



İSKENDERUN DEMİR VE ÇELİK A.Ş.

For the Period 1 January – 30 September 2021
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**

01.01.2021 – 30.09.2021

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

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
Other	148.674	5,13
Total	2.900.000	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 2020 Regular General Assembly has been executed on 16 March 2021.

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 21 March 2019 according to the 9th and 10th 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 16 March 2021 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 30.09.2021:

Board of Directors	Title	Date of Commencement(*)
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
T.C. Hazine ve Maliye Bakanlığı Özelleştirme İdaresi Başkanlığı (represented by: Emre KÖKER)	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
Vacant	Independent Board Member	-

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

Changes in the Executive Board within the Period

With the decision of the Board of Directors dated February 05, 2021 and numbered 623, the election of Mahmut Cengiz AYDIN to the vacant independent board membership due to the resignation of Yunus ARINCI who was Independent Board Member has been resolved. Besides the registration of this election in the trade registry and the announcement of it in the Turkey Trade Registry Gazette have been resolved.

Due to the expiration of Toker ÖZCAN's duty, the appointment of Gürtan DAMAR as the real person representative of Erdemir Madencilik Sanayi ve Ticaret A.Ş., who is Deputy Chairman and Executive Director has been resolved with the decision of the Board of Directors dated February 23, 2021, and numbered 635. Besides the registration of this appointment in the trade registry and the announcement of it in the Turkey Trade Registry Gazette have been resolved.

With the decision of the Board of Directors dated February 23, 2021 and numbered 636; the continuation of assignment of the Board Member ATAER Holding A.Ş. (represented by Süleyman Savaş ERDEM) as Chairman and the election of the Board Member Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (represented by Aslıhan DÖĞER) as Deputy Chairman and Executive Director, the authorization of the Board Member Erdemir Madencilik Sanayi ve Ticaret A.Ş. (represented by Gürtan DAMAR) as "Executive Director", and the registration of these in the trade registry and the announcement of these in the Turkey Trade Registry Gazette have been resolved.

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By the General Assembly executed on March 16, 2021; Ali FİDAN, Kurtuluş Bedri VAROĞLU and Mahmut Cengiz AYDIN have been elected as independent board members for one year.

Additionally, It has been decided to be registered and to be announced in the trade registry gazette with the April 5, 2021 dated and 643 numbered decision, the assignment of Emre KÖKER as the representative of legal person Board Member Republic of Turkey Ministry of Treasury and Finance Privatization Administration due to the end of Bekir Emre HAYKIR's duty.

Mahmut Cengiz AYDIN, who has been serving as an independent board member of our Company's Board of Directors since February 5, 2021, resigned from his duties as Independent Board Member as of August 20, 2021. The necessary procedure to elect a new Independent Board Member instead of Mahmut Cengiz AYDIN have been initiated in accordance with the Corporate Governance Communiqué of the Capital Markets Board.

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
Mesut KEYFLİ	General Manager	12/10/2018	İstanbul Teknik University - Electrical Engineering	32 Years
Buğra ŞENER	Acting Deputy General Manager (Businesses)	27/09/2021	İstanbul Teknik University - Metallurgy Engineering	23 Years

Changes in the Executive Management during the Period

Vacant Executive Vice President (Financial Affairs) and Executive Vice President (Purchasing) positions have closed out by 01 September, 2021. Financial Affairs Directorate and Purchasing Directorate opened.

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 16 March 2021, 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.

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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.

The number of the personnel on 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021 Personnel	31 December 2020 Personnel
Paid Hourly Personnel	3.139	2.988
Paid Monthly Personnel	1.681	1.714
	4.820	4.702

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 2020 were met during the period 1 January 2021 – 30 September 2021.

8. Amendments in The Articles of Association

None.

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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 16 March 2021 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 5.250 (monthly, in cash),
- the monthly net wage that will be paid to Independent Board Members will be TRY 11.500 (monthly, in cash),
- the new wages will be valid from the date of April 1, 2021.

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.

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

A total of TRY 6.696 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, 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.

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During 9 months, 5 new long product grades were developed. In addition to the 233 flat steel grades, the number of long steel products have been reached to 317.

As being in the scope of R&D activities 26 projects have been completed and 49 projects have been still going further during that period.

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 – Investment Activities and Important Developments Regarding the Activities

1. Investment Activities

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

Commissioning studies continue within the scope of the New Coke Gas Gasometer Project. Cranes have been commissioned and remaining field studies are ongoing in the Steel Mill A-B Hall Extension and Overhead Crane Project. Procurement, manufacturing and field activities are ongoing within the scope of the Vacuum Degassing Plant and 3. Coke Oven Battery Modernization Projects. Engineering, purchasing processes, equipment supply, manufacturing, and site works continue in the 1. New Blast Furnace Project. Field activities continue within the scope of the North Side Land Reclamation Projects.

Procurement and manufacturing processes continue within the scope of the Boiler No.3 Retubing and Burner Modification Project. Engineering studies continue in the 1. Blast Furnace Top Recovery Turbine (TRT) Project. Procurement activities continue in the New Sinter Plant Project and the Port-1 New Grab Ship Unloader Cranes Project.

As of September 30, 2021, Isdemir's total investment expense amount is USD 195.260 thousand (September 30, 2020: USD 101.705 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 Internal Audit Unit, which operates to evaluate and improve the effectiveness of the risk management, control and management processes of the Group Companies, reports directly to the Deputy Chairman of the Board of Directors and/or Executive Director. 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

Information on Affiliates

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

Name of the Company	Country of Operation	Operation	2021 Share %	2020 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Center	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production & Sales	50	50

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated February 25, 2021, decisions regarding the distribution of cash dividend of TRY 12.784 thousand (its effect in the cash flows of İsdemir is TRY 6.392 thousand) from the net profit of 2020 have been unanimously approved. The dividend payment was completed at March 12, 2021.

At the Extraordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş. dated July 9, 2021, it has been decided to reduce the Company's fully paid-in capital amounting to TRY 175.000 thousand to TRY 140.000 thousand by reducing the amount of TRY 35.000 thousand. The payment for the capital reduction has been completed on October 12, 2021.

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 September 30, 2021.

Summary of Balance Sheet

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period	Previous Period
	30 September 2021	31 December 2020
Current Assets	20.934.277	12.948.824
Non-current Assets	19.522.125	15.394.599
Total Assets	40.456.402	28.343.423
Current Liabilities	6.821.288	2.814.545
Non-current Liabilities	4.745.409	3.548.061
Shareholders' Equity	28.889.705	21.980.817
Total Liabilities	40.456.402	28.343.423

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Summary of Income Statement

	(Unaudited)	(Unaudited)
	Current Period	Previous Period
(Thousand TRY)	1 January - 30 September 2021	1 January - 30 September 2020
Sales Revenue	25.007.591	11.551.629
Gross Profit	9.449.579	1.887.038
Operating Profit Before Finance Income (Expenses)	9.068.138	1.851.529
Profit Before Tax	9.081.977	2.128.133
Profit for the Period	6.120.857	1.069.390
EBITDA	9.722.219	2.241.132

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 September 2021	1 January - 30 September 2020
Gross Profit Margin	38%	16%
Operating Profit Before Finance Income (Expenses) Margin	36%	16%
EBITDA Margin	39%	19%
Profit Margin	24%	9%

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.

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4. Dividend Distribution Policy

Isdemir'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."

5. Information about the sector

Global crude steel production in August this year decreased by 1.4 percent year on year to 156.8 million tonne. In the January-August period this year, global crude steel production totaled 1.32 billion tonne, up by 10.6 percent year on year.

In August, crude steel output in Asia amounted to 112.7 million tonne, down 7.3 percent, with 83.2 million tonne produced by China, down 13.2 percent, 7.9 million tonne produced by Japan, increasing by 22.9 percent, 9.9 million tonne produced by India, increasing by 8.2 percent, and 6.1 million tonne produced by South Korea, rising by 6.2 percent - with all comparisons on year-on-year basis.

EU-27 countries produced 11.6 million tonne of crude steel in August, up by 27.1 percent year on year. In the given period, Germany's output was 3.0 million tonne, up 6.7 percent year on year.

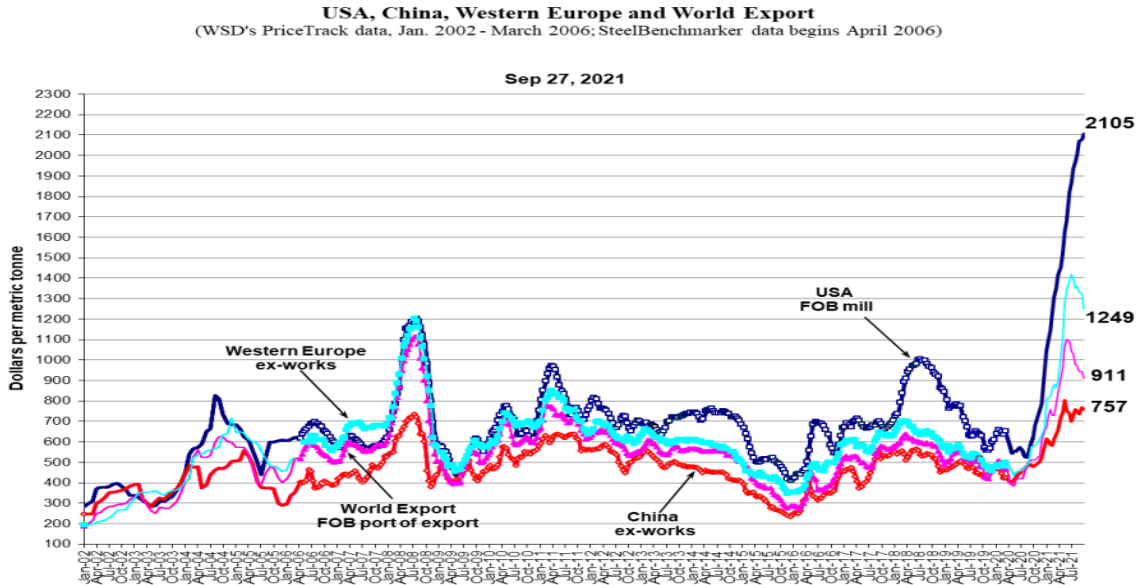
The CIS registered a crude steel output of 8.8 million tonne, increasing by 3.6 percent on year-on-year basis, with Russia's estimated output at 6.3 million tonne, up by 4.4 percent year on year.

In North America, in August, crude steel output totaled 10.2 million tonne, rising by 24.4 percent, with the US producing 7.5 million tonne, rising by 26.8 percent, both year on year. Crude steel output in South America in August amounted to 4.0 million tonne, increasing by 17.2 percent compared to the same month in the previous year, with Brazil's output totaling 3.1 million tonne, rising by 14.1 percent year on year.

In the given month, Africa produced 1.3 million tonne of crude steel, up by 38.2 percent year on year. In the Middle East, crude steel output totaled 3.6 million tonne, rising by 10.9 percent, with Iran's estimated output at 2.5 million tonne, increasing by 8.7 percent, both year on year.

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Price changes of hot rolled products follows:



Crude steel production in Turkey increased by 7.1 percent year on year in August this year to 3.5 million tonne. Turkey's crude steel output by electric arc furnaces increased by 11 % with 2.5 million tonne and the production by integrated plants decreased by 1.4 % with 989.000 tonne both year on year. In the January-August period this year, Turkey produced 26.6 million tonne of crude steel, up by 16.7 percent year on year. Turkey's crude steel output by electric arc furnaces increased by 23.1 % with 18.8 million tonne and the production by integrated plants up by 3.6% with 7.7 million tonne both year on year.

6. The Position of Isdemir within the Sector

In the first nine months of 2021 Isdemir's crude steel production has realized as 4.249 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 eight months of 2021.

Production Plants and Productivity

The information about the capacities of main product groups by Isdemir is stated below:

Capacity used (%)	1 January - 30 September 2021	1 January - 30 September 2020
Liquid Steel	99%	88%
Crude Steel	98%	86%

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8. Products

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

Production (quantity)

Final Products (000 Tonne)	1 January - 30 September 2021	1 January - 30 September 2020
Flat Products	3.417	2.863
Long Products	561	773
Total	3.978	3.636

(*) Slab production included to flat production.

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 with 29 million tonne consumption in 2020. Steel consumption of Turkey upward 20% and went to 23 million tonne in the first eight months of 2021 compare to the previous year.

Total steel product sales of Isdemir increased 8% and reached to the level of 3.887 thousand tonne in the first nine months of 2021. The flat products sales increased 18% and went to 3.336 thousand tonne, while long products sales decreased 29% and reached to 551 thousand tonne.

Isdemir also exported 622 thousand tonne of flat products and 13 thousand tonne of long products. Total export sales is 636 thousand tonne in the first nine months of 2021, which is 2% upper than the previous year and 16% of total sales.

10. Sales (quantity)

Final Products (000 Tonne)	1 January - 30 September 2021	1 January - 30 September 2020
Flat Products	3.336	2.833
Long Products	551	774
Total	3.887	3.607

(*) As of 30 September 2021, 796 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.

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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.