

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN
ACCORDANCE WITH THE COMMUNIQUE SERIAL:XI, NO:29****1. Period of the Report**

01.01.2010 - 31.03.2010

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 election 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 2009 Regular General Assembly has been executed on 09.03.2010.

The active members of the Board of Directors as of 31.03.2010:

Board of Directors	Title	Effective from
Fatih Osman TAR	Chairman – Executive Director (1 year)	22.02.2010
Nihat KARADAĞ	Deputy Chairman – Executive Director (1 year)	30.09.2009
Arzu Hatice ATİK	Board Member (1 year)	26.02.2008
Diñ KIZILDEMİR	Board Member – Executive Director (1 year)	27.02.2006
Ertuğrul AYDIN	Board Member (1 year)	31.03.2008
Fatma CANLI	Board Member (1 year)	09.03.2010
Oğuz Nuri ÖZGEN	Board Member (1 year)	17.07.2006

Changes in the Board of Directors within the Period

Board Members Mehmet Aydın MÜDERRİSOĞLU, Celalettin ÇAĞLAR ve Ergün Oktay OKUR resigned on 22.02.2010 and Fatih Osman TAR was elected for one those vacant positions as of the same date and was commissioned as Deputy Chairman – Executive Director later on.

Fatih Osman TAR, has been elected to the Executive Board once again on the Regular General Assembly of the Company dated 09.03.2010 and commissioned as Chairman – Executive Director at the following task distribution meeting.

Nihat KARADAG, who was elected as a Board Member on 30.09.2009, has been once again elected to the Executive Board on the Regular General Assembly of the Company dated 09.03.2010 and commissioned as Deputy Chairman – Executive Director at the following task distribution meeting.

Additionally, Fatma CANLI has been elected to the Executive Board for the first time on the Regular General Assembly of the Company dated 09.03.2010.

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The active members of the Board of Auditors who were elected on Regular General Assembly dated 09.03.2010 as of 31.03.2010:

Board of Auditors	Title	Effective from
Ahmet Türker ANAYURT	Board of Auditors Member (1 year)	09.03.2010
Ali Güner TEKİN	Board of Auditors Member (1 year)	31.03.2008

Changes in the Board of Auditors within the Period

General Assembly has elected Ahmet Türker ANAYURT to the Board of Auditors for one year, as a substitution for Fatma CANLI who completed her term of office, on its regular meeting dated 09.03.2010.

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 (Procurement)	13.07.2006
İsmail Hakkı GÜROL	Executive Vice President (Technical Services and Investment)	13.07.2006

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 2009 were met during the period 01.01.2010 – 31.03.2010. 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

In accordance with Capital Markets Board's decision taken on its meeting dated 09.09.2009 and numbered 28/780, Article 14 of the Company Charter headed as "Duties of the Executive Board" has been amended on the Regular Meeting of the General Assembly dated 09.03.2010 as follows:

"The primary duties of Board of Directors are; to fulfill the resolutions of General Assembly of Shareholders, to invite the General Assembly of Shareholders to meeting under the law and articles of association, to execute any kind of disposals deemed necessary and useful for the Company, to purchase and acquire any immovable properties and similar real rights on behalf of

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and for the possession of the Company; to restrict the Company's immovable properties under a certain real right or execute sales transactions; to lease and hire out any kind of movable and immovable properties that it shall deem as necessary for the interests of the Company; to grant and owe loans on the account and behalf of the Company, whenever necessary to establish liens on the immovable properties of the Company, and to take mortgages from real and legal entities on behalf of the Company and to submit motions of the same; to cancel such mortgages and any and all types of restrictions and limitations; and to submit the necessary cancellation motions.

The principles stipulated within the scope of Capital Market regulations shall be complied with, concerning the issues as to Company's giving guarantees, securities, warranties or giving collaterals including liens, mortgages on its behalf and for the benefit of third parties.

The Board of Directors is authorized to take decisions about any transactions other than the issues exclusively left to the discretion of General Assembly of Shareholders in the Law and the Articles of Association."

7. The Nature and Amount of Issued Capital Market Instruments

No change in amount of issued capital market instrument in the period.

8. Significant Changes Occurring in the Environment the Company Operates in and the Policies Executed by the Company in Return

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 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. In addition, other important issues in this period in the steel industry the world's largest iron ore producers BHP Billiton, Vale and Rio agreeing quarterly contracts rather than annual contracts. Steelmakers recently started accepting three-monthly contracts. The final product price increases are continuing because of raw material price increases.

Crude steel output in March topped 120m tonnes in 66 countries realized more than 98 percent of world crude steel production in 2009 reporting to the World Steel Association. This is the highest monthly output since May 2008's 121mt. March output was 30.6% higher than the same month last year. It took the total for the first quarter of this year to 342mt, up 29% on January-March last year. Comparing March with the same 2009 month, China's production increased by 22.5%. There

were also increases in Japan (up 63%), Korea (29%) and India (9%). Total Asian output for the month was up 26%. Some of the largest year-on-year output increases in March were recorded in North America where the regional total was up 63% at 9.6mt. Crude steel output in the European

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Union continued to recover in March, registering year-on-year growth of 47%. In the same period, Turkey has produced 6.1 million tons of crude steel which indicates a 7.6% increase y-o-y. Among Turkey's production of 6.1 million tons, 4.0 and 2.1 million tons were produced in electrical arc furnaces and in integrated plants respectively.

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 the first quarter of 2010, the crude steel production at Ereğli Premises has been 899 thousand tons which indicates a decrease by 0.9% y-o-y. Regarding the İskenderun Premises, crude steel output has been 953 thousand tons which indicates an increase by 44 % y-o-y.

11. Research and Development Activities

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 project is completed.
- The production of X-70 petroleum and natural gas pipe line steel grade in reversible hot rolling mill process (TÜBİTAK-TEYDEB Project). The project is completed.
- The development of DIN EN 10149 grade S500MC. Trial procedure has been completed. Due to unsuccessful results, decided to trial procedure will be done in İskenderun plant.
- 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. This project presented to TÜBİTAK-TEYDEB and project is in progress.

12. Investment Activities

Throughout the year 2010, the investments have continued. The details of the main investments continuing in Ereğli and İskenderun plants are as follows:

Ereğli Plant;

- Coke Battery No.4
- New Turbo Blower
- Air Separation Plant No.7
- Blast Furnace Top Pressure Recovery Turbines (TRT)
- 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
- Reline Investment on Blast Furnace No.2
- Investments To Be Made On BOF and Other Plants because of Reline

- Enterprise Resource Planning (including İskenderun Plant)

İskenderun Plant;

- No.2 Sinter Plant
-

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- 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"
- Infrastructure Improvements
- Modernization of Automation System of the existing Steam Boilers

13. Production Plants

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

	01 January-31 March 2010	
	Capacity* (tons)	Production (tons)
Coke Plant	250.000	247.323
Sinter Plant	500.000	504.235
Blast Furnaces	850.000	811.080
BOF	962.500	917.680
Casters	937.500	888.259
Hot Strip Mill.1	287.500	184.030
Hot Strip Mill.2	912.500	722.643
Plate Mill	75.000	5.117
Cold Mill.1	125.000	73.861
Cold Mill.2	375.000	272.065
Galvanizing Line	75.000	49.831
Electrolytic Tinning Line	62.500	47.020

* Actual capacity for three months.

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

	01 January-31 March 2010	
	Capacity* (tons)	Production (tons)
Coke Plant	537.500	459.804
Sinter Plant	750.000	728.439
Blast Furnaces	950.000	895.802
BOF	1.000.000	986.663
Billet Casting	625.000	479.159
Slab Casting	1.250.000	473.708
Hot Strip Mill	875.000	434.246
Wire Rod Mill	125.000	128.699

* Actual capacity for three months.

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14. 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	

15. Productivity

The information about the main plant units and capacities of Ereğli Iron and Steel Works Inc. are stated below:

	01 January- 31 March 2010			01 January- 31 March 2009			01 January- 31 March 2008		
	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)
Coke Plant	250.000	247.323	98,9	250.000	235.089	94,0	259.750	248.936	95,8
Sinter Plant	500.000	504.235	100,8	500.000	407.115	81,4	500.000	509.860	102,0
Blast Furnaces	850.000	811.080	95,4	850.000	808.116	95,1	675.000	699.335	103,6
BOF	962.500	917.680	95,3	875.000	932.842	106,6	750.000	815.297	108,7
Casters	937.500	888.259	94,7	850.000	896.356	105,5	725.000	791.918	109,2
Hot Strip Mill.1	287.500	184.030	64,0	287.500	279.442	97,2	287.500	268.856	93,5
Hot Strip Mill.2	912.500	722.643	79,2	912.500	741.939	81,3	912.500	820.403	89,9
Plate Mill	75.000	5.117	6,8	75.000	9.158	12,2	125.000	70.412	56,3
Cold Mill.1	125.000	73.861	59,1	112.500	26.737	23,8	125.000	88.460	70,8
Cold Mill.2	375.000	272.065	72,6	387.500	291.019	75,1	375.000	356.781	95,1
Galvanizing Line	75.000	49.831	66,4	75.000	33.455	44,6	75.000	96.285	128,4
Elect. Tinning Line	62.500	47.020	75,2	62.500	12.706	20,3	62.500	70.954	113,5
General C.U.P %			87,3			89,2			99,3

* Actual capacity for three months.

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

	01 January- 31 March 2010			01 January- 31 March 2009			01 January- 31 March 2008		
	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)	Capacity* (tons)	Production (tons)	C.U.P. (%)
Coke Plant	537.500	459.804	85,5	537.500	393.766	73,3	537.500	481.127	89,5
Sinter Plant	750.000	728.439	97,1	750.000	595.031	79,3	630.000	609.517	96,7
Blast Furnaces	950.000	895.802	94,3	950.000	649.245	68,3	950.000	723.611	76,2
BOF	1.000.000	986.663	98,7	875.000	673.378	77,0	875.000	728.234	83,2
Billet Casting	625.000	479.159	76,7	625.000	569.458	91,1	625.000	506.583	81,1
Slab Casting	1.250.000	473.708	37,9	1.250.000	90.193	7,2	1.250.000	207.178	16,6
Hot Strip Mill	875.000	434.246	49,6	-	-	-	-	-	-
Wire Rod Mill	125.000	128.699	103,0	125.000	130.371	104,3	125.000	133.413	106,7
General C.U.P %			75,0			60,7			67,9

* Actual capacity for three months.

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16. Production (quantity)

Final Products (000 Tons)	01 January - 31 March 2010	01 January - 31 March 2009	01 January - 31 March 2008
Erdemir	890	1.005	1.126
Isdemir	942	748	738
Ermaden	453	402	397

17. Sales (quantity)

Final Products (000 Tons)	01 January - 31 March 2010	01 January - 31 March 2009	01 January - 31 March 2008
Erdemir	830	1.030	1.107
Isdemir	863	718	692
Ermaden	753	452	492

18. Indicators and Ratios

Financial statements are prepared in accordance with the CMB's Communiqué Serial:XI, No:29 and have not been audited as of 31 March 2010.

Summary of Balance Sheet

(TRY)	31 March 2010	31 December 2009
Current Assets	3.822.158.075	3.729.502.669
Non-current Assets	7.390.672.180	7.420.919.878
Total Assets	11.212.830.255	11.150.422.547
Current Liabilities	2.461.643.814	1.620.897.962
Non-current Liabilities	2.674.866.002	3.610.830.559
Shareholders' Equity	6.076.320.439	5.918.694.026
Total Liabilities	11.212.830.255	11.150.422.547

Summary of Income Statement

(TRY)	01 January- 31 March 2010	01 January- 31 March 2009
Sales Revenue	1.581.871.303	1.065.597.410
Operating Profit/(Loss)	218.075.990	45.053.129
Profit / (Loss) Before Taxation	198.328.770	(203.746.618)
Profit / (Loss) for the Period (*)	166.984.665	(164.422.951)
EBITDA	289.875.438	137.046.276
Earnings / (Loss) Per Share	10,03%	(9,68%)

(*) Erdemir Group's share in the net profit/ (loss) for the period is TRY160.405.362 in March 2010 (March 2009: TRY(154.842.515)).

Key Ratios

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(%)	31 March 2010	31 March 2009
Operating Profit/ (Loss) Margin	13,8	4,2
Profit/ (Loss) Margin	10,1	(14,5)
EBITDA Margin	18,3	12,9

19. 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, social benefits, and vacations. **Bonuses and social benefits;** bonuses, holiday pay, heating allowance, paid annual leave allowance, marriage allowance, birth allowance, bereavement allowance (worker's death, spouse, children, mother, father or sibling, in the case of a death as a result of a work accident it will pass onto the worker's heir), military service allowance, children allowance, educational allowance (primary school, secondary school, higher education), meal allowance, and transportation allowance. **Vacations;** paid annual leaves, leaves for medical purposes, excused absences, 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.

The number of the personnel on 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Monthly paid personnel (A)	3.247	3.244
Hourly paid personnel (B)	7.928	8.003
Candidate worker (C)	1.856	1.786
Contractual personnel (D)	17	17
Contractual personnel (Contractor)	109	111
TOTAL	13.157	13.161

20. 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.”

22. 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.

23. 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.

Additionally, stress test and scenario analysis are executed for the current foreign currency position of the Group. The compatibility of VaR model is measured using back-testing method periodically.

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,

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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.

24. 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	2010 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

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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.

25. Information for Shareholders

It was publicly announced on 27.03.2010 that, Ankara 31st Execution Office served an ordinary payment order for 68.411.344,82 USD on Our Company pertaining to bankruptcy proceeding initiated against our Company upon the request of a Company named Enerjia Metal Maden Sanayi ve Ticaret A.Ş., and on 02.04.2010 that Our Company objected to the aforementioned order and proceeding timely and duly according to the respective laws. Aforesaid Company filed a bankruptcy lawsuit against our Company before Ankara 7th Commercial Court of First Instance to get that suspended bankruptcy proceeding be advanced; however this time, requested 68.312.520,00 USD. The Complaint served on Our Company on 21.04.2010. Necessary arguments against that Complaint including answers, motions and/or demurrers will be submitted to protect Our Company's rights and interests. Furthermore, other legal and commercial precautions that have already been taken against that Company will be maintained and expanded.
