

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

1. Period of the Report

01.01.2011 - 31.12.2011

2. Title of the Association

EREGLI 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 2010 Regular General Assembly has been executed on 31.03.2011.

The active members of the Board of Directors as of 31.12.2011:

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

The active members of the Board of Auditors as of 31.12.2011:

Board of Auditors	Title	Effective from
Ahmet Türker ANAYURT	Board of Auditors Member (1 year)	09.03.2010
Ünal TAYYAN	Board of Auditors Member (1 year)	31.03.2011

Changes in the Board of Auditors within the Period

General Assembly has elected Ünal TAYYAN to the Board of Auditors for 1 year on its regular meeting dated 09.03.2010, as a substitution for Ali Güner TEKİN who completed his term of office.

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.

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Information About Board Members' and Executive Management's Titles out of the Company

Information about Board Members' and executive management's titles out of the Company is given in App.1.

Members of Board Committees, Frequency of Meetings, Operating Principals also Including Activities Performed and Evaluation of the Board on the Effectiveness of the Committees

Board of Auditors held 5 meetings in 2011 and continued its activities in accordance with CMB Principles.

The operating principles of the Board of Auditors have been determined with the policy entitled Board of Auditors Policy dated 10 August 2006.

Number of Meetings of the Board of Directors and Attendance of the Board Members

Board of Directors held 6 meetings in 2011. Board Members participated in the meetings regularly.

The wages of the Board of Directors have been determined by resolutions of the General Assembly.

No extra payments were made to Board of Directors other than that had been determined by General Assembly, personal accident and life insurances were arranged and no other benefits were given.

4. Executive Management

Executive Management	Title	Effective from	Education	Experience
Oğuz Nuri ÖZGEN	President and Chief Executive Officer	13.07.2006	Middle East Technical University – Metallurgical Engineering	28 Years
Esat GÜNDAY	Executive Vice President (Operations)	13.07.2006	Middle East Technical University – Metallurgical Engineering	31 Years
Ahmet Samim ŞAYLAN	Executive Vice President (Human Resources and Admin. Affairs)	13.07.2006	Middle East Technical University – Business Administration	39 Years
Bülent BEYDÜZ	ERDEMİR Group Financial Coordinator	11.04.2011	Hacettepe University - Business Administration	25 Years
Sami Nezh TUNALITOSUNOĞLU	Executive Vice President (Financial Affairs)	11.04.2011	Gazi University - Economy	28 Years
Mustafa Ayhan KALMUKOĞLU (by proxy)	ERDEMİR Group Marketing and Sales Coordinator	12.07.2010	Middle East Technical University – Business Administration	33 Years
Şafak ÇAPAR	ERDEMİR Group Procurement Coordinator	23.03.2011	Middle East Technical University – Metallurgical Engineering	24 Years

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Executive Management (cont'd)	Title (cont'd)	Effective from (cont'd)	Education (cont'd)	Experience (cont'd)
Ahmet Samim ŞAYLAN (by proxy)	Executive Vice President (Procurement)	23.03.2011	Middle East Technical University – Business Administration	39 Years
Mehmet Müçteba BEKCAN	Executive Vice President (Technical Services and Investments)	14.07.2010	Middle East Technical University – Industrial Engineering	34 Years
Öner SONGÜL	ERDEMİR Group Information Technologies Coordinator	12.08.2010	Middle East Technical University – Industrial Engineering	32 Years

Mr. Mehmet Müçteba BEKCAN, who has been conducting the Executive Vice Presidency for Technical Services and Investments' businesses by proxy, has been commissioned as Executive Vice President for Technical Services and Investments as of 14.03.2011.

Mr. Şafak ÇAPAR, who had been conducting ERDEMİR Group Procurement Coordinatorship's businesses by proxy since 23.03.2011, has been commissioned as ERDEMİR Group Procurement Coordinator as of 15.08.2011.

Mr. Ahmet Samim SAYLAN has substituted Mr. Ozan BEKÇİ as Proxy Executive Vice President for Procurement for ERDEMİR.

ERDEMİR Group Financial Affairs Coordinatorship has been established and Mr. Bülent BEYDÜZ, who was ERDEMİR's Executive Vice President for Financial Affairs previously, has been commissioned as Group Financial Affairs Coordinator, and Mr. Sami Nezh TUNALITOSUNOĞLU has been appointed as the new Executive Vice President for Financial Affairs of ERDEMİR.

Mr. Öner SONGÜL, who had been conducting ERDEMİR Group Information Technologies Coordinatorship's businesses by proxy since 12.08.2010, has been commissioned as ERDEMİR Group Information Technologies Coordinator as of 19.12.2011.

Other than the wages determined by Company Rating System efficiency premium payment was made once in 2011 with Board's decision according to effectiveness periods. All healthcare costs of the management are covered with insurance.

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 2010 were met during the period 01.01.2011 – 31.12.2011. In this context, in order to strengthen our capacity of capital markets legislation, qualified personnel has been charged. "Corporate Governance Principles Compliance Report" the Company issues is given in App.2.

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6. Amendments in The Articles of Association

On the General Assembly Meeting of the Shareholders held on 31.03.2011, Articles No. 4, 7 and 13 titled "Purpose and Scope", "Capital" and "Powers of the Executive Board" accordingly have been amended as follows:

"Article 4- Purpose and Scope:

A. to purchase, lease or otherwise acquire real estate directly or indirectly relating to the objectives and subject-matter of the Company together with all rights thereon in connection of use thereof including establishing any lien thereon and renting out the same, and to sell any redundant real estates;

B. to construct, purchase and operate all facilities and equipment inland and abroad whether by itself or by establishing partnerships to that end, which are necessary or relating to the manufacture of any type, nature and size of iron and steel rolling products, alloyed or pure iron, steel and pig cast iron, cast and press products as well as inputs and byproducts necessary for the manufacture thereof;

C. to purchase, lease or otherwise acquire other raw materials, derivatives as well as any type and nature of mineral ores that are directly or indirectly necessary for the manufacture and production of the products as indicated in the subparagraph (C) above, and to discover, explore, extract, process and produce mines;

D. to purchase, construct, establish and operate any facilities and equipment that are directly or indirectly necessary for the further process and use of the byproducts, wastes, and scraps obtained at any process or stage of the products or processes as indicated in subparagraphs (B) and (C) above;

E. to establish generating plants and generate electric and heat energy, mainly for the purpose of meeting its own needs for electric and heat energy within the auto producer license, in accordance with the legislations relating to the Electricity Market and, in case of surplus generation, to sell generated electric and heat energy and/or capacity to other legal entities having the pertinent license and free consumers within the framework of the said legislations, and to engage in such activities relating to obtain all equipment and fuels

necessary for the electric generating plants, provided that such activities shall not be of commercial nature;

F. to establish Research Centers, and to provide national and international laboratory services of any kind as well as training and consultancy services;

G. to operate ports and piers by constructing, purchasing and landing them for the purpose of shipping the products and supplying the inputs inland and abroad, and to provide pilotage, marine towing, storage and transportation services by letting other individuals and companies use such ports and piers, and to engage in land and sea transport activities inland and abroad or to establish separate companies and/or partnerships to that end;

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H. to perform any kind of financial, commercial and industrial procedures directly or indirectly relating to the foregoing including but without limited to the below mentioned authorities;

I. to carry out borrowing, financing and cash management procedures and use any kind of risk management instruments by means of using any kind of money and capital market instruments in terms of Turkish Lira and/or foreign currencies inland or abroad without being limited to certain amounts for or in connection with any of the subject of the activity of the Company, provided that the Company shall not act as a intermediary and/or a portfolio manager;

J. save for all rights vested to the Group A by virtue of article 22 hereof, to lend and receive deeds and/or bank letters of guarantee as security in connection with any subject of activity of the Company, provided that this shall not be contrary to the legislations relating to lending procedures; to establish current accounts; to provide pecuniary, non-cash or personal guarantees for the financial liabilities of third parties, provided that the Company shall make necessary disclosures in accordance with the procedures set forth by the Capital Market Board;

K. to carry out all procedures relating to its own interests in accordance with provisions of article 329 of the Turkish Commercial Code;

L. to participate and purchase domestic or foreign companies which engage in the production or consumption of iron and steel products or which directly or indirectly provided services in respect thereof inland and abroad, or to establish new companies to that end, provided that the last article 15 of the Capital Market Law shall be reserved;

M. to provide its personnel with training both in Turkey and foreign countries so that they have technical knowledge and skills in various specialization areas of the iron and steel industry; to establish training facilities and provide training and consultancy services;

N. to make license, know-how and similar agreements with domestic and foreign companies; to participate in tenders and commitments in respect of establishment of factories, and to purchase or sell information and technology;

O. to construct/cause to be constructed pipe lines and facilities for the purpose of purchasing, selling, storing and distributing natural gas;

P. to perform any kind of corporate activities and procedures both in Turkey and foreign countries, which are directly or indirectly relating to the subjects of activity of the Company, in accordance with the pertinent laws;

R. to act and to grant rights others to act as a representative office, agency, distributor, authorized dealer; and to receive and give commission, in connection with its objectives and subject-matter;

S. to acquire, use, lease, rent out, transfer and sell authorizations, permits, patents, patent rights, trademark rights, licenses and royalties as well as any kind of industrial and/or intellectual property rights in connection with its objectives and subject-matter, and to take and give mortgages thereon;

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T. to purchase, lease, take over and transfer and dispose of any kind of land, air and sea transport vehicles in order to achieve its objectives and subject-matter, and to sell the surplus quantity thereof;

to engage in any kind of activity directly or indirectly relating to the objectives and subjects of activity as set forth herein above;

U. to carry out Engineering and Architectural activities for any kind of studies, calculations, designs and technical drawings relating to the projects for which the Company may be in need in relation with its subjects of activity; and to follow up the implementation thereof;

V. save for all rights vested to the Group A by virtue of article 22 hereof, in case other than those set forth herein above, the Company wishes to engage in such activities that may be deemed useful and necessary, then this shall be submitted to the General Meeting of Shareholders for approval upon the proposal of the Board of Directors, and the Company will be able to engage in such activities after a relation is adopted to that end, and the amendment to the articles of association is registered with the trade registry office. For the enforcement of such resolution considered an amendment to the articles of association, necessary permits will be obtained from appropriate authorities and offices in accordance with the pertinent legislations.

Capital:

Article 7 – the Company has adopted the Registered Capital System in accordance with provisions of the Capital Markets Law as amended by the law no. 3794, and started to use this system with the permission of the Capital Markets Board no. İDİD/150/2416 dated 15.08.1983.

The upper limit of the registered capital of the Company is TL 5,000,000,000.00 (five billion Turkish Liras). The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kuruş) up to the amount of the registered capital, between the years 2008 and 2012, in accordance with the requirements as set forth herein.

The permission granted by the Capital Markets Board in respect of the upper limit of the registered capital is valid for the years between 2008 and 2012 (5 years). Even if the upper limit of the registered capital as permitted is not reached by the end of the year 2012, in order to adopt a resolution for increasing the capital after 2012, the board of directors shall be required to obtain authority from the general meeting of shareholders for a new period by means of gaining permission from the Capital Markets Board for the upper limit previously permitted or a new upper limit. In case of the failure to obtain such authority, the Company shall be deemed to have quit the registered capital system.

The Board of Directors is authorized to restrict the rights of the shareholders to receive new shares, and also authorized to issue shares at such prices greater than their nominal values.

Each share has 1 voting right.

The Issued Capital of the Company is TL 2,150,000,000.00 (two billion one hundred and fifty million Turkish Liras), all of which is paid. This capital is composed of 215,000,000,000 (two hundred and fifteen billion) shares each with a nominal value of 1 Kuruş (One Kuruş).

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Shares representing the capital shall be traced in records in accordance with the basis of dematerialization.

This capital is divided into Group A and B shares. Out of such shares, 1 (one) registered share corresponding to the capital in the amount of 1 Kr (one Kurus) shall constitute the Group A, and 214,999,999,999 (two hundred and fourteen billion nine hundred and ninety-nine million nine hundred and ninety-nine thousand nine hundred and ninety-nine) shares corresponding to the capital in the amount of TL 2,149,999,999.99 (two billion one hundred and forty-nine million nine hundred and ninety-nine thousand nine hundred and ninety-nine Turkish Liras, ninety-nine Kurus) shall constitute the Group B.

A beneficial right is to be established on the Group A shares in the name of the Directorate of Privatization Administration, which shall be valid until otherwise decided by the High Board of Privatization. All voting rights pertaining to the Group A shares shall be exercised by the beneficial owner ("beneficial right").

Powers of the Board of Directors:

Article 13 – the Board of Directors shall manage and represent the Company.

Except for the managing and representing rights as determined by the Resolution of the Board of Directors in respect of the appointment of a managing director or directors in accordance with the last sentence of subparagraph 1 of article 12 of the Articles of Association, no documents to be issued and no agreements to be made by the Company shall be valid unless signed by at least two persons authorized to represent and bind the Company, which signatures shall be affixed below the corporate name of the Company.

The term of office of the general manager, assistant general managers, managers and other employees authorized to sign on behalf of the Company shall not be limited to the term of office of the Members of the Board of Directors.

The Board of Directors shall determine, register and announce the persons who are to be authorized to sign on behalf of the Company, and how they affix their signatures on behalf of the Company."

and the following article has been inserted to the Articles of Association:

"Provisional Article 2 – While the nominal value of the shares was TL 500, it first changed to 1 New Kurus in accordance with the Law No. 5274 on Amendment to the Turkish Commercial Code, and then to 1 Kurus since the word "New" was removed from the words "New Turkish Lira" and "New Kurus" on 1 January 2009, in accordance with the Decree of the Council of Ministers no. 2007/11963 dated 4 April 2007. For the reason of such change, the number of total shares was reduced, and a share with nominal value of 1 (New) Kurus was given in consideration of 20 shares with a value of TL 500. The rights of the shareholders arising from the shares held by them shall be reserved in respect of the said change.

The words "Turkish Liras" contained herein are the words changed by the above mentioned Decree of the Council of Ministers."

7. The Nature and Amount of Issued Capital Market Instruments

In accordance with the decision of the Board of Directors dated 25.01.2011 and numbered 9071, it was decided to raise the paid up capital from TRY1.600.000.000,- to TRY2.150.000.000,- by an increase of TRY550.000.000 from retained earnings in equity, consisting 34,375% 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 28.02.2011 and numbered 16/178.

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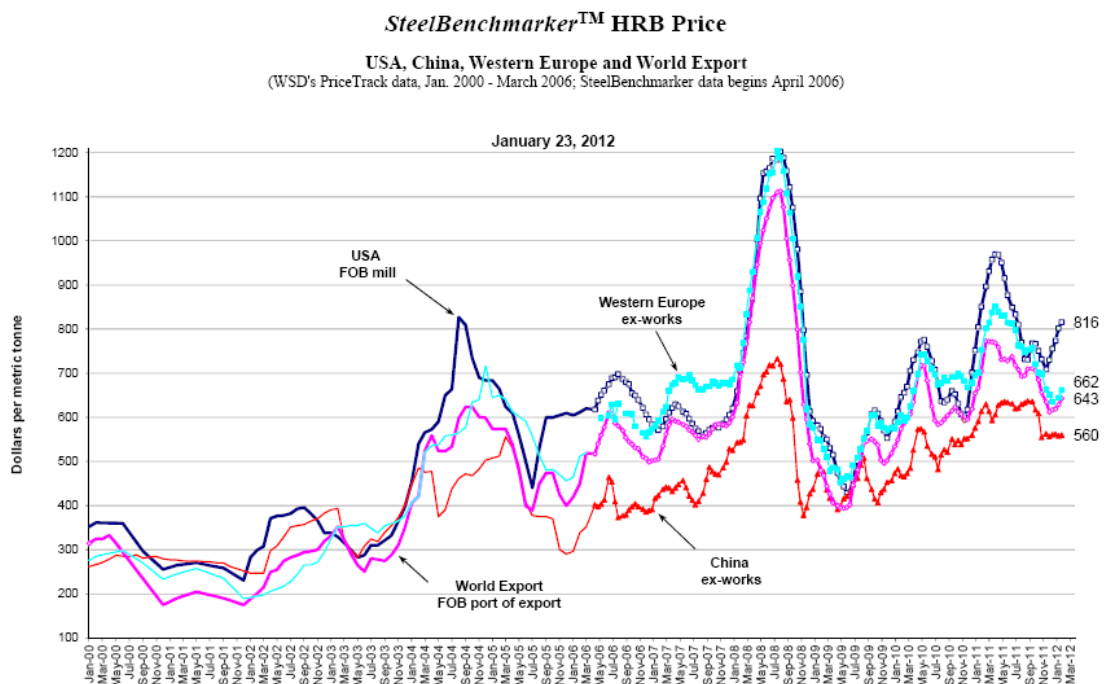
8. Significant Changes Occurring in the Environment the Company Operates in and the Policies Executed by the Company in Return

While no significant changes occurred in the environment the company operates in, the effects of developments in neighboring countries are measured and necessary precautions are taken. Information in relevant subject is given in other sections of the Report.

9. Information about the sector

World crude steel output in 2011, breaking a new record, reached 1,527m tonnes, an increase of 6.8% over 2010. All major steel-producing countries except Japan and Spain increased their output year-on-year. China's output rose 8.9% to 695.5mt, and its share of global production increased from 44.7% in 2010 to 45.5% in 2011. Japan remained the second largest steelmaking country but its output dipped 1.8% to 107.6mt. The USA was third with 86.2mt, up 7.1%. Among the major steelmaking countries, Turkey and Korea showed the largest year-on-year increases in crude steel production. Turkey's rose 17% to 34.1mt and Korean output was up 16.2% to 68.5mt. However, the industry's capacity-utilization rate fell to 71.7%, its lowest of the year. Output fell year-on-year in Germany, France and Spain, but increased in Italy, Poland and the UK. China, India, Korea and Taiwan recorded increases, but there was a year-on-year fall in Japan.

World hot product price changes are given below:



Turkey has produced 34.1 million tons of crude steel and remained 10th globally. The crude steel production has increased by 17% year-on-year consisting of 25.3 and 8.8 million tons produced in electrical arc furnaces and in integrated plants.

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Based on the report published by worldsteel, in 2010 with a 7.1 million tons crude steel production, Erdemir Group became 31th globally, 11th in Europe and 6th within EU-27. In the fourth quarter of 2011, the crude steel production in Ereğli Plant has decreased by 5% year-on-year and went down to 3.372.412 tons. On the other hand crude steel production in İskenderun went up to 4.101.381 tons with a 15% increase.

11. Research and Development Activities

Homologation studies and industrial trial tests continued in accordance with the demands of leading companies of automobile industry within the period in Ereğli Iron and Steel Works Inc.. After getting good results from homologation and trial tests special steel qualities were developed for the companies and presented to the market.

12. Investment Activities

Operating with modern plants and a state-of-the-art production technology, Erdemir Group produces competitive products globally and continues its investments aligned to continuous development strategy. In Ereğli Plant, the assembly works and preparations for commissioning at 'Cold Roll. No.2 Continuous Prickling' – 'Tandem Line Automation Modernization Project' activities have been completed. Modernization activities aiming replacement of 'Combined Rolling Mills at Hot Strip Rolling Plant No.1' and the 'Blast Furnace No.2 Reline' project have currently been in progress. 'Ereğli Steel Service Center' project main agreement has been signed and its site activities started. Tender studies related to '4. Coke Battery', 'Air Separation Plant No.7', 'Blast Furnace Top Pressure Recovery Turbines' and 'TinCal Line Automation Modernization' projects have currently been in progress. 'New Turbo Blower' project's contract for the main facility was signed; engineering and construction works were initiated. Preliminary procedures were continued in 'Yarımca Logistics Facility Project'. 'Advanced Plant Planning and Scheduling Project' has been completely commissioned in Erdemir. Sinter Plant No.2 actualized its first production in İskenderun Plant. 'Blast Furnace No.4' project has been completely commissioned in İsdemir on 19.08.2011. 'Modernization of the Coke Battery No.4', 'Automation System of Existing Boilers' and 'Expansion of Finished Product Stock Yards' projects have been in progress. 'Desulfurization Modernization' project contract was signed and studies were initiated. In addition to environmental investments in scope of MTI, new environmental investments consisting of 10 parts are continuing. Total investments in Ereğli and İskenderun plants as of 31 December 2011 amount to USD 158.837.184 (31 December 2010: USD 129.385.285).

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13. Government Grants

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

(TRY)	1 January - 31 December 2011	1 January- 31 December 2010
Social Security Grant	460.792	424.401
Research and Development Grant	821.679	368.210
Total	1.282.471	792.611

These grants and incentives can be used by all companies who meet the related legislative requirements.

There is an investment incentive right of the Group amounting to TRY 46.016.899, deductible in the next periods within the concept of the law numbered 5479, article 2 which repealed the 19th article of Income Tax Law (ITL) as of 1 January 2006 (31 December 2010: 40.604.341 TL).

14. Developments Regarding the Plants

Although global economic growth has lost pace due to the sovereign debt crisis in EU, Arab Spring in MENA region and debt-ceiling crisis in US, it is expected to increase 3.8% in total. According to the World Steel Association's (WSA) records, world crude steel production has increased 6.8% and reached to 1.53 billion tons level parallel to the global economic growth. Moreover, WSA estimates that global apparent steel use reached 1.40 billion tons with a 6.5% increase.

Turkish economy is estimated to have grown about 8% in accordance with the global economy. Besides the economic growth, commissioning of the new steel investments also promoted the Turkish Steel Production. Depending on the WSA data, Turkey increased its crude steel production 17% to 34,1 million tons and kept its 10th rank in the top steel producing countries list.

Turkish Apparent Steel consumption has also increased in 2011. Turkish Steel Producers Association's estimates that Turkey's total apparent steel use has increased 14.1% in 2011 and reached to the level of 26.9 million tons. The apparent long steel use, the biggest contributor to the boost in Turkish apparent steel use, reached to the level of 13.7 million tons with a 17.7% increase, and the apparent flat steel use has reached the level of 13.2 million tons with a 10.6% increase.

In compliance with the marketing strategies, Erdemir Group's flat steel sales volume increased 10.8% compared to 2010 and has reached to 4.8 million tons level through optimum use of crude steel capacity at Ereğli and Iskenderun facilities. Despite the increase in domestic shipments, Erdemir Group's total market share is expected to be realized around 33% due to 10.6% increase in Turkish apparent flat steel use. Erdemir Group is keeping its leading position in the Turkish Steel Market with its customer oriented and competitive structure.

The volume of the total long product sales reached 791 kton in 2011, and the group's market share in wire rod market is expected to be realized at 21% level in spite of the huge increase in the Turkish long market.

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Despite the stagnation in the world economy, the world steel consumption is expected to increase 5.4% in 2012 as per the WSA estimations. In addition, Turkish steel consumption is expected to grow about 6.5% driven by 2.2% - 4.5% forecasted growth in Turkish Economy.

15. Products

The main products of Erdemir Group are as follows:

Erdemir	Isdemir	Ermaden
Tinplate	Billet	Pellets
Galvanized	Wire Rod	Iron Ore
Cold Rolled	Slab	
Hot Rolled	Hot Rolled	
Plate		

16. Production Plants and Productivity

The information about the capacities of main product groups by Ereğli Iron and Steel Works Inc. are stated below:

	1 January- 31 December 2011	1 January- 31 December 2010
	C.U.P. (%)	C.U.P. (%)
Tinplate	91	100
Galvanized	107	75
Cold Rolled	83	71
Hot Rolled	73	68
Plate	82	7

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

	1 January- 31 December 2011	1 January- 31 December 2010
	C.U.P. (%)	C.U.P. (%)
Billet	33	58
Wire Rod	89	86
Hot Rolled	67	54

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17. Production (quantity)

Final Products (000 Tons)	01 January - 31 December 2011	01 January - 31 December 2010
Erdemir	3.771	3.406
Isdemir	3.143	3.387
Ermaden	2.862	2.705

18. Developments Regarding Sales

In 2011, the marketing and sales activities of long products are transferred to ERDEMIR Group Marketing and Sales Coordinatorship. Consequently, the structure of the ERDEMIR Group's Marketing and Sales Organization has been strengthened and the expanded functional matrix enabled ERDEMIR Group to act more flexible and faster in the market.

In 2011, International Trade Directorate was re-structured on a geographical basis in order to reach final customers in the export markets. By this change, it is aimed to intensify the relations with global customers and to become their permanent supplier.

Turkish Iron and Steel Industry made breakthrough by increasing its flat steel capacity more than 80% in last two years and reached 15.9 million tons flat rolling capacity in 2011. ERDEMIR Group is holding more than half of the Turkish flat rolling capacity and planning to keep its competitive power via establishing strong relationships with its customers in this competitive environment. In this direction, ERDEMIR Group has taken an active role in one international and four domestic major industry events, and participated in many others in order to expand its customer portfolio. Moreover, customer satisfaction and corporate image of the ERDEMIR Group are aimed to be strengthened through organizing customer meetings & ad-hoc events, implementing an independent customer survey, assessing and analyzing the demand and understanding the needs in the market.

In 2011, many improvements and customizations are made in order to meet the customer needs in the market. For example, online stock selling system upgraded to a new 7/24 available design that enables our customers to check for their urgent demands anytime without waiting. A new design is also implemented on the online system that enables customers to add/change delivery terms to their order structure. Moreover, dynamic order limits and label based plate sales are other examples.

The capacity utilization ratio of the cut-to-length and slitting line in the Iskenderun facilities are increased to improve service quality of the ERDEMIR Group. Similarly, the steel service center investment in Ereğli facilities is on the progress at full speed.

The order delivery performance of the flat products also improved in 2011 beyond the targeted level. Moreover, a far efficient per/after sales technical support is provided through centralized customers technical service structure and improved coordination between facilities.

Market Development Directorate developed 6 product groups and 17 new product quality by carrying the customers' requirements to ERDEMIR's processes under the strategy of providing the right products through right channels.

As a result of all improvements mentioned above, ERDEMIR Group's domestic flat steel volume increased by 11% and reached to 4.8 million tons, and total flat sales reached to 5.9 million tons with a 16% increase in 2011. Additionally, 1,1 million tons of flat steel delivered

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to 44 countries in the export market through expanded international marketing and sales structure.

Due to the optimum product mix strategy, long steel sales volume decreased by 43% and reached to 791 thousand tons. Through industry-focused marketing and sales strategy and targeting to increase sales volume of the final customers; sales volume of the automotive & white goods industry for Erdemir increased by 54% and sales volume of the general machinery industry increased by 24% in 2011.

19. Sales (quantity)

Final Products (000 Tons)	1 January - 31 December 2011	1 January - 31 December 2010
Erdemir	3.539	3.284
Isdemir	3.108	3.232
Ermaden*	2.904	2.774

(*) 2.629 thousand tons of Ermaden's sales are to Group Companies as of 31 December 2011. (31 December 2010: 2.571 thousand tons).

20. Indicators and Ratios

Financial statements are prepared in accordance with the CMB's Communiqué Serial:XI, No:29 and have been audited as of 31 December 2010 and 31 December 2011.

Summary of Balance Sheet

	(Audited) Current Period 31 December 2011	(Audited) Previous Period 31 December 2010
(TRY)		
Current Assets	6.026.987.737	6.324.667.258
Non-current Assets	7.365.849.568	7.216.305.378
Total Assets	13.392.837.305	13.540.972.636
Current Liabilities	2.472.663.550	3.763.668.823
Non-current Liabilities	3.632.625.683	3.086.059.488
Shareholders' Equity	7.287.548.072	6.691.244.325
Total Liabilities	13.392.837.305	13.540.972.636

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Summary of Income Statement

(TRY)	(Audited)	
	Current Period	Previous Period
	1 January- 31 December 2011	1 January- 31 December 2010
Sales Revenue	8.920.544.781	6.632.827.541
Operating Profit	1.725.144.839	1.121.339.764
Profit from Continuing Operations Before Taxation	1.297.013.448	973.883.922
Profit for the Period (*)	1.039.128.177	796.347.142
EBITDA	2.034.104.617	1.419.925.686
Earnings Per Share	46,77%	35,63%

(*) Shareholder's share in the net profit for the period is TRY1.005.562.503 in December 2011 (December 2010: TRY765.999.660).

Key Ratios

(%)	31 December 2011	31 December 2010
Operating Profit Margin	19,3	16,9
Profit Margin	11,3	11,5
EBITDA Margin	22,8	21,4

21. Collective Labor Agreement Applications and the Benefits

23rd Period Collective Labor Agreement, which will be valid between 01.09.2010 - 31.08.2012, has been signed on May 5, 2011 between the Turkish Employers' Association of Metal Industries (MESS) on behalf of our company and the Turkish Metalworkers Union as the collective bargaining agency. Negotiations on our subsidiary İskenderun Iron and Steel Works Company's Collective Labor Agreement for the 24rd Term, between Steel-Business Syndicate have ended with agreement as of 29.06.2011. Signed Collective Labor Agreement will be in force between 01.01.2011 and 31.12.2012, for 2 years.

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.

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.

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The number of the personnel on 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011	31 December 2010
Monthly paid personnel (A)	3.368	3.378
Hourly paid personnel (B)	8.640	7.859
Candidate worker (C)	1.293	2.173
Contractual personnel (D)	20	18
Contractual personnel (Contractor)	112	125
TOTAL	13.433	13.553

22. Shareholding and Capital Structure

Authorized Capital : TRY 5.000.000.000
Paid-in Capital: TRY 2.150.000.000

Shareholders	Shares (TRY)	%
Ataer Holding A.Ş.	1.059.632.159	49,29
Publicly Held	1.024.125.203	47,63
Erdemir's Own Shares	66.242.638	3,08
Total	2.150.000.000	100,00

23. 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."

24. 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.

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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.

Almost 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.

Financial valuation and technical assessment report of investments is presented to the Consolidation and the Group Risk Management Center. According to the investment amount and duration of investment, production and sales volumes, the expected net cash flows of the project, the net present value, internal rate of return and Payback Period, Consolidation and Group Risk Management Center evaluates the results of the financial affairs and reports to Finance Coordinator. Investment advices not approved by Consolidation and Group Risk Management Center will not be offered to the Board of Directors.

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26. 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	2011 Share %	2010 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Iron and Steel	92,91	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Iron and Steel	100,00	100,00
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100,00	100,00
Erdemir Romania S.R.L.	Romania	Iron and Steel	100,00	100,00
Erdemir Lojistik A.Ş.	Turkey	Logistics Services	100,00	100,00
Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş. (*)	Turkey	Iron and Steel	-	100,00

Erdemir Gaz San. ve Tic. A.Ş. as disclosed in non-current financial investments is excluded from consolidation, as it has not been dormant operating since its establishment and as it does not significantly affect the consolidated financial statements of the Group.

(*) According to the decisions taken by the Board of Directors of Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş. dated 14 July 2010 and numbered 334 and Board of Directors of Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. dated 14 July 2010 and numbered 22, it is decided to merge the two entities. As of 31 March 2011, the merger activities have been concluded. That merger does not have an impact on the consolidated financial statements.

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.

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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 non-controlling interest shares is obtained by the calculation of the fair values of assets and liabilities with respect to the proportion of the non-controlling interest. The operational results of subsidiaries are included or excluded from consolidation according to their effective dates of acquisition and disposal, respectively.

Non-controlling interests in the net assets of the subsidiaries included in consolidation, appears as a separate item in Group's equity. Non-controlling interests consist of non-controlling party'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 non-controlling interest after the first acquisition date. Losses of the non-controlling interests are distributed to the shares of the non-controlling interests. The equity and net income attributable to non-controlling interests are shown separately in the consolidated balance sheet and income statement, respectively.

27. Organizations Out of the Headquarters

None.

28. Donations Made

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

(TRY)	01 January- 31 December 2011	01 January- 31 December 2010
Cooperative Activities with Public Institutions and Organizations	681.095	820.691
Education and Training Activities	1.640.075	1.015.253
Volunteer Studies and Cooperative Activities for Charities	177.474	149.467
Cooperative Activities with Foundations, Associations, Organizations, Institutes	29.919	53.674
Sportive Activities	-	14.522
Cultural and Artistic Activities	10.500	30.278
Health-Benefit and Financial Support Activities	290	89.305
Other	2.852	9.353
Total	2.542.205	2.182.544

29. Information about Administrative Sanctions and Penalties Inflicted on the Company and Members of the Board due to Practices Contrary to Legislation

None.

30. Information About Ongoing Lawsuits Filed Against the Company and Possible Conclusions

The Company, prepared its interim consolidated financial statements of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB's Communiqué Serial XI No 25 on "Accounting Standards to be implemented in Capital Markets" which is not in effect today, whereas it prepared its consolidated financial statements of 31 December 2005 according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB's letter No. SPK.017/83-3483 of 07

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March 2006, sent to the Company Management. The aforementioned Communiqué (Serial XI No. 25 on the "Accounting Standards to be implemented in Capital Markets"), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 01 January 2005.

CMB, by stating on its decision No. 21/526 of 05 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (UFRS) caused a material effect on the period income (152.329.914 TL), asked from the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 September 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 02 September 2010. Therefore the Case is still pending before the Council of State (E. 2010/4196).

Meanwhile, it was decided at the Company's Shareholders' General Assembly of 30 March 2006 that the dividend shown in the consolidated financial statements of 31 December 2005, which were prepared according to IFRS, be distributed. Privatization Administration (PA), who has a usufruct right over 1 (one) equity share among the ERDEMİR shares it transferred to Ataer Holding A.Ş., filed a lawsuit before the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and 35.673.249 TL allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; PA appealed this rejection on 07 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. Therefore the case is still pending (E. 2011/551).

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 02.07.2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company. However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27.03.2010 claiming that the objection should be overruled and 68.312.520 USD should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23.06.2011. Enerjia appealed this rejection, and the file was sent to the Court of Appeals. Therefore the case is still pending.

31. Information about Amendments in Legislation That May Significantly Affect the Company's Activities

None.

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32. Information About Conflicts of Interest Between the Company and Institutions that Provide Services to the Company on Issues Such as Investment Advisory and Ratings and Cautions Taken by the Company to Prevent These Conflicts

None.

33. Social Rights of Employees, Professional Training and Other Activities of the Company that Cause Communal and Environmental Consequences

As Erdemir Group training policy; with the belief that the Company's most important asset towards building a stronger presence is well-qualified manpower, to equip all personnel with the competence to meet present and future requirements educational plans are prepared and applied in the relevant period. Professional training activities in Erdemir are to reach the goals in Erdemir Strategic Business Plan. Annual Training Plan is prepared in accordance with the yearly objectives of the Company. The trainings that are planned should supplement and regard the fundamental principles of Quality, Occupational Health and Safety, Environment and Energy Management Systems in "Erdemir Management Systems Policy". While preparing and implementing the Training Plans; the issues of improving team skills, forming new educational opportunities and enhancing the work experience of the personnel are taken into consideration. Educational Programs contribute to the development of the Company's performance based on products, services and processes.

Wide range of facilities such as lodging, guesthouses, cultural centers, cafes and restaurants, beaches and swimming pools, outdoor and indoor tennis courts, fitness centers, stadiums, day nurseries continued to serve to strengthen the communication between Erdemir Group employees and their families, to raise their motivation and enrich their social lives. Cooperation was maintained with public bodies and institutions, nongovernmental organizations, universities and industrial corporations; internship opportunity was offered to university and vocational college students. Group Companies actively attended fire, flood etc. rescue operations in their region with their teams and equipment.

Erdemir Group adopted the principle of sustainable development to meet the requirements of existent and future generations and has set social improvement to meet everyone's needs, protection of natural resources and the environment we live in, technological development and supplying stabilized employment as its main purpose. Erdemir was deemed worthy of one of the most prestigious awards of European Union Environment Awards in the category of management in the Turkey Program in year 2006, where the institutions with strategic vision and that continuously improves their contribution to sustainable development are evaluated. Erdemir made the total of 400 million \$ investment on environment up to the day.

34. Information About Approval Given by the Board to Controlling Shareholders, Board Members, Executive Management and Relatives up to the Second Degree to Make Transactions and Get into Competition with the Company or Its Subsidiaries That May Cause Conflicts of Interest

None.

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35. Information About the Report on the Conditions and Market Comparison of Transactions That Amount to 10% or more of the Total Assets or Gross Sales in Annual Financial Statements in Accordance with the Capital Markets Board Legislation

None.

36. Information for Shareholders

None.

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App.1: Information About Board Members' and Executive Management's Titles out of the Company

Board of Directors	Title	Titles out of the Company
Fatih Osman TAR	Chairman and Executive Director	- İskenderun Demir ve Çelik A.Ş. – Chairman/Executive Director - Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. – Chairman
Nihat KARADAĞ	Deputy Chairman and Executive Director	- İskenderun Demir ve Çelik A.Ş. – Board Member/Executive Director - OYAK Yatırım Menkul Değerler A.Ş. – Chairman - HEKTAŞ Ticaret T.A.Ş.– Chairman - TUKAŞ Gıda San. ve Tic. A.Ş.– Chairman
Arzu Hatice ATİK	Board Member	None.
Diñç KIZILDEMİR	Board Member and Executive Director	- İskenderun Demir ve Çelik A.Ş. – Deputy Chairman/Executive Director - Erdemir Madencilik San. ve Tic. A.Ş.– Chairman - ERDEMİR Lojistik A.Ş. – Chairman - ERDEMİR Romania SRL – Chairman - Ayas Enerji Üretim ve Ticaret A.Ş.– Chairman - Tam Gıda San. ve Tic. A.Ş. – Deputy Chairman - Eti Pazarlama ve Sanayi A.Ş. – Deputy Chairman - OYAK Elektrik Enerjisi Toptan Satış A.Ş. – Chairman - OYAK Pazarlama Hizmet ve Turizm A.Ş. – Chairman - OYAK Girişim Danışmanlığı A.Ş. – Chairman

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Board of Directors (cont'd)	Title (cont'd)	Titles out of the Company (cont'd)
Ertuğrul AYDIN	Board Member	<ul style="list-style-type: none"> - İskenderun Demir ve Çelik A.Ş. – Board Member - Ayas Enerji Üretim ve Ticaret A.Ş.– Board Member - İskenderun Enerji Üretim ve Ticaret A.Ş. – Board Member - OYAK Girişim Danışmanlığı A.Ş. – Board of Auditors Member - OYAK Anker Bank GmbH – Supervisory Committee Member - ATAER Holding A.Ş. – Board Member
Fatma CANLI	Board Member	<ul style="list-style-type: none"> - İskenderun Demir ve Çelik A.Ş. – Board Member - Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. – Deputy Chairman - OYAK Anker Bank GmbH – Supervisory Committee Member - Birçim Çimento ve Madencilik San. ve Tic. A.Ş. – Chairman - OYAK Renault Otomobil Fabrikaları A.Ş. – Board of Auditors Member - Ayas Enerji Üretim ve Ticaret A.Ş.– Board Member - İskenderun Enerji Üretim ve Ticaret A.Ş. – Board Member - MAİS Motorlu Araçlar İmal ve Satış A.Ş. – Board of Auditors Member - Vize Agregası Asfalt Madencilik Sanayi ve Ticaret A.Ş. – Chairman - Marmara Madencilik San. ve Tic. Ltd. Şti. – Board of Managers Member - Aslan Çimento Health, Educational and Cultural Foundation – Chairman
Oğuz Nuri ÖZGEN	Board Member	<ul style="list-style-type: none"> - Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. – Chairman - Turkish Employers' Association of Metal Industries – Board Member - Turkish Employers' Association of Metal Industries – Chairman of Ankara Regional Delegation - Turkish Iron and Steel Producers' Association – Advisory Board Member

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Executive Management	Title	Titles out of the Company
Oğuz Nuri ÖZGEN	President and Chief Executive Officer	<ul style="list-style-type: none"> - Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. – Chairman - Turkish Employers' Association of Metal Industries – Board Member - Turkish Employers' Association of Metal Industries – Chairman of Ankara Regional Delegation - Turkish Iron and Steel Producers' Association – Advisory Board Member
Esat GÜNDAY	Executive Vice President (Operations)	<ul style="list-style-type: none"> - Erdemir Romania S.R.L. – Board Member
Ahmet Samim ŞAYLAN	Executive Vice President (Human Resources and Admin. Affairs) Executive Vice President (Procurement) (by proxy)	<ul style="list-style-type: none"> - Turkish Iron and Steel Producers' Association – Yönetim Kurulu Üyesi - Turkish Iron and Steel Producers' Association – Advisory Board Member - MESS Educational Foundation – Board Member - Foundation of ERDEMİR – Chairman
Mustafa Ayhan KALMUKOĞLU (by proxy)	ERDEMİR Group Marketing and Sales Coordinator	<ul style="list-style-type: none"> - Steel Exporters' Association – Board Member - Foreign Economic Relations Board - American Business Council Member

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Ereğli Demir ve Çelik Fabrikaları T.A.Ş. is aware of its responsibilities towards its stakeholders as a pioneer and a leader in Turkish industry and one of the widest publicly-held companies of Turkey. Transparency, management accountability, compliance with ethics and regulations have become the integral parts of corporate management, and ERDEMİR has always fulfilled all of its statutory liabilities in a proper and timely manner.

Our Company assigned personnel having the licenses which are compulsory as per the Capital Market Board Legislation with a view to ensure coordination in increasing the level of commitment to 'Principles of Corporate Governance' and of harmony in fulfillment of its liabilities arising from the Capital Market Legislation.

In 2011, the company had paid strict attention to the compliance of compulsory or optional regulations of Corporate Governance Principles, that was revised in 2005, in which the details are given below. Additionally, in the same period, the company had begun for preliminary preparatory to the compliance for the Communiqué Serial: IV, No: 56 on Principles Regarding Determination and Application of Corporate Governance Principles which was published on official gazette dated 30.12.2011 and numbered 28158 by CMB. Compliance to the abovementioned compulsory regulations have been continuing and going to be accomplished within the deadlines which were indicated in the Communiqué and CMB statements.

COMPLIANCE WITH PRINCIPLES OF CORPORATE GOVERNANCE**I. RELATIONSHIPS WITH SHAREHOLDERS**

Relationships with our partners, corporate investors and analysts are systematically carried out, supporting the corporate values. For this purpose, meetings are organized with domestic and foreign investors, material disclosures are announced to the public immediately, responsibilities towards regulatory authorities such as ISE and CMB are fulfilled, and questions of our partners, analysts and portfolio managers are forthwith responded.

Request for information coming from our shareholders via telephone and mail within the year, such as stock updates, entry into the registration system, general meeting and dividend distribution; the issues are shared with independent auditors of the company and required answers are provided when and where necessary depending on the nature of information needed.

Our Company's Financial Statement and footnote explanations along with material disclosures are announced to investors in ISE and the public by means of Public Disclosure Platform; and also financial statements and footnotes are published on the company's web site.

Relationships with shareholders are carried out by Investor Relations Department and contact information is available in the annual report and on the company's web page.

Investor Relations Department
E-mail: erdemir_ir@erdemir.com.tr

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General Assembly:

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. General Meeting is held at least once a year subsequent to the year-end of the Company's accounting period. The meeting date is announced to the Capital Market Board and İstanbul Stock Exchange when ascertained by The Board of Directors. All of our partners are invited to attend the General Meeting via the web site of our Company and press, and are informed about the agenda.

The Annual General Meeting of our Company for the year 2010 was held on 31.03.2011, at which 50,28% of the shares were represented. The balance sheet, income statement, The Board of Directors' and Auditor's Reports as of 2010 were submitted to our shareholders for review at our Headquarters and regional directorate from 16.03.2011 and a copy of these documents was provided upon request.

Our shareholders who wanted to raise their concerns out of the agenda at the Annual General Meeting asked questions about the company's performance and strategies, which were responded to by the Assembly President and related executives under the President's guidance. Minutes of the Meeting and the List of Attendants were released on our Company's web site.

Amendments in the Articles of Association within the Period:

The amendment in the articles of association executed on 31.03.2011 is as follows:

Article 4- Purpose and Scope:

A. to purchase, lease or otherwise acquire real estate directly or indirectly relating to the objectives and subject-matter of the Company together with all rights thereon in connection of use thereof including establishing any lien thereon and renting out the same, and to sell any redundant real estates;

B. to construct, purchase and operate all facilities and equipment inland and abroad whether by itself or by establishing partnerships to that end, which are necessary or relating to the manufacture of any type, nature and size of iron and steel rolling products, alloyed or pure iron, steel and pig cast iron, cast and press products as well as inputs and byproducts necessary for the manufacture thereof;

C. to purchase, lease or otherwise acquire other raw materials, derivatives as well as any type and nature of mineral ores that are directly or indirectly necessary for the manufacture and production of the products as indicated in the subparagraph (C) above, and to discover, explore, extract, process and produce mines;

D. to purchase, construct, establish and operate any facilities and equipment that are directly or indirectly necessary for the further process and use of the byproducts, wastes, and scraps obtained at any process or stage of the products or processes as indicated in subparagraphs (B) and (C) above;

E. to establish generating plants and generate electric and heat energy, mainly for the purpose of meeting its own needs for electric and heat energy within the auto producer license, in accordance with the legislations relating to the Electricity Market and, in case of surplus generation, to sell generated electric and heat energy and/or capacity to other legal entities having the pertinent license and free consumers within the framework of the said legislations, and to engage in such activities relating to obtain all equipment and fuels necessary for the electric generating plants, provided that such activities shall not be of commercial nature;

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F. to establish Research Centers, and to provide national and international laboratory services of any kind as well as training and consultancy services;

G. to operate ports and piers by constructing, purchasing and landing them for the purpose of shipping the products and supplying the inputs inland and abroad, and to provide pilotage, marine towing, storage and transportation services by letting other individuals and companies use such ports and piers, and to engage in land and sea transport activities inland and abroad or to establish separate companies and/or partnerships to that end;

H. to perform any kind of financial, commercial and industrial procedures directly or indirectly relating to the foregoing including but without limited to the below mentioned authorities;

I. to carry out borrowing, financing and cash management procedures and use any kind of risk management instruments by means of using any kind of money and capital market instruments in terms of Turkish Lira and/or foreign currencies inland or abroad without being limited to certain amounts for or in connection with any of the subject of the activity of the Company, provided that the Company shall not act as a intermediary and/or a portfolio manager;

J. save for all rights vested to the Group A by virtue of article 22 hereof, to lend and receive deeds and/or bank letters of guarantee as security in connection with any subject of activity of the Company, provided that this shall not be contrary to the legislations relating to lending procedures; to establish current accounts; to provide pecuniary, non-cash or personal guarantees for the financial liabilities of third parties, provided that the Company shall make necessary disclosures in accordance with the procedures set forth by the Capital Market Board;

K. to carry out all procedures relating to its own interests in accordance with provisions of article 329 of the Turkish Commercial Code;

L. to participate and purchase domestic or foreign companies which engage in the production or consumption of iron and steel products or which directly or indirectly provided services in respect thereof inland and abroad, or to establish new companies to that end, provided that the last article 15 of the Capital Market Law shall be reserved;

M. to provide its personnel with training both in Turkey and foreign countries so that they have technical knowledge and skills in various specialization areas of the iron and steel industry; to establish training facilities and provide training and consultancy services;

N. to make license, know-how and similar agreements with domestic and foreign companies; to participate in tenders and commitments in respect of establishment of factories, and to purchase or sell information and technology;

O. to construct/cause to be constructed pipe lines and facilities for the purpose of purchasing, selling, storing and distributing natural gas;

P. to perform any kind of corporate activities and procedures both in Turkey and foreign countries, which are directly or indirectly relating to the subjects of activity of the Company, in accordance with the pertinent laws;

R. to act and to grant rights others to act as a representative office, agency, distributor, authorized dealer; and to receive and give commission, in connection with its objectives and subject-matter;

S. to acquire, use, lease, rent out, transfer and sell authorizations, permits, patents, patent rights, trademark rights, licenses and royalties as well as any kind of industrial and/or intellectual property rights in connection with its objectives and subject-matter, and to take and give mortgages thereon;

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T. to purchase, lease, take over and transfer and dispose of any kind of land, air and sea transport vehicles in order to achieve its objectives and subject-matter, and to sell the surplus quantity thereof;

to engage in any kind of activity directly or indirectly relating to the objectives and subjects of activity as set forth herein above;

U. to carry out Engineering and Architectural activities for any kind of studies, calculations, designs and technical drawings relating to the projects for which the Company may be in need in relation with its subjects of activity; and to follow up the implementation thereof;

V. save for all rights vested to the Group A by virtue of article 22 hereof, in case other than those set forth herein above, the Company wishes to engage in such activities that may be deemed useful and necessary, then this shall be submitted to the General Meeting of Shareholders for approval upon the proposal of the Board of Directors, and the Company will be able to engage in such activities after a resolution is adopted to that end, and the amendment to the articles of association is registered with the trade registry office. For the enforcement of such resolution considered an amendment to the articles of association, necessary permits will be obtained from appropriate authorities and offices in accordance with the pertinent legislations.

Capital:

Article 7 – the Company has adopted the Registered Capital System in accordance with provisions of the Capital Markets Law as amended by the law no. 3794, and started to use this system with the permission of the Capital Markets Board no. GDGD/150/2416 dated 15.08.1983.

The upper limit of the registered capital of the Company is TL 5,000,000,000.00 (five billion Turkish Liras). The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kurus) up to the amount of the registered capital, between the years 2008 and 2012, in accordance with the requirements as set forth herein.

The permission granted by the Capital Markets Board in respect of the upper limit of the registered capital is valid for the years between 2008 and 2012 (5 years). Even if the upper limit of the registered capital as permitted is not reached by the end of the year 2012, in order to adopt a resolution for increasing the capital after 2012, the board of directors shall be required to obtain authority from the general meeting of shareholders for a new period by means of gaining permission from the Capital Markets Board for the upper limit previously permitted or a new upper limit. In case of the failure to obtain such authority, the Company shall be deemed to have quit the registered capital system.

The Board of Directors is authorized to restrict the rights of the shareholders to receive new shares, and also authorized to issue shares at such prices greater than their nominal values.

Each share has 1 voting right.

The Issued Capital of the Company is TL 2,150,000,000.00 (two billion one hundred and fifty million Turkish Liras), all of which is paid. This capital is composed of 215,000,000,000 (two hundred and fifteen billion) shares each with a nominal value of 1 Kurus (One Kurus).

Shares representing the capital shall be traced in records in accordance with the basis of dematerialization.

This capital is divided into Group A and B shares. Out of such shares, 1 (one) registered share

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corresponding to the capital in the amount of 1 Kr (one Kuruş) shall constitute the Group A, and 214,999,999,999 (two hundred and fourteen billion nine hundred and ninety-nine million nine hundred and ninety-nine thousand nine hundred and ninety-nine) shares corresponding to the capital in the amount of TL 2,149,999,999.99 (two billion one hundred and forty-nine million nine hundred and ninety-nine thousand nine hundred and ninety-nine Turkish Liras, ninety-nine Kuruş) shall constitute the Group B.

A beneficial right is to be established on the Group A shares in the name of the Directorate of Privatization Administration, which shall be valid until otherwise decided by the High Board of Privatization. All voting rights pertaining to the Group A shares shall be exercised by the beneficial owner ("beneficial right").

Powers of the Board of Directors:

Article 13 – the Board of Directors shall manage and represent the Company.

Except for the managing and representing rights as determined by the Resolution of the Board of Directors in respect of the appointment of a managing director or directors in accordance with the last sentence of subparagraph 1 of article 12 of the Articles of Association, no documents to be issued and no agreements to be made by the Company shall be valid unless signed by at least two persons authorized to represent and bind the Company, which signatures shall be affixed below the corporate name of the Company.

The term of office of the general manager, assistant general managers, managers and other employees authorized to sign on behalf of the Company shall not be limited to the term of office of the Members of the Board of Directors.

The Board of Directors shall determine, register and announce the persons who are to be authorized to sign on behalf of the Company, and how they affix their signatures on behalf of the Company."

and the following article has been inserted to the Articles of Association:

"Provisional Article 2 – While the nominal value of the shares was TL 500, it first changed to 1 New Kuruş in accordance with the Law No. 5274 on Amendment to the Turkish Commercial Code, and then to 1 Kuruş since the word "New" was removed from the words "New Turkish Lira" and "New Kuruş" on 1 January 2009, in accordance with the Decree of the Council of Ministers no. 2007/11963 dated 4 April 2007. For the reason of such change, the number of total shares was reduced, and a share with nominal value of 1 (New) Kuruş was given in consideration of 20 shares with a value of TL 500. The rights of the shareholders arising from the shares held by them shall be reserved in respect of the said change.

The words "Turkish Liras" contained herein are the words changed by the above mentioned Decree of the Council of Ministers.

Dividend Distribution Policy and Timing:

Our Company's policy on dividend distribution is outlined in article 37 titled 'Calculation and Distribution of Profit'. As for estimation of the rate to be allocated to our shareholders in cash and/or in form of bonus shares from the Net Distributable Profit for the Period estimated according to the legislation in force and to the procedure described in the related clause of the Articles of Association, Our Company aims for maximum distribution of profit to the extent allowed by financial leverage rates in accordance with principles of corporate management, making efforts to balance the financial burden resulting from investment expenditures with the Corporate Management expectations of the partners. Dividend distribution is performed within

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legal periods and principles regarding dividend distribution are disclosed to the knowledge of shareholders at the General Assembly.

Transfer of Shares:

There is no restriction regarding transfer of our Company's shares, and provisions of Turkish Commercial Code shall be applicable on the issue.

II. PUBLIC DISCLOSURE AND TRANSPARENCY

Our web site includes introductory and important information, financial statements and the corporate governance compliance report both in Turkish and English. An e-mail address is given for investors to submit any questions and requests.

Our Company immediately discloses any progress included in scope of our Company's Material Disclosure Communiqué under the responsibility of being a publicly held company, and continuously updates and discloses any changes and progresses to the public. A total of 51 material disclosures were made by the Company in 2011.

With the ERDEMİR Group Regulation on Principles Regarding Public Disclosure enforced on 03.03.2009 and revised on 24.11.2010, our Company aims to provide equal, concurrent, transparent and accurate information actively to all "stakeholders" such as domestic/foreign shareholders, beneficiaries, investors and capital market institutions regarding the past performance and future expectations of our Company.

Disclosure activities are carried out in compliance with our Company's Disclosure Policy, Capital Markets Legislation, decisions of the Capital Markets Board and other related legislations, and the issues to be explained are disclosed to the public in an exact, correct and timely manner.

In line with this objective; it is essential to ensure that the necessary information and explanations except commercial secrets are forwarded to all beneficiaries including shareholders, investors, employees and customers in a timely, accurate, correct, comprehensible, easy manner at the lowest cost under equal conditions.

All employees who are able to access to the information which might affect our Company's capital market instruments, disclose to the public any purchase-sales transactions they perform with the capital market instruments issued by the Company.

With a view to inform the public, Company's web site (www.erdemir.com.tr) is actively in use, containing annual assessment messages of the Chairman of the Board of Directors and the CEO, Corporate Governance, Corporate Governance Principles and Management Declaration, Board of Directors, Executive Management, Capital Structure, Trade Registry Information, Articles of Association, Minutes of General Assembly, Information about Golden Share, List of Attendants, Safe Harbour Statement, Stock Price Information, Ratings, Annual Reports, Analyst Meeting Reports and Presentations, Interim Reports, Financial Statements, Summary Information for Investors, Financial and Operational Highlights and ISE Disclosures, Dividend Payments and Capital Increases, Analyst Information, Disclosure Policy and General Assembly Proxy Form under the title of Investor Relations.

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III. BENEFICIARIES

Written or verbal information is provided for beneficiaries such as the company's employees, customers, suppliers, labour unions, Non-governmental organizations, government and potential investors, when they request for information on issues concerning themselves in addition to the information available in financial statements and reports disclosed to the public as per CMB (Capital Markets Board).

The Company's employees are informed through monthly released news bulletin and announcements containing company's practices on the intranet.

Improved product qualities and sizes, and any changes to the sales conditions are immediately disclosed to all of our customers with Customer Information Notes. Demands and expectations of our customers are received through customer visits, and new quality improvement activities are carried out depending on the changing demand in the market. Customer complaints are handled accordingly and necessary corrective actions are taken.

Tender method is applied in all domestic goods and service purchases and announced via fax/ e-mail; specifications are announced on the web site of our company. Cooperation activities are in progress for development of manufacturer suppliers in our region.

Our Company exchanges ideas with potential customers and suppliers during its participation in exhibitions.

Opinions and suggestions of our employees are received with ERDEMİR Suggestion System (ERSS) and Performance Management System and necessary improvements and developments are put into effect.

Our Company also fulfills its responsibilities towards the surrounding social environment.

IV. BOARD OF DIRECTORS

Board of Directors consists of minimum 5 and maximum 9 members to be selected by the General Assembly among shareholders under the provisions of Turkish Commercial Code. Members of the Board of Directors are selected for one year. 7 members were selected at the General Assembly of Shareholders dated 31.03.2011. Our Chairman and Vice Chairman of Board are Managing Directors, and the General Manager of our Company is also a Member of the Board. In addition, a Member of our Board of Directors was authorized as the Managing Director. The procedure to be followed to assemble the Board of Directors, the quorum for the meeting and the resolution, voting are subject to provisions of Turkish Commercial Code. An Audit Board is constituted within the body of the Board of Directors, consisting of 2 members and responsible for taking all necessary measures for adequate and transparent execution of any internal and independent audit. Our Company is audited by minimum 1 and maximum 3 auditors to be elected by the General Board for a period of 1 year. 2 auditors were elected at the Annual General Meeting dated 31.03.2011.

6 Meetings of the Board of Directors were held in 2011. There is no change realized in the Board of Directors within the year. Ünal TAYYAN was appointed as a Board Member of Auditors for 1 year on General Assembly dated 31.03.2011 as a substitution for Ali Güner TEKİN who completed his term of office.

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Internal Audit Mechanism:

The proficiency and functioning of internal control systems of our Company are monitored by the Account Controlling Group affiliated to the Chair of the Board of Directors.

Our Company's basic code of conduct is ascertained with the rules of code of ethics. The code of ethics contain common values of our company along with the change in legal, social and economic conditions.

Moreover, the rules of issues such as the working order within our Company, managerial hierarchy, responsibility, compliance with the Company's interests, relationships with customers and employers, compulsory attendance, assignment and transfer, confidentiality, prohibition of commercial activities and employment out of the company, kinship, releases and declarations about the Company, security, wishes and complaints are set out in the Personnel Regulation.

RISK MANAGEMENT

In accordance with the Risk Management Regulation, ERDEMİR Group has been continuing management of all risks defined, primarily those including the market risks encountered by the Group as it has performed raw material purchases mostly from international markets, used foreign-currency loans from domestic and foreign markets for ongoing extensive investment projects and position risks from different currencies. Internal systems developed to measure and manage financial risks and credit risks, and value at risk model have actively been in use. Hedging strategies are developed and derivative transactions are executed with a view to control the value at risk obtained upon estimations performed under the risk tolerance of our Board of Directors and to protect stakeholders' assets.
