



EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

For the Period 1 January – 30 June 2022
Condensed Board of Directors' Activity Report

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

A – GENERAL INFORMATION

1. Period of the Report

01.01.2022 – 30.06.2022

2. Information About the Association

- **Title:** EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
- **Trade Registry Number:** 863637
- **Address:** Barbaros Mah. Ardiç Sok. No: 6 Ataşehir/İSTANBUL
- **Website:** www.erdemir.com.tr

3. Shareholding and Capital Structure

Authorized Capital : TRY 7.000.000 thousand
Paid-in Capital : TRY 3.500.000 thousand

Shareholders	Shares (Thousand TRY)	%
ATAER Holding A.Ş.	1.724.982	49,29
Publicly Held	1.667.181	47,63
Erdemir's Own Shares	107.837	3,08
Total	3.500.000	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 2021 Regular General Assembly has been executed on 17 March 2022.

At the Ordinary General Assembly Meeting held on March 17, 2022, election was made due to the expiry of term of independent board memberships, 3 independent board members were elected to serve for 1 year period in accordance with the 10th and 11th articles of Articles of Association within the framework of Turkish Commercial Code and Capital Market Law.

**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 reporting period:

Board of Directors	Title	Effective from
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	Chairman	27.05.2013 (*)
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	Deputy Chairman- Executive Director	11.09.2012 (*)
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Gürtan DAMAR)	Executive Director	13.09.2012 (*)
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Bekir Emre HAYKIR)	Board Member	20.09.2012 (*)
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)	Board Member	12.09.2012 (*)
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	Board Member	12.09.2012 (*)
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017
Emre GÖLTEPE	Independent Board Member	17.03.2022

(*) Inauguration date of the legal entity.

Changes in the Executive Board within the Period

At the Ordinary General Assembly Meeting held on 17 March 2022, Emre GÖLTEPE, Ali FİDAN and Kurtuluş Bedri VAROĞLU have been elected as independent board members for serving 1 year period.

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

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
Aslıhan DÖĞER	Deputy Chairman and Executive Director	23.02.2021	Middle East Technical University – Industrial Engineering	24 Years
Gürtan DAMAR	Executive Director	23.02.2021	Yıldız Technical University – Mechanical Engineering	27 Years
Salih Cem ORAL	General Manager	6.06.2018	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	26 Years
Mustafa Serdar BAŞOĞLU	Financial Management and Financial Affairs Group Vice President	24.09.2020	Karadeniz Technical University – Public Finance	18 Years
Fatih ÇITAK	Marketing and Sales Group Vice President	18.01.2020	İstanbul Technical University – Industrial Engineering	23 Years
Can ÖRÜNG	Information Technologies Group Vice President	21.02.2017	İstanbul Technical University – Business Administration Engineering	21 Years
Ercan KAYA	Enterprise Architecture and Human Resources Group Vice President	21.07.2020	National Defence University – Business Administration	35 Years
Sinan BOZKURT	Operations Deputy General Manager	27.09.2021	Middle East Technical University – Metallurgy and Materials Engineering	25 Years

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

5. The Transactions of Board Members made on its behalf or on behalf of other and the activities as part of prohibition of competition

At the Ordinary General Assembly held on 17 March 2022, it is consented to give the authority for transactions for 2022 according to article 395 and 396 of Turkish Commercial Code to the Members of the Board.

No transaction had been realized in this context.

6. Personnel and Worker Movements and Collective Bargaining Practices and Rights and Benefits Provided to Personnel and Workers

28th Period Collective Labor Agreement, which will be valid between 1 September 2020 - 31 August 2022, has been signed on December 23, 2020 between Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and Turkish Metal Union as the collective bargaining agency.

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 .

In the scope of collective agreement applications, the rights and benefits of the employees are classified under bonuses, social benefits, and vacations. Bonuses and social benefits are; bonuses, holiday allowance, heating allowance, paid annual leave allowance, marriage allowance, birth allowance, bereavement allowance (worker's death, worker's spouse's, children's, mother's, father's or sibling's death, in the case of a death as a result of a work accident it will pass onto the worker's heir at law), military service allowance, children allowance, educational allowance (play school, primary school, secondary school, high school, higher education), meal allowance and transportation. Vacations are; paid annual leaves, accompaniment leaves for medical purposes, accompaniment leaves (handicapped child) excused absences, unpaid leaves, and other paid leaves consisting marital leaves, bereavement leaves, pregnancy leaves, maternity leaves, nursing leaves, adoption leaves, part-time work leaves, transport leaves and leaves in case of a natural catastrophe.

Bereavement allowance (in the case the worker dies), transportation and meal allowance, derived from the social benefits, are given to all employees; the rest is given only to blue-collar workers. Paid annual leaves, leaves of absence with excuse, marital leaves, bereavement leaves, maternity leaves, and pregnancy leave, accompaniment leaves (handicapped child), adoption leaves, part-time work leaves, transport leaves, unpaid leaves and nursing leaves can be taken by all employees; the rest is taken only by blue-collar workers.

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

	30 June 2022 Personnel	31 December 2021 Personnel
Hourly paid	8.598	8.585
Monthly paid	4.190	4.203
	12.788	12.788

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL:II, NO:14.1****7. Compliance with The Corporate Governance Principles**

The "Corporate Governance Principles" published by the Capital Markets Board (CMB) which were declared in our Annual Activity Report for the year ending 2021 were met during the period 1 January 2022 – 30 June 2022.

8. Amendments in The Articles of Association

At the Ordinary General Assembly Meeting held on 17.03.2022, Article 7 of the Company's Articles of Association titled "Capital" was amended as follows;

Article 7- Company accepted the registered capital system according to provisions of Capital Market Law and began to implement this system with permission No İDİD/150/2416 dated August 15, 1983 of Capital Market Board.

The registered capital ceiling of the company is TRY 7,000,000,000.00 (seven billion Turkish Liras). When deems it necessary, Board of Directors may increase its capital by issuing share certificates each with a par value of 1 Kr (one kuruş) and all issued to their bearers up to the amount of registered capital between 2022 and 2026, provided that the terms of this Article are complied with.

The permission of registered capital ceiling given by Capital Market Board is valid for 5 years between the years 2022 and 2026. Even if permitted registered capital ceiling would have not been reached at the end of 2026, in order for a decision on capital increase to be able to be taken by Board of Directors, Board of Directors must be empowered by General Assembly on a new period for the ceiling permitted before or a new ceiling after obtaining the permission of Capital Market Board. Should such an empowerment cannot be obtained, capital increase shall not be made by Board of Directors decision.

Board of Directors is authorized to limit rights of shareholder to acquire new share certificates and issue share certificates above their nominal values, provided that it is not contrary to the provisions of Turkish Commercial Code and Capital Market Law.

Each share certificate has a 1 voting right.

The issued capital of the company is TRY 3,500,000,000.00 (three billion five hundred million Turkish Liras) and all paid-in. This capital consists of 350,000,000,000 (three hundred fifty billion) share certificates, each with a par value of 1 Kr (one kuruş).

Shares representing the capital are monitored on records within the framework of registration principles.

This capital is divided into shares Group A and Group B. 1 (one) share of certificate, issued to the bearer amounting to 1 Kr (one kuruş) is A group and 349,999,999,999 (three hundred forty-nine billion nine hundred ninety-nine million nine hundred ninety-nine thousand nine hundred ninety-nine) share of certificates amounting to 3,499,999,999.99 (three billion four hundred ninety-nine million nine hundred ninety-nine thousand nine hundred ninety-nine Turkish Liras, ninety-nine kuruş) is B Group.

The right of usufruct shall be established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization. All voting rights on the shares of A Group shall be exercised by the holder of usufruct. ("usufruct").

**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 17 March 2022 is as follows:

In the 9th article of the agenda related to the Rate Setting of the Board Members', the proposal was read by the representative of ATAER Holding A.Ş. Feyza DEMETGÜL AKKOYUNLU, and with no other comment, it was submitted to the General Assembly's approval and in accordance with the proposal;

It was decided by the majority of votes that; 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 net TRY 9.000 (monthly, in cash), the wages of independent Board members will be net TRY 15.700 (monthly, in cash) and the new wages valid from the date of 1 April 2022.

Personal accident and life insurances were arranged for Board of Directors and no other benefits were given.

No payment of performance was made to Board Members.

No payables were given, no loans were issued directly or through a third party and no indemnity was given (like sureties) to Board Members or Executive Management during the period.

Wages of the Executive Management is determined by the Board. 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 40.673 thousand is recorded as expense related to Company Board Members and Executive Management for the period 1 January – 30 June 2022.

C – Research and Development Activities

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.

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

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

The number of flat products has reached to 543 by addition of 7 new flat steel grades that were developed in first 6 months of 2022.

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

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

D – Activities and Important Developments Regarding the Activities**1. Investment Activities**

Operating within the modern plants and by modern production technology, OYAK Mining Metallurgy produces competitive products globally and continues its investments aligned for continuous development strategy. In this scope;

In Erdemir Plants:

Commissioning activities continue in the New Wide Inspection and Recoiling Line Project. Equipment manufacturing, supply and field studies continue in the second Blast Furnace Renovation Project. Site installation works are ongoing in the No.6 Steam Boiler Project. Converters have been prepared for installation in the Steel Shop BOF Converters Modernization Project. Equipment shipment and site works continue in the Steel Shop Secondary Dust Collection System Capacity Improvement Project. The second phase studies continue in the Surface Inspection Systems Project. Site works are ongoing in the the Various Fire Detection and Extinguishing Systems Project, Structural Improvement of Erdemir Port Docks Project and the Project of Slitting Line Transfer to ERSEM. Distribution panel procurement studies continue in the Energy Distribution System Additional Investments Project. Detailed engineering works and 1st Phase construction works are ongoing in the 4. Coke Oven Battery Project. Detail engineering studies, procurement and supply processes continue in the 1. Slab Furnace Modernization Project and No.6 Turbo Blower Project. Equipment procurement studies continue in the Plate Mill Housing System Renewal Investment Project. Equipment manufacturing and foundation works continue in the 60 MW Turbo Generator Project. The contract has been signed for the Steelshop Charging Hall New Charging Cranes Investment Project and engineering studies have been started.

Procurement activities continue for the New Sinter Plant Project, No.5 Coke Oven Battery Project, 1. Galvanizing Line Level-1 Automation System Modernization, Erdemir Domestic Waste Water Treatment Plant Modernization and 2. Hot Strip Mill Investment Projects.

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

Within the scope of the 3rd Coke Battery Modernization Project, the facility was commissioned and coke production started. Supply, manufacturing and site activities continue within the scope of Vacuum Degassing Plant Project. Equipment procurement, manufacturing and site activities continue in the 1. New Blast Furnace Project. Field activities within the scope of the North Side Land Reclamation Project are at the stage of completion. Shipment is awaited within the scope of the Boiler No.3 Retubing and Burner Modification Project. Equipment supply and manufacturing continues, and construction and assembly will begin in the 1. Blast Furnace Top Recovery Turbine (TRT) Project. Engineering and supply works continue, and site activities have started within the scope of the Port-1 New Grab Ship Unloader Cranes Project.

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

As of 30 June 2022, the Group's total investment expenditures amount to USD 218 million (30 June 2021: USD 177 million)

2. Internal Control System and Internal Auditing Activities

Group Internal Audit Department carries out audit activities in order to evaluate and improve the effectiveness of risk management, control and governance processes of Group companies and reports directly to the Deputy Chairman and Executive Director of the Board. In accordance with Capital Markets Board regulations, the effectiveness of internal control system is evaluated by the Board of Directors at least once in a year. In this context, the Internal Audit Department regularly reports to Audit Committee, which consists of Independent Members of the Board of Directors, and provides information on internal audit activities as requested.

Besides periodic audit activities, continuous audits are performed with the Integrated Audit System. Critical controls, master data and transaction data in the SAP system are continuously evaluated by the automatic controls and business rules installed in the system.

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

3. Direct and Indirect Subsidiaries

The Information about Affiliates Subject to Consolidation

The main scope of business and the participation in their shareholding of the affiliates subject to consolidation are as follows:

Name of the Company	Country of Operation	Operation	2022 Effective Share %	2021 Effective Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Iron and Steel Manufacturing	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silica Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Turkey	Magnesite Ore, Refractor	100	100
Odak Refrakter ve Madencilik San. Tic. A.Ş.	Turkey	Recycling	-	100
Yenilikçi Yapı Malz ve Üretim San. Tic. A.Ş.	Turkey	Recycling, Special Purpose Entity	100	100

Odak Refrakter ve Madencilik San. Tic. A.Ş., the subsidiary of Kümaş Manyezit Sanayi A.Ş. merged with Yenilikçi Yapı ve Malzemeleri ve Üretim San. Tic. A.Ş. as of May 10, 2022.

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

E - Financial Position

1. Consolidated Summary of Financial Statements

Financial statements are prepared in accordance with the CMB's Communiqué Serial:II, 14.1 and have been audited as of 30 June 2022.

Summary of Consolidated Financial Position

	(Reviewed)	(Audited)
	Current Period	Previous Period
(Thousand TRY)	30 June 2022	31 Dec 2021
Current Assets	80.755.626	65.693.526
Non-current Assets	78.029.137	60.748.771
Total Assets	158.784.763	126.442.297
Current Liabilities	34.385.096	23.477.310
Non-current Liabilities	23.171.760	18.417.383
Shareholders' Equity	101.227.907	84.547.604
Total Liabilities	158.784.763	126.442.297

Summary of Consolidated Profit or Loss

	(Reviewed)	(Reviewed)
	Current Period	Previous Period
Thousand TRY)	1 January - 30 June 2022	1 January - 30 June 2021
Sales Revenue	63.812.753	24.797.566
Gross Profit	19.952.869	9.037.030
Operating Profit	18.906.905	8.616.069
Operating Profit Before Finance Income Expenses)	18.909.498	8.607.712
Profit Before Tax	18.644.493	9.324.178
Profit for the Period	12.750.545	6.050.468
Shareholder's share in the Profit for the Period	12.265.481	5.801.155
EBITDA	20.534.620	9.492.744
Earnings Per Share	3,5044	1,6575

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.

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

2. Key Ratios

(%)	1 January - 30 June 2022	1 January - 30 June 2021
Gross Profit Margin	31,3%	36,4%
Operating Profit Before Finance Income Expenses) Margin	29,6%	34,7%
EBITDA Margin	32,2%	38,3%
Profit Margin	20,0%	24,4%
Shareholder's Share in the Profit Margin	19,2%	23,4%

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

Group 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 Group 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

Group'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. The dividend distribution policy is reviewed annually by the Board of Directors every year considering to national and global economic conditions, the projects on the company's agenda and the state of its funds.

Dividend is paid by fixed or variable installments in accordance with the legislation by giving authority to the Board of Directors at the General Assembly Meeting, where dividend distribution is decided, until 15 December of the relevant calendar year.

General Assembly is authorized for the "distribution of dividend advance" in accordance with relevant legislations.

At the Ordinary General Assembly Meeting held on 17 March 2022, the decision regarding the distribution of a cash dividend amounting to TRY 15.575.000 thousand (profit share per gross share: TRY 4,45) from the profit of 2021 and retained earnings was approved. Dividend distribution started on 22 March 2022.

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

5. Information About the Sector

Global crude steel production in 2022 June this year decreased by 5.9 percent year on year to 158.1 million tonnes. In January-June period this year, global crude steel production totaled 949.4 million tonnes, down by 5.5 percent year on year.

In June, crude steel output in Asia amounted to 118.8 million tonnes, down by 3.1 percent, with China's estimated output at 90.7 million tonnes, down 3.3 percent, 7.4 million tonnes produced by Japan, decreasing by 8.1 percent, 10.0 million tonnes produced by India, increasing by 6.3 percent, and 5.6 million tonnes produced by South Korea, falling by 6 percent - with all comparisons on year-on-year basis.

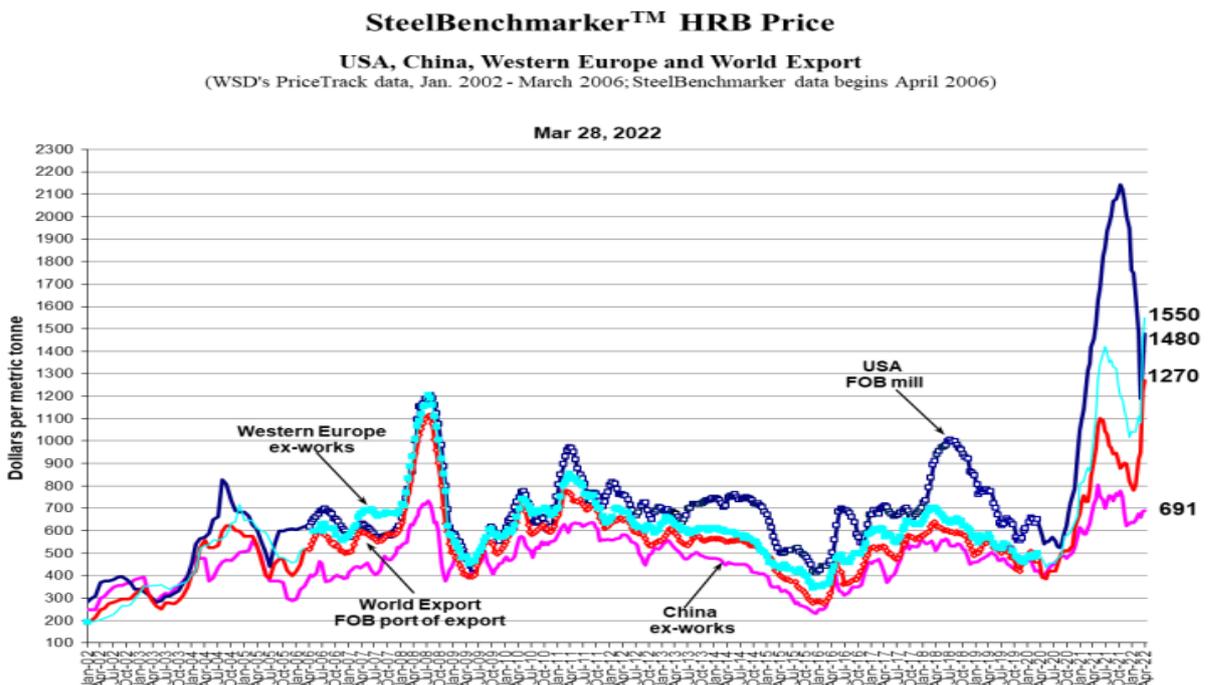
EU-27 countries produced 11.8 million tonnes of crude steel in June, down by 12.2 percent year on year. In the given period, Germany's output was 3.2 million tonnes, down 7 percent year on year.

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

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

In the given month, Africa produced 1.2 million tonnes of crude steel, down by 18.7 percent year on year. In the Middle East, crude steel output totaled 3.4 million tonnes, falling by 5 percent, with Iran's estimated output at 2.2 million tonnes, decreasing by 10.8 percent, both year on year.

Price changes of hot rolled products follows:



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

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

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

6. The Position of Group within the Sector

Group's production in 2021 has been 9 million tonnes. In the first six months of 2022, the crude steel production in Ereğli Plant has decreased by 11.5% and went down 1.497 thousand tonnes while the crude steel production in Iskenderun Plant has decreased by 7.1% and went to 2.612 thousand tonnes. In the first six months of 2022, Group's production has decreased by 8.7% percent and went to 4.109 thousand tonnes.

7. Operational Developments

Turkey's first and only integrated flat steel producer, Group, who carries out production, operation, maintenance and modernization activities within its all facilities. Manufacturing 22% of all crude steel production in Turkey, Group again continued its operations in line with the principle of optimal costs, maximum productivity and quality of production in the first six months of 2022.

Production Plants and Productivity

The information about the capacities of main product groups by Group are stated below:

Capacity used (%)	1 January - 30 June 2022	1 January - 30 June 2021
Liquid Steel	87%	95%
Crude Steel	86%	94%

8. Products

The main products of the Group are as follows:

Erdemir	Isdemir	Erdemir Maden	Kümaş Manyezit
Tinplate	Billet	Pellets	Refractor
Galvanized	Wire Rod	Iron Ore	Magnesite Ore
Cold Rolled	Slab		
Hot Rolled	Hot Rolled		
Plate			

9. Production (quantity)

Final Products (000 Tonnes)	1 January - 30 June 2022	1 January - 30 June 2021
Flat Products	3.789	3.744
Long Products	479	404
Iron and Magnesite Ore Products	1.270	1.252

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

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 eighth largest steel consumer and producer. Steel consumption of Turkey in the first six months of 2022 is nearly 17,0 million tonnes, which is lower 3% than the previous year. Turkish crude steel production, which decreased by 5% compared to the same period of the previous year, is 19,0 million tonnes, which is above the average of the last five years.

Total flat product sales of the Group reached to the level of 3,5 million tonnes in the first six months of 2022. The domestic flat product sales reached 3,0 million tonnes 3% lower than the same period of 2021. Long products sales have increased 21% and went up to 459 thousand tonnes. Domestic long product sales have been increased 15 percent to the level of 423 thousand tonnes.

Group exported a total of 563 thousand tonnes of finished products, including 527 thousand tonnes of flat products and 36 thousand tonnes of long products. This amount accounts for 14% of total sales. It has exported to 34 countries in flat products and 7 countries in long products.

Group continues to deliver shipments in line with its objectives in industries such as metal packaging, automotive or steel pipe. Because of its customer-oriented strategy, Group has added 8 new customers to long product portfolio and 29 new customers to flat product portfolio totaling 37 new customers in the first six months of 2022.

In order to provide rapid and effective response to the needs of the steel market, our industrially structured marketing and sales organization have continued to customer visits, congress and exhibition participations in Turkey and abroad, meetings with industry unions and organizations of customer activities. Our product range are managed dynamically and tailored to customer expectations. Additionally, product developments and newer steel grade works aiming the final user demand, keeps developing.

11. Sales (quantity)

Final Products (000 Tonnes)	1 January - 30 June 2022	1 January - 30 June 2021
Flat Products	3.486	3.643
Long Products	459	380
Iron and Magnesite Ore Products (*)	1.117	1.194

(*) 1.034 thousand tonnes of sales are to Group Companies as of 30 June 2022 (30 June 2021: 1.055 thousand tonnes).

**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, and 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-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. Committee of Early Risk Detection

The Early Detection of Risk Committee Regulation is included in the Corporate Governance Policies and Regulations tab under Corporate Governance section of Investor Relations title 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 the "Early Detection of Risk Committee 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 kept by the secretariat.

G - Other Information**1. Organizations Out of the Headquarters**

None.

2. Information for Shareholders

None.