



EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

For the Period 1 January – 30 June 2019
Board of Directors' Activity Report

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

01.01.2019 – 30.06.2019

2. Information About the Association

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

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 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 2017 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.

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The active members of the Board of Directors as of 30.06.2019:

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: Aslihan DÖĞER)	Board Member	11.09.2012(*)
Yunus ARINCI	Independent Board Member	31.03.2016
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017

(*) Inauguration date of the legal entity.

Changes in the Executive Board within the Period

It has been decided to be registered and to be announced in the trade registry gazette with the 29 January 2019 dated and 9597 numbered decision;

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

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

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

Executive Management

Executive Management	Title	Effective from	Education	Experience
Toker ÖZCAN	Head of Group	12.10.2018	Middle East Technical University – Mechanical Engineering	27 Years
Salih Cem ORAL	General Manager	06.06.2018	İstanbul Technical University – Metallurgy Engineering	26 Years
Ural DURUSU	Executive Vice President (Operations)	29.11.2018	İstanbul Technical University – Metallurgy Engineering	31 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	19 Years
Başak TURGUT	Marketing and Sales Group Vice President	01.02.2013	Middle East Technical University – Business Administration	22 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University – Political Science and Public Administration	23 Years
Can ÖRÜNG	Enterprise Architecture and Human Resources Group Vice President	07.02.2017	İstanbul Techninal University – Management Engineering	18 Years
Can ÖRÜNG (by proxy)	Group Information Technologies President			
Vacant	Technology Group Vice President			

Ferat GÖÇ has assigned to vacant Executive Vice President (Financial Affairs) position by proxy by 30.07.2019

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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 regarding the Company's 2018 activities, 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:

	30 June 2019	31 December 2018
	Personnel	Personnel
Hourly Paid	7.621	7.725
Monthly Paid	3.909	3.882
	11.530	11.607

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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 2018 were met during the period 1 January 2019 – 30 June 2019.

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 15.337 thousand is recorded as expense related to Company Board Members and Executive Management for the period 1 January – 30 June 2019.

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OYAK Mine 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. R&D activities mainly consist of four groups as raw materials and iron making, steel making and casting technologies, hot rolled products and process, cold rolled products and process.

The R&D Center, which serves in the OYAK Mine Metallurgy Group, moved to a separate campus in Karadeniz Ereğli to expand the laboratory infrastructure from its old campus located at the factory in 2018. In this new campus, two comprehensive laboratories for Raw Material and Product Development R&D infrastructures were built. In the construction works significantly completed project, assembly studies of simulators and equipment to be used in R&D projects have started. In 2019, it is aimed to complete all simulation infrastructure.

As part of the R&D activities; 17 projects have been completed and 30 projects have been continued.

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

R&D Center employees contributed to the intellectual capital of our company by participating the national / international organisations related to the iron and steel sector activities with 64 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 Ereğli, Commissioning works are on going for the 2nd Galvanizing Line Project and Online Surface Inspection Systems Projects. In Converter Slack Stopping System Modernization Project two converter slack stoppers are commissioned, design will be renewed for 3rd slag stopper and field applications will be performed. 19 of 38 projects related to Environmental Investments Program have been commissioned and 19 projects are ongoing.

In the AR-GE (RD) Project, Cold Rolling Simulator's and Hot Rolling Simulator's site works are ongoing. Field applications are ongoing for Raw Material Stocking and Blending Yard Modernization and Various Fire Detection Projects. Equipment assembly and field applications works are ongoing for the Cold Rolling Mill Picking Tandem Line (CPL-TCM) Product Range and Capacity Increase Project. Major Engineering works of 6th Steam Boiler are completed and detailed engineering works are ongoing. Equipment supply and field applications are ongoing. Field applications are almost completed in New Coastal Protection Construction.

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Commissioning works of Phase 1 and detail Steel Shop engineering studies of Phase 2 are on going for Modernization of Level 1-2 Automation Systems for Steel Shop & Continuous Casting Projects. Additional Investments Energy Distribution Systems Scada and Camera systems are commissioned and the project continues with Substation supply works.

For New Slab Grinding Machine and New No 2 Blast Furnace Projects continue with major engineering activities. Detail engineering studies are going on for 2nd Hot Mill Quality and Sustainability Investments.

Contract and Purchasing works continue for 4th Coke Battery and By Products Plant, New Wide Inspection, Slab Furnace No 1 Modernization, Modernization of BOF Convertors, Ersem New Cold Slitting Line and Warehouse and New Sinter Projects.

In İskenderun, Electrical Arc Ladle Furnace - Dedusting & Water Cooling Systems Modernization Project and Environmental Investment Program have been commissioned.

Site works are ongoing for Mold Level Control System Renewal Project.

Contracts of Vacuum Degassing Plant, New Coke Gas Gasometer and New No 1 Blast Furnace Projects are signed and major engineering studies are ongoing.

Contract and Purchasing works continue for Modernization of the Coke Oven Battery No.3, South Harbor 1 Stage Construction Works and Backfilling, BOF A-B Hall Extension and Crane Supplying and New Sinter projects.

As of 30 June 2019, Group's total investment expense amount is USD 83 million (30 June 2018: USD 124 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. The Audit Committee, which comprises of independent board members, is informed regularly about the internal audit activities and effectiveness of the internal control system.

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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	2019 Effective Share %	2018 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. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silica Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100

E - Financial Position

1. Summary of Financial Statements

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have been reviewed as of 30 June 2019.

Summary of Balance Sheet

(Thousand TRY)	(Reviewed)	(Audited)
	Current Period 30 June 2019	Previous Period 31 December 2018
Current Assets	22.088.293	22.512.149
Non-current Assets	21.248.403	19.269.961
Total Assets	43.336.696	41.782.110
Current Liabilities	8.236.318	7.887.487
Non-current Liabilities	5.845.184	4.639.998
Shareholders' Equity	29.255.194	29.254.625
Total Liabilities	43.336.696	41.782.110

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Summary of Income Statement

(Thousand TRY)	(Reviewed)	(Reviewed)
	Current Period	Previous Period
	1 January - 30 June 2019	1 January - 30 June 2018
Sales Revenue	14.594.816	11.629.361
Gross Profit	3.247.980	3.771.917
Operating Profit Before Finance Income (Expenses)	2.919.039	3.465.283
Profit Before Tax	3.546.635	4.083.588
Profit for the Period	2.413.110	2.687.862
Shareholder's share in the Profit for the Period	2.304.622	2.576.503
EBITDA	3.490.709	3.756.515
Earnings Per Share	65,85%	73,61%

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 - 30 June 2019	1 January - 30 June 2018
Gross Profit Margin	22,3%	32,4%
Operating Profit Before Finance Income (Expenses) Margin	20,0%	29,8%
EBITDA Margin	23,9%	32,3%
Profit Margin	16,5%	23,1%
Shareholder's Share in the Profit Margin	15,8%	22,2%

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.

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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 Directors every year considering national and global economic conditions, Company's projects on agenda and funds.

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

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

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

5. Information about the sector

Global crude steel production in June 2019 decreased by 2.3 percent month on month and increased by 4.6 percent year on year to 159 million tonnes. In the January-June period of this year, global crude steel production increased to 925 million tonnes, up 4.9 percent year on year.

In June this year, crude steel output in Asia amounted to 660.2 million tonnes, rising by 7.4 percent, with 492.2 million tonnes produced by China, up 9.9 percent, 51 million tonnes produced by Japan, decreasing by 3.6 percent, 57 million tonnes produced by India, rising by 5 percent, and 36.4 million tonnes produced by South Korea, up by 1.1 percent - with all comparisons on year-on-year basis.

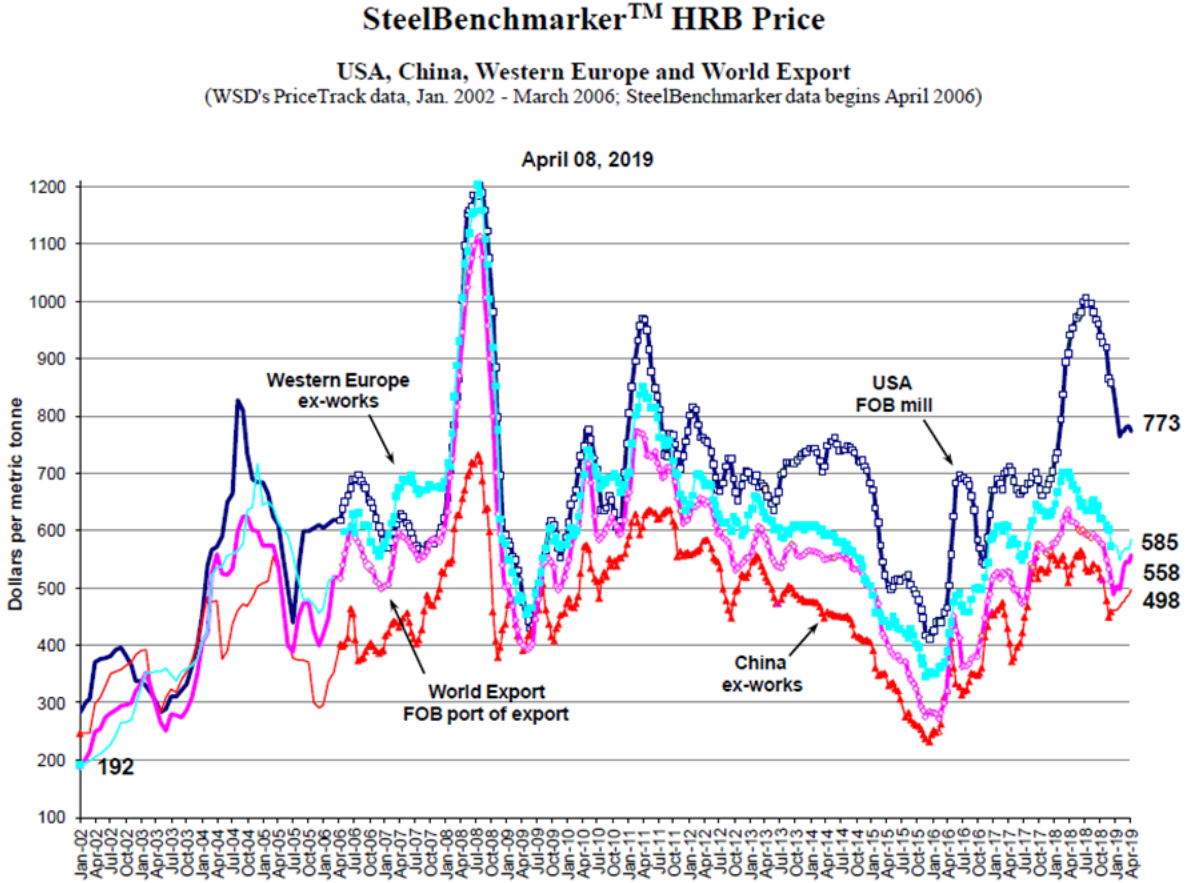
EU-28 countries produced 84.7 million tonnes of crude steel in the first six months of 2019 down by 2.5 percent year on year. In the given period, Germany's output was 20.7 million tonnes, falling by 5.1 percent year on year, Italy's crude steel output was 12.6 million tonnes, down by 2 percent year on year, and France's crude steel output amounted to 7.7 million tonnes, down by 3.5 percent year on year.

Iran's crude steel production in the first half of 2019 amounted to 12.8 million tonnes, up by 5.6 percent year on year. The CIS registered a crude steel output of 50.5 million tonnes, with Russia producing 35.8 million tonnes, down 0.7 percent, and Ukraine producing 10.9 million tonnes, rising by 5.2 percent, both on year-on-year basis.

In North America in the first half of 2019, crude steel output totaled 60.1 million tonnes, increasing by 1.4 percent, with the US producing 44.3 million tonnes, rising by 5.4 percent, and Mexico producing 9.7 million tonnes, down by 7.5 percent, all on year-on-year basis. Crude steel output in South America in the first six months of 2019 amounted to 21.5 million tonnes, falling by 3 percent year on year, with Brazil's output totaling 17.2 million tonnes, declining by 1.4 percent year on year.

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Price changes of hot rolled products follows:



Turkish crude steel output in June this year decreased by 12 percent month on month and was down by 11 percent year on year to 2.7 million tonnes. In the given month, Turkey's crude steel output by electric arc furnaces fell by 10.1 percent, and the production by integrated plants fell by 13 percent, both year on year.

In the January-June period, Turkish crude steel output fell to 17 million tonnes, down 10.1 percent year on year. In the same period, Turkey's crude steel output by electric arc furnaces declined by 12.8 percent to 11.4 million tonnes, while production by integrated plants decreased by 4.1 percent to 5.6 million tonnes, both year on year.

6. The Position of Group within the Sector

Group's production in 2018 has been 9.1 million tonnes. In the first six months of 2019, the crude steel production in Ereğli Plant had decreased by % 9,4 and went down to 1.609 thousand tonnes while the crude steel production in İskenderun Plant had decreased by %1,1 and went down to 2.820 thousand tonnes. In the first six months of 2019, Group's production had decreased by %4,3 percent and went down to 4.429 thousand tonnes.

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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 26% of all crude steel production in Turkey, Group again continued its operations in line with the principle of optimal costs, maximum productivity and quality of production in the first six months of 2019.

Construction of 2nd Galvanizing Line, finished and started to trial 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 a total of 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 June 2019	1 January - 30 June 2018
Liquid Steel	94%	98%
Slab	89%	94%
Billet	43%	40%

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 June 2019	1 January - 30 June 2018
Flat Products	3.776	3.923
Long Products	522	452
Iron Ore and Pellet	885	835

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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 8th largest steel consumer and producer. Steel consumption of Turkey in the first five months of 2019 is nearly 10 million tonnes, which is lower 35% than the previous year. Due to the domestic consumption shrinkage and increasing protectionism in the world, crude steel production decreased 10% to the level of 14,3 million tonnes in the same period.

Total flat product sales of the Group reached to the level of 3,8 million tonnes in the first six months of 2019. The domestic flat product sales reached 2,9 million tonnes %7 lower than the same period of 2018. Long products sales have increased by %28 (Y.O.Y.) and went up to 540 thousand tonnes. Domestic long product sales have decreased by %1 compared to the previous year and reached 394 thousand tonnes.

Group also exported 866 thousand tonnes of flat products to 43 countries and 146 thousand tonnes of long products to 16 countries. Total amount of 1.012 thousand tonnes of the Group's export sales is 23% of total sales.

Group continues to deliver shipments in line with its objectives in industries such as metal packaging, automotive or steel pipe. As a result of its customer oriented strategy, Group has added 9 new customers to long product portfolio and 15 new customers to flat product portfolio totaling 24 new customers in the first half of 2019.

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 - 30 June 2019	1 January - 30 June 2018
Flat Products	3.782	3.777
Long Products	540	422
Iron Ore and Pellet Sales (*)	876	938

(*) 826 thousand tonnes of Ermaden's sales are to Group Companies as of 30 June 2019 (30 June 2018: 878 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.

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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 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.

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.