

TURKISH AIRLINES INC. ARTICLES OF ASSOCIATION

ESTABLISHMENT

ARTICLE 1

With the Resolution of the Government, 22.08.1990 dated, No: 90/822 Turkish Airlines has been included in the scope of Law No: 3291 dated 28.05.1986 whereupon a incorporation has been established by the founder whose name, nationality and domicile are given below.

1. Republic of Turkey, Prime Ministry, Presidency of Public Participation Administration (Republic of Turkey)* Ankara.

NAME OF THE INCORPORATION

ARTICLE 2

The name of the incorporation is TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI – TURKISH AIRLINES INC. (hereinafter will be referred as “the Incorporation”). The operational name of the Incorporation is “THY” where the flight code is “TK”.

AIM AND OBJECTIVES AND FIELD OF ACTIVITY OF THE INCORPORATION

ARTICLE 3

3.1 Aim and Objectives of the Incorporation

Aim and objectives and mission of the Incorporation is as follows:

- a) To extend the long range flights network and to improve the global airline identity of the Incorporation;
- b) To improve the identity/nature of the Incorporation as a technical maintenance service provider, by improving the technical maintenance unit to a level as an important technical maintenance base in the region;

* Presidency of Public Participation Administration has been changed to be Privatisation Directorate with Law No: 4046

- c) To improve the identity of the Incorporation as a service provider in all civil aviation activities having strategic importance including ground handling and flight training;
- d) To preserve the leading position of the Incorporation in domestic air transportation;
- e) Through co-operation with a global airline alliance to integrate its own flight network, in a manner to improve the abroad image of the Incorporation and to improve the marketing possibilities, to procure the Incorporation to perform uninterrupted and qualified flight services;
- f) To make Istanbul a flight hub.

3.2 Fields of Activity of the Incorporation

In order to realise its aim and objectives and mission, the Incorporation has been established to perform all types of domestic and international air transportation and the fields of activity of the Incorporation are as follows:

- a) To perform all kinds of air transportation for passengers, mail, live stock and cargo to and from any point in and out of Turkey, and all other works and commitments incidental thereto;
- b) To sell tickets and airwaybill for transportation by aircraft or other conveyance of the Incorporation or of other airlines or real persons or legal entities engaged in air transportation business, to establish and operate ticket sale offices and cargo warehouses necessary for air transportation;
- c) To purchase, sell, lease, rent, produce, repair aircraft, aircraft equipment, any and all kinds of equipment and devices related with air transportation and to establish and operate hangars, warehouses, repair and supply facilities in order to provide maintenance and safeguard thereof;
- d) To operate all types of vehicles and means of conveyance for the transportation of the passengers, mail, live stock and cargo, incidental to air transportation;
- e) To perform “ground handling” and “catering” services;

- f) To establish and operate in and abroad organisations (like branches, agencies, offices, etc.) relevant to the subject matter of the Incorporation's activity, to export and import goods and services incidental thereto;
- g) To install and operate telephone, wireless telephone, wireless telegraph facilities, power plants and transmission lines and other facilities incidental thereto with the purpose of performing any of the aforementioned functions and in compliance with the Radio Law No: 2813;
- h) To construct, operate or lease airports;
- i) To perform land transportation of bonded cargo to domestic points whenever required;
- i) To establish warehouse and depots in order to operate bonded warehouses under control of the Customs Directorates;
- j) In order to accomplish the aforementioned functions, to purchase and sell, rent and lease movable and immovable properties, to institute any kind of restraints including mortgage in order to secure its credits and debit, to release those instituted, to institute commercial enterprise pledge, to act as the guarantor of its participations provided that the declarations required by Capital Market Board are made and to accomplish any and all transactions incidental thereto;
- k) To the extent permitted by the applicable law, to become members of international institutions in regard to its activities, and to perform all financial and administrative activities in order to conclude agreements with the airline operators of other countries and to perform all kinds of activities regarding production and transportation;
- l) To act as an insurance agency and to become the shareholders of insurance companies pursuant to the applicable law;
- m) To perform the aforementioned activities directly or procure the performance of these through companies established or by way of participating those already established, to establish participations in and abroad and to use all property rights on the Incorporation's shares in such participations already established or to be established;
- n) To purchase and sell petroleum and petroleum products, to act as agency, distributor or in similar works incidental thereto;

- o) To purchase and sell computer software and hardware, to act as agency, distributor or in similar works incidental thereto;
- p) To issue, buy, dispose of, give as guarantee and to perform all other legal rights regarding all kinds of securities and commercial bonds, profit partnership certificates, finance bonds and bonds convertible to shares, in compliance with the Board Resolutions, in cases authorised by the applicable laws, provided that the Incorporation will not act as a commissioner or perform portfolio management;
- q) To obtain, register, lease and conclude contracts for licences, franchises, trade marks, know-how, technical data and support and all other industrial property rights;
- r) To perform all kinds of training, seminars and courses regarding the subject matter of the Incorporation, to co-operate with the related institutions and to participate in their activities;
- s) To perform training services regarding the activities of the Incorporation.

In addition to the aforementioned activities, in case it is intended to perform other activities deemed required in order to realise the aim and objectives and mission of the Incorporation, these will be submitted to the approval of the Shareholders Assembly upon offer of the Board of Directors. For the application of such resolutions which require modification in the Articles of Association, the consents of the Ministry of Industry and Trade and the Capital Market Board will be obtained, the resolution will be registered in the Trade Registry and be announced in the Trade Registry Gazette.

HEAD OFFICE AND BRANCHES

ARTICLE 4

The head office of the Incorporation is located at Istanbul, The address of the Incorporation is Atatürk Airport, Yeşilköy, Bakırköy, Istanbul.

In case of any address change, such new address will be registered in the Trade Registry and be announced in the Trade Registry Gazette and moreover Ministry of Industry and Trade and the Capital Market Board will be notified about such change.

Services made to the registered and announced address will be deemed adequately served. If the Incorporation has left the registered and announced address but has not registered the new address in due time then this will be deemed as a reason for the termination of the Incorporation.

With the resolution of the Board of Directors and in compliance with the provisions of the applicable law, the Incorporation may open branches, agencies and representation offices in and abroad as required .by the activities of the Incorporation.

DURATION OF THE INCORPORATION

ARTICLE 5

The Incorporation has been established with an indefinite duration.

SHARE CAPITAL AND SHARE CERTIFICATES

ARTICLE 6

The Incorporation, pursuant to the provisions of Capital Market Law No: 2499 has adopted the registered share capital regime and is applying this regime according to the permission of the Capital Market Board dated 26.10.1990 No: 815.

a. Registered Share Capital

The registered share capital of the Incorporation is 500.000.000.- (five hundred Million) New Turkish Lira. This registered capital is divided into 50.000.000.000 (fifty billion) shares, each with the nominal value of 1 new Kurus (one kurus).

b. Issued Share Capital and Share Certificates

The issued share capital of the Incorporation is 17.500.000.000.- (seventeen billion five hundred million) New Turkish Lira divided into 175.000.000 (one hundred and seventy five million) shares each with the nominal value of 1 New Kurus (one kurus)and is completely paid.

Shares are separated into two groups and all of them are registered.

By taking into consideration the rules of Capital Market Board and upon consent of the Capital Market Board, the “nature of foreigner” as indicated in paragraph 6(d) below and the limitations incidental thereto and the rights granted to the Incorporation in case of share transfers

exceeding the foreign limit not complying with the provisions of the Articles of Association will be denoted on the share certificates issued to represent the share capital.

Below are the shares of the share groups in the issued share capital of the Incorporation:

GROUP	AMOUNT OF CAPITAL	TYPE	AMOUNT OF SHARES
A	174.999.999,99	Registered	17.499.999.999
C	0,01	Registered	1
TOTAL	175.000.000,00		17.500.000.000

Group C share is owned by Prime Ministry, Privatisation Directorate, or in case such duties are transferred by the Prime Ministry, Privatisation Directorate then the transferee institution. Privileges granted to the Group C Share in this Articles of Association, will continue to apply as long as Prime Ministry, Privatisation Directorate or in case such duties are transferred by the Prime Ministry, Privatisation Directorate, then the transferee institution holds this Group C share.

In the event of cancellation of the privilege granted to Group C share in this Articles of Association, then Group C share will convert to a Group A share. Upon such conversion of the Group C share to a Group A share, then the right “to nominate a Board Member” granted in Article 10 of this Articles of Association to Group C, will pass to the shareholders holding Group A shares.

c. Preferential Purchase Option

The Board of Directors is entitled to issue premium shares in compliance with the provisions indicated in Article 8. Unless limited with the authorised board of the Incorporation, the shareholders will participate the capital increase in proportion to the shares held by them and will have the preferential option to purchase the shares issued under their group. Group C will not participate in the capital increase with a preferential purchase option.

d. Shareholders Nature

The shares held by the foreign shareholders may not exceed 40 % of the issued share capital of the Incorporation. In calculating the rates of the shares held by the foreign 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 foreign 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 foreign 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 foreign 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.

In cases where the foreign shareholding limit as indicated in this Article is exceed, the Board of Directors will be entitled to resolve about the method to apply firstly to reduce the share rates to the limits permitted.

TRANSFER OF SHARES

ARTICLE 7

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 recognised 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 Privatisation 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.

INCREASE AND DECREASE IN THE SHARE CAPITAL

ARTICLE 8

Whenever required the share capital of the Incorporation may be increased or decreased in conformity with the provisions of Turkish Commercial Code and Capital Market Law.

Whenever deemed required, the Board of Directors will be entitled, in compliance with the provisions of Capital Market Law to increase the share capital by issuing new share certificates up to the registered share capital limit and to take resolutions to limit the new share purchase rights of the shareholders and to issue premium shares. New shares may not be issued unless the share certificates already issued are totally sold and their amounts are totally paid. It is obligatory to indicate the issued share capital of the Incorporation on the documents covering the trade name of the Incorporation.

ISSUANCE OF STOCKS AND BONDS

ARTICLE 9

With the purpose to sell to naturel or legal persons in Turkey or abroad, and in conformity with the provisions of Turkish Commercial Code, Capital Market Law and other applicable rules, with a resolution of the Board of Directors, the Incorporation may issue bonds, commercial papers, debenture bonds, loss and profit sharing certificates and other debenture certificates having the features of capital market instruments the authority to issue which may be transferable to the Board of Directors in compliance with the Capital Market rules. Moreover the Incorporation may issue bonds convertible to share certificates upon resolution of the Board of Directors, in compliance with the regulations of the Capital Market Board.

BOARD OF DIRECTORS

ARTICLE 10

The Incorporation will be managed and represented by the Board of Directors. The Board of Directors will be entitled to perform all acts, excluding those the Shareholders Assembly is legally and individually entitled.

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.

QUALIFICATIONS AND CONDITIONS REQUIRED FOR ELECTION OF THE BOARD MEMBERS

ARTICLE 11

In order to be able to get elected as a Board member, these persons are required not be placed under guardianship or curatorship, not to have gone under bankruptcy personally or the company managed by such person, not to have gone under incapability, not to have been convicted for shameful offences or offences indicated in Civil Aviation Law and must be a shareholder of the Incorporation. In the event of election of a person who is not actually a shareholder, such person may start his/her office only after becoming a shareholder.

The Shareholders Assembly may give permissions for cases covered in Articles 334 and 335 of Turkish Commercial Code.

It is a requirement that minimum five members of the Board, including the members representing Group C shares, will be Turkish citizens.

OFFICE TERM OF THE BOARD MEMBERS

ARTICLE 12

The office term of the Board Members is 2 (two) years. The Shareholders Assembly will have the right to dismiss any member prior to expiry of the office term. Board members whose office term have expired may be re-elected.

FUNCTIONING OF THE BOARD

ARTICLE 13

The Board of Directors will elect a chairman and a deputy chairman at its first meeting. The chairman, and in his absence the deputy chairman will be entitled to convene a meeting. Upon request of any two members, then the chairman, and in his absence the deputy chairman will be under the obligation to convene a Board meeting.

BOARD OF DIRECTORS' MEETINGS

ARTICLE 14

Board of Directors shall meet as and whenever required by the affairs of the Incorporation, but at least once a month in any case. The venue is the head office of the Incorporation. However the meeting may be held at another place upon decision of the Board.

It is a requirement that the items to be discussed should be listed in an agenda and that such agenda should be served to the members prior to the meeting date. Call for a board meeting should be made minimum three days before the meeting.

The Board of Directors will meet with the attendance of minimum 5 members. Resolutions of the Board of Directors may be taken with the affirmative votes of minimum 4 members. Any member who has not attended four consecutive meetings or any member who has not attended total 6 meetings during one year without having the permission of the Board or without having any plausible excuse will be deemed to have resigned.

Unless any member requests a meeting, the Board of Directors may resolve with the affirmative opinions of all members about any particular subject suggested by any member. The resolutions of the Board of Director will be effective subject to being written and signed. Lack of quorum for resolution will be deemed as rejection of such proposal.

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 a 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 Privatisation or any other public institution which has taken over such duties.

DUTIES AND POWERS OF THE BOARD OF DIRECTORS

ARTICLE 15

Board of Directors is the representative and administrative organ of the Incorporation. The Board of Directors is entrusted with all duties, excluding those entrusted to the Shareholders Assembly by law and Articles of Association, and is entitled with all powers incidental to such duties.

Pursuant the provisions of Article 319 of Turkish Commercial Code, the Board of Directors may delegate, totally or partially, such administration and representation powers to one or more members, to the president, executive vice president, manager(s) who are not Board members and may establish executive committees among members or non-member persons for the execution of such powers. However, powers may not be transferred in matters in which Group C is privileged by the Board of Directors

All financial and other information required for the Board members to perform their duties and Board of Directors proposals and their enclosures will be submitted in due time.

REPRESENTING AND OBLIGATING THE INCORPORATION

ARTICLE 16

The power to administer and represent the Incorporation towards third parties is vested on the Board of Directors. Names and powers and signature specimens of the persons authorised to sign for and on behalf of the Incorporation will be determined by the Board of Directors and this will be registered in the Trade Register and be announced The documents to be issued and the contracts to be concluded by the Incorporation shall not be valid unless these are executed by at least two persons authorised to sign for and on behalf of the Incorporation, under the name of the Incorporation.

REMUNERATION OF THE BOARD MEMBERS

ARTICLE 17

Remunerations of the Board members will be determined by the Shareholders Assembly.

GENERAL MANAGER

ARTICLE 18

General Manager will be appointed by the Board of Directors. Remuneration and other working conditions of the General Manager will be determined by the Board of Directors. The General Manager is required to be a Turkish citizen.

DUTIES AND RESPONSIBILITIES OF THE GENERAL MANAGER

ARTICLE 19

The duties and responsibilities of the General Manager will be determined by the Board of Directors. The General Manager will be under the obligation to perform his/her duties in due diligence and will be responsible for his contrary conducts.

ORGANISATIONAL STRUCTURE OF THE INCORPORATION

ARTICLE 20

The organisational structure, staff employment conditions, procedures and principles regarding the wages and salaries will all be determined by the Board of Directors.

AUDITORS

ARTICLE 21

The Incorporation will be under the audit of 3 auditors appointed by the Shareholders Assembly. 2 auditors will be appointed amongst the candidates nominated by Group A shareholders, where 1 auditor will be appointed amongst the candidates nominated by the Group C shareholder. The office term of the auditors will be 1 (one) year. Auditors whose office term have expired may be re-appointed.

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

a) 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 auditors granted to Group A shares.

b) In order to be able nominate Auditor candidates by the shareholders holding Group A shares open for public, they are required to be represented in the rate of minimum 2 % of the total issued share capital during the Shareholders Assembly in which the Auditor 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 auditor candidates nominated in a special meeting. In this meeting shareholders holding Group A shares open for public, which are 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 auditor candidates, 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 regulations.

c) In the event of any vacancy of any auditor due to any reason like death, resignation, dismissal or cease of membership, then such vacancy will be occupied by the election of the Auditors made in compliance with Article 351 of Turkish Commercial Code. In the event that the shareholders holding Group A shares open for public may not nominate any candidate for the vacant position then Group C shareholder will be entitled to nominate a candidate for the vacant position, or in the event 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 35 % and 2 % as indicated in paragraphs (a) and (b) above will not be taken into consideration.

d) 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 Auditors as indicated in paragraph (a) above may not be cancelled or modified, unless the aforementioned modification is approved by the shareholders representing 65 % of the issued share capital.

QUALIFICATIONS OF THE AUDITORS

ARTICLE 22

In order to be able to get elected as an auditor, these persons are required not be placed under guardianship, not to have gone under bankruptcy personally or the company managed by such person, not to have gone under incapability, not to have been convicted for shameful offences or offences indicated in Turkish Commercial Code which require ineligibility form membership. It is required that all auditors will be Turkish citizens.

DUTIES, POWERS AND RESPONSIBILITIES OF THE AUDITORS

ARTICLE 23

The auditors are authorized and obliged to examine the general transactions and budget of the Incorporation, to perform the duties as set forth in Turkish Commercial Code, to make proposals to the Board of Directors to provide proper administration and to secure the benefits of the Incorporation, to summon for a Shareholders Assembly in case of necessity and urgency and to determine the agenda of such Shareholders Assembly meeting and to prepare the report stipulated in Article 354 of Turkish Commercial Code. The auditors are obliged to perform the duties entrusted them by law and the Articles of Association properly and with due care.

REMUNERATION OF THE AUDITORS

ARTICLE 24

Remuneration of the Auditors will be determined by the Shareholders Assembly.

INDEPENDENT AUDITING

ARTICLE 25

The Board of Directors shall appoint for minimum two and maximum four accounting years an independent auditing firm pursuant to the provisions of Capital Market Law and the applicable rules, to audit the accounts within the scope of the aforementioned laws and rules, and determine the fees to be paid to such firm; however such appointment will be subject to the approval of the following Shareholders Assembly. The balance sheet and statement of accounts of the Incorporation,

annual reports of the Board of Directors and the Auditors as well as the annual audit reports prepared by the independent auditing firm and summary reports will all be prepared in conformity with the standards set forth by the provisions of Capital Market Law and the Bulletins and Regulations issued by the Capital Market Council.

SHAREHOLDERS ASSEMBLY

ARTICLE 26

Shareholders Assembly of the Incorporation will either held ordinary or extra-ordinary meetings. Ordinary Shareholders Assembly meetings will be held at least once a year and within 3 (three) months following the end of the accounting year. Extraordinary Shareholders Assembly meetings may be held whenever required.

POWERS OF THE SHAREHOLDERS ASSEMBLY

ARTICLE 27

Shareholders Assembly, is the decision making organ of the Incorporation, entrusted with the powers set forth in the Turkish Commercial Code and other laws.

VENUE OF THE MEETING

ARTICLE 28

The Shareholders Assembly meeting may be held at the head office of the Incorporation, or at a convenient place of the city where the head office of the Incorporation is located, by a resolution of the Board of Directors.

SUMMON AND QUORUM

ARTICLE 29

Summon announcements regarding the Shareholders Assembly meetings are required to be made at least two weeks before the meeting pursuant to Article 368 of Turkish Commercial Code, provided that the announcement and meeting dates are excluded in this calculation, and it is required to inform the shareholders about the meeting date with registered mail. There is no requirement to inform about the meeting date with registered letter the shareholders who hold the shares of the Incorporation sold in the stocks exchange. It is imperative to include the agenda in the text of the announcement.

Excluding the cases which require a higher quorum pursuant to Turkish Commercial Code and this Articles of Association, Shareholders Assembly meeting will convene with the attendance of the shareholders representing minimum half of the share capital of the Incorporation and resolutions will be adopted by the majority votes of the present shares. However Shareholders Assembly meetings, to be held regarding resolutions about redemption transactions to be performed pursuant to Article 6/d(i) of this Articles of Association and about increasing the upper limit of the registered share capital, may convene with the attend of the shareholders representing minimum one fourth of the share capital of the Incorporation and such resolutions may be adopted by the affirmative votes representing minimum one fourth of the share capital of the Incorporation. Same quorums are applicable for the privileged shareholders meetings of the Incorporation.

Excluding the cases which require a higher quorum according to Turkish Commercial Code, resolutions will be adopted with the majority of the present shares.

In the event that such quorum can not be obtained at the first meeting, Shareholders Assembly will be re-summoned for a second meeting, where the rate of the shares represented by the attending shareholders will not be taken into consideration and resolutions will be adopted by the majority of the present shares during such second meeting. In the event that any resolution of the Board of Directors subject to the approval of the Board Member representing Group C, as indicated in Article 14, requires the approval of the Shareholders Assembly, then the aforementioned approval resolution may only be adopted with the affirmative vote of the Group C shareholder.

Whenever required, Shareholders Assembly Meeting may convene without the formal procedures in accordance with the provisions of Article 370 of Turkish Commercial Code.

ATTENDING THE MEETING AND APPOINTMENT OF PROXY

ARTICLE 30

Shareholders may be represented at the Shareholders Assembly meetings by proxies who may or not be a shareholder appointed by authorisation documents given. Proxy shareholders of the Incorporation, in addition to their own votes, will then be entitled to vote for the shares of the shareholders they are representing.

Shareholders who have not informed the Incorporation about, their share purchase and sales which have reached to 1 % of the issued share capital of the Incorporation or that they have reached the maximum foreign rate limits as indicated in the Articles of Association, and/or shareholders which have not been registered in the share register of the Incorporation, as indicated in Article 6/d above will not be entitled to be represented at the Shareholders Assembly meetings in relation to their shares not registered in the share register.

VOTING RIGHT

ARTICLE 31

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.

VOTING PROCEDURE

ARTICLE 32

Votes at the Shareholders Assembly meetings will be cast by show of hands. However upon request of the shareholders representing minimum ten percent of the shares attending the meeting then voting by ballot will be required. Rules of the Capital Market Board will apply in this matter.

CHAIRMANSHIP

ARTICLE 33

Chairman of the Board of Directors or, in his absence, Deputy Chairman of the Board of Directors shall preside the Shareholders Assembly meetings.

A secretary and two scrutinisers shall be elected at the Shareholders Assembly meeting, who are not necessarily be shareholders. The chairman will be liable to ensure that the meeting will be held in compliance with the laws. Minutes of the Shareholders Assembly meetings will only be signed by the Chairman, secretary, scrutinisers and the Government Commissary.

DOCUMENTS TO BE SUBMITTED

ARTICLE 34

Three copies of the Reports of the Board of Directors and the Auditors, balance sheet, loss and profit statements, minutes of the Shareholders Assembly meeting signed by the government commissary and the attendance list will be submitted to the Ministry of Industry and Trade within one month following the meeting date.

The financial statements and reports required by the Capital Market Board and, if independent auditing is required then the independent audit report, will be submitted to the Capital Market Board and announced to the public in accordance with the procedures and principles determined by the Capital Market Board.

FINANCIAL YEAR

ARTICLE 35

The financial year of the Incorporation commences on the first day of January and expires on the last day of December.

DETERMINATION AND DISTRIBUTION OF PROFIT

ARTICLE 36

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.

RESERVE FUND

ARTICLE 37

The legal reserve fund to be reserved by the Incorporation at the rate of 5 % of the annual net profit will continue to be reserved until it reaches up to the 20 % of the share capital of the Incorporation. (Provisions of Article 466 of Turkish Commercial Code are reserved.) In the event that for any reason, the legal reserve fund falls below the amount representing 20 % of the share capital of the Incorporation, then legal reserve fund will continue to be reserved until it reaches this amount again.

TIME AND FORM OF PAYMENT OF THE PROFIT

ARTICLE 38

Shareholders Assembly will determine the time and form of the payment of the profit, by taking into consideration the Bulletins of the Capital Market Board.

AUTHORISED COURTS AND EXECUTION OFFICES

ARTICLE 39

The courts and execution offices of the place where the head office of the Incorporation is located, will have jurisdiction to settle the disputes between the Incorporation and the shareholders.

ANNOUNCEMENTS

ARTICLE 40

Announcements regarding the Incorporation will be made in compliance with the provisions of Article 37, paragraph 4 of Turkish Commercial Code. Furthermore the provisions of the Capital Market Law and the related bulletin will be complied with regarding the imperative announcements required pursuant to the provisions of the aforementioned law.

Provisions of Articles 397 and 438 of Turkish Commercial Code will apply regarding the announcements about decreasing share capital and liquidation.

PROVISIONAL ARTICLE 1

a) The Incorporation will be subject to the provisions of Law No: 4046 until the public share in the Incorporation falls below 50 %.

b) Until the public share in the Incorporation falls below 50 %, personal and other rights of the members of the Board of Directors and the Auditors will be determined by the Supreme Planning Council, and the wages and personal rights of the staff employed under contract will be determined by the Supreme Planning Council or, based on the principles as determined by this Council, the Shareholders Assembly or the Board of Directors.

c) Provided that the provisions of the following paragraph (d) regarding the elections amongst the candidates nominated by the Group A shareholders are reserved, and further provided that these will have the features indicated in the Law, the Chairman of the Board of Directors, Members of the Board of Directors, Auditors and General Manager of the Incorporation will be appointed with the approval of the Prime Minister or the authorised Minister, upon suggestion of the Privatisation Directorate, until the public share in the Incorporation falls below 50 %.

d) In case of any vacancy in the members of the Board of Directors due to death, resignation, dismissal or cease of the membership, then this vacant position of the members representing shares, other than the public shares, will be substituted according to the provisions of Article 315 of Turkish Commercial Code, and according to the provisions of Law No: 4046 of the members representing public shares.

PROVISIONAL ARTICLE 2

Within 120 days following the validity date of this Articles of Association, an announcement will be made in order to convert the bearer shares issued pursuant to the former Articles of Association, to registered shares in compliance with the procedures and principles to be determined by the Board of Directors. The property rights of the shareholders arising from their shares, who have not converted their bearer shares to registered shares in compliance with the procedures and principles indicated in such announcement and who have not procured their shares to be registered in the share register, are reserved until such convention is performed.

PROVISIONAL ARTICLE 3

In accordance with the new code “The Law on the amendmend to the Turkish Commercial Code” numbered 5274, nominal value of a share is changed to 1 New Kurus, previously a nominal value of TL1,000.

Therefore, 10 shares each with a nominal value of TL 1,000 will be replaced by new shares with a nominal value of 1 New Kurus. In relation to the replacement, shareholders’ existing rights due to the ownership continue to exist.

The replacement process will be initiated by the Board of Directors, in line with the regulations that will be put in place with the new registry system of the capital market instrument.