



## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

For the Period 1 January – 30 June 2022  
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**

01.01.2022 – 30.06.2022

**2. Information About The Association**

- Trade Title : İSKENDERUN DEMİR VE ÇELİK A.Ş.
- Trade Registry Number : 1599
- Address of the Head Office : Karayılan Mahallesi, 31319 İskenderun/HATAY
- Website : [www.isdemir.com.tr](http://www.isdemir.com.tr)

**3. Shareholding and Capital Structure**

Paid-in Capital : TRY 2.900.000 thousand

Shareholders	Shares (Thousand TRY)	%
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	2.751.326	94,87
Publicly Held	148.674	5,13
<b>Total</b>	<b>2.900.000</b>	<b>100,00</b>

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 2021 Regular General Assembly has been executed on 17 March 2022.

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 17 March 2022 according to the 9th and 10th articles of Articles of Association within the framework of Turkish Commercial Code and Capital Market Law.

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

<b>Board of Directors</b>	<b>Position</b>	<b>Date of Commencement(*)</b>
ATAER Holding A.Ş. (represented by:Süleyman Savaş ERDEM)	Chairman of the Board	27/05/2013
Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (represented by: Aslıhan DÖĞER)	Deputy Chairman of the Board – Executive Director	13/09/2012
Erdemir Madencilik Sanayi ve Ticaret A.Ş. (represented by: Gürtan DAMAR)	Board Member - Executive Director	18/09/2012
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (represented by: Orhan ERBİR)	Board Member	20/09/2012
OYAK Pazarlama Hizmet ve Turizm A.Ş. (represented by: Baran ÇELİK)	Board Member	17/09/2012
Erdemir Mühendislik, Yönetim ve Danışmanlık Hizmetleri A.Ş. (represented by: Güliz KAYA)	Board Member	17/09/2012
Ali FİDAN	Independent Board Member	21/03/2019
Kurtuluş Bedri VAROĞLU	Independent Board Member	21/03/2019
Emre GÖLTEPE	Independent Board Member	17/03/2022

(\*) The dates are given for the legal person represented.

**Changes in the Executive Board within the Period**

By the General Assembly executed on 17 March 2022;

- ATAER Holding A.Ş. (Represented by: Süleyman Savaş ERDEM),
- Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (Represented by: Aslıhan DÖĞER),
- Erdemir Madencilik Sanayi ve Ticaret A.Ş. (Represented by: Gürtan DAMAR),
- Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Orhan ERBİR),
- OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Baran ÇELİK),
- Erdemir Mühendislik, Yönetim ve Danışmanlık Hizmetleri A.Ş. (Represented by: Güliz KAYA),

have been elected as board members for three years.

- Emre GÖLTEPE,
- Ali FİDAN,
- Kurtuluş Bedri VAROĞLU

have been elected as independent board members for one year.

**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.

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**Executive Management**

<b>Executive Management</b>	<b>Title</b>	<b>Effective from</b>	<b>Education</b>	<b>Experience</b>
Mesut KEYFLİ	General Manager	12/10/2018	İstanbul Teknik University - Electrical Engineering	33 Years
Buğra ŞENER	Acting Deputy General Manager (Businesses)	27/09/2021	İstanbul Teknik University - Metallurgy Engineering	25 Years

**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 17 March 2022, 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**

27th Period Collective Labor Agreement, which will be valid between January 1, 2021 and December 31, 2022 has been signed on May 24, 2021 between Özçelik-İş Union and İskenderun Demir ve Çelik A.Ş .

The rights and benefits provided to our employees within the scope of collective bargaining practices, are classified under the heading "bonuses, social benefits and permits". Bonuses and social benefits include bonuses, holiday allowance, fuel allowance, annual leave allowance, marriage allowance, maternity benefit, death allowance (death of worker, death of spouse, child, mother, father, sibling, death by work accident, death to his legal heirs), active military service, child support, educational aid (primary, secondary, high school and higher education), food aid and vehicle assistance.

Permits are annual paid leave, companion leave, compassionate leave, free leave and marriage leave, death leave, pregnancy permit, maternity leave, part time work permit, moving permit, breast-feeding leave, adoption leave and other leaves for natural disaster.

Complementary health insurance for our hourly paid staff; Private health insurance and life insurance are provided to our monthly paid personnel.

Social benefits such as death allowance (in the case of death of the worker), food aid and vehicle assistance are provided to all our employees; other welfare benefits are paid only to employees with hourly wages. Permits such as annual leave, excuse for leave, marriage leave, death leave, maternity leave, working limit pregnancy leave, companion leave (child), adoption permit, part time work permit, free leave and dairy leave are granted to all employees; other permits are available only for the benefits of our employees working on hourly basis. Transfer permits are available for the benefits of our employees working on monthly basis.

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

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>Personnel</b>	<b>Personnel</b>
Paid Hourly Personnel	3.090	3.124
Paid Monthly Personnel	1.654	1.675
	<b>4.744</b>	<b>4.799</b>

## **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 2021 were met during the period 1 January 2022 – 30 June 2022.

## **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 17 March 2022 is as follows;

- 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 9.000 (monthly, in cash),
- the monthly net wage that will be paid to Independent Board Members will be TRY 15.700 (monthly, in cash),
- the new wages will be valid from the date of 1 April 2022.

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. Health insurance were arranged for General Manager. Performance based additional payment is given to paid monthly personnel including Executive Management.

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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 6.451 thousand is recorded as expense related to Company Board Members and Executive Management as of reporting period.

**C – Research and Development Studies**

OYAK Mining Metallurgy carries out its research and development activities at "Erdemir R&D Center" that was certified by Republic of Turkey Ministry of Industry and Technology in 2014. Erdemir R&D Center performs activities in four main areas: as raw materials and iron making, steel making and casting technologies, hot rolled products and process, cold rolled products and process.

Erdemir R&D Center serving to OYAK Mining Metallurgy has well-equipped laboratory facilities, such as material characterization, thermomechanical simulation, metal forming, welding, corrosion, fatigue, enameling, spectral analysis and X-ray diffraction etc., and also simulators for pilot scale trials on raw material and product development, such as agglomeration systems, coking, sintering, melting, rolling and coating processes.

During 6 months, 2 new long product grades were developed. In addition to the 236 flat steel grades, the number of long steel products have been reached to 320.

As being in the scope of R&D activities 11 projects have been completed and 55 projects have been still ongoing.

Erdemir R&D team has contributed to the intellectual capital of our company by presenting 74 papers and posters at various national/international iron and steel conferences to date.

**D – Activities and Important Developments Regarding the Activities**

**1. Investment Activities**

With its modern production facilities and production technology, OYAK Metal Mining produces competitive products in the world and continues its investment activities in line with its continuous development strategy.

Within the scope of the 3rd Coke Battery Modernization Project, the facility was commissioned and coke production started. Supply, manufacturing and site activities continue within the scope of Vacuum Degassing Plant Project.

Equipment procurement, manufacturing and site activities continue in the 1. New Blast Furnace Project. Field activities within the scope of the North Side Land Reclamation Project are at the stage of completion. Shipment is awaited within the scope of the Boiler No.3 Retubing and Burner Modification Project. Equipment supply and manufacturing continues, and construction and assembly will begin in the 1. Blast Furnace Top Recovery Turbine (TRT) Project.

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Engineering and supply works continue, and site activities have started within the scope of the Port-1 New Grab Ship Unloader Cranes Project.

Procurement activities continue for the New Sinter Plant Project, the Upgrade of HSM Level 1 System Project and the Modernization of Turbo Generator No.1 & No.2 Project. Preparation works for the specification and procurement process continues in the Electricity Generation from The Steam Produced in Coke Dry Quenching Project.

As of June 30, 2022, Isdemir's total investment expense amount is USD 104.606 thousand (June 30, 2021: USD 115.773 thousand).

## **2. Internal Control System and Internal Auditing Activities**

Isdemir's do not have own Internal Audit Department; Group 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.

## **3. Direct and Indirect Subsidiaries**

The business areas of the companies in which the Company has shares are provided below with the share ratio in such companies:

<b>Name of the Company</b>	<b>Country of Operation</b>	<b>Operation</b>	<b>2022 Share %</b>	<b>2021 Share %</b>
Teknopark Hatay A.Ş.	Turkey	R&D Center	5	5
Isdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production & Sales	50	50

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**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 2022.

**Summary of Balance Sheet**

	(Reviewed)	(Audited)
	Current Period	Previous Period
(Thousand TRY)	30 June 2022	31 December 2021
Current Assets	33.622.739	25.998.080
Non-current Assets	38.012.459	29.757.191
<b>Total Assets</b>	<b>71.635.198</b>	<b>55.755.271</b>
Current Liabilities	15.458.640	8.592.839
Non-current Liabilities	10.158.298	8.005.263
Shareholders' Equity	46.018.260	39.157.169
<b>Total Liabilities</b>	<b>71.635.198</b>	<b>55.755.271</b>

**Summary of Income Statement**

	( Reviewed )	( Reviewed )
	Current Period	Previous Period
(Thousand TRY)	1 January - 30 June 2022	1 January - 30 June 2021
Sales Revenue	34.824.712	14.507.242
Gross Profit	9.621.086	5.281.077
Operating Profit	9.343.003	5.003.310
Profit Before Tax	9.034.146	4.929.340
Profit for the Period	6.321.758	3.116.257
EBITDA	10.140.843	5.424.952

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 2022	1 January - 30 June 2021
Gross Profit Margin	28%	36%
Operating Profit Before Finance Income (Expenses) Margin	27%	34%
EBITDA Margin	29%	37%
Profit Margin	18%	21%



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

İsdemir 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 Company is developed based on the capability of cash generation and the strong equity structure. Hedging methods and amounts used against financial risks are developed based on a frame of systematic models. Within the risk tolerances, forward, futures, swap and options reflecting market conditions are implemented, if necessary.

**4. Dividend Distribution Policy**

İsdemir'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.

Dividends shall be paid in full and in cash, within the framework of the provisions of the legislation, by the Board of Directors at the General Assembly meeting decided to be distributed until 15 December of the relevant calendar year in one time.

The General Assembly is authorized to distribute Advance Dividend in accordance with the provisions of the applicable legislations.”

In annual General Assembly dated 17 March 2022, dividend distribution gross dividend per share: TRY 3,0000 amounting to TRY 8.700.000 thousand from the profit of 2021 and retained earnings was approved. The dividend payment was started at 22 March 2022.

**5. Information about the sector**

Global crude steel production in June this year decreased by 5.9 percent year on year to 158.1 million tons. In January-June period this year, global crude steel production totaled 949.4 million ton, down by 5.5 percent year on year.

In June, crude steel output in Asia amounted to 118.8 million ton, down by 3.1 percent, with China's estimated output at 90.7 million ton, down 3.3 percent, 7.4 million ton produced by Japan, decreasing by 8.1 percent, 10 million ton produced by India, increasing by 6.3 percent, and 5.6 million ton produced by South Korea, falling by six percent - with all comparisons on year-on-year basis.

EU-27 countries produced 11.8 million ton of crude steel in June, down by 12.2 percent year on year. In the given period, Germany's output was 3.2 million ton, down 7 percent year on year.

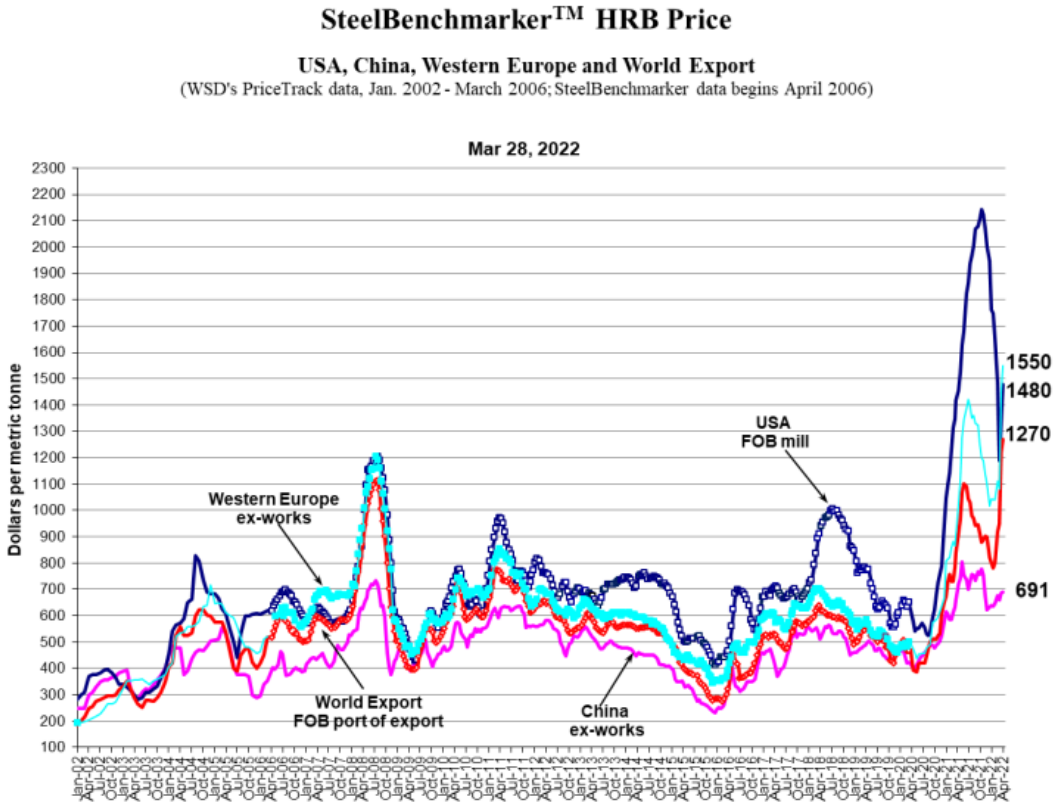
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The CIS registered a crude steel output of 5.9 million ton, dropping by 34.3 percent on year-on-year basis, with Russia's estimated output at 5 million ton, down 22.2 percent year on year.

In North America, in June, crude steel output totaled 9.6 million ton, falling by 2.4 percent, with the US producing 6.9 million ton, falling by 4.2 percent, both year on year. Crude steel output in South America in June amounted to 3.7 million ton, decreasing by 4.9 percent compared to the same month in the previous year, with Brazil's output totaling 2.9 million ton, falling by 6.1 percent year on year.

In the given month, Africa produced 1.2 million ton of crude steel, down by 18.7 percent year on year. In the Middle East, crude steel output totaled 3.4 million ton, falling by five percent, with Iran's estimated output at 2.2 million ton, decreasing by 10.8 percent, both year on year.

Price changes of hot rolled products follows:



Turkey produced 2.9 million mt of crude steel in June, with a 13.1 percent decrease compared to the same month in the previous year. Turkey's crude steel output by electric arc furnaces increased by 12.7% (2.1 million ton) and the production by integrated plants decreased by 14.1% (830.000 ton) both year on year.

In the January-June period this year, Turkey produced 19 million ton of crude steel, down by 4.6 percent year on year. Turkey's crude steel output by electric arc furnaces decreased by 2.5% (13.8 million ton) and the production by integrated plants decreased by 9.7% (5.2 million ton) both year on year.

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## 6. The Position of Isdemir within the Sector

In the first six months of 2022 Isdemir's crude steel production has realized as 2.612 thousand tonne.

## 7. Operational Developments

Turkey's single integrated long steel producer, Isdemir, who carries out production, operation, maintenance and modernization activities within its all facilities. Manufacturing 14% of all crude steel production in Turkey, Isdemir again continued its operations in line with the principle of optimal costs, maximum productivity and quality of production in the first six months of 2022.

### Production Plants and Productivity

Capacity utilization rates are provided below:

Capacity Utilization ratios (%)	1 January- 30 June 2022	1 January- 30 June 2021
Liquid Steel	%92	%98
Slab	%85	%96
Billet	%38	%33

## 8. Products

The main products of Isdemir is Billet, Wire Rod, Slab and Hot Rolled

## 9. Production (quantity)

Final Products (000 Tonne)	1 January - 30 June 2022	1 January - 30 June 2021
Flat Products	2.114	2.243
Long Products	479	404
<b>Total</b>	<b>2.593</b>	<b>2.647</b>

(\*) Slab production included to flat production.

## 10. 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 with 33 million tonne consumption in 2021. Steel consumption of Turkey downward %3 and went to 17 million tonne in the first six months of 2022 compare to the previous year.

Total steel product sales of Isdemir increased %2 and reached to the level of 2.609 thousand tonne in the first half of 2022. The flat products sales decreased %2 and went to 2.150 thousand tonne, while long products sales increased %21 and reached to 459 thousand tonne.

Isdemir also exported 244 thousand tonne of flat products and 36 thousand tonne of long products. Total export sales is 280 thousand tonne in the first half of 2022, which is %20 lower than the previous year and 11% of total sales.

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**11. Sales (quantity)**

Final Products (000 Tonne)	1 January - 30 June 2022	1 January - 30 June 2021
Flat Products	2.150	2.188
Long Products	459	380
<b>Total</b>	<b>2.609</b>	<b>2.568</b>

(\*) As of 30 June 2022, 647 thousand tons of flat product sales were made to related parties.

**F - Risks and Evaluation of the Board**

**1. Enterprise Risk Management**

Enterprise Risk Management Procedure has been published with the purpose of ensuring systematic and comprehensive identification, evaluation, control and monitoring of risks and opportunities that may affect Company's assets, reputation, profitability. The procedure includes guidance on support and positioning, risk identification, prioritization, improvement, reporting, monitoring/surveillance, and communication principles related to risks in order to manage Company and group-wide risks to the highest standard.

In order to measure the risks incurred by the company and ensure conformity to the risk tolerance limits; risks are monitored and managed in accordance with regulations and guidelines developed for critical risks.

**2. Early Detection of Risk Committee**

The Early Detection of Risk Committee Regulation is included in the Policies and Regulations tab of the Investor Relations section on the company's website. The purpose of the Committee is to identify the risks that may threaten the existence, progress and continuation of the Company operations within the scope of this regulation and legal legislation, to implement the necessary measures related to the risks identified and to manage those risks.

The Meetings of the Committee are held bimonthly and in accordance with the regular meetings of the Board of Directors. After each meeting, a written report on the activities of the Committee is submitted to the Board of Directors with a summary of the minutes. Meeting minutes are stored in the secretariat.

**G - Other Information**

**1. Organizations Out of the Headquarters**

None.

**2. Information for Shareholders**

None.