



İSKENDERUN DEMİR VE ÇELİK A.Ş.

For the Period 1 January – 31 March 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 – 31.03.2023

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 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 Regular 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 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.

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

The active members of the Board of Directors as of 31.03.2023:

Board of Directors	Position	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 Baran ÇELİK)	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 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 General Assembly executed on 31 March 2023;

- Emre GÖLTEPE,
- Ali FİDAN,
- Kadri ÖZGÜNEŞ

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.

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

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	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	29 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	(Bachelor's Degree) Bülent Ecevit University – MBA Karadeniz Technical University – Public Finance	19 Years
Fatih ÇITAK	Marketing and Sales Group Vice President	18.01.2020	İstanbul Technical University – Industrial Engineering	24 Years
Ercan KAYA	Enterprise Architecture and Human Resources Group Vice President	21.07.2020	Selçuk University – PhD in Economics Hacettepe University – Master of Economics	35 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

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.

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

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 . 28th Period Collective Labor Agreement negotiations started on January 17, 2023.

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 on 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023 Personnel	31 December 2022 Personnel
Paid Hourly Personnel	2.823	3.017
Paid Monthly Personnel	1.619	1.650
	4.442	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 – 31 March 2023.

8. Amendments in The Articles of Association

None.

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

B – Financial Rights Given to Board Members and Executive Management

1. Total amount of financial rights like attendance fee, wages, bonus, premium and dividend payments

The relevant section of the minutes of the General Assembly dated 31 March 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 9.116 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 four main areas: raw materials and iron making, steel making and casting technologies, hot rolled products and process, and cold rolled products and process.

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, 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 the first three months, 1 new long product grade was developed. In addition to the 242 flat steel grades, the number of long steel products has reached 323.

As being in the scope of R&D activities 9 projects have been completed and 51 projects have been still going further during that period.

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

Erdemir's R&D team has contributed to the intellectual capital of our company by presenting 80 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.

Equipment procurement, manufacturing and site activities continue within the scope of the 1. New Blast Furnace Project and the Vacuum Degassing Plant Project. Equipment shipments have been completed and construction and assembly will begin within the scope of the the Boiler No.3 Retubing and Burner Modification and the 1. Blast Furnace Top Recovery Turbine (TRT) Project. Engineering and procurement works are in progress 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.

Procurement activities continue for the New Sinter Plant, the Modernization of Turbo Generator No.1 & No.2 and the Electricity Generation from The Steam Produced in Coke Dry Quenching Projects.

As of March 31, 2023, İsdemir's total investment expense amount is USD 50.281 thousand (March 31, 2022: USD 46.328 thousand).

2. Internal Control System and Internal Auditing Activities

İsdemir'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

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

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

E - Financial Position

1. Summary of Financial Statements

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have not been reviewed as of 31 March 2023.

Summary of Balance Sheet

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period	Previous Period
	31 March 2023	31 December 2022
Current Assets	28.672.018	31.295.559
Non-current Assets	45.571.890	43.393.657
Total Assets	74.243.908	74.689.216
Current Liabilities	12.478.299	13.476.851
Non-current Liabilities	9.555.136	9.412.341
Shareholders' Equity	52.210.473	51.800.024
Total Liabilities	74.243.908	74.689.216

Summary of Income Statement

(Thousand TRY)	(Unaudited)	(Unaudited)
	Current Period	Previous Period
	1 January - 31 March 2023	1 January - 31 March 2022
Sales Revenue	10.162.020	15.591.204
Gross Profit (Loss)	(849.201)	4.456.037
Operating Profit (Loss) Before Finance Income (Expenses)	(981.561)	4.276.117
Profit (Loss) Before Tax	(1.128.058)	3.945.092
Profit (Loss) for the Period	(845.333)	2.661.282
EBITDA	(1.037.627)	4.649.055

The Entity prepares its budgets within the frame of its strategic goals that is approved by the Board of Directors.

In the regular meetings of the Board of Directors is reviewing the current position of the Entity and activities are compared with the previous period and budget targets.

2. Key Ratios

(%)	1 January - 31 March 2023	1 January - 31 March 2022
Gross Profit (Loss) Margin	-8%	29%
Operating Profit (Loss) Before Finance Income (Expenses) Margin	-10%	27%
EBITDA Margin	-10%	30%
Profit (Loss) Margin	-8%	17%

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

**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."

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.

5. Information about the sector

Global crude steel production in March this year increased by 1.7 percent year on year to 165.1 million tons. In January-March period this year, global crude steel production totaled 459.3 million ton, down by 0.1 percent year on year.

In March, crude steel output in Asia amounted to 124.8 million ton, up 4.1 percent, with China's estimated output at 95.7 million ton, up 6.9 percent, 7.5 million ton produced by Japan, decreasing by 5.9 percent, 11.4 million ton produced by India, rising by 2.7 percent, and 5.8 million ton produced by South Korea, moving up by 1.9 percent - with all comparisons on year-on-year basis.

EU-27 countries produced 11.9 million ton of crude steel in March, down by 5.6 percent year on year. In the given period, Germany's output was 3.3 million ton, down 0.5 percent year on year.

The CIS registered a crude steel output of 7.6 million ton, advancing by three percent on year-on-year basis, with Russia's estimated output at 6.6 million ton, up 0.4 percent year on year.

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

In North America, in March, crude steel output totaled 9.3 million ton, falling by 2.6 percent, with the US producing 6.7 million ton, dropping by 2.1 percent, both year on year. Crude steel output in South America in March amounted to 3.5 million ton, decreasing by 7.6 percent compared to the same month in the previous year, with Brazil's output totaling 2.7 million ton, falling by 8.7 percent year on year.

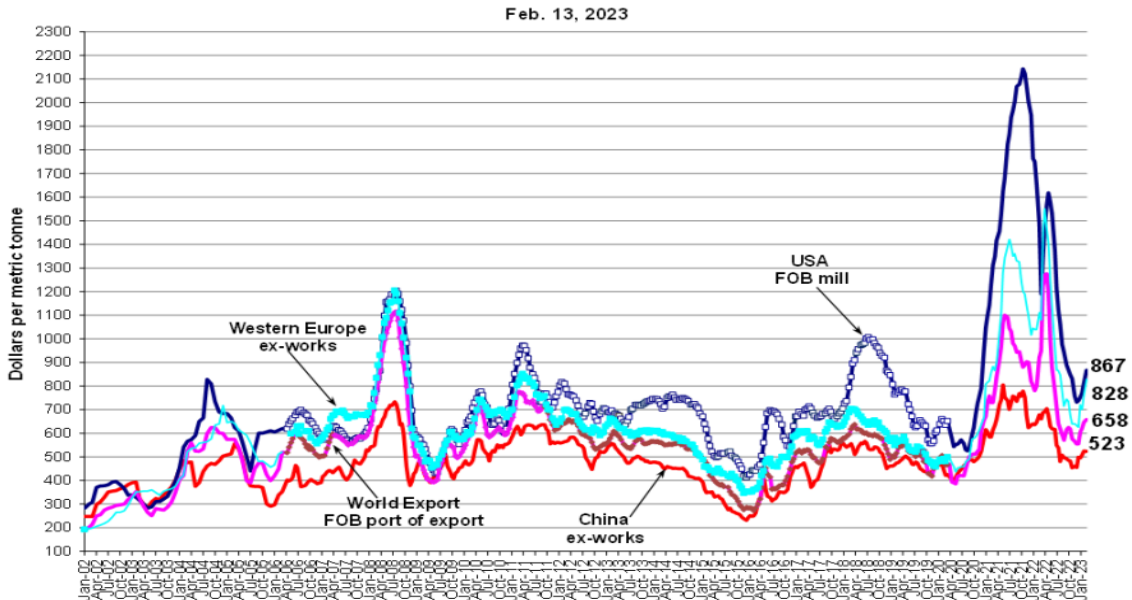
In the given month, Africa produced 1.4 million ton of crude steel, growing by 8.4 percent year on year. In the Middle East, crude steel output totaled 3.1 million ton, moving down by 17.5 percent.

Price changes of hot rolled products follows:

SteelBenchmarker™ HRB Price

USA, China, Western Europe and World Export

(WSD's PriceTrack data, Jan. 2002 - March 2006; SteelBenchmarker data begins April 2006)



Turkey produced 2.7 million mt of crude steel in March, with a 18.6 percent decrease compared to the same month in the previous year. Turkey's crude steel output by electric arc furnaces decreased by 12.5% (2.2 million ton) and the production by integrated plants decreased by 36.9% (529.000 ton) both year on year.

In the January-March period this year, Turkey produced 7.4 million ton of crude steel, down by 21.5 percent year on year. Turkey's crude steel output by electric arc furnaces decreased by 19% (5.6 million ton) and the production by integrated plants decreased by 28.5% (1.8 million ton) both year on year.

6. The Position of Isdemir within the Sector

In 2022, crude steel production amounted to 4.7 thousand tonnes. With the effect of suspending production until the due diligence studies at Isdemir's facilities were completed due to the earthquake on 6 February 2023, in the first three months of 2023 Isdemir's crude steel production were 423 thousand tonnes.

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

7. Operational Developments

Production was suspended until the due diligence studies were completed at the Company due to the earthquake on 6 February 2023. Damages caused by earthquakes are within the scope of insurance coverage, and it is considered that such damages are not at a level that will significantly affect the financial statements of the Company.

8. Production Plants and Productivity

The Company's capacity utilization rates have decreased compared to previous periods due to the effect of interrupting production until the due diligence studies are completed.

Capacity utilization rates are provided below:

Capacity Utilization ratios (%)	1 January - 31 March 2023	1 January - 31 March 2022
Liquid Steel	%30	%94
Slab	%29	%84
Billet	%9	%46

9. Products

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

Production (quantity)

Final Products (000 Tonne)	1 January - 31 March 2023	1 January - 31 March 2022
Flat Products (*)	415	1.013
Long Products	60	275
Total	475	1.288

(*) Slab production included to flat production.

10. Development in Sales

In the first three months of 2023, total steel product sales of İsdemir were 622 thousand tonnes, 546 thousand tons were flat products and 76 thousand tons were long products, also 34 thousand tons of sales were exported.

11. Sales (quantity)

Final Products (000 Tonne)	1 January - 31 March 2023	1 January - 31 March 2022
Flat Products (*)	546	1.073
Long Products	76	258
Total	622	1.331

(*) As of 31 March 2023, 97 thousand tons of flat product sales were made to related parties.

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

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

Production has started in a gradual and controlled manner at the Company's production facilities, and the pre-earthquake production levels have been reached as of the reporting date. Insurance appraisal and damage assessment studies continue, and the Company's damages due to earthquakes are covered by the insurance coverage.