight months of 2020 is nearly 19 million tonne, which is upper 13% than the previous year. Despite the domestic consumption recovery, because of Covid-19 crisis and increasing import crude steel production limited increased 1% to the level of 22,7 million tonnes in the first eight months of year.

Total flat product sales of the Group reached to the level of 5,4 million tonnes in the first nine months of 2020. The domestic flat product sales reached 4,4 million tonnes 1% upper than the same period of 2019. Long product sales have decreased 1% (Y.O.Y.) and went down to 774 thousand tonnes. Domestic long product sales have been increased 21% to the level of 726 thousand tonnes.

Group also exported 1.037 thousand tonnes of flat products to 40 countries and 48 thousand tonnes of long products to 10 countries. Total amount of 1.085 thousand tonnes of the Group's export sales is 18% 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 14 new customers to long product portfolio and 22 new customers to flat product portfolio totaling 36 new customers in the first nine months of 2020.

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

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10. Sales (quantity)

Final Products (000 Tonne)	1 January - 30 September 2020	1 January - 30 September 2019
Flat Products	5.395	5.471
Long Products	774	780
Iron Ore and Pellet Sales (*)	1.399	1.411

(*) 1.322 thousand tonnes of Ermaden's sales are to Group Companies as of 30 September 2020 (30 September 2019: 1.360 thousand tonnes).

F - Risks and Evaluation of the Board**1. Risk Management Policy**

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

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

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

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

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

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

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2. Committee of Early Risk Detection

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

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

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

G - Other Information

1. Organizations Out of the Headquarters

None.

2. Information for Shareholders

None.