



EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

For the Period 1 January – 31 March 2015
Board of Directors' Activity Report

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

(Amounts are expressed in thousand Turkish Liras ("TRY Thousand") unless otherwise indicated.)

A – GENERAL INFORMATION**1. Period of the Report**

01.01.2015 - 31.03.2015

2. Information About the Association

- **Title:** EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
- **Trade Registry Number:** 863637
- **Address:** Merdivenköy Yolu Cad. No: 2 34750 Küçükbakkalköy Ataşehir/İSTANBUL
- **Website:** www.erdemir.com.tr

3. Shareholding and Capital Structure

Authorized Capital : TRY 7.000.000 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 2014 Regular General Assembly has been executed on 31 March 2015.

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 31 March 2014 according to the 10th and 11th articles of Articles of Association within the framework of Turkish Commercial Code and Capital Market Law. Due to this, 3 independent board members have been elected for one year instead of the 3 independent board members whose duties expired, by the General Assembly executed on 31 March 2015.

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

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The active members of the Board of Directors as of 31.03.2015:

Board of Directors	Title	Effective from
OYTAŞ İÇ VE DIŞ TİCARET A.Ş. Represented by: Ali Aydın PANDIR	Chairman – Executive Director	27.05.2013
OYAK Girişim Danışmanlığı A.Ş. (Represented by: Nihat KARADAĞ)	Deputy Chairman	12.09.2012
Republic of Turkey Prime Ministry Privatization Administration (Represented by: Ali KABAN)	Board Member	20.09.2012
OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR	Board Member	11.09.2012
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Ertuğrul AYDIN)	Board Member	12.09.2012
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Fatma CANLI)	Board Member	13.09.2012
Emin Hakan EMİNSOY	Independent Board Member	04.03.2014
Hakkı Cemal ERERDİ	Independent Board Member	31.03.2015
Ali Tuğrul ALPACAR	Independent Board Member	31.03.2015

Changes in the Executive Board within the Period

Due to the end of duties of Nazmi DEMİR, Atilla Tamer ALPTEKİN and Emin Hakan EMİNSOY who have been elected as independent board members for one year on 31 March 2014, Emin Hakan EMİNSOY, Hakkı Cemal ERERDİ and Ali Tuğrul ALPACAR have been elected as independent board members for one year at the Regular General Assembly executed on 31 March 2015.

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.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
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Executive Management

Executive Management	Title	Effective from	Education	Experience
Sedat ORHAN	Chief Executive Officer	16.08.2013	Karadeniz Technical University – Mechanical Engineering	29 Years
Esat GÜNDAY	Executive Vice President (Operations)	13.07.2006	Middle East Technical University – Metallurgical Engineering	35 Years
Kaan BÖKE	Executive Vice President (Human Resources)	02.04.2012	Gazi University – Labor Economics	25 Years
Bülent BEYDÜZ	ERDEMİR Group Financial Affairs Coordinator	11.04.2011	Hacettepe University - Business Administration	29 Years
Sami Nezh TUNALITOSUNOĞLU	Executive Vice President (Financial Affairs)	11.04.2011	Gazi University - Economy	32 Years
Başak TURGUT	ERDEMİR Group Marketing and Sales Coordinator	01.02.2013	Middle East Technical University – Business Administration	18 Years
Şevkinaz ALEMDAR	ERDEMİR Group Procurement Coordinator	18.05.2013	Boğaziçi University – Business Administration	20 Years
Oğuz Nuri ÖZGEN	ERDEMİR Group Production Coordinator	02.07.2012	Middle East Technical University – Metallurgical Engineering	32 Years
Burak BÜYÜKFIRAT (by proxy)	ERDEMİR Grup Technology Coordinator	24.02.2015	İstanbul Technical University – Civil Engineering Oregon State University - MBA	24 Years
Vacant	ERDEMİR Group Human Resources Coordinator			
Naci Özgür ÖZEL	ERDEMİR Group Strategic Planning and Business Development Coordinator	29.05.2014	İstanbul Technical University – Industrial Engineering	19 years
Banu KALAY ERTON	ERDEMİR Group Corporate Affairs Coordinator	13.06.2014	Mimar Sinan University - City and Regional Planning	21 years
Ahmet Tunç NOYAN	ERDEMİR Group Information Technologies Coordinator	01.07.2014	Naval Academy - Electronics Engineering	26 years
Oya ŞEHİRLİOĞLU	ERDEMİR Grup Legal Coordinator	14.01.2015	Ankara University – Faculty of Law	21 years

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

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Mehmet Mücteba BEKCAN's duty as Executive Vice President (ERDEMİR Technical Services and Investments) has ended as of 09.01.2015 and this position has been abrogated.

ERDEMİR Group Legal Coordinator position has been established and Oya ŞEHİRLİOĞLU has been assigned to this position on 14.01.2015.

Due to the Mesut Uğur YILMAZ's duty as ERDEMİR Group Technology Coordinator has ended as of 29.01.2015, Burak BÜYÜKFIRAT has been assigned to this position by proxy on 24.02.2015.

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 31 March 2015, it is consented to give the authority for transactions 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

25th Period Collective Labor Agreement, which will be valid between 01.09.2013-31.08.2016, has been signed on March 24, 2014 between Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and Turkish Metal Union as the collective bargaining agency.

25th Period Collective Labor Agreement expired on December 31, 2014 for İskenderun Demir ve Çelik A.Ş. From this date, no union agreement has been taken a place between İskenderun Demir ve Çelik A.Ş and any union. Legal proceedings are still underway. However contract provisions after expiration are currently being applied.

In the scope of collective agreement, compensation and benefits 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, pregnancy leaves, transport leaves and leaves in case of a natural catastrophe.

Bereavement allowance (in the case the worker dies) and meal 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, maternity leaves bereavement leaves, marital leaves, transport leaves, unpaid leaves, nursing leaves and pregnancy leaves, can be taken by both white-collar and blue-collar workers; the rest is taken only by blue-collar workers.

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

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The number of the personnel on 31 March 2015 and 31 December 2014 are as follows:

	31 March 2015 Personnel	31 December 2014 Personnel
Blue Collar	8.648	8.813
White Collar	4.018	4.059
	<u>12.666</u>	<u>12.872</u>

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 2014 were met during the period 01.01.2015 – 31.03.2015.

8. Amendments in The Articles of Association

No amendment has been made.

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 31 March 2015 is as follows:

In the 10th 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. Çiğdem AYIK OKUR, and with no other comment, it was submitted to the General Assembly's approval and in accordance with the proposal;

It was decided by the majority of votes as opposed to 6.143.727.661,7 refusal votes and 225.596.507.784,9692 affirmative votes that; no wages will be paid to the Board members representing Group B shares, the monthly net wage that will be paid to the members representing Group A shares will be 2.360 TRY (monthly, in cash), the wages of independent Board members will be 5.500 TRY (monthly, in cash) and the new wages will be valid from the date of 1 April 2015.

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.

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

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

A total of TRY 6.717 thousand is recorded as expense related to Company Board Members and Executive Management as of reporting period.

C – Research and Development Studies

After being approved and certified by Ministry of Science, Industry and Technology, ERDEMİR R&D Center ceaselessly continues its works and needs an extra place for carrying out Raw Materials and Ironmaking R&D laboratory studies more efficiently. The official request has been made to Ministry of Science, Industry and Technology and "Raw Materials Group" moved to this new laboratory, which is also in the boundaries of Ereğli Plant, after the application had been approved on 19th February.

Two R&D projects conducted by Erdemir R&D Center and funded by Industrial R&D Projects Grant Program of Technology and Innovation Funding Programs Directorate (TEYDEB) have been completed successfully and within the same grant program, the application phases of two new R&D projects are finalized and official application has been made for one of them.

With the intention of "Product Development Simulation Laboratory" to be started-up in 2015, the specification of "Hot Dip Process Simulator" has been prepared and the tender has been submitted for the approval. The specification of "Raw Material Simulation Laboratory" has been also completed.

In Erdemir R&D Center, sheet metal forming simulation laboratory has been founded in addition to material preparation, microstructure evaluation, dynamic thermo-mechanic simulation and metal forming laboratories. In this new laboratory, theoretical simulation studies of cold and hot rolled blank sheets are going to be accurately made with the help of the mechanical parameters of blank sheets obtained via experimental methodologies in the metal forming laboratory.

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

Operating within the modern plants and by a modern production technology, Erdemir Group produces competitive products globally and continues its investments aligned to continuous development strategy.

In Ereğli plant; in Ereğli Steel Service Center, preparations for final acceptance have begun. Investments in BOF and Continuous Casting Facilities in accordance with relined, TinCal Automation Modernization, Improvement of Level 1 and 2 Systems in BOF and Continuous Casting Facilities, Installation of an External Combustion System at the Cogeneration Power Plant, The Integration of the Coal Grinding Plant No.3 into the Coal Injection Plant (PCI) and Modernization of 3rd SF and Evaporative Cooling System (ECS) Application Projects are completed. Commercial operation of Air Separation Plant No.7 has begun and preparations for performance tests have started. Oxygen Pressure Reduction Station has been successfully commissioned. Activities related to Environmental Investments and Hot Mill No.2 Level 2 Systems Modernization Projects continue. In Blast Furnace Top Pressure

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

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Recovery Turbines, detail engineering and construction permit activities are ongoing. In Galvanizing Line No.2 project, third revised proposals have been considered to be taken. Construction works for Relocation of Elmatepe Hill Retaining Wall continue. In Steam Generator No.6, evaluation of proposals has been started. In CPL-TCM Modernization, proposals have been evaluated and sent to ERDEMİR General Manager for approval. In Erdemir Coke Oven Battery No.4 and Modernization of the By-Product Plant, feasibility studies have been finished and sent to Board Members' approval. Tender studies of BF No.1 Stove and CPL No.2 Welding Machine with Side Trimmer and Scrap Cutting Unit Revamping Projects are ongoing. In ERDEMİR R&D Simulation Center tender studies and contract negotiations continue. In Converting Ladle Treatment to the Ladle Furnace Project engineering studies continued. At the end of the 2014, Normalizing Furnace Modernization, Modernization of Level 1-2 Automation Systems for BOF and CC, Reconstruction of Gülüç Entrance Zone as Delivery Gate, New Central Baths and Dining Hall Buildings, Online Surface Inspection Equipment and Converter Slack Stopping System Modernization Projects have been approved and are all in progress phase.

On the other hand, in İskenderun Facilities; commercial operation of Modernization of the Coke Oven Battery No.4 Project has began in May, completion of incomplete works continues. Crane Girders in Alternative Reladling Pit, Changing Crane Girders Project is finished. Activities related to Harbor Investments and Environmental Investments are ongoing. After commissioning of Hot Slitting Line, completion of incomplete works continues. In Hot Rolling Mill Revamping Project contract negotiations have been made and agreement studies have been completed. In Blast Furnace Top Pressure Recovery Turbines No.3 and 4 Project detail engineering activities and construction permit works are ongoing. Evaluation of proposals for Air Separation Plant No.8 Project is completed and the contract is waiting to be signed. In 2014, Modernization of the Coke Oven Battery No.3 feasibility studies have finished and project is in proposal evaluation phase. In No.2 Blast Furnace Reline and Stove Modernization Project, Erdemir and İsdemir project teams continued to work.

Total investments in Erdemir Group plants in 2015 amount to USD 21 million as of 31 March 2015 (31 March 2014: USD 35 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 Erdemir Group companies and it reports directly to the Chairman and Executive Director of the Board. In accordance with Capital Markets Board regulations, the effectiveness of internal control system is evaluated by the Board of Directors at least once in a year. In this context, Internal Audit Department reports to the Audit Committee, which comprises of independent board members, about internal audit activities regularly as requested.

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

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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	2015 Share %	2014 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Iron and Steel Manufacturing	95,07	95,07
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	Steel Service Center	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	Silica Steel Production	100,00	100,00
Erdemir Asia Pacific Private Limited	Singapore	Trading	100,00	100,00

The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

E - Financial Position

1. Summary of Financial Statements

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have not been reviewed as of 31 March 2015.

Summary of Balance Sheet

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period 1 January - 31 March 2015	Previous Period 1 January - 31 December 2014
Current Assets	7.590.696	7.371.353
Non-current Assets	9.549.256	8.562.321
Total Assets	17.139.952	15.933.674
Current Liabilities	3.559.747	3.105.422
Non-current Liabilities	3.028.079	2.517.945
Shareholders' Equity	10.552.126	10.310.307
Total Liabilities	17.139.952	15.933.674

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

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Summary of Income Statement

(Thousand TRY)	(Unaudited)	(Unaudited)
	Current Period	Previous Period
	1 January - 31 March 2015	1 January - 31 March 2014
Sales Revenue	2.895.741	2.934.637
Gross Profit	591.322	602.783
Operating Profit	505.940	537.959
Profit from Continuing Operations Before Taxation	454.235	511.941
Net Profit for the Period	346.114	450.669
Shareholder's share in the Net Profit for the Period	337.450	432.377
EBITDA	611.547	624.577
Earnings Per Share	9,64%	12,35%

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 2015	1 January - 31 March 2014
Gross Profit Margin	20,4%	20,5%
Operating Profit Margin	17,5%	18,3%
EBITDA Margin	21,1%	21,3%
Net Profit Margin	12,0%	15,4%
Shareholder's share in the Net Profit Margin	11,7%	14,7%

3. 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.

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

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4. Dividend Distribution Policy

Erdemir Groups' Dividend Distribution Policy is as follows:

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

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

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

Dividend distribution (gross dividend per share: TRY 0,40) amounting to TRY 1.400.000 thousand from 2014 net profit was approved during Annual General Assembly Meeting dated 31 March 2015. The dividend distribution will start on 26 May 2015.

5. Information about the sector

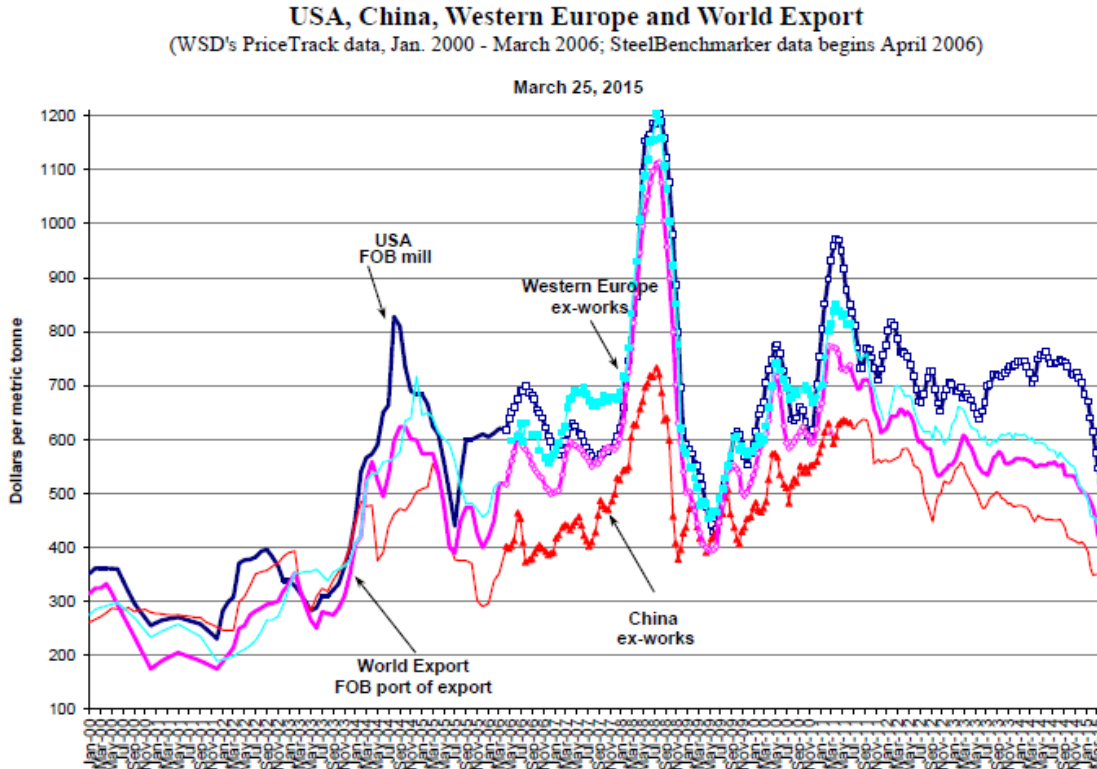
Global crude steel production in March 2015 decreased 2,7% year on year to 138 million metric tons. In the meantime, total global crude steel production in the first three months of the current year decreased by 1,8% compared to the same period of 2014, amounting to 400 million metric tons. In the first three months, crude steel output in Asia amounted to 272 million metric tons, down 1,1%, with 200,1 million metric tons produced by China, down 1,7%, 26,7 million metric tons produced by Japan, down 3%, and 16,7 million metric tons produced by South Korea, down 6,5% - with all comparisons on year-on-year basis. EU-28 countries produced 43,7 million metric tons of crude steel in the first three months, down by 0,6% compared with the same period of 2014.

In March, the average capacity utilization of steel mills across the globe was 71,6%, 4% points lower compared to March 2014.

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

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



In March this year, Turkey's crude steel production posted an increase of 15,2 percent month on month and a decrease of 4,1 percent year on year to 2,8 million metric tons. In the same month, Turkey's crude steel production by electric arc furnaces decreased by 14,5 percent year on year and increased by 13,1 percent month on month to 1,8 million metric tons, while the output of integrated plants increased by 26,5 percent year on year and 19,7 percent month on month to 0,9 million tons.

Meanwhile, in the the first quarter of 2015, Turkey's crude steel production decreased by 8,8 percent to 7,7 million metric tons, with crude steel production by electric arc furnaces declining by 12,2 percent to 5,2 million metric tons, while the output of integrated plants decreased by 0,9 percent to 2,5 million metric tons, both on year-on-year basis.

6. The Position of Erdemir Group within the Sector

Erdemir Group's production in 2014 has been expanded to 8,5 million tons. In the first three months of 2015, the crude steel production in Ereğli Plant has increased 3,6% and went up to 964 thousand tons while the crude steel production in İskenderun went down to 1.083 thousand tons with a decrease of 6,4%. In the first three months of 2015 Erdemir Group's production has decreased by 2% and went up to 2.047 thousand tons.

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

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7. Operational Developments

Being the only integrated flat steel producer in Turkey and having the most comprehensive flat steel product range among Turkish producers, The Erdemir Group of Companies (Erdemir Group) continues to provide product and service quality to customers. Additionally, throughout modernization of production lines and steel service center investments, Erdemir Group endures its sustainable growth goal in a stable fashion as it has been achieved during the recent years.

A new and modern steel service center in Ereğli is operational since the first quarter of 2013, where intensive orders are being continuously received from the market. The request of the processed products from the industries such as Automotive, White-Goods, Electronic industries are intensively supplied with the customer oriented view. Additionally, hot slitting lines are also commissioned and receiving serial orders at İsdemir facilities of Ersem.

To supply just in time deliveries and storage services mainly for the customers operating in the Aegean region of Turkey in the first three months of the year, construction of 15 thousand tons per month storage capacity has completed in Manisa steel service center of Ersem.

Production Plants and Productivity

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

Capacity used (%)	1 January - 31 March 2015	1 January - 31 March 2014
Liquid Steel	92%	94%
Slab	82%	83%
Billet	40%	44%

8. Products

The main products of Erdemir Group are as follows:

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

9. Production (quantity)

Final Products (000 Tons)	1 January - 31 March 2015	1 January - 31 March 2014
Flat Products	1.823	1.675
Long Products	242	317
Iron Ore and Pellet	474	595

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

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10. Development in Sales

In the first three months of the year, there is a strong view on steel demand in Turkey. Especially production of automotive industry and white goods increased in the first quarter of the year. Steel pipe and profile industry which has the biggest volume on steel using industries is getting strong with domestic projects.

With increased consumption in Turkey, total flat product sales of the Erdemir Group of Companies increased 5% in 2015 first quarter and reached to the level of 1,7 million tons. The domestic flat product sales increased 8% (Y.O.Y.) and reached 1,6 million tons. Due to the maintenance activities in İskenderun Iron and Steel Works total long products sales decreased 32% (Y.O.Y.) and went to 242 thousand tons. The domestic long product sales decreased 16% (Y.O.Y.) and went down to 214 thousand tons.

Erdemir Group of Companies also exports 132 thousand tons, 104 thousand tons of flat products to 25 countries and 28 thousand tons of long products to 6 countries. The level of Erdemir Group's export sales is 7% of total sales. Erdemir Group has opened "Erdemir Asia Pasific Private Limited (EAPPL)", a wholly-owned subsidiary, in Singapore in 2014 to conduct its trading activities in the Far East. Also to increase the effectiveness in foreign markets, Erdemir Group has established sales office in Canada.

Despite the geopolitical problems in the region of Middle East, Erdemir Group continues to deliver shipments in line with its objectives in industries such as packing, automotive or steel pipe. As a result of its customer oriented strategy, ERDEMİR Group has added 9 new customers to long product portfolio and 15 new customers to flat product portfolio totaling 24 new customers during 2015 first quarter.

In order to develop our relations with customers who have become a focus point with reconstruction of the Sales & Marketing Organization; customer visits, congress and exhibition participations in Turkey and abroad, meetings with industry unions and organizations of customer activities have continued. 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.

11. Sales (quantity)

Final Products (000 Tons)	1 January - 31 March 2015	1 January - 31 March 2014
Flat Products	1.749	1.671
Long Products	242	352
Iron Ore and Pellet Sales (*)	589	763

(*) 555 thousand tons of Ermaden's sales are to Group Companies as of 31 March 2015. (31 March 2014: 684 thousand tons).

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

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F - Risks and Evaluation of the Board

1. Risk Management Policy

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

Almost all of our receivables are guaranteed with the Direct Debit System, 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 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. 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 Erdemir Group's mid/long term strategic road map are prepared by the System Development Department of the relevant Group Companies and are submitted to Business Development Directorate. The Business 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 Affairs Coordinator.

No planned investments can be submitted to the Board of Directors without the approval of the Group Financial Coordinator.

2. Committee of Early Risk Detection

With the decision of Ereğli Iron and Steel Inc.'s Board Meeting dated 24 September 2012 and numbered 9167, The Early Detection of Risk Committee (Committee) was set up in accordance with the Capital Market Board's legislation.

The duties and working principles directive of the Committee were published on the company's website on the Investor Relations / Policies tab.

Within the scope of this directive and legal legislation, the purpose of the Committee is to early detect of risks to the Company's assets, development and existence, implement the measures necessary to deal with identified risks and manage risks.

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

(Amounts are expressed in thousand Turkish Liras ("TRY Thousand") unless otherwise indicated.)

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 about Related Party Transactions

According to the decision of Board of Directors of the Company, dated 10 April 2015 and numbered 9350; the investment properties of the Group carried at cost value amounting to USD 208.601 with a total area of 43,467.20 m2 and located in Balıkesir, Edremit District, Altınoluk town, are sold to Okullu Gıda Maddeleri İnşaat Sanayi ve Ticaret Ltd. Şti. on 15 April 2015 in return for the value of TRY 46.000.000.