



## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

For the Period 1 January – 31 March 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 – 31.03.2021

**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](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
Other	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 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 31.03.2021:

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
Mahmut Cengiz AYDIN	Independent Board Member	05/02/2021

(\*) 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 16 March 2021; Ali FİDAN, Kurtuluş Bedri VAROĞLU and Mahmut Cengiz AYDIN have been elected as independent board members for one year.

Additionally, after the report period, It has been decided to be registered and to be announced in the trade registry gazette with the 5 April 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.

**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**

<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	32 Years
Sabri KILIÇ	Acting Deputy General Manager (Businesses)	12/10/2018	İstanbul Teknik University - Metallurgy Engineering	22 Years
Mehmet PEHLİVAN	Deputy General Manager (Financial Affairs)	14/04/2018	Dokuz Eylül University - Economics	25 Years
Mehmet PEHLİVAN (by proxy)	Acting Executive Vice President (Purchasing)	09/08/2019	Dokuz Eylül University - Economics	

**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.

**6. Collective Labor Agreement Applications and the Benefits**

26th Period Collective Labor Agreement, which will be valid between January 1, 2018 and December 31, 2020 has been signed on December 29, 2017 between Iron, Steel, Metal and Metallic Products Worker's Union and İskenderun Iron and Steel Works CO. 27th Period Collective Labor Agreement negotiations started on December 25, 2020.

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

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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.

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 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
	<b>Personnel</b>	<b>Personnel</b>
Paid Hourly Personnel	3.017	2.988
Paid Monthly Personnel	1.706	1.714
	<b>4.723</b>	<b>4.702</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 2020 were met during the period 1 January 2021 – 31 March 2021.

## **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 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 1 April 2021.

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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 861 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, melting, rolling and coating processes.

During 3 months, 4 new long product grades were developed. In addition to the 225 flat steel grades, the number of long steel products have been reached to 316.

As being in the scope of R&D activities 8 projects have been completed and 51 projects have been still going further during that period.

Totally 7 projects that were supported by TÜBİTAK/TEYDEB 1501 Project Support Program have been completed successfully so far. All reports of 2 more supported projects have been completed and the activity evaluation processes for the relevant periods are still continuing.

Erdemir R&D team has contributed to the intellectual capital of our company by presenting 69 papers and posters at various national/international iron and steel conferences to date.

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**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.

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

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

As of March 31, 2021, Isdemir's total investment expense amount is USD 55.050 thousand (March 31, 2020: USD 20.279 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:

<b>Name of the Company</b>	<b>Country of Operation</b>	<b>Operation</b>	<b>2021 Share %</b>	<b>2020 Share %</b>
Teknopark Hatay A.Ş.	Turkey	R&D Center	5	5
İsdemir 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 not been reviewed as of 31 March 2021.

**Summary of Balance Sheet**

(Thousand TRY)	(Unaudited)	(Audited)
	Current Period	Previous Period
	31 March 2021	31 December 2020
Current Assets	12.312.939	12.948.824
Non-current Assets	17.489.134	15.394.599
<b>Total Assets</b>	<b>29.802.073</b>	<b>28.343.423</b>
Current Liabilities	3.950.476	2.814.545
Non-current Liabilities	3.825.759	3.548.061
Shareholders' Equity	22.025.838	21.980.817
<b>Total Liabilities</b>	<b>29.802.073</b>	<b>28.343.423</b>

**Summary of Income Statement**

(Thousand TRY)	(Unaudited)	(Unaudited)
	Current Period	Previous Period
	1 January - 31 March 2021	1 January - 31 March 2020
Sales Revenue	5.562.625	3.697.229
Gross Profit	1.940.561	610.702
Operating Profit Before Finance Income (Expenses)	1.837.608	545.503
Profit Before Tax	1.694.054	512.871
Profit for the Period	1.056.482	210.882
EBITDA	2.023.946	707.146

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 2021	1 January - 31 March 2020
Gross Profit Margin	35%	17%
Operating Profit Before Finance Income (Expenses) Margin	33%	15%
EBITDA Margin	36%	19%
Profit Margin	19%	6%



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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.”

**5. Information about the sector**

Global crude steel production in February this year increased by 4.1 percent year on year to 150.2 million tons. In January-February period this year, global crude steel production totaled 315 million ton, up by 6.6 percent year on year.

In February, crude steel output in Asia amounted to 109.7 million ton, rising by 7.5 percent, with 83.0 million ton produced by China, up 10.9 percent, 7.5 million ton produced by Japan, decreasing by 5.6 percent, 9.1 million ton produced by India, decreasing by 3.1 percent, and 5.5 million ton produced by South Korea, rising by 1.2 percent - with all comparisons on year-on-year basis.

EU-27 countries produced 11.9 million ton of crude steel in February, down by 7.1 percent year on year. In the given period, Germany's output was 3.1 million ton, falling by 10.4 percent year on year.

The CIS registered a crude steel output of 8.0 million ton, decreasing by 1.5 percent on year-on-year basis, with Russia producing 5.7 million ton, down by 1.3 percent year on year.

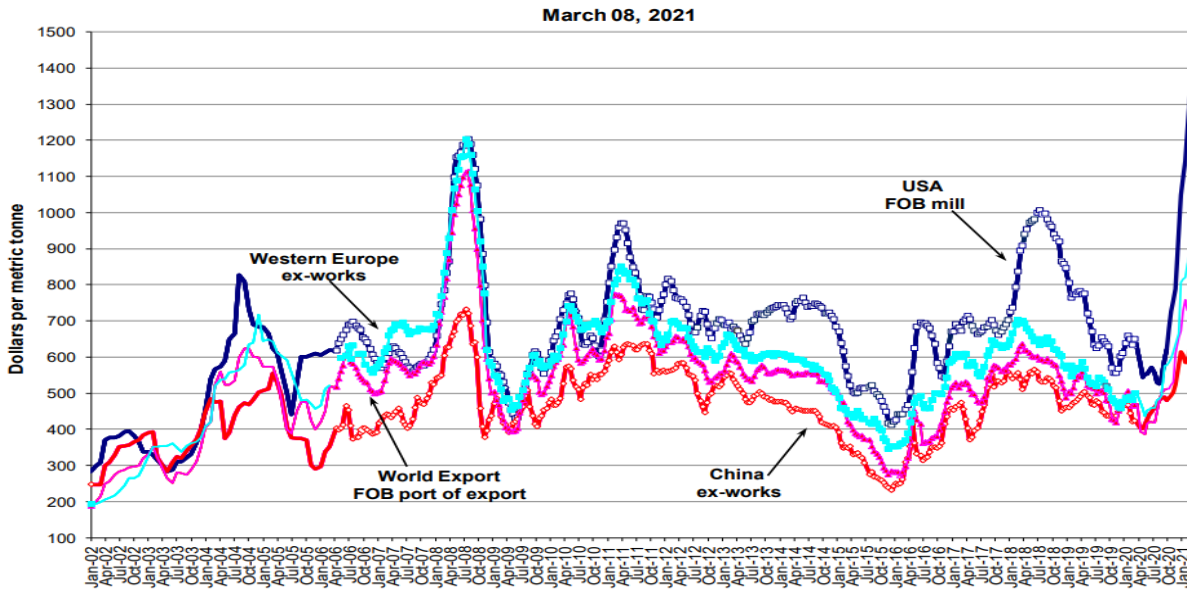
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In North America in February, crude steel output totaled 8.8 million ton, falling by 8.9 percent, with the US producing 6.3 million ton, falling by 10.9 percent, both year on year. Crude steel output in South America in February amounted to 3.5 million ton, increasing by 2.2 percent from February last year, with Brazil's output totaling 2.8 million ton, rising by 3.8 percent year on year.

In the given month, Africa produced 1.2 million ton of crude steel, down by 6.4 percent year on year. In the Middle East in February, crude steel output totaled 3.2 million ton, falling by 0.9 percent, with Iran producing 2.3 million ton, increasing by 11.5 percent, both year on year.

Price changes of hot rolled products follows:

**USA, China, Western Europe and World Export**  
(WSD's PriceTrack data, Jan. 2002 - March 2006; SteelBenchmarker data begins April 2006)



Crude steel production in Turkey increased by 5.9 percent year on year in February this year to three million ton. In the January-February period this year, Turkey produced 6.4 million ton of crude steel, up by 9.4 percent year on year. Turkey's crude steel output by electric arc furnaces increased by 14.1% (4.5 million ton) and the production by integrated plants didn't change (1.9 million ton) both year on year.

**6. The Position of Isdemir within the Sector**

In the first three months of 2021 Isdemir's crude steel production has realized as 1.420 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 two months of 2021.

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### Production Plants and Productivity

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

Capacity used (%)	1 January - 31 March 2021	1 January - 31 March 2020
Liquid Steel	99%	93%
Crude Steel	98%	91%

### 8. Products

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

#### Production (quantity)

Final Products (000 Tonne)	1 January - 31 March 2021	1 January - 31 March 2020
Flat Products	1.115	976
Long Products	208	264
<b>Total</b>	<b>1.323</b>	<b>1.240</b>

(\*) 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 %15 and went to 5,9 million tonne in the first two months of 2021 compare to the previous year.

Total steel product sales of Isdemir decreased %7 and reached to the level of 1.162 thousand tonne in the first quarter of 2021. The flat products sales decreased %2 and went to 957 thousand tonne, while long products sales decreased %23 and reached to 205 thousand tonne.

Isdemir also exported 101 thousand tonne of flat products and 12 thousand tonne of long products. Total export sales is 112 thousand tonne in the first quarter of 2021, which is %0,1 upper than the previous year and 10% of total sales.

### 10. Sales (quantity)

Final Products (000 Tonne)	1 January - 31 March 2021	1 January - 31 March 2020
Flat Products	957	979
Long Products	205	267
<b>Total</b>	<b>1.162</b>	<b>1.246</b>

(\*) As of 31 March 2021, 162 thousand tons of flat product sales were made to related parties.

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**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.