

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN
ACCORDANCE WITH THE COMMUNIQUE SERIAL:XI, NO:29**

1. Period of the Report

01.01.2009-31.12.2009

2. Title of the Association

EREĞLİ IRON AND STEEL WORKS, INC.

3. Members of the Board of Directors and Auditors

According to the Turkish Trade Act and related regulations, the elections of the Board of Directors and Auditors are executed by the General Assembly within the framework of the Articles of Association. The changes during the period are made by the decisions of the Board of Directors for members of the Board of Directors and by the Board of Auditors for members of the Board of Auditors, as to be approved in the next regular general assembly. The company's 2008 Regular General Assembly has been executed on 30.03.2009.

The active members of the Board of Directors as of 31.12.2009:

Board of Directors	Title	Effective from
Şerif Coşkun ULUSOY	Chairman (1 year)	27.02.2006
Mehmet Aydın MÜDERRİSOĞLU	Deputy Chairman (1 year)	27.02.2006
Arzu Hatice ATİK	Board Member (1 year)	26.02.2008
Celalettin ÇAĞLAR	Board Member (1 year)	27.02.2006
Ergün Oktay OKUR	Board Member (1 year)	27.02.2006
Nihat KARADAĞ	Board Member (Until 2009 Regular General Assembly)	30.09.2009
Dinç KIZILDEMİR	Board Member (1 year)	27.02.2006
Ertuğrul AYDIN	Board Member (1 year)	31.03.2008
Oğuz Nuri ÖZGEN	Board Member (1 year)	17.07.2006

Changes in the Board of Directors within the Period

Ali Caner ÖNER has resigned from the membership of the Board of Directors on 29.09.2009 and Nihat KARADAĞ has been elected for the vacant position as a member to the Board on 30.09.2009.

Members of the Board of Auditors inaugurated as of 31.12.2009 after the Regular General Assembly executed on 30.03.2009:

Board of Auditors	Title	Effective from
Fatma CANLI	Board of Auditors Member (1 year)	22.03.2007
Ali Güner TEKİN	Board of Auditors Member (1 year)	31.03.2008

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Changes in the Board of Auditors within the Period

No change occurred in the Board of Auditors within the period.

Authorities and Limits of the members of the Board of Directors' and Auditors'

The Chairman and the members of the Board of Directors and Auditors possess duties and authorities set out in the Turkish Trade Act's relevant clauses and in the Articles of Association.

4. Executive Management

Executive Management	Title	Effective from
Oğuz Nuri ÖZGEN	President and Chief Executive Officer	13.07.2006
Esat GÜNDAY	Executive Vice President (Operations)	13.07.2006
Ahmet Samim ŞAYLAN	Executive Vice President (Human Resources and Admin. Affairs)	13.07.2006
Bülent BEYDÜZ	Executive Vice President (Chief Financial Officer)	15.01.2010
Günhan BEŞE	Executive Vice President (Sales and Marketing)	13.07.2006
Ozan BEKÇİ	Executive Vice President (Raw Materials and Procurement)	13.07.2006
İsmail Hakkı GÜROL	Executive Vice President (Technical Services and Investment)	13.07.2006

Changes in the Executive Management within the Period

Following the resignation of Halil Cem KARAKAŞ, Bülent BEYDÜZ has been assigned as Chief Financial Officer (Executive Vice President) as of 15 January 2010.

5. 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 2008 were met during the period 01.01.2009 – 31.12.2009. In this context, in order to strengthen our capacity of capital markets legislation, qualified personnel has been charged according to the CMB Communiqué Serial IV No: 41.

6. Amendments in The Articles of Association

None of the clauses in the Articles of Association were changed within the period of 01.01.2009-31.12.2009.

7. The Nature and Amount of Issued Capital Market Instruments

In accordance with the decision of the Board of Directors dated 24.07.2009 numbered 9010 and dated 09.09.2009 numbered 9015, it was decided to raise the paid up capital from TRY1.148.812.500,00 to TRY1.600.000.000,00 by an increase of TRY451.187.500,00 consisting 39,27425% of the paid up capital. The procedures for the increase in capital have been completed with the registration and publication of the Capital Market Board document dated 15.10.2009 numbered 88/861.

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No significant changes occurred in the environment the company operates in.

9. Information about the sector

2009 went down in history as a tough year for world steel industry. Low demand due to the economic crisis, which broke out in the USA and spread all over the world, induced a monetary pressure on steel manufacturers and caused production cuts, increased inventories and resulted in record-low price declines. During this period, many plants around the world were faced with early blast furnace maintenance or closed ovens, investments have been postponed or cancelled and product lines have been suspended. Following these problems, the steel manufacturers were forced to take necessary precautions such as laying-off the personnel, reducing the salaries and working hours. In the third quarter of 2009, market received some signals of recovery. Depleting inventories, the shift in industrial production and rising steel demand due to necessities, increased steel prices slightly. The steel producers, in order to take advantage of the rising price trend, began to reactivate their facilities bit by bit and upgrade their capacity utilization rates. However, due to unstable demand of the real sector, the price increases are not stabilized yet and it is foreseen that it will take some time for the market to get out of the recession.

Due to the negative trend in the production after the crisis in 2009, the world crude steel production declined to 1,220 million tons; indicating an 8% decrease on a y-o-y basis. Despite the expansion in Asia – especially China and India – along with the Middle East, almost all other steelmaking countries and regions produced less – in some cases much less – than they did in 2008. China increased its output by 13.5% to 568 million tons which is accounted for 47% of the world's production, which was 38% last year record. However, all major steel-producing countries in the EU showed substantial declines in 2009 and the region's total production went down almost 30% to 139 million tons. Meanwhile, Turkey has produced 25.3 million tons of crude steel which indicates a 5.6% decrease on a y-o-y basis. Among this amount; 7.6 million tons were casted from integrated plants and 17.7 million tons from electric arc furnaces. Despite the 5.6% fall compared to last year, Turkey was ranked as one of the top ten steel producing countries, displacing Italy which had a production decrease of 46%.

10. The Position of Erdemir Group within the Sector

In 2008, Erdemir Group was ranked 50th globally, 15th Europe-wide and 8th within EU-27 by World Steel Organization by producing 6 million tons of crude steel. In 2009, the crude steel production in Ereğli plant of Erdemir Group has been 3.7 million tons which indicates an increase of 18.9% on a y-o-y basis. The main cause of the increase in crude steel production is due to the lack of hot metal production during the commissioning works of blast furnace no:1 (Ayşe) in 2008. The crude steel output of İskenderun plant in 2009 on the other hand has been 2.7 million tons which indicates a decrease of 2% on a y-o-y basis.

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Research and Development Activities of Ereğli Iron and Steel Works, Inc. within the period are as follows:

- The production of X-80 petroleum and natural gas pipe line steel grade in reversible hot rolling mill process (TÜBİTAK-TEYDEB Project).
- The production of X-70 petroleum and natural gas pipe line steel grade in reversible hot rolling mill process (TÜBİTAK-TEYDEB Project).
- The production and development of alternative DC04 ED enameling steel grade according to DIN EN 10209 standards, having improved aging properties.
- The production and development of electric steel grades having high silicon content (Offer for sale, results were observed).
- The production and development of steel grades S355JO, S355K2, S355J2W (resistant to the atmospheric corrosion) produced in the concern of DIN EN 10025 standard due to the requirement of structural construction companies (Offer for sale, results were observed).
- The development of DIN EN 10149 grade S600-S700MC for Mercedes (Trial procedure has been completed).
- The development of DIN EN 10149 grade S500MC. Trial procedure has been completed and project is in progress.
- The production of plates with TCR rolling up to API X-60 steel grades. Due to insufficient plate orders, trial procedures could not be completed. Depending on the heavy plate order the trial procedure will continue.
- The production and development of steel grades XES- XE280D for Renault accomplished successfully and improved steel grade is ready for sale.
- The briquetting of pellet dust using suitable additives in laboratory scale and research to enable charging of manufactured briquettes into the steel mill, sinter and blast furnace. The briquetting trials have been completed and pre-report was published (TÜBİTAK-TEYDEB project).

12. Investment Activities

Throughout the year 2009, the investments of Erdemir Group have continued. The details of the main investments continuing in Ereğli and İskenderun plants are as follows:

Ereğli Plant;

- Yarımca Harbor & Logistics Center
- Automation and Modernization of Continuous Pickling Line (CPL) and Tandem Cold Mill (TCM) Cold Rolling Mill No.2
- Automation and Modernization of Continuous Annealing Line (CAL) Cold Rolling Mill No.2
- Advanced Planning & Scheduling System
- Hot Strip Mill No.1 Combined Mill Drive Motor
- Enterprise Resource Planning (including İskenderun Plant)

İskenderun Plant;

- No.2 Sinter Plant
 - BOF Modernization
 - Waste Recovery System (phase I)
 - No.4 Blast Furnace
 - Modernization of No.4 Coke Oven Battery
 - Harbor Investments (2nd Stage) "First Phase of Coastal Structures"
 - Harbor Investments (Cargo and CB Cranes)
 - Infrastructure Improvements
 - Modernization of Automation System of the existing Steam Boilers
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13. Government Grants

Government grants and incentives, received by Erdemir Group are as follows:

(TRY)	01 January- 31 December 2009	01 January- 31 December 2008
Energy Grant	5.018.685	3.674.055
Research and Development Grant	808.035	31.026
Social Security Grant	502.765	476.810
Tax Grant	57.401	65.915
Investment Incentive Allowance	-	185.657.845
Total	6.386.886	189.905.651

14. Developments Regarding the Plants

The financial crisis that started in the USA and hit the financial sector first, created an unprecedented result by affecting the non-financial sector, spreading in waves. The banks considerably limited their credit availability rates due to the uncertainty of the finance sector and this resulted with the cutbacks in the labor and production. As a result of this global financial crisis, the world crude steel production decreased by approximately 8% to 1.2 billion tons in 2009 when compared to 2008 according to the report of World Steel Association (WSA) with the participation of 66 countries covering 98% of the world's crude steel production.

The negative global conditions had also a severe impact on Turkey. The domestic apparent consumption of the flat steel products has been facing a serious recession since August 2008 and in February 2009 decreased to the lowest level of in recent years. Since then, despite having fluctuations, with the slowdown of the economic recession as well as the inventory movement effects of the steel consuming sectors, the consumption started to increase but it was still below the previous years. As a result of these developments, it is estimated that the apparent consumption of the flat steel products will decrease further by 20% in 2009 from prior decrease of 10% in 2008 and taper off to 7.5 million ton/year.

It has been estimated that the hot rolled flat steel market share of Erdemir Group in 2009 had reached to 45%, from 25% of the market share in 2008. The total hot rolled flat steel capacity increase obtained by both the investments completed in the İskenderun plant and the 15% increase realized in the domestic sales by Ereğli plant. In spite of the contracted domestic market parallel to these improvements accomplished, the total market share of Erdemir Group's all flat steel products in its product range increased to 40% in 2009 from %27 in 2008.

Although there are various scenarios for 2010, the general opinion is that the economy will make a progress progress but slowly. Unless having a second crisis as some of the economists pointed out, the consumption of flat steel products is expected to increase in 2010 compared to 2009 and get closer to 2008 levels although the consumption will not be able to bounce back as it did in the year of 2002 following 2001 crisis.

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15. Production Plants

Main plants and capacities of Ereğli Iron and Steel Works Inc. are as follows:

	01 January-31 December 2009		
	Capacity* (tons)	Production (tons)	C.U.P. (%)
Coke Plant	1.000.000	973.794	97,4
Sinter Plant	2.000.000	1.933.770	96,7
Blast Furnaces	3.400.000	3.350.238	98,5
BOF	3.500.000	3.836.644	109,6
Casters	3.400.000	3.715.622	109,3
Hot Strip Mill.1	1.150.000	898.640	78,1
Hot Strip Mill.2	3.650.000	3.189.032	87,4
Plate Mill	300.000	22.407	7,5
Cold Mill.1	450.000	291.325	64,7
Cold Mill.2	1.550.000	1.344.284	86,7
Galvanizing Line	300.000	285.804	95,3
Electrolytic Tinning Line	250.000	166.578	66,6
General C.U.P %			95,5

* Actual capacity for the year.

Main plants and capacities of İskenderun Iron and Steel Works Co. are as follows:

	01 January-31 December 2009		
	Capacity* (tons)	Production (tons)	C.U.P. (%)
Coke Plant	2.150.000	1.716.096	79,8
Sinter Plant	3.000.000	2.140.364	71,3
Blast Furnaces	3.800.000	2.593.720	68,3
BOF	3.500.000	2.820.894	80,6
Billet Casting	2.500.000	1.896.092	75,8
Slab Casting	5.000.000	853.533	17,1
Hot Strip Mill	3.500.000	817.898	23,4
Wire Rod Mill	500.000	517.514	103,5
General C.U.P %			55,8

* Actual capacity for the year.

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16. Products

The main products of Erdemir Group are as follows:

Erdemir	Isdemir	Ermaden
Tinplate	Billet	Pellets
Galvanized	Wire Rod - Rebar	Iron Ore
Cold Rolled	Pig Iron	
Hot Rolled	Slab	
	Hot Rolled	

17. Productivity

Main units and capacities of Ereğli Iron and Steel Works Inc. are as follows:

	01 January- 31 December 2009			01 January- 31 December 2008			01 January- 31 December 2007		
	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)
Coke Plant	1.000.000	973.794	97,4	1.039.000	998.130	96,1	1.039.000	997.757	96,0
Sinter Plant	2.000.000	1.933.770	96,7	2.000.000	1.918.555	95,9	2.000.000	2.015.460	100,8
Blast Furnaces	3.400.000	3.350.238	98,5	3.089.083	2.793.788	90,4	2.700.000	2.774.107	102,7
BOF	3.500.000	3.836.644	109,6	3.250.992	3.219.025	99,0	3.000.000	3.213.315	107,1
Casters	3.400.000	3.715.622	109,3	3.153.092	3.123.498	99,1	2.900.000	3.127.075	107,8
Hot Strip Mill.1	1.150.000	898.640	78,1	1.150.000	1.049.528	91,3	1.150.000	1.078.236	93,8
Hot Strip Mill.2	3.650.000	3.189.032	87,4	3.650.000	2.843.155	77,9	3.575.000	3.179.243	88,9
Plate Mill	300.000	22.407	7,5	500.000	204.244	40,8	500.000	228.281	45,7
Cold Mill.1	450.000	291.325	64,7	500.000	327.476	65,5	500.000	356.768	71,4
Cold Mill.2	1.550.000	1.344.284	86,7	1.500.000	1.191.649	79,4	1.500.000	1.340.675	89,4
Galvanizing Line	300.000	285.804	95,3	300.000	319.473	106,5	300.000	283.365	94,5
Elect. Tinning Line	250.000	166.578	66,6	250.000	247.332	98,9	250.000	233.644	93,5
General C.U.P %			95,5			89,5			97,0

* Actual capacity for the year.

The information about the main plants and capacities of İskenderun Iron and Steel Works Co. is stated below:

	01 January- 31 December 2009			01 January- 31 December 2008			01 January- 31 December 2007		
	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)
Coke Plant	2.150.000	1.716.096	79,8	2.150.000	2.016.778	93,8	1.740.000	1.412.502	81,2
Sinter Plant	3.000.000	2.140.364	71,3	2.520.000	2.407.092	95,5	2.520.000	2.241.512	88,9
Blast Furnaces	3.800.000	2.593.720	68,3	3.800.000	2.846.304	74,9	3.600.000	2.473.788	68,7
BOF	3.500.000	2.820.894	80,6	3.500.000	2.920.851	83,5	2.200.000	2.286.166	103,9
Billet Casting	2.500.000	1.896.092	75,8	2.500.000	1.980.777	79,2	2.500.000	1.685.510	67,4
Slab Casting	5.000.000	853.533	17,1	5.000.000	870.670	17,4	2.500.000	552.036	22,1
Hot Strip Mill	3.500.000	817.898	23,4	1.458.333	140.669	9,6	-	-	-
Wire Rod Mill	500.000	517.514	103,5	500.000	502.939	100,6	500.000	478.982	95,8
General C.U.P %			55,8			63,9			71,5

* Actual capacity for the year.

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18. Production (quantity)

Final Products (000 Tons)	01 January - 31 December 2009	01 January - 31 December 2008	01 January - 31 December 2007
Erdemir	3.994	4.041	4.206
Isdemir	2.833	2.910	2.469
Ermaden	2.334	1.740	1.919

19. Developments Regarding Sales

Due to the global crisis, the sector passed over a price decline period named “death spirals” between July 2008 and May 2009, then the pricing began to recover until August 2009 and stabilized through the end of the year.

During this business cycle, Erdemir Group increased the number of customer visits and gave priority to the efforts of understanding customer expectations in order to watch the rapid change of the market closely and to keep up with the new requirements of the environment faster. To provide appropriate solutions to the different needs of our customers and to cope with the effects of the crisis, with the data collected from the market some adjustments have been made on sales policies, conditions and the prices were regulated in accordance with win-win principles.

İskenderun plant started hot rolled flat steel production in the middle of 2008 and began accepting orders according to the customer requests in accordance with the volatile steel demand that has been influenced by the crisis. Additionally, Erdemir Group continued to invest in Advanced Planning and Scheduling System (APASS) throughout 2009 to increase our performance of delivery in time, and the project is planned to be completed by the first half of 2010.

When compared to 2008, the annual sales of Erdemir Group in 2009 increased by 30% and reached 5.1 million tons. Despite the contraction in demand, with the raise in the production of İskenderun plant, our domestic flat steel sales increased by 21% compared to 2008 and reached the amount of 3.8 million tons. In this period, the sales amount of flat steel products of Ereğli plant has been 4.3 million tons, 9% more than it was in 2008. Besides the increase accomplished in the domestic sales, our export volume also increased by 65% to 1.1 million tons in comparison with 2008, in order to reach a higher total sales amount.

20. Sales (quantity)

Final Products (000 Tons)	01 January - 31 December 2009	01 January - 31 December 2008	01 January - 31 December 2007
Erdemir	4.294	3.902	4.295
Isdemir	2.809	2.785	2.479
Ermaden	2.100	1.616	1.864

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21. Indicators and Ratios

Financial statements are prepared in accordance with the CMB's Communiqué Serial:XI, No:29 and have been subject to a full-scope audit as of 31 December 2009 and 31 December 2008.

Summary of Balance Sheet

(TRY)	31 December 2009	31 December 2008
Current Assets	3.729.502.669	4.649.284.426
Non-current Assets	7.420.919.878	7.285.155.391
Total Assets	11.150.422.547	11.934.439.817
Current Liabilities	1.620.897.962	3.355.971.032
Non-current Liabilities	3.610.830.559	2.474.840.646
Shareholders' Equity	5.918.694.026	6.103.628.139
Total Liabilities	11.150.422.547	11.934.439.817

Summary of Income Statement

(TRY)	01 January- 31 December 2009	01 January- 31 December 2008
Sales Revenue	5.235.709.736	6.800.384.174
Operating Profit/(Loss)	51.745.902	516.873.558
Profit / (Loss) Before Taxation	(223.475.119)	284.792.922
Profit / (Loss) for the Period (*)	(168.481.558)	227.693.594
EBITDA	381.775.807	775.326.052
Earnings / (Loss) Per Share	(0,1054)	0,1322

(*) Erdemir Group's share in the net profit/ (loss) for the period is TRY (168.690.422) in December 2009. (December 2008: TRY211.474.460)

Key Ratios

(%)	31 December 2009	31 December 2008
Operating Profit/ (Loss) Margin	1,0	7,6
Profit/ (Loss) Margin	(3,2)	3,1
EBITDA Margin	7,3	11,4

22. Collective Labor Agreement Applications and the Benefits

22nd Period Collective Labor Agreement, which will be valid between 01.09.2008-31.08.2010, has been signed on February 26, 2009 between the Turkish Employers' Association of Metal Industries (MESS) on behalf of Erdemir Group and the Turkish Metalworkers Union as the collective bargaining agency.

In the scope of collective agreement applications, the rights and benefits of the white-collar and blue-collar workers are classified under bonuses and social benefits, and vacations. **Bonuses**

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and social benefits; bonuses, holiday pay, heating allowance, paid annual leave allowance, marriage allowance, birth allowance, bereavement allowance (the death of the worker, spouse, children, mother, father or sibling, death of the worker as a result of a work accident. The allowance will pass onto the worker's heir in case of death as a result of a work accident), military service allowance, children allowance, educational allowance for each child (primary school, secondary school, higher education), meal allowance, and transportation allowance. **Vacations;** paid annual leaves, family leaves for medical purposes, leaves of absence with excuse, unpaid leaves, and other paid leaves consisting marital leaves, bereavement leaves, maternity leaves, nursing leaves and leaves in case of a natural catastrophe.

Bonuses, holiday pay, heating allowance, children allowance, bereavement allowance (in the case the worker dies), meal allowance, and transportation allowance, derived from the social benefits, are paid both to white-collar and blue-collar workers; the rest is paid only to blue-collar workers. Paid annual leaves, leaves of absence with excuse, unpaid leaves, and nursing leaves can be taken by both white-collar and blue-collar workers; the rest is taken only by blue-collar workers.

In accordance with the provisions stated in the Collective Labor Agreement, the amount of bonuses and social benefits, valid as of 01.09.2009, had been increased by the Consumer Price Index of 5,33 %, realized for the period between 01.09.2008-31.08.2009.

Considering the Ramadan festivity and opening of the school year, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) has made a TRY1.000 (net) support payment per employee on 14.09.2009. Such decision has been carried out in İskenderun Demir ve Çelik A.Ş. and some other Erdemir Group companies. Erdemir Group's total support payment is TRY20 million including taxes.

The number of the personnel based on categories at 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Monthly paid personnel (A)	3.244	3.551
Hourly paid personnel (B)	8.003	9.063
Candidate worker (C)	1.786	1.797
Contractual personnel (D)	17	17
Contractual personnel (Contractor)	111	209
TOTAL	13.161	14.637

23. Shareholding and Capital Structure

Authorized Capital : TRY5.000.000.000
Paid-in Capital : TRY1.600.000.000

Shareholders	Shares (TRY)	%
Ataer Holding A.Ş.	788.563.515	49,29
Publicly Held	762.139.626	47,63
Erdemir's Own Shares	49.296.859	3,08
Total	1.600.000.000	100,00

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Erdemir Groups' Dividend Distribution Policy is as follows:

"The dividend distribution policy is explained by the Clause 37 of the Articles of Association. In compliance with the current provisions and the relevant item of the Articles of Association and as dictated by the Corporate Governance Principles, the best interest is sought between the interests of shareholders, the interests of the Group and the Group's resources in determining the ratio of net profit that is to be distributed to shareholders in the form of cash and/or bonus shares. In compliance with the Corporate Governance Principles, such policy is mentioned in the annual activity report, and is made public within the framework of the disclosure policy."

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

Erdemir 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 Erdemir Group is developed based on the capability of cash generation and the strong equity structure. Hedging methods and amounts used against financial risks during the global crisis environment 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. Sales price and terms are improved against liquidity risks. Sales prices are re-regulated in parallel with international prices and methods for increasing the sales volumes.

26. Risk Management Policy

Risks are monitored and managed in compliance with the regulation and procedures related with management of the market and customer risks which are directed towards measuring the risks Erdemir Group is exposed to and developing hedging methods to keep these risks within risk tolerances.

Value at Risk method (VaR) is used to measure the market risk and the maximum loss, which might occur from changes in currency rates, is calculated weekly within %99 probability ratio and one day retain interval. The calculation results are compared with the predefined limits and necessary actions are taken if limits are exceeded.

All of our receivables are guaranteed with the Direct Debit System and the Credited Direct Collection System. Risk positions of our customers are monitored daily and when exceeding the limits, a margin call is issued.

Duration is calculated based on the credit portfolio and cash flow projections in order to manage interest rate risks Erdemir Group is exposed to and the amount of gain / loss, which may arise possible interest rate changes, is measured using a sensitivity analysis. Additionally, the ratio of total amount of loans with a floating interest rate to whole credit portfolio of the Group is monitored and actions are taken to keep this ratio within a defined limit.

Similarly, with regards to liquidity risk management, credit usage and paybacks and cash flow projections are monitored and necessary actions are taken.

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27. 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	Operation	2009 Share %
İskenderun Demir ve Çelik A.Ş.	Iron and Steel	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Iron Ore and Pellet	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Iron and Steel	100,00
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Management and Consultancy	100,00
Erdemir Romania S.R.L.	Iron and Steel	100,00
Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş.	Iron and Steel	100,00
Erdemir Lojistik A.Ş.	Logistics Services	100,00

(*) Financial statements of Erdemir Gaz San. ve Tic. A.Ş. are not consolidated as its effect on the accompanying consolidated financial statements is immaterial.

(**) In accordance with the decision taken by the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş., ArcelorMittal Ambalaj Çeliği Tic. A.Ş. (25,00%) which was previously accounted for using the equity pick-up method and Borçelik Çelik San. Tic. A.Ş. (9,34%) which was accounted for under available for sale financial assets held by the Group, were reclassified as long term assets held for sale as of 1 April 2009 as their sales are highly probable in twelve months.

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries controlled by the Group. Adjustments are made to eliminate the intercompany sales and purchases, intergroup receivables and payables and intergroup equity investments.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, are fully consolidated. Control is achieved where the Group has the power to govern the financial and operating policies of an investor enterprise so as to obtain benefits from its activities.

The accounting policies of the subsidiaries included in consolidation are changed and adapted to the Group's accounting policies where necessary. All significant transactions between the Group and its consolidated subsidiaries are eliminated in consolidation.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other subsidiaries of the Group.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN
ACCORDANCE WITH THE COMMUNIQUÉ SERIAL:XI, NO:29**

28. Organizations Out of Central Management

There are four regional sales offices of Ereğli Iron and Steel Works, Inc, located in Ankara, İstanbul, Kdz. Ereğli and İzmir.

29. Donations Made

Donations of the Erdemir Group's companies are as follows:

(TRY)	01 January- 31 December 2009	01 January- 31 December 2008
Cooperative Activities with Public Institutions and Organizations	704.856	273.513
Education and Training Activities	590.383	500.288
Volunteer Studies and Cooperative Activities for Charities	143.216	151.498
Cooperative Activities with Foundations, Associations, Organizations, Institutes	12.043	401.649
Sportive Activities	6.000	585
Cultural and Artistic Activities	3.680	69.227
Other	35.179	-
Total	1.495.357	1.396.760

30. Information for Shareholders

No significant subsequent events occurred as of the reporting date.