

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

During the year that ended on December 31, 2013, the Corporate Governance Principles determined by the Capital Markets Board have been implemented by Pegasus as described below.

Immediately following the public offering of its shares in April 2013, our Company started working on ensuring compliance with the mandatory and non-mandatory Corporate Governance Principles as fast and to the widest extent as possible and such efforts have been overseen by both our Board of Directors and our Corporate Governance Committee. Consequently, the Company achieved full compliance with the mandatory Corporate Governance Principles and has also substantially complied with the remaining, non-mandatory Corporate Governance Principles within the same year as the initial public offering of its shares. With respect to the non-mandatory Corporate Governance Principles listed below with which, as of December 31, 2013, our Company had not yet attained full compliance, studies and evaluations are underway to achieve compliance at the highest level possible.

As a result of the independent rating study undertaken by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. in 2013, with respect to our compliance with the Corporate Governance Principles (all of the mandatory and non-mandatory provisions), our Company's compliance rating was determined as 8.13 out of 10.00. The full report of the said rating agency accessible in our Investor Relations website indicates that our Company substantially complies with the Corporate Governance Principles, that recommendations by the agency for improved compliance (among the items listed below) do not raise any major risks and that our Company has therefore attained the right to be included in the BIST Corporate Governance Index.

Following the entry into force of the Capital Markets Board Communiqué No. II-17.1 regarding Corporate Governance on January 3, 2014, the Corporate Governance Principles compliance rating of our Company was re-evaluated by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. and re-determined as 8.07 and was publicly announced through the Public Disclosure Platform.

In light of the above, the relevant Corporate Governance Principles with which, as of December 31, 2013, our Company had not yet attained full compliance are listed below:

- Pegasus Dividend Policy and Pegasus Donation and Charitable Contributions Policy have not yet been submitted to the shareholders' approval at the General Assembly.
- Pegasus Information Policy has not yet been submitted to the shareholders' information at the General Assembly.

- Articles of Association do not include a specific provision relating to the shareholders' right to request special audit of specific matters of concern.
- Articles of Association do not include a specific provision relating to the ability of the public, including our stakeholders and the media to attend the General Assembly as observers.
- Minority rights have not been granted to those holding less than 5% of the Company capital, which is the statutory threshold, and the scope of statutory minority rights have not been broadened through special provisions in our Articles of Association.
- There is no female Director at the Board of Directors.
- The Company does not have an active practice regarding the rewarding or dismissal of Directors as part of the performance evaluation studies conducted by the Board of Directors.

We are undertaking studies to attain maximum compliance with the matters listed above in 2014, and in particular, we are aiming to ensure full compliance with the majority of the listed items after the General Assembly meeting to be held in 2014. In this respect, we are also taking into consideration the amendments of the Capital Markets Board to the Corporate Governance Principles brought by the Corporate Governance Communiqué No: II-17.1 which entered into force on January 3, 2014.

SECTION I- SHAREHOLDERS

2. SHAREHOLDER RELATIONS UNIT

At Pegasus, relations with shareholders are undertaken by Vice-Presidency, Investor Relations, acting under the Senior Vice-Presidency, Finance. Our senior management personnel responsible for shareholder relations and their contact information are provided below:

Serhan ULGA
Senior Vice-President, Finance and Chief Financial Officer

Verda Beste TAŞAR
Vice President, Investor Relations

Telephone : +90 216 560 7580
Fax : +90 216 560 8087
E-mail : pegasusyatirimciiliskileri@flypgs.com
Website : <http://www.pegasusinvestorrelations.com/>

Vice-Presidency, Investor Relations regularly reports its studies to our Board of Directors and our Corporate Governance Committee, and in 2013, has reported regular updates to the Board of Directors on June 26, April 26 and December 19 and to the Corporate Governance Committee on December 18.

In 2013, the Company responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings. Starting from April 26, 2013, the first trade day of Pegasus shares on Borsa Istanbul over 300 inquiries have been answered by

telephone and e-mail and 169 meetings were held with individual and institutional investors. The Company also attended a total of eight investor meetings held in New York, Boston, Dublin, London, Frankfurt and Paris to extend its reach to institutional investors based abroad.

3. SHAREHOLDERS' EXERCISE OF THEIR INFORMATION RIGHTS

Detailed information relating to the principles, methods and frequency of communication of information to our shareholders in line with legal requirements is determined and publicly announced in the Pegasus Information Policy adopted by the decision of our Board of Directors dated November 20, 2013 and numbered 403. The text of the Pegasus Information Policy is accessible through our Investor Relations website.

The inquiries mentioned in the above *Section I - Shareholders; A. Shareholder Relations Unit* have been answered within the framework of the law and the Pegasus Information Policy and in 2013 there has not been any other request for information or a request for special audit of a specific matter.

Although our shareholders are entitle to request the appointment of a special auditor to review specific matters, our Articles of Association do not include any specific provisions with respect to this matter.

4. GENERAL ASSEMBLY MEETINGS

In 2013, our shareholders have convened three times, once for the Annual Ordinary General Assembly Meeting of 2013 and twice for Extraordinary General Assembly Meetings. All of the said meetings were held prior to the public offering of our Company's shares and no prior call for these meetings have been made as allowed by Article 416 of the Turkish Commercial Code No. 6102 as all of the Company shareholders at the time have been represented at each of these meetings.

The agenda, list of attendees and meeting minutes relating to the aforementioned meetings are accessible through our Investor Relations website.

The decisions of our shareholders adopted at the General Assembly meetings held in 2013 are indicated in the table below:

Meeting Date	Resolutions
February 28, 2013 (Extraordinary)	<ul style="list-style-type: none"> • Amendment of the Articles of Association ⁽¹⁾ • Adoption of the Bylaws Regarding the Working Principles and Procedures of the Shareholders General Assembly ⁽²⁾
March 27, 2013 (Ordinary Annual General Assembly)	<ul style="list-style-type: none"> • Approval of the Annual Report, Financial Statements, Auditor Report and Controlled Company Report for the year 2012 • Release of the members of the Board of directors and the statutory auditors for operations and accounts pertaining to the year 2012 • Following statutory deductions from the 2012 profit, deduction of the remaining amount from previous years' losses • Appointment of the members of the Board of Directors for a term of one year and determination of payments to be made to the Directors during the term • Appointment of the independent audit firm for the year 2013 as per the provisions of Article 399 of the Turkish Commercial Code • Authorization of the members of the Board of Directors for transactions

	falling within the scope of Articles 395 and 396 of the Turkish Commercial Code ⁽³⁾
April 22, 2013 (Extraordinary)	<ul style="list-style-type: none"> • Approval of interim Director appointments made by the Board of Directors and determination of payments to be made to the relevant Directors during their term of duty ⁽⁴⁾ • Authorization of the said members of the Board of Directors for transactions falling within the scope of Articles 395 and 396 of the Turkish Commercial Code ⁽³⁾
(1)	For more information, please refer to Section (1/E) of the 2013 Annual Report
(2)	The text of the General Assembly Bylaws is provided in our Investor Relations website
(3)	For more information, please refer to Section (1/G) of the 2013 Annual Report
(4)	For more information, please refer to Sections (1/F) and (2) of the 2013 Annual Report

There are no transactions to report in 2013 that had to be submitted for the approval of our shareholders, where the approval of the majority of the Independent Directors was required and not received with respect to a resolution of the Board of Directors.

Şirketimiz tarafından 2013 yılı içerisinde herhangi bir bağış ve yardımda bulunulmamıştır. Şirketimiz Yönetim Kurulu tarafından 20.11.2013 tarihli karar ile kabul edilen Pegasus Bağış ve Yardım Politikası 2013 yılının kalan bölümünde Genel Kurul toplantısı düzenlenmediğinden 31.12.2013 itibariyle pay sahiplerinin onayına sunulamamıştır.

5. VOTING RIGHTS AND MINORITY RIGHTS

Our Company has not issued any shares with voting privileges and Pegasus is not party to any cross-shareholding relationship.

While Pegasus does not engage in any practice hindering the exercise of minority shareholders representing at least 5% of the issued capital of our Company, minority rights have not been granted to those holding less than 5% of the Company capital, which is the statutory threshold, and the scope of statutory minority rights have not been broadened through special provisions in our Articles of Association.

6. DIVIDEND RIGHTS

Pegasus Dividend Policy was approved by the decision of our Board of Directors dated November 20, 2013 and numbered 403 and was subsequently published in our Investor Relations website. In line with legal requirements, Pegasus Dividend Policy will become effective upon approval of our shareholders at the Annual General Assembly Meeting to be held in 2014.

Pegasus Dividend Policy, which will be submitted by our Board of Directors to the approval of our shareholders at the Annual General Assembly Meeting covers the following principles:

- The main principles relating to the distribution of profit are laid out in Article 21 of our Articles of Association.
- In this framework, in the event there remains distributable profit following the deduction of previous years' losses from the net annual profit relating to a fiscal year, our shareholders have the authority to resolve on the distribution of profit, by taking into consideration our Company's goals and its financing requirements, in cash, in

shares or a by using a combination of the two and the completion of distribution within the timeframe foreseen in the applicable law.

- The proposal for distribution of profit by our Board of Directors will be prepared in consideration of the above needs and will be submitted to the attention of our shareholders for discussion at the General Assembly. The Board of Directors must inform our shareholders at the General Assembly on how the profit will be used in the event there is no dividend distribution.
- Pegasus complies with the provisions of the Turkish Commercial Code No. 6102, the Capital Markets Law No. 6362 and the Corporate Governance Principles determined by the Capital Markets Board relating to the right to receive dividends and distribution of profit.

Our Articles of Association do not include any provisions granting privileges in respect of the distribution or payment of the Company profit

7. TRANSFER OF SHARES

In accordance with the provisions of Article 137 paragraph 3 of the Capital Markets Law No. 6362, our Articles of Association do not contain any restrictions with respect to the transfer of Company shares that are traded on Borsa Istanbul.

Article 7 of our Articles of Association grants our Board of Directors the right not to approve the transfer of Company shares in specific circumstances and for the purpose of our Company's ability to resume its operations within the framework of the Turkish Civil Aviation Law No. 2902. Such authority of the Board of Directors will only become exercisable to the extent at least 50% of Pegasus shares are held by non-Turkish citizens.

SECTION II- PUBLIC DISCLOSURE AND TRANSPARENCY

8. INFORMATION POLICY

Pegasus Information Policy has been approved by the decision of our Board of Directors dated November 20, 2013 and numbered 403 and has been published on the Public Disclosure Platform on November 22, 2013. Pegasus Information Policy is also accessible through our Investor Relations website.

Pegasus Board of Directors assumes responsibility for the formation, review, update and development of the Pegasus Information Policy, and in this respect, works in collaboration with and obtains views from the Corporate Governance Committee and Vice-Presidency, Investor Relations. In this respect, Vice-Presidency Investor Relations assumes responsibility for the implementation of the Pegasus Information Policy.

9. PEGASUS WEBSITE AND CONTENT

We are actively using our corporate website (<http://www.flypgs.com>) and our Investor Relations website (<http://www.pegasusinvestorrelations.com>).

All aspects relating to the relay of information to our shareholders are covered in our Investor Relations website in Turkish and English.

In addition to the above, information we are required to make available as per the "Information Society Services" related provisions of the Turkish Commercial Code No. 6012, is made accessible through the e-COMPANY platform of the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/11366>) connected *via* a link in our Investor Relations website.

The sections accessible through our Investor Relations website are as follows:

- About Pegasus
 - History of Pegasus
 - Corporate Information
 - Mission and Vision
 - Business Model
 - Awards
 - Press Releases
 - Human Resources
 - FAQ
 - Contact
- Corporate Governance
 - Message from the Chairman
 - Management Structure
 - Group Companies
 - IPO Prospectus
 - Articles of Association
 - Trade Registry Information re Amendments
 - General Assembly
 - Board Committees and Committee Charters
 - List of Insiders
 - Related Party Transactions
 - Policies
 - Corporate Governance Compliance Rating
- Operational and Financial Information
 - Annual Reports
 - Financial Statements and Audit Reports
 - Stock Data
 - Stock Info
 - On Time Performance
 - Fleet Overview
 - Traffic Data
- Investor Package
 - Investor Presentations
 - Analyst Information
 - Investor Calendar
 - Material Disclosures
 - Useful Links
- Information Society Services

10. ANNUAL REPORT

Our Annual Reports are prepared in accordance with the "Regulation on the Determination of the Minimum Content of Annual Activity Reports" published by the Ministry of Customs and Commerce on the Official Gazette dated August 28, 2012 and numbered 28395, the Capital Markets Board Communiqué No. II-14.1 on the "Principles Relating to Financial Reporting in the Capital Markets" and the Capital Markets Board regulations regarding Corporate Governance Principles and, following the approval of our Board of Directors, are published in accordance with the applicable law and are made available in our Investor Relations website.

SECTION III- STAKEHOLDERS

11. COMMUNICATION OF INFORMATION TO STAKEHOLDERS

Pegasus undertakes to act in an honest, respectful, fair and trustful behavior based on reason, conscience and common sense with all stakeholders. In this respect, Pegasus aims to establish a sustainable, efficient and transparent communication with stakeholders and to enable stakeholders to achieve correct and complete information on time, in equal terms and in a way that is comprehensible, interpretable and easily accessible at low cost.

Besides such means, we are actively using inter-Company announcements and our Company's corporate intranet portal with respect to communication of information to our Family Members, as well as our corporate website (www.flypgs.com), Pegasus Call Center, "Pegasus Magazine", press, promotion and advertisement materials, e-mails, telephone, social media and similar corporate communication tools with respect to communication of information to our guests and other customers.

12. PARTICIPATION OF STAKEHOLDERS IN COMPANY MANAGEMENT

Pegasus believes that everybody has the right to fly and in this respect we value the opinion of and recommendations by all stakeholders through which we seek to introduce new practices that will improve our operations.

Through contact means provided in our corporate website (www.flypgs.com) and Pegasus Call Center we are receiving and evaluating requests, questions and complaints from all stakeholders.

Pegasus encourages and incentivizes all Family Members to engage in management processes. In this respect:

- Our Company conducts an annual "Corporate Climate Survey" covering all Family Members, the results of which and action items adopted at the initiative of senior management are shared with all Family Members through our corporate intranet portal;
- Within the framework of Pegasus Rules of Business Ethics, Pegasus undertakes to facilitate for all Family Members easy access to their superiors and members of our senior management and actively implements this principle;

- Our Company implements an "Idea that will Fly" contest where out of the pool of cost saving and/or revenue increasing ideas submitted by our Family Members those that are determined by members of our senior management are put to the vote of all Pegasus Family Members and rewarded according to the results and put into practice in our operations to the extent possible;
- Continuous Improvement Team studies undertaken at our Company under the coordination of our Vice-Presidency, Continuous Improvement and Performance are conducted open to all Family Members where ideas on all matters directly affecting our Company's profitability are discussed in an open forum. Meeting minutes, progress reports and other relevant information and documents are regularly made available to all Family Members through our corporate intranet portal.

13. HUMAN RESOURCES POLICY

We believe that everybody has the right to fly and through our innovative, rational, conscious and responsible approach we are aiming to be the leading low-cost airline in our region.

Within the framework of this vision, our Human Resources Policy aims to:

- ensure that all our Family Members work as a team by unifying the objectives of each member of the team, boosting their motivation to the highest possible level, by providing a democratic environment, in which all our Family Members share their ideas freely;
- effectively managing and finalizing hiring process by leading the right persons to the right departments at the right time;
- offer the most appropriate career planning to our individual Family Members, providing them the personal training required for their continuous growth, ensuring fair salary management based on the results obtained from our applied performance system, and thoughtful feedback to our Family Members;
- ensure all our Family Members execute their jobs correctly, effectively and quickly by offering enhanced occupational and personal training designed to advance personal development and maintain high motivation;

In turn, we expect our Family Members to work with dedication, teamwork, and open communication; focusing on results; seeking continuous growth and innovation; and embracing change.

The organization structure of our Company and job definitions of all our Family Members, as well as the performance and rewarding criteria implemented by our Company, are announced to our Family Members and are made available in our corporate intranet portal. Hiring criteria we implement are also determined in writing.

As Pegasus, we are further making the following commitments to our Family Members:

- Upholding, protecting and incentivizing protection of the ethical values set out in Rules of Business Ethics,
- Evaluating all complaints and problems relating to Rules of Business Ethics and responding to all identified complaints and concerns; making no retaliation against such complaints and concerns;

- Treating all Family Members equally, without discrimination based on race, language, belief, political views or gender;
- Pursuing a compensation and advancement policy based on the qualities possessed by the Family Members and their performance, within the framework of the principles set out in the Pegasus Compensation and Indemnification Policy.
- Ensuring accessibility of superiors and members of the senior management by all Family Members;
- Providing utmost care to the protection of personal information of Family Members;
- Ensuring that the Family Members receive requisite training necessary for their development and in this respect, incites not only a conventional information exchange but also organizational learning through information sharing and supportive development;
- Undertaking the necessary precautions to protect workplace safety and employee health;
- Ensuring and developing flight safety and security, operating in compliance with national and international standards in this respect and adopting Company-wide regulations, supporting them and scrutinizing their implementation.

Our Company has established and is currently implementing an "Ethics Notice Line", accessible *via* our corporate intranet portal and operating in confidentiality, through which our Family Members are able to report violations of business ethics within the scope of Pegasus Rules of Business Ethics. In 2013 the Company has not received any complaints from our Family Members based on discrimination.

14. ETHICAL RULES AND SOCIAL RESPONSIBILITY

Pegasus Rules of Business Ethics and Pegasus Corporate Social Responsibility Policy have been adopted by the decisions of our Board of Directors dated November 21 and November 20, 2013 and numbered 405 and 403, respectively, and have subsequently been published on the Public Disclosure Platform on December 4, 2013 and November 22, 2013, respectively. Both documents are accessible through our Investor Relations website.

Pegasus Rules of Business Ethics set "Business Ethics" which is defined as "*honest, respectful, fair and trustful behavior based on reason, conscience and common sense when interacting with Pegasus Family Members, guests, customers, suppliers and other persons and entities we work and interact with*" as the basis of all of its relations, and covers all Pegasus Family Members, including all Pegasus Directors and employees and the directors and employees of our subsidiaries. Pegasus Rules of Business Ethics determine the framework of the system through which the responsibilities of both our Company and our Family Members, the implementation of the rules and resolution of conflicts are implemented.

On the other hand, Pegasus Corporate Social Responsibility Policy determines the main values we care to address in our corporate social responsibility projects and our main goals as part of these projects within our strife to be a good corporate member of the society.

SECTION IV- BOARD OF DIRECTORS

15. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS AND INDEPENDENT DIRECTORS

Within the framework of Article 10 of our Articles of Association, the Board of Directors of our Company is composed of at least five and a maximum of eight members to be appointed within the framework of the Turkish Commercial Code and the Capital Markets Law.

As of December 31, 2013, our Board of Directors consists of eight members. In line with the Corporate Governance Principles of the Capital Markets Board, three independent Directors serve at our Board of Directors. The members of the Board of Directors and the duty and term of office of each Director is indicated in the table below.

Name / Surname	Duty	Executive Director	Term of Office
Ali İsmail Sabancı	Chairman of the Board	Yes	March27,2013- 2014 GA ⁽¹⁾
Hüseyin Çağatay Özdoğru	Vice-Chairman of the Board	Yes	March27,2013- 2014 GA ⁽¹⁾
Mehmet Cem Kozlu	Independent Director	No	March27,2013- 2014 GA ⁽²⁾
Mehmet Sağıroğlu	Independent Director	No	March27,2013- 2014 GA ⁽²⁾
Raymond Douglas Webster	Independent Director	No	March27,2013- 2014 GA ⁽¹⁾
Conor John McCarthy	Member of the Board	No	March27,2013- 2014 GA ⁽¹⁾
Şükrü Emre Berkin	Member of the Board	No	March27,2013- 2014 GA ⁽¹⁾
Sertaç Haybat	Member of the Board and CEO	Yes	March27,2013- 2014 GA ⁽¹⁾
⁽¹⁾	Appointed for a term of one year at the Annual General Assembly Meeting dated March 27, 2013.		
⁽²⁾	Appointed by the Board of Directors on April 1, 2013 to replace resigning Directors, Michael Charles Lee and İnan Tanrıöver, for the remainder of their term of office as per Article 363 of the Turkish Commercial Code. Said appointment has been approved by the shareholders at the Extraordinary General Assembly Meeting dated April 22, 2013.		

The resumé of each Director and the independence statements provided to our Company by our independent Directors are provided in the following paragraphs. As the appointment of all of the members of the Board of Directors took place prior to the public offering of our Company shares there are no reports prepared by the Corporate Governance Committee or the Board of Directors in 2013 with respect to the fulfillment by our independent Directors of the independence criteria set out in the Corporate Governance Principles.

Ali İsmail Sabancı - **Chairman of the Board of Directors**

Ali İsmail Sabancı has served as the Chairman of our Board of Directors since January 2005. He previously held several positions at Morgan Stanley & Co. Incorporated and Akbank T.A.Ş. between 1991 and 1997. He also served as the head of projects of Hacı Ömer Sabancı Holding A.Ş. between 1887 and 2001 and as the executive assistant general manager for strategy and business development between 2001 and 2004. Ali Sabancı serves as a member of the board of directors of Esas Holding and several other Esas Holding Group Companies since 2004. He has a master's degree in Economics and Politics granted by Tufts University and bachelor's degree in International Finance obtained from Columbia University Business Administration Faculty. He is the Chairman of Young Entrepreneurs Board within the Union of Chambers and Commodities of Turkey and also member to Istanbul Chamber of Industry (ISO) and Turkish-American Business Council (TALK).

Hüseyin Çağatay Özdoğru - **Vice-Chairman of the Board of Directors**

Hüseyin Çağatay Özdoğru has served as a member of our Board of Directors since February 2007 and since March 2010 he is serving as the Vice-Chairman of the Board. Between 1991 and 2002 he served in a wide range of IT firms in Turkey and in the United States, including

Koç Unisys, IBM Turk and Global One Corporation and held various engineering and sales positions. During his tenure as the head of IT & telecommunications industry for Hacı Ömer Sabancı Holding A.Ş. between 2002 and 2005, he served as general manager, assistant general manager and executive member of the board of directors for group companies such as Turk.Net, Akinternet, I-BimSA and Sabancı Telekom. Çağatay Özdoğru joined Esas Holding in June 2005 as a member of the executive committee. Currently, he also serves as a member of the board of directors of Esas Holding and several other Esas Holding Group Companies, besides his duty as the Esas Holding CEO. Çağatay Özdoğru holds a Bachelor's Degree in Electronic and Telecommunication from Istanbul Technical University and a Master's Degree in Telecommunication granted by George Washington University.

Mehmet Cem Kozlu - Independent Director

Mehmet Cem Kozlu has served as an independent member of our Board of Directors since April 2013. Cem Kozlu served as the chairman of the board of directors and CEO at Türk Hava Yolları A.O. between 1988 and 1991 and in this timeframe he also served as the chairman of the Association of European Airlines in 1990. After having served as a member of the Turkish Parliament between 1991 and 1995, he took a second term as the chairman of Turkish Airlines between 1997 and 2003. Cem Kozlu held several positions at The Coca-Cola Company between 1996 and 2006 where his last position was the president of the company's Central Europe, Eurasia and Middle East operations. Since 2006, he has continued to serve as consultant to Coca-Cola Eurasia and Africa Group. Cem Kozlu served as the chairman of the International Airline Training Fund between 2008 and 2010 and continues to serve as member of board of directors or advisor in various companies. Cem Kozlu holds a bachelor's degree from Denison University and an MBA degree from Stanford University. He also holds a Ph.D. in administrative sciences from Boğaziçi University.

Independence Statement

Pegasus Hava Taşımacılığı A.Ş.

Aeropark Yenışehir Mahallesi Osmanlı Bulvarı No: 11 Kurtköy

Pendik 34912 İstanbul Türkiye

1 April 2013

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my tenure as the independent director of Pegasus Hava Taşımacılığı A.Ş. (the "Company"), I hereby declare that I fulfill the independency criteria set out in the following corporate governance principles numbered 4.3.6 and 4.3.7 of the Communiqué Series: IV, No: 56 regarding the Determination and Implementation of Corporate Governance Principles (the "Communiqué") of the Capital Markets Board of Turkey, entered into force upon publication in the Official Gazette dated 30 December 2011 and numbered 28158 and currently remaining in force with subsequent amendments.

4.3.6 A person who has served as a director in the company's board of directors for more than 6 years during the past 10 years cannot be appointed as an independent director.

4.3.7 A director fulfilling all of the following criteria qualifies as an independent director.

(a) No direct or indirect employment in a management position undertaking important duties and responsibilities, equity or an important commercial relationship should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the company, a related party of the company or a legal entity in relation with, in terms of equity or management, a shareholder of the company with direct or indirect shareholding equal to or above 10% on the other, at any time during the past 5 years;

(b) The independent director should not have worked for and acted as a member of the board of directors in any entity conducting all or a specific part of the activities and the organization of

- the company within the framework of an agreement, most notably companies providing audit, rating and consultancy services, at any time during the past 5 years;*
- (c) The independent director should not have been a shareholder, employee or a member of the board of directors in any entity providing goods and services to the company on an important scale, at any time during the past 5 years,*
 - (d) Even if the independent director is a shareholder of the company due to the requirements of his position as a director, such shareholding must not exceed 1% of the capital and should not be represented by any privileged shares,*
 - (e) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,*
 - (f) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,*
 - (g) The independent director should be residing in Turkey according to the Income Tax Law;*
 - (h) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration,*
 - (i) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director.*

Respectfully yours,

Mehmet Cem Kozlu

Mehmet Sađırođlu - Independent Director

Mr. Sađırođlu has served as an independent member of our Board of Directors since April 2013. Mehmet Sađırođlu held several positions at Trkiye Demirdkm Fabrikaları A.Ş. between 1976 and 1980 and at Trkiye Sinai Kalkınma Bankası between 1980 and 1999 where his last position was head of corporate finance. Mehmet Sađırođlu later served as an executive manager and later as the member of the board of directors at Global Yatırım Holding A.Ş. between 2001 and 2006. In 2005 he also served as a member of the board of directors at TPRAŞ Trkiye Petrol Rafinerileri A.Ş. Between 2011 and 2012 Mehmet Sađırođlu was the CEO of IEG Global Kurumsal Finansman A.Ş. and also served as the chairman of the Association of Listed Companies' Executives (Koteder) between May 2012 and October 2013. Mehmet Sađırođlu currently serves as independent director at Alarko GYO A.Ş. Mehmet Sađırođlu holds a bachelor's degree in business administration from Bođaziçi University.

Independence Statement

Pegasus Hava Taşımacılığı A.Ş.

Aeropark Yenişehir Mahallesi Osmanlı Bulvarı No: 11 Kurtky
Pendik 34912 İstanbul Trkiye

1 April 2013

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my tenure as the independent director of Pegasus Hava Taşımacılığı A.Ş. (the "Company"), I hereby declare that I fulfill the independency criteria set out in the following corporate governance principles numbered 4.3.6 and 4.3.7 of the Communiqué Series: IV, No: 56 regarding the Determination and Implementation of Corporate Governance Principles (the "Communiqué") of the Capital Markets Board of Turkey, entered into force upon publication in the Official Gazette dated 30 December 2011 and numbered 28158 and currently remaining in force with subsequent amendments.

4.3.6 A person who has served as a director in the company's board of directors for more than 6 years during the past 10 years cannot be appointed as an independent director.

4.3.7 A director fulfilling all of the following criteria qualifies as an independent director.

- (a)** No direct or indirect employment in a management position undertaking important duties and responsibilities, equity or an important commercial relationship should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the company, a related party of the company or a legal entity in relation with, in terms of equity or management, a shareholder of the company with direct or indirect shareholding equal to or above 10% on the other, at any time during the past 5 years;
- (b)** The independent director should not have worked for and acted as a member of the board of directors in any entity conducting all or a specific part of the activities and the organization of the company within the framework of an agreement, most notably companies providing audit, rating and consultancy services, at any time during the past 5 years;
- (c)** The independent director should not have been a shareholder, employee or a member of the board of directors in any entity providing goods and services to the company on an important scale, at any time during the past 5 years,
- (d)** Even if the independent director is a shareholder of the company due to the requirements of his position as a director, such shareholding must not exceed 1% of the capital and should not be represented by any privileged shares,
- (e)** The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (f)** The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (g)** The independent director should be residing in Turkey according to the Income Tax Law;
- (h)** The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration,
- (i)** The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director.

Respectfully yours,

Mehmet Sađırođlu

Raymond Douglas Webster - Independent Director

Raymond Douglas Webster, is an independent member of our Board of Directors and has served as a member of our Board of Directors since May 2008. From 1965 to 1996, Mr. Webster worked for Air New Zealand Limited, where he held various positions in the engineering and cargo business units, marketing, sales and operations in New Zealand and in the Americas, and in 1993, he was assigned as the general manager of strategic planning where he was responsible for identification, evaluation and implementation of corporate development options, including concept development and planning of start-up low-cost airline companies serving short-haul routes in the Australasian market. Mr. Webster worked for EasyJet plc between 1996 and 2005, serving first as the managing director later taking over the duties of chief executive officer prior to the company's listing on the London Exchange Market. Mr. Webster holds a bachelor's degree in electrical engineering from Canterbury University, New Zealand, a master's degree in aeronautical engineering from

Cranfield University in the United Kingdom and a master's degree in business from Stanford University.

Independence Statement

Pegasus Hava Taşımacılığı A.Ş.

Aeropark Yenişehir Mahallesi Osmanlı Bulvarı No: 11 Kurtköy
Pendik 34912 İstanbul Türkiye

1 April 2013

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my tenure as the independent director of Pegasus Hava Taşımacılığı A.Ş. (the "Company"), I hereby declare that I fulfill the independency criteria set out in the following corporate governance principles numbered 4.3.6 and 4.3.7 of the Communiqué Series: IV, No: 56 regarding the Determination and Implementation of Corporate Governance Principles (the "Communiqué") of the Capital Markets Board of Turkey, entered into force upon publication in the Official Gazette dated 30 December 2011 and numbered 28158 and currently remaining in force with subsequent amendments.

4.3.6 *A person who has served as a director in the company's board of directors for more than 6 years during the past 10 years cannot be appointed as an independent director.*

4.3.7 *A director fulfilling all of the following criteria qualifies as an independent director.*

- (a)** *No direct or indirect employment in a management position undertaking important duties and responsibilities, equity or an important commercial relationship should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the company, a related party of the company or a legal entity in relation with, in terms of equity or management, a shareholder of the company with direct or indirect shareholding equal to or above 10% on the other, at any time during the past 5 years;*
- (b)** *The independent director should not have worked for and acted as a member of the board of directors in any entity conducting all or a specific part of the activities and the organization of the company within the framework of an agreement, most notably companies providing audit, rating and consultancy services, at any time during the past 5 years;*
- (c)** *The independent director should not have been a shareholder, employee or a member of the board of directors in any entity providing goods and services to the company on an important scale, at any time during the past 5 years,*
- (d)** *Even if the independent director is a shareholder of the company due to the requirements of his position as a director, such shareholding must not exceed 1% of the capital and should not be represented by any privileged shares,*
- (e)** *The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,*
- (f)** *The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,*
- (g)** *The independent director should be residing in Turkey according to the Income Tax Law;¹*
- (h)** *The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely making the rights of stakeholders into consideration,*
- (i)** *The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director.*

¹ Pursuant to Article 5 Paragraph 8 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion.

Respectfully yours,

Raymond Douglas Webster

Conor John McCarthy - **Member of the Board**

Conor John McCarthy has served as a member of our board of directors since February 2012. Mr. McCarthy started working for Aer Lingus in 1978 and spent a total of 18 years with the company in engineering, operations, maintenance, commercial planning, marketing, route economics, finance, strategic management, fleet planning and general management. After leaving Aer Lingus in 1996 as the chief executive officer of Aer Lingus Commuter, Mr. McCarthy joined Ryanair and served as its director of group operations until 2000. Mr. McCarthy is currently the executive chairman at Dublin Aerospace Ltd. and served as a member of the board of directors in Air Asia, which he also helped to co-found. He is also the managing director of PlaneConsult.com. Mr. McCarthy holds a bachelor's degree in engineering from Trinity College Dublin.

Şükrü Emre Berkin - **Member of the Board**

Şükrü Emre Berkin, has served as a member of Board of Directors since March 2010. Emre Berkin started working for Digital Equipment Corporation in 1983 and served in sales, consultancy, support and service positions in United States and in Turkey. Between 1993 and 2006, Emre Berkin worked for Microsoft Corporation holding various positions, including Vice President of Europe, Middle East and Africa Regions and as Head of Middle East and Africa operations. He was also the first general manager of Microsoft Turkey. Emre Berkin currently runs an independent consulting practice focused on international business development, mergers and acquisitions, funding and investments, and he also serves as a member of the boards of directors of various companies in and outside of Turkey. Emre Berkin has a Master's Degree in Computer Engineering granted by DePaul University and a Bachelor's Degree in Electronic and Telecommunication from Middle East Technical University.

Sertaç Haybat - **Member of the Board and CEO**

Sertaç Haybat, has served as our General Manager (CEO) and a member of our Board of Directors since 2005. He started working in the airline industry as the maintenance manager for Bursa Airlines in 1979. he worked for Turkish Airlines in three different occasions, first between 1982 and 1987 as a member of the engineering team, later between 1989 and 1993 as strategic planning and investments manager, marketing director and as sales director for Singapore, Malaysia and Indonesia, and between 1997 and 2003, as a member of the executive management team responsible for finance and corporate planning. Sertaç Haybat also served as a member of the board of directors of SunExpress until 2003. Sertaç Haybat holds a Bachelor's Degree in aviation engineering granted by Manchester University in 1976. He was elected as the Chairman of Turkish Private Aviation Enterprises Association (TOSHID) in December 2012 and still holds this position.

All of our Directors have been authorized to enter into transactions with the Company and to undertake business transactions competing with Pegasus on their own or third parties' behalf as per the Articles 395 and 396 of the Turkish Commercial Code No. 6102 through the resolution of our shareholders at the Annual General Assembly meeting dated March 27, 2013 and the Extraordinary General Assembly Meeting dated April 22, 2013. The ability of our Directors to undertake duties in other Companies is, in principle, not restricted.

However; in the event of a potential conflict of interest or a proposed appointment that is likely to have an influence on the Director's ability to discharge duties and obligations to Pegasus the Directors are required to inform our Company in advance.

The duties assumed by our Directors outside of our Company in 2013 are indicated in the table below:

Name / Surname	Duty	Duties Assumed Elsewhere in 2013 ²
Ali İsmail Sabancı	Chairman of the Board	<ol style="list-style-type: none"> 1. Esas Holding A.Ş. (Group Company) <i>Member of the Board</i> 2. AFM Uluslararası Film Prodüksiyon Tic. ve San. A.Ş. (Group Company) <i>Chairman of the Board</i> 3. Mars Entertainment Group A.Ş. (Group Company) <i>Chairman of the Board</i> 4. Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş. (Group Company) <i>Member of the Board</i> 5. Mars Medya Sinema Reklamcılık A.Ş. (Group Company) <i>Member of the Board</i> 6. Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company) <i>Member of the Board</i> 7. Kültür ve Gösteri Merkezi İşletmecilik A.Ş. (Group Company) <i>Member of the Board</i> 8. Air Berlin plc <i>Member of the Board</i> 9. Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. <i>Member of the Board</i> 10 RM Arşiv Yönetim Hizmetleri A.Ş. <i>Member of the Board</i> 11 Saray Bahçe Alışveriş Merkezi Ticaret A.Ş. <i>Member of the Board</i>
Hüseyin Çağatay Özdoğru	Vice-Chairman of the Board	<ol style="list-style-type: none"> 1. Esas Holding A.Ş. (Group Company) <i>Member of the Board and CEO</i> 2. AFM Uluslararası Film Prodüksiyon Tic. ve San. A.Ş. (Group Company) <i>Member of the Board</i> 3. Mars Entertainment Group A.Ş. (Group Company) <i>Member of the Board</i> 4. Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş. (Group Company) <i>Chairman of the Board</i> 5. Mars Medya Sinema Reklamcılık A.Ş. (Group Company) <i>Member of the Board</i> 6. Mars Sportif Tesisler <i>Member of the Board</i>

² **NTD:** To be updated in line with information received from Directors.

		<p>İşletmeciliği A.Ş. (Group Company)</p> <p>7. Esaslıgrup Gıda San. ve Tic. A.Ş. (Group Company) <i>Member of the Board</i></p> <p>8. Esas Hava Taşımacılık Turizm ve Ticaret A.Ş. (Group Company) <i>Chairman of the Board</i></p> <p>9. Acil Yardım Akademisi A.Ş. (Group Company) <i>Member of the Board</i></p> <p>10 Odea İnşaat Turizm Yatırımları ve Dış Ticaret A.Ş. (Group Company) <i>Chairman of the Board</i></p> <p>11 Kiraz 1 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company) <i>Member of the Board</i></p> <p>12 Kiraz 2 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company) <i>Member of the Board</i></p> <p>13 Peyman Kuruyemiş Gıda Ak. Kimyevi Madde Tarım Ürünleri Sanayi Ticaret A.Ş. (Group Company) <i>Chairman of the Board</i></p> <p>14 Esbon Süt Ürünleri San. Tic. A.Ş. (Group Company) <i>Member of the Board</i></p> <p>15 Esom Mağazacılık Ticaret A.Ş. (Group Company) <i>Member of the Board</i></p> <p>16 Kiraz 4 LLC A.B.D. (Group Company) <i>Member of the Board</i></p> <p>17 Kültür ve Gösteri Merkezi İşletmecilik A.Ş. (Group Company) <i>Member of the Board</i></p> <p>18 Kauçuk Yiyecek İçecek Hizmetleri Tic. A.Ş. (Group Company) <i>Member of the Board</i></p> <p>19 Kron Telekomünikasyon A.Ş. <i>Member of the Board</i></p>
Mehmet Cem Kozlu	Independent Director	<p>1. Anadolu Endüstri Holding A.Ş. <i>Member of the Board</i></p> <p>2. Evyap Holding A.Ş. <i>Member of the Board</i></p> <p>3. Evyap Asya <i>Chairman of the Board</i></p> <p>4. Coca-Cola Satış ve Dağıtım A.Ş. <i>Member of the Board</i></p> <p>5. Noktacom Medya İnternet Hizmetleri San. ve Tic. A.Ş. <i>Chairman of the Board</i></p> <p>6. Kamil Yazıcı Yönetim ve Danışma A.Ş. <i>Member of the Board</i></p> <p>7. Anadolu Kafkasya Enerji Yatırımları A.Ş. <i>Member of the Board</i></p> <p>8. Yazıcılar Holding A.Ş. <i>Advisor</i></p> <p>9. Anadolu Termik Santralleri Elektrik Üretim A.Ş. <i>Member of the Board</i></p> <p>10 Anadolu Efes Biracılık Malt Sanayii A.Ş. <i>Member of the Board</i></p> <p>11 TAV Havalimanları Holding A.Ş. <i>Advisor</i></p> <p>12 Coca-Cola Avrasya & Afrika <i>Advisor</i></p>

		13 The Marmara Hotels & Residences 14 Dış Ekonomik İlişkiler Kurulu	<i>Member of the Board</i> <i>Member of the Board</i>
Mehmet Sağıroğlu	Independent Director	1. Alarko GYO A.Ş.	<i>Member of the Board</i>
Raymond Douglas Webster	Independent Director	1. Kuoni Travel Holding Ltd. İsviçre	<i>Member of the Board</i>
Conor John McCarthy	Member of the Board	1. Wordison Limited Trading (PlaneConsult) İrlanda 2. Dublin Aerospace Ltd. İrlanda	<i>Founder and CEO</i> <i>Chairman of the Board</i>
Şükrü Emre Berkin	Member of the Board	1. Alcatel Lucent Teletaş Telekomünikasyon A.Ş. 2. Anadolu Bilişim Hizmetleri A.Ş. 3. Garanti Bilişim Teknoloji ve Ticaret Türk A.Ş. 4. BASE Gayrimenkul Turizm ve Ticaret A.Ş. 5. ÇİT Kurumsal Danışmanlık ve Yatırım Ticaret A.Ş. 6. Noktacom Medya İnternet Hizmetleri San. ve Tic. A.Ş. 7. Hedef Medya Tanıtım İnteraktif Medya Pazarlama A.Ş. 8. Metis Bilgisayar Sistemleri San. ve Tic. A.Ş. 9. CBG Elektronik Tic. ve Sanal Mağazacılık Gıda San. ve Tic. A.Ş. 10. Thomas Cook Group plc Birleşik Krallık 11. Mekanistnet B.V. Hollanda 12. Samumed LLC	<i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Chairman of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i> <i>Member of the Board</i>
Sertaç Haybat	Member of the Board and CEO	1. İHY İzmir Havayolları A.Ş. (Group Company) 2. Pegasus Uçuş Eğitim Merkezi A.Ş. (Group Company)	<i>Chairman of the Board</i> <i>Chairman of the Board</i>

In addition to the above, pursuant to the mandatory Corporate Governance Principles, our shareholders will be informed of material transactions between Pegasus or its subsidiaries on one hand and our controlling shareholders, Directors, members of the senior management with administrative responsibility or their spouses or relatives up to and including the second degree on the other hand, that may create conflict of interest, as well as any other instances where any of the foregoing persons engage in competing business on their own account or on the account of others.

As of December 31, 2013 there is no female Director appointed at Pegasus or any decision by our Board of Directors with respect to compliance with the relevant provisions of the Corporate Governance Principles.

16. WORKING PRINCIPLES OF THE BOARD OF DIRECTORS

Working procedures and principles of our Board of Directors have been determined in writing by our Board of Directors in line with the relevant provisions of our Articles of Association. Accordingly, without prejudice and any limitations to the mandatory provisions of the applicable law and the Articles of Association regarding the authority, responsibilities, duties of the members of the Board of Directors and the delegation thereof, the Board of Directors:

- manages and represents Pegasus by taking strategic decisions, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus with a diligent risk-management approach;
- sets the strategic targets of Pegasus, determines the human and financial resources required by Pegasus and supervises the performance of the management; and
- further supervises the compliance of Pegasus' operations with the applicable legislation, the Articles of Association, the internal regulations and policies adopted by Pegasus.

Our Articles of Associations authorize our Board of Directors to establish mortgage or pledge on the movable and immovable assets of the Company and to release such security for the purposes of obtaining loans, without further authorization from the General Assembly, to resolve on donations on behalf of the Company, within the ceiling to be determined by the General Assembly and subject to the restrictions that may be brought by the Capital Markets Board pursuant to Article 19 of the Capital Markets Law and to resolve on all matters that do not fall within the explicit authority of the General Assembly under the applicable law and the Articles of Association.

In line with the relevant provisions in our Articles of Association, our Board of Directors convenes for meetings and adopts resolutions whenever the Company business requires. However; the Board of Directors meets at least four times a year. Our Directors are expected to attend all meetings, devote sufficient preparation time ahead of each meeting and present their opinions at each meeting. Parallel to this expectation, the Chairman of the Board is expected to facilitate the efficient participation of all Directors at the meeting.

The records relating to the work of the Board of Directors are kept in writing and available to the Directors. Directors dissenting on any matter discussed during the meeting records his/her reasonable and detailed dissenting opinion in the records.

Save for special quorums required by law, our Board of Directors meets at the presence of simple majority of its members and adopts decisions by simple majority of those that are present at the meeting. Each Director has one vote. Unless one of the directors asks for a meeting, the Board of Directors can also adopt decisions by the written approval of simple majority of its members to a written proposal submitted by a director. Each resolution passed at the Board of Directors is put into writing and signed by the sufficient number of Directors and are kept in the Resolution Ledger of the Board of Directors.

In 2013, the Board of Directors held four meetings on March 25, 2013, June 26-27, 2013, September 26, 2013 and December 19, 2013. The overall attendance rate for the meetings was 90.63% in 2013.

17. NUMBER, STRUCTURE AND INDEPENDENCY OF COMMITTEES ESTABLISHED AT THE BOARD LEVEL

Based on the resolution of our Board of Directors dated August 17, 2013 and numbered 392, the Audit Committee, the Corporate Governance Committee and the Committee on the Early Detection of Risks were formed as follows, to assist the Board of Directors on various matters as outlined in the Corporate Governance Principles of the Capital Markets Board.

Audit Committee

Chairman	Mehmet Cem Kozlu	<i>Independent Director</i>
Member	Mehmet Sađirođlu	<i>Independent Director</i>

Corporate Governance Committee

Chairman	Raymond Douglas Webster	<i>Independent Director</i>
Member	Şükrü Emre Berkin	<i>Non-Executive Board Member</i>
Member	Mehmet Cem Kozlu	<i>Independent Director</i>

Committee on the Early Detection of Risks

Chairman	Mehmet Sađirođlu	<i>Independent Director</i>
Member	Ali İsmail Sabancı	<i>Executive Board Member</i>
Member	İnan Tanrıöver	<i>Non-Board Member Expert</i>

In accordance with the requirements of the Corporate Governance Principles of the Capital Markets Board, all of the members of the Audit Committee and the chairmen of the remaining Committees are appointed from among independent Directors and all members of the Corporate Governance Committee are non-executive members of the Board of Directors. The Board of Directors did not establish separate Compensation and Nomination Committees, and, in accordance with the Corporate Governance Principles, the duties pertaining to such functions have been assumed by the Corporate Governance Committee.

In addition to the above Committees formed in line with the requirements of the Corporate Governance Principles, a Safety Committee is established to assist our Board of Directors with respect to safety matters relating to our Company's aviation operations. Safety Committee is composed of our CEO and two non-executive members of the Board of Directors and as of December 31, 2013, Conor John McCarthy had been appointed as the Chairman of the Safety Committee while Raymond Douglas Webster and Sertaç Haybat are named as the other two members of the Committee.

The Committees record and maintain all of their works in writing and submit regular reports comprising information on their works and results of Committee meetings to the Board of Directors.

Summaries of the works undertaken by our Board Committees established as per the requirements of the Corporate Governance Principles, since their establishment on August 17, 2013 are as follows:

Audit Committee

The Audit Committee held four meetings on August 19, September 17, November 4 and December 12, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect reviewed our Company's financial reports for the periods ending on June 30 and September 30, 2013 and shared its favorable opinion with our Board of Directors. The Committee also oversaw the preparation of the Pegasus Rules of Business Ethics and submitted this document for the approval of the Board of Directors. The Audit Committee has informed the Board of Directors of its activities at the Board meetings dated September 26, 2013 and December 19, 2013.

Corporate Governance Committee

The Corporate Governance Committee held its first in-person meeting on December 18, 2013 in presence of all members. The Committee engaged in works within the framework of its Charter and in this respect oversaw the preparation of the Pegasus Information Policy and Pegasus Compensation and Indemnification Policy and submitted these documents for the approval of the Board of Directors. The Corporate Governance Committee has informed the Board of Directors of its activities at the Board meeting dated December 19, 2013.

Committee on the Early Detection of Risks

The Committee on the Early Detection of Risks held two meetings on September 23 and December 18, 2013 in presence of all members. The Committee engaged in works within the framework of its Charter and in this respect established the main principles and surveillance mechanisms for the determination and management of main risks on strategic, operational, financial, legal and other matters that may endanger the existence, development and future of Pegasus and oversaw the implementation of such principles and mechanisms. The Committee on the Early Detection of Risks has informed the Board of Directors of its activities at the Board meetings dated September 26, 2013 and December 19, 2013.

18. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Our Board of Directors is responsible for manages and represents Pegasus by taking strategic decisions, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus with a diligent risk-management approach.

Committee on the Early Detection of Risks has been established by our Board of Directors to assist the Board of Directors in the determination in advance all types of risks, whether strategic, operational, financial, legal or otherwise that may endanger the existence, development and the future of Pegasus, the implementation of necessary precautionary measures and the management of detected risks.

While the Committee on the Early Detection of Risks operates responsible of the determination and surveillance of risks Company-wide, with respect to overseeing of certain specific risks, it acts in coordination with the other Board Committees and the relevant corporate departments acting under the CEO. In this respect, the surveillance of risks relating to our Company's financial reporting and internal control mechanisms is conducted in cooperation with the Audit Committee; the surveillance of risks relating to human resources in respect of the members of the Board of Directors and the Company's senior management is conducted in cooperation with the Corporate Governance Committee and the surveillance of risks relating to aviation safety is conducted in cooperation with the Safety Committee.

19. VISION, MISSION AND STRATEGIC TARGETS OF PEGASUS

Pegasus operates in line with the strategic targets determined by our Board of Directors within the framework of our Company's mission and vision indicated below.

Our Mission

We believe that everybody has the right to fly. The Pegasus Family, our suppliers and our partners work together in cooperation to achieve this goal.

Our Vision

To be the leading low-cost airline in our region with our innovative, rational, conscious and responsible approach.

Our leadership criteria are the number of guests we carry, our response to customer expectations, our pricing policy and the added value we provide to the Pegasus Family.

Our annual budget is approved by our Board of Directors in advance of each fiscal year and our operational and financial results are closely monitored by the Board of Directors on a regular basis with comparisons against the budgeted targets. Our Board of Directors also reviews our Company's strategic targets on an annual basis.

20. FINANCIAL RIGHTS

Pegasus Directors are paid a monthly or annual salary or a per meeting payment to be determined by the General Assembly. The principles relating to the compensation of Directors are set out in the Pegasus Compensation and Indemnification Policy.

With respect to the remuneration of independent directors, stock options or payment plans based on the company's performance cannot be used. Nevertheless, remuneration of independent directors should be at a level sufficient to protect their independence.

The criteria and procedures relating to the compensation of Directors and proposals for the remuneration of and other benefits to be provided to the Directors are annually determined by the Corporate Governance Committee and submitted to the Board of Directors.

The aggregate of the honorary payments made to our Directors based on their attendance to Board meetings and the annual payments made for their duty as chairman or member in the Board Committees is disclosed in our Annual Report. In parallel, the sum of salary and bonus fees paid to the general manger and senior vice-presidents serving in our senior

management team, and the income tax and social security contributions with respect to the same persons is also disclosed in our Company's Annual Report.