

Compliance with Corporate Governance Principles Published in the Annual Report 2005

1. Declaration of Compliance with Corporate Governance Principles

Turkish Airlines has implemented Corporate Governance Principles adopted by the Turkish Capital Markets Board (CMB) with a view toward promoting Turkey and the Turkish aviation sector on an international platform reliably and transparently. A description of related practices is given below.

2. Shareholder Relations Unit

An Investor Relations Department that reports to the Executive Vice President in charge of Financial Affairs has been established. This department will provide investors with prompt and accurate information, manage relations with capital market auditors, facilitate the flow of information, monitor capital increases and public offerings and organize presentations and meetings for both domestic and international investors.

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3. Shareholders' Right to Obtain Information

24.82% of THY shares are traded publicly. During the 2005 fiscal year, four individuals and institutions demanded information about shareholding issues (capital increases) and for disclosures concerning publicly available financial statements. In addition, fifteen individually and institutionally written applications were received and all queries were answered. Several investors and shareholders also requested information by telephone or email; all inquiries were responded to with equal diligence. At the same time, to ensure that shareholders exercise their rights effectively to obtain information, a special page for Investor Relations was created on the Turkish Airlines website for this purpose.

4. General Meeting

In accordance with Article 6 of the Articles of Association, all shares of the Company are registered shares divided into Class A and Class C. There is only one Class C share which is owned by the Turkish Privatization Administration. Should the Privatization Administration transfer its authority, the Class C share shall be owned by the enterprise to whom these authorities have been transferred. At present, 75.18% of Class A shares belong to the Privatization Administration, and 24.82% have been offered to the public. A regular General Shareholders Meeting and an extraordinary General Shareholders Meeting were held on 18 April 2005 and 04 July 2005, respectively to review accounts and operations in 2004.

Shareholders representing the TL 135,542,013-portion of the increased capital of TL 175 million attended

regular General Shareholders Meeting and shareholders representing TL 139,032,002—portion of the paid in capital attended the extraordinary General Shareholders Meeting.

Several media organizations were present and news features on the general meeting were published.

Invitation to the meeting was publicly announced through the Commercial Registry Gazette and a newspaper with nationwide circulation. Additionally, the meeting was also announced on the Company's web site.

Article 29 of the Articles of Association stipulates that shareholders holding publicly traded shares are not required to be notified of the date of the meeting by registered mail.

No specific registration deadline was determined to ensure participation of shareholders holding registered shares. Other related terms are set forth in Article 7 of the Articles of Association, as shown below:

Share transfers are subject to the provisions of the Turkish Commercial Code, the Capital Markets Legislation and the Civil Aviation Legislation.

The transfer of registered shares must be recorded in the share ledger for the transfer to be recognized by the Company. Before such a record is made in the share ledger, holders of registered shares must document their identities and nationalities and, if applicable, their foreign references as specified in Article 6, preparing this in the form determined by the Board of Directors. If a share transfer has not been recorded in the share ledger, the shareholder recognized by the Company shall be the individual whose name appears in the ledger. The entry of share transfers into the share ledger is undertaken by a decision of the Board of Directors. The Board of Directors may refuse to record the transfer of a share in the share ledger in cases violating the Articles of Association or the law or without specifying a reason.

As set forth in Article 6 above, share transfers violating share restrictions applicable to foreigners may not be recorded in the share ledger. The Board of Directors is obliged to refuse the recording of such share transfers in the ledger. Share transfers that are not recorded in the share ledger by the Board of Directors shall not be recognized by the Company and the concerned party shall not assume the position of shareholder. The approval of a share transfer by the Board of Directors and the resolution to record the transfer in the share ledger requires the vote of the Board Member representing Class C share. The Class C share may be transferred to another Turkish state enterprise that is equipped with the powers granted to the Privatization Administration under Law No. 4046.

In the event such a transfer takes place, the transfer shall immediately be recorded in the share ledger without recourse to a Board resolution.

The Board of Directors is obligated to restrict the transfer of shares to foreign parties to comply with the limitations set forth in the civil aviation legislation and/or other pertinent regulations and the Company's Articles of Association and to avoid jeopardizing the traffic and cabotage rights of the Company.

Proposals in connection with Article 362 of the Turkish Commercial Code regarding profit and loss accounts, financial statements, annual reports and the distribution of the net profit shall be made available to shareholders at Company headquarters at least 15 days before the ordinary General Shareholders Meeting, along with the report to be submitted by the auditors.

It is customary at general shareholders meetings to answer shareholders' questions verbally and prepare written responses to more comprehensive queries. Because no questions requiring a written answer were

presented, only verbal explanations were provided.

The powers of the General Shareholders Meeting have been set forth in Article 27 of the Articles of Association. Accordingly, the General Meeting is the decision-making body authorized by the Turkish Commercial Code and other pertinent legislation. Outside of this article, there are no provisions in the Articles of Association that make it imperative for important decisions to be taken at the General Meeting. However, since the majority of the Company's shares are owned by the Privatization Administration and since Law No. 4046 authorizes that agency to make decisions on important matters such as spin-offs and the sale or leasing of material assets, there has been no need to separately include this provision in the Articles of Association.

On the other hand, according to Article 14 of the Articles of Association, the validity of the decisions to be taken by the Board of Directors on the following matters is dependent upon the presence and affirmative vote of the Board Member representing the Class C share at the meeting during which the decision was taken.

- Decisions that would clearly and adversely affect the Company's mission, as set out in Article 3.1 of the Articles of Association;
- Proposals made to the General Meeting for an amendment to the Articles of Association;
- Capital increases;
- Approval of the transfer of registered shares and the recording of this in the share ledger;
- All transactions and decisions concerning direct or indirect commitments on behalf of the Company for more than 5% of the total assets appearing in the last year's financial statement submitted by the Company to the Capital Markets Board per contract (this provision shall be automatically annulled when state-owned shares fall below 20% of the Company's capital);
- The merger of the Company with other companies, its termination or liquidation;
- With the exception of those destinations that cannot cover even its operational costs under exclusive market conditions or with other resources, decisions concerning the termination of a destination or a significant reduction in the number of flights.

The privileges of Class C share may only be restricted by the Supreme Privatization Board or a state agency that has taken over its duties. The minutes of the General Shareholders Meeting are at all times available to shareholders and are sent upon request. Starting from 2005, the minutes for the General Shareholders Meetings of the last two years will be made available on the Investor Relations webpage.

5. Voting Rights and Minority Rights

1. Voting Rights are regulated in Article 31 of the Articles of Association:

"The provisions of Paragraph 6/d of these Articles of Association remaining reserved, each shareholder or shareholder's representative present at ordinary and extraordinary General Shareholders Meetings shall have one vote for each share."

2. According to Article 14, Paragraph 5 of the Articles of Association;
the validity of Board decisions on the following matters is dependent upon the presence and affirmative vote of the Board Member representing Class C share at the meeting during which the decision was taken:
- Decisions that would clearly and adversely affect the Company's mission, as set out in Article 3.1 of the Articles of Association;
 - Proposals made to the General Meeting for an amendment to the Articles of Association;
 - Capital increases;
 - Approval of the transfer of registered shares and the recording of this in the share ledger;
 - All transactions and decisions concerning direct or indirect commitments on behalf of the Company for more than 5% of the total assets appearing in the last year's financial statement submitted by the Company to the Capital Markets Board per contract (this provision shall be automatically annulled when state-owned shares fall below 20% of the Company's capital);
 - The merger of the Company with other companies, its termination or liquidation,
 - With the exception of those destinations that cannot cover even its operational costs under exclusive market conditions or with other resources, decisions concerning the termination of a destination or a significant reduction in the number of flights. Privileges of the Class C share may only be restricted by the Supreme Privatization Board or a state agency that has taken over this Board's duties.
3. According to Article 10 of the Articles of Association;
the Board of Directors shall be comprised of seven members elected by the General Shareholders Meeting. Six Board Members shall be selected from among candidates receiving the highest number of votes in the election carried out by Class A shareholders, and one member shall be nominated by the Class C shareholder.

Candidates to the Board of Directors from Class A shareholders shall be determined in line with the following principles:

- a) In the event the percentage of the Company's publicly-traded shares is 15% (15% including), the right to nominate a candidate for one of the six positions representing Class A shares shall belong to the shareholders holding publicly-traded Class A shares.
- b) In the event the percentage of the Company's publicly-traded shares is 35% or more, the right to nominate two of the candidates for the six positions on the Board representing Class A shares shall belong to the shareholders holding publicly-traded Class A shares.
- c) Shareholders holding publicly-traded Class A shares may nominate a candidate to the Board of Directors provided they have represented at least 2% of the total paid in capital by being present at the General Meeting in which Board of Directors elections had been held. Only publicly-traded Class A shares shall be considered in calculating this 2%. Shareholders holding publicly-traded Class A shares shall determine their candidates for Board Membership at a meeting they shall hold among themselves. The right to nominate a

candidate at this meeting shall belong to the holders of publicly traded Class A shares that are not owned by the state. In the event the holders of publicly-traded Class A shares do not represent 2% of the capital at the General Meeting, these shareholders' rights to nominate a candidate for Board Membership shall be exercised by those shareholders holding Class A shares that are not publicly traded, in accordance with the Turkish Commercial Code and the Capital Market regulations.

d) In the event of a vacancy on the Board of Directors due to the death, resignation, dismissal of one of its members or otherwise, the vacant position shall be filled by means of an election to be held by the Board of Directors in accordance with Article 315 of the Turkish Commercial Code.

In the event of a vacancy on the Board of Directors due to one of the reasons stated above, the shareholders holding shares that grant the right to nominate a candidate to replace the member who has left shall have the right to nominate a candidate for the vacant position and the Board of Directors shall elect this candidate to fill the vacant position on the Board of Directors. If the holders of publicly-traded Class A shares have not nominated a candidate for the vacant position on the Board of Directors, the right to nominate a candidate shall be transferred to Class C Shareholders. If a Class C share has been converted into a Class A share, the right to nominate shall belong to the shareholders holding Class A shares that are not publicly traded. In such an election carried out to fill the vacant position of the candidate nominated by shareholders holding publicly-traded Class A shares, the percentages of 15%, 35% and 2% mentioned in paragraphs a, b and c above shall not be taken into consideration. The election for the successor of the Board Member shall be submitted to the first General Shareholders Meeting for approval. The Board Member approved by the General Meeting shall serve for the remaining term of the Board Member who has vacated the position.

e) In the event it is announced that a Board Member representing a particular legal entity has terminated relations with that entity, or in the event that a particular legal entity has transferred its shares to a third party, that entity shall be considered to have resigned from its position as a Board Member and thereafter, the provisions of paragraph d of this article on nominating a candidate for a vacant position on the Board shall prevail.

f) In the event these Articles of Association are later amended or new share classes are created, paragraphs a and b above defining the right of shareholders holding publicly traded Class A shares to determine two board members shall not be annulled or modified, unless such modification has been approved by shareholders representing 65% of the paid in capital.

4. No cross-shareholding exists with any Company.

5. The representation of minority shares in management is carried out in accordance with Article 10 of the Articles of Association, as stated above.

6. The Articles of Association does not provide for cumulative voting.

6. Dividend Policies; Timing of Distributions

Issues related to the determination of the Company's profit and its distribution have been formulated in Article 36 of the Articles of Association, as explained below.

After the deduction of amounts such as the general overhead of the Company or various depreciation costs

that must be paid or set aside by the Company and taxes that must be paid out by the Company, from the income determined at the end of the year, the balance, and if applicable the net profit on the annual financial statement, shall be deducted from the total amount of losses from previous years and distributed in the following way:

a) 5% statutory reserves shall be set aside (as defined here, reserves are the statutory reserves set aside each year by the Company as 5% of net profit shall continue to be set aside until it amounts to 20% of the Company's capital). The provisions of Article 466 of the Turkish Commercial Code are reserved. If statutory reserves should, for any reason, fall below 20% of the Company's capital, statutory reserves shall continue to be set aside until this proportion is reached.

b) From the balance, a first dividend in the amount to be determined by the Capital Markets Board shall be set aside.

c) The General Meeting shall be authorized to distribute as dividends or set aside as extraordinary reserves the balance remaining after the amounts mentioned in paragraphs a and b are deducted.

d) After a dividend equal to 5% of outstanding capital has been deducted from the portion of the profit that has been set aside for distribution to shareholders and others who shall participate in the profit, one tenth of the remaining amount shall be set aside as a second reserve, as stipulated in Paragraph 3, Part 2, Article 466 of the Turkish Commercial Code.

e) Unless statutory reserves and the first dividend specified in the Articles of Association have been set aside, no decision may be made to set aside further reserves or to forward the profit to the following year. Unless the first dividend is paid out in cash and/or in the form of shares, no decision may be made for the participation of holders of preferred shares in dividends or for the distribution of dividends to holders of founders' shares or ordinary bonus shares, to Board Members, employees and workers, or to foundations established for various purposes, or to such persons and/or organizations. The timing and terms and conditions applicable to dividends shall be decided by the General Shareholders Meeting in accordance with the Communiqués of the Capital Markets Board.

7. Transfer of Shares

Article 6 of the Articles of Association:

Shareholding Structure

Shares held by foreign shareholders may not exceed 40% of the Company's total outstanding capital. The calculation of shares held by foreign shareholders shall also include the foreign proportion of Class A shares that are not publicly traded. The term "foreign shareholder" shall mean:

- natural and legal persons that are of foreign nationality;
- Turkish companies in which foreign parties own a more than 49% interest;
- Turkish companies with a majority of administrative and representative bodies comprised of non-Turkish people and according to their articles of association, where the majority of votes belong to non-Turkish

partners;

– Turkish companies that are under the actual control of any one of the above.

To ensure the compliance of the above limitations concerning foreign shareholders with the provisions of the Articles of Association, the Company shall keep a separate record of foreign shareholders when recording shareholders and share transfers in its share ledger.

All share purchases and sales involving 1% or more of the Company's outstanding capital must be immediately reported to the Company. In addition, shareholders who have reached or exceeded the maximum foreign shareholding limits set forth in the Articles of Association are required to notify the Company as soon as they become aware of this. The purpose of this notification is to monitor foreign shareholding and important share transactions and to provide an opportunity for the Board of Directors to exercise its rights. A notification that has not been recorded in the share ledger shall not create a shareholder's right; only share ledger records shall constitute valid shareholding. In cases where it has been revealed, through notifications or otherwise, that total shares belonging to foreign parties have exceeded 40% of the Company's outstanding capital, the Board of Directors shall, at the latest within seven days, be required to notify the shareholders concerned that they must sell the shares exceeding the foreign shareholding limit, starting with the most recent share transfers, and to inform them that in the event of a failure to do so, the Company shall have the right to implement one of the measures set forth below. Foreign shareholders who are notified that their surplus shares must be sold shall, within the timeframe specified in the notification, sell the shares over and above the foreign shareholding limit, in accordance with the Articles of Association, to a person who is not defined to be a foreign shareholder. If the said shares are not sold despite notification, the Board of Directors is required to take the following measures regarding the shares that have exceeded the limit, within three days:

(i) Redeem the shares exceeding the foreign shareholding limit that are held by the foreign shareholder on the basis of the nominal price of the share and by reducing capital. The Company will issue notification that it will first redeem the shares over and above the foreign shareholding limit. If such notification cannot be made, the Company shall make a public announcement in two newspapers in circulation in the area in which the Company's headquarters are located. Expenses related to the redemption shall be set off against the redemption fee and collected from the shareholder responsible for the redemption.

(ii) When the total share of foreign shareholders exceeds the limit set forth in the Articles of Association, the Board of Directors may increase the capital to reduce the proportion of shares that exceed the foreign shareholding limit. In this case, new shares may be issued by restricting the preemptive rights of current shareholders, in accordance with Capital Markets Board regulations.

If the foreign shareholding limit is exceeded as set forth in this article, the authority to determine the method to be used to reduce shareholding percentages to the required level shall belong to the Board of Directors.

Grounds for the Article:

Grounds for the regulations in this article have been set down in the last paragraph of Article 7 of the Articles of Association. In the paragraph that follows, an additional explanation can be found concerning the

regulations to which the Company is subject as an airline company.

a) According to Articles 31 and 49 of the Turkish Civil Aviation Law No. 2920, an airline company that cannot be qualified as Turkish cannot obtain an operating license. Even if such a company already holds an operating license, such license shall be cancelled if the company loses its qualification as being Turkish due to the shares of the airline being transferred, sold or because the majority of the Board of Directors is foreign, etc.

b) Flying from one country to another or having international air traffic rights require, according to bilateral air traffic treaties that must be signed by countries before they exercise these rights, that the majority ownership of the airlines be designated by the Turkish State and its control belongs to Turks (natural or legal persons), the Turkish nationality criterion is the sine qua non condition of being granted air traffic rights as set forth by bilateral air traffic agreements signed by the Company and other nations.

For this reason and since an airline company located in Turkey must have the majority of its shares or its effective control in the hands of Turkish citizens or companies in order to be granted traffic rights, and further since the loss of an airline company's Turkish identity (or its failure to prove that it has not lost its identity or in the event other bilateral agreement countries cannot be brought to conclude that this is not the case) would mean that the airline company in question would lose its traffic rights, the nationality criterion is of major importance for an airline company.

For this reason, in order to secure Turkish Airlines' airline operations license and international air traffic rights, Article 6 of the Articles of Association contains a clause on foreign shareholding. For the same reason, a restriction based on the criterion of nationality has been placed on foreign shareholding as a means of protecting the company's traffic rights.

Article 7 of the Articles of Association

(Share Transfer)

Share transfers are subject to the Turkish Commercial Code, to capital markets legislation and to civil aviation regulations.

In order for transfers of registered shares to be recognized by the Company, these must have been recorded in the share ledger. Before such a record is made in the share ledger, holders of registered shares must document their identities and nationalities and, if applicable, their foreign references as specified in Article 6, in the form specified by the Board of Directors. If a share transfer is not recorded in the share ledger, the shareholder recognized by the Company shall be the individual whose name is indicated in the ledger. The recording of share transfers in the share ledger shall be undertaken by a decision of the Board of Directors. The Board of Directors may refuse to record the transfer of a share in the share ledger due to the violation of the Articles of Association or the law or without specifying any reason.

As set forth in Article 6 above, share transfers that violate the share restrictions applicable to foreigners may not be recorded in the share ledger. The Board of Directors is obligated to refuse the recording of such share transfers in the ledger. Share transfers that are not recorded in the share ledger by the Board of Directors shall not be recognized by the Company and the party concerned shall not assume the status of a shareholder of the Company. The approval of a share transfer by the Board of Directors and the resolution to

record the transfer in the share ledger requires the affirmative vote of the Board Member representing the Class C share. Class C share may be transferred to another Turkish State enterprise that enjoys the powers granted to the Privatization Administration by Law No. 4046. In the event such a transfer takes place, the transfer shall immediately be recorded in the share ledger without recourse to a Board decision.

The Board of Directors is obligated to restrict the transfer of shares to foreign parties in order to comply with the limitations stipulated in the civil aviation legislation and/or other applicable regulations and the Company's Articles of Association and to avoid jeopardizing the traffic and cabotage rights of the Company.

8. Disclosure Policies

In addition to those required by law, the Company uses methods such as press releases and media to disclose non-confidential information to the public.

9. Material Disclosures

In accordance with the CMB's Communiqué on Material Disclosures to the Public Series VIII, No. 39, in addition to the disclosure of its financial statements and explanations on the financial statements during 2005, the Company has made 73 Material Disclosures. The CMB and the Istanbul Stock Exchange (ISE) have not requested any additional information on those disclosures. The Company has made every effort to make these material disclosures comprehensible, accurate, interpretable, complete and promptly available to investors and other related organizations. Since the Company has not failed to make a material disclosure on time, no sanction has been imposed by the CMB and the ISE. On the other hand, since the Company's shares are not traded on foreign stock exchanges, there have been no material disclosures made to such exchanges.

10. The Company's Website and its Contents

The Company's website at www.thy.com.tr contains a link to the Investor Relations page. An English version of the Investor Relations page is currently available. The Investor Relations page contains information on the Company's shareholding structure, minutes of the General Meetings of the last three years, a sample Proxy Statement, Annual Reports, Financial Statements, data on commercial operations, information about the Board of Directors and Material Disclosures.

11. Announcement of Individuals Who Are Ultimate Controlling Shareholders

There are no individuals who are ultimate controlling shareholders.

12. Announcement of Persons Who Have Access to Inside Information

The Company's Board of Directors, Auditors, Assistant General Managers, Secretary General, Investor Relations Manager, Press Consultant, Accounting Director, Finance Director, Investment Management Director, Promotion and Public Relations Director, as well as all personnel employed in these units and all other natural and legal persons who have access to information about the Company by virtue of their profession or activities have been prohibited from using this information for their own benefit or for the benefit of third parties.

13. Disclosures to Stakeholders

In addition to information required to be disclosed to the public by law and the material disclosures made in accordance with the CMB's Communiqué on Material Disclosures to the Public, Series VIII, No. 39, the Company has promptly made available information which could be of interest to stakeholders and the public, using appropriate means of communication.

14. Human Resources Policies

The Company has Human Resources Regulations in place that were drawn up by the Board of Directors and all procedures and communications concerning functional subdivisions and personnel are carried out in compliance with Labor Law No. 4857. On the other hand, Company personnel are members of a trade union and therefore the Company employs personnel under a Collective Bargaining Agreement. All personnel issues and matters concerning the Collective Bargaining Agreement are discussed in detail with trade union representatives as set forth in Article 34 of Law No. 2821 on Labor Unions. All employees receive training. No complaints have been made by employees regarding discrimination.

15. Relations with Customers and Suppliers

Since the Company is an IATA member, ticket sales are subject to certain rules and regulations determined by IATA. In addition, forms for complaints and suggestions are made available to customers on board and at all airports and these are evaluated in an effort to improve customer satisfaction. Other efforts geared toward customer satisfaction include the practice of allowing a commitment and penalty-free 24-hour option for changes or cancellations on reservations made over phone, assistance provided to passengers with special needs or with disabilities, meeting basic passenger needs at times when flights are grounded during delays, taking the necessary measures to facilitate check-in. Customer satisfaction principles adopted by the Company in direct passenger relations form the basis of the agreements signed with agencies. Only agencies that comply with these principles are allowed to work with Turkish Airlines. Agencies that do not comply with the rules are issued the necessary warnings and the business relationship is terminated in the event of repeated violations.

The Company engages in the purchase of goods and services in accordance with the Purchasing/Sale Regulations that have been drawn up with the resolution of the Company's Board of Directors and revised

regularly since 1952 as well as based on the relevant articles of Law No. 4734 on Public Tenders. The Company works with several suppliers, both domestic and international. Announcements for tenders for special purchases are made in at least two newspapers published nationwide within the timeframes set forth by law, and also announced on the websites www.kik.gov.tr and www.thy.com.tr.

16. Social Responsibility

The Company continued to operate by its service quality and social responsibility philosophy, keeping its leading position both in the country and abroad. No lawsuits have been filed against the Company in Turkey on the ground of causing environmental damage.

17. Structure of the Board of Directors, its Formation and Independent Members

The Board of Directors is comprised of seven members elected by the General Assembly. Six Board Members are required to be elected from among the candidates receiving the highest number of votes in the election held by Class A shareholders. The other member is nominated by the Class C shareholder. At least five Board Members, including the Board Member representing the Class C share, must be Turkish citizens. The term of office for Board members is two years. The General Assembly may terminate the membership of a Board Member before the end of his/her term. Board Members whose term has expired may be reelected.

Current Board Members:

Candan KARLITEKIN

Chairman

Hamdi TOPÇU

Vice-Chairman

Assoc. Prof. Temel KOTİL

Member and General Manager

Atilla ÖKSÜZ

Member

Prof. Dr. Cemal SANLI

Member

Prof. Dr. Oğuz BORAT

Member

Mehmet BÜYÜKEKŞİ

Member

18. Qualifications of Board Members

The criteria for Board membership are specified in Article 11 of the Company's Articles of Association. In addition, Article 4/i of Law No. 4046 stipulates that in organizations to be privatized, Board Members shall be graduates of four-year higher education programs. Care is taken to comply with the provisions of Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of the Corporate Governance Principles concerning the appointment of Board Members. Qualifications of the Company's Board Members are in accord with these articles. Article 11 and Provisional Article 1/c of the Articles of Association are quoted below.

ARTICLE 11

Persons to be elected to the Board shall not have been placed under legal restraint; a Company where they owned an interest or worked as a manager shall not have been declared bankrupt or insolvent; they shall be a shareholder of the Company and shall not have been convicted of an infamous crime or any other crime specified in the Civil Aviation Law. If a member who is not a shareholder is elected, that individual may only assume duties after having become a shareholder.

The General Meeting may grant permission for the cases defined in Articles 334 and 335 of the Turkish Commercial Code.

Board Members representing Class C shares and at least five members (including those who represent Class C shares) must be Turkish citizens.

Provisional Article 1/c

With the exception of the provisions outlined in the Paragraph "d" below concerning elections to be held among candidates nominated by Class A shareholders in accordance with Law No. 4046, the Chairman of the Board of Directors, Board Members, Auditors and the General Manager shall be appointed upon the proposal of the Privatization Administration or the approval of the authorized Minister. This is carried out on the condition that they can satisfy the conditions set forth in the Law, and that the state's stake in the Company does not fall to below 50%.

19. Mission, Vision and Strategic Targets

The Board of Directors shall approve the strategic targets set out by the management and continuously and effectively monitor these targets, the activities of the Company and its past performance. In doing so, the Board shall strive to ensure compliance with international standards and wherever necessary, take action before problems arise. The mission of the Company as it appears in Article 3 of the Articles of Association is indicated below:

- a) To strengthen the Company's position as a global airline by expanding its long-distance flight network,
- b) To position the Company as a technical services provider by transforming its maintenance unit into a leading maintenance base for the region,
- c) To promote the Company's identity as a service provider in all areas of strategic civil aviation, including handling and flight training,
- d) To maintain the Company's leading status in domestic air transportation,
- e) To provide seamless, high-quality air transportation services by collaborating with a global airline alliance that complements its network in order to further improve the Company's image abroad and increase

marketing opportunities and

f) To make Istanbul an important hub.

20. Risk Management and Internal Control

The Company has an internal control mechanism in place that is implemented by the relevant units. Matters such as the correct pricing of tickets sold by employees or agencies, the compliance of foreign offices' accounting records with the Company's regulations and the correct and prompt fulfillment of tax obligations are all matters dealt with in this scope. The Company makes every effort to ensure that all records are accurate according to the Company regulations and directives. The Company is, in addition, subject to annual inspections by the Prime Ministry's Supreme Inspection Board.

Separately, the Company is being audited by three auditors appointed in the General Meeting:

Ismail GERÇEK

Member of Auditing Board

Dr. Hasan GÜL

Member of Auditing Board

Prof. Dr. Ates VURAN

Member of Auditing Board

Two auditors shall be elected from among Class A shareholders and one auditor shall be the candidate nominated by the Class C shareholder. The auditors have a one year term of office. An auditor whose term has expired may be reelected.

Class A Auditors shall be determined in the following manner:

a) In the event that the proportion of publicly traded shares is 35% or more, the rights granted to Class A shareholders to elect two auditors shall belong to shareholders holding publicly-traded Class A shares.

b) Shareholders holding publicly traded Class A shares may nominate a candidate for membership of the Board of Auditors, provided they represent at least 2% of the total increased capital by attending the General Meeting in which the election of the Board of Directors elections took place. Only publicly traded Class A shares shall be considered in the calculation of this 2%. Shareholders holding publicly traded Class A shares shall determine their candidates for Board of Auditors membership in a meeting held between themselves.

The right to nominate a candidate in this meeting shall belong to the holders of Class A shares which are publicly traded but not owned by the state. In the event that the holders of publicly traded Class A shares do not represent 2% at the General Meeting, these shareholders' rights to nominate candidates for Board of Auditors membership shall be exercised by those shareholders holding Class A shares which are not publicly traded, in accordance with the Turkish Commercial Code and Capital Markets Board Regulations.

c) In the event of a vacancy on the Board of Auditors due to the death, resignation or dismissal of one of its members or otherwise, the vacant position shall be filled by means of an election to be held by the Board of Auditors in accordance with Article 351 of the Turkish Commercial Code. If the holders of publicly traded Class A shares have not nominated a candidate for the vacant position on the Board of Auditors, the right to nominate a candidate shall belong to the Class C Shareholder. If the Class C share has been converted into a

Class A share, the right to nominate shall belong to the shareholders holding Class A shares that are not publicly traded. In such an election carried out to fill the position vacated by the candidate nominated by shareholders holding publicly traded Class A shares, the percentages of 15%, 35% and 2% as referenced in paragraphs “a”, “b” and “c” shall not be taken into consideration.

d) In the event that these Articles of Association are later amended or new share classes created, paragraphs “a” and “b” above defining the right of shareholders holding publicly traded Class A shares to determine two auditors shall not be annulled or modified, unless such modification has been approved by shareholders representing at least 65% of the capital.

The duties of the Auditors are to examine the Company's general transactions and budget and assume the responsibilities stipulated in the Turkish Commercial Code. Auditors are authorized and assume the responsibility to submit proposals to the Board of Directors, to ensure that the Company is managed efficiently and its interests protected, call a general meeting in the event of vital and urgent matters, determine the agenda of such a meeting and draw up the report specified in Article 354 of the Turkish Commercial Code. Auditors are responsible for fulfilling the duties assigned to them by law and the Articles of Association in a satisfactory manner.

21. Responsibilities of Board Members and Directors

Article 15 of the Articles of Association defines the power and responsibilities of the Board of Directors and Article 19 defines the power and responsibilities of the General Manager.

Article 15. The Board of Directors represents and manages the Company. The Board of Directors is responsible for all tasks that are not assigned in the General Meeting by law, as well as the duties laid out in the Articles of Association, and it is granted all authority which these duties may require.

As set out in Article 319 of the Turkish Commercial Code, the Board of Directors may assign all or part of its management and representation powers to one or more of its members, to a general manager, assistant general manager, a manager or managers who are not members of the Board, or may form executive committees comprising of Board Members or non-members to exercise its powers and fulfill its duties. All financial and other information required for the Board of Directors to fulfill its duties as well as Board proposals and attachments shall be submitted in a timely manner.

All financial and other information needed for the Board of Directors to fulfill its duties as well as Board proposals and attachments shall be submitted in a timely manner. Article 19. The duties and powers of the General Manager shall be determined by the Board of Directors. The General Manager is required to be diligent in fulfilling his or her duties, and shall be held responsible for any behavior or actions which contravene this duty.

22. Activities of the Board of Directors

The activities of the Company's Board of Directors, specified in Article 14 of the Articles of Association, are as follows:

The Board of Directors shall meet whenever necessary and at least once a month. The meeting venue will be at Company headquarters; other venues may be chosen by a Board decision.

Matters to be discussed at Board meetings shall be specified in an agenda that will be communicated to Board Members prior to the meeting.

Invitations to Board meetings shall be made at least three days before the actual meeting.

The quorum for Board meetings is five members. Board decisions shall be taken with the affirmative vote of at least four members. A member who has failed to attend four consecutive Board meetings without a valid reason, or has not participated in six meetings over the course of a year shall be considered to have resigned.

Unless one of the members has requested a meeting, Board decisions may also be taken following the proposal of one of the members regarding a specific issue and with the written approval of all members. The validity of Board decisions is contingent on their having been set out in writing and signed. Failure to reach a quorum for a decision on any issue shall be treated as a rejection of the proposal in question.

The validity of the decisions to be taken by the Board of Directors on the following matters requires the presence and affirmative vote of the Board Member representing Class C shares at the meeting during which the decision was taken.

- Decisions that would clearly adversely affect the Company's mission, as set out in Article 3.1 of the Articles of Association;
- Proposals to the General Meeting for an amendment to the Articles of Association;
- Capital increases;
- Approval of the transfer of registered shares and the recording of this in the share ledger;
- All transactions and decisions concerning direct or indirect commitments on behalf of the Company for more than 5% of the total assets appearing in the previous year's financial statements submitted by the Company to the Capital Markets Board per each contract (this provision shall be automatically annulled when state-owned shares fall below 20% of the Company's capital);
- The merger of the Company with other companies, its termination or liquidation;
- With the exception of those routes which are exclusively affected by market conditions, or those that cannot cover their operational costs with other resources, decisions concerning the termination of a route or a significant reduction in the number of flights.

The privileges of the Class C share may only be restricted by the Supreme Privatization Board or a state agency that has taken over its duties.

In 2005, the Board held 43 meetings and made 322 decisions. The validity of Board decisions is subject to their having been written up and signed. The organization and communication of Board activities, the determination of the number of Board meetings, the following up of proposals made to the Board and the drawing up of agendas are all duties of the General Secretariat.

23. Prohibition to Deal and Compete with the Company

During the reporting period, Board Members were prohibited from dealing and competing with the Company in accordance with Articles 334 and 335 of the Turkish Commercial Code. In addition to these prohibitions, there are also rules set out in Section 11 of THY's Human Resources Regulations No. 07-001, which prohibits Company personnel from providing services to other organizations.

24. Rules of Ethics

The Company is committed to the following Rules of Ethics:

- To act in accordance with the obligations specified in national and international regulations, and with all agreements to which the Company is a party.
- To be diligent and to act responsibly while representing the Company vis-à-vis third parties.
- To fulfill the duties in the best manner within the framework of the duties, authorizations and responsibilities specified in the job description.
- To honor principles of confidentiality regarding sensitive information.
- To expend utmost effort in putting the Company's assets and resources to their best use.
- To expend utmost effort in protecting shareholders' rights and interests.
- To record and safeguard all information, documentation and files in an orderly and complete manner.
- To act appropriately to the Company's customers, passengers first and foremost, and to all customers in general. Further to adhering to these regulations, to refrain from impolite and incorrect behavior and to remind others of this responsibility when necessary.
- To report mistakes made during the performance of duties to the appropriate offices and to take measures to prevent any repetition of these errors.
- To work in accordance with the objectives and strategies of the relevant department and to provide a maximum contribution to help the Company reach its targets and achieve its vision.
- To refuse any material benefit arising during the course of general activities, and to refrain from prioritizing any person or organization.
- To create a fair and safe work environment.
- To act in accordance with the rules of domestic and international competition.
- To support those in charge of controlling activities and to provide the necessary means and assistance in their work.
- To be honest and trustworthy and meticulous in preserving moral values.

25. The number, structure, and independency of the Board Committees

The Board of Directors' Financial Audit Committee is comprised of Mr. Hamdi TOPÇU and Mr. Atilla ÖKSÜZ. The Corporate Governance Committee, which audits the implications regarding the corporate governance principles, is comprised of Mr. Mehmet BÜYÜKEKŞİ and Mr. Cemal ŞANLI.

26. Remuneration Paid to Board Members

Board Member remuneration is set by the General Assembly. Board Members may not obtain any loan or debt from the Company.