



EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

For the Period 1 January – 31 March 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 – 31.03.2020

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 2018 Regular General Assembly has been executed on 21 March 2019. The Company's 2019 Regular General Assembly decided to be made on 31 March 2020 and the decision was announced on the Trade Registry Gazette dated 6 March 2020, however, the assembly has cancelled to be held at a later date according to recommendations on measures to be taken on the prevention of the spread of COVID-19 outbreak in our country.

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 according to the 10th and 11th articles of Articles of Association within the framework of Turkish Commercial Code and Capital Market Law. Accordingly 3 independent board members have been elected for one year by the General Assembly executed on 21 March 2019 instead of the 3 independent board members whose duty has ended.

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

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: Tahsin YAZAR)	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 (*)
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

(*) Inauguration date of the legal entity.

Changes in the Executive Board within the Period

None.

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

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	24 Years
İbrahim Emrah SİLAV	Financial Management and Financial Affairs Group Vice President	01.12.2017	Middle East Technical University - Economics	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 – Management Engineering	19 Years
Can ÖRÜNG (by proxy)	Group Information Technologies Vice President			
Vacant	Technology Group Vice President			

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

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 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 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.

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:

	31 March 2020	31 December 2019
	Personnel	Personnel
Hourly Paid	7.455	7.521
Monthly Paid	3.939	3.907
	11.394	11.428

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

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 – 31 March 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 21 March 2019 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. 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 valid from the date of 1 April 2019.

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 3.304 thousand is recorded as expense related to Company Board Members and Executive Management for the period 1 January – 31 March 2020.

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

C – Research and Development Studies

OYAK Mining Metallurgy Group 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 are 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, which also serves in the OYAK Mine Metallurgy Group, 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.

In the first quarter of 2020, 6 new flat steel grades were developed so the number of flat products reached to 507.

As part of the R&D activities during that period 4 projects have been completed and 49 projects have been in progress.

Within the scope of TÜBİTAK / TEYDEB Projects 1501 program, 6 projects have been completed successfully so far. The studies and reporting activities have been continued for 3 supported projects. Evaluation stage of one project, application date at the end of June 2019, has still being in progress.

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

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 to continuous development strategy. In this scope;

In Erdemir Plants

Second phase has been completed in the No:2 Hot Rolling Mill Quality and Sustainability Investments Project. The commissioning works of all simulators except the Sintering have been completed in the R&D Simulation Center Project.

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

Detailed engineering, manufacturing, supply and field works are on-going in the No:2 Blast Furnace Renovation Project. Second phase preparations have been made in the Surface Inspection Systems Project. Site applications are ongoing in Additional Investments Energy Distribution Systems 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. Detailed engineering, manufacturing, supply and field works continue in Steam Boiler No:6 Project. The main engineering works of the technology supply company are ongoing in the New Wide Inspection and Recoiling Line Project. Equipment manufacturing, supply and shipment works are ongoing for the Steel Shop BOF Convertors Modernization Project and New Slab Grinding Machine Project. Field activities continue for Various Fire Detection and Extinguishing Systems Investment.

Purchasing studies continue in Coke Oven Battery No:4 and By Product Plant Modernization Project, Steel Shop Secondary Dust Collection System Capacity Improvement Project, Slab Furnace No:1 Modernization Project, 60MW Turbo Generator Project and Ersem Cold Slitting Line and Warehouse Investment Project. Erdemir New Turbo Blower Project's purchasing studies started with the Board Approval.

In Isdemir Plants,

Slab Casting Mold Level Control System Modernization Project has been commissioned and almost completed with performance tests.

Procurement, manufacturing and field activities continue within the scope of the New Coke Gas Gasometer and Steel Mill A-B Hall Extension and Crane Projects. Engineering, purchasing processes, equipment supply, manufacturing and site studies continue in the New Blast Furnace No:1, Vacuum Degassing Plant and Modernization of the Coke Oven Battery No:3 Projects. Purchasing activities continue in the Blast Furnace No:1 TRT Project.

As of 31 March 2020, Group's total investment expense amount is USD 46 million (31 March 2019: USD 43 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 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.

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

3. Direct and Indirect Subsidiaries

The Information about Affiliates Subject to Consolidation

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

Name of the Company	Country of Operation	Operation	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

E - Financial Position

1. Summary of Financial Position

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have not been audited as of 31 March 2020.

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period 31 March 2020	Previous Period 31 December 2019
Current Assets	26.708.242	24.136.704
Non-current Assets	24.673.675	22.535.921
Total Assets	51.381.917	46.672.625
Current Liabilities	10.300.904	9.450.454
Non-current Liabilities	6.554.989	5.974.696
Shareholders' Equity	34.526.024	31.247.475
Total Liabilities	51.381.917	46.672.625

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

Summary of Income Statement

	(Unaudited) Current Period	(Unaudited) Previous Period
(Thousand TRY)	1 January - 31 March 2020	1 January - 31 March 2019
Sales Revenue	6.378.927	7.144.139
Gross Profit	877.679	1.631.566
Operating Profit Before Finance Income (Expenses)	750.954	1.465.355
Profit Before Tax	901.997	1.702.566
Profit for the Period	322.778	1.038.729
Shareholder's share in the Profit for the Period	300.438	996.650
EBITDA	1.068.037	1.732.790
Earnings Per Share	0,0858	0,2848

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 March 2020	1 January - 31 March 2019
Gross Profit Margin	13,8%	22,8%
Operating Profit Before Finance Income (Expenses) Margin	11,8%	20,5%
EBITDA Margin	16,7%	24,3%
Profit Margin	5,1%	14,5%
Shareholder's Share in the Profit Margin	4,7%	14,0%

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.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUE SERIAL:II, NO:14.1****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. Dividend distribution policy is reviewed by the Board of corporate 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."

5. Information about the sector

Global crude steel production in February this year decreased by 7.8 percent month on month and rose by 2.1 percent year on year to 142.4 million tonne.

In February this year, crude steel output in Asia amounted to 101.7 million tonne, rising by 4.5 percent, with 74.8 million tonne produced by China, up 5 percent, 8 million tonne produced by Japan, increasing by 2.2 percent, 9.6 million tonne produced by India, rising by 1.5 percent, and 5.4 million tonne produced by South Korea, up by 2.1 percent - with all comparisons on year-on-year basis.

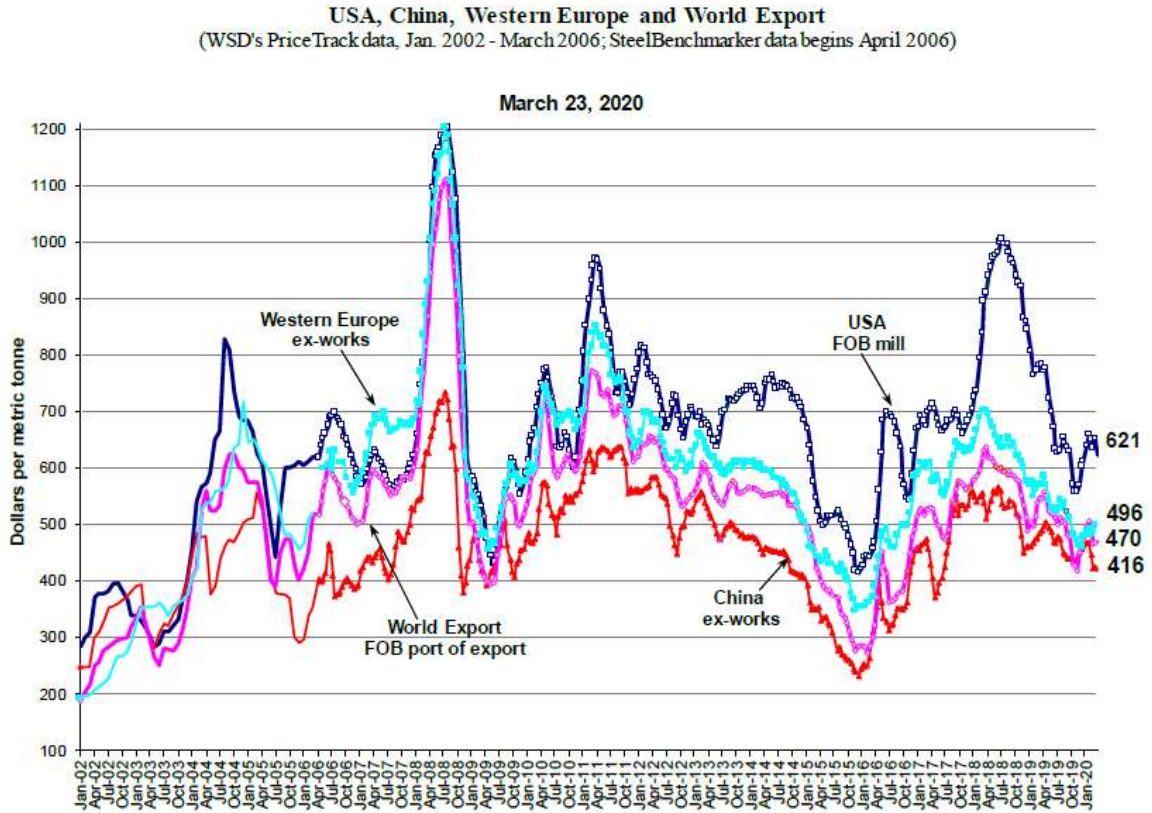
EU-28 countries produced 12.3 million tonne of crude steel in February, down by 9 percent year on year. In the given period, Germany's output was 3 million tonne, falling by 12 percent year on year, Italy's crude steel output was 2.1 million tonne, increasing by 0.1 percent year on year, and France's crude steel output amounted to 1.2 million tonne, down by 1.3 percent year on year.

Iran's crude steel production in February amounted to 2.7 million tonne, up by 34.3 percent year on year. The CIS registered a crude steel output of 7.9 million tonne, rising by 0.1 on year-on-year basis, with Russia producing 5.6 million tonne, down 2.3 percent, and Ukraine producing 1.7 million tonne, up by 1.2 percent, both on year-on-year basis.

In North America in February, crude steel output totaled 8.7 million tonne, decreasing by 10.6 percent, with the US producing 7.2 million tonne, rising by 3 percent, and Mexico producing 1.3 million tonne, down by 19.3 percent, all on year-on-year basis. Crude steel output in South America in February amounted to 3.4 million tonne, falling by 0.9 percent from February 2019, with Brazil's output totaling 2.7 million tonne, declining by 1.3 percent year on year.

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

Price changes of hot rolled products follows:



Turkish crude steel output in February this year decreased by 5.4 percent month on month and was up by 8.2 percent year on year to 2.85 million tonne. In the given month, Turkey's crude steel output by electric arc furnaces rising by 11.1 percent, while production by integrated plants increased by 2.6 percent, both year on year.

In the January-February period, Turkish crude steel output rising by 12.7 percent to 5.9 million tonne, compared to 5.2 million tonne in 2019. In the same period, Turkey's crude steel output by electric arc furnaces increased by 18 percent to 3.9 million tonne, while production by integrated plants increased by 3.4 percent to 1.9 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 three months of 2020, the crude steel production in Ereğli Plant has decreased by %1,3 and went down to 914 thousand tonnes while the crude steel production in İskenderun Plant has decreased by %5,7 and went down to 1.318 thousand tonnes. In the first three months of 2020, Group's production has decreased by %3,9 percent and went down to 2.232 thousand tonnes.

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

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 two months of 2020.

Construction of 2nd Galvanizing Line, signed in 2015, 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 - 31 March 2020	1 January - 31 March 2019
Liquid Steel	95%	98%
Crude Steel	93%	97%

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 - 31 March 2020	1 January - 31 March 2019
Flat Products	1.714	1.813
Long Products	264	315
Iron Ore and Pellet	447	425

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

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 two months of 2020 is nearly 5.1 million tonnes, which is upper 46% than the previous year. Due to the domestic consumption recovery crude steel production increased 13% to the level of 5,9 million tonnes in the same period.

Total flat product sales of the Group reached to the level of 1,7 million tonnes in the first three months of 2020. The domestic flat product sales reached 1,5 million tonnes %4 higher than the same period of 2019. Long products sales have decreased by %20 (Y.O.Y.) and went down to 267 thousand tonnes. Domestic long product sales have increased by %9 compared to the previous year and reached 249 thousand tonnes.

Group also exported 191 thousand tonnes of flat products to 27 countries and 18 thousand tonnes of long products to 5 countries. The level of the Group's export sales is 11% 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 3 new customers to long product portfolio and 14 new customers to flat product portfolio totaling 17 new customers in the first quarter 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.

10. Sales (quantity)

Final Products (000 Tonne)	1 January - 31 March 2020	1 January - 31 March 2019
Flat Products	1.656	1.887
Long Products	267	336
Iron Ore and Pellet Sales (*)	449	438

(*) 409 thousand tonnes of Ermaden's sales are to Group Companies as of 31 March 2020 (31 March 2019: 413 thousand tonnes).

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1****F - Risks and Evaluation of the Board****1. Risk Management Policy**

Risks are monitored and managed in compliance with the regulation and procedures related with management of the market and customer risks which are directed towards measuring the risks 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.

No planned investments can be submitted to the Board of Directors without the approval of the Group Financial Management and Financial Affairs Group Vice President.

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.

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

G - Other Information

1. Organizations Out of the Headquarters

None.

2. Information for Shareholders

As of December 2019, Corona virus ("Covid-19") which is described as the pandemic by the World Health Organization ("WHO") has been detected in Wuhan, city of China. Starting from March 2020, various cases regarding the epidemic has been detected also in Turkey. In order to prevent the Covid-19 outbreak and the spread of the epidemic, the government has started to take various measures related to social and economic life. The potential effects of these measures and possible future decisions on the Group's activities remain uncertain as of the reporting date.