



İSKENDERUN DEMİR VE ÇELİK A.Ş.

For the Period 1 January – 30 September 2023
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**

01.01.2023 – 30.09.2023

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 Member 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 2022 Ordinary General Assembly has been executed on 31 March 2023.

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 Ordinary 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. Accordingly 3 independent board members have been elected for one year by the General Assembly executed on 31 March 2023 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 reporting period:

Board of Directors	Title	Effective from (*)
ATAER Holding A.Ş. (Represented by Süleyman Savaş ERDEM)	Chairman	27.05.2013
Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. (Represented by Baran ÇELİK)	Deputy Chairman and Executive Director	13.09.2012
Erdemir Madencilik Sanayi ve Ticaret A.Ş. (Represented by Gürtan DAMAR)	Board Member and Executive Director	18.09.2012
Republic of Türkiye 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 Volkan ÜNLÜEL)	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
Emre GÖLTEPE	Independent Board Member	17.03.2022
Kadri ÖZGÜNEŞ	Independent Board Member	31.03.2023

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

Changes in the Executive Board within the Period

By the Ordinary General Assembly executed on 31 March 2023;

- Emre GÖLTEPE,
- Ali FİDAN,
- Kadri ÖZGÜNEŞ

have been elected as independent board members for 1 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 Commercial Code's (TCC) relevant clauses and in the Articles of Association.

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Executive Management

Executive Management	Title	Effective from	Education	Experience
Baran ÇELİK	Deputy Chairman and Executive Director	14.02.2023	Boğaziçi University – International Trade	19 Years
Gürtan DAMAR	Board Member and Executive Director	23.02.2021	Yıldız Technical University – Mechanical Engineering	28 Years
Salih Cem ORAL	General Manager	12.09.2022	İstanbul Technical University – Metallurgy Engineering	30 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University – Political Science and Public Administration	27 Years
Mustafa Serdar BAŞOĞLU	Financial Management and Financial Affairs Group Vice President	24.09.2020	Bülent Ecevit University - Management (Master's Degree) Karadeniz Technical University - Public Finance (Bachelor's Degree)	20 Years
Sercan BÜYÜKBAYRAM	Marketing and Sales Group Vice President	19.06.2023	Middle East Technical University - Sociology (Master's Degree) Middle East Technical University- Political Science and Public Administration (Bachelor's Degree)	24 Years
Ercan KAYA	Enterprise Architecture and Human Resources Group Vice President	21.07.2020	Selçuk University - Economics (Doctor's Degree) Hacettepe University - Economics (Master's Degree)	36 Years
Buğra ŞENER	Operations Deputy General Manager	27.09.2021	İstanbul Technical University – Metallurgy Engineering (Master) İstanbul Technical University – Metallurgy Engineering (Bachelor's Degree)	26 Years

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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 31 March 2023, 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

28th Period Collective Labor Agreement, which will be valid between January 1, 2023 and December 31, 2024 has been signed on June 6, 2023 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, active military service, child support, educational aid, 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, 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, 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 employed by the company as of reporting date:

	30 September 2023 Personnel	31 December 2022 Personnel
Paid Hourly Personnel	2.978	3.017
Paid Monthly Personnel	1.515	1.650
	4.493	4.667

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 2022 were met during the period 1 January 2023 – 30 September 2023.

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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 Ordinary General Assembly dated 31 March 2023 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 13.750 (monthly, in cash),
- The monthly net wage that will be paid to Independent Board Members will be TRY 23.000 (monthly, in cash),
- The new wages will be valid from the date of 1 April 2023.

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.

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

A total of TRY 15.274 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 conducts its research and development activities at "Erdemir R&D Center, " certified by the Republic of Turkey Ministry of Industry and Technology in 2014. Erdemir R&D Center performs activities in five main areas: raw materials and iron making, steel making and casting technologies, hot rolled products and process, cold rolled products and process, energy and environment.

Erdemir R&D Center serving OYAK Mining Metallurgy has well-equipped laboratory facilities, such as material characterization, thermomechanical simulation, metal forming, welding, corrosion, fatigue, enameling, rheology, 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 the first 9 months, 1 new long product grade was developed and the number of long steel products has reached 323. In addition, 6 new flat product grades were developed and the number of flat steel products has reached 248.

As being in the scope of R&D activities 20 projects have been completed and 54 projects have been still going further during that period.

Erdemir's R&D team has contributed to the intellectual capital of our company by presenting 85 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 Mining Metallurgy produces competitive products in the world and continues its investment activities in line with its continuous development strategy.

Equipment procurement, manufacturing and site activities continue within the scope of the 1. New Blast Furnace Project, the Vacuum Degassing Plant Project and the Boiler No.3 Retubing and Burner Modification Project. Equipment shipments have been completed and construction and assembly will begin within the scope of the 1. Blast Furnace Top Recovery Turbine (TRT) Project. Engineering and equipment procurement works and field activities continue for the Port-1 New Grab Ship Unloader Cranes Project. Engineering studies are ongoing within the scope of the Upgrade of HSM Level 1 System Project and the İsdemir Port Capacity Increase Investment Project. Equipment procurement and site activities continue in the Seawater Pumping Station Sustainability Investment and the Repair, Renovation and Strengthening Projects of Port Facility Damaged by the Earthquake. Procurement and engineering studies continue in the scope of İsdemir Robotic Applications and Automation Projects.

Procurement activities continue for the New Sinter Plant, the New 1. and 2. Turbo Generator and the Electricity Generation from The Steam Produced in Coke Dry Quenching Projects.

As of September 30, 2023, İsdemir's total investment expense amount is USD 249.720 thousand (September 30, 2022: USD 169.333 thousand)

2. Internal Control System and Internal Auditing Activities

İsdemir's do not have own Internal Audit Department but OYAK Mining Metallurgy, to which it is affiliated, has an Internal Audit Directorate that operates directly under the Deputy Chairman of the Board of Directors and Managing Executive Director in order to evaluate and improve the effectiveness of risk management, control and management processes.

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.

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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	2023 Share %	2022 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Center	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production & Sales	50	50

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 30 September 2023.

Summary of Balance Sheet

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period 30 September 2023	Previous Period 31 December 2022
Current Assets	49.731.932	31.295.559
Non-current Assets	71.116.432	43.393.657
Total Assets	120.848.364	74.689.216
Current Liabilities	30.264.262	13.476.851
Non-current Liabilities	16.804.436	9.412.341
Shareholders' Equity	73.779.666	51.800.024
Total Liabilities	120.848.364	74.689.216

Summary of Income Statement

(Thousand TRY)	(Unaudited)	(Unaudited)
	Current Period 1 January - 30 September 2023	Previous Period 1 January - 30 September 2022
Sales Revenue	50.548.013	52.373.912
Gross Profit (Loss)	2.856.276	11.038.051
Operating Profit (Loss) Before Finance Income (Expenses)	4.285.531	10.493.039
Profit (Loss) Before Tax	2.856.520	10.192.978
Profit (Loss) for the Period	(1.580.353)	6.969.574
EBITDA	3.231.658	11.754.725

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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 2023	1 January - 30 September 2022
Gross Profit (Loss) Margin	6%	21%
Operating Profit (Loss) Margin	8%	20%
EBITDA Margin	6%	22%
Profit (Loss) Margin	-3%	13%

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

Isdemir 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

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.”

At the Ordinary General Assembly Meeting held on 31 March 2023, since our Company is in the investment period, it has been decided not to distribute cash dividends in order to maintain a healthy cash flow.

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5. Information About the Sector

Global crude steel production in August this year increased by 2,2 percent year on year and was down by 3,7 percent month on month to 152,6 million tonnes. In the January-August period this year, global crude steel production increased by 0,2 percent year on year to 1,25 billion tonnes.

In August, crude steel output in Asia amounted to 115,7 million tonnes, up 3,5 percent, with China's output at 86,4 million tonnes, up 3,2 percent, with 7,1 million tonnes produced by Japan, decreasing by 2,9 percent, 11,9 million tonnes produced by India, rising by 17,4 percent, and 5,6 million tonnes produced by South Korea, moving down by 5,9 percent - with all comparisons on year-on-year basis.

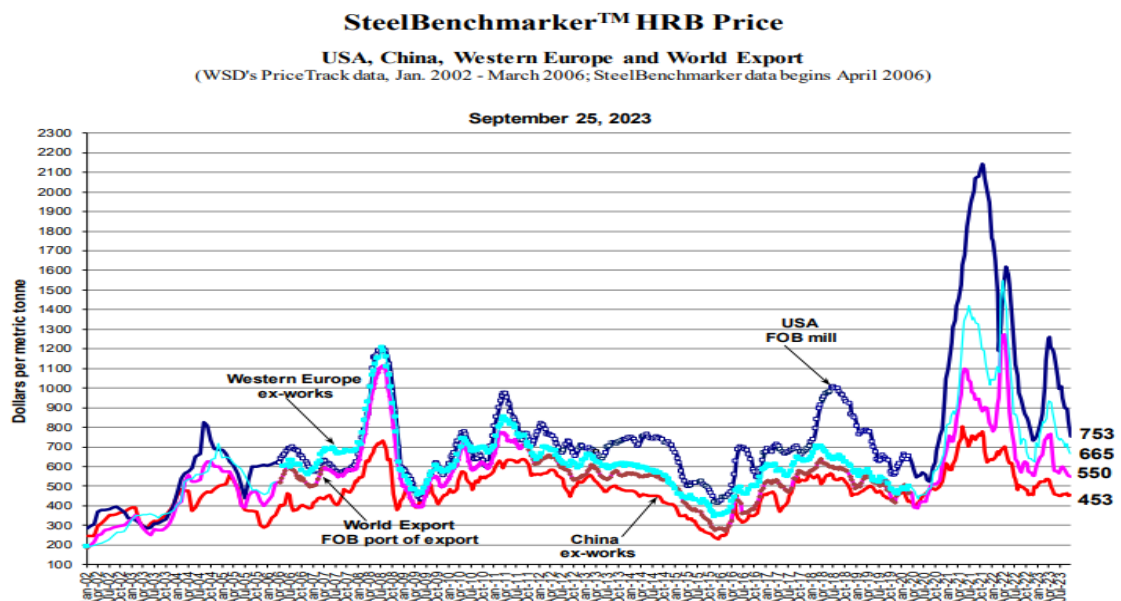
EU-27 countries produced 9,1 million tonnes of crude steel in August, down by 4,4 percent year on year. In the given period, Germany's output amounted to 2,8 million tonnes, down one percent year on year.

The CIS registered a crude steel output of 7,5 million tonnes, advancing by 10,7 percent on year-on-year basis, with Russia's estimated output at 6,4 million tonnes, up 8,9 percent year on year.

In North America, in August, crude steel output totaled 9,2 million tonnes, falling by 2,6 percent, with the US producing 7 million tonnes, growing by 1,1 percent, both year on year. Crude steel output in South America in August amounted to 3,4 million tonnes, decreasing by 8,1 percent compared to the same month in the previous year, with Brazil's output totaling 2,7 million tonnes, falling by 5,9 percent year on year.

In the given month, Africa produced 1,5 million tonnes of crude steel, growing by 16,1 percent year on year. In the Middle East, crude steel output totaled 2,8 million tonnes, moving down by 16,0 percent.

Price changes of hot rolled products follows:



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Turkey produced 2,8 million tonnes of crude steel in August, with a 2,9 percent decrease compared to the same month in the previous year. Turkey's crude steel output by electric arc furnaces decreased by 1,6% (1,9 million tonnes) and the production by integrated plants decreased by 5,7% (821 thousand tonnes) both year on year.

In the January-August period this year, Turkey produced 21,6 million tonnes of crude steel, down by 12,1 percent year on year. Turkey's crude steel output by electric arc furnaces decreased by 12,1 (15,6 million tonnes) and the production by integrated plants decreased by 12,2% (6 million tonnes) both year on year.

6. The Position of Isdemir within the Sector

In 2022, crude steel production amounted to 4,7 million tonnes. Due to the earthquake on February 6, 2023, the total amount of crude steel production in the first nine months of 2023 was 2.973 thousand tonnes, with the effect of suspending production until the due diligence studies were completed at Isdemir's facilities.

7. Operational Developments

The Company, which is Turkey's largest and the only integrated steel producer capable of producing long and flat products at the same time, successfully continues its production, operation, maintenance and modernization works in all its facilities, and continues its activities in line with the principle of quality production with optimum cost and maximum efficiency, in the first eight months of 2023. Turkey realized 12% of crude steel production.

8. Production Plants and Productivity

The Company's capacity utilization rates have decreased compared to previous periods due to the effect of the interruption of production due to the earthquake.

Capacity utilization rates are provided below:

Capacity Utilization ratios (%)	1 January- 30 September 2023	1 January- 30 September 2022
Liquid Steel	69%	86%
Slab	68%	82%
Billet	23%	34%

9. Products

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

Production (quantity)

Final Products (000 Tonne)	1 January - 30 September 2023	1 January - 30 September 2022
Flat Products (*)	2.607	3.020
Long Products	420	617
Total	3.027	3.637

(*) Slab production included to flat production.

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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 tonnes consumption in 2022. Steel consumption of Turkey upward 17% and reached to 26,1 million tonnes in the first eight months of 2023 compare to the previous year.

Total steel product sales of İsdemir decreased 19% and went to the level of 3.010 thousand tonnes in the first nine months 2023. The flat products sales decreased 15% and went to 2.600 thousand tonnes, while long products sales decreased 34% and reached to 410 thousand tonnes.

İsdemir also exported 207 thousand tonne of flat products and 45 thousand tonnes of long products. Total export sales is 252 thousand tonnes in the first nine months 2023, which is 46% lower than the previous year and 8% of total sales.

11. Sales (quantity)

Final Products (000 Tonne)	1 January - 30 September 2023	1 January - 30 September 2022
Flat Products (*)	2.600	3.074
Long Products	410	623
Total	3.010	3.697

(*) As of 30 September 2023, 656 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.

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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.