

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2016

(Amounts are expressed in TL unless otherwise stated.)

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in normal course of business.

(i) Balances with Related Parties:

a) Other receivables from related parties

	30 September 2016	31 December 2015
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	981.669	278.844
PUEM	503.274	-
	<b>1.484.943</b>	<b>278.844</b>

b) Trade payables to related parties

Balances with parent company:

Esas Holding	-	190.421
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Balances with joint ventures and subsidiaries:

Hitit Bilgisayar	2.479.702	595.265
PUEM	-	179.953

Balances with other related parties:

Esasburda İnşaat Sanayi ve Ticaret A.Ş.	94.248	47.561
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	33.127	-
	<b>2.607.077</b>	<b>1.013.200</b>

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### NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

#### (ii) Significant Transactions with Related Parties:

The significant transactions with Esas Holding consist of the financial guarantee that Esas provides for aircraft acquisitions and their related commissions. The Group records these commissions within finance expense.

The Group also leases their head office building from Esasburda İnşaat Sanayi ve Ticaret A.Ş. ("Esasburda"), another Esas Holding subsidiary, and records rent expense.

The Group generates advertising revenue by renting ad space via Doğan Burda.

The Group receives simulator training services from PUEM for their pilots.

The Group receives software and software support services from Hitit Bilgisayar that provides informations system solutions for transportation industry.

The Group, generates flight revenue from the ticket sales of Air Berlin Plc & Co Luftverkehrs Kg pursuant to the agreement between the parties.

#### a) Sale of services

	1 January- 30 September 2016	1 January- 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
<b>Balances with joint ventures and subsidiaries:</b>				
PUEM	495.535	424.699	168.499	152.006
<b>Balances with other related parties:</b>				
Air Berlin Plc&Co Luftverkehrs Kg	4.704.260	12.418.188	2.483.143	3.317.485
Doğan Burda	-	606.850	-	156.850
	<b>5.199.795</b>	<b>13.449.737</b>	<b>2.651.642</b>	<b>3.626.341</b>

#### b) Purchases of goods or services

	1 January- 30 September 2016	1 January- 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
<b>Balances with joint ventures and subsidiaries:</b>				
PUEM	4.799.625	4.146.659	1.554.196	1.345.644
Hitit Bilgisayar	8.572.481	3.637.769	3.875.097	1.915.392
<b>Balances with other related parties:</b>				
Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. (*)	-	5.964.725	-	2.220.025
Esasburda	1.056.876	217.351	288.441	77.781
Other	50.135	22.897	-	19.087
	<b>14.479.117</b>	<b>13.989.401</b>	<b>5.717.734</b>	<b>5.577.929</b>

(\*) Due to disposal of shares of the Company's Chairman of the Board, call center service provider Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. was delisted from related parties list as of 31 December 2015.

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#### NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

##### (ii) Significant Transactions with Related Parties (cont'd):

##### c) Rent expenses

	1 January- 30 September 2016	1 January- 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Esasburda	3.802.604	3.068.689	1.281.908	1.141.470
	3.802.604	3.068.689	1.281.908	1.141.470

##### d) Surety commission expenses

	1 January- 30 September 2016	1 January- 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Esas Holding (Note 19)	8.924.904	9.086.361	2.823.870	3.216.633
	8.924.904	9.086.361	2.823.870	3.216.633

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,575% of the 115% of the amount guaranteed.

##### (iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 September 2016 and 2015 are as follows:

	1 January- 30 September 2016	1 January- 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Salaries and other short term benefits	9.777.727	5.356.905	2.115.566	1.788.277
Other long term benefits	3.523.737	1.496.387	-	-
	13.301.464	6.853.292	2.115.566	1.788.277