

# POST-IPO FIRST YEAR OVERVIEW BULLETIN - 14.11.2020 -

## 1. Purpose

- Our company has maintained its honest, accountable, transparent and reliable attitude by approaching all its stakeholders at an equal distance since our IPO, which took place on 14.11.2019 (on Borsa İstanbul).
- In line with this approach, this information bulletin has been prepared in order to present our investors the major developments that have occurred in our operations since IPO and to update regarding the issues covered in our public offering prospectus.

## 2. Introduction

- Yükselen Çelik A.Ş. is a steel service center that has adopted the understanding of “quality product” and “sustainable growth” as its basic principles for the last 44-year-period and is trusted by the industrialists and other stakeholders with its “honesty and transparency”. The company, which has increased its price per ton and sales amount per kg for the last 5 years in the field of Tool, Mold, Alloy and Qualified steel with high value added, has a solid position in its sector with its own brands and patents.
- Our shares with a nominal value of TRY 12,810,000, all of which were offered to the public through capital increase, started to be traded on Borsa İstanbul (BIST) Main Market on 14.11.2019 under the ticker "YKSLN.E" based on TRY 5.40 TL per share price. On the back of the strong confidence in our company during the public offering process, 2.77 times our total public offering size was collected.
- Following our company's 100% bonus issue from internal sources, our share price has been adjusted on 02.09.2020. Based on this adjustment; our adjusted public offering share price corresponds to TRY 2.70.

## 3. IPO Through Capital Increase

- Our company has offered its shares through TRY 12,810,000 capital increase with a nominal value of TRY 1 each at a price of TRY 5.40 TL/share. Following the IPO, its paid-in capital reached TRY 43,310,000 TL from TRY 30,500,000.
- TRY 69,174,000 gross (TRY 65,381,783.20 net) IPO revenue was generated from the sale of 12,810,000 shares. It is projected that 30% of the IPO revenue will be used for investment financing and machinery purchases, 40% to strengthen working capital and 30% to pay financial debt.

## 4. Liquidity Providing

- Our IPO consortium leader Gedik Yatırım Menkul Değerler A.Ş. ("Gedik Investment") was assigned as liquidity provider on 13.11.2019.
- Details of the liquidity providing transactions made within the scope of the contract are announced on Public Disclosure Platform in line with the legal legislation.

## 5. Price Stabilization Fund

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- Immediately after the IPO, a Price Stability Fund was established by our company as detailed in our public offering prospectus. In this context, a cash fund of TRY 10,376,100 TL allocated to Gedik Invest, the consortium leader of the IPO.
- The fund has been made available for price stabilization transactions for 30 days from the date of IPO on Borsa Istanbul (as of 14.11.2019). 431,672 number of shares were purchased with an average share price of TRY 5.34 amounting TRY 2,305,632 within the scope of the Price Stability Fund. The fund used is 22% of the total fund allocated.
- 431,672 shares purchased by using the Price Stability Fund allocated by our Company for protecting our investors are registered under our assets and the number of shares reached 863,344 following the bonus issue. The total cost of 863,344 shares is TRY 2,305,632. Average adjusted cost per share is TRY 2.67.
- These shares, acquired after the IPO for the purpose of protecting investors and ensuring price stability, are not related to our Company's main field of operations. In order to use our resources in accordance with the main field of operations and interest, these shares may be sold in a period deemed appropriate by the Board of Directors. In this context, the provisions of the Capital Markets Board are binding.

## 6. Consignment Supply Agreement

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- On 18.09.2019, we signed a Consignment Supply Agreement with the Chinese supplier, which has been an active supplier of our company for many years, in order to develop our cooperation based on mutual trust. The first shipment was made on 22.11.2019 under the agreement.
- Our company has supplied steel from the supplier, produced in accordance with our specifications and with a 6-month consignment period. Yükselen Çelik has not given any cash or non-cash collateral to the Supplier based on this Agreement. Due to the agreement, Yükselen Çelik did not utilize any additional loans. Meanwhile, there has been no need for financial sources.

## 7. Investment Incentive Application

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- Through the resolution taken on 25.11.2019, our company has decided to apply to the Ministry of Industry and Technology for the customs duty exemption on imported machinery and equipment in certain tariffs and groups, the Value Added Tax exemption on all kinds of imported and domestic machinery and equipment procurements as well as to benefit from various loans and subsidies covered by the incentive.
- Our application was submitted on 29.11.2019 and it has been accepted by the Ministry of Industry and Technology on 10.02.2020.
- On the back of these incentives, our company was provided with tax exemptions in "Investment Finance, Machinery Purchases and Modernization" expenditures made within the scope of our commitments regarding the use of IPO revenues, and advantageous new financing sources were created for the Company.

## 8. Establishment of Investor Relations Department

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- Our company has established its Investor Relations Department soon after the IPO, where an Investor Relations Manager and an Investor Relations Specialist are employed.

- Shortly after the public offering, our company has completed the structuring of the Investor Relations Department, where an Investor Relations Manager and an Investor Relations Specialist are employed
- Meanwhile, following the establishment of the department the Investor Relations website was redesigned with a user-friendly approach in order to inform investors and the public more effectively at [www.invest.yukselen.com](http://www.invest.yukselen.com).
- The Investor Relations Department, whose primary goal is to establish close relations with all shareholders at equal distance and provide them with the maximum benefit, responded all queries received via telephone and e-mail within the framework of the legislation. The management and Investor Relations Department met with many institutional investors and financial analysts.

## 9. Launching of Two New Product Groups

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- Our company has developed two new products in the last quarter of 2019 for the automotive, mold and aluminum manufacturing industries in the "Tool Steels" segment, which is the leading product group with high profit margin and value added.
- The patent processes of these product groups, the specifications of which were completely developed by our company, have been completed and started to be sold as of 01.01.2020.
- In line with the commercial decision taken, penetration pricing was applied initially and the products were demanded seriously in "priority sectors" and started to be preferred over competitors. Nevertheless, price levels are anticipated to increase gradually as of the last quarter of 2020 and their positive contributions to profitability will be seen in the following periods.

## 10. Real Estate Disposal

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- Tuzla factory building and its land with a book value of TRY 27,465,000 were sold for TRY 33,440,000 on 25.12.2019 in cash.
- Profit amounting TRY 25,455,791.70 obtained from this transaction and TRY 12,727,895.85 has been registered to the net profit.
- The fund acquired from the transaction is used for working capital needs of the Company.

## 11. 2019 Financial Year Overview

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- Our company registered TRY 170.7 million sales revenue in 2019 with 37.9% increase compared to the previous year. The sales revenue recorded is 5.5% above the target level disclosed in the Evaluation Report dated 25.10.2019.
- Financial liabilities have been significantly reduced thanks to IPO revenues and Tuzla factory building sales revenues. Thus, the net cash position as of 31.12.2019 was TL 21.8 million. (31.12.2018: 15.0 million TL net debt)
- In line with our sales strategy, the share of value added products in sales revenue has increased. Hence, the share of tool steel in our sales revenues increased to 40.0% as of 31.12.2019. (31.12.2018: 29.8%) Despite the contraction in the sector, the income per ton increased by 28.7% in 2019, amounting 6.399 TL / Ton, through the increase in the share of value added products in total sales revenue. (31.12.2018: 4.973 TRY / Ton)

## 12. Machinery and Chemical Industry Corporation

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- Our company aims to reduce potential risks in the foreign supply chain and increase the number of domestic suppliers in its portfolio. Within this framework, a supply agreement has been signed with local-based "Machinery and Chemical Industry Corporation" ("MKEK") in the first quarter of 2020.
- Within the scope of the agreement, local sales representation (dealership) was acquired for forged steels produced by MKEK. Due to the fact that MKEK has limited number of dealers and domestic distribution is made through these dealers, the agreement is expected to contribute our sales revenues positively.
- Meanwhile, some products previously supplied from China were procured from MKEK domestically. Therefore international supply chain risks were reduced thanks to the agreement.

## 13. Successful Supply Chain Management and Continuity of Operations During the Pandemic

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- When first impacts of the COVID-19 outbreak emerged, our company has taken various measures in order to prevent potential raw material shortages, since the beginning of 2020. In this context, numerous meetings were made with the raw material suppliers in many countries; including Turkey, Ukraine, Germany, Italy and Spain. Samples produced in line with the specifications suitable with the requirements of our company were examined. By making agreements with the raw material suppliers who have succeeded in the sample processes, potential disruptions in the supply chain have been prevented.
- Raw materials supplied from China started to be supplied from European countries following the COVID-19 outbreak. However, following the spread of the outbreak in Europe, it has been deemed necessary to develop our domestic supplier portfolio for our raw material needs. Our company has negotiated with many reliable domestic suppliers and made agreements in order not to disrupt our supplier chain.
- Unlike many competitors that experienced raw material supply shortages during the outbreak, our company did not experience any problems in raw material supply thanks to the proactive measures taken before the outbreak and continued its operations uninterruptedly.

## 14. Loan Repayments

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- In our public offering prospectus article 28.2, it is stipulated that 30% of the IPO revenue will be used to pay off financial debt. Following the IPO, bank loans were paid off with an exceeding amount of TRY 7,920,798.12.
- In order not to generate an additional financing burden within the scope of the cash requirements of the company and due to the fact that the cost of utilizing revolving loan is higher than the cost of keeping deposits; it has been decided that the remaining amount of the fund allocated for investments will be used for working capital requirements until the planned investments are made in line with the company's interest and requirements.
- Following the collection of customer checks issued to banks as collateral for the aforementioned revolving loans, the funds used to pay off revolving loans were transferred to the Company's bank account in cash.

## 15. Investments Made Partially

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- In our public offering prospectus article 28.2, it is stipulated that 30% of the IPO revenue will be used for investment financing and machinery purchases.

- Research and order processes for investment financing and fixture purchases were initiated immediately.
- On the other hand, the entire fund was not utilized immediately following the IPO, since it is not advantageous for the Company and the planned investments and machinery purchases will be made in stages and the capacity increase and testing procedures take time.
- The aforementioned investments are aimed to be completed on 31.12.2021 at the latest. As soon as the investments are completed, our company is planned to reach a capacity increase of 300% to 400% compared to the IPO.

## **16. Turning our Dudullu Representative Office into a Branch**

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- Our company has turned its representative office, located in the DES Industrial Site in Dudullu, Ümraniye district of Istanbul, from "Representative Office" into "Commercial Branch" as of 21.07.2020. Our Dudullu, Ümraniye branch operates in the fields of sales, marketing and procurement.
- Our company aims to increase its sales by effectively managing its steel sales to some target sectors and locations domestically, especially in Istanbul Anatolian Side, Sakarya and Kocaeli regions.

## **17. The Ordinary General Assembly Meeting**

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- The 2019 Ordinary General Assembly Meeting of our company was held on 11.07.2020 at the company's headquarters
- All of our General Assembly resolutions have been unanimously approved by all our stakeholders participated and registered by the Istanbul Trade Registry Office on 16.07.2020.

## **18. Bonus Issue**

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- Within the Company's Registered Capital Ceiling of TRY 152,500,000, the Board of Directors decided to increase our Company's paid-in capital from TRY 43,310,000 to TRY 86,620,000 by adding TRY 43,310,000 (100%) from Premiums on Stock Issue. Our application was approved by Capital Markets Board on 31.08.2020.
- Article 6 of the articles of association with the new capital titled "Number and Transfer of Capital and Shares" was registered by Istanbul Trade Registry Office on 07.09.2020.
- Our share price, which was TRY 15.54 prior to our capital increase, was adjusted after the bonus issue, and our adjusted shares started to trade on 02.09.2020 with a theoretical share price of TRY 7.77. Following the bonus issue, the number of shares of our investors doubled and new shares were transferred to investor accounts on 04.09.2020.
- The use of some resources that may be subject to bonus issue as well as retained earnings and special funds, which are registered in our assets and were not allowed to be used since one year since IPO had not passed yet on 31.08.2020, will be released as of 15.11.2020. Our Board of Directors will discuss and evaluate a new 50% bonus issue in the last quarter of 2020.

## **19. Raw Material Supply Agreement with Kardemir Karabük Demir Çelik**

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- In order to reduce the potential risks in the supply chain and to operate in different product groups with different pricing strategies by increasing the number of domestic suppliers in its portfolio, our company has signed a supply agreement with local-based "Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. ("Kardemir") on 10.09.2020.

- Following the discussions with Kardemir; we believe that this cooperation is sustainable as a result of the development of Kardemir's product quality in line with our requirements, the revision of discount rates, the necessary tests of the sample orders received and the expansion in the production range in line with our demand.
- The new cooperation enabled us to prioritize TL-based raw material procurement from domestic sources, instead of FX-based procurement from foreign suppliers.
- TL-based fixed-price contract protects our company against fluctuations in exchange rates. In addition, an increase in profitability will be achieved through the reduction in our Company's foreign currency liabilities and a decrease in derivative transaction fees.

## 20. Opening our Ataköy Branch and Establishment of Export Department

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- Our company has decided to open a new Branch (Foreign Trade, Procurement and Finance Branch) in Bakırköy district of Istanbul in order to establish and operate the Export department, to improve supply chain management and to strengthen financing activities.
- In this context, "Yükselen Çelik A.Ş. Ataköy Branch" was registered and announced by the İstanbul Trade Registry Office on 18.09.2020.
- The main operations of our Ataköy Branch, located in Ataköy 7-8-9-10. Kısım Mah. Çobançeşme E-5 Yan Yol Cad. Ataköy Towers Plaza, A Blok No: 20/1/142 Kat: 10 Bakırköy İstanbul", are the management of export, procurement and financing activities.

## 21. Increase in Revenues Despite Contraction in Steel Sector

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- **World Steel Production was 1.347.4 Million tons in the first nine months of 2020, decreasing by 3.2% compared to the first nine months of 2019.** China produced 782 million tons by diverging positively with an increase of 4.5% in the same period. Considering the relevant period, almost all countries except China have registered significant contraction in steel production.
- Turkey's crude steel production reached around 26 million tons, increasing by 2.6% in the first nine months of 2020 compared to the first nine months of 2019. In this context, while crude steel production increased in Turkey relatively, COVID-19 crisis had a deep impact on Turkey's iron and steel industry as did globally.
- During this period when global steel production contracted and significant raw material shortage existed, on the back of rapid adjustments made in time in our supply chain, our Company was able to expand its product portfolio and maintain its market share in this crisis period. In the first nine months of 2020, our revenues increased by 5.4% and our revenue per ton reached 6,937 TRY/ton. (2019/9M: 6,404 TRY/Ton) (Source: World Steel CIB, Steel Manufacturers Association of Turkey)

## 22. Exclusive Export Cooperation Agreement

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- Exclusive Export Cooperation & Transit Sales Agreement was signed on 11.11.2020 between our Company and one of China's largest tool steel producers ("Supplier"). Our company does not have export revenues currently and will generate additional transit export revenues from 26 countries as of 01.01.2021, on the back of this agreement. Within the scope of the agreement, we expect to register approximately EUR 900,000 EUR sales revenues by exporting 500 tons of tool steel in 2021, and this contribution is expected to reach the level of EUR 2-

3 Million EUR in 2022. The revenue contribution will increase eventually through the persistence of the agreement and the increased penetration in the export markets going forward.

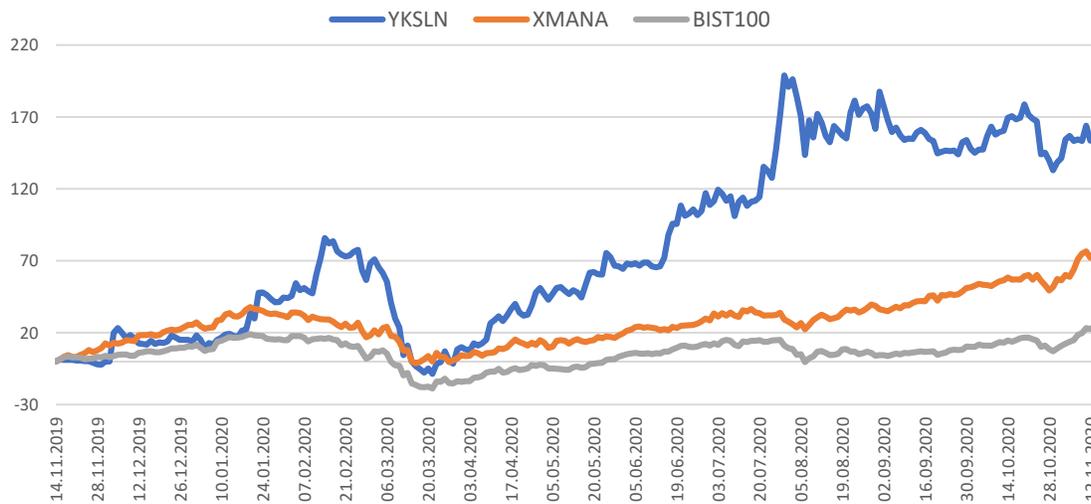
### 23. Share Price Performance Since IPO

- Our retrospectively adjusted IPO share price following the bonus issue is TRY 2.70. Our company's shares provided 154.1% return to its investors since 14.11.2019, when it started to be traded on Borsa Istanbul, until 13.11.2020.
- Our Company's shares ("YKSLN.E") outperformed BIST-100 and XMANA (Main Metal) indices during the one-year period since IPO until 13.11.2020 and satisfied its investors.

TICKER	14.11.2019	13.11.2020	Rate of Return	YKSLN Relative Return
<b>YKSLN</b>	<b>2.70*</b>	<b>6.86</b>	<b>154.1%</b>	-
<b>XMANA</b>	1,931.79	3,331.15	72.4%	81.6%
<b>BIST 100</b>	1,037.81	1,291.29	24.4%	129.6%

\* 14.11.2019 opening price

#### Relative Performance Since IPO



Source: Matriks

***Disclaimer:** All data included in this informative bulletin consists of the Company's considerations, estimates and forecasts. It has no binding impact on our Company. All considerations, estimates and forecasts may vary depending on the dynamic market conditions.*

## **About Yükselen Çelik**

Yükselen Çelik is a special steel supplier and service center, operating in the special long steel sector and selling its own branded-products produced based on the specifications developed by itself.

The company operates in Cold Work Tool Steel, Hot Work Tool Steel, Plastic Mold Steel, Other Tool Steels, Alloy Steel, Tempered Steel, Carburizing Steel, Carbon Steel and other special steel groups.

The Company's shares have been listed on the Borsa Istanbul since November 14, 2019 under the ticker 'YKSLN'. As of September 30, 2020, Yükselen Çelik registered TRY 211.5 million total assets. Market capitalization reached TRY 604.6 million as of 13 November 2020. For further information, please visit <https://www.invest.yukselen.com/> or contact Investor Relations Department.

### **For Further Information**

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