Compliance with Corporate Governance Principles Published in the Annual Report 2007

1. Declaration of Compliance with Principles of Corporate Governance

The Company has embraced the concept of fairness, transparency as well as promoting Turkey and Turkish Aviation sector internationally by upholding fully to these Principles of Corporate Governance of Capital Market Board (CMB)

2. Shareholder Relations Unit

The Investor Relations Department, which reports to the Deputy General Manager (Finance), has been established as a unit that oversees the communication of accurate and timely information to our investors, maintaining relations and exchanging information with capital market supervisors, monitoring capital increases and public offering transactions and organizing presentations and informational meetings for domestic and international investors. Contact information for the Investor Relations Manager, Suna CELEBI, is as follows:

Contact Details

Phone 212- 463-6363

Extension 3630;

Fax 212-465-2307;

E-mail ir@thy.com

3. Shareholder's Right to Obtain and Evaluate Information

50.88% of our Company's share is Free Floating at Istanbul Stock Exchange (ISE). During the period from 1st of January to 31st of March 2008, 87 requests have been submitted to our Company by e-mail. Out of 87 requests, 77 were concerning information about the Company and 10 were requests for the Annual Report of the Company. All of the requests were responded to without delay. In addition to those requests, a large number of investors and shareholders were provided with information by telephone. Moreover, during the course of the year, financial intermediaries organized informational meetings for investors regarding the Company's activities. The Company does not discriminate among shareholders on the issue of exercise of shareholders' right to obtain and evaluate information. The Company has created a web site in order to allow shareholders to exercise their right to obtain information effectively.

4. Information on General Assembly Meeting

Pursuant to Article 6 of our Articles of Association, all share certificates of our Company are registered and are categorized into two groups: A and C. There is only one outstanding Group C share, which belongs to the Privatization Administration of the Prime Ministry (OIB) incase such duties of OIB are transferred then the transferee institution. Presently, 49.12 % of Group A shares belong to OIB, and 50.88 % are traded publicly. Following the conclusion of the January – March 2008 period, Ordinary General Assembly was held on April 17, 2008 to review 2007 accounts and operations. Shareholders representing TRY 107.662.734,26 of the TRY 175 million of our Company's issued share capital attended the Ordinary General Assembly.

Invitations to the General Assembly were promulgated by way of announcements in the agenda of the Trade Registry Gazette and in one newspaper circulated across the country, as well as through announcements on the Investor Relations page of our website.

Pursuant to Article 29 of our Articles of Association, we are under no obligation to send notification of the meeting date by registered mail to shareholders holding share certificates traded on the stock exchange.

No time period has been stipulated for holders of registered shares to place notification with the share register in order to secure participation in the general assembly. Other conditions relating to this matter are set forth in Article 7 of our Articles of Association, as follows:

Transfer of shares is subject to the provisions of Turkish Commercial Code, Capital Market regulations and Civil Aviation regulations.

Transfer of registered shares will be effective with regard to the Incorporation upon registration in the Share Register. The shareholders will be under the obligation to evidence when required, according to the format as determined by the Board of Directors, their identities and nationalities and, if available, the "Foreign shareholding" relation as indicated in Article 6, before registration of the registered shares in the Share Register.

Until registration of the share transfer in the Share Register, the holder registered in the Share Register will be deemed as the holder of the shares by the Incorporation.

Share transfers will be registered in the Share Register upon resolution of the Board of Directors. The Board of Directors may refrain from registering any share transfers in the Share Register in cases which are not in consistency with this Articles of Association or the law or without indicating any reason therefore.

Share transfers which are not in compliance with the foreign shareholding rate limits as indicated in Article 6 above, may not be registered in the Share Register. The Board of Directors will be under the obligation to reject the registration of such share transfers in the Share Register. Share transfers which are not registered

in the Share Register by the Board of Directors will not be recognized by the Incorporation and the related transferee will not be granted to be a shareholder. The affirmative vote of the member, appointed to the Board of Directors to represent Group C share is required in the resolutions of the Board of Directors to affirm the share transfer and to register this in the Share Register.

Group C share may be transferred to any Turkish public institution substantially having the same powers granted to the Prime Ministry Privatization Directorate by Law No: 4046. In case of such a transfer then this will promptly be registered in the Share Register without requirement for any resolution of the Board of Directors.

The Board of Directors will be under the obligation to limit the transfer of the shares to the foreigners, in order to comply with the provisions of Civil Aviation and/or other laws, it is subject to, and with the limitations as indicated in this Articles of Association and to avoid from endangering the traffic and cabotage rights held by the Incorporation.

As per article 362 of the Turkish Commercial Code (TCC), the income statement, balance sheet, annual report and proposals for the method of distribution of net income will be made available to shareholders at the Head Office of the Company at least 15 days prior to the Ordinary General Assembly, accompanied by the report to be issued by auditors.

In General Assembly Meetings, existing practice endeavors to respond to shareholder questions orally and to address more comprehensive questions in writing; however, since no questions requiring a written answer were encountered during these period, verbal explanations were deemed adequate.

The powers of authority of the General Assembly are set out in Article 27 of our Articles of Association; as such, the General Assembly is that body holding the powers of authority as stipulated in TCC and other laws. Outside of this article, there is no provision in the Articles of Association calling for resolutions by General Assembly on matters of material importance.

However, since the majority of our shares are owned by the Privatization Administration and since Law no. 4046 has authorized the Privatization Administration to render important decision on matters such as splits, and the sale, purchase or leasing of assets in materially significant amounts, it was not deemed necessary to introduce other provisions in the Articles of Association on such matters.

Under Article 14 of our Articles of Association, the validity of any resolution to be adopted by the Board of Directors on the matters listed below is contingent upon the participation of the Board member representing the Group C share in any meeting where such resolutions are to be adopted and upon that member casting an affirmative vote.

- Resolutions which will clearly adversely affect the mission of the Incorporations as indicated in Article 3.1 of this Articles of Association;
- Any suggestion to be made to the Shareholders Assembly for any modification in the Articles of Association;
- Increase of the share capital;
- Approval of transfer of registered shares and registration of the transfer in the Share Register;
- Any transaction, based on each contract, which exceeds 5 % of the total assets of the Incorporation as indicated in the latest balance sheet submitted to the Capital Market Board and which is directly or indirectly binding for the Incorporation, any resolution which will bring the Incorporation under any commitment, (provided that in case the share of the public in the Incorporation has decreased below 20 % of the Incorporation's share capital, then the provisions of this clause will automatically terminate);
- Merger, termination or liquidation of the Incorporation;
- Any resolution about the cancellation of any flight route or for a remarkable decrease in the number of flights, excluding the routes which do not even have revenue to meet its own operating costs based on exclusive market conditions or through other sources.
- The privileges of Group C share may only be limited by the High Commission of Privatization or any other public institution which has taken over such duties.
- Minutes of General Assembly Meetings are made available to shareholders within our Company all the time and are delivered to shareholders upon request. As of 2005, General Assembly minutes from the past two years appear on the Investors' Relations section of our website.

5. Voting Rights and Minority Rights

1. Voting Rights are set out in Article 31 of our Articles of Association, as appearing below. "Each shareholder or proxy attending the ordinary or extraordinary Shareholders Assembly Meetings will be vested with one vote for each share, provided that the provisions of Article 6/d of this Articles of Association are reserved.

2. Under Clause 5 of Article 14 of our Articles of Association, It is required for the Board member representing Group C share to attend the meeting and his affirmative vote is required for the effectiveness of the resolutions of the Board of Directors regarding the followings issues:

- Resolutions which will clearly adversely affect the mission of the Incorporations as indicated in Article 3.1 of this Articles of Association;
- Any suggestion to be made to the Shareholders Assembly for any modification in the Articles of Association;

- Increase of the share capital;
- Approval of transfer of registered shares and registration of the transfer in the Share Register;
- Any transaction, based on each contract, which exceeds 5 % of the total assets of the Incorporation as indicated in the latest balance sheet submitted to the Capital Market Board and which is directly or indirectly binding for the Incorporation, any resolution which will bring the Incorporation under any commitment, (provided that in case the share of the public in the Incorporation has decreased below 20 % of the Incorporation's share capital, then the provisions of this clause will automatically terminate);
- Merger, termination or liquidation of the Incorporation;
- Any resolution about the cancellation of any flight route or for a remarkable decrease in the number of flights, excluding the routes which do not even have revenue to meet its own operating costs based on exclusive market conditions or through other sources.

The privileges of Group C share may only be limited by the High Commission of Privatization or any other public institution which has taken over such duties.

3. Under Article 10 of our Articles of Association, The Board of Directors will consist of 7 members appointed by the Shareholders Assembly. It is obligatory to appoint 6 members of the Board of Directors, by electing amongst the candidates nominated by the Group A shareholders having highest votes, and to appoint one member by electing amongst the candidates nominated by the Group C shareholder.

Below principles will apply in the nomination of the candidates by the Group A shareholders:

a) In case the rate of being open to public is 15 % (including), then the shareholders holding the Group A shares open to public will have the right to nominate one of the 6 members granted to Group A shares.

b) In case the rate of being open to public is 35 % (35 % and more), then the shareholders holding the Group A shares open to public will have the right to nominate two of the 6 members granted to Group A shares.

c) In order to be able nominate candidates for the Board of Directors by the shareholders holding Group A shares open for public, they are required to be represented at the rate of minimum 2 % of the total issued share capital of the Incorporation during the Shareholders Assembly in which the members of the Board of Directors will be elected. Calculation of the aforementioned rate of 2 % will be based only on the Group A shares open for public. Shareholders holding Group A shares open for public will determine the candidates nominated for the Board of Directors in a special meeting. In this meeting only shareholders holding Group A shares open for public, not held by the public, will be entitled to nominate candidates. In case shareholders holding Group A shares open for public are not represented in the rate of 2 % at the Shareholders Assembly, then the right of such shareholders to nominate candidates for the Board of Directors, will be used by the

other shareholders holding Group A shares not open for public according to the rules of Turkish Commercial Code and Capital Market.

d) In the event of any vacancy in any membership of the Board of Directors due to any reason like death, resignation, dismissal or cease of membership, then such vacant position will be occupied by the election of the Board of Directors made in compliance with Article 315 of Turkish Commercial Code. In the event of any vacancy in the Board of Directors due to any of the aforementioned reason, then the shareholders holding the group shares entitled to nominate the candidate office of which is then vacant, will be entitled to nominate a candidate for the vacant position and the Board of Directors will elect this candidate for this vacant position. In the event that the shareholders holding Group A shares open for public may not nominate any candidate for the vacant position in the Board of Directors then Group C shareholder will be entitled to nominate a candidate for the vacant position or in case Group C share has been converted to Group A share, then the shareholders holding Group A shares not open for public will be entitled to nominate a candidate for the vacant position. In the election for the vacant position of the candidate nominated by the shareholders holding Group A shares open for public, the rates of 15 %, 35 % and 2 % as indicated in paragraphs (a), (b) and (c) above will not be taken into consideration. The appointment of the successor member of the Board will be submitted to the approval of the following Shareholders Assembly. The Board member approved by the Shareholders Assembly will continue the office period of the predecessor member.

e) In the event information is given that any Board member representing a legal person has no more relation with that legal person or in the event such legal person transfers its shares to a third party, then this member will be deemed to have resigned, and provisions of paragraph (d) hereof will apply in nominating a candidate for the vacant position.

f) In the event of any modification in this Articles of Association and creation of new share groups, the right granted to the shareholders holding Group A shares open for public to nominate 2 Board members as indicated in paragraphs (a) and (b) above may not be cancelled or modified, unless the aforementioned modification is approved by the shareholders representing 65 % of the issued share capital.

4. No mutually-affiliated relationship exists with any other company.

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

6. Our Articles of Association do not contain provisions for accumulated voting.

6. Dividend Policy and Timing of Distribution

The determination and distribution of profits from our Company are set forth in Article 36 of our Articles of Association, as follows.

The net profit, as indicated in the annual balance sheet, found after deducting from the revenue of the Incorporation, the amounts required to be paid or reserved by the Incorporation like general expenses and various depreciations and the taxes required to be paid by the Incorporation, following the deduction of the losses of the past years, will be distributed in the following priority:

a) Legal reserve fund in the rate of 5 % will be reserved.

b) First dividend in the rate and amount as determined by Capital Market Board will be deducted from the balance.

c) After deducting from the net profit the amounts indicated in clauses (a) and (b) above, the Shareholders Assembly will be entitled to resolve either to distribute as second dividend or to reserve as extraordinary reserve fund, the entire or any portion of the balance.

d) Second reserve fund will be reserved according to Article 466, paragraph 2, clause 3 of Turkish Commercial Code in the rate of one tenth of the amount found after deducting the profit share in the rate of 5 % of the issued share capital from the amount resolved to be distributed to the shareholders and those entitled to participate the profit.

e) Unless legal reserves required by law and the first dividend determined in the Articles of Association for the shareholders are reserved, no resolution may be adopted to reserve other reserve funds, to transfer profit to the coming year, and unless first dividend is paid in cash and/or in share certificates, no resolution may be adopted to distribute profit to the privileged shareholders in profit distribution, to the holders of participation, founder and ordinary interest certificates, to the members of the Board and officers, employees and workers, to the trusts established for various purposes and similar persons and/or institutions.

The General Assembly shall determine the time and method of payment of dividends in accordance with the directives of Capital Market Board. In this regard, our Company's dividend distribution policy as formulated by the Board of Directors was notified to the General Assembly at the Ordinary General Assembly Meeting on 24.04.2007 in the following terms:

"by taking the strategic targets, growth trend, financial needs and the expectations of the shareholders of the Incorporation into consideration and under the provisions of the Turkish Commercial Code, Capital Markets Law, other related legislation and its Articles of Association, and the Incorporation will basically distribute profit at the minimum ratio determined by the Capital Markets Board by means of cash and/or bonus shares and upon taking of the potential of the Incorporation to be able to distribute profit, it is always possible for the Board of Directors to resolve for distributing profit above the minimum ratio and submit it to the approval of the General Assembly and the profit share distribution shall be carried out within their legal terms."

7. Transfer of Shares

Article 6 of our Articles of Association;

Shareholders Nature

The shares held by the foreigner shareholders may not exceed 40 % of the issued share capital of the Incorporation. In calculating the rates of the shares held by the foreigner shareholders, the rate of foreign shareholding in the shares held by the shareholder holding Group A shares which are not open for public will be taken into consideration as well.

Foreign shareholder shall mean:

- foreign natural or legal persons;
- Turkish companies, share capital of over 49 % of which are owned by foreigners;
- Turkish companies in which majority members of administrative and representative boards are not Turkish citizens and in which majority votes are not on Turkish partners according to their articles of associations;
- Turkish companies under actual control of the aforementioned.

In order to ensure that the aforementioned share rate limitations on the foreigner partners will be complied with the provisions of the Articles of Association, the Incorporation will use separate parts for foreign shareholders in registering the shareholders and their related share rates in the Share Register.

It is obligatory to promptly notify the Incorporation of any share purchase and sale reaching to 1 % of the issued share capital of the Incorporation. Moreover, the shareholders who have reached or exceeded the maximum foreign shareholding rates as indicated in this Articles of Association, are obliged to promptly notify the Incorporation as they become aware of this. The purpose of such notification is to follow the foreigner element and remarkable share movements and to ensure the Board of Directors to perform its powers based on these, and only notification will not result with the nature of being a shareholder unless registered in the Share Register, and only the records in the Share Register will be relied on in such cases.

In cases where it is understood through the notifications or through other means that the total shares held by the foreigner shareholders have exceed 40 % of the issued share capital of the Incorporation, then the Board of Directors will be under the obligation, to promptly notify the related shareholders lately within 7 (seven) days, starting from the latest share transfer, to dispose of the shares which exceed the foreign shareholding limit, in amounts and rates to be in conformity to the foreign shareholding limit and otherwise the Incorporation will be entitled to apply any of the measures indicated below. The foreign shareholder to whom the notice to dispose of its exceeding shares has been served, will be under the obligation to sell such

shares which have caused the foreign shareholding limit to be exceeded, to a person who is not included in the foreign shareholder definition in this Articles of Association, within the period stated in the notice. In case such shares are not disposed despite the notification, then the Board of Directors will be under the obligation to meet in 3 (three) days and to take a resolution to cover the measures indicated below in regard to the shares exceeding the limit.

(i) To redeem with the nominal value, the shares held by the foreign shareholder which has caused the foreign shareholding limit to be exceed, through decreasing the share capital; with this purpose, the Incorporation will first notify the shareholder who has exceed the foreign shareholding limit that his shares will be redeemed. In case such a notice may not be served then the fact will be announced in two newspapers published at the place where the head office of the Incorporation is located. Expenses related with such redemption, will be collected from the shareholder who has caused the redemption, through deduction from the redemption amount.

(ii) In cases where the total share rate of the foreign shareholder is over the limit indicated in this Articles of Association, then the Board of Directors will be entitled to increase the share capital in order to reduce the rate of the shares exceeding the limit. In this case, new shares may be issued by limiting the preferential purchase options of the existing shareholders according to the rules of the Capital Market Board.

REASONING FOR THE ARTICLE:

The reasoning for the rule in this Article is provided in the final paragraph of Article 7 of our Articles of Association and in paragraph below. The regulations to which our company is subject in its capacity as an airline and to which it must adhere are also explained.

a) An airline company that does not qualify as Turkish on account of provisions listed in Articles 31 and 49 of Turkish Civil Aviation Act No. 2920 may not obtain an operating license or, if it does possess an operating license, such operating license shall be revoked in the event it ceases to qualify as Turkish due such factors or events such as the transfer or sale of shares of the airline or due to the majority of the members of its Board of Directors being foreign, etc.

b) In order for flights to be possible from one state to another, that is, to secure rights to international traffic, bilateral inter-governmental aviation treaties must first be executed between the two given countries, and the majority ownership of the airline to be designated by the Turkish Government and the control of such company must lie in the hands of Turks (natural or legal persons). The criteria of nationality that qualifies our company as Turkish is a also a *sine qua non* condition for holding the right to traffic under the bilateral aviation treaties executed between states.

Hence, since the right of traffic may only be granted to an airline domiciled in Turkey if the majority of its shares of effective control thereof belong to Turkish citizens or companies, and since 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 relevant airline shall lose its right to traffic, the criterion of nationality is an element of vital importance for an airline.

Hence, Article 6 of our Articles of Association contain provisions governing the foreign element in order to ensure that our airline's operating license and also our international traffic rights are secured, as explained above. Accordingly, restrictive rules were set out in terms of the limitations imposed on the foreign shareholding ratio for the protection of the traffic rights of our Company based on the criterion of nationality, should such limit be exceeded.

2- Articles of Association Article 7 (Transfer of Shares)
Transfer of shares is subject to the provisions of Turkish Commercial Code, Capital Market regulations and Civil Aviation regulations.

Transfer of registered shares will be effective with regard to the Incorporation upon registration in the Share Register. The shareholders will be under the obligation to evidence when required, according to the format as determined by the Board of Directors, their identities and nationalities and, if available, the "Foreign shareholding" relation as indicated in Article 6, before registration of the registered shares in the Share Register.

Until registration of the share transfer in the Share Register, the holder registered in the Share Register will be deemed as the holder of the shares by the Incorporation.

Share transfers will be registered in the Share Register upon resolution of the Board of Directors. The Board of Directors may refrain from registering any share transfers in the Share Register in cases which are not in consistency with this Articles of Association or the law or without indicating any reason therefore.

Share transfers which are not in compliance with the foreign shareholding rate limits as indicated in Article 6 above, may not be registered in the Share Register. The Board of Directors will be under the obligation to reject the registration of such share transfers in the Share Register. Share transfers which are not registered in the Share Register by the Board of Directors will not be recognized by the Incorporation and the related transferee will not be granted to be a shareholder. The affirmative vote of the member, appointed to the Board of Directors to represent Group C share is required in the resolutions of the Board of Directors to affirm the share transfer and to register this in the Share Register.

Group C share may be transferred to any Turkish public institution substantially having the same powers granted to the Prime Ministry Privatization Directorate by Law No: 4046. In case of such a transfer then this will promptly be registered in the Share Register without requirement for any resolution of the Board of Directors.

The Board of Directors will be under the obligation to limit the transfer of the shares to the foreigners, in order to comply with the provisions of Civil Aviation and/or other laws, it is subject to, and with the limitations as indicated in this Articles of Association and to avoid from endangering the traffic and cabotage rights held by the Incorporation.

8. Company Disclosure Policy

Our Board of Directors has established Disclosure Policy to share information on the performance and forward looking developments within the scope of generally accepted accounting principles and Capital Market Legislation (CML), in a fair, complete, accurate and comprehensible way with Capital Market Participants (domestic/foreign share holders, investors and capital market experts, together with Capital Market Participants) equally and keep an active and open dialogue always available. THY’s policy to give correct, complete, understandable, analyzable and cost effective easily accessible information, except trade secrets, to the capital market participants and personnel about its activities and related strategies, critical subjects, risks and developments. The comprehensive disclosure policy of our Company as approved by the Board of Directors may be found on our Company's website.

9. Material Disclosure

In addition to the financial statements and notes to financial statements for 2007, our Company made 43 Material Disclosure in accordance with CMB's Directive Series: VIII, No: 39 on Public Announcements of Special Circumstances, and no supplementary announcements were required by the CMB and ISE regarding such announcements. Our company has used its best efforts to ensure that its material disclosures were communicated to investors, deposit holders, agencies and organizations simultaneously, in due time and in an understandable, accurate and interpretable form. Since no Material Disclosure was made by our Company that was not delivered in a timely manner, no sanctions were imposed by the CMB or ISE during the applicable period. Furthermore, since our Company shares are not listed on any International Stock Exchange, no Material Disclosures were made to any International Stock Exchange.

10. Company’s Website and Its Contents

Our Company's web address is www.thy.com.tr, and the Investors' Relations page may be accessed via this website. The website also has an English version. The Investor Relations page contains information on shareholding composition, Minutes of General Assemblies, proxy specimens, annual reports, financial statements, commercial operating data, details on the Board of Directors, and Material Disclosures. Furthermore, a section with live data as well as historical data on Share performance of the Company procured from a data distribution company is available on the relevant page.

11. Disclosure of Natural Person(s) with Final Controlling Shareholding

No natural person exists with final controlling shareholding in our Company.

12. Disclosure of Ultimate Controlling Indivual(s)

Board of Directors, Auditors, CEO, Executive Vice Presidents, General Secretary, Investor Relations Manager, Press Consultant, Director of Account, Director of Finance, Director of Investment Management, Director of Public Relations, as well as all staff of these Directors are prohibited from revealing any knowledge acquired during their terms of duty and fields of operation That could be used to the advantage of third parties or advantage of themselves.

13. Informing the Stakeholders

In our announcements to the public of information regarding our Company, in addition to forecast and material disclosure announcements as per legal regulations and in observance of the SPK's "Series: VIII, No.39 Announcement to the Public of Special Circumstances Communiqué", other information and statements that are deemed to be of interest to other beneficiaries are delivered to the public in a timely and clear manner through the appropriate communications channels.

14. Human Resource Policy

Our Company adheres to a Human Resource Code established by our Board of Directors, and the Company y act in accordance with Labor Law No. 4857 regarding to the personnel policies. In addition, our Company's personnel are unionized and as such work under a collective bargaining system. Employee/employer relations are conducted in an effective and result-oriented manner at all levels and on any subject concerning collective bargaining and representatives appointed by the union in numbers and percentages as specified in Article 34 of Unions Law No. 2821 and by union directors. Training services are provided to all our personnel.

No complaints of discrimination have been received from any employee.

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 . Announcements for tenders are made in newspapers that have highest circulation nationwide within the timeframes set forth by Company, and also announced on the website www.thy.com

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 KARLITEKİN - *Chairman of the Board*

Hamdi TOPCU - *Deputy Chairman of the Board*

Doc.Dr. Temel KOTİL - *Member of the Board and General Manager*

Atilla ÖKSÜZ - *Member of the Board*

Prof.Dr.Cemal ŞANLI - *Member of the Board*

Muzaffer AKPINAR - *Member of the Board*

Mehmet BUYUKEKŞİ.- *Member of the Board*

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 Assembly 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 and Vision and Strategic Targets of the Company

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.

In addition, through its leadership position in the Civil Aviation Transport (SHT) sector of the Republic of Turkey, to be a premier European airline with global operations which is preferred for its flight safety, security, product range, service quality and competitive approach.

Vision:
To be an outstanding airline through the following qualities:

1. Maintaining a growth trend that exceeds sector averages
2. Zero accidents
3. An understanding of service that captures the world’s attention
4. Unit prices that are competitive with those of low-cost carriers
5. Sales and distribution costs that are below sector averages
6. Loyal customers who carry out reservation, ticketing and boarding activities themselves.
7. Personnel who understand that the added value they create is directly proportional to the Company’s gains and who are committed to their own development
8. A commercial approach that creates business for partners who are members of the Star Alliance and which harnesses the potential that those partners offer
9. Management that is recognized for its embrace of the principals of modern management, respecting the interests of its shareholders and all other stakeholders.

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
Naci AGBA
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 them. 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 2007, the Board held 43 meetings and made 197 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

Our Company has set forth its Code of Ethics within the scope of the Principals of Corporate Governance, which is published on our Website.

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

The Board of Directors' Financial Audit Committee is comprised of Mr. Hamdi TOPÇU, MrçCemal ŞANLI 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.