

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

1. Period of the Report

01.01.2010 - 30.09.2010

2. Title of the Association

EREĞLİ IRON AND STEEL WORKS, INC.

3. Members of the Board of Directors and Auditors

According to the Turkish Commercial Code 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. Should there be an opening in the Board of Directors Membership or in Auditors' Board within the respective period; an election for the available positions is made according to the provisions of Turkish Commercial Code and Company's Articles of Association and the results are submitted to the next regular general assembly to be approved. The company's 2009 Regular General Assembly has been executed on 09.03.2010.

The active members of the Board of Directors as of 30.09.2010:

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
Dinç 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 KARADAĞ, 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.

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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. The active members of the Board of Auditors as of 30.09.2010:

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
Mustafa Ayhan KALMUKOĞLU (by proxy)	ERDEMİR Group Marketing and Sales Coordinator	12.07.2010
Ozan BEKÇİ	Executive Vice President (Procurement)	13.07.2006
Mehmet Müçteba BEKCAN (by proxy)	Executive Vice President (Technical Services and Investments)	14.07.2010
Öner SONGÜL (by proxy)	ERDEMİR Group Information Technologies Coordinator	12.08.2010

Executive vice Presidency for Sales and Marketing has been reorganized and its title has been changed as ERDEMİR Group Marketing and Sales Coordinatorship, Mr. Günhan BEŞE, former executive vice president for sales and marketing has been assigned as consultant to our Chief Executive Officer, Mr. Mustafa Ayhan KALMUKOĞLU has been appointed as ERDEMİR Group Marketing and Sales Proxy Coordinator as of 12.07.2010.

Mr. Mehmet Müçteba BEKCAN has been assigned as Proxy Executive Vice President for Technical Services and Investments which became available due to the expiration of Mr. İsmail Hakkı GÜROL's contract as of 13.07.2010.

ERDEMİR Group Information Technologies Coordinatorship has been created and Mr. Öner SONGÜL has been appointed as ERDEMİR Group Information Technologies Proxy Coordinator as of 12.08.2010.

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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 – 30.09.2010. 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 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 form 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

There is no issued capital market instrument in the period.

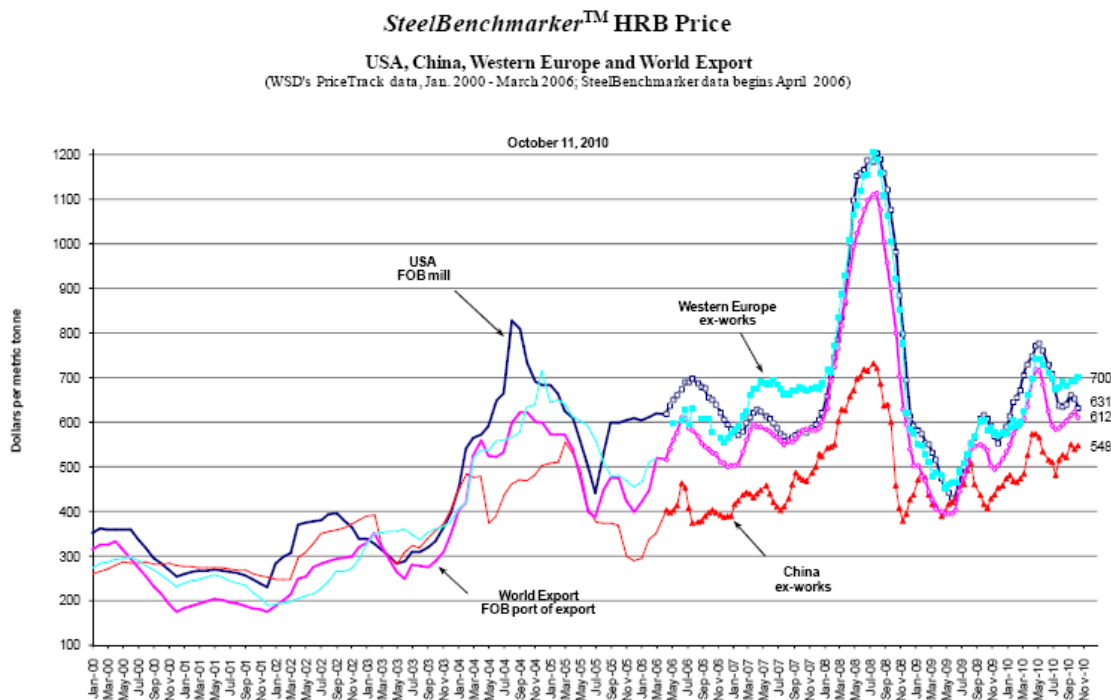
8. Significant Changes Occurring in the Environment the Company Operates in and the Policies Executed by the Company in Return

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

9. Information about the sector

Steel prices have began to increase in the beginning of 2010 and augmented with the rise in iron ore and coke price, however, after April steel prices started to fall down and fluctuate. One of the main reasons for this fluctuation is the increase in inventories. Major companies in steel sector keep investing and higher capacities continue to be engaged. World hot product price changes are given in the following page:

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Rio and BHPB mining companies officially ended their plans for joint venture in West Australia on October 18, 2010 due to objections of the institutions in Europe, Japan, Korea and Australia. The progress about the cancellation of the joint venture, received positive responses from steel manufacturers.

Crude steel production fell for the fourth successive month in September, according to World Steel Association data covering 66 countries. Calculated that monthly production has dropped by almost 10% since it peaked at 124 million tons in May. September output of 111 millions ton was 0.9% higher than in the same month last year. It took the total for the first nine months of this year to 1,045 million tons, 19% more than last year's equivalent figure. China's September production of 47.9 million tons was almost 6% lower than the same month in 2009, as steelmakers cut output to meet government-mandated energy saving targets. In contrast, the month saw increases in other Asian countries' production – of 11% in Japan, 6% in India and 3% in Korea. North American September output, of 9.3 million tons, was 18% ahead of that of September 2009. The USA, Mexico and Canada all reported gains, but South American production last month was down by 2% year-on-year, mostly because of a 36% fall in Venezuela. September production in the European Union was almost 4% greater than the same 2009 month, aided by a near-20% increase in the EU's second largest steelmaking country, Italy. CIS crude steel output of 8.7 million tons was 1.5% lower than in September last year as Ukraine's output fell 12%. Besides, with a 12% y-o-y increase Turkey has produced 20.9 million tons of crude steel consisting of 14.8 and 6.1 million tons produced in electrical arc furnaces and in integrated plants, respectively.

**BOARD OF DIRECTORS' ACTIVITY REPORT PREPARED IN
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Based on the report published by worldsteel, in 2009 with a 6.5 million tons crude steel production, Erdemir Group became the 30th globally, 10th in Europe and 5th within EU-27. At the end of the third quarter of 2010, the crude steel production in Ereğli Plant has decreased by 4.6% and went down to 2.655.926 tons. On the other hand crude steel production in İskenderun went up to 2.624.392 tons with a 43% y-o-y increase.

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 development of DIN EN 10149 grade S500MC. Trial procedure has been completed. Due to unsuccessful results, it is decided that 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 has been published. This project presented to TÜBİTAK-TEYDEB and project is in progress. The project cost is TRY 1.121.015,55 TL. The aimed at assorted sludge (such as various combinations of blast furnace sludge, steel sludge, chimney dust and fine ores), alternative binders will be used to make briquettes gain hardness and toughness. In the event of those results, prescriptions are written down and in due time they are applied in field works.
 - In order to eliminate surface damages caused by strap buckle in less than 0.5mm thick cold rolled coils, a plastic sticker type material is tried and successfully applied.
 - The exposed panel sheet production trial requested by Oyak Renault as "ERDEMİR 324 steel grade- C surface quality" is accomplished by producing the rest two trial dimensions during September. The press-forming trials and other tests of these two trial coils at Renault site are planning to be performed in November.
 - In respect of customer demands, a new steel grade that meets DIN EN 10025 S355J2 Class 1 standard requirements with galvanizing ability developed and presented to market.
 - A trial procedure for the production of S355 grade, 0,8mm full hard material is prepared and the development process is initiated.
 - In order to develop a new, lower cost alternative to Erdemir 1335 quality galvanized sheet, the trial production procedure has been prepared and development process started.
 - For the use of waste oils in the Coke Plant, trial tests have been carried out in coke test oven located in our laboratory and has been determined the most appropriate mixing ratio. In the second phase the use of coal blend with the addition of approximately 1%-2% waste oil in the production of coke. In coke battery, 1 day usage is tested and the results were successful. In the last stage of this study, one week industrial scale trials will be done.
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12. Investment Activities

Throughout 2010 investments have continued. The details of the main investments continuing in EreĀli and Īskenderun plants are as follows:

EreĀli Plants;

- No.4 Coke Oven Battery
- New Turbo Blower
- No.7 Air Separation Plant
- Blast Furnace Top Pressure Recovery Turbines (TRT)
- Yarımca Harbor & Logistic 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 No.2 Blast Furnace
- Probable Investments in Steel Mill and Other Plants depending to the Reline
- Enterprise Resource Planning (including Īskenderun Plants)

Īskenderun Plants;

- 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"
 - Infrastructure Improvements
 - Modernization of Automation System of the existing Steam Boilers
 - Environmental Investments
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13. 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	

14. Production Plants and Productivity

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

	01 January - 30 September 2010			01 January - 30 September 2009		
	Capacity (*) (tons)	Production (tons)	C.U.P.(%)	Capacity (*) (tons)	Production (tons)	C.U.P. (%)
Coke Plant	750.000	738.882	98	750.000	731.886	98
Sinter Plant	1.500.000	1.523.365	102	1.500.000	1.409.605	94
Blast Furnaces	2.550.000	2.406.860	94	2.550.000	2.503.657	98
BOF	2.887.500	2.744.656	95	2.625.000	2.870.397	109
Casters	2.812.500	2.655.776	94	2.550.000	2.784.732	109
Hot Strip Mill.1	862.500	456.260	53	862.500	792.858	92
Hot Strip Mill.2	2.737.500	2.084.295	76	2.737.500	2.404.047	88
Plate Mill	225.000	19.619	9	225.000	18.644	8
Cold Mill.1	375.000	256.664	68	375.000	200.660	59
Cold Mill.2	1.125.000	847.548	75	1.125.000	987.993	85
Galvanizing Line	225.000	169.819	75	225.000	202.978	90
Elect. Tinning Line	187.500	187.870	100	187.500	112.808	60
C.U.P %			87			96

(*) Actual capacity for first nine months.

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

	01 January - 30 September 2010			01 January - 30 September 2009		
	Capacity (*) (tons)	Production (tons)	C.U.P. (%)	Capacity (*) (tons)	Production (tons)	C.U.P. (%)
Coke Plant	1.612.500	1.444.586	90	1.612.500	1.245.529	77
Sinter Plant	2.250.000	2.011.517	89	2.250.000	1.456.295	65
Blast Furnaces	2.850.000	2.476.172	87	2.850.000	1.733.703	61
BOF	3.000.000	2.709.468	90	2.625.000	1.867.036	71
Billet Casting	1.875.000	1.083.692	58	1.875.000	1.438.638	77
Slab Casting	3.750.000	1.540.700	41	3.750.000	391.267	10
Hot Strip Mill	2.625.000	1.416.048	54	2.625.000	425.041	16
Wire Rod Mill	375.000	320.697	86	375.000	383.756	102
C.U.P %			71			50

(*) Actual capacity for nine months.

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15. Production (quantity)

Final Products (000 Tons)	01 January - 30 September 2010	01 January - 30 September 2009
Erdemir	2.476	3.125
Isdemir	2.589	1.926
Ermaden	2.013	1.802

16. Sales (quantity)

Final Products (000 Tons)	01 January - 30 September 2010	01 January - 30 September 2009
Erdemir	2.339	3.310
Isdemir	2.309	1.930
Ermaden	2.160	1.530

17. 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 30 September 2010.

Summary of Balance Sheet

(TRY)	30 September 2010	31 December 2009
Current Assets	5.777.102.068	3.729.502.669
Non-current Assets	7.163.365.011	7.420.919.878
Total Assets	12.940.467.079	11.150.422.547
Current Liabilities	3.348.185.620	1.620.897.962
Non-current Liabilities	3.030.973.628	3.610.830.559
Shareholders' Equity	6.561.307.831	5.918.694.026
Total Liabilities	12.940.467.079	11.150.422.547

Summary of Income Statement

(TRY)	01 January- 30 September 2010	01 January- 30 September 2009
Sales Revenue	4.711.834.572	3.608.017.211
Operating Profit/(Loss)	834.739.874	(153.592.088)
Profit / (Loss) Before Taxation	807.827.281	(356.247.227)
Profit / (Loss) for the Period (*)	653.706.900	(290.734.348)
EBITDA	1.051.464.006	85.394.853
Earnings / (Loss) Per Share	39,24%	(18,00)%

(*) Shareholder's share in the net profit/ (loss) for the period is TRY 627.772.893 in September 2010 (September 2009: TRY (288.034.943))

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Key Ratios

(%)	30 September 2010	30 September 2009
Operating Profit/ (Loss) Margin	17,7	(4,3)
Profit/ (Loss) Margin	13,9	(8,1)
EBITDA Margin	22,3	2,4

18. Collective Labor Agreement Applications and the Benefits

22nd Period Collective Labor Agreement, which was valid between 01.09.2008-31.08.2010, expired. Signature Procedure for the New Collective Labor Agreement has been initiated.

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 operation for decreasing personnel salaries and salary dependant rights by 35% which had been realized within Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates Iskenderun Demir ve Çelik A.Ş., Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. and Erdemir Lojistik A.Ş between 01.05.2009 – 31.08.2010 ceased as of 31.08.2010 and salaries and salary dependant rights started to be paid to the personnel without any deduction since 01.09.2010.

The number of the personnel on 30 September 2010 and 31 December 2009 are as follows:

	30 September 2010	31 December 2009
Monthly paid personnel (A)	3.256	3.244
Hourly paid personnel (B)	7.685	8.003
Candidate worker (C)	2.171	1.786
Contractual personnel (D)	243	17
Contractual personnel (Contractor)	118	111
TOTAL	13.473	13.161

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19. Shareholding and Capital Structure

Authorized Capital : TRY 5.000.000.000
Paid-in Capital: TRY 1.600.000.000

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

20. Dividend Distribution Policy

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.”

21. 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 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.

22. 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.

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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, 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. According to firm and market situation, derivative instruments are recommended to executives and also bank offers are analyzed for compliance test.

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

23. The Information About Affiliates Subject to Consolidation

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

Name of the Company	Country of Operation	Operation	2010 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Iron and Steel	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Iron and Steel	100,00
Ereco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100,00
Erdemir Romania S.R.L.	Romania	Iron and Steel	100,00
Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş.	Turkey	Iron and Steel	100,00
Erdemir Lojistik A.Ş.	Turkey	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 San ve Tic. A.Ş. (25,00%) which was previously accounted for using the equity pick-up method and Borçelik Çelik San. ve 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. Nevertheless, as of September 30, 2010 the studies of the sales of share transfer is not concluded yet, the sales transactions did not take place within twelve months. The sales of shares are expected to be completed in the year 2010.

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According to the decisions taken by the Board of Directors of Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş. (ERBOR) dated 14 July 2010 and numbered 334 and Board of Directors of Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (ERSEM) dated 14 July 2010 and numbered 22, ERBOR with all its remaining assets and liabilities will be taken over and merged by ERSEM, the work about the take over is continuing.

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries controlled by the Group. This control is normally evidenced when Group is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries

The companies which the Group, directly or indirectly, has above 50% ownership interest or 50% voting rights or has power to exercise control on operations, have been fully consolidated. If the Group has the power to govern the financial and operating policies of the subsidiaries for its own benefit, control is deemed to present.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The accounting policies of the subsidiaries consolidated are changed and aligned with the Group's accounting policies when necessary. All significant transactions and balances between the Company and its subsidiaries are eliminated during consolidation.

When the Group purchases a company, the assets and liabilities of the relevant subsidiary are measured at their fair values at the date of acquisition. The amount of the minority interest shares is obtained by the calculation of the fair values of assets and liabilities with respect to the proportion of the minority interest. The operational results of subsidiaries are included or excluded from consolidation according to their effective dates of acquisition and disposal, respectively.

Minority interests in the net assets of the subsidiaries included in consolidation appears as a separate item in Group's equity. Minority interest consists of minority's amount that already exists as of the first acquisition date and the amounts take place during the changes in the parent company's equity related to minority interest after the first acquisition date. Losses exceeding the shares belonging to minority interest are distributed to the shares of the Group, unless there is a mandatory obligation to compensate the recognized losses and an opportunity to make additional investments to cover the stated losses of the minority interest. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

Investments in Associates

An associate is an entity over which the Group has a significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the authority to control the financial or operational policies of the investee or has the authority to participate without a joint control.

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The results of operations, assets and liabilities of the associates that are incorporated in the consolidated financial statements are accounted for via the equity method, in cases where the associates are held for sale.

According to the equity method, the investments in associates are carried into the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the registered assets and liabilities on the date of acquisition such as identifiable assets, liabilities and contingent liabilities, is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognized immediately in the consolidated income statement after the revaluation.

24. Information for Shareholders

None.
