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**BORUSAN MANNESMANN BORU SANAYİ ve TİCARET A.Ş.**

**1 January – 30 September 2023**

**Interim Operating Report**

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## I. INTRODUCTION

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiaries (hereinafter collectively referred to as the "Group") are engaged in the production and sale of longitudinally and spiral welded steel pipes. The Company is registered in Turkey and its shares have been traded on the Istanbul Stock Exchange since 1994.

**Title of the Company** : Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş.  
**Reporting Period** : 01.01.2023 – 30.09.2023  
**Trade Registry Number** : 69531  
**Head Office Address** : Meclisi Mebusan Caddesi No: 35-37, 34427 Fındıklı- İstanbul

As of September 30, 2023, the consolidated subsidiaries of the Company, the controlling interest of the Company in these subsidiaries and their scope of activities are as follows:

| Business Activity | Subsidiary                                               | Country | Ratio  |
|-------------------|----------------------------------------------------------|---------|--------|
| Holding           | Borusan Mannesmann Holding BV "(BM Holding BV)"          | Holland | 100.0% |
| Steel Pipe        | Borusan Mannesmann Pipe US Inc "(BM Pipe)"               | USA     | 100.0% |
| Steel Pipe        | Borusan Mannesmann Vobarno Tubi SPA "(BM Vobarno)"       | Italy   | 99.0%  |
| Steel Pipe        | Borusan Tube International GmbH "(Borusan Tube Germany)" | Germany | 100.0% |
| Holding           | Borusan Mannesmann Cooperative U.A. "(BM Coop)"          | Holland | 99.0%  |
| Steel Pipe        | Borusan Mannesmann Espana SA "(BM Espana)"               | Spain   | 99.0%  |
| Steel Pipe        | Borusan Tube Products S.A. "(Borusan Tube Romania)"      | Romania | 100.0% |
| Holding           | Borusan Berg Pipe Holding Corp. "(Berg Pipe)"(*) (**)    | USA     | 100.0% |
| Steel Pipe        | Berg Pipe Mobile Corp. (*)                               | USA     | 100.0% |
| Steel Pipe        | Berg Pipe Panama City Corp. (*)                          | USA     | 100.0% |

(\*) On April 13, 2023, all of its shares have been acquired by Borusan Mannesmann Pipe US Inc. Berg Pipe Mobile Corp. and Berg Pipe Panama City Corp are subsidiaries of Berg Pipe, owned by 100%. Berg Pipe's and its subsidiaries' financial results have been started to be included in Borusan Mannesmann's consolidated financial statements as of April 13, 2023.

(\*\*) On April 24, 2023, the title of Berg Europipe Holding Corp. was changed to Borusan Berg Pipe Holding Corp.

### 1. Board Members and Board Committees

Pursuant to the decision of the Ordinary General Assembly Meeting dated May 23, 2023, names of board of directors' members who will serve until the next Ordinary General Assembly Meeting to be held, are listed below.

| Name - Surname           | Title                              | Dependent/<br>Independent | Executive/<br>Non-Executive |
|--------------------------|------------------------------------|---------------------------|-----------------------------|
| Semih Abidin Özmen       | Chairman                           |                           | Non-Executive               |
| Burkhard Becker          | Vice Chairman                      |                           | Non-Executive               |
| Erkan Muharrem Kafadar   | Board Member and Managing Director |                           | Executive                   |
| Defne Kocabıyık Narter   | Board Member                       |                           | Non-Executive               |
| Alexander Eckhard Soboll | Board Member                       | Independent               | Non-Executive               |
| Ahmet Murat Selek        | Board Member                       | Independent               | Non-Executive               |
| İbrahim Romano           | Board Member                       | Independent               | Non-Executive               |
| Bülent Bozdoğan          | Board Member                       | Independent               | Non-Executive               |

## 1. Board Members and Board Committees (Con't.)

The chairman of the board of directors and the general manager are different people. During the reporting period, there was no situation that abolished the independence of the independent members of the board of directors.

There is no prohibition imposed by the Company on members of the board of directors, and no action has been taken in this context.

As per its resolution dated June 16, 2023, the Board of Directors ("BoD") has determined the duty of the members of BoD Committees. However, Finance and Investor Relations Manager Bora Yüksel, who was also a Corporate Governance Committee Member, has resigned on August 22, 2023 <https://www.kap.org.tr/en/Bildirim/1188390> and the Board of Directors decided to appoint Selman Çataltaş as the Corporate Governance Committee Member as announced on PDP <https://www.kap.org.tr/en/Bildirim/1192263> on September 6, 2023.

### Audit Committee

| Name - Surname    | Title                         | Essence of the Board Membership |
|-------------------|-------------------------------|---------------------------------|
| Bülent Bozdoğan   | Audit Committee Chairman      | Independent BoD Member          |
| Ahmet Murat Selek | Audit Committee Vice Chairman | Independent BoD Member          |

### Corporate Governance Committee

| Name - Surname         | Title                                        | Essence of the Board Membership |
|------------------------|----------------------------------------------|---------------------------------|
| İbrahim Romano         | Corporate Governance Committee Chairman      | Independent BoD Member          |
| Erkan Muharrem Kafadar | Corporate Governance Committee Vice Chairman | Board Member, Managing Director |
| Burkhard Becker        | Corporate Governance Committee Member        | Vice Chairman                   |
| Selman Çataltaş        | Corporate Governance Committee Member        | Not a BoD Member                |

### Early Detection of the Risk Committee

| Name - Surname           | Title                                               | Essence of the Board Membership |
|--------------------------|-----------------------------------------------------|---------------------------------|
| Ahmet Murat Selek        | Early Detection of the Risk Committee Chairman      | Independent BoD Member          |
| Semih Abidin Özmen       | Early Detection of the Risk Committee Vice Chairman | Chairman                        |
| Alexander Eckhard Soboll | Early Detection of the Risk Committee Member        | BoD Member                      |

## 2. Senior Management

As of September 30, 2023, the senior management of the Company is composed of the executives whose titles and duties are indicated in the table below:

| Name - Surname    | Duty                                                                                                      | Profession                  | Work Experience in the Company (years) | Professional Experience (years) |
|-------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------------|---------------------------------|
| Zafer Atabey      | CEO                                                                                                       | Business and Administration | 32                                     | 32                              |
| Uğur Onbaşı       | Executive Board Member<br>Turkey Infrastructure Projects<br>Segment & USA Supply Chain and<br>Procurement | Business and Administration | 24                                     | 27                              |
| Ali Okyay         | Executive Board Member<br>Automotive Segment                                                              | Industrial Engineer         | 23                                     | 23                              |
| Oğuzhan Kuşcuoğlu | Executive Board Member<br>Construction and General Industry<br>Segment                                    | Economist                   | 19                                     | 22                              |
| Anıl Karaca       | Executive Board Member<br>Finance and Foreign                                                             | Business and Administration | 2                                      | 22                              |
| Nihan Alhan       | Executive Board Member<br>Human and Sustainability                                                        | Business and Administration | 2                                      | 20                              |
| Serdar Birlikçi   | Executive Board Member<br>Digital Technologies and New Products                                           | Electronic Engineer         | 2                                      | 28                              |
| Joel Johnson      | Executive Board Member<br>USA OCTG Segment                                                                | Civil Engineer              | 9                                      | 33                              |
| Ingo Riemer       | Executive Board Member<br>USA Large Diameter Pipe Segment                                                 | Mechanical Engineer         | 1                                      | 31                              |

## 3. Payments Made to the Senior Management

Senior management is composed of the Company's board members and executive committee members. Senior managers are paid fees such as performance-based bonuses, incentives. These fees are determined taking into account current potential risks, capital and liquidity condition as well as possibility and timing of the realization of revenues planned to be generated in the future and in a manner not to impair the shareholders' equity. While senior managers can be paid performance-based incentives, it is ensured with care that such payments have a positive impact on the Company's corporate values. The total amount of salaries and side benefits paid to the senior management for the period ending on September 30, 2023 is TRY62,038 ths.

## 4. Employees

As of September 30, 2023, total number of employees with the Group is 2,597.

## 5. Capital Increases Realized During the Period

The capital of the company is TRY141,750 ths. No capital increase has been realized during the period.

## 6. Securities Issued During the Period

On December 16, 2022, Borusan Mannesmann announced to the public that an application has been submitted to the CMB to issue financial bills and/or bonds up to TRY3,000,000,000. The approval of CMB for the bond issuance was disclosed on PDP <https://www.kap.org.tr/en/Bildirim/1196960> on September 22, 2023.

## 7. Amendments Made to the Articles of Association During the Period

As per the Company's Board of Directors' resolution i) to amend the Company's Articles of Association's Article 2 titled "Tradename of the Company", Article 9 titled "Appointment of the Board of Directors" and Article 10 titled "Term of the Board of Directors" ii) to request exemption from exercising the exit right, an application was submitted to the CMB on June 23, 2023 for the permission to amend articles of association and for the exemption from obligation to exercise the exit right. The PDP announcement <https://www.kap.org.tr/en/Bildirim/1188842> was disclosed as per the CMB notification delivered to Borusan Mannesman on August 23, 2023, stating that the exemption requests were approved. On October 24, 2023, Company also announced <https://www.kap.org.tr/en/Bildirim/1209175> on PDP the invitation for Extraordinary General Assembly meeting to be held on November 21, 2023 in regards to the amendment in Articles of Association.

## 8. Shareholders

| Trade Name of Shareholder                              | Amount of Share | Share (%)     |
|--------------------------------------------------------|-----------------|---------------|
| Borusan Mannesmann Boru Yatırım Holding A.Ş. ("BMBYH") | 104,157         | 73.48         |
| Float and Other                                        | 37,593          | 26.52         |
| <b>Total (TRY 000)</b>                                 | <b>141,750</b>  | <b>100.00</b> |

The company's related party transactions and the obligations arising from these transactions are presented in consolidated financial statements and footnotes for the period. (Footnote 24: Related Party Disclosures) The Group has taken an appropriate counter-action in each transaction. No voting rights are granted for the owners of usufruct shares.

Pursuant to the notification dated June 22, 2023 made by BMBYH, the owner of shares representing 73.48% of the Company's share capital; it has been made public that a share transfer agreement has been signed between Borusan Holding A.Ş. and Salzgitter Mannesmann GmbH ("Salzgitter") for the acquisition of Salzgitter's 230,000,000 shares having a nominal value of TRY2,300,000 (representing 23% BMBYH's total capital) owned by Borusan Holding A.Ş. As per the PDP disclosure <https://www.kap.org.tr/en/Bildirim/1198023> dated September 28, 2023, it was announced that the transaction has been unconditionally approved by the competition authorities of Romania, Germany, Poland and Türkiye, and by the Foreign Direct Investments Authority of Romania. On October 19, 2023, it was publicly disclosed <https://www.kap.org.tr/en/Bildirim/1207846> that the transaction has been unconditionally approved by the Foreign Direct Investments Authority of Italy and the Company's request for the amendment of the articles of association has been approved by the Ministry of Trade in Turkey. Upon the realization of the share transfer, total share of Borusan Group companies' in BMBYH's capital is to increase from 77% to 100% and there will be no change in the management control of the Company, which is currently held by Borusan Group.

## **II. EVALUATION REGARDING OPERATIONS**

### **1. Evaluation Regarding Global Economy and the Sector**

The global economy continues to recover, albeit slowly, despite the deterioration in energy and food markets caused by the Russia - Ukraine war as well as the unprecedented tightening of monetary policies to combat high inflation around the world. However, in the shade of economic inequalities, it is becoming increasingly difficult for the recovery to catch up with pre-pandemic trends, especially in emerging and developing economies. According to the latest Global Outlook Report, shared by the IMF just before the Israel – Hamas conflict, which caused the loss of many innocent civilian lives, the global economy is expected to grow by 3.0% in 2023 and 2.9% in 2024. The IMF also states that a 10% increase in oil prices in case the conflict is prolonged, to reduce world GDP by 0.15 percentage points leading to a 0.4 percentage point increase in inflation, which in turn will further distress the troubled economies in this period when inflation is being tried to be controlled. As per the estimates made by the World Bank for Turkey, the economy is expected to grow by 3.2% in 2023 and 4.3% in 2024, thanks to domestic demand and post-election stability.

Raw steel production in Turkey in the January - September period reached 24.4 million tons, increasing by 4.1%. In the nine-month period of 2023, exports in Turkish steel sector diminished by 13.3% to 1,407 thousand tons compared to the past year while Romania, Morocco, the United Kingdom and Iraq stand out as the most important export markets.

### **2. Borusan Mannesmann Boru and its Subsidiaries**

Established in 1958 and renowned as the most established steel pipe company of the industry, Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş., (BMB) has pioneered the development of the industry in Turkey, thanks to its 65-year experience. BMB continues its operations in Turkey with approximately 1,700 employees and a production capacity of approximately 1.1 million tons, including 750,000 tons of longitudinally welded and 300,000 tons spiral welded steel pipes.

In addition to Turkey, Borusan Mannesmann Vobarno Tubi SPA, based in Vobarno region of Italy, is specialized in high value-added cold drawn, precision pipe production with an annual production capacity of 30,000 tons. It is a renowned manufacturer in its sector in Europe both due to the quality of its products and services and through its sales to countries such as Italy, Germany, Spain and France, where automotive industry is strong. Established on a closed area of approximately 24,000 m<sup>2</sup>, Borusan Mannesmann Vobarno Tubi SPA carries out its operations with 84 employees.

In addition, in line with its strategy of expand its automotive business line, in 2023, the Company has initiated a €15 million investment for the establishment of a service center in Romania. The investments started in 2023 are targeted to be completed towards the end of the year.

Borusan Mannesmann Pipe US Inc. (BMP), a subsidiary of BMB, established in the USA with an investment of \$150 million continues its production and sales activities. BMP launched its activities in third quarter of 2014 in the 300,000 ton-capacity facility, producing well and drill pipes used in petroleum and natural gas drilling. Located on an area of approximately 500,000 m<sup>2</sup>, the facility undertakes its operations with 421 employees.

## **2. Borusan Mannesmann Boru and its Subsidiaries (Con't.)**

In addition to this facility, a \$50 million SRM line installation investment continues at the Baytown campus in Houston. Thanks to this line, the Company aims to add to its portfolio the construction and industry business line products that it does not produce locally in the US market, and to include to its target portfolio a segment where local manufacturers are preferred.

Finally, on April 13, 2023, BM Pipe, a subsidiary of BMB established in the USA, wholly acquired Berg Europipe Holding Corp's shares for \$162 million and started its operations titled as Borusan Berg Pipe. Berg Pipe's Florida Facility, located on an area of 28,600 m<sup>2</sup>, has an annual production capacity of 330,000 tons longitudinal welded pipes, while the Alabama Facility, built on an area of 30,800 m<sup>2</sup>, is capable of producing 220,000 tons spiral welded pipes annually.

With these investments, the Group is able to offer 4,000 types of different products by operating in 11 facilities on 3 continents, on an area of 1.1 billion m<sup>2</sup>, with 2 million tons of capacity and 2,597 employees. Therefore, the Group has become the leading welded steel pipe manufacturer in global markets in terms of sales volume, product range and total installed capacity.

## **3. 9M 2023 Management Evaluation**

The 9 months of 2023 has been a period when the BMB started to reap the fruits of its investments realized in recent years. Aiming to mitigate its risks by operating in 4 different business lines and in different geographies, BMB has formed the most important milestones of its strategy of becoming a local manufacturer of global markets, particularly with its moves abroad. In addition, in line with its targets, BMB closely monitors the developments in its sector, for all kinds of acquisition and merger opportunities both in domestic market and abroad.

The Infrastructure and Project business line increased its revenue by 93.3% to \$170 million compared to the same period of the previous year, with the contribution of Berg Pipe, which has been included to the consolidation as of April.

The Industry and Construction business line's revenue deteriorated by 27.2% compared to the same period of the previous year to \$229 million, due to the fluctuations in the regions where it operates and the decline in raw material prices.

Automotive business line's revenue decreased by 14.8% compared to the same period of the previous year to \$151 million due to the contraction in demand, particularly in the European Region.

In the Energy business line, increasing sales in the first half of the year as a result of the effective pricing policy and excessive demand in the market as opposed to limited capacity, normalized as a result of supply and demand beginning to balance in the 2. Half of the year. In the 9-month period, Energy business line revenue increased by 73.1% compared to the same period of the previous year to \$614 million.

On a consolidated basis, product sales volume increased by approximately 9.7% compared to the previous year, reaching 686,000 tons. Strong global performance was maintained, with approximately 75% of the total revenue being generated in the markets abroad.

### **3. 9M 2023 Management Evaluation (Con't.)**

Revenue generated from the sale of high added value added, particularly pressure, precision and spiral pipes, in total revenue is 80%. The share of high value-added drilling and well pipe revenue generated especially in the American Market is around 53% of the total revenue.

With the acquisition of Berg Pipe, sales volume of high value-added spiral welded pipes increased by approximately 100% compared to the previous year, while the share of revenue realized from the sale of these pipes in total came in at 15%.

As a result, consolidated revenue rose by 24.6% to \$1,164 million.

EBITDA, on the other hand, elevated by 142.8% to \$276 million, while EBITDA Margin went up by 11.5 p.p. to 23.7% in the same period.

Profit Before Tax rose by 326.9% to \$200 million, while net income mounted to \$149 million, up by 327.7%.

Thanks to the Company's strict financial discipline and policy of reducing working capital requirement, Net Debt decreased to \$262 million down from \$448 million in the same period of previous year. Net Debt/EBITDA multiplier calculated by taking into account the last 12-month EBITDA dropped to 0.6X from 3.7X in the same period.

### **4. Material Developments Disclosed Between July – September Period**

#### **Unusual Price and Volume Movements**

Borusan Mannesmann's PDP announcement in regards to the unusual price and volume movements, as per Borsa Istanbul's request dated August 29, 2023, can be accessed on <https://www.kap.org.tr/en/Bildirim/1190334>.

#### **Credit Rating**

The credit rating process of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. carried out by JCR Avrasya Derecelendirme A.Ş. was completed and disclosed on PDP on August 31, 2023.

Related PDP disclosures can be accessed on links below:

Borusan Mannesmann PDP disclosure: <https://www.kap.org.tr/en/Bildirim/1190617>

JCR Avrasya PDP disclosure: <https://www.kap.org.tr/en/Bildirim/1190608>

### **5. Subsequent Events**

#### **Bond Issue**

On October 2, 2023; Borusan Mannesmann disclosed on PDP <https://www.kap.org.tr/en/Bildirim/1198442> that it has completed the issuance of TRY500,000,000 bond to the qualified investors in domestic market with the ISIN code of TRSBRNE2415, which has four coupon payments, a maturity of 365 days with a fixed interest rate of 45% and redemption date of October 1, 2024.

## **5. Subsequent Events (Con't.)**

### **Completion of approval processes regarding the transfer of controlling shareholder's shares**

The announcement regarding the completion of approval processes for the transfer of shares representing Borusan Mannesmann Boru Yatırım Holding A.Ş.'s capital has been disclosed <https://www.kap.org.tr/en/Bildirim/1207846> on PDP on October 19, 2023.

### **Invitation to Extraordinary General Assembly Meeting**

The PDP disclosure and attached documents as per the Board of Directors' decision dated October 24, 2023 regarding the Extraordinary General Assembly Meeting invitation can be accessed on <https://www.kap.org.tr/en/Bildirim/1209175>

## **6. Investments**

The total amount of investment realized during the period is TRY1,270,363 ths. No investment incentive has been utilized within scope of these investments.

## **7. Research and Development**

As of the end of 9 months of 2023, new product and service group sales accounted for 21% of the gross profit of Company's consolidated prime quality products. In terms of sales tons, this figure corresponds to 11% of total prime quality product sales. The sectoral volume breakdown of new product sales by the end of 9 months of 2023 is 6% Infrastructure and Project, 54% Construction and General Industry and 40% Automotive.

On the product development front, the focus continued on value-added advanced processes and coatings in the 9 months of 2023. In addition, development of innovative pipe type activities that address different areas of use for all business lines, continue.

In addition to new product development, studies go on in many projects in the field of digital transformation. Research continues on IoT technologies, applications that could benefit the customer, and web developments.

## **8. Capital Market Instruments**

Details are disclosed under Section 1.6 - Securities Issued During the Period.

## **9. Donation and Aids**

Borusan Mannesmann supports various philanthropic organizations and foundations within the scope of social responsibility consciousness. In this context, total amount of donation and aids realized between January 1 – September 30, 2023 period is TRY16,891 ths.

## **10. Share Price and Market Capitalization**

The Company's market capitalization, which was TRY38,201,625 ths based on the closing value of its shares on June 27, 2023, reached TRY99,777,825 ths as of the last trading date on September 29, 2023, at the end of the period.

### III. INFORMATION REGARDING FINANCIAL STRUCTURE

1. Information regarding other aspects that may give an opinion about the sales of the Company within the year, its efficiency, income generation capacity, profitability, debt/equity ratio and results of the operations, in comparison to previous years:

|                             |                                                                                    |   | <u>September-23</u> | <u>September-22</u> |
|-----------------------------|------------------------------------------------------------------------------------|---|---------------------|---------------------|
| Current Ratio               | $\frac{\text{Current Assets}}{\text{Short Term Liabilities}}$                      | = | 1.16                | 1.01                |
| Liquidity Ratio             | $\frac{\text{Current Assets} - \text{Inventories}}{\text{Short Term Liabilities}}$ | = | 0.54                | 0.46                |
| Inventory Turnover Ratio    | $\frac{\text{Cost of Sales}}{\text{Inventories}}$                                  | = | 1.78                | 2.08                |
| Working Capital Utilization | $\frac{\text{Inventories} + \text{Trade Receivables}}{\text{Net Sales}}$           | = | 59.3%               | 65.3%               |
| Equity Utilization Ratio    | $\frac{\text{Shareholders' Equity}}{\text{Total Liabilities} - \text{Cash}}$       | = | 44.8%               | 39.5%               |
| Profitability Ratio         | $\frac{\text{Net Profit For The Period}}{\text{Net Sales}}$                        | = | 12.8%               | 3.7%                |
| Asset Efficiency            | $\frac{\text{Net Profit For The Period}}{\text{Total Assets}}$                     | = | 6.1%                | 2.1%                |
| EBITDA Margin               | $\frac{\text{EBITDA}}{\text{Net Sales}}$                                           | = | 23.7%               | 12.2%               |

| <b>Note 1: Calculation of Earnings Before Tax, Interest, Depreciation (TRY 000)</b> | <u>September-23</u> | <u>September-22</u> |
|-------------------------------------------------------------------------------------|---------------------|---------------------|
| Operating Profit / (Loss)*                                                          | 5,016,551           | 1,391,852           |
| Depreciation Expenses                                                               | 730,476             | 397,276             |
| Within Cost of Sales                                                                | 644,946             | 329,360             |
| Within Marketing, Sales and Distribution Expenses                                   | 7,148               | 6,068               |
| Within General Administrative Expenses                                              | 78,382              | 61,848              |
| Period Expense / (Income) on Provisions for Severance Pay                           | (46,618)            | 12,857              |
| Period Expense / (Income) on Provisions for Leave                                   | 2,041               | -                   |
| Other Extraordinary Expense / (Income)                                              | 160,535             | 6,352               |
| <b>Earnings Before Tax, Interest, Depreciation (TRY 000)</b>                        | <b>5,862,985</b>    | <b>1,808,337</b>    |

\* Financial ratios are calculated based on Income Statements of September 30, 2022 and September 30, 2023 periods.

\*\* EBITDA is calculated including Net Operating Income, Income from Investment Activities and excluding extraordinary income (expense).

**2. Analysis and assessment of the management regarding the financial status and results of the operations, degree of realization of the planned operations, the Company's status in terms of strategic goals defined and the forward-looking expectations:**

With the acquisition of Berg Pipe, its inclusion to the consolidation as of April 2023, and depending on the steel price trends in global markets, the Company expected to realize a sales volume of 1.10 – 1.30 million tons and revenues in the range of \$1.7 – \$2.0 billion at the end of 2023. However, despite of the contribution of Berg Pipe acquisition, sales volume is expected to come in at 1.00 – 1.15 million tons at the year end as a result of normalization of demand in energy business line and limited exports. Revenue, on the other hand is forecasted to be in the range of \$1.5 – \$1.8 billion with the effect of the balanced demand and diminishing sales prices. EBITDA margin is expected to realize below 20% at the 2023 year end. This is due to the normalization in the third quarter of exceptional profitability generated in 1H23 with rising production costs resulting from increasing inflation and fx volatility.

**3. Evaluations and determinations of the management whether or not capital of the Company is sufficient or if it is insolvent:**

The Company is not insolvent according to evaluations conducted in accordance with the Article 376 of the Turkish Commercial Code.

**4. Measures considered to be taken for improving the financial structure of the Company, if any:**

In order to ensure sustainable profitability and support its financing capability by maintaining its strong capital structure, the Company carries out hedging derivative transactions for protection purposes in accordance with its internal procedures. In addition, it continues its activities in the field of treasury and corporate finance in order to strengthen its financial structure.

## **IV. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

### **Statement of Compliance with Corporate Governance Principles**

In the fiscal period between January 1 – September 30, 2023, the Company complied with certain criteria in the Corporate Governance Principles published by the Capital Markets Board, reviewed its articles of association, procedures and practices in terms of compliance with principles, identified the areas where full compliance was not achieved, and carried out improvement studies in these areas. The Company Management has adopted, in principle, to comply with practices in the Corporate Governance Principles. The Corporate Governance Compliance Report and the Corporate Governance Information Form, which includes updated information on corporate governance practices, for the period between January 1 – December 31, 2022 were published simultaneously with the year-end annual report on the Public Disclosure Platform. Further information is available at the following links:

Corporate Governance Information Form: <https://www.kap.org.tr/en/Bildirim/1116591>

Corporate Governance Compliance Report: <https://www.kap.org.tr/en/Bildirim/1116592>

## **V. SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT**

### **Statement of Compliance with Sustainability Principles**

Borusan Mannesmann sustainability teams carry out their studies targeting compliance with the Sustainability Principles Compliance Framework prepared in line with the amendment dated October 2, 2020, made by the Capital Markets Board in the Corporate Governance Communiqué. As per the resolution of the Capital Markets Board dated June 23, 2022 and numbered 34/977, compliance with the principles in the Sustainability framework and those that have not yet been complied with are explained. Borusan Mannesmann continues its studies to improve its compliance status in 2023, taking into account the interests of all stakeholders.

Further information is available in the Sustainability Compliance Report disclosed on the PDP <https://www.kap.org.tr/en/Bildirim/1177747> on July 31, 2023.

## **VI. OTHER INFORMATION**

The explanations regarding developments that significantly affected the Company's operations in this period are presented above. For other information, please refer to:

### **I) Material Disclosures and Financial Reports Disclosed on PDP:**

[BMP Disclosures on PDP](#)

### **II) Investor Presentations:**

[Investor Presentations](#)