



PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – DECEMBER 31, 2021

MARCH 4, 2022

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Güney Bağımsız Denetim ve SMMM A.Ş.
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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Pegasus Hava Taşımacılığı Anonim Şirketi

1) Opinion

We have audited the annual report of Pegasus Hava Taşımacılığı Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1 January - 31 December 2021.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 4, 2022 on the full set consolidated financial statements of the Group for the period of 1 January - 31 December 2021.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

(Convenience translation of a report originally issued in Turkish)

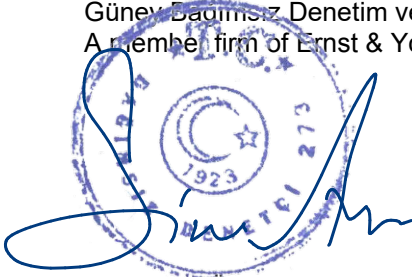
5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Sinem Arı Öz.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Sinem Arı Öz, SMMM
Partner

March 4, 2022
İstanbul, Turkey

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2021

This Report is prepared in accordance with the Regulation on the Determination of the Minimum Content of Company Annual Reports published by the Turkish Ministry of Commerce, the Corporate Governance Communiqué No. II-17.1 and the Corporate Governance Principles published by the Turkish Capital Markets Board and other applicable provisions of Turkish law.

As used in this Report, the following terms shall have the meanings indicated below:

- **“Board”** or **“Board of Directors”** refers to the Pegasus Board of Directors.
- **“Company”** or **“Pegasus”** refers to Pegasus Hava Taşımacılığı A.Ş., more fully described in Section 1/A of this Report.
- **“Esas Holding”** refers to Esas Holding A.Ş.
- **“Hitit CS”** refers to Hitit Bilgisayar Hizmetleri A.Ş.
- **“PFTC”** refers to Pegasus Uçuş Eğitim Merkezi A.Ş.
- **“PAT”** refers to Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.
- **“Principles”** refers to the Corporate Governance Principles published by the Turkish Capital Markets Board.
- **“Report”** refers to this Annual Report of the Pegasus Board of Directors.

1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS

Reporting Period	: January 1, 2021 – December 31, 2021
Commercial Title	: Pegasus Hava Taşımacılığı A.Ş.
Trade Registration	: Istanbul Trade Registry / 261186
Central Registry No.	: 0-7230-0470-8500017
Headquarters	: Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı, No: 11/A Kurtköy 34912 Pendik / Istanbul
Contact Information	: Telephone. +90 216 560 7000 Corporate Website. www.flypgs.com Investor Relations Website. http://www.pegasusinvestorrelations.com

B- VISION, MISSION AND STRATEGIC TARGETS OF PEGASUS

Our Company operates in line with the strategic targets determined by our Board of Directors in accordance with our aim of being shown below and our motto of: *“Everybody has the right to fly.”*

Our Aim of Being is:

To be the leading low-cost carrier in our region, enabling everybody to travel safely with low fares and on-time.

Our strategic targets are also underpinned by our key corporate values of: innovation, people orientation, competitiveness, result orientation, and effectiveness & efficiency.

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

C- CAPITAL, SHAREHOLDING AND ORGANIZATION STRUCTURE OF PEGASUS

Pegasus has an issued capital of TL 102,299,707, within the authorized capital ceiling of TL 500,000,000. Information on the capital and shareholding structure of Pegasus as of January 1, 2021, and December 31, 2021, respectively, is shown in the table below.

Shareholder	January 1, 2021		December 31, 2021	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Esas Holding	64,353,570	62.91%	64,353,570	62,91%
Publicly Traded	35,321,707	34.53%	35,321,707	34.53%
- Publicly Traded Shares Prior to IzAir Merger	35,294,000	34.50%	35,294,000	34.50%
- Shares issued for IzAir Merger	27,707	0.03%	27,707	0.03%
Emine KAMIŞLI	874,810	0.86%	874,810	0.86%
Ali İsmail SABANCI	874,810	0.86%	874,810	0.86%
Kazım KÖSEOĞLU	437,405	0.43%	437,405	0.43%
Can KÖSEOĞLU	437,405	0.43%	437,405	0.43%
Total	102,299,707	100.00%	102,299,707	100.00%

In the above table, “IzAir” refers to İHY İzmir Havayolları A.Ş., a former consolidated subsidiary of Pegasus that was acquired by way of merger in 2018.

As of December 31, 2021, Esas Holding is the controlling shareholder of Pegasus. Esas Holding is a holding company founded in 2000 by Şevket SABANCI and his family and has investments in the aviation, retail and entertainment, manufacturing, food, real estate and several other sectors in and outside of Türkiye. Esas Holding is fully owned by Şevket SABANCI family members.

Our Company's management organization chart as of December 31, 2021, is provided in Section 1/F of this Report.

D- INFORMATION ON BUSINESS ACTIVITIES

Pegasus is the leading low-cost airline in Türkiye. Pegasus operated charter flights since 1990. Following its acquisition by Esas Holding at the beginning of 2005, Pegasus changed its business model, introducing a low-cost network carrier model for the first time and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, Pegasus experienced rapid expansion of its operations both in domestic and international routes. Between 2009 and 2019, Pegasus' cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market. With a growing young and modern fleet of 90 aircraft with 5.07 average aircraft age as of December 31, 2021, Pegasus aims to be the leading low-cost airline in the region.

Pegasus provides high-frequency services on short- and medium-haul, point-to-point and transit routes on its domestic and international network primarily from its main hub in Istanbul Sabiha Gökçen International Airport. As of December 31, 2021, Pegasus offered scheduled passenger services on 36 domestic routes in Türkiye and 84 international routes to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 120 destinations in 44 different countries. Our operations across this network was negatively affected by COVID-19 related travel restrictions, as described below.

Pegasus' business model is based on a strong focus on efficient operations and cost control, and revenue generation through various services ancillary to the core air passenger services. In 2021, the Company's CASK, non-fuel was recorded as €c 2.23, while revenue recorded from ancillary services constituted 31% of total revenue for the period. In 2021, Pegasus continued to derive revenue from other services, primarily consisting of cargo services and a relatively low volume of charter and split charter flights for tour operators, which represented 2% of total revenue for the period.

On March 30, 2020, we had announced forced suspension of all our domestic and international flights based on COVID-19 related restrictions imposed by the authorities. As part of transition to controlled social life, our domestic flights between limited destinations in Türkiye determined by the Turkish General Directorate of Civil Aviation restarted on June 1, 2020, and our domestic network expanded gradually thereafter. We resumed our international operations on June 13, 2020, with a limited number of destinations and our schedule expanded in the following period to the extent permitted by continuing travel restrictions in our operating geography. COVID-19's negative impact on the industry, in terms of travel demand and travel restrictions, continued throughout 2021, especially under pressure from new variants. Our forward-looking capacity plans will be shaped according to the extent and duration of the current travel restrictions, and recovery of travel demand.

In 2021, Pegasus continued to implement a wide range of actions in response to the negative implications of COVID-19 on the industry, on travel, on employee and passenger health and well-being. A wide range of operational, financial, commercial and organizational actions were implemented by Pegasus Management during this period. Pegasus received numerous accolades in recognition of its performance in these areas, a summary of which is provided in Section 7/A of this Report.

E- INFORMATION ON PRIVILEGED SHARES

Pegasus has not issued any privileged shares. Therefore, there are no voting privileges attached to Pegasus shares or any preference in respect of the nomination of Board members or the allocation of any distribution or payment to be made from Company profits.

F- INFORMATION ON THE MANAGEMENT BODY, SENIOR MANAGEMENT AND PEGASUS EMPLOYEES

a)- Management Body: The management body of Pegasus is the Board of Directors. Within the framework of Article 10 of our Articles of Association, the Board of Directors must be composed of at least five members, eligible for up to three years. Until November 2, 2021, the Board of Directors consisted of eight members. The Board ended the year with seven members following the resignation of one Board member on November 2, 2021. Three independent members served in our Board of Directors in 2021. All independent nominees were nominated by the Corporate Governance Committee, obtained the Capital Markets Board non-objection and were appointed in such capacity at the Annual General Assembly

Meeting held on April 15, 2021. Apart from the independent Board members, three other members served in the capacity of non-executive directors in 2021.

The identity, duty and term of office of each Board member are indicated below.

Name / SURNAME	Duty	Serves Since ⁽¹⁾	Committee Duties
Ali İsmail SABANCI	Chairperson of the Board	2005	-
Hüseyin Çağatay ÖZDOĞRU	Vice-Chairperson of the Board	2006	-
Sertaç HAYBAT	Non-Executive Board Member	2005	Member, Risk Comm.
Mehmet Cem KOZLU	Non-Executive Board Member	2013	Member, Corp. Gov. Comm.
Hatice Zeynep Bodur OKYAY	Independent Board Member	2016	Chair, Audit Comm.
Stephen Mark GRIFFITHS	Independent Board Member	2016	Chair, Corp. Gov. Comm.
Michael Glyn POWELL ⁽²⁾	Non-Executive Board Member	2018	Member, Corp. Gov. Comm.
Agah UĞUR	Independent Board Member	2019	Chair, Risk Comm. Member, Audit Comm.

⁽¹⁾ Board appointments are made annually at the discretion of our shareholders and our current Board members were appointed for a term of one year at the Annual General Assembly Meeting dated April 15, 2021.

⁽²⁾ Resigned on November 2, 2021. On January 31, 2022, David Alexander Florenz VISMANS was appointed to succeed Michael Glyn POWELL for the remainder of his term, subject to the approval of the shareholders at the first upcoming General Assembly Meeting.

Information on the duties assumed elsewhere by our Board members in 2021 is provided in Annex-2 to this Report. Independency statements by our independent Board members are provided in Annex-3 to this Report.

b)- Senior Management: Pegasus senior management comprises the General Manager (CEO) and executives directly reporting to the CEO. Information on Pegasus senior management and their duties as of December 31, 2021, is provided in the following chart.

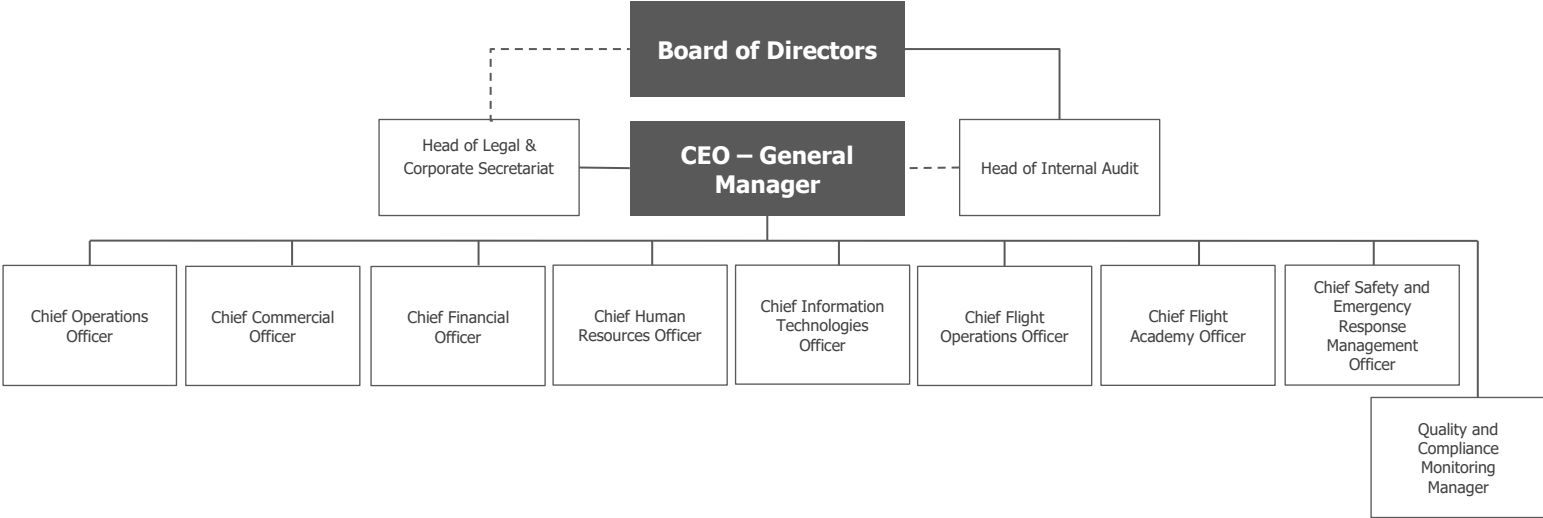
Name / SURNAME	Duty	Serves in Pegasus Since ⁽¹⁾	Serves in Position Since ⁽²⁾
Mehmet T. NANE	President & General Manager (CEO)	2016	2016
Güliz ÖZTÜRK	Chief Commercial Officer	2005	2010
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Nasuh N. ÇETİN	Chief Operations Officer	2013	2016
Gençer KARATEPE	Chief Flight Operations Officer	2018	2020
Yavuz Selim ÖZMEN	Chief Flight Academy Officer	2016	2020
Barış FINDIK	Chief Information Technologies Officer	2017	2017
Dilara OĞUR	Chief Human Resources Officer	2015	2015
Murat TÜNAY	Chief Safety Management & Emergency Response Management Officer	2011	2020
Sinan Onur ÖZTUNA	Quality and Compliance Monitoring Manager	2016	2020
Tayfun BORA	Security Manager	2003	2020
Ali UZUN	Head of Legal and Corporate Secretariat (General Counsel) ⁽³⁾	2013	2018
Özgür DİNÇER	Head of Internal Audit	2017	2017

⁽¹⁾ Indicates service in Pegasus Group Companies.

⁽²⁾ Indicates service in the stated duty.

⁽³⁾ Head of Legal, Sustainability and Corporate Secretariat as of February 1, 2022.

Pegasus management organization chart is as follows:



———— Reporting Line - - - - - Additional Reporting Line

c)- Number of Employees: The total number of full-time employees of Pegasus and its consolidated subsidiaries defined in Section 4/D of this Report, as of December 31, 2021, was 5,837. This number includes the members of our senior management listed above. There are no employees under a collective bargaining agreement. Information on benefits provided to Pegasus to our employees are detailed in the [Pegasus Compensation and Indemnification Policy](#) available in our Investor Relations Website.

G- INFORMATION ON TRANSACTIONS BETWEEN PEGASUS AND BOARD MEMBERS, COMPETING BUSINESS ACTIVITIES OF BOARD MEMBERS AND CONFLICT OF INTEREST REGARDING INVESTMENT ADVICE, RATING AND SIMILAR SERVICES PROCURED BY PEGASUS

At the Annual General Assembly Meeting held on April 15, 2021, our shareholders authorized our Board members, in accordance with Articles 395 and 396 of the Turkish Commercial Code No. 6102, to enter into transactions with Pegasus on their own behalf and on behalf of others and to engage in commercial business falling within the area of activity of Pegasus.

At the same meeting, our shareholders were informed under a separate agenda item, as per the provisions of Principle 1.3.6, that in the previous year:

- no material transactions realized between Pegasus or its subsidiaries on one hand and our controlling shareholders, Board members, members of our senior management with administrative responsibility or their spouses or relatives up to and including the second degree on the other hand, which would create a conflict of interest, or
- any other instance where any of the foregoing persons engaged in competing business on their own account or on the account of others or through any enterprise where they act as a shareholder with unlimited liability.

Information on the related party transactions entered into by our Company in 2021 was provided in Note 5 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2021, "Related Party Transactions".

In 2021, several Board members held executive and non-executive duties in entities that operate in the field of aviation while none of these entities competed with or entered into a significant transaction with Pegasus in a manner that would fall within the scope of Principle 1.3.6.

- Our non-executive Board member Michael Glyn POWELL was the executive chairperson of Flybondi Limited (United Kingdom), investing in the first low-cost airline based in Argentina. Another non-executive Board member Sertaç HAYBAT also served as a non-executive board member of Flybondi Limited.
- Our independent Board member Stephen Mark GRIFFITHS served as the managing director for London Stansted Airport as part of the Manchester Airports Group (United Kingdom).
- Our independent Board member M. Cem KOZLU served as a member of the supervisory board and the audit committee of DO & CO AG (Austria).

The Company believes that the above transactions and engagements do not create any conflict of interest for Pegasus or its subsidiaries. Michael Glyn POWELL was appointed as CFO at Volotea effective as of July 1, 2021, and subsequently resigned as member of the Board of Directors on November 2, 2021.

Pegasus acts prudently to prevent any conflict of interests with the entities providing services such as investment advice and rating services to it. In 2021, there are no transactions to report that gave rise to a conflict of interest in this respect.

H- WORKING PRINCIPLES OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

The [Working Procedures and Principles of our Board of Directors](#) are determined in writing and are published on our Investor Relations Website. Subject to the provisions of the mandatory provisions of Turkish 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 while preventing conflicts of interest and balancing competing demands on Pegasus, supervises the performance of Pegasus and its 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 Association authorize our Board of Directors 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. Board members are expected to attend all meetings, devote sufficient preparation time ahead of each meeting and present their opinions at each meeting. The Chairperson of the Board is expected to facilitate the efficient participation of all Board members at the meeting.

The records relating to the work of the Board of Directors are kept in writing and available to all Board members. Board members 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, the Board 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 Board member has one vote. Unless one of the Board members requests a meeting, the Board can also adopt decisions by the written approval of simple majority of its members to a written proposal submitted by a Board member or by the Company management. Each resolution passed at the Board of Directors is put into writing and signed by the sufficient number of Board members and are kept in the Resolution Ledger of the Board of Directors.

In 2021, the Board held four meetings on March 19, May 28, September 16 and December 16, 2021.

Based on the resolution of our Board of Directors dated April 15, 2021, Audit Committee, Corporate Governance, Risk and Safety Committees were composed as follows.

Audit Committee		
Chairperson	Hatice Zeynep Bodur OKYAY	<i>Independent Board Member</i>
Member	Agah UĞUR	<i>Independent Board Member</i>
Corporate Governance Committee		
Chairperson	Stephen Mark GRIFFITHS	<i>Independent Board Member</i>
Member	M. Cem KOZLU	<i>Non-Executive Board Member</i>
Member	Michael G. POWELL	<i>Non-Executive Board Member</i>
Member	Ömer L. ÖMERBAŞ	<i>Investor Relations Manager</i>
Committee on Early Detection of Risks		
Chairperson	Agah UĞUR	<i>Independent Board Member</i>
Member	Sertaç HAYBAT	<i>Non-Executive Board Member</i>
Member	Mustafa TERCAN	<i>Non-Board Member Expert</i>

In determining the composition of the structure of the Board Committees the Board of Directors aims to form a balanced distribution of work in consideration of the number of non-executive and independent Board Members and the legal requirements for the composition of each committee.

In accordance with the requirements of the Principles, all of the members of the Audit Committee and the chairpersons of the Audit, Corporate Governance and Risk Committees are appointed from among independent Board members. Executive Board members assume no active duty in the said Committees. Our Board 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.

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.

Summary of the work undertaken by the Board Committees are as follows:

Audit Committee

The Audit Committee held four meetings on March 3, May 7, August 16 and November 8, 2021, 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 December 31, 2020, and on March 31, June 30 and September 30, 2021, and shared its favorable opinion with the Board. The Committee prepared the proposal for the appointment of the independent audit firm for 2021 audit requirements, oversaw the activities of the Company's Internal Audit Department, its work plan and budget. In 2021, ethics governance continued to develop in terms of employee awareness, notification channels, investigations, ethics committee work and Audit Committee oversight. The Committee informed the Board of its activities at each Board meeting held in 2021.

Corporate Governance Committee

The Corporate Governance Committee held four meetings on March 18, May 25, September 15 and December 15, 2021, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect, oversaw corporate governance compliance, the nomination of independent directors and the determination of nomination and compensation principles for Board members in 2021, succession planning for executive management and key positions, proposed revisions on the Pegasus Share Buyback Policy and scrutinized the operations of the Investor Relations Department. In 2021, the Committee reviewed Management's actions on the Company's sustainability/ESG framework, which was reported to at the Board level twice in 2021. The Committee also oversaw the completion of action items from the last Board Self-Evaluation Review in 2019, in preparation of a new review to be carried out in 2022. The Committee was also involved in the evaluation of new Board member nominees for 2022. As of the end of 2021, Pegasus retains one of the highest Corporate Governance Compliance Ratings across BIST with a compliance rating of 96.8%, and became the top-rated aviation stock on BIST in 2021. The Committee informed the Board of its activities at each Board meeting held in 2021.

Committee on Early Detection of Risks

The Committee on the Early Detection of Risks held four meetings on March 18, May 26, September 15 and December 14, 2021, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect established the main principles and control 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 Company's risk profile significantly altered with COVID-19 impact on travel demand and travel restrictions. In 2021, the Committee continued its focus on the review of liquidity and Management's COVID-19 measures ahead of each Board Meeting. The Committee informed the Board of its activities at each Board meeting held in 2021. The Committee also provided information on its work and its periodic evaluation of risks once every two months in accordance with the provisions of Article 378 of the Turkish Commercial Code.

The overall attendance rate for Board and Committee meetings was 100% in 2021. A breakdown of individual attendance is provided below:

Board / Committee Member	Attendance			
	Audit Comm.	Corp. Gov. Comm.	Risk Comm.	Board
Ali İsmail SABANCI	n/a	n/a	n/a	4/4 (100%)
Hüseyin Çağatay ÖZDOĞRU	n/a	n/a	n/a	4/4 (100%)
Sertaç HAYBAT	n/a	n/a	4/4 (100%)	4/4 (100%)
Mehmet Cem KOZLU	n/a	4/4 (100%)	n/a	4/4 (100%)
Hatice Zeynep Bodur OKYAY	4/4 (100%)	n/a	n/a	4/4 (100%)
Stephen Mark GRIFFITHS	n/a	4/4 (100%)	n/a	4/4 (100%)
Michael Glyn POWELL	n/a	3/3 (100%)	n/a	3/3 (100%)
Agah UĞUR	4/4 (100%)	n/a	4/4 (100%)	4/4 (100%)
Mustafa TERCAN	n/a	n/a	4/4 (100%)	n/a
Ömer Lütfü ÖMERBAŞ	n/a	4/4 (100%)	n/a	n/a
TOTAL	100%	100%	100%	100%

Pegasus runs an effective mechanism to identify and follow-up on the completion of action items decided by the Board of Directors or by Board Committees. 91.2% of all action items raised in 2021 were completed by the end of 2021. There are no overdue action items as of December 31, 2021.

I- INFORMATION ON THE EFFICIENT EXERCISE OF SHAREHOLDER RIGHTS

Pegasus Investor Relations is responsible for managing shareholder relations and reports to the Company CFO. Company Secretary works in collaboration with Pegasus Investor Relations on all corporate governance matters. Our senior management staff responsible for shareholder relations and their contact information are provided below:

Mr. M. Barbaros KUBATOĞLU
Chief Financial Officer

Mr. Ömer L. ÖMERBAŞ
Investor Relations Manager

Telephone : +90 216 560 7580

Fax : +90 216 560 8087

E-mail : pegasusyatirimciiliskileri@flypgs.com

Website : <http://www.pegasusinvestorrelations.com/>

In accordance with the requirements of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, Mr. ÖMERBAŞ is the head of the Company's investor relations unit and serves as a member of the Corporate Governance Committee. Ömer ÖMERBAŞ is a fulltime employee of our Company reporting to the CFO and holds Capital Markets–Level 3 and Corporate Governance Rating Licenses. Pegasus Investor Relations Manager carries out all investor relations activities under the scrutiny of the Committee. Pegasus investor relations strategy, key targets, activities, performance results are regularly reported to the Committee and the Board of Directors. In 2021, the regular updates were reported to the Board and the Committee on March 18 - 19, May 25 - 28, September 15 - 16, and December 15-16.

Throughout 2021, the Company responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings and attended nine targeted roadshows/conferences.

Information on the principles, methods and frequency of communication of information to our shareholders is detailed in the [Pegasus Information Policy](#) available in our Investor Relations Website.

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. Pegasus Investor Relations Website forms the principal communication platform for investor communication.

Also, information we are required to make available as per the "**Information Society Services**" related provisions of the Turkish Commercial Code No. 6102, is published on the e-COMPANY platform of the Central Registry Agency accessible by a link in our Investor Relations Website (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/11366>).

The inquiries received by the Investor Relations Unit were answered within the framework of the law and the Pegasus Information Policy.

No requests for special audit of a specific matter were submitted to Pegasus in 2021. Our shareholders are entitled by law to request the appointment of a special auditor to review specific matters, and this statutory right is explicitly recognized in Article 16 of our Articles of Association.

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. 2920. 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.

J- INFORMATION ON SHAREHOLDER MEETINGS HELD IN THE REPORTING PERIOD

The Annual General Assembly meeting of our Company for the year 2020 was held on April 15, 2021, at 10:00 am local time at the Company Headquarters in Istanbul.

The meeting invitation and the agenda were published in the Trade Registry Gazette dated March 22, 2021, and numbered 10292, on page 737, in our Investor Relations Website, on the Public Disclosure Platform and the Electronic General Assembly Portal within the time limits prescribed by the law. Written invitations were also communicated to the shareholders that are not subject to the exception set out in Article 29 Paragraph 2 of the Capital Markets Law No. 6362.

Shareholders representing TL 78,628,454 (76.86% of the Company capital) were represented at the meeting, thereby constituting the requisite meeting quorum. Mr. Agah UĞUR, member of the Board of Directors, Mr. Mehmet T. NANE, Company General Manager (CEO), Mr. M. Barbaros KUBATOĞLU, Company CFO responsible for financial reporting, and representing the

Company's independent auditor, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, Mr. Yiğit DEMİRER attended the meeting in person.

The decisions of our shareholders adopted at the Annual General Assembly meeting held on April 15, 2021, are indicated in the table below:

April 15, 2021 Annual General Assembly Resolutions	Vote
• Review and approval of the Board of Directors' proposed amendments to the Company's General Assembly Bylaws	Unanimity
• Approval of the Annual Activity Report, the Auditor Report and the Financial Statements for the year 2020	Unanimity
• Release of the members of the Board of Directors for operations and accounts pertaining to the year 2020	Unanimity
• Allocation of the 2020 loss in the previous years' losses account	Majority
• Appointment of the members of the Board of Directors for a term of one year	Majority
• Determination of payments to be made to Board members during the term of appointment	Majority
• 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	Majority
• Appointment of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst & Young Global Limited) as the independent audit firm for the year 2021 as per the provisions of Article 399 of the Turkish Commercial Code	Majority
• Determination of a ceiling for donations to be made by the Company in 2021	Majority

The agenda, list of attendees and meeting minutes at the meeting are published our Investor Relations website.

There were no transactions to report in 2021 that had to be submitted for the approval of our shareholders, where the approval of the majority of the independent Board members was required and not received with respect to a resolution of the Board of Directors.

K- AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN THE REPORTING PERIOD

There were no amendments proposed and/or adopted to the Company's Articles of Association in the reporting period.

L- AMENDMENTS TO THE POLICIES APPROVED BY THE GENERAL ASSEMBLY OR THE BOARD IN THE REPORTING PERIOD

[Pegasus Share Buyback Policy](#) was amended by the Board of Directors on December 16, 2021. A specific reference to the publication of documentation requested by the Capital Markets Board in case of any share buyback decision was inserted into the policy as a new paragraph.

2- FINANCIAL BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGEMENT

Pursuant to the Pegasus Articles of Association, Board members are paid a monthly or annual salary or meeting-based remuneration 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 Board members, stock options or payment plans based on the company's performance cannot be used. Nevertheless, remuneration of independent Board members 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. In this respect, “**2021 Nomination and Compensation Principles and Criteria for Pegasus Board of Directors**” was determined by the decision of the Corporate Governance Committee, which was published as Annex-4 to the [Information Document](#) prepared for the Annual General Assembly meeting held on April 15, 2021 and communicated to our investors through our Investor Relations Website, the Public Disclosure Platform and the Electronic General Assembly Portal.

The honorary payments to be made to our Board members based on their attendance to Board meetings and the annual payments made for their duty as chairperson or member in the Board Committees, on an individual basis, were determined by the shareholders at the Annual General Assembly meeting held on April 15, 2021, and was published in the meeting minutes.

The gross honorary fees paid to the members of our Board of Directors for the Board meetings they attended in 2021 as well as gross payments for their duties as chairperson or member at the relevant Board committees amounted to TL 1,896,664. The members of the Board of Directors, considering the negative impact of the COVID-19 outbreak on global aviation and the Company’s operations, voluntarily waived 50% of their remuneration for 2020 Committee duties in that respect, and at their request, their honorarium entitlement for the year 2021 was reduced by 50%.

In 2021, the total salary and bonus fees paid to the General Manger (CEO), C-level Managers and Senior Vice-Presidents serving in our senior management team, and the income tax and social security contributions with respect to the same persons amounted to TL 17,770,569.

In 2021 there were no loans or security extended by Pegasus to the members of the Board or senior management.

3- RESEARCH AND DEVELOPMENT ACTIVITIES

Pegasus is dedicated to allocating resources for in-house aviation technology developments and research & development activities.

In 2021, significant work was carried-out to minimize operational issues. The Company implemented new tools on real-time monitoring of operations, proactive operational management and real-time operations management. Overall, these tools enable more effective management of operational issues with faster and easier access to airport and weather information, notices to air crew (NOTAMs) and aircraft information, and with the added benefit of early warning systems.

Also in 2021, the Company expanded the use of its Electronic Flight Bag (EFB) application on mobile platforms. This unique development allows flight crew to carry-out pre-flight preparations before arrival at the aircraft, reducing ground-time and positively reflecting on the overall safety of operations.

Completed and ongoing innovation, technology and design projects will continue to positively impact operations, allowing for smart review of operational efficiency and a more simplified and effective operational performance.

In 2021, Pegasus continued to improve digitalized functions for both passengers and employees, further strengthening its position as the “Digital Airline” of Türkiye. These improvements not only improve user experience across the board, but also empower both passengers and employees at a time when physical access and interaction became heavily restricted due to COVID-19 measures. Major novelties in 2021 on the digital front included the following:

- Web/mobile phase of our 360 Flight Search Project was implemented in 2021. This allows passengers to see the lowest fare available in a given day or month or the 30-day prior period for the selected destination, and also allows passengers to locate the lowest fare available on any route with up to one-year projection. Passengers with flexible travel options have the chance for a more economic planning. Likewise, our agency portal calendar view now shows lowest fares for each day and 15-day timespan for flight lists. The aim is to allow our agency, call center and airport sales office channels to better respond to passenger queries, to complete bookings more quickly and reduce transaction times at mass service platforms.
- In 2021, we continued to expand our self-service capabilities by installing new Express Baggage kiosks at the Istanbul Airport (IGA), Izmir Adnan Menderes Airport (ADB) and Bodrum-Milas Airport (BJV). The circumstances created by the pandemic render self-service tools, operational efficiency and mobile capabilities significantly important. Express Baggage units are enhanced with features such as excess baggage fee payment, searching flights using passport, mobile phone number or Turkish ID number.
- In 2021, our Departure Control System, carrying-out our passengers’ flight transactions was strengthened by the launch of our Fallback-DCS system. This enables us to board passengers and continue operations with reduced delays in the event of infrastructure failures. By also enabling meal and hotel voucher transactions to be carried-out on our DCS system in case of delays and cancellations, we turned each check-in counter into a special service point.
- In 2021, we expanded the scope of our 24/7 WhatsApp Support Line for passengers and completed improvements based on feedback received from our users. Whenever the Artificial Intelligence-based bot is unable to verify the user’s question or request, users are allowed to submit their query as a standalone application.
- In 2021, we launched our Easy Seat Project, aiming to provide more freedom and flexibility to our passengers in paid seat-selection. Passengers are allowed to cancel their seat-selection purchases and make a new purchase, or purchase seats that are not covered by their Flight Package. This is coupled with various user improvements making seat-selection easier and more accessible.
- We had started working for the “new normal” in 2020, as we achieved full integration with the Turkish Ministry of Health’s “HES Code” system, providing a direct link with the Turkish Ministry of Health to assess COVID-19 risks in respect of Company employees and domestic passengers. Integrated control mechanism continued throughout 2021 with added capabilities. This collaboration was widely recognized in international aviation as a successful example of how airlines and national health authorities can work and produce effective solutions enabling healthy travel. Close

tracking and timely notification of rapidly changing COVID-19 entry rules on our destinations, with an integrated push function allowing Pegasus Mobile Application users to access up-to-date in an effortless manner, continued with updated information in 2021.

- In 2021, we carried-out a number of additional security and accessibility features for our BolBol Loyalty Program. Passengers are now able to login to or register for BolBol membership during their booking process.
- In 2021, we increased our operational capability to send more personalized e-mail communication to our customer base. We initiated work to enable better insight and analysis into electronic communication permissions and their use for more personalized communication.
- In 2021, various improvements in our agency systems were carried-out. Agency application and activation processes were digitalized, allowing for a fully on-line agency onboarding process. This simplifies the entire onboarding process by almost half, allows for a digital and secure maintenance of contractual documentation, reduces manual labor and prevents paper-use, and delivery and storage costs.
- In 2021, we focused on hyper-automation and real-time operations management. The ACARS platform, paving way for real-time data and coordination between our flight and ground operations was integrated into our systems. Our own Senkron and IoT systems optimizing planning of ground tasks were further developed. These allowed us to enable communication of sudden changes between the aircraft and ground operations, leading to increased efficiency in the use of apron vehicles and ground staff.
- In 2021, smart field tools further enabled operational efficiency and eased the work of our employees involved in flight operations. New developments on Smart Technic enables technicians to carry-out assigned tasks such as pre-flight check, daily check, oil and fuel loading, real-time using their tablets around the aircraft. This increased the efficiency of our technicians. Operational efficiency of cockpit and cabin crew and ground operations staff increased through enhancements in the SmartOps and SmartGO mobile systems, which help our operational staff to operate their duties on a single digital platform. Flight crew can now reach their past flight performance parameters and training plans and remotely upload documents required by our Company policies and manuals. Cabin crew were empowered with easy access to new functions such as seat mapping, cabin cleaning schedules, cabin briefing evaluations. SmartGO was integrated into our Senkron systems, combining automation with mobile capability.
- PLATO (Planning & Training Optimizer) tool used by Pegasus Flight Academy carries-out an artificial intelligence supported training planning. This way, pilots continue to receive trainings in full compliance with the applicable regulations through the use of optimum use of resources.
- Crew Life-Cycle Management Project was implemented in 2021. This project consolidates selected operational, training and employment data of our cockpit crew members, supporting various decision-making processes and more efficient cockpit planning.

- In 2021, we expanded the scope of our electronic signature use in accordance with Turkish law, which enables web or mobile based document signature for various types of documents. The same capability was also used for executing agency agreements. This allows us to carry-out signatory tasks independent of location and creates time and cost savings and savings on the use of paper sources.
- In 2021, we expanded the scope of our Papyrus Project, aiming for a digital document platform and enabling a paperless office. Various items covering employee files, security documentation, insurance policies, invoices and contracts migrated from physical files into digital systems. The use of OCR technology in the intake of invoices and an end-to-end digital processing led to significant time, cost and resource savings.

4- COMPANY'S BUSINESS AND MATERIAL DEVELOPMENTS RELATING TO THE COMPANY ACTIVITIES

A- SECTOR OUTLOOK

International Aviation Market

The COVID-19 pandemic continued to negatively impact the aviation industry in 2021, however we have seen a steady recovery in demand, and consequently in the capacity offered, throughout the year. The driver behind the improvement was the fast roll-out of vaccination programs which paved the way for the authorities to start relaxing the restrictions on international travel. ICAO (International Civil Aviation Organization), in its most recent analysis (Effects of COVID-19 on Civil Aviation: Economic Impact Analysis, February 15, 2022) estimated that the global seat capacity has reached back to 60% in 2021 compared to 2019 whereas the recovery rate was 70% in the last quarter of 2021 alone. ICAO also estimated that passenger volumes have followed the capacity recovery with a lag, having reached 51% in 2021 compared to 2019.

In the aforementioned analysis, ICAO foresees the continuation of the recovery in 2022. Accordingly, ICAO's scenarios indicate that global seat capacity may reach 74%-77% of 2019 and global number of passengers may reach 67%-71% in 2022 compared to 2019. Actual recovery rate will depend on the course of the pandemic and how international travel restrictions are eased, managed and/or facilitated by governments.

Turkish Aviation Market

The negative impact of the COVID-19 pandemic on the Turkish aviation market was also visible in 2021. Nonetheless, the recovery rate in Türkiye's total number of passengers once again outperformed the global average. According to the data published by the General Directorate of State Airports Authority (DHMI), number of total passengers in Türkiye rebounded back to 79% level in 2021 compared to 2019. In 2021, domestic passengers in Türkiye grew by 38% YoY while international passengers surged by 87% YoY.

Development of Pegasus Market Share Since 2005

Following its acquisition by Esas Holding at the beginning of 2005, Pegasus changed its business model, introducing a low-cost network carrier model and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, Pegasus experienced rapid expansion of its operations both in domestic and international routes. Between 2009 and 2019, Pegasus' cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market.

However, parallel to the decline in demand and negative impact of the travel restrictions with the COVID-19 pandemic, total passenger number of Pegasus declined by 34% in the two-year period from 2019 to 2021. In the same period, total number of passengers in the overall Turkish market contracted by 38%.

The table below indicates Pegasus market share trend in terms of domestic and international scheduled passenger numbers between 2015 and 2021:

Pegasus Market Share Data (2015 – 2021)

	2015	2016	2017	2018	2019	2020	2021
Domestic	28.3%	29.8%	30.8%	31.5%	31.4%	37.5%	34.1%
International	9.8%	11.8%	12.4%	12.2%	12.9%	15.0%	13.0%

Source: Pegasus, DHMI

Explanations on the Company's Production Units, Information on Sales, Sales Conditions and Productivity

Comparative data on our Company's revenue generating activities, sales and productivity in 2021 is provided in Section 5/C of this Report.

B- INFORMATION ON INVESTMENTS MADE BY PEGASUS IN THE RELEVANT ACCOUNTING PERIOD

Information relating to the aircraft operated by Pegasus and its consolidated subsidiaries as of December 31, 2021, is provided in the following table:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		31.12.2021	31.12.2020	Growth (%)	31.12.2021	31.12.2020	Growth (%)	31.12.2021
B737-800	4,163	25	34	-26%	4,725	6,426	-26%	8.69
A320CEO	4,074	11	12	-8%	1,992	2,172	-8%	7.31
A320NEO	4,740	46	40	15%	8,556	7,440	15%	2.66
A321NEO	4,237	8	7	14%	1,912	1,673	14%	1.13
TOTAL		90	93	-3%	17,185	15,711	-3%	5.07

In July 2012, Pegasus placed an order with Airbus for 57 firm order A320neo and 18 firm order A321 neo aircraft, totaling 75, and an additional 25 optional aircraft, thereby constituting a purchase order for 100 new aircraft. In December 2017, Pegasus exercised its option for 25 additional aircraft and converted these option aircrafts to firm orders in A321neo configuration, subject to an additional option to reconvert the order to A320neo configuration subject to the applicable notice periods prior to the scheduled delivery of aircraft. In October 2021, Pegasus placed an order with Airbus 6 additional A321neo aircraft. The 2012 Airbus Order, as amended, comprised a total of 42 A320neo and 64 A321neo aircraft as of December 31, 2021. Pegasus is the first customer of CFM-Leap series engine used on A320neo aircraft. Seven aircraft joined Pegasus fleet in 2021.

The delivery schedule for the A320neo/A321neo aircraft under our Airbus order is as follows:

Aircraft Type	2020	2021	2022	2023	2024	2025
A320neo	9	6	0	0	0	0
A321neo	5	1	20	17	16	3

C- EVALUATION OF INTERNAL AUDIT AND INTERNAL CONTROL SYSTEMS

Pegasus Internal Audit Department was first established in June 2006 and since April 2011, the Company's Internal Audit Department continues its activities under the auspices of the Audit Committee. The Audit Committee was reorganized on August 17, 2013, to align its structure with the corporate governance principles determined by the Capital Markets Board.

The establishment of an efficient internal control system in Pegasus is carried out under the responsibility of the Board and under the scrutiny of the Audit Committee. In this context, the Committee takes into consideration information received from Pegasus management, the Internal Audit Department and the independent auditor and shares its opinion and recommendations on internal controls with the Board. The Audit Committee ensures that all actions are taken so that internal controls can be carried out in a sufficient and transparent manner. Pegasus Internal Audit Department performs its task under the scrutiny of the Audit Committee and according to the audit plan approved by the Committee. Besides the internal control function operated by the Internal Audit Department, Pegasus benefits from the work of various operational internal control units acting as part of management in accordance with civil aviation rules and Company policies.

As of December 31, 2021, the Internal Audit Department of Pegasus comprised the Head of Internal Audit, one Internal Audit Senior Specialist and three Internal Audit Specialist.

D- INFORMATION ON DIRECT AND INDIRECT INVESTMENTS BY PEGASUS IN OTHER VENTURES

The table below lists information relating to the direct subsidiaries and joint ventures of Pegasus as of December 31, 2021. As of December 31, 2021, Pegasus did not have any indirect subsidiaries or joint ventures. Pegasus was not subject to any cross-shareholding in 2020.

Affiliate	Nationality / Area of Activity	Issued Share Capital	Nominal Shareholding	Share %	Affiliation with Pegasus
PAT	Türkiye / Simulated flight training	TL 100,000	TL 100,000	100.00%	Subsidiary
PFTC	Türkiye / Simulated flight training	TL 200,000	TL 98,800	49.40%	Joint Venture
Hitit CS	Türkiye / Information Technologies Solutions	TL 200,000	TL 100,000	50.00%	Joint Venture

E- SHARE BUYBACK TRANSACTIONS

There were no share buyback transactions for the year 2021.

Pursuant to the [Pegasus Share Buyback Policy](#) adopted by the resolution of Board of Directors dated November 20, 2013, and amended on December 16, 2021, Pegasus will implement any share buyback or accepting its own shares as lien in accordance with the mandatory provisions of the Turkish Commercial Code and the rules determined by the Capital Markets Board under the authority granted by the Capital Markets Law and all share buyback transactions are publicly announced within the framework of the regulatory framework.

F- INFORMATION ON SPECIAL AUDIT AND PUBLIC AUDITS DURING THE REPORTING PERIOD

There were no requests for special audit by Pegasus shareholders in 2021.

In 2021, Pegasus was subject to several planned and non-planned investigations and audits by various civil aviation authorities, authorized environment protection, consumer protection, data protection, competition, fiscal and labor bodies in Türkiye and in several other countries where it performs operations, with respect to operational, technical, environmental and regulatory compliance. The operations of the Company may, from time to time, be subject to routine or one-off investigations by other administrative bodies authorized in Türkiye and abroad. As a result of the said inspections and audits the Company paid administrative fines in the amount of TL 3.9 million. Approximately 70% of the stated amount relates to fines imposed by border authorities based on inadmissible passenger (INAD) and advance passenger information system (APIS) regulations.

G- IMPORTANT LEGISLATIVE AND REGULATORY CHANGES THAT MAY HAVE MATERIAL IMPACT ON THE COMPANY'S OPERATIONS

The following legislative and regulatory changes in 2021 were important for the Company's operations and triggered considerable work in terms of compliance planning and execution:

- Significant flight and travel restrictions and bans implemented by sovereign authorities, restricting international flight operations and/or international passenger travel throughout 2021.
- ICAO CART Guidelines, EASA & ECDC COVID-19 Aviation Health Safety Protocol and Turkish General Directorate of Civil Aviation regulations and decisions, outlining mandatory and advisory health precautions for all flight operations and services provided to the passengers throughout 2021.
- Turkish Ministry of Labor Regulation on Remote Work, introduced on March 10, 2021, covering employer responsibility for remote work organization, allocation of remote work tools and precautions applicable to such remote work.

H- LAWSUITS FILED AGAINST PEGASUS WITH A POTENTIAL TO AFFECT THE COMPANY'S FINANCIAL STATUS AND OPERATIONS AND POSSIBLE OUTCOME OF DISPUTES

As of December 31, 2021, Pegasus or its consolidated subsidiaries are not defendants in any lawsuit the outcome of which, alone, is expected to affect the Company's financial status and its operations, especially that would affect the Company's scheduled and unscheduled flight operations. The total risk arising from these lawsuits and the contingency allocation for the said risk as of December 31, 2021, as well as information on lawsuits that have not been made subject to any contingency calculations but, if finalized against Pegasus, may affect the Company's financial status and its shares in subsidiaries negatively are provided in Note 15 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2021. The said financial statements are available in our Investor Relations Website.

I- ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED AGAINST THE COMPANY OR THE BOARD MEMBERS FOR ACTIONS IN VIOLATION OF THE LAW

Save as disclosed in Section 4/F of this Report, there were no administrative or judicial sanctions imposed against Pegasus or our Board members for any action in violation of the law in 2021.

J- EVALUATION OF FULFILMENT OF TARGETS SET OUT BY THE COMPANY, FULFILMENT OF SHAREHOLDER DECISIONS ADOPTED AT THE GENERAL ASSEMBLY MEETING, EXPLANATIONS ON ANY FAILURE TO MEET THE FOREGOING

There are no shareholder decisions adopted at the Annual General Assembly Meeting held in 2021 that are not fulfilled. The operational results of our Company in the year 2021 were periodically shared with the investor community. However, given the unprecedented impact of COVID-19 on the aviation business and therefore the Company's operations, and the significant uncertainty involving industry recovery, the Company did not publish operational or financial targets or guidance for 2022.

K- DATE OF EXTRAORDINARY GENERAL ASSEMBLY MEETINGS HELD IN THE REPORTING PERIOD AND INFORMATION ON DECISIONS ADOPTED AT THE RELEVANT MEETINGS

There were no extraordinary General Assembly meetings held in 2021.

L- INFORMATION ON DONATIONS BY THE COMPANY AND CORPORATE SOCIAL RESPONSIBILITY PROJECTS WHERE THE COMPANY PARTICIPATED IN THE REPORTING PERIOD

Pegasus carried out donations, charitable contributions and social responsibility projects in line with the [Pegasus Donations and Charitable Contributions Policy](#) and the [Pegasus Corporate Social Responsibility Policy](#) in 2021. Both policies are available in our Investor Relations Website.

At the Annual General Assembly Meeting held on April 15, 2021, the General Assembly, in accordance with Article 19 of the Capital Markets Law No. 6362 and Article 11 of the Company Articles of Association, determined the ceiling for donations to be made by the Company in 2021 as TL 5,000,000.

The donations made by the Company as of December 31, 2021, was TL 1,605,972. 91.3% of the total donations were made for solidarity purposes in fighting against the fire outbreak taking place across Türkiye in 2021. The remainder was utilized for education and civil aviation purposes.

M- TRANSACTIONS ENTERED INTO WITH OR UNDERTAKEN BY OR REFRAINED FROM FOR THE BENEFIT OF THE CONTROLLING PARENT COMPANY OR ANY OTHER ENTITY CONTROLLED BY THE CONTROLLING PARENT; WHETHER A REASONABLE CONSIDERATION WAS OBTAINED IN EACH INSTANCE AND WHETHER SUCH TRANSACTIONS HAVE RESULTED IN ANY LOSS FOR THE COMPANY

Pursuant to Article 199 of the Turkish Commercial Code, Pegasus Board of Directors is required to prepare a report with respect to our Company's transactions with its controlling parent Esas Holding and other entities controlled by Esas Holding and disclose the outcome of this report in the Annual Activity Report.

The relevant report prepared by the Company's Board of Directors on March 4, 2022, notes that *"in all transactions between the Company and Esas Holding or its subsidiaries between January 1, 2021 and December 31, 2021, according to the circumstances and conditions known to us at the time the transaction was made or a precaution was taken or not taken, an appropriate consideration was received, there are no precautions the Company has refrained from and there are no transactions or precautions that would require a settlement."*

Information on related party transactions entered into by our Company and our subsidiaries is provided in Note 5 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2021. The said financial statements are available in our Investor Relations Website.

5-FINANCIAL STATUS

A- PEGASUS SHARE

Pegasus shares started trading on Borsa Istanbul on April 26, 2013, at the initial public offer price of TL 18.40. As of December 31, 2021, the indices including Pegasus shares and information on Pegasus shares are as follows:

Issuer	: PEGASUS HAVA TAŞIMACILIĞI A.Ş.
Trade Platforms	: BORSA ISTANBUL (BIST)
Market Segment	: STAR MARKET
Indices	: BIST CORPORATE GOVERNANCE / BIST STARS / BIST ALL SHARES / BIST SUSTAINABILITY / BIST PARTICIPATION 30 / BIST TRANSPORTATION / BIST SERVICES / BIST 100 / BIST PARTICIPATION 100 / BIST 50 / BIST PARTICIPATION ALL SHARES / BIST ISTANBUL / BIST SUSTAINABILITY PARTICIPATION / BIST PARTICIPATION 50 / BIST 30
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Pegasus shares closed the year 2021 at a price of TL 84.95/share with an annual increase of 14% compared to the year-end 2020 closing.

B- ANALYSIS OF FINANCIAL STATUS AND OPERATIONAL RESULTS; SUCCESS IN MEETING PLANNED OPERATIONAL TARGETS AND THE COMPANY'S STRATEGIC POSITIONING WITH RESPECT TO STRATEGIC TARGETS

As of December 31, 2021, Pegasus is the second largest Turkish airline in terms of passengers carried. The Company's performance within the operational and financial targets regularly disclosed in investor presentations is set out in detail in Sections 4/J and 5/C of this Report.

C- SALES AND PROFITABILITY IN THE REPORTING PERIOD, REVENUE GENERATION, DEBT/EQUITY RATIO AND OTHER ASPECTS THAT PROVIDE INFORMATION ON THE COMPANY'S OPERATIONAL RESULTS COMPARED AGAINST PREVIOUS YEARS

Operational and financial results of Pegasus for the period between January 1 – December 31, 2021, compared against the same period in 2019 and the year-over-year changes for the relevant line items are set out in the following charts:

Overall Traffic Results	Jan. – Dec. 2021	Jan. – Dec. 2020	Y-O-Y Change %
Number of passengers (<i>million</i>)	20.16	14.71	37.0
Cycle	138,436	99,289	39.4
Number of seats (<i>million</i>)	26.07	18.45	41.3
Load factor (%)	77.3	79,7	-2.4
ASK ⁽¹⁾ (<i>million</i>)	33,052	22,278	48.4
Passengers per cycle	146	148	-1.7
Avg. daily aircraft utilization (<i>hours</i>) ⁽²⁾	9.4	6.2	52.1

Domestic			
Number of passengers (million)	11.99	9.60	25.0
Cycle	78,266	62,755	24.7
Number of seats (million)	14.70	11.66	26.1
Load factor (%)	81.6	82.3	-0.9
ASK ⁽¹⁾ (million)	11,491	9,164	25.4
Passengers per cycle	153	153	0.2
International			
Number of passengers (million)	8.01	4,99	60.4
Cycle	59,243	35,782	65.6
Number of seats (million)	11.21	6,67	68.1
Load factor (%)	71.4	74.9	-3.4
ASK ⁽¹⁾ (million)	21,348	12,938	65.0
Passengers per cycle	135	139	-3.1
Charter			
Number of passengers (million)	0.16	0.13	24.6
Cycle	927	752	23.3
Number of seats (million)	0.16	0.13	24.6
ASK ⁽¹⁾ (million)	213	177	20.6

⁽¹⁾ Refers to available seat kilometers and is equal to the number of seats available for passengers during a specified period multiplied by the number of kilometers that those seats are flown.

⁽²⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time).

Summary Balance Sheet ('000 TL)	31.12.2021	31.12.2020	Change (%)
Current assets	12,687,115	5,519,473	130%
Non-current assets	40,209,484	23,551,200	71%
Total assets	52,896,599	29,070,673	82%
Current liabilities	12,679,118	6,505,675	95%
Non-current liabilities	33,414,087	17,178,580	95%
Shareholders' equity	6,803,394	5,386,418	26%
Summary P&L ('000 TL)	31.12.2021	31.12.2020	Change (%)
Sales	10,664,407	4,803,560	122%
Gross (loss) / profit	117,538	(1,258,703)	-109%
(Loss) /profit from operations	(611,876)	(1,360,924)	-55%
Operating (loss) / profit before financial income/(expense)	(570,741)	(1,541,589)	-63%
(Loss) / profit before tax	(2,056,786)	(2,024,845)	2%
(Loss) / profit for the period	(1,972,478)	(1,965,097)	0%
(Loss) / profit per share	(19,28)	(19,21)	0%
Changes in Financial Position ('000 TL)	31.12.2021	31.12.2020	Change (%)
Cash and cash equivalents	6,976,780	3,605,571	94%
Financial Investments	2,739,459	234,036	1071%
Financial liabilities	36,665,967	19,012,093	93%
Net debt position ⁽¹⁾	26,949,728	15,172,486	78%

⁽¹⁾ Net debt position = Financial liabilities - Cash and cash equivalents – Financial Investments

We regularly monitor certain non-financial key performance indicators in the performance of our operations that relate to flight safety, carbon emissions, waste management, customer satisfaction, employee composition, professional and organizational development, succession planning, operational efficiency and Board of Directors effectiveness, among others. In 2021, we launched a process to consolidate and share certain aspects of this performance monitoring as part of our Corporate Sustainability actions. While we continue our work to identify better reporting platforms, an overview of these indicators is provided below:

Non-Financial Indicator	ESG	Indicator	Target	2021	2020	2019
CO2 grams per revenue passenger km (RPK)	E	Emissions Intensity	Mid-Term Intensity Target for 2030	70.8	71.1	64.9
CDP Report Score	E	Emissions Reporting	Attain Top 3 Level Score	B	A-	B
Waste Recycle & Reuse Contribution Ratio % for Ground Ops., Technic and Administrative Waste	E	Waste Management	Remain Above 99.50%	99.97%	99.95%	-
Total Passengers Carried (millions)	S	Low-Fare Accessibility	Increase	20.16	14.71	30.76
Destinations and Countries Served	S	Network Accessibility	Increase	120 & 44	111 & 43	111 & 42
Safety Assessment of Foreign Aircraft (SAFA) Ratio	S	Flight Safety Assessment	Do Not Exceed National Average (0.17 for 2021)	0.10	0.13	0.19
% of Female Employees in Workforce	S	Gender Equality	Increase / Minima Target for 2025	31.15%	31.99%	32.02%
Insourced Successor Readiness for Key Positions	S	Succession Planning	-	70%	69%	82%
Turnover Rate in Critical Positions	S	Retaining Employees	-	6.7%	9.1%	3.4%
Employee Trainings Total in Hours and by Subject	S	Personal & Professional Development	-	176,691 & 1,269	-	-
Number of Digitalization Initiatives Reported Annually	S	Digital Airline Proposition	-	17	16	-
% of ESG-linked KPIs in Key Company KPIs	G	ESG Focus on Company Targets	Remain Above 33%	50%	50%	50%
Board & Committee Attendance %	G	Board Effectiveness	-	100%	100%	96.9%
Board & Committee Actions Completed in %	G	Board Effectiveness	-	91.2%	-	-
BIST Corporate Governance Index Rating	G	Governance Performance	-	96.8%	96.3%	96.2%

D- FINANCING SOURCES AND CAPITAL MARKETS INSTRUMENTS ISSUED BY PEGASUS

Pegasus finances approximately 85% of the purchase price for the Boeing and Airbus aircraft acquired by way of financial lease through loans obtained from various banks. As of December 31, 2021, the outstanding balance of the total loans borrowed for the financing of 62 aircraft acquired by way of financial lease is TL 24,244,471,963.

Furthermore, as of December 31, 2021, Pegasus and its subsidiaries had drawn TL 3,596,893,027 on cash loans and TL 1,810,636,579 on non-cash loans under credit lines with various Turkish and foreign banks. These credit lines are open credit facilities that can be generally used for terms ranging from 12 to 24 months. The Company believes it will have access to additional credit lines should it require supplementary short-term financing.

Pegasus issued debts in capital markets as a separate source of financing. Within the issuance limit of TL 2,500,000,000, approved by the Capital Markets Board by its decision dated December 31, 2020, and numbered 79/1617, Pegasus concluded a first tranche issue of domestic bonds with a nominal value of TL 260,000,000 on February 11, 2021. The bonds carrying the ISIN TRSPEGS22218 were issued for a term of 365 days and variable rate interest coupon payment in three-month arrears and will mature on February 11, 2022. In addition, within the issuance limit of USD 750,000,000, approved by the Capital Markets Board by its decision dated April 1, 2021, and numbered 17/524, Pegasus concluded a first tranche issue of Eurobonds with a nominal value of USD 375,000,000 on April 30, 2021. The bonds carrying the ISIN XS2337336445 and US705567AA31 were issued for a term of 1,826 days and variable rate interest coupon payment in six-month arrears and will mature on April 30, 2026.

E- MANAGEMENT BODY EVALUATION AS TO THE COMPANY'S PRESERVATION OF ITS PAID CAPITAL

It is determined that as of December 31, 2021, the issued capital of 102,299,707 TL of the Company is maintained and Pegasus is not insolvent.

F- MEASURES TO IMPROVE THE FINANCIAL STRUCTURE OF THE COMPANY, IF ANY

As of December 31, 2021, the Company's shareholders' equity totaled TL 6,803,393,663.

G- INFORMATION ON DIVIDEND DISTRIBUTION POLICY AND EXPLANATION ON THE USE OF PROFITS IF NOT USED TO PAY DIVIDENDS

[Pegasus Dividend Policy](#), adopted by the shareholders, is published in our Investor Relations Website and comprises the following principles with which Pegasus adheres in terms of dividend distributions:

- 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 targets 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.

Pursuant to our accounts based on Turkish Financial Reporting Standards, the Company incurred net loss for the year 2021 in the amount of TL 1.972.478.349. Therefore, no distributable profit emerged for the year 2021.

The Company Articles of Association do not provide for any privileges in respect of profit distribution.

6- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY

A- INFORMATION ON THE RISK MANAGEMENT POLICY ADOPTED BY PEGASUS WITH RESPECT TO FORSEEABLE RISKS

Our Board of Directors is responsible for protecting the long-term benefits of our Company through a rational and prudent risk management approach by performing optimum balance between risk, growth and returns.

The Committee on the Early Detection of Risks (Risk Committee) assists the Board with respect to the determination in advance, management and mitigation of the risks that may endanger the existence, development and the future of Pegasus.

When performing its risk detection and management duties, the Committee cooperates with other Board Committees and the Company management. In this respect, the Committee works in cooperation with the Audit Committee with respect to risks inherent to financial reporting and internal control mechanisms, with the Corporate Governance Committee with respect to human resources related risks involving the Board and the senior management.

The main risks to which the Company is exposed, the relevant departments responsible for the scrutiny and management of these risks and the measurement tools and tolerance limits applicable to these risks are determined by the Risk Committee. Risk areas thus defined are regularly reviewed, re-evaluated and the mitigating actions implemented by Company management in response to these risks are periodically submitted for the review and evaluation of the Committee. The risk evaluation analysis reviewed by the Committee and recommendations by the Committee are communicated to the Board once every two months.

B- INFORMATION ON THE WORK AND REPORTING OF THE COMMITTEE ON THE EARLY DETECTION OF RISKS

Committee on the Early Detection of Risks (Risk Committee) was established by the resolution of our Board of Directors dated August 17, 2013, and is composed of three members, including the Committee Chairperson. The Committee Charter is available in our Investor Relations Website. In 2021, Agah UĞUR, an independent Board member, acted as the Committee Chairperson while our non-executive Board member Sertaç HAYBAT and Mustafa TERCAN served as members of the Committee.

Pursuant to its Charter, the Committee convenes and adopts decisions by majority. The Committee convenes for meetings at least four times a year. The timing of Committee meetings follows, to the extent possible, the schedule of the meetings of the Board of Directors by having a meeting ahead of each scheduled Board meeting. In case of urgency the Committee may convene for meetings at the request of the chairperson of the Committee or the chairperson of the Board of Directors. In 2021, the Committee held four meetings on March 18, May 26, September 15 and December 14.

The Committee performed duties determined in its Charter and in this respect, established the main principles and review processes with respect to the main risks determined on strategic, operational, financial, legal and other risks that may endanger the existence, development and the future of Pegasus, and the implementation of necessary precautionary measures and the management of detected risks and periodically reports its findings to the Board of Directors. The Committee reported its works and its findings and recommendations on risks faced by the Company to the Board of Directors once every two months in accordance with the provisions of Article 378 of the Turkish Commercial Code.

C- FORWARD LOOKING RISKS WITH RESPECT TO SALES, PROFITABILITY, REVENUE GENERATION, EFFICIENCY, DEBT/EQUITY RATIO AND SIMILAR EVENTS

These have been evaluated as part of the above explanations.

7- OTHER MATTERS

A- STAKEHOLDER INITIATIVES

Overview

In 2021, Pegasus implemented a number of important initiatives aiming to create additional benefit for the investors, employees, customers and the community. These initiatives include the following:

- In 2021 we witnessed the continuing impact of COVID-19 on international aviation and air carriers, affecting passengers, employees and the investor community alike. Pegasus continued to respond to the negative implications of COVID-19 on the industry, on travel, on employee and passenger health and well-being. A wide range of operational, financial, commercial and organizational actions were implemented by Pegasus Management during this period, including the following:
 - Company-wide health, safety and employee well-being measures such as office sanitization, training, protective equipment, home office, flexible work schemes, enhanced remote work capability, personal and professional support.
 - COVID-19 health protocols compliant flight and terminal operations in accordance with World Health Organization, Turkish Ministry of Health, Turkish General Directorate of Civil Aviation, International Civil Aviation Organization (ICAO) and European Aviation Safety Agency (EASA) guidelines and regulations. Pegasus became a signatory to EASA's COVID-19 Aviation Health Safety Protocol published in collaboration with the European Disease Prevention and Control Center (ECDC).

- Management actions for financially sustainable performance focused on sterile operations based on hygiene rules, agile planning, strong focus on CASK and cash management.
- Focused Company training, personal development and personal education programs were developed and implemented for a wide group of participants. Participation of all employees in Company management was actively supported through written company policies and management initiatives in the areas of career planning and development, performance management, improvement of workplace environment and development of creative/innovative business ideas.
- In March 2021, Pegasus joined the world’s leading airlines in the resolution to achieve “Net Zero Carbon Emissions by 2050” approved at the IATA’s 77th Annual General Meeting. In December 2021, Pegasus set its interim carbon emissions intensity target, aiming to reduce flight-related carbon (CO₂) emissions per unit passenger kilometer (RPK) by 20% by 2030 compared to 2019 levels. Since October 2021, Pegasus reports on its monthly carbon emissions statistics benchmarked against past performance, as part of its monthly traffic data communication to the investors.
- Pegasus CEO Mehmet T. NANE was appointed as the Chair of the IATA Board of Governors at the International Air Transport Association’s (IATA) 77th Annual General Assembly. Mr. NANE will commence his term in June 2022. With this appointment, Mr. NANE became a member of IATA’s Chair Committee for three terms as an elected, active and former Chair of the Board of Governors. Mehmet T. NANE became IATA’s first Turkish Chair and also the first IATA Chair appointed from a low-cost carrier IATA member.
- In 2021, Pegasus renewed its commitment for its first comprehensive corporate social responsibility (CSR) project “*We’re Flying to the Future*” for a third term to support ideas around youth empowerment. The project is co-organized by *Sivil Toplum İçin Destek Vakfı*, Support Foundation for Civil Society.¹
- Pegasus actively participated in works relating to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) led by the International Civil Aviation Organization (ICAO).
- Pegasus initiated a zero-waste system in 2021 leading to an average of 5.6 tons of waste per month being separately collected at the Company premises and transferred into the national reuse & recycling system.
- Pegasus introduced a number of new and improved products and services to its customers in 2021. These included wider online capabilities involving 360 Flight Search, Easy Seat, BolBol Program, significant increase in the number and geographical coverage of “*Pegasus Express Baggage*”, the self-baggage drop service and increased capabilities for “*Pegasus 24/7 WhatsApp Support Line*”, providing fast and easy solutions for our passenger’s questions regarding their flights.

The foregoing efforts were recognized by several Turkish and international awards, ratings and recognitions, including the following:

¹ <https://www.yarinlaraucuyorum.com/>

- In January 2022, Pegasus received the ATN Corporate Award at the 2022 Air Transport Awards organized by Hermes – Air Transport Organization and Air Transport News. Pegasus received this accolade based on its leadership and commitment in the areas of sustainability and digitalization.
- In 2021, Pegasus was awarded “Tax Lease Deal of the Year” and “Airline Treasury Team of the Year” at the Airfinance Journal Awards.
- Pegasus Chief Commercial Officer Güliz ÖZTÜRK was awarded “Leader of the Year” in the category of tourism, transportation and hospitality in Leadership in Sales Awards 2021 which organized first time in 2021 at the Sales Network Summit.
- Pegasus received “the World’s Leading Low-Cost Airline” award at the Uzakrota Global Travel Awards.
- In 2021, Pegasus received “Digital Airline of the Year” and “Airline Cabin Crew of the Year” by Bluesky Awards.
- In 2021, Pegasus attained Carbon Disclosure Reporting Project (CDP) reporting score of B and was ranked among the highest-rated airlines, after a continuous CDP reporting of six years. CDP is a voluntary platform focused on combat against climate change.
- In 2021, Pegasus increased its Turkish Capital Markets Board Corporate Governance Principles Compliance Rating to 96.80%, attaining one of the highest compliance scores in Türkiye and becoming the highest rated Turkish aviation stock in the index.

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 in consideration of 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 employees to engage in business management processes. In this respect:

- Within the framework of Pegasus Ethical Behavior Guide, Pegasus undertakes to facilitate for all Employees easy access to their superiors and members of our senior management and actively implements this principle.
- Studies are carried out to improve all matters directly affecting our Company’s profitability and our work environments. Meeting minutes, progress reports and other relevant information and documents are regularly made available to all Employees through our corporate intranet portal.

Human Resources Policy

Pegasus Human Resources aims to develop and implement fair, transparent, sensitive and innovative human resources strategies for sustainable and constantly improving success in business.

Pegasus Human Resources strategy is to be the Company everyone would like to work for in the aviation sector.

To reach our goals:

- Considering the sectoral dynamics, we design and implement solution-oriented human resources practices in line with organizational requirements and talent management strategies.
- By determining the workforce needs accurately and effectively, we aim to manage the organization efficiently and plan the norm staff correctly with a job evaluation system based on the scope and the size of the work.
- We focus on our Company values in all human resources systems and processes that our employees experience during their working life at Pegasus; and aim continuous improvement, expanding the high-performance culture and implementing rewarding practices that will encourage high performance.
- In line with our employee development approach, we determine and measure our goals in our performance evaluation process with concrete and measurable performance indicators. In line with our talent and reward management strategy, we integrate performance evaluation results into our employees' development, compensation and career planning processes.
- We design our fair, transparent and competitive wage management policy based on the total cash approach. We believe that the most distinguishing element in total cash is the performance-based premium.
- We work together to ensure sustainable and profitable growth, and we coordinate our company performance and rewarding systems.
- In order to contribute to our growth and development, we aim to bring high potential people compatible with Pegasus values to our company.
- We follow-up our employees development, do not limit horizontal and vertical career opportunities within the relevant function, and ensure that they are open to all employees.
- We implement innovative applications and platforms for all employees to express their ideas and thoughts. We listen to our employees and try to understand them.

The organization structure of our Company and the performance and rewarding criteria implemented by our Company are announced to our employees and are made available in our corporate intranet portal and in our document management system. The hiring criteria we implement are also determined in writing.

As Pegasus, we are further making the following commitments to our Employees within the scope of the Pegasus Ethical Behavior Guide:

- Maintain honest, respectful, fair and trustful behavior based on reason, conscience and common sense while performing all our activities,
- Establish open, collaborative and friendly relationships in every aspect,
- Uphold, protect and incentivize the protection of the values set out in the Pegasus Ethical Behavior Guide,
- Act in conformity with all applicable laws, rules and regulations,

- Act honestly and ethical in case of conflicts of interest between responsibilities towards Pegasus and personal interests,
- Provide full, accurate and comprehensible information in the reports and documents which are made public or sent to the registered regulatory bodies,
- Work to preserve a Company culture and a working environment that promotes the ethical principles set out in the Ethical Behavior Guide in order to achieve Company targets, provide safety and satisfaction to our guests.

Ethical Rules and Social Responsibility

Following the initial public offering of its shares in April 2013, Pegasus published its first set of ethical rules, the Pegasus Rules of Business Ethics on December 4, 2013. The document was later superseded on December 15, 2016, by the Pegasus Ethical Behavior Guide, which includes more comprehensive and explanatory rules of ethical behavior especially for our employees, has been adopted in the same date. Information on the [Pegasus Ethical Behavior Guide](#) is published on the Public Disclosure Platform and is available in our Investor Relations Website.

[Pegasus Corporate Social Responsibility Policy](#) was adopted by the decision of our Board of Directors dated November 20, 2013, and has subsequently been published in our Investor Relations Website and the Public Disclosure Platform November 22, 2013.

Pegasus Ethical Behavior Guide defines Rules of Ethical Behavior as honest, respectful, fair and trustful behavior based on reason, conscience and common sense when interacting with Pegasus employees, guests, customers, suppliers and other persons and entities we work and interact with and sets this as the basis of all of its relations. Pegasus Ethical Behavior Guide covers all Pegasus employees, including all Pegasus Directors and employees and the directors and employees of our subsidiaries. Pegasus Ethical Behavior Guide determines the framework of the system which is implemented for the responsibilities of both our Company and employees, the implementation of the rules and resolution of conflicts.

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.

B- MATERIAL EVENTS TAKING PLACE AFTER PERIOD END THAT MAY AFFECT THE RIGHTS AND BENEFITS OF THE SHAREHOLDERS, CREDITORS AND OTHER RELATED PERSONS AND ENTITIES

In accordance with the proposal of the Corporate Governance Committee, the Board of Directors resolved on January 31, 2022, on the appointment of Mr. David Alexander Florenz VISMANS to succeed Mr. Michael Glyn POWELL for the remainder of his term of office, subject to the approval of our shareholders at the next General Assembly meeting, in accordance with the provisions of Article 363 of the Turkish Commercial Code.

The Board of Directors resolved on the financing of 20 Airbus A321neo aircraft scheduled for delivery between February and December 2022, as part of the 2012 Airbus Order. The financing method and terms and lender(s) will be determined by Company management for the all or different parts of the incoming batch based on an RFP process and changes in the Company's financing obligations will be communicated to our investors through future Financial Reports where financial instruments / financial lease liabilities are reported. The 2012 Airbus Order refers to our 100-aircraft order placed with Airbus in 2012 and under which the option for certain aircraft were converted to firm orders, covering a firm

purchase commitment for 42 Airbus A320neo and 58 Airbus A321neo aircraft. In addition to the existing aircraft orders, another 6 Airbus A321neo aircraft was added to the 2012 Airbus Order in 2021.

The Company's debut domestic bonds issued to domestic qualified investors on February 11, 2021, matured on February 11, 2022. The fourth and final coupon payment and principal repayment for the bonds with TRSPEGS22218 ISIN code, TL 260 million nominal amount and quarterly floating rate coupon payments, was made on February 11, 2022.

On February 17, 2022, the Capital Markets Board announced its approval of the prospectus filed regarding the initial public offering of shares by Hitit CS. Following book-building carried out on February 23-24-25, 2022, the initial public offering was completed based on a share price of TL 12.25 for each share with a nominal value of TL 1.00 and for a total offering size of TL 431,105,773. Group C Hitit CS shares were admitted to trading on the Star Market of Borsa İstanbul on March 3, 2022. The company's shareholding structure changed shown below following the initial public offering:

Name/SURNAME or Commercial Title of Shareholder	Share Group	Pre-IPO		Post-IPO	
		Nominal Capital (TL)	(%)	Nominal Capital (TL)	(%)
Fatma Nur GÖKMAN	A	29,076.922	29.08%	29,076,922	22.81%
Dilek OVACIK	A	6,000.000	6.00%	6,000,000	4.71%
Hakan ÜNLÜ	A	5,538.462	5.54%	5,538,462	4.34%
Özkan DÜLGER	A	5,538.462	5.54%	5,538,462	4.34%
Pegasus Hava Taşımacılığı A.Ş.	B	46,153.846	46.15%	46,153,846	36.20%
Fatma Nur GÖKMAN	C	2,423.078	2.42%	-	-
Dilek OVACIK	C	500,000	0.50%	-	-
Hakan ÜNLÜ	C	461,538	0.46%	-	-
Özkan DÜLGER	C	461,538	0.46%	-	-
Pegasus Hava Taşımacılığı A.Ş.	C	3,846,154	3.85%	-	-
Halka Açık Kısım	C	-	-	35,192,308	27.6%
Toplam		100,000,000	100.00%	127,500,000	100.0%

On February 18, 2022, International credit rating agency Fitch Ratings Limited (Fitch) affirmed the Company's long term credit rating (IDR), previously announced on 19.04.2021, as BB- (negative outlook). Fitch also affirmed its BB- (negative outlook) rating for the foreign-currency senior unsecured bonds issued by the Company to investors outside of Türkiye and indicated in our Material Event Disclosure dated 19.04.2021.

C- OTHER MATTERS AND ADDITIONAL INFORMATION THAT ARE NOT INCLUDED IN THE FINANCIAL STATEMENTS THAT MAY STILL BE HELPFUL FOR INTERESTED PARTIES

The following annexes have been incorporated into this Report by reference:

- **Annex-1:** Pegasus Corporate Governance Compliance Statement for the year 2021
- **Annex-2:** Information on Duties Assumed Elsewhere by Pegasus Board Members in 2021
- **Annex-3:** Independency Statements of Pegasus Independent Board Members
- **Annex-4:** 2021 Financial Report Responsibility Statement
- **Annex-5:** Pegasus Corporate Sustainability Report

ANNEX-1

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT FOR THE YEAR 2021

Pegasus enjoys a rich corporate governance culture that is shaped by a welcoming approach and desire for continuous improvement, and fostered by shareholders, board members, senior management and professional advisors. Pegasus is proud of its heritage of good corporate governance practices some of which date back to the launch of its low-cost scheduled flights business in 2005. These are outlined by a strong and independent board of directors with a global perspective on aviation, a strategy-driven, highly-motivated and successful management and staff and an accountable and transparent shareholder and stakeholder communication.

Following the initial public offering of its shares in April 2013, Pegasus achieved full compliance with the mandatory Corporate Governance Principles published by the Capital Markets Board and substantially complied with the non-mandatory Corporate Governance Principles. Pegasus is the only member of the BIST Corporate Governance Index to have obtained a qualifying corporate governance compliance rating within the same year of its initial public offering and has constantly improved its corporate governance compliance rating over the years.

In the previous years, Pegasus published its Corporate Governance Compliance Reports as an annex to the Annual Report of the Board of Directors in the narrative form then prescribed by the Capital Markets Board. Since 2019, corporate governance compliance is reported through the Compliance Report Format (*URF*) and the Corporate Governance Information Document (*KYBF*) accessible through the Public Disclosure Platform (<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1710-pegasus-hava-tasimaciligi-a-s>).

While certain information on shareholders, shareholder relations, board structure and functions, risk management and internal controls is provided in the relevant sections of the Annual Report, detailed information on corporate governance compliance is available in the Compliance Report Format and the Corporate Governance Information Document. Pegasus is committed to explain its approach on each principle in the referred documents and not only on those principles which are not fully complied by Pegasus.

The Corporate Governance Principles determined by the Capital Markets Board comprise of 97 principles, 24 of which are mandatory principles for Pegasus, which is classified as a Group 1 Company in terms of the implementation of the Capital Markets Board Corporate Governance Communiqué No. II-17.1.

In 2021, the Corporate Governance Principles were fully complied by Pegasus, subject to the following exceptions. Deviations from recommended practices, reasons for such deviations, alternative measures being implemented, and an outlook for the year 2022 are presented for each of these principles in the Compliance Report Format (*URF*).

Pegasus will continue its efforts to further improve its corporate governance actions within the framework of the corporate governance principles published by the Capital Markets Board, including limited number of non-fully complied voluntary principles.

- 1.3.10 (Partial Compliance) – The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.
- 1.5.2 (No Compliance) – The Articles of Association extend the use of minority rights to those who own less than 1/20 of the outstanding shares and expand the scope of the minority rights.
- 1.7.1 (Partial Compliance) – There are no restrictions preventing shares from being transferred.
- 3.2.1 (Partial Compliance) – The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.
- 3.2.2 (Partial Compliance) – Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.
- 3.3.5 (Partial Compliance) – Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.
- 3.3.8 (Partial Compliance) – The efficient recognition of freedom of association and collective bargaining rights is supported.
- 4.2.8 (No Compliance) – Risk of Company loss caused by the fault of the members of the Board of Directors is insured for a value exceeding 25% of the company capital and insurance coverage is announced on the Public Disclosure Platform.
- 4.5.5 (Partial Compliance) – Board members serve in only one of the Board's committees.
- 4.6.5 (Partial Compliance) – The individual remuneration of board members and executives is disclosed in the annual report.

Pursuant to the amendments published in the Official Gazette dated October 2, 2020, and numbered 31262, *“requirements to announce if the company implements sustainability principles, to provide reasoned explanations if they are not, description of impact on environmental and social risk management due to partial or no compliance in the annual report”* was incorporated into the Communiqué. Our activities within the scope of the “Sustainability Principles Compliance Framework” adopted by the Turkish Capital Markets Board are reported in a consolidated manner as part of our 2021 Sustainability Report (Annex-5).

ANNEX-2

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ MEMBERS OF THE BOARD OF DIRECTORS DUTIES ASSUMED ELSEWHERE IN 2021

The résumés and information on duties assumed elsewhere in 2021 for each Board member is provided in this Annex.

Ali İsmail SABANCI	Chairperson of the Board
<p>Ali İsmail SABANCI serves as the Chairperson of our Board of Directors since January 2005. He previously held several positions at Morgan Stanley & Co. Incorporated and AK bank T.A.Ş. between 1991 and 1997. He also served as the head of projects of Hacı Ömer Sabancı Holding A.Ş. between 1987 and 2001 and as the executive assistant general manager for strategy and business development between 2001 and 2004. Ali SABANCI served as a member of the board of directors of Esas Holding between 2004 and 2019, since 2019 he serves as the Chairperson of the Board of Esas Holding. He serves as a board member of 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 Chairperson of Young Entrepreneurs Board within the Union of Chambers and Commodities and also member to Istanbul Chamber of Industry (ISO) and Turkish American Business Association – American Chamber of Commerce (TABA – AmCham).</p>	
<i>Duties Assumed Elsewhere in 2021</i>	
1.	Esas Holding A.Ş. (Group Company) Chairperson
2.	Esas Burda Turizm ve İnş. San. Tic. A.Ş. (Group Company) Board Member
3.	Ayakkabı Dünyası Kun. San. ve Tic. A.Ş. (Group Company) Chairperson
4.	Kauçuk Yiyecek İçecek Hizmetleri Tic. A.Ş. Vice-chairperson
5.	Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company) Vice-chairperson
6.	Mars Spor Kulübü ve Tesisler İş. A.Ş. (Group Company) Vice-chairperson
7.	Beyoğlu Gazozu İçecek A.Ş. Board Member
8.	VCSA Teknolojik Yatırımlar ve Danışmanlık Hiz. A.Ş. Chairperson
9.	Sosyal Ağlar Elektronik Ticaret A.Ş. Board Member
10.	Esas Venture Capital Teknoloji Yatırımları A.Ş. Chairperson
11.	Kiraz 1 Gayrimenkul ve Yat. Dan. A.Ş. (Group Company) Chairperson
12.	Lotus İç ve Dış Tic. Yatçılık A.Ş. Board Member

Hüseyin Çağatay ÖZDOĞRU	Vice-Chairperson of the Board
<p>Hüseyin Çağatay ÖZDOĞRU served as a member of our Board of Directors since February 2007 and since March 2010 he serves as the Vice-Chairperson of the Board. Between 1991 and 2002 he served in a wide range of IT firms in Türkiye 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</p>	

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.

Duties Assumed Elsewhere in 2021

1.	Esas Holding A.Ş. (Group Company)	Board Member & CEO
2.	Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Board Member
3.	Mars Spor Kulübü ve Tesisleri İş. A.Ş. (Group Company)	Board Member
4.	Ayakkabı Dünyası Kun. San. ve Tic. A.Ş. (Group Company)	Vice-chairperson
5.	Esas Hava Taşımacılık Tur. ve Tic. A.Ş. (Group Company)	Chairperson
6.	Kiraz 1 Gayrimenkul ve Yat. Dan. A.Ş. (Group Company)	Board Member
7.	Kauçuk Yiyecek İçecek Hizm. Tic. A.Ş.	Board Member
8.	Denkar Denizcilik A.Ş. (Group Company)	Chairperson
9.	Multimarka Ayakk. San. Ve Tic. A.Ş. (Group Company)	Chairperson
10.	Koroza Ambalaj San. Tic. A.Ş. (Group Company)	Board Member
11.	Bekal Yönetim Danışmanlığı A.Ş.	Chairperson
12.	Lotus İç ve Dış Tic. Yatçılık A.Ş.	Board Member
13.	Esasburda Turizm ve İnşaat San. Tic. A.Ş.	Board Member

Sertaç HAYBAT

Non-Executive Board Member

Sertaç HAYBAT, served as our General Manager (CEO) between 2005 and 2016 and continues to serve as 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 Chairperson of Turkish Private Aviation Enterprises Association (TOSHID) in December 2012 and held this position until 2014. Sertaç HAYBAT also serves as a board member at Flybondi Limited.

Duties Assumed Elsewhere in 2021

1.	Flybondi Limited, U.K.	Board Member
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M. Cem KOZLU

Non-Executive Board Member

Mehmet Cem KOZLU served as an independent member of our Board of Directors between 2013 and 2020 and continues to serve as a non-executive member of our Board of Directors since April 2020. Cem KOZLU served as the chairperson of the board of directors and CEO at Türk Hava Yolları A.O. between 1988 and 1991 and in 1990 he also served as the chairperson of the Association of European Airlines. After having served as a member of the Turkish Parliament between 1991 and 1995, he took a second term as the chairperson 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. He served as consultant to Coca-Cola Eurasia and Africa Group between 2007 - 2015. Cem KOZLU served as the chairperson 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.

Duties Assumed Elsewhere in 2021

1.	Kamil Yazıcı Yönetim ve Danışma A.Ş.	Board Member
2.	Türkiye Şişe ve Cam Fabrikaları A.Ş.	Independent Board Member
3.	Anadolu Efes Biracılık Malt Sanayii A.Ş.	Board Member
4.	Global İlişkiler Forumu	Chairperson
5.	Koç Holding A.Ş.	Independent Board Member

Agah UĞUR

Independent Board Member

Agah UĞUR joined Pegasus as a non-executive director in August 2019 and continues to serve as an independent member of Board of Directors since April 2020. Agah UĞUR worked in accountancy, consulting and banking firms in England and Türkiye before joining Borusan Group in 1989 as its CFO. He assumed the role of Borusan Holding CEO in 1995; served as the Borusan Group CEO between 2001 and 2018 and he continues to serve as advisor to the chairman and board member at Borusan Holding. Agah UĞUR held and continues to hold several board and advisory board positions in NGOs. Currently he is a member of TUSIAD's High Advisory Council, a board member at the Turkish American Business Council, member of the Board of Trustees of Sabancı University, member of the advisory council of Bahçeşehir University and member of the advisory board of Columbia University Istanbul Global Center. Agah UĞUR holds a bachelor's degree in industrial engineering obtained from the University of Birmingham in the U.K. and qualified as chartered accountant in England in 1985.

Duties Assumed Elsewhere in 2021

1.	Doğan Holding A.Ş.	Vice-Chairperson
2.	Sabancı Üniversitesi	Member of the Board of Trustees
3.	Türk Sanayiciler ve İş İnsanları Derneği	Member of High Advisory Council
4.	Saha Derneği	Vice-chairperson
5.	Columbia Üniversitesi İstanbul Global Center	Member of Advisory Board
6.	Alcatel Lucent Teletaş Telekomünikasyon A.Ş.	Independent Board Member
7.	Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Independent Board Member
8.	Makine Takım Endüstrisi A.Ş.	Independent Board Member
9.	Efes Pazarlama ve Dağıtım Ticaret A.Ş.	Board Member
10.	Coca Cola İçecek A.Ş.	Board Member

H. Zeynep Bodur OKYAY

Independent Board Member

Zeynep Bodur OKYAY joined Pegasus as a non-executive director on July 14, 2016 and continues to serve as an independent director since October 2016. Since 1992, Zeynep Bodur OKYAY held a number of duties at the Kale Group with investments in ceramics, construction materials, construction chemicals, defense and aviation, machinery, energy, mining, transportation and IT. Having assumed several roles as part of ceramics production planning and production management between 1992 and 1995, she was later appointed as the president and executive committee member of the group's marketing companies and since 2007, serves as the president and CEO of the Kale Group. Zeynep Bodur OKYAY holds

a bachelor's degree in management engineering obtained from the Istanbul Technical University and has completed the management program master's degree at Harvard University. Among her active duties assumed in various non-governmental organizations, associations, foundations and chambers, Zeynep Bodur OKYAY serves as the chairperson of the general assembly of the Istanbul Chamber of Industry, vice-chairperson of the Economic Development Foundation, board member of the Foreign Economic Relations Board, and vice-chairperson of the female entrepreneurs board of the Union of Chambers and Commodity Exchanges.

Duties Assumed Elsewhere in 2021

1.	H. İbrahim Bodur Holding A.Ş.	Executive Chairperson
2.	Kale Holding A.Ş.	Executive Chairperson
3.	Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş.	Executive Chairperson
4.	Kale Havacılık Sanayi A.Ş.	Executive Chairperson
5.	Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	Executive Chairperson
6.	Bodur Gayrimenkul Geliştirme A.Ş.	Executive Chairperson
7.	Bodur Menkul İş Geliştirme Sanayi ve Ticaret A.Ş.	Executive Chairperson
8.	Kale Sanayi Arazileri Geliştirme ve Yönetim A.Ş.	Executive Chairperson
9.	Mavruz Tarım A.Ş.	Executive Chairperson

Stephen M. GRIFFITHS

Independent Board Member

Stephen Mark GRIFFITHS joined Pegasus as a non-executive member of the Board of Directors on November 11, 2016 and has served as an independent director since January 2017. Between October 2018 – June 2020, Steve GRIFFITHS acted as the Chief Operating Officer and since June 2020, he serves as managing director for London Stansted Airport as part of the Manchester Airport Group, and has considerable executive experience in the aviation sector. Between 2015 and 2017, Steve GRIFFITHS was the Chief Operating Officer of the London Underground. Between 1995 and 2013, Steve GRIFFITHS served in various positions at Virgin Atlantic Airways Limited. Between March 2009 and June 2013, Steve GRIFFITHS was the Chief Operating Officer of Virgin Atlantic, responsible for the safe, efficient and cost-effective delivery of the airline operations and customer service promise, with leadership responsibility for 6,500 employees in flight operations, engineering, airports, cargo, pilots, cabin crew, safety and security and customer experience. Prior to that, Steve GRIFFITHS served as director of engineering between 2007 and 2009 and undertook various senior engineering positions between 1995 and 2007. Between 1986 and 1995, Steve GRIFFITHS served as senior service engineer at Rolls Royce plc.

Duties Assumed Elsewhere in 2021

1.	London Stansted Airport, U.K.	Managing Director
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Michael G. POWELL

Non-Executive Board Member

Michael Glyn POWELL served as non-executive member for the Board of Directors since April 2018 and resigned as member of the Board of Directors on November 2, 2021. Mike POWELL has significant experience implementing the LCC business model and since June 2017, he has served as executive chairperson and interim CFO of the Flybondi Group. Between December 2015 and June 2007, Mike POWELL served as the CFO of the WizzAir Group, and between 2007 and 1997, he had experience in the equity market as head of aviation research and fund manager. Mike POWELL has a degree in Management Sciences

from the University of Manchester. Mike POWELL is a citizen and resident of the United Kingdom.

Duties Assumed Elsewhere in 2021

- | | | |
|----|------------------------|-------------------------|
| 1. | Flybondi Limited, U.K. | Executive Chairperson |
| 2. | Volatea | Chief Financial Officer |

ANNEX-3

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ INDEPENDENT BOARD MEMBERS' INDEPENDENCE STATEMENTS FOR 2021

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "**Company**"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Türkiye as part of the Corporate Governance Communiqué No. II-17.1 (the "**Communiqué**") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

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

- (a) No employment in a management position undertaking important duties and responsibilities, equity⁽¹⁾ or an important commercial relationship⁽²⁾ 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 public company, other companies controlled⁽³⁾ or materially influenced⁽⁴⁾ by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) 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,
- (d) 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,
- (e) The independent director should be residing in Türkiye⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (f) 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 taking the rights of stakeholders into consideration;
- (g) 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;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

*H. Zeynep Bodur OKYAY
Independent Board Member*

*Stephen M. GRIFFITHS
Independent Board Member*

*Agah UĞUR
Independent Board Member*

⁽¹⁾ Equity relationship covers instances where more than 5% of the capital, voting rights or the total number of privileged shares are owned, alone or together with others listed in this sub-paragraph

⁽²⁾ Commercial relationship will be deemed important if the revenue or earning before tax derived from the transaction by either party represents 20% or more of its/his/her revenue or earning before tax from the same type of transactions

⁽³⁾ (Management) Control will be determined based on Turkish Financial Reporting Standard 10 Consolidated Financial Statements.

⁽⁴⁾ Material Influence will be determined based on Turkish Accounting Standard 28 Investments in Associates and Joint Ventures

⁽⁵⁾ Individuals are considered residents in Türkiye, if (i) they are domiciled in Türkiye in accordance with the Turkish Civil Code No. 4721, or (ii) they stay in Türkiye for more than 6 months in a calendar year.

⁽⁶⁾ Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion

ANNEX-4

RESPONSIBILITY STATEMENT AS PER ARTICLE 9 OF THE COMMUNIQUÉ NO. II-14.1 OF THE CAPITAL MARKETS BOARD

The audited consolidated financial statements and the annual activity report of the Board of Directors for the period between January 1, 2021 and December 31, 2021, prepared in accordance with the Capital Markets Board Communiqué No: II-14.1 and approved by the Board of Directors by its decision dated March 4, 2022 and numbered 732 have been provided in the annex hereto.

We hereby inform you that the Consolidated Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, together with the notes thereto, the Annual Activity Report, the Corporate Governance Compliance Statement annexed thereto and the Corporate Governance Compliance Report (KYR) and the Corporate Governance Information Form (KYBF) referred to in the statement, prepared in accordance with the Capital Markets Board decision dated January 10, 2019 and numbered 2/49, in accordance with the regulations of the Capital Markets Board:

- a) Have been reviewed by us;
- b) Based on the information available to us as a result of our duty at the Company, do not contain any incorrect disclosure on material issues or any insufficiencies that may be misleading as of the date the disclosure is made;
- c) Based on the information available to us as a result of our duty at the Company, the financial statements prepared in accordance with the applicable financial reporting standards and based on the principle of consolidation, reflect fairly on the Company's assets, liabilities, financial standing and profit/loss for the relevant period, and the activity report, again based on the principle of consolidation, reflect fairly on the development of the business, performance and the important risks and uncertainties faced by the Company;

and we hereby declare our responsibility for this statement.

Respectfully yours,

H. Zeynep Bodur OKYAY
Chairperson of the Audit
Committee and Board Member

Agah UĞUR
Audit Committee and
Board Member

M. Barbaros KUBATOĞLU
Senior Vice-President,
Finance & CFO

ANNEX-5

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ CORPORATE SUSTAINABILITY REPORT FOR THE YEAR 2020 CONTINUES ON THE NEXT PAGE.

We didn't start aviation in Turkey but
we transformed it!

