

Compliance with Corporate Governance Principles Published in the Annual Report 2006

1. Declaration of Compliance with Corporate Governance Principles

Implementations relating to the corporate governance principles adopted by Capital Market Board (CMB) of our company which has made its principle to promote Turkey and Turkish aviation sector in the best manner in international platforms and reliability and transparency are listed below.

2. Shareholder Relations Unit

The Investor Relations Department reporting to Vice-President (Finance) has been established as the unit which will monitor advisement of our investors accurately and on time and also conducting the relations with capital market supervisors, exchanging of information, capital increase and public offering transactions and to organize the presentations and meetings which will advise domestic and international investors. Investor Relations Manager Suna CELEBİ;

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3. Exercising of Information Access Rights of Shareholders

Percentage of shares traded in the stock exchange, of our company is 50.88 %. Thirty-three applications were made in 2006 operation period to our company for receiving information and getting annual reports either in writing or via e-mail. Of the said applications, 27 were made to receive information and 6 were made to get company annual reports, which applications were responded to in their entirety. A large number of investors and shareholders were also informed by phone in addition to these written applications. Advisement of investors and shareholders and answering of their questions have been carried out considering the principle of equality. On the other hand, the Investor Relations page was created in the existing website of our company to allow effective exercising of shareholders' rights of access to information.

4. General Meeting Details

As per article 6 of our Articles of Incorporation, all share certificates of our company are registered and are categorized into two groups as Groups A and C. There is only 1 Group C share belonging to Prime Ministry Privatization Administration (OIB) and to its potential assign. Presently, 49.12 % of Group A shares belong to OIB, 50.88 % of which have been offered to the public. Within the period, the ordinary general meeting where year 2005 accounts and operations were discussed was held on 21.4.2006 and an extraordinary general meeting was held on 23.08.2006.

Shareholders representing TRY 142.379.785 out of TRY 175 million which is the issued share capital of our company have attended the ordinary general meeting and shareholder representing TRY 111.290.641,56 have attended the extraordinary general meeting.

Various media organizations have followed the meeting using it as a news item. The invitation to the meeting was made through promulgation by adding agenda in the Trade Registry Gazette and in a newspaper circulated across the country and also it has been announced through publication in the Investor Relations website.

As per article 29 of our Articles of Incorporation, we are under no obligation to notify the date of meeting by sending registered mail to shareholders who hold share certificates traded in the stock exchange out of the share certificates of the company.

No time period has been stipulated for registration in the share register to ensure participation of holders of registered shares in the general meeting; other terms relating to this matter are set out as follows in article 7 of our Articles of Incorporation.

Transfer of shares is governed by Turkish Commercial Code, Capital Market Regulations and civil aviation regulations.

For transfer of registered shares to bind the company, such transfer must be entered in the share register. Prior to entry in the share register of registered shares, shareholders are required to evidence their identities and nationalities and any alien relationship as specified in article 6 under a format to be specified by the Board of Directors as necessary. To the extent any share transfer is not entered in the share register, as far as the company is concerned, the shareholder is the person whose name is written in the share register.

Entry of any share transfer in the share register will be carried out by Board of Directors decision. Board of Directors may refrain from entering any share transfer in the share register in situations not in conformity with the Articles of Incorporation or law or without having to show any cause.

Share transfers which are in violation of the alien share ratio limitations as prescribed in article 6 above may not be entered in the share register. The Board of Directors is required not to allow such type of share transfers to be entered in the share register. Share transfers which are not entered in the share register by

the Board of Directors will not be recognized by the Company and the applicable transferee does not gain the capacity of shareholder before the company. Affirmative vote of the member of Board of Directors elected to represent the Group C share is required in the Board of Directors decision on approving and entering in the share register of any share transfer.

The Group C share may be transferred to any other Turkish public agency which basically has the authorities conferred by Act no. 4046 to Prime Ministry Privatization Administration. In case of such a transfer, such transfer shall be entered in the share register forthwith without requiring any Board of Directors decision.

The Board of Directors is required to restrict the transfer of shares to aliens to adhere to restrictions set out in the Civil Aviation or other regulations governing the company and the Articles of Incorporation and to prevent undermining of traffic and cabotage rights held by the company.

As per article 362 of TCC, the income statement, balance sheet, annual report and proposals on how net income will be distributed will be made available to shareholders at the head office of the company at least 15 days prior to the ordinary general meeting together with the report to be issued by auditors.

Although, as a rule, questions of shareholders are answered orally and comprehensive questions are answered in writing in general meetings, since no question requiring a written answer was encountered in this period, verbal explanations have been adequate.

The authorities of the general meeting are set out in article 27 of our Articles of Incorporation; hence the general meeting is the body of decision holding such authorities as stipulated in TCC and other laws. There is no rule in the Articles of Incorporation on adoption by the general meeting of material decisions other than this Article.

However, since the majority of our shares are owned by Privatization Administration and Act no. 4046 has authorized the Privatization Administration in adoption of material decisions like splits, sale, purchase or leasing of assets in material amounts, no need was felt to introduce other provisions in the Articles of Incorporation on such matters.

On the other hand, under Article 14 of our Articles of Incorporation, the validity of any decisions to be adopted by the Board of Directors on the following matters, is subject to participation of the member of Board of Directors representing the Group C share in the meeting where such decisions are adopted and his/her casting an affirmative vote.

- Adoption of decisions which will have an express material adverse effect on the company mission specified in Article 3.1 of these Articles of Incorporation;
- Proposals for amendments on the Articles of Incorporation to the general meeting;

- Increase of share capital;
- Approval of transfer of registered shares and entering of transfer in the share register;
- Carrying out of any transaction which surpasses 5 % per agreement, the total assets stated in the last annual balance sheet the company has submitted to Capital Market Board and which directly or indirectly commits the company; adoption of any decisions which will bind the company (in the event the share of government in the company falls under 20 %, the provisions of this clause shall be eliminated automatically);
- Merger of the company with other companies or termination or liquidation thereof;
- Adoption of decisions on elimination of any flight line or decreasing significantly number of flights, save those under exclusive market conditions and lines which cannot cover operational costs with other funds.

Rights of Group C share may only be restricted by Privatization Higher Board or any government agency which will take over its duties.

Minutes of General Meetings are made available continuously to shareholders at our company and are delivered to shareholders upon request. General Meeting minutes for the last two years will be available in our Investor Relations website starting from 2005.

5. Voting Rights and Minority Rights

1. Voting Rights are set out as follows in article 31 of our Articles of Incorporation. Subject to the provisions of clause 6/d of these Articles of Incorporation, shareholders or proxies thereof who attend ordinary or extraordinary general meetings shall have one vote per share.

2. Under clause 5 of article 14 of our Articles of Incorporation; Validity of decisions to be adopted by the Board of Directors on the following matters depend on participation in the meeting where such decisions are adopted by the member of Board of Directors representing the Group C share and his/her casting an affirmative vote.

- Adoption of decisions which will have an express material adverse effect on the company mission specified in Article 3.1 of these Articles of Incorporation;
- Proposal of an amendment in Articles of Incorporation to the General Meeting;
- Increase of share capital;
- Approval of transfer of registered shares and entering of such transfer in the share register;

- Carrying out of any transaction surpassing, for each agreement, 5 % of total assets listed in the last annual balance sheet submitted by the company to Capital Market Board and which directly or indirectly binds the company and adoption of any decisions which commit the company (in the event the share of government in the company falls under 20 %, the provisions of this clause shall be eliminated automatically);
- Merger of the company with other companies or termination or liquidation thereof;
- Adoption of decisions on elimination of any flight line or decreasing significantly number of flights, save those under exclusive market conditions and lines which cannot cover operational costs with other funds.

Rights of Group C share may only be restricted by Privatization Higher Board or any government agency which will take over its duties.

3. Under Article 10 of our Articles of Incorporation; The Board of Directors comprises 7 members elected by the General Meeting. Six members of the 7 members of the Board of Directors will be elected as nominees who receive the highest number of votes in the election held by Group A shareholders among themselves and 1 member will be elected from amongst nominees to be designated by the Group C shareholder.

For nominees of Group A shareholders to the Board of Directors, the following terms shall apply:

- a) Where the ratio of public shares of the company is 15 % (15 % inclusive), the right to nominate one of the 6 members of Board of Directors afforded to Group A shall lie with such shareholders as holding the public Group A shares.
- b) Where the ratio of public shares of the company is 35 % (35 % inclusive), the right to nominate 6 members of Board of Directors afforded to Group A shall lie with shareholders holding the public Group A shares.
- c) For shareholders holding such public Group A shares, to make nominations for the Board of Directors, they must be represented at the ratio of minimum 2 % of the total issued and outstanding share capital at the General Meeting where members of Board of Directors are elected. In calculation of the said 2 % ratio, only public Group A shares shall be considered. Shareholders who hold the public Group A shares will determine their nominees for Board of Directors at the meeting they will hold among themselves. The right to nominate it at this meeting lies with holders of non-government owned public Group A shares. To the extent shareholders holding public Group A shares are not represented at the ratio of 2 % at the general meeting, then the right to make nominations to the Board of Directors, of such shareholders shall be exercised by other shareholders who hold non-public Group A shares in line with Turkish Commercial Code and Capital Market Regulations.

d) Where membership of the Board of Directors becomes vacant due to reasons like death, resignation, dismissal or nullification of membership, the vacant membership will be filled by an election to be held by the Board of Directors as per article 315 of Turkish Commercial Code. In the event any vacancy arises at the Board of Directors due to one of the foregoing reasons, shareholders who hold the group of shares who are entitled to make a nomination for the vacant membership shall be entitled to nominate and the Board of Directors shall elect this nominee to fill such vacancy.

Where shareholders holding public Group A shares fail to make a nomination for the vacant membership of Board of Directors, the right to nominate for the vacant membership shall lie with Group C shareholder and to the extent the Group C share has been converted to a Group A share, then such right shall lie with shareholders holding non-public Group A shares. The 15 %, 35 % and 2 % ratios stated in the foregoing clauses a, b and c shall not be considered in any election to be carried out in this manner for the seat vacated by the nominee nominated by shareholders holding public group A shares. The election of the successor of the Board of Directors shall be submitted to the approval of the next general meeting. The member of Board of Directors approved by the General Meeting shall serve for the remaining term of duty of the departing member of Board of Directors.

e) In the event a member of Board of Directors representing a specific legal person is reported not to have any relationship with that legal person any more or in the event a specific legal person transfers its shares to a third party, then that person shall be deemed to have resigned from membership of Board of Directors and provisions in clause d of this article govern the matter of nominating a person for the vacant membership.

f) Where these Articles of Incorporation are subsequently amended or new share groups are created, the right to nominate 2 members of Board of Directors afforded to shareholders holding Group A public shares under clauses a and b above shall not disappear or be changed; provided the said amendment is approved by shareholders representing 65 % of issued capital.

4. There is no company with which there is a mutual participation relationship.

5. Representation of minority shares in management is carried out in accordance with Article 10 of our Articles of Incorporation as specified above.

6. The technique of accumulated voting is not contained in our Articles of Incorporation.

6. Dividend Policy and Dividend Distribution Time

Determination and distribution of profits of our company are set out as follows in Article 36 of our Articles of Incorporation.

After amounts which must be paid and earmarked by the company like overhead and various depreciation and taxes required to be paid by the legal personality of the company are deducted from income determined at the end of the accounting year, any remaining net income appearing in the annual balance sheet shall be distributed respectively as follows after deduction of the losses of previous years.

a) A statutory reserve of 5 % shall be earmarked (Reserve: The statutory reserve earmarked by the company at the rate of 5 % of the net income of each year shall be continued to be earmarked until 20 % of the share capital of the company is reached. (Provisions of Article 466 of Turkish Commercial Code are reserved). In the event the statutory reserve decreases to less than such amount as equal to 20 % of the share capital of the company, then earmarking of statutory reserves shall be continued until such amount is reached.

b) First dividend at the rate and amount determined by Capital Market Board shall be earmarked out of the remainder.

c) The portion remaining after deduction of such amounts as specified in clauses 'a' and 'b' out of the net income, may be distributed as second dividend or earmarked as special reserves in part or in whole by the General Meeting under its authority.

d) After deduction of dividends equal to 5 % of the issued capital out of the portion resolved to be distributed to other participants in profits, to shareholders, second order reserves shall be earmarked as per clause 3 of paragraph 2 of article 466 of Turkish Commercial Code in an amount equal to one tenth the remaining amount.

e) Unless statutory reserves required to be earmarked by operation of law and 1st Dividend designated for shareholders in the Articles of Incorporation are earmarked, no resolution may be adopted for earmarking any further reserves, carryover of the profits to the following year and until the first dividend is paid in cash and/or as share certificates, no resolution may be adopted for participation with privileged shareholders in dividend distribution and distribution of dividends to founding and ordinary bonus shareholders and members of Board of Directors, officials, servants and workers, foundations founded for various purposes and such individuals and/or organizations. The General Meeting shall determine the time and method of payment of dividends in accordance with directives of Capital Market Board.

7. Transfer of Shares

Article of our Articles of Incorporation;

Nature of Shareholders

Shares held by alien shareholders may not be more than 40 % of the total issued share capital of the company. In calculation of shares held by alien shareholders, the alien ratio among the shareholders holding non-public Group A shares shall also be considered.

An alien shareholder means,

- Natural and legal persons of foreign citizenship;
- Companies of Turkish citizenship, the share of foreign citizens is more than 49 % in their share capital;
- Companies of Turkish citizenship where the majority of bodies thereof authorized to manage or represent are not Turkish citizens and the majority of votes do not belong to Turkish shareholders as per their Articles of Incorporation;
- Companies of Turkish citizenship under de facto control of the foregoing.

To ensure compliance of the foregoing shareholding restrictions of alien shareholders with the terms of the Articles of Incorporation, the company shall monitor alien shareholders in a separate section when entering shareholders and share transfers in the share register.

Any purchase or sale of share certificates reaching 1 % of the issued capital of the company must be reported to the company forthwith. Furthermore, shareholders which reach the maximum alien ratios as stipulated in these Articles of Incorporation or those who surpass such ratio are required to notify the company forthwith the moment they become aware of that situation. The purpose of such notice is to monitor the alien element and material share movements allowing the Board of Directors to exercise its authorities accordingly and the fact that the notice is given does not give rise to a right of shareholding unless an entry is made in the share register and such share registry records govern.

In cases where the fact that the total shares held by alien shareholders have surpassed 40 % of the issued share capital of the company is learned because of notices given or otherwise, the Board of Directors is to give notice to the applicable shareholders forthwith that starting from the most recent share transfers, the shares surpassing the said alien ratio are disposed of in quantities and percentages in compliance with the alien limit that failing that the company is entitled to implement any one of the below listed measures within 7 (seven) days at the latest. The alien shareholder to whom notice is given for selling the excess shares is obliged to sell to a person not covered by the definition of an alien shareholder under these Articles of Incorporation, its shares causing it to surpass the limit of alienship within the time period as specified in such notice. In the event such shares are not disposed of notwithstanding the given notice, the Board of Directors is obliged to convene within 3 (three) days and to resolve on the following measures listed below on the shares surpassing the limit as it may deem fit.

(i) Redemption of such share certificates held by the alien shareholder giving rise to the result of surpassing the alien limit, at nominal price by a decrease of share capital; the company shall first give notice to the shareholder exceeding the alien limit that it shall redeem the said shares. In the event such a notice may not be given, then the notice shall be given by promulgation by publishing in newspapers published at the jurisdiction where the head office of the company is situated. Redemption expenses shall be collected from the shareholder causing such redemption by way of setoff against the redemption price.

(ii) In the event the total share ratio of alien shareholders goes above the limit specified in these Articles of Incorporation, the Board of Directors may increase the share capital for the purpose of bringing down the shareholding of the shareholder exceeding the alien limit. In such a case, new shares may be issued by restricting the preemptive rights of existing shareholders as per regulations of Capital Market Board. In the event of surpassing of the alien limit as set out in this Article, the authority to decide which technique will be given priority for reducing the shareholdings down to the allowed rate lies with the Board of Directors.

REASON FOR ARTICLE:

The reason for the rule in this Article is given in the last paragraph of article 7 of our Articles of Incorporation and in the following paragraph, also regulations our company is subject to in the capacity of an airline which it has to adhere to are explained.

a) An airline company which does not qualify as Turkish on account of provisions listed in Articles 31 and 49 of Turkish Civil Aviation Act no. 2920 cannot obtain an operating licence or notwithstanding that it may have an operating licence, such operation licence shall be revoked in the event it ceases to qualify as Turkish due to changing hands or sale of the shares of the airline or because the majority of the members of Board of Directors are alien, etc.

b) As it is mandatory as per bilateral intergovernment aviation treaties executed previously among those two countries for flights to be possible from one state to another, that is for acquiring the right of international traffic, the majority of ownership of the airline to be designated by Turkish Government and control of such company must lie in the hands of Turks (natural or legal persons); the criteria of nationality that is, our company's qualifying as Turkish is a sine qua non condition for owning the right of traffic under the bilateral aviation treaties executed between states as well.

Hence, since the right of traffic may only be granted to an airline domiciled in Turkey, only if the majority of its shares of effective control thereof belong to Turkish citizens or companies and in the event such airline ceases to qualify as Turkish (or it fails to prove that it has not ceased to do so or if other contracting states to which flights will be made fail to believe that it has not done so), then the applicable airline shall lose its right of traffic, the criterion of nationality is an element of vital importance for an airline.

Hence, the qualification as alien has been set out in article 6 of our Articles of Incorporation for ensuring that our airline operating licence and also our international traffic rights are secured as we explained above and

accordingly, restrictive rules were set in terms of the restriction imposed on the alien shareholding ratio and protection of the traffic rights of our company on account of the nationality criterion, should such limit be exceeded.

2- Article 7 our Articles of Incorporation; (Transfer of Shares)

Transfer of shares are subject to provisions of Turkish Commercial Code, Capital Market Regulations and Civil Aviation Regulations.

For transfer of registered shares to be binding for the company, then such transfer must be entered in the share register of the company. Prior to entry of registered shares in the share register, shareholders are required to document within a format set by the Board of Directors as necessary their identities and nationalities and any alien relationship as specified in article 6. In the event any share transfer is not entered in the share register, the shareholder is such person as written in the share register as far as the company is concerned.

Entry of transfer of shares in the share register will be carried out by a Board of Directors resolution. The Board of Directors may refrain from entering any share transfer in the share register without having to show any cause at any time or in situations which are in violation of these Articles of Incorporation or law.

Share transfers which are in violation of the alien shareholding limitations as prescribed in article 6 above may not be entered in the share register. The Board of Directors is required to refuse entry of such share transfers in the share register. Share transfers which are not entered in the share register by the Board of Directors shall not be recognized by the company and the said transferee cannot qualify as a shareholder against the company. Affirmative vote of the member of the Board of Directors elected to represent the Group C share is a requisite for the decision by the Board of Directors to approve the share transfer and entry thereof in the share register.

The Group C share may be transferred to any other Turkish public agency which basically has the authorities conferred by Act no. 4046 to Prime Ministry Privatization Administration. In case of such a transfer, such transfer shall be entered in the share register forthwith without requiring any Board of Directors decision.

The Board of Directors is required to restrict the transfer of shares to aliens to adhere to restrictions set out in the Civil Aviation or other regulations governing the company and the Articles of Incorporation and to prevent undermining of traffic and cabotage rights held by the company.

8. Company Advisement Policy

Our company employs tools and methods like press releases or media organs in announcement to the public of information which are not trade secrets, in addition to those stipulated in legislation.

9. Special Circumstance Announcements

Our company has made 55 Special Circumstance Announcements in addition to financial statement and financial statement notes in 2006 based on CMB's Directive Series: VIII, No: 39 on Public Announcements of Special Circumstances and no supplementary announcements were required by CMB and ISE regarding such announcements. Our company has used its best efforts to ensure that its special circumstance announcements were announced to investors, deposit holders, agencies and organizations simultaneously in due time; in understandable, accurate and interpretable form. Since there was no special circumstance announcement made by our company which was not done on time, no sanctions were imposed by CMB or ISE during the applicable period. On the other hand, as the share certificates of our company are not listed in international stock exchanges, there is no special circumstance announcement made in international stock exchanges.

10. Company Website and Contents

The website address of our company is www.thy.com.tr and the Investor Relations page may be accessed from the said address. An English version of the said website has also been formed. Investor Relations page contain information on the shareholding composition, minutes of general meetings for the last 3 years, proxies specimen, annual reports, financial statements, commercial operation data, details on the Board of Directors and Special Circumstance announcements. Furthermore, a section where data on the share of company procured from the data distribution organization is made available in the applicable page.

11. Announcement of Natural Person/Persons Final Controlling Shareholders

There is no natural person final controlling shareholder in our company.

12. Announcement to Public of Persons with Inside Information Capability

Use for deriving advantage to themselves or to third parties, of such information by the members of Board of Directors, Auditors, General Manager, Vice-Presidents, Secretary General, Investor Relations Manager, Press Advisor, Head of Accounting Department, Head of Finance Department, Investment Administration Head and Promotion and Public Relations Department Head of our company and all staff of such departments and natural and legal persons who acquire knowledge during their terms of duty on account of their professions or fields of operation is banned.

13. Advisement of Stake Holders

In announcement to public of information relating to our company, in addition to those stipulated in legislation and special circumstance announcements, the announcement rules under CMB's Directive Serial: VIII, No:39 on Announcement to Public of Special Circumstances are also observed and our company announces other information deemed to interest other stake holders using the most convenient tools of communication with an explanatory content.

14. Human Resources Policy

Our company has a Human Resources Code set by our Board of Directors and our company carries out any act or communication regarding its sub-units structured according to functions and staff in line with Labor Act no. 4857. On the other hand, staff of our company are unionized and work under a collective bargaining system. Relations between employees and the employer are conducted in an effective and result-oriented manner at all levels on any subject concerning collective bargaining and personnel through representatives appointed by the union in numbers and percentages specified in article 34 of Unions Act no. 2821 and union directors. Furthermore, training services are provided to cover all our staff.

No complaint was lodged by any employee regarding discrimination.

15. Information on Relations with Customers and Suppliers

As it is an IATA member airline, our company carries out its ticket sales in line with rules set by IATA. Furthermore, evaluation surveys are provided for complaints and recommendations of passengers both in all our aircrafts and also at airports and results of such surveys are evaluated for enhancing customer satisfaction. In addition, for achieving customer satisfaction, our customer uses its best efforts on providing a 24-hour option or cancellation in phone reservations without undertaking or penalty, provision of aid to passengers with special needs or whose movement capability is limited, provision of basic needs of passengers in long-term delays when the aircraft is on the ground or taking of steps for acceleration of check-in services. In addition, the principles of customer satisfaction adopted by our company in direct relations with passengers have been shared with our agents and are contained in any executed agreements to allow them to be implemented in the same manner. Our collaboration is maintained with agents which act in line with our principles in carried out evaluations and in cases where it is determined that such principles are not adhered to, then necessary warnings are given and the agency relationship is cancelled in any recurrence.

Our company carries out its purchases of goods and services under applicable Articles of Public Tenders Act no. 4734 and the Purchase/Sale Regulation which has been implemented being updated since 1952 by the Board of Directors decision of our company and our company works with quite a large number of suppliers both domestically and also internationally. Tender announcements regarding purchases are announced

through promulgation in minimum 2 newspapers in country at large and also at www.kik.gov.tr and also at www.thy.com.tr websites within the time period set by law.

16. Social Responsibility

Our company continues its operations in line with being a flagship company in terms of the service quality and its social responsibility domestically and abroad. There is no litigation pending initiated against our Company in Turkey on account of any damage caused to the environment.

17. Composition and Formation of Board of Directors and Independent Members

Board of Directors comprises 7 members elected by the General Assembly. Of the 7 members of the Board of Directors, it is mandatory that 6 members are elected from amongst nominees getting the highest number of votes in the election held among themselves by Group A shareholders and one member is elected from amongst nominees designated by Group C shareholder. It is mandatory that minimum 5 members of the Board of Directors are Turkish citizens together with members representing Group C shares. Term of duty of members of Board of Directors is 2 (two) years. The General Assembly may dismiss members of Board of Directors before their terms of duty expire. Members of Board of Directors whose terms of duty expire may be reelected.

Our current members of Board of Directors:

Candan KARLITEK.N.–*Chairman of Board of Directors*

Hamdi TOPCU–*Vice–Chairman of Board of Directors*

Doc.Dr. Temel KOT.L.–*Member of Board of Directors and General Manager*

Atilla OKSUZ–*Member of Board of Directors*

Prof.Dr.Cemal fiANLI–*Member of Board of Directors*

Prof.Dr.O.uz BORAT–*Member of Board of Directors*

Mehmet BUYUKEKŞİ.–*Member of Board of Directors*

18. Qualifications of Members of Board of Directors

Circumstances constituting an obstacle for Board of Directors membership are set out in article 11 of our Articles of Incorporation. Furthermore, Article 4/i of Act no. 4046 seek the requirement of having four years

higher education in members of Board of Directors of companies subject to privatization. Since care is taken that qualities listed in Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of Corporate Governance Principles in appointment of members of Board of Directors, the qualifications of the members of our Board of Directors conform to such principles. Article 11 and Provisional Article 1/c of the Articles of Incorporation are given below.

ARTICLE 11

To be eligible for membership of Board of Directors, one must not have been placed under interdiction, companies he/she himself, herself or other companies he/she serves in the management of must not have gone bankrupt or become insolvent, must be a shareholder of the company and must be not convicted of any crimes of turpitude or crimes listed in Civil Aviation Act. In the event nonshareholding persons are elected members, they may resume service after they acquire the qualification of a shareholder.

The General Meeting may give permission for situations covered in article 334 and 335 of Turkish Commercial Code.

It is mandatory that minimum five members of the Board of Directors together with members representing Group C shares are Turkish citizens.

Provisional Article 1/c

Provided provisions of clause (d) below are reserved regarding elections to be held from amongst candidates to be nominated by Group A shareholders, Chairman of Board of Directors of the company, members of Board of Directors, Auditors and General Manager shall be appointed as per Act no. 4046 upon recommendation of OIB until the share of government in the share capital of the company drops under 50 %, provided they meet the qualifications specified in the Act and with approval of the Prime Minister or authorized Minister.

19. Mission and Vision and Strategic Targets of the Company

The Board of Directors shall approve the strategic targets formed by the executives of our company and reviews the degree of success in attainment of such targets, activities and past performance continuously and effectively. When doing so, it attempts to comply with international standards in every subject and shall take measures without delay before the problem arises where necessary. Furthermore, Article 3 of the Articles of Incorporation of our Company sets out the following mission.

a) By enhancing the long range flight network of the company, developing the global airline company identity;

- b) By bringing the technical maintenance unit of the company into a state to serve as a significant technical base in its region and developing the identity/capacity of becoming a technical maintenance service provider;
- c) Developing the identity to become a service provider in the fields of any civil aviation services with strategic significance including ground services and flight training;
- d) Maintaining the leadership of the company in domestic air transport;
- e) Ensuring that the company provides uninterrupted and high quality flight service by going into collaboration with a global airline alliance to supplement its own flight network in such a way to advance the image of the company abroad and to raise its marketing capabilities;
- f) To make Istanbul a significant flight hub.

20. Risk Management and Internal Control Mechanism

Internal control is carried out by applicable units established in line with the operations of our company. In this regard, whether tickets sold either by staff, also our agents are priced correctly or not, whether accounting records of all our offices abroad are effective in line with company regulations and directives or not, whether taxes the company is liable for are paid correctly and in time or not is checked and the accuracy of all records of the company is audited in line with current laws and company regulations and directives. Furthermore, our company undergoes an annual audit by Prime Ministry Higher Board of Audits.

Furthermore, the company is audited by 3 auditors elected by the General Meeting.

İsmail GERCEK–Member of Board of Auditors

Naci AĞBAL– Member of Board of Auditors

Prof.Dr.Atefl VURAN– Member of Board of Auditors

2 auditors are elected from the nominees of Group A shareholders and 1 auditor is elected from amongst nominees of Group C shareholder. The term of duty of auditors is 1 (one) year. An auditor whose term of duty expires may be reelected. The following rules apply in nomination of Auditors by Group A shareholders:

- a. Where the ratio of public shares of the company is 35 % (35 % inclusive), the right to nominate 2 Auditors afforded to Group A shall lie with shareholders holding the public Group A shares.
- b. For shareholders holding such public Group A shares, to make nominations for the Auditor, they must be represented at the ratio of minimum 2 % of the total issued and outstanding share capital at the General

Meeting where Auditors are elected. In calculation of the said 2 % ratio, only public Group A shares shall be considered. Shareholders who hold the public Group A shares will determine their nominees for the Auditor at the meeting they will hold among themselves. The right to nominate it at this meeting lies with holders of non-government owned public Group A shares. To the extent shareholders holding public Group A shares are not represented at the ratio of 2 % at the general meeting, then the right to make nominations to the Auditor, of such shareholders shall be exercised by other shareholders who hold non-public Group A shares in line with Turkish Commercial Code and Capital Market Regulations.

c. Where the position of the Auditor becomes vacant due to reasons like death, resignation, dismissal or nullification of membership, the vacant membership will be filled by an election to be held by the other Auditors as per article 315 of Turkish Commercial Code. Where shareholders holding public Group A shares fail to make a nomination for the vacant membership for the Auditor, the right to nominate for the vacant membership shall lie with Group C shareholder and to the extent the Group C share has been converted to a Group A share, then such right shall lie with shareholders holding non-public Group A shares. The 35 % and 2 % ratios stated in the foregoing clauses a and b shall not be considered in any election to be carried out in this manner for the seat vacated by the nominee nominated by shareholders holding public group A shares.

d. Where these Articles of Incorporation are subsequently amended or new share groups are created, the right to nominate 2 Auditors afforded to shareholders holding Group A public shares under clauses a and b above shall not disappear or be changed; provided the said amendment is approved by shareholders representing 65 % of issued capital.

Auditors are authorized and have the duty to review the general transactions and the budget of the company, to carry out such duties as prescribed in Turkish Commercial Code, to make proposals to the Board of Directors to ensure that the company is administered in the best manner and company interest is protected, to call general meetings if necessary and urgent reasons arise and to set the meeting agenda and to issue such report as prescribed in article 354 of Turkish Commercial Code. Auditors are obliged to fulfill the duties accruing to them under law and the Articles of Incorporation well and in full.

21. Authorities and Responsibilities of Members of Board of Directors and Executives

Article 15 of our Articles of Incorporation sets out the duties, authorities and responsibilities of the Board of Directors and article 19 sets out the same for the General Manager. The Board of Directors is the body of representation and management of the Company.

The Board of Directors is liable with all duties other than those conferred to the General Meeting by law and Articles of Incorporation and have all authorities required by such duties.

In accordance with article 319 of Turkish Commercial Code, the Board of Directors may delegate part or the entirety of its authorities to manage and represent to one or several members or general manager, vice-president, manager or managers who are not members of Board of Directors or may form executive committees from amongst its members or from outside to exercise such duties and authorities. However, no delegation of authority may be effected by the Board of Directors on matters where Group C has a privilege right.

Any financial and other details required for members of Board of Directors to fulfill their duties and proposals of Board of Directors and attachments thereto shall be delivered in time.

Duties and authorities of General Manager shall be set by the Board of Directors. General Manager is required to discharge its duties diligently and is responsible for any act to the contrary.

22. Rules of Operation of Board of Directors

Operations of the Board of Directors of our Company are set out in Article 14 of our Articles of Incorporation;

The Board of Directors convene as required by the business of the company and at any rate, minimum once a month. The venue of meeting is the head office of the company. Meetings may be convened at any other place by Board of Directors resolution.

The order of business to be discussed at meetings must be determined by an agenda, which agenda must be served to members prior to the date of meeting. Invitation to Board of Directors meetings shall be made minimum three days in advance of the day of meeting.

The Board of Directors shall convene with the participation of minimum 5 members. The Board of Directors shall adopt its resolutions by affirmative votes of minimum 4 members. Any member who fails to attend for consecutive meetings or 6 meetings in total during a year without being deemed on leave by the Board of Directors or without relying on a just cause shall be deemed to have resigned.

Unless a member asks for a meeting to be held, the resolutions of Board of Directors may also be passed by obtaining written affirmative opinions of all members to a proposal made by a member on a specific subject. The validity of Board of Directors resolutions depend on their having been written and signed. Failure to form decision quorum on a specific subject shall mean that the proposal is denied.

The validity of the decisions to be adopted by the Board of Directors on the following matters depend on the participation at the meeting where such decisions were adopted by the member of Board of Directors representing the Group C share and his/her casting an affirmative vote.

- Adoption of decisions which will expressly affect adversely the company mission specified in Article 3.1 of the Articles of Incorporation;
- Proposals of amendments of Articles of Incorporation to the General Meeting;
- Increase in capital;
- Approval of transfer of registered shares and entry of such transfer in the share register;
- Carrying out of any transaction which surpasses 5 % per agreement, the total assets stated in the last annual balance sheet the company has submitted to Capital Market Board and which directly or indirectly commits the company; adoption of any decisions which will bind the company (in the event the share of government in the company falls under 20 %, the provisions of this clause shall be eliminated automatically);
- Merger of the company with other companies or termination or liquidation thereof;
- Adoption of decisions on elimination of any flight line or decreasing significantly number of flights, save those under exclusive market conditions and lines which cannot cover operational costs with other funds.

Rights of Group C share may only be restricted by Privatization Higher Board or any government agency which will take over its duties.

Minutes of General Meetings are made available continuously to shareholders at our company and are delivered to shareholders upon request. General Meeting minutes for the last two years will be available in our Investor Relations website starting from 2005.

Board of Directors held in 2006 is 61 and 311 resolutions have been adopted. The validity of Board of Directors resolutions depend on their having been written and signed. Office of the Secretary General organizes the operations of the Board of Directors provide advisement and communication, monitors the number of meetings of the Board of Directors and proposals to be submitted to the Board of Directors and determines the meeting agenda.

23. Doing Business with the Company and No Compete Ban

As per Articles 334–335 of TCC, the ban on doing business with the company and on compete was implemented against the members of Board of Directors during the period. Also, there are rules relating ban on other business and service as regards employees of the Company in section 11 of THY A.O. Human Resources Code no. 07- 001.

24. Rules of Ethics

Rules of ethics of our company are as follows:

- To act in compliance with all obligations arising from national and international legislation and to act in line with any contract the company is party to.
- To act diligently and in compliance with rules when representing the company before third parties.
- To discharge its duties in the best manner in line with duties, authorities and responsibilities specified in job descriptions.
- To act in line with principles of confidentiality regarding information and subjects as necessary.
- To use one's best efforts for correct use of assets and resources of the company.
- To use maximum efforts to protect the rights and interests of shareholders.
- To keep and maintain any information, documents and records regarding conducted operations orderly, fully and completely.
- To display conduct in line with the rules of the Company to Company customers (all customers, lead by passengers). To avoid conduct which is not courteous and helpful outside such rules and to caution those who act in such a manner appropriately.
- To communicate any errors experienced during carrying out of operations in an appropriate manner to applicable places and taking measures which will prevent them to be repeated.
- By working in line with targets and strategies relating to the department served at, making maximum contribution to the Company's attaining its overall purposes and realizing its vision.
- Not to derive financial advantage in conducting operations or not affording privileges to any individual or entity.
- To offer a fair and secure work environment.
- To act in line with set rules and competition in national and international competitive environment.
- To give support to allow individuals in charge of supervision to perform their duties and to provide the necessary facilities and aid where required.
- To be honest and reliable to further moral values.

25. Number, Composition and Independence of Committees Formed at Board of Directors

In the Board of Directors, the financial supervision committee supervising financial affairs comprises Mr. Hamdi TOPCU, Mr. Cemal SANLI and Mr. Atilla OKSUZ and the corporate governance committee supervising implementations relating to corporate governance principles comprises Mr. Mehmet BUYUKEKSI. and Mr. Cemal SANLI.

26. Financial Benefits Afforded to Board of Directors

Remuneration of the members of Board of Directors are determined by the General Meeting. No member of Board of Directors may receive any loan or borrow money from the Company.