



PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – DECEMBER 31, 2022

MARCH 6, 2023

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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 2022.

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 6, 2023 on the full set consolidated financial statements of the Group for the period of 1 January – 31 December 2022.

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.



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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 6, 2023
Istanbul, Turkey

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2022

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 Airlines Board of Directors.
- **“Company”** or **“Pegasus Airlines”** refers to Pegasus Hava Taşımacılığı A.Ş., more fully described in Section 1/A of this Report.
- **“Esas Holding”** or **“Esas”** 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 Airlines Board of Directors.

1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS AIRLINES

Reporting Period	: January 1, 2022 – December 31, 2022
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 AIRLINES

We operate in line with the strategic targets determined by our Board of Directors in accordance with our aim of being: *“To be a leading low-cost carrier across the industry, providing safe and easy travel with low fares”* and our motto: *“Everybody has the right to fly.”*

Our strategic targets are underpinned by our key corporate values: Innovation, People Orientation, Competitiveness, Result Orientation, and Effectiveness & Efficiency.

Our annual budget is approved by our Board of Directors before each fiscal year. Our operational and financial results are monitored by the Board of Directors on a regular basis, against budgeted targets. The Board of Directors reviews our 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 AIRLINES

Our issued capital is ₺102,299,707 and our authorized capital ceiling is ₺500,000,000. Information on our capital and shareholding structure as of January 1, 2022, and December 31, 2022, respectively, is shown in the table below.

<i>Shareholder</i>	<i>January 1, 2022</i>		<i>December 31, 2022*</i>	
	<i>Number of Shares</i>	<i>Shareholding Ratio</i>	<i>Number of Shares</i>	<i>Shareholding Ratio</i>
Esas Holding	64,353,570	62.91%	57,959,838	56.66%
Publicly Traded	35,321,707	34.53%	42,482,689	41.53%
Emine KAMIŞLI	874,810	0.86%	619,060	0.61%
Ali İsmail SABANCI	874,810	0.86%	619,060	0.61%
Kazım KÖSEOĞLU	437,405	0.43%	309,530	0.30%
Can KÖSEOĞLU	437,405	0.43%	309,530	0.30%
Total	102,299,707	100.00%	102,299,707	100.00%

On November 17, 2022, Esas Holding and the individual shareholders listed above successfully completed the sale as an accelerated book-building transaction to qualified institutional investors of shares corresponding to 7.00% of the Company capital. Consequently, the publicly traded portion of the Company capital increased to 41.53%.

As of December 31, 2022, Esas Holding is the controlling shareholder of Pegasus Airlines. Established in 2000, Esas Holding is the largest family-owned investment firm in Türkiye and is backed by the first- and second-generation family members of Şevket SABANCI, one of the five founding members of H. Ö. Sabancı Holding A.Ş., a leading Turkish conglomerate. With offices in Istanbul and London, Esas invests in various asset classes globally including private equity, real estate, venture capital and public markets.

Our Company's management organization chart as of December 31, 2022, is provided in Section 1/F of this Report.

D- INFORMATION ON BUSINESS ACTIVITIES

We are the leading low-cost airline in Türkiye. We operated charter flights since 1990. Following our acquisition by Esas at the beginning of 2005, we changed our 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, we experienced rapid expansion of our operations both in domestic and international routes. Between 2009 and 2019, our cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market. We operate a growing young and modern fleet of 96 aircraft with 4.37 average aircraft age as of December 31, 2022.

We provide high-frequency services on short- and medium-haul, point-to-point, and transit routes on its domestic and international network primarily from our main hub in Istanbul Sabiha Gökçen International Airport. As of December 31, 2022, we offered scheduled passenger services on 36 domestic routes in Türkiye and 90 international routes to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 126 destinations in 47 different countries.

Our 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 2022, our CASK, non-fuel was recorded as €2.18, while revenue recorded from ancillary

services constituted 26% of total revenue for the period. In 2022, we 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 3% of total revenue for the period.

E- INFORMATION ON PRIVILEGED SHARES

We do not have any privileged shares. Therefore, there are no voting privileges attached to Pegasus Airlines 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 AIRLINES EMPLOYEES

a)- Management Body: Our management body 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. Also, pursuant to the Principles, one third of the members of the Board must fulfill the independence criteria determined by the Turkish Capital Markets Board.

Four independent members served in our Board of Directors between January and October 2022, and five independent members serve in our Board of Directors since October 2022. All independent Board members were nominated by the Corporate Governance Committee, and each nominee obtained the Capital Markets Board non-objection before taking office as an independent Board member. Concluding 2022 with five independent Board members, we stood out among BIST Corporate Governance Index participants in terms of nominal number and 62.5% share of independent board members. Our Board of Directors has also fulfilled the 25% female representation target set out in the Policy on Representation in the Board of Directors as of September 2022.

Apart from independent Board members, one other member served in the capacity of non-executive Board member in 2022.

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	-
Mehmet Tevfik NANE	Vice-Chairperson of the Board (Managing Director)	2022	-
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.
Agah UĞUR	Independent Board Member	2019	Chair, Risk Comm. Member, Audit Comm.
David Alexander Florenz VISMANS	Independent Board Member ⁽²⁾	2022	Member, Corp. Gov. Comm. Member, Risk Comm.
Ayşegül İLDENİZ	Independent Board Member ⁽³⁾	2022	-

⁽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 March 31, 2022.

⁽²⁾ Hüseyin Çağatay ÖZDOĞRU resigned from his duty on September 16, 2022. Ayşegül İLDENİZ was appointed as a Board member on the same date subject to the approval of the shareholders at the Annual General Assembly Meeting for 2022. The Capital Markets Board non-objection for Ayşegül İLDENİZ to serve as an Independent Board member issued on October 7, 2022.

Information on the duties assumed elsewhere by our Board members in 2022 is provided in **Annex-2** to this Report. Independency statements by our independent Board members are provided in **Annex-3** to this Report.

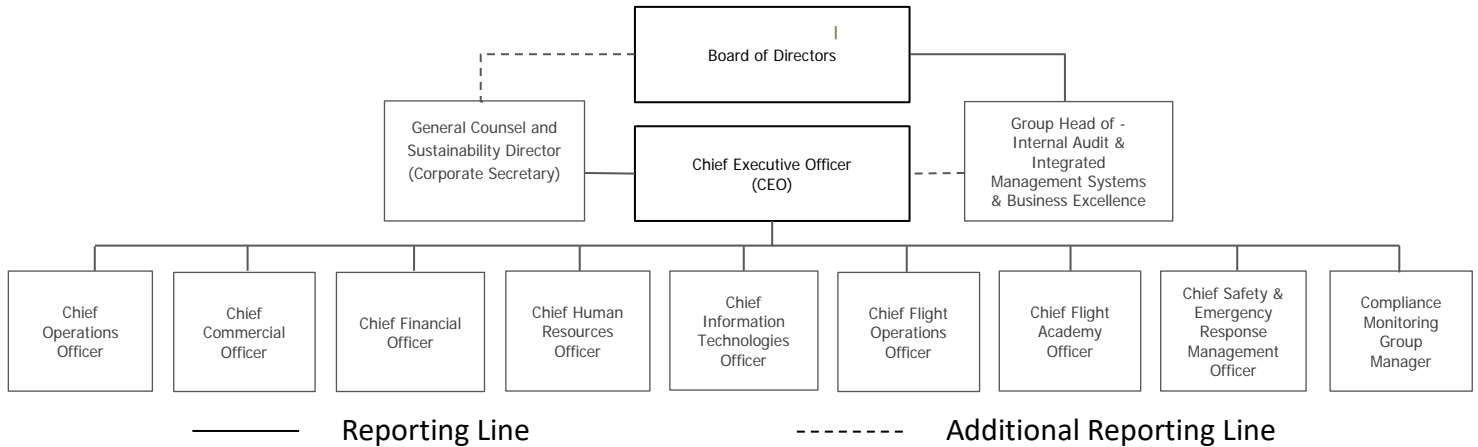
b)- Senior Management: Our senior management comprises the General Manager (CEO) and department heads directly reporting to the CEO. Information on Pegasus senior management and their duties as of December 31, 2022, is provided in the following chart.

Name / SURNAME	Duty	Serves Since (1)	Serves in Position Since (2)
Güliz ÖZTÜRK	Chief Executive Officer	2005	2022
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Onur DEDEKÖYLÜ	Chief Commercial Officer	2010	2022
Ergün DEMİRCİ	Chief Operations Officer	2013	2022
Gençer KARATEPE	Chief Flight Operations Officer	2018	2020
Dilara OĞUR	Chief Human Resources Officer	2015	2015
Barış FINDIK	Chief Information Technologies Officer	2017	2017
Murat TÜNEY	Chief Safety Management & Emergency Response Management Officer	2011	2020
Yavuz Selim ÖZMEN	Chief Flight Academy Officer	2016	2020
Ali UZUN	General Counsel and Sustainability Director	2013	2022
Sinan Onur ÖZTUNA	Compliance Monitoring Group Manager	2016	2020
Tayfun BORA	Airline Security Group Manager	2003	2020
Özgür DİNÇER	Group Head of – Internal Audit & Integrated Management Systems and Business Excellence	2017	2017

(1) Indicates service in Pegasus Airlines Group Companies.

(2) Indicates service in the stated duty.

Our management organization chart is shown below:



c)- Number of Employees: The total number of our full-time employees, including the employees of our consolidated subsidiary defined in Section 4/D of this Report, as of December 31, 2022, was 6,765. This number includes the members of our senior management listed above. There are no employees under a collective bargaining agreement.

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

At the Annual General Assembly Meeting held on March 31, 2022, our shareholders authorized our Board members, in accordance with Articles 395 and 396 of the Turkish Commercial Code No. 6102, to enter transactions with Pegasus Airlines on their own behalf and on behalf of others and to engage in commercial business falling within the area of activity of Pegasus Airlines.

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 Airlines 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 us in 2022 was provided in Note 5 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2022, "Related Party Transactions".

In 2022, several Board members held executive and non-executive duties in entities that operate in the field of aviation. None of these entities competed with or entered into a significant transaction with us in a manner that would fall within the scope of Principle 1.3.6.

- Our Vice-Chairperson of the Board and Managing Director Mehmet Tefvik NANE served as a non-executive board member of Flybondi Limited (United Kingdom), investing in the first low-cost airline based in Argentina.
- Between January and October 2022, 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). Stephen Mark GRIFFITHS served as managing director at East Midlands Airport and Group Operational Transformation Director, again, as part of the Manchester Airports Group (United Kingdom) between October and December 2022.
- 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 above transactions and engagements do not create any conflict of interest for us or our subsidiaries.

We act diligently to prevent any conflict of interests with the entities providing us services such as investment advice, corporate governance advice and rating services. In 2022, 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:

- provides entrepreneurial leadership of the Company by taking decisions and guiding and overseeing the Company management, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus Airlines with a diligent risk-management approach;
- guides corporate strategy, determines the human and financial resources required by Pegasus Airlines and approves the Company's annual budget, and while preventing conflicts of interest and balancing competing demands on Pegasus Airlines, supervises the performance of Pegasus Airlines and its management; and
- supervises the compliance of Pegasus Airlines' operations with the applicable legislation, the Articles of Association, the internal regulations, and corporate policies.

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.

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 quorum requirements of the 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 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 signed by a sufficient number of Board members and are kept in the Resolution Ledger of the Board of Directors.

In 2022, the Board held four meetings on March 17, June 1, September 15-16, and December 15, 2022. Based on the resolution of our Board of Directors dated March 31, 2022, Audit Committee, Corporate Governance and Risk Committee duties were identified as follows.

Audit Committee		
Chairperson	H. 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	David A. F. VISMANS	<i>Independent 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	David A. F. VISMANS	<i>Independent 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 Board Committee.

In accordance with the requirements of the Principles, all the members of the Audit Committee and the chairpersons of the Corporate Governance and Risk Committees are appointed from among independent Board members. Executive Board members assume no active duty in these Committees. Our Board did not establish separate Compensation and Nomination Committees, and, in accordance with the Principles, the duties pertaining to such functions are assumed by the Corporate Governance Committee.

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

Summary of the work undertaken by the Board Committees is provided below.

Audit Committee

The Audit Committee held four meetings on March 3, May 9, August 11, and November 6, 2022, 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, 2021, and on March 31, June 30, and September 30, 2022, and shared its favorable opinion with the Board. The Committee prepared the proposal for the appointment of the independent audit firm for 2022 audit requirements, oversaw the activities of the Company's Internal Audit Department, its work plan and budget. In 2022, the Committee continued to oversee ethics governance work. In 2022, the Committee also conducted a site visit to various locations at the Istanbul Sabiha Gökçen International Airport to oversee Company operations at our main hub. The Committee informed the Board of its activities at each Board meeting held in 2022.

Corporate Governance Committee

The Corporate Governance Committee held four meetings on March 16, May 31, September 14, and December 14, 2022, 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 2022, succession planning for executive management and key positions, scrutinized the operations of the Investor Relations Department. In 2022, the Committee reviewed the Company's Sustainability/ESG actions on

a regular basis. The Committee oversaw a comprehensive Board Self-Evaluation Study and the preparation of an action plan based on its findings. 2022 was a year involving important changes in our Board and Management structure. The Committee oversaw the appointment of three new Board Members (David A.F. VISMANS, Mehmet T. NANE and Ayşegül İLDENİZ) and the departure of two long-serving Board Members (Sertaç HAYBAT and H. Çağatay ÖZDOĞRU). The Committee also oversaw successions to the CEO, COO and CCO positions in 2022. In 2022, Pegasus Airlines retained one of the highest Corporate Governance Compliance Ratings across BIST, with a compliance rating of 97.1%. Pegasus Airlines was the top-rated aviation stock on BIST and the second-ranked Company in terms of Board practices in 2022. The Committee informed the Board of its activities at each Board meeting held in 2022.

Committee on Early Detection of Risks

The Committee on the Early Detection of Risks held four meetings on March 15, May 30, September 13, and December 13, 2022, 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 commercial, operational, financial, legal, IT and HR that may endanger the existence, development and future of the Company and oversaw the implementation of such principles and mechanisms. The Committee resumed regular Risk Management Reporting, concluding the cash-focused risk oversight adopted under COVID-19 circumstances in 2022. The Committee conducted its annual review of Safety Emergency Response and IT Business Continuity actions in 2022. The Committee informed the Board of its activities at each Board meeting held in 2022. 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 2022. A breakdown of individual attendance is provided below:

Board / Committee Member	Attendance			
	Audit Comm.	Corp. Gov. Comm.	Risk Comm.	Board
Ali İsmail SABANCI	-	-	-	4/4 (100%)
Mehmet Tefrik NANE ⁽¹⁾	-	-	-	3/3 (100%)
Hüseyin Çağatay ÖZDOĞRU	-	-	-	3/3 (100%)
Sertaç HAYBAT	-	-	-	1/1 (100%)
Mehmet Cem KOZLU	-	4/4 (100%)	-	4/4 (100%)
Hatice Zeynep Bodur OKYAY	4/4 (100%)	-	-	4/4 (100%)
Stephen Mark GRIFFITHS	-	4/4 (100%)	-	4/4 (100%)
Agah UĞUR	4/4 (100%)	-	4/4 (100%)	4/4 (100%)
David Alexander Florenz VISMANS	-	4/4 (100%)	4/4 (100%)	4/4 (100%)
Ayşegül İLDENİZ ⁽²⁾	-	-	-	1/1 (100%)
Mustafa TERCAN	-	-	4/4 (100%)	-
Ömer Lütfü ÖMERBAŞ	-	4/4 (100%)	-	-
TOTAL	100%	100%	100%	100%

(1) Succeeded Sertaç HAYBAT on March 31, 2022.

(2) Succeeded H. Çağatay ÖZDOĞRU on September 16, 2022.

We run an effective mechanism to identify and follow-up on the completion of action items decided by the Board of Directors or by Board Committees. 97.0% of all action items raised for 2022 were completed by the end of 2022. There are no material overdue action items as of December 31, 2022.

I- INFORMATION ON THE EFFICIENT EXERCISE OF SHAREHOLDER RIGHTS

Pegasus Airlines Investor Relations is responsible for managing shareholder relations and reports to the Company CFO. Corporate Secretary works in collaboration with Pegasus Airlines 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
Senior Head of Investor Relations

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, Ömer L. ÖMERBAŞ is the head of our investor relations unit and serves as a member of our Corporate Governance Committee. Ömer ÖMERBAŞ is a full-time employee reporting to the CFO. He holds Capital Markets–Level 3 and Corporate Governance Rating Licenses. As the head of Pegasus Airlines Investor Relations, he carries out all investor relations activities under the scrutiny of the Committee. Pegasus Airlines investor relations strategy, key targets, activities, performance results are regularly reported to the Committee and the Board of Directors. In 2022, the regular updates were reported to the Board and the Committee on March 16-17, May 31, June 1, September 13-15, and December 14-15.

Throughout 2022, we responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings and attended nine targeted conferences.

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

We undertake to act in an honest, respectful, fair, and trustful behavior based on reason, conscience, and common sense with all stakeholders. In this respect, we aim 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 on 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 2022. 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 2021 was held on March 31, 2022, at 10:00 am local time at our Company Headquarters in Istanbul.

The meeting invitation and the agenda were published in the Trade Registry Gazette dated March 8, 2022, and numbered 10532, on page 459 - 460, on 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 ₺77,448,772 (75.70% 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, General Manager (CEO), Mr. M. Barbaros KUBATOĞLU, CFO, responsible for financial reporting, and Ms. Zeynep ARI ÖZ representing the Company's independent auditor, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, attended the meeting in person.

The decisions of our shareholders adopted at the Annual General Assembly meeting held on March 31, 2022, are indicated in the table below:

March 31, 2022 Annual General Assembly Resolutions	Vote
• Approval of the appointment made for the replacement of the resigning member of the Board of Directors in accordance with Article 363 of Turkish Commercial Code,	Unanimity
• Approval of the Annual Activity Report, the Auditor Report, and the Financial Statements for the year 2021	Unanimity
• Release of the members of the Board of Directors for operations and accounts pertaining to the year 2021	Unanimity
• Allocation of the 2021 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	Unanimity
• 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	Unanimity
• 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 2022 as per the provisions of Article 399 of the Turkish Commercial Code	Unanimity
• Determination of a ceiling for donations to be made by the Company in 2022	Unanimity

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

There were no transactions to report in 2022 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

There were no policy amendments proposed or adopted by the Board of Directors or the General Assembly in the reporting period.

2- FINANCIAL BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGEMENT

Pursuant to our Articles of Association, Board members are paid a monthly or annual salary or meeting-based remuneration to be determined by the General Assembly. Principles relating to the compensation of Directors are set out in the [Pegasus Airlines 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 Board members and proposals for the remuneration of and other benefits to be provided to them are annually determined by the Corporate Governance Committee and submitted for the evaluation of our shareholders at the Annual General Assembly Meeting. In this respect, "**2022 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 March 31, 2022 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 March 31, 2022 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 2022 as well as gross payments for their duties as chairperson or member at the relevant Board committees amounted to ₺1,928,840.

In 2022, the total salary and bonus fees paid to the CEO and other C-level executives, and the income tax and social security contributions with respect to the same persons amounted to ₺113,931,920.

In 2022, there were no loans or security extended by Pegasus to the members of the Board or senior management.

3- RESEARCH AND DEVELOPMENT ACTIVITIES

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

In 2022, our R&D work on lean and efficient operations focused on more sensitive and deep analysis of our operational data. Improvements achieved in 2022 improved interaction between flight crew members and system users and the systems and allowed for more effective and efficient planning and management of our operations. We continued to build new capabilities on our Electronic Flight Bag (EFB) Platform, which paved way for paperless cockpit operations several years ago. Statistical analysis of our flights performed was used to improve schedule planning. Real-time operation tracking was implemented to allow for increased agility to operate on the runway. Flight Operations Disruption capabilities were improved through new software. Other initiatives include improved navigation alert visibility, pilot capability enhancement allowing them to complete certain pre-flight preparations before arrival at the airport and improvements in our Departure Control System for a more effective management of our flight 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 2022, we continued to improve digitalized functions for both passengers and employees, further strengthening our position as the “Digital Airline” of Türkiye. These improvements not only improve user experience across the board, but also empower both passengers and employees. In 2022, our digitalization initiatives were driven under the “N+1” standard which signifies our aspiration to be better than the best, to support our business through technologic improvements. Major novelties in 2022 on the digital front included the following:

- We had previously made our 360 Flight Search Program available for the use of our passengers. In 2022, the capabilities of this program were improved to include flight search options recall, new BolBol Loyalty Program integration benefits and the display of best proposals highlighting advantageous fares available for sale. All of these have led to easier flight search, customized experience for BolBol members and alternative display of our services.
- We optimized specific parts of our commercial website homepage to improve transaction speed and accessibility. Both front-end design and architecture of the homepage were revised and both experience and page response speed increased.
- Pegasus Airlines Mobile Application was enhanced with offline access capability, allowing for offline connectivity with our passengers. This was complemented by improvements in user interface to improve user experience.
- In 2022, we launched a more accessible era in air travel in collaboration with Blindlook. With the goal to offer an inclusive and barrier-free experience, we developed flypgs.com and the Pegasus app to become more accessible for our blind guests. We are proud and happy to be the first airline in Türkiye to become an ‘EyeBrand’ by integrating BlindLook's voice simulation technology into our online platforms.

- New pricing tools were introduced, with improved capability to adapt to dynamic market requirements. With the use of Artificial Intelligence and Machine Learning, real time fee calculation is carried on based on a carefully designed set of criteria.
- Campaign management tools were also supported by Artificial Intelligence capabilities, allowing for better performance in targeted communication and better addressing the customer's needs.
- In 2022, major improvements were implemented for the Pegasus Bolbol Loyalty Program. Transferring BolPoints to other members is now available. As part of the Pegasus Airlines Youth Club Program, a young BolBol account scheme was introduced. Gamification features were incorporated into our Mobile App, allowing our users to derive complimentary BolPoints if they are successful at game scenarios.
- Also in 2022, Webchatbot project was implemented on our commercial website under the name of FLYBOT. WhatsApp support line rendered an alternative communication channel available to passengers and it also allowed for operational efficiency at the call center.
- In 2022, we extended our long-serving ID-boarding capability for domestic flights to Izmir Adnan Menderes, Ankara Esenboğa, Bodrum-Milas and Alanya Gazipaşa Airports. ID-boarding utilizes new generation national ID capabilities and eliminates the need for a separate boarding pass to be carried on and displayed at security and gate checks for our passengers.
- Also in 2022, we extended the use of our long-serving Express Baggage kiosks. Designed by us and manufactured in Türkiye, transaction capability of these devices continue to expand and as of 2022 cover additional services such as seat selection and purchase. Various functional improvements were introduced to enhance user experience. This service line is now available in eight airports (Istanbul Sabiha Gökçen Airport, Istanbul Airport, Izmir Adnan Menderes Airport, Ankara Esenboğa Airport, Antalya Airport, Dalaman Airport, Bodrum-Milas Airport and North Cyprus Ercan Airport).
- In 2022, we expanded our alternative payment capabilities to cover Instant Bank Transfer, using IATA Pay, a bank transfer methodology provided by IATA through Deutsche Bank platform. We were the first low-cost carrier to have introduced this system. We also implemented smart payment switch technology to guide passengers to alternative payments to avoid transaction failure due to unsuccessful payment attempts.
- Regarding our operations, we implemented real-time management optimization and roster optimization to improve planning and efficiency for certain task assignments regarding ground operations. This was further supported by new IoT capabilities, identifying on the ground movements. A similar project was implemented to allow for real-time online information flow for technical maintenance work carried out in Istanbul Sabiha Gökçen, Izmir Adnan Menderes, Ankara Esenboğa and Antalya Airports. We had increased redundancy of our airport departure control systems in 2021, and in 2022, we improved redundancy through a permanent two-way back-up system. This will support the resilience of our airport operations against unexpected service interruptions. Our SMART product line serving our ground, cabin and technic

operations was enhanced through mobile usability and increased scope of transactions available for online execution. All of this remains critical for improved efficiency in our operations which directly translates into a better customer experience.

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

A- SECTOR OUTLOOK

International Aviation Market

Through the first months of 2021, the COVID-19 pandemic coupled with the geopolitical developments, negatively impacted the aviation industry. However, particularly with the relaxation of the restriction on international travel by authorities, a strong recovery was observed in travel demand through the summer season. ICAO (International Civil Aviation Organization), in its most recent analysis (Effects of COVID-19 on Civil Aviation: Economic Impact Analysis, January 27, 2023) estimated that the global seat capacity has reached back to 77% level in the second half of 2022 compared to the second half of 2019. The analysis also estimated that passenger volumes have also reached 77% level in the same comparison. For the whole of 2022, total passenger volumes are estimated to have amounted to 72% of 2019 globally.

Turkish Aviation Market

The recovery rate in Türkiye's total number of passengers continued to outperform the global average. According to the data published by the General Directorate of State Airports Authority (DHMI), the number of total passengers in Türkiye rebounded back to 90% level in 2022 compared to 2019. In 2022, domestic passengers in Türkiye grew by 14% YoY while international passengers surged by 73% YoY.

Development of Pegasus Airlines Market Share Since 2005

Following the acquisition by Esas at the beginning of 2005, we changed our 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, we experienced rapid expansion of our operations both in domestic and international routes. Between 2009 and 2019, our 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, our total passenger number 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%. In 2022, our passenger number grew by 34%.

The table below indicates Pegasus market share trend in terms of domestic and international scheduled passenger numbers between 2016 and 2022:

Pegasus Market Share Data (2016 – 2022)

	2016	2017	2018	2019	2020	2021	2022
Domestic	28.3%	29.8%	30.8%	31.5%	31.4%	37.5%	27.7%
International	9.8%	11.8%	12.4%	12.2%	12.9%	15.0%	15.6%

Source: Pegasus Airlines, DHMI

Explanation 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 2022 is provided in Section 5/C of this Report.

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

Information relating to our fleet as of December 31, 2022, is shown below:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		31.12.2022	31.12.2021	Growth (%)	31.12.2022	31.12.2021	Growth (%)	31.12.2022
B737-800	4,163	18	25	-28%	3,402	4,725	-28%	8.78
A320CEO	4,074	7	11	-36%	1,272	1,992	-36%	7.53
A320NEO	4,740	46	46	0%	8,556	8,556	0%	3.96
A321NEO	4,237	25	8	213%	5,975	1,912	213%	1.08
TOTAL		96	90	7%	19,205	17,185	12%	4.37

In July 2012, we placed an order with Airbus for 57 firm order A320neo and 18 firm order A321neo aircraft, totaling 75, and an additional 25 optional aircraft, thereby constituting a purchase order for 100 new aircraft. This was the largest single aircraft order in Turkish civil aviation history at the time. In December 2017, we exercised our option for 25 additional aircraft and converted these option aircrafts to firm orders in A321neo configuration. In October 2021, we placed an order with Airbus for 6 additional A321neo aircraft, and in June 2022, we placed an order with Airbus for 8 additional A321neo aircraft. The 2012 Airbus Order, as amended, comprised a total of 42 A320neo and 72 A321neo aircraft as of December 31, 2022. Pegasus is the first customer of CFM-Leap series engine used on A320neo aircraft. 17 aircraft joined Pegasus fleet in 2022.

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

Our Internal Audit Department was first established in June 2006 and since April 2011, our Internal Audit Department works under the auspices of the Audit Committee. The Audit Committee was reorganized on August 17, 2013, to align its structure with the Principles determined by the Capital Markets Board.

The establishment of an efficient internal control system at Pegasus Airlines 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 the Company 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 Airlines 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,

we benefit 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, 2022, our Internal Audit Department of Pegasus is formed by our Group Head of Internal Audit and four other Internal Audit staff members.

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

The table below lists information relating to our direct subsidiaries and joint ventures as of December 31, 2022. As of December 31, 2022, we did not have any indirect subsidiaries or joint ventures. We were not subject to any cross-shareholding in 2022.

Affiliate	Nationality / Area of Activity	Issued Share Capital	Nominal Shareholding	Share %	Affiliation with Pegasus
PAT	Türkiye / Simulated flight training	₺100,000	₺100,000	100.00%	Subsidiary
PFTC	Türkiye / Simulated flight training	₺200,000	₺98,800	49.40%	Joint Venture
Hitit CS	Türkiye / Information Technologies Solutions	₺127,500,00	₺46,939,893	36.82%	Joint Venture

E- SHARE BUYBACK TRANSACTIONS

There were no share buyback transactions for the year 2022.

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, we will implement any share buyback or accepting our 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 2022.

In 2022, we were 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 we perform operations, with respect to operational, technical, environmental, and regulatory compliance. Our operations 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, we paid administrative fines in the amount of ₺9,986,880. 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 2022 were important for our operations and triggered considerable work in terms of compliance planning and execution:

- On May 27, 2022, the Ministry of Trade published a Guideline for Advertisement and Commercial Practices Including Pricing Information. The Guidelines set out the most-up-to-date interpretations of the Ministry of Trade on personalized pricing and offers and personalized campaign.
- On June 13, 2022, the Turkish Civil Aviation Authority published a Cybersecurity Regulation for Civil Aviation Entities (SHT-SIBER). Entering into force on April 1, 2023, the Regulation introduces significant changes to cybersecurity governance, preparedness, and actions by civil aviation enterprises, including airlines.
- Following its first periodic review of Carbon Offsetting Scheme for International Aviation (CORSIA), the International Civil Aviation Organization (ICAO) amended the CORSIA structure at the ICAO Assembly's 41st Session in October 2022. CORSIA relies on using carbon market emissions units to offset the CO2 emissions that technological and operational improvements and sustainable aviation fuels cannot reduce. The CORSIA approach depends on comparing the total CO2 emissions for a year (from 2021 onwards) against a baseline level of CO2 emissions, which was re-defined in 2022 as 85% and 15% of CO2 emissions from international aviation covered by the CORSIA for the years 2019 and 2020, respectively. In the upcoming years, any international aviation CO2 emissions covered by CORSIA that exceed the baseline level represent the sector's offsetting requirements for that year.

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, 2022, Pegasus Airlines 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, 2022, as well as information on lawsuits that have not been made subject to any contingency calculations but, if finalized against Pegasus Airlines, 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, 2022. The said financial statements are available on 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 2022.

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 2022 that are not fulfilled. Our operational results in the year 2022 were periodically shared with the investor community.

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 2022.

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 2022. Both policies are available on our Investor Relations Website.

At the Annual General Assembly Meeting held on March 31, 2022, 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 2022 as ₺5,000,000.

The donations we made in 2022, totaled ₺924,448. 45% of the total donations were made for education purposes, 33% for solidarity purposes and 22% for civil aviation.

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, the Board of Directors is required to prepare a report with respect to our Company's transactions with its controlling parent Esas and other entities controlled by Esas 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 6, 2022, notes that *"in all transactions between the Company and Esas Holding or its subsidiaries between January 1, 2022 and December 31, 2022, 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 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, 2022. The said financial statements are available on 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 ₺18.40. As of December 31, 2022, the indices including Pegasus Airlines shares and information on Pegasus Airlines 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 ISTANBUL / BIST PARTICIPATION ALL SHARES / BIST SUSTAINABILITY PARTICIPATION / BIST PARTICIPATION 50 / BIST 30
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Pegasus shares closed the year 2022 at a price of ₺480/share with an annual increase of 465% compared to the year-end 2021 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, 2022, Pegasus Airlines is the second largest airline and the leading low-cost carrier in Türkiye 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

Our key operational, financial, and non-financial results and main ESG KPIs for the period between January 1 – December 31, 2022, compared against the same period in 2021 and the year-over-year changes for the relevant line items are set out in the following charts.

The tables are complemented by a Management Discussion & Analysis.

Management Discussion & Analysis

Operational Metrics

Overall Traffic Results	Jan. – Dec. 2022	Jan. – Dec. 2021	Y-O-Y Change %
Number of passengers (<i>million</i>)	26.94	20.16	33.7
Cycles	166,191	138,436	20.0
Number of seats (<i>million</i>)	32.22	26.07	23.6
Load factor (%)	83.6	77.3	6.3
ASK ⁽¹⁾ (<i>million</i>)	47,643	33,052	44.1
Passengers per cycle	162	146	11.3
Avg. daily aircraft utilization (<i>hours</i>) ⁽²⁾	12.3	9.4	31.1
Domestic			
Number of passengers (<i>million</i>)	10.90	11.99	-9.1
Cycle	66,405	78,266	-15.2
Number of seats (<i>million</i>)	12.80	14.70	-13.0
Load factor (%)	85.2	81.6	4.5
ASK ⁽¹⁾ (<i>million</i>)	9,381	11,491	-18.4
Passengers per cycle	164	153	7.2

International

Number of passengers (million)	15.40	8.01	92.3
Cycle	96,251	59,243	62.5
Number of seats (million)	18.78	11.21	67.6
Load factor (%)	82.0	71.4	10.5
ASK ⁽¹⁾ (million)	37,081	21,348	73.7
Passengers per cycle	160	135	18.4

Charter

Number of passengers (million)	0.64	0.16	305.9
Cycle	3,535	927	281.3
Number of seats (million)	0.64	0.16	304.7
ASK ⁽¹⁾ (million)	1,181	213	453.7

⁽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).

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

Negative effects of the Covid-19 pandemic continued in the first quarter of 2022. Starting from the second quarter of 2022, recovery towards pre-Covid-19 operational performance was observed and the negative impact of Covid-19 eased.

Overall, capacity in ASK increased by 44%, average aircraft utilization per day increased by 31%, while total number of passengers increased by 33% compared to 2021. The latter is still 12% behind 2019 figures, which was the last pre-Covid-19 full year of operations. Load factors increased by 6 percentage points compared to 2021, while they remain 5 percentage points behind pre-Covid-19 performance.

The total number of passengers in charter operations increased by over 300% compared to 2021, 12% higher than pre-Covid-19 period.

Financial Metrics

Summary Balance Sheet ('000 TL)	31.12.2022	31.12.20201	Change (%)
Current assets	20,717,302	12,687,114	63%
Non-current assets	75,085,744	40,275,937	86%
Total assets	95,803,046	52,963,051	81%
Current liabilities	20,759,664	12,679,118	64%
Non-current liabilities	56,998,639	33,414,087	71%
Shareholders' equity	18,044,743	6,869,846	163%

Summary P&L ('000 TL)	31.12.2022	31.12.2021	Change (%)
Sales	42,732,214	10,664,407	301%
Gross (loss) / profit	11,576,706	117,538	9749%
(Loss) /profit from operations	9,675,474	(611,876)	-1681%
Operating (loss) / profit before financial income/(expense)	10,144,306	(570,741)	-1877%
(Loss) / profit before tax	6,618,948	(2,056,786)	-422%
(Loss) / profit for the period	7,100,145	(1,972,478)	-460%
(Loss) / profit per share	69,41	(19,28)	-460%

Changes in Financial Position ('000 TL)	31.12.2022	31.12.20201	Change (%)
Cash and cash equivalents	10,558,267	6,976,780	51%
Financial Investments	6,538,414	2,739,459	139%
Financial liabilities	60,999,941	36,665,967	66%

Net debt position ⁽¹⁾	43,903,260	26,949,728	63%
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⁽¹⁾ Net debt position = Financial liabilities - Cash and cash equivalents – Financial Investments

Operational performance metrics directly reflected on financial performance in 2022. Increase in revenues with increased operational activity led to balance sheet growth. Liabilities, financial liabilities, and net debt position increased with new aircraft deliveries and borrowings.

Sales increased significantly by 301% over 2021, thanks to increased operational volume, higher flight revenues and ancillary revenues. The Company concluded the year with net profit.

In 2022, the Company was able to regenerate net cash from operations.

Non-Financial Metrics

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. We consolidate and share certain aspects of this performance monitoring as part of our Corporate Sustainability (ESG) actions. An overview of these indicators is provided below.

Non-Financial Indicator	ESG	Indicator	Target	2022	2021	2020
CO2 grams per revenue passenger km (RPK)	E	Emissions Intensity	Mid-Term Intensity Target for 2030	61.9	70.8	71.1
CDP Report Score	E	Emissions Reporting	Attain Top 3 Level Score	B	B	A-
Waste Recycle & Reuse Contribution Ratio % for Ground Ops., Technic and Administrative Waste	E	Waste Management	Remain Above 99.50%	99.76	99.97%	99.95%
Total Passengers Carried (millions)	S	Low-Fare Accessibility	Increase	26.94	20.16	14.71
Destinations and Countries Served	S	Network Accessibility	Increase	126 & 47	120 & 44	111 & 43
Safety Assessment of Foreign Aircraft (SAFA) Ratio	S	Flight Safety Assessment	Do Not Exceed National Average (0.29 for 2022)	0.19	0.10	0.13
% of Female Employees in Workforce	S	Gender Equality	Increase / Minimum Target for 2025	34.5%	31.15%	31.99%
Insourced Successor Readiness for Key Positions	S	Succession Planning	-	66%	70%	69%
Turnover Rate in Critical Positions	S	Retaining Employees	-	6.4%	6.7%	9.1%

Employee Trainings Total in Hours and by Subject	S	Personal & Professional Development	-	420,585 & 821	176,691 & 1,269	-
Number of Digitalization Initiatives Reported Annually	S	Digital Airline Proposition	-	18	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	Maximum Attainable	100%	100%	100%
Board & Committee Actions Completed in %	G	Board Effectiveness	Maximum Attainable	97.0%	91.2%	-
BIST Corporate Governance Index Rating	G	Governance Performance	Increase	97.1%	96.8%	96.3%

Environmental Metrics

In October 2021, Pegasus Airlines joined other leading global airlines to commit to the "2050 Net Zero Carbon Emissions" target set at the 77th Annual General Assembly of the International Air Transport Association (IATA). Under the motto "Fly Net Zero," we commit to reaching net zero carbon emissions by 2050.

In December 2021, we strengthened our 2050 net zero commitment by setting an interim carbon emissions intensity goal for 2030. With this target, we aim to decrease flight-related carbon emissions per unit per passenger kilometer (RPK) by 20% by 2030, compared to 2019.

As of October 2021, we started announcing our carbon emission data benchmarked against previous years as part of our monthly traffic data.

In 2019, our flight-related carbon emissions were 64.9 grCO₂/RPK. Due to COVID-19-related restrictions, our seat capacity offered dropped significantly, and our performance deteriorated in 2020 (71.1 grCO₂/RPK) and 2021 (70.8 grCO₂/RPK). We built on the improvement in 2021, and achieved 61.9 grCO₂/RPK in 2022, marking a 4.6% improvement from the 2019 baseline.

Our CDP Report score was B in 2022, same as last year. We remain among the highest scored transportation entities in Türkiye and abroad and remain within our target of attaining Top 3 Level Score.

Waste management performance is well above our target. Decrease from last year is due to higher volume of disposed batteries that are not eligible for recycling.

Social Metrics

In the post-Covid-19 normalization period, we were able to increase the number of passengers carried and the destinations and countries served in 2022, compared to the previous two years. Total number of passengers is still behind our record performance of 30 million passengers carried in 2019, while the recovery rate suggests possibility of exceeding this number going forward.

SAFA performance was in line with the target and as of the date of this Report the moving trend is below reported year-end performance (at 0.13 as of March 2, 2023).

The recovery from Covid-19 in 2022, reflected positively on female employment and turnover in critical roles in 2022. Female employment metrics in various levels is monitored quarterly within the scope of our 2025 female employment commitment. Successor readiness performance slightly deteriorated in 2022. We are currently revising our succession readiness strategy and will consider revising this KPI next year.

On trainings, total training hours increased by 138% from last year. The main reason behind this strong increase was re-initiation of pilot hiring and associated cockpit initial trainings carried out by our Flight Academy. The total number of subjects covered were reduced. This is mainly a result of contraction in e-learning catalogues that were used extensively under Covid-19 working conditions.

Living up to our Digital Airline proposition we continued to implement digitalization initiatives that are explained in more detail in Section 3 of this Report. Through punctuality and customer metrics, ESG focus on Company Targets remained at 50%.

Governance Metrics

We completed another year of efficient Board and overall governance performance. Board members' attendance to Board & Committee meetings was impeccable. Board & Committee actions requested for the year were completed at a rate of 97%. We continued to increase our BIST Corporate Governance Index Rating to 97.1% and remain the highest ranked aviation entity.

D- FINANCING SOURCES AND CAPITAL MARKETS INSTRUMENTS ISSUED BY PEGASUS

We finance 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, 2022, the outstanding balance of the total loans borrowed for the financing of 74 aircraft acquired by way of financial lease is ₺47,185,066,095.

Furthermore, as of December 31, 2022, together with our subsidiary, we had drawn ₺2,624,585,002 on cash loans and ₺1,801,907,497 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.

We issued debts in capital markets as a separate source of financing. Within the issuance limit of US\$750,000,000, approved by the Capital Markets Board by its decision dated April 1, 2021, and numbered 17/524, we concluded a first tranche issue of Eurobonds with a nominal value of US\$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, 2022, our issued capital of ₺102,299,707 is maintained and we are not insolvent.

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

As of December 31, 2022, the Company's shareholders' equity totaled ₺18,044,743,319.

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

[Pegasus Dividend Policy](#), adopted by our shareholders, is published on our Investor Relations Website and comprises the following principles with which we adhere to 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 profit for the year 2022 realized as ₺7,100,145,148. The proposal of the Board of Directors regarding the use of profit for the year 2022 will be communicated to our shareholders prior to the Annual General Assembly Meeting relating to the year 2022.

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 AIRLINES 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 Airlines.

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 on our Investor Relations Website. In 2022, Agah UĞUR, an independent Board member, acted as the Committee Chairperson while our independent Board member David VISMANS 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 2022, the Committee held four meetings on March 15, May 30, September 13, and December 13.

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 commercial, operational, financial, legal, IT and HR 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 2022, we implemented important initiatives aiming to create value for the investors, employees, customers, and the community. These initiatives include the following:

- We continued growth in our operations both in terms of fleet size, passengers carried, number of flights and destinations served across our network. We improved our services through enhancements and improvements explained in more detail in the relevant sections of this Report.

- Growth in operations reflected in growth in number of total employees. We focused on improving the working conditions of our workforce. Key enablers were achieved through digitalization initiatives, flexible working hours and home office practices for relevant employees and training & development. 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 2022, we conducted a Company-wide employee experience survey.
- We carried out significant actions as part of our sustainability (ESG) work, which is more fully described in our 2022 Corporate Sustainability Report.
 - We remain committed to our 2050 Net Zero Carbon Emissions, our 2030 Carbon Intensity Reduction and our 2025 IATA 25by2025 Women Employment targets.
 - We developed a strong sustainability governance structure that stretches into all corporate departments.
 - We carried out our first voluntary carbon offsetting project on World Environment Day – June 5, 2022, offsetting the entire carbon footprint arising from our flight operations on that day.
 - We expanded our reporting to include UN Global Compact Enhanced Communication on Progress and publications on additional performance indicators and detailed management discussion and analysis on key non-financial performance indicators.
 - We completed the first ever EXIM-supported aircraft financing transaction with Sustainability Linked Performance Indicators for the financing of our new A321neo aircraft, whereby we incorporated our emissions intensity and gender balance commitments into our financing obligations.
 - We continued our first-ever use of Sustainable Aviation Fuel for our domestic flights steadily and have since taken actions to increase the scope of this initiative.
 - We actively participated in works relating to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) led by the International Civil Aviation Organization (ICAO).
 - We continue to expand our waste management actions, focusing on reducing waste and separately collecting waste on the Company premises and transferring these into the national reuse & recycling system.
- In 2022, we continued our support for our long-running 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

- In 2022, we launched a more accessible era in air travel in collaboration with Blindlook. With the goal to offer an inclusive and barrier-free experience, we developed flypgs.com and the Pegasus app to become more accessible for our blind guests. We are proud and happy to be the first airline in Türkiye to become an 'EyeBrand' by integrating BlindLook's voice simulation technology into our online platforms.
- In 2022, we launched a brand-new employee suggestion system "FLYDEA", whereby employees are encouraged to submit innovative ideas on improving our business. Ideas are welcomed in eight categories: Customer Experience; Revenue Generation; Unit Cost Reduction & Savings; Sustainability, Environment & OHS; Safety Promotion; Lean Business Processes; Innovative Services, New Business Models & Markets; and Digitalization and N+1. Ideas are evaluated by a tiered review system, voted by employees and selected innovative ideas are scheduled for implementation, while those submitting the ideas are rewarded. We aim to enhance employee experience and synergy through implementing value-generating projects developed through innovative input collected through FLYDEA.

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

- Our CEO, Güliz ÖZTÜRK was awarded "Inspirational Role Model" in IATA Diversity & Inclusion Awards in 2022.
- In 2022, we were awarded "Risk Management and Resilience" at EuroFinance Treasury and Excellence Awards.
- We received the ATN Corporate Award at the 2022 Air Transport Awards organized by Hermes – Air Transport Organization and Air Transport News.
- We received Best Home Remote Agent, Best Improvement Award External Consulting, Best Crisis Management, Best Use of Social Media, Best in Customer Service, Best Community Spirit at the Türkiye Customer Experience Awards 2022 organized by Contact Center World 2022.
- We received the World's Leading Low-Cost Airline award at the Uzakrota Global Travel Awards.
- In 2022, we received "Digital Airline of the Year", "Aircraft Maintenance Organization of the Year" (MRO 145 approved), "Aircraft Maintenance Training Organization of the Year" (MTO 147 approved) and "Continuing Airworthiness Management Organization of the Year (CAMO)" in the category of Aviation Achievement Awards and "Aviation Accessibility Project of the Year" with the Audio Simulation Project for Visually Impaired (Eye Brand), "Aviation R&D Project of the Year" with the Efficient Training Planning (Plato) Project, "Aviation Technology Project of the Year" with the Electronic Technical LogBook Conversion Project (Smart Technician), Check-in and Baggage Drop Off (Express Baggage) Project and Travel Technology with Chip ID Card (without Boarding Pass) Project,

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

“Aviation Social Responsibility Project of the Year” with the Flying into the Future to support ideas around youth empowerment at the Blusky Awards 2022.

- We were awarded “the Most Efficient Artificial Intelligence Based Segment Usage Award” at the Insider – Lift Awards 2022.
- In 2022, we were one of the two airlines globally to report on the UN Global Compact’s New Enhanced Communication on Progress format, one year ahead of the full implementation of this reporting scheme among UNGC signatories.
- In 2022, we attained Carbon Disclosure Reporting Project (CDP) reporting score of B and we were ranked among the highest-rated airlines, fulfilling continuous CDP reporting of seven years. CDP is a voluntary platform focused on combat against climate change.
- In 2022, we increased our Turkish Capital Markets Board Corporate Governance Principles Compliance Rating to 97.1%, 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 Airlines Human Resources aims to develop and implement fair, transparent, sensitive, and innovative human resources strategies for sustainable and constantly improving success in business.

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

To reach our goals:

- We design all our practices based on the principle of diversity, equality, and inclusion (DEI).
- Considering the sectoral dynamics, we design and implement solution-oriented and innovative human resources practices in line with organizational requirements and talent management strategies.

- We build and continuously improve our Human Resources processes with a focus on employee experience.
- 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' compensation and career planning processes.
- We perform employee loyalty analysis and take improvement actions to ensure and sustain employee loyalty.
- 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 Airlines values to our company.
- We implement talent management and backup processes to ensure the continuity of our organization.
- 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 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, we published our 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 Airlines 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 Airlines Ethical Behavior Guide](#) is published on the Public Disclosure Platform and is available on our Investor Relations Website.

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

Pegasus Airlines 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 Airlines 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 Airlines Ethical Behavior Guide covers all Pegasus Airlines employees, including all Pegasus Airlines Board members and employees and board members and employees of our subsidiaries. Pegasus Airlines 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 Airlines 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

On January 30, 2022, the Board of Directors resolved on the financing of 11 Airbus A321neo aircraft scheduled for delivery in 2023, as part of the 2012 Airbus Order. The financing method and terms and lender(s) will be determined by Company management for 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 Board of Directors resolved on the filing of the necessary applications for the extension of the Company's authorized capital ceiling of ₺500,000,000 valid for 2018-2022 by another five years to cover the period between 2023-2027 and the amendment of Article 6 of the Company's Articles of Association in this regard. The proposed amendments to the Articles of Association were approved by the Turkish Capital Markets Board and the Ministry of Trade and will be submitted for the approval of our shareholders at the Annual General Assembly Meeting scheduled for March 30, 2023.

Donations were made to Ahbap Foundation in the amount of ₺3,000,000 and to the Ministry of Interior Disaster and Emergency Management Presidency AFAD in the amount of ₺5,000,000, on February 8, 2023, in line with corporate transaction authority limits, with the aim of supporting the immediate needs of our citizens and public institutions negatively affected by the earthquakes originating in Kahramanmaraş on February 6, 2023, and impacting multiple cities in the region. In accordance with the Capital Markets Board decision dated February 9, 2023 and numbered 8/174, these donations have been approved by our Board of Directors and will be submitted for the approval of our shareholders at the first General Assembly meeting.

Amendments to the Pegasus Airlines Donations and Charitable Contributions Policy, Pegasus Airlines Information Policy and Pegasus Airlines Compensation and Indemnification Policy were approved by our Board of Directors on February 28, 2023. Amendments to the Donations and Charitable Contributions Policy will become effective upon approval by our shareholders at the Annual General Assembly Meeting scheduled for March 30, 2023. A separate information item is included in the agenda for the Annual General Assembly Meeting dated March 30, 2023 for the amendments to the other policies. Detailed information on the amendments were published on the Public Disclosure Platform and will be covered in the Information Document Relating to the Annual General Assembly Meeting.

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 2022
- **Annex-2:** Information on Duties Assumed Elsewhere by Pegasus Board Members in 2022
- **Annex-3:** Independency Statements of Pegasus Independent Board Members
- **Annex-4:** 2022 Financial Report Responsibility Statement
- **Annex-5:** 2022 Corporate Sustainability Report

ANNEX-1

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT FOR THE YEAR 2022

Pegasus Airlines enjoys a rich corporate governance culture that is shaped by a welcoming approach and desire for continuous improvement.

We are proud of our heritage of good corporate governance practices, some of which date back to the launch of our low-cost scheduled flights business in 2005. These practices are backed by an independent Board of Directors with a global perspective on aviation, a strategy-driven, highly motivated, and successful management team, staff and an accountable and transparent shareholder and stakeholder communication.

Following the initial public offering of its shares in April 2013, we achieved full compliance with the mandatory Corporate Governance Principles published by the Turkish Capital Markets Board and substantially complied with the non-mandatory Corporate Governance Principles. We are 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 we constantly improved our corporate governance compliance rating over the years.

In previous years, we published our 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. We are committed to explain our approach on each principle in the referred documents and not only on those principles which are not fully complied by us.

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 2022, we complied with the Corporate Governance Principles, subject to the following exceptions on certain voluntary matters. Deviations from recommended practices, reasons for such deviations, alternative measures being implemented, and an outlook for the year 2023 are presented for each of these principles in the Compliance Report Format (*URF*).

We will continue our 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.

- 1.5.2 (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.
- 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) – 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 2022 Corporate Sustainability Report (see more information on this in **Annex-5**).

ANNEX-2

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ MEMBERS OF THE BOARD OF DIRECTORS DUTIES ASSUMED ELSEWHERE IN 2022

The résumés and information on duties assumed elsewhere in 2022 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. Ali SABANCI is the chairperson of Esas Holding A.Ş., the largest family-owned investment firm in Türkiye. With offices located in Istanbul and London, Esas Holding invests globally in various asset classes. Achievements of Esas Holding was featured in a Harvard Business School case study in 2019. Ali SABANCI is also vice chairperson of Mars Athletic and board member of Ayakkabı Dünyası, both of which are part of the Esas Private Equity portfolio. He also serves on the board of Esas Properties and is one of the co-founders of Esas Social, which was established to facilitate sustainable social investment. As the president of the Young Entrepreneurs Board in the Union of Chambers and Commodity Exchanges of Türkiye (TOBB) and board member of Global Entrepreneurship Network Türkiye, he led successful projects including Angel Investing Legislation, Global Entrepreneurship Congress, G3 Forum, Global Entrepreneurship Week and Turkish Exporters Assembly Innovation Week - Born Global. He is also an angel investor in more than 25 start-up companies. Ali SABANCI is a member of the Turkish American Business Association and the Turkish Family Business Association. In 2018, he was awarded Légion d'Honneur by the French Government for his contributions to economic relations between Türkiye and France. Ali SABANCI earned his M.B.A. degree with a major in International Finance from Columbia Business School and B.A. degree in Politics and Economics from Tufts University.</p>		
<i>Duties Assumed Elsewhere in 2022</i>		
1.	Esas Holding A.Ş.	Chairperson
2.	VCSA Teknolojik Yatırımlar ve Danışmanlık Hiz. A.Ş.	Chairperson
3.	Esas Venture Capital Teknoloji Yatırımları A.Ş.	Chairperson
4.	Kiraz 1 Gayrimenkul ve Yat. Dan. A.Ş.	Chairperson
5.	Esas Aile Ofisi Yönetim Danışmanlık A.Ş.	Vice Chairperson
6.	Mars Sportif Tesisler İşletmeciliği A.Ş.(Group Company)	Vice Chairperson
7.	Mars Spor Kulübü ve Tesisler İş. A.Ş. (Group Company)	Vice Chairperson
8.	Esas Burda Turizm ve İnş. San. Tic. A.Ş. (Group Company)	Board Member
9.	Sosyal Ağlar Elektronik Ticaret A.Ş.	Board Member
10.	Beyoğlu Gazozu İçecek A.Ş.	Board Member
Mehmet Tevfik NANE	Vice-Chairperson of the Board (Managing Director)	

Mehmet Tevfik NANE serves as the Vice-Chairperson of our Board of Directors & Managing Director since March 2022. He previously served as our CEO between 2016 and 2022. Mehmet T. NANE started his career in 1988. After holding positions in various business units at Türkiye Emlak Bankası, Demirbank and Demir Invest until 1997; he held roles including Vice President of the Strategic Planning and Project Development Department, Director of the Retail Group and General Secretary of H.Ö. Sabancı Holding A.Ş. within the Sabancı Group, until 2005. He served as Vice Chairman of the Board of Teknosa between 2000 and 2005, and as the CEO of Teknosa between 2005 and 2013 and later as the CEO of CarrefourSA between 2013 and 2016. Mehmet T. NANE graduated from Boğaziçi University, Department of International Relations in 1990. In 1993, he received a full scholarship for his graduate degree from the department of International Banking and Finance at Heriot Watt University in Scotland. He also completed the Harvard Business School Executive Management Program in 2013. Mehmet T. NANE served as Founding Chairperson of Asia Pacific Retailers Federation (FAPRA), Founding Chairperson of the Turkish Federation of Shopping Centers and Retailers (TAMPF), President of the Union of Chambers and Commodity Exchanges of Türkiye (TOBB) Retail Council, Chairperson of the Board of Health and Education Foundation (SEV), and Chairperson of the Association of the Harvard Business School Turkish Alumni Association. He currently holds the following positions in various Non-Governmental Organizations: Chair of the Board of Governors and Member of the Chair Committee of the International Air Transport Association (IATA), Chairperson of the Board of the Turkish Private Aviation Enterprises Association (TÖSHİD), Vice President of Union of Chambers and Commodity Exchanges of Türkiye (TOBB) Civil Aviation Council, Vice President of Turkish Tourism Investors Association (TTYD), Member of the

Board of Trustees and Board Member of the TOBB GS1 Türkiye Foundation, Member of the Board of Trustees of the SEV Health and Education Foundation, Member of the Board of Trustees, Board Member of the Boğaziçi University Foundation, Substitute Member of the Board of Directors of the Service Exporters' Association (HİB). Mehmet T. NANE is a Founding Member of the Yanındayız Association and Women in Technology Association (WTECH), and he joined the PWN Equality Ambassadors as a part of the Manifesto of Gender Equality Supporting CEOs by Professional Women Network (PWN) Istanbul.

Duties Assumed Elsewhere in 2022

1.	Pegasus Uçuş Eğitim Merkezi A.Ş.	Chairperson
2.	Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Chairperson
3.	Flybondi Limited (U.K.)	Non-Executive Board Member

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 2022

1.	Kamil Yazıcı Yönetim ve Danışma A.Ş.	Board Member
2.	Türkiye Şişe ve Cam Fabrikaları A.Ş.	Independent Board Member
3.	Koç Holding A.Ş.	Independent Board Member
4.	DO & CO AG (Austria)	Supervisory Board Member

H. Zeynep Bodur OKYAY

Independent Board Member

Zeynep Bodur OKYAY joined Pegasus Airlines as a non-executive member of the Board of Directors member on July 14, 2016 and serves as an independent Board member since October 2016. Since 1992, Zeynep Bodur OKYAY held various 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 2022

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
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Stephen Mark GRIFFITHS joined Pegasus Airlines as a non-executive member of the Board of Directors on November 11, 2016, and serves as an independent Board member since January 2017. Since November 2022, Steve GRIFFITHS has been managing director of East Midlands Airport and Group Operational Transformation Director. Between October 2018 – June 2020, Steve GRIFFITHS acted as the Chief Operating Officer and between June 2020 – October 2022, he served as managing director for London Stansted Airport, both airports being part of the Manchester Airport Group. 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 2022

- | | | |
|-----------|-------------------------------|---|
| 1. | London Stansted Airport, U.K. | Managing Director |
| 2. | East Midlands Airport, U.K. | Managing Director & Group Operational Transformation Director |

Agah UĞUR	Independent Board Member
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Agah UĞUR joined Pegasus Airlines as a non-executive member of the Board of Directors in August 2019 and serves 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 their CFO. He served as the Borusan Group CEO between 2001 and 2018. 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, member of the Board of Trustees of Sabancı 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 2022

- | | | |
|------------|--|---------------------------------|
| 1. | Doğan Şirketler Grubu 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 |

David A. F. VISMANS	Independent Board Member
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David F. A. VISMANS joined Pegasus Airlines as a non-executive member of the Board of Directors in January 2022 and serves as an independent member of Board of Directors since March 2022. David VISMANS is a product development executive with an engineering and AI education, having 20 years of experience of leading and scaling global oriented digital products and product organizations on hyper-growth trajectory, in various industries: digital navigation, social networking, e-commerce and travel. Between 2015 and 2021, David VISMANS served as Chief Product Officer for Booking.com, having previously served as Front-End Division Director and Mobile Senior Product Owner between 2012 and 2015. Previously, David VISMANS served as Product Development Director for Telegraaf Media Nederland in 2012, Chief Technology Officer and Head of Development for Hyves, between 2009 and 2012, and Development and Software Manager for Tomtom, between 2004 and 2008. David VISMANS has a bachelor's and a master's degree in Artificial Intelligence from the University of Amsterdam. David VISMANS is a citizen and resident of Netherlands.

Duties Assumed Elsewhere in 2022

- | | | |
|-----------|--------------------------------|--------------------------|
| 1. | Virtuo (France) | Supervisory Board Member |
| 2. | ParkBee (Netherlands) | Supervisory Board Member |
| 3. | iPractice (Netherlands) | Advisory Board Member |
| 4. | Creative Fabrica (Netherlands) | Advisory Board Member |
| 5. | Bits of Stock (U.S.) | Advisory Board Member |

6.	Sentinels (Netherlands)	Supervisory Board Member
7.	InQommon (Netherlands)	Advisory Board Member
8.	Balderton Capital (U.K.)	Executive in Residence

Ayşegül İLDENİZ

Independent Board Member

Ayşegül İLDENİZ joined Pegasus Airlines as a non-executive member of the Board of Directors in September 2022 and serves as an independent member of Board of Directors since October 2022. Ayşegül İLDENİZ is a pioneer in innovation, technology transformation and future vision with working experience in the Silicon Valley and Türkiye. A graduate of Boğaziçi University with a bachelor's degree in Business Administration and holder of a master's degree on Electronic Communications Arts from San Francisco State University, California, she joined microprocessor giant Intel Corporation in 1998. Until 2016, she served as Türkiye Country General Manager, Regional President overseeing 67 countries including Türkiye, Middle East and Africa and European Board member, and finally as the Vice President for New Devices Group. In this role, she developed products regarding wearable smart devices and IoT. In 2016, she was appointed as the Chief Operating Officer of Silver Spring Networks (SSNI), a publicly traded entity on the NYSE, serving half of the U.S. smart energy market with 26 subscribers. In this role she implemented smart city programs in cities including Chicago, Singapore, Paris, Copenhagen and Dubai and she took part in the successful exit transaction at SSNI in 2018. She has board duties in various other companies in Türkiye and she also carries out consultancy work on entrepreneurship and mobility in the Silicon Valley. Ayşegül İLDENİZ is very active in social work and drives technological development, smart future, and innovation agenda in developing countries. In 2015, she was listed as one of the top 100 most creative people in business by Fast Company magazine. She was also awarded as the third most influential Turkish-American woman by Turks of America magazine. Other accolades include the "Tech Women of the Year" award by Dünya Magazine in 2004, the prestigious "Betül Mardin Leaders Shaping the Future Award" in 2016 presented by Turkish Public Relations Association, and an honorary appreciation award by Middle East Technical University Senate. Ayşegül İLDENİZ is a 2010 Eisenhower Türkiye Fellow. She currently serves as the Silicon Valley Network Chairperson at TUSIAD and as a board member for Turkish Philanthropy Funds.

Duties Assumed Elsewhere in 2022

1.	Doğan Şirketler Grubu Holding A.Ş.	Independent Board Member
2.	Vestel Elektronik Sanayi ve Ticaret A.Ş.	Independent Board Member
3.	Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Independent Board Member
4.	Zorlu Enerji Elektrik Üretim A.Ş.	Independent Board Member

ANNEX-3

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ INDEPENDENT BOARD MEMBERS' INDEPENDENCE STATEMENTS FOR 2022

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*

*David A. F. VISMANS
Independent Board Member*

*Ayşegül İLDENİZ
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, 2022 and December 31, 2022, 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 6, 2023 and numbered 770 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 2022

By its decision dated June 23, 2022 and numbered 34/977, Turkish Capital Markets Board requires publicly traded companies to report on their work regarding the Capital Markets Board's "Sustainability Principles Compliance Framework" based on the Sustainability Reporting Template published by the Capital Markets Board. Our Sustainability Compliance Report for the year 2022 is prepared and published in the Capital Markets Board's new format. All other information previously included in our 2020 and 2021 Corporate Sustainability Reports is provided in this section and is cross-referenced to the 2022 Sustainability Compliance Report.

MOVING TOWARDS A SUSTAINABLE FUTURE

Dear Stakeholders,

We are proud to share our significant work and progress on sustainability with you as part of our Annual Report. The year was marked by a tremendous change on how we govern sustainability at Pegasus Airlines. In 2022, sustainability and ESG actions were fully integrated into our Company strategy. Corporate responsibilities were fine-tuned, and our sustainability efforts are now being implemented by over 70 Pegasus Airlines employees – and still growing – directly contributing to this common workstream alongside their regular responsibilities. Our workforce has significant contribution in what we do. We would like to take this chance to thank everyone taking part in our Sustainability Working Group, our Steering Committee and the Board of Directors and driving this change at Pegasus Airlines.

The following pages will show you how we integrate our business with the United Nations Sustainable Development Goals. We will also provide a brief explanation for each reporting item covered in our Sustainability Compliance Report. This is helpful to interpret our compliance status and the hyperlinked references that contain core information on our actions. Our long-term commitments, whether related to climate action, gender balance, or transparency, only truly make sense if they form part of a larger, global effort. That is why we are willing to go the extra mile to engage more with all stakeholders and create more value.

You will see a lot of initiatives coming into life and explained further down in this section. But two of them are worth mentioning here as they epitomize our work:

We recently launched our [Sustainability Hub](#) on our website flypgs.com. This section is dedicated to our sustainability efforts. It is meant to provide clear and accessible information on why sustainability is important to us and our relevant actions for anyone who is interested.

We also published our [Sustainability Manifesto](#), which is an excellent distillation of our strategy and our aspirations for the future.

We are already looking forward to our next opportunity to continue sharing our progress. We are also interested in what you do and say, so feel free to contact us on our [Sustainability Hub](#).

Best regards,

Pegasus Airlines





MOVING TOWARDS A SUSTAINABLE FUTURE

We are taking confident steps towards a sustainable future with our vision of what is best for the greater good of society and the environment.

MOVING TOWARDS NET ZERO CARBON EMISSIONS

Caring about the ecosystem we live in means sharing responsibility for reducing emissions.

At Pegasus, we aim to reduce carbon emissions per revenue passenger kilometre (RPK) by 20% by 2030 as we move towards our target of net zero carbon emissions by 2050.

MOVING TOWARDS PERPETUAL DYNAMISM, INNOVATION AND PRODUCTIVITY

Pegasus did not start Turkish aviation but continues to transform it.

In 2012, we placed what was then the largest aircraft order in the history of Turkish civil aviation.

In 2016, we became the first airline in the world to use CFM-Leap series engines. And today, we operate the youngest aircraft fleet in Türkiye. By 2025, our aim is to build an entire fleet of new-generation Airbus A320neo and A321neo aircraft, the best in class for fuel efficiency and carbon emissions. By continuing to optimise and monitor our investment, production, and service processes, we are committed to producing less waste for greater efficiency.

MOVING TOWARDS GENDER BALANCE IN CIVIL AVIATION

In 2019, Pegasus signed IATA's '25by2025' initiative and we have been working across all departments to either increase women's representation* to or by 25% by 2025.

We are taking firm steps that affect all levels of our company and ensure we create the right opportunities to encourage a more balanced gender representation of employees.

*As of 2022, women make up 34% of our employees, 25% of our board members, and 28% of our executive staff.

MOVING TOWARDS POSITIVE IMPACT

Maximising the impact of our activities means using our resources in the most efficient way within the framework of our business model.

This approach helps us plan our activities in a way that will have the greatest impact in line with our sustainable development goals.

We will continue this approach to enrich our entire value chain.

MOVING TOWARDS INCREASED TRANSPARENCY

Pegasus adheres to best practice in corporate governance, and we communicate our actions, objectives, and approach to stakeholders in a clear, responsible, and accountable manner.

We pledge to continue to take this transparent approach in our public communications to reap the benefits this brings.



PEGASUS
AIRLINES

ABOUT THIS REPORT

As Pegasus Airlines, we report on our corporate sustainability efforts in 2022, in accordance with the Sustainability Principles Compliance Framework published by the Turkish Capital Markets Board.






Our 2022 Corporate Sustainability Report summarizes our compliance efforts and sets out the conceptual framework of these efforts under four main headings: General Principles, Environmental Principles, Social Principles and Corporate Governance Principles. Along these lines, the Report lists each and every compliance item under the Sustainability Principles Compliance Framework.




Public resources and references for our compliance efforts are listed in our Sustainability Compliance Report for the year 2022, separately published in line with the Turkish Capital Markets Board decision dated June 23, 2022 and numbered 34/977. These can be cross-referenced through the numbering code for each reporting item.

CONCEPTUAL FRAMEWORK

We relate our actions, explained in detail in the later sections of the Report, to the United Nations Sustainable Development Goals (“**UNSDG**”) as shown in the following table:

SDG	RELEVANT ACTIONS
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> - Training and Development Programs initiated by Pegasus Academy, aimed at personal and professional development of our employees. - Pilot and Cabin Crew Development and Technician Long-Term Internship Programs developed in partnership with Pegasus Flight Academy and Universities, Flight Schools and Professional Colleges. - University collaborations (MBA) coordinated by Pegasus Academy. - Donations and charitable contributions in the field of education.
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> - First airline to join the UN Women’s Empowerment Principles. - Participation in IATA’s 25by2025 Initiative. - Membership with the Turkish General Directorate of Civil Aviation Gender Balance Development Commission. - Our partnership with NGOs in the area of gender equality. - Recruitment and HR policies aiming at equal opportunity, diversity at work and equal rights and opportunities for all employees (Diversity, Equality & Inclusion).

<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<ul style="list-style-type: none"> - Reduction of fossil fuel consumption through technology and infrastructure investments. - Choosing less harmful options for the environment in investments.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<ul style="list-style-type: none"> - Technology and infrastructure investments reducing fossil fuel consumption. - Choosing environmentally preferable options in investments. - Fleet strategy and planning. - Employee Loyalty and Effectiveness Surveys and similar inclusive workplace actions covering our way of work, communication, processes and how we work together. - Human resources actions inciting high performance aligned with Pegasus' long-term goals and strategies to achieve a sustainable and profitable growth.
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<ul style="list-style-type: none"> - As the "Digital Airline" of Türkiye we aim to fully utilize the benefits of technology in all our processes. - We exploit technological developments to make lives and work of our passengers and employees easier.
<p>10 REDUCED INEQUALITIES</p> 	<ul style="list-style-type: none"> - We believe that everyone has the right to fly, and we carry out our low-cost carrier business model to enable it. - With our approach transforming aviation in Türkiye we deliver air travel as an accessible, low-cost and lean service to our passengers.
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> - Contrary to other major low-cost carriers in the World, we connect a wide flight network for passengers. - We connect 36 destinations in Türkiye to 90 destinations in 47 countries.

<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<ul style="list-style-type: none"> - We evaluate our environmental impact and aspects in all our processes. - We undertake necessary preventive and improvement actions. - We continue our efforts to monitor, reduce and prevent waste and emissions. - We continue our efforts to implement this perspective throughout our supply chain.
<p>13 CLIMATE ACTION</p> 	<ul style="list-style-type: none"> - We invest with a view to reduce emissions to support fight against climate change. - We participate and support domestic and international efforts directly or through sector representatives. - We consider technological developments, alternative fuel and sustainable energy resources as major opportunities.
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<ul style="list-style-type: none"> - We keep constant contact with all our stakeholders for brainstorming and feedback. - We consider the output of these studies as tools creating value in social matters and enabling solutions.

ADDITIONAL EXPLANATIONS TO THE REPORTING ITEMS COVERED IN THE 2022 SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

A. GENERAL PRINCIPLES

A1. Strategy, Policy and Targets

A1.1. The Board of Directors has determined priority ESG items, risks and opportunities. The Board of Directors has adopted and disclosed ESG policies (e.g., Environment Policy, Energy Policy, Human Rights and Employee Policy).

All our ESG efforts are carried out based on the Pegasus Airlines Corporate Sustainability Policy adopted by the Board of Directors.

PEGASUS AIRLINES CORPORATE SUSTAINABILITY POLICY

As Pegasus Airlines, we are committed:

- to identify our environmental, social and governance sustainability goals in relation to our operations,
- to identify organizational responsibilities necessary to implement processes with a view to achieve these goals,
- to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability.

In carrying out our commitment, we will be cognizant of the applicable national and international standards, regulations and our corporate undertakings.

Various other Policies are adopted that support our sustainability (ESG) framework, including the following:

- Corporate Social Responsibility Policy
- Donations and Charitable Contributions Policy
- Information Policy
- Anti-Bribery and Anti-Corruption Policy
- Policy on Representation in the Board of Directors
- Compensation and Indemnification Policy
- Dividend Policy
- Share Buyback Policy
- Ethical Behavior Guide
- Environmental Policy
- Quality Policy
- Safety Policy
- Occupational Health and Safety Policy
- Information Security Policy

- Privacy Policy
- Human Resources Policy
- Compensation Management Policy

We are designing our ESG framework in line with our Corporate Sustainability Policy and the following standards:

ENVIRONMENTAL:

- ISO 14001:2015 Environment Management System
- Carbon Disclosure Project (“**CDP**”)
- International Civil Aviation Organization – ICAO Carbon Offsetting and Reduction Scheme for International Aviation (“**CORSIA**”)
- National flights emission measurement, verification and reporting scheme SHT-CORSIA published by the Turkish General Directorate of Civil Aviation (“**TDGCA**”)
- European Union Emissions Trading System (“**EU ETS**”)

SOCIAL:

- ISO 9001:2015 Quality Management System
- ISO 27001:2017 Information Security Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- TDGCA Air Operator’s Certificate
- EASA TCO (Third Country Operator License)
- International Air Transport Association (“**IATA**”) IOSA (Operational Safety Audit)
- SHY-145/JAR-145/SHY-147/SHY-M Approved Maintenance Organization, Approved Maintenance Training and Examination Organization, Maintenance Authorizations
- TDGCA TRTO (Type Rating Training Organization) Authorizations
- Other TDGCA Training Authorizations

CORPORATE GOVERNANCE:

- BIST Corporate Governance Index
- BIST Sustainability Index

A1.2. Short and long-term targets determined in line with ESG policies have been publicly disclosed.

We are among the world’s leading airlines to join IATA’s 2050 Net Zero Target.

We strengthened our 2050 net zero commitment by setting an interim carbon emissions intensity goal for 2030. With this target, we aim to decrease flight-related carbon emissions per unit passenger km (RPK) by 20% by 2030, compared to 2019.

We are one of the first airlines in the world to join IATA's "25by2025" initiative, a voluntary campaign for IATA member airlines to improve female representation in the industry by 25%,

or up to a minimum of 25% by 2025. Our Board of Directors revised our "Policy on Representation in the Board of Directors" as a solid commitment to the campaign, stating there would be a minimum female representation of 25% on the Board of Directors by 2025.

A2. Implementation/Monitoring

A2.1. Committees and/or units responsible for implementing ESG policies, and persons with highest level authority on ESG matters and their duties have been determined and publicly disclosed. Responsible committee and/or unit reported on activities carried out in line with the policies to the Board of Directors at least once during the year.

In February 2022, we established a dedicated Sustainability Office responsible for implementing our sustainability policy and our strategic sustainability targets. Our Sustainability Office is also responsible for coordinating and reporting on company-wide sustainability and ESG efforts. Our Sustainability Director (who also undertakes the role of Company General Counsel) reports directly to our CEO.

We also formed a Sustainability Working Group to facilitate communication among relevant business units. Our team members are interested in sustainability, and they voluntarily support our sustainability efforts. The Sustainability Working Group is further divided into Focus Groups carrying out specific projects within their areas of expertise. An additional working platform is established to coordinate communication efforts on sustainability (ESG) actions both within and outside the Company.

A Sustainability Steering Committee has also been formed to bring together senior management representatives and the Sustainability Director to evaluate our long-term targets and to plan and monitor the progress of work on sustainability and ESG.

The Sustainability Director is responsible for facilitating communication between the Steering Committee and the Working Group and reporting their work directly to Pegasus Airlines' CEO.

We engage outside expertise through consultancy when necessary.

The work carried out by these functions is then passed to the Corporate Governance Committee every quarter and reported to the Board of Directors on a regular basis.

Our Corporate Sustainability Policy, opportunities and risk framework, strategic targets, key performance indicators and reporting structure are determined by the CEO, the Corporate Governance Committee, or the Board of Directors according to the governance matrix set out in our corporate procedures.

In 2022, our three-year sustainability (ESG) roadmap was presented to and was endorsed by the Board of Directors. Also in 2022, we developed a risk & opportunity framework under the auspices of the Corporate Governance Committee and incorporated ESG-related risks in our corporate risk ledger, subject to periodic review by the Risk Committee. Committee review takes place quarterly. Board review takes place annually and Board reporting is carried out quarterly.

A2.2. Implementation and action plans have been developed and publicly disclosed in accordance with ESG targets.

In 2022, sustainability (ESG) was integrated into our main strategic roadmap by our Board of Directors. The framework endorsed by the Board of Directors identifies 24 specific initiatives targeted for completion between 2022 and 2025.

In 2022, we launched our [Sustainability Hub](#) on our website flypgs.com. This section is dedicated to our sustainability efforts. It is meant to provide clear and accessible information on why sustainability is important to us and our relevant actions for anyone who is interested. We also published our [Sustainability Manifesto](#) as a key reference document that binds together our strategy and our aspirations for the future.

A2.3. ESG Key Performance Indicators (KPIs) and annual progress on these KPIs have been publicly disclosed.

Since 2021, we disclose our main ESG KPIs as part of our Annual Reports. Changes and trends are analyzed in the management's discussion & analysis section. As of 2022, we supplement this set of data with additional ESG KPIs and a presentation of lean & efficient operations with environmental impact.

Key reference documents for our ESG KPIs are as follows:

- Our Corporate Sustainability Reports
- Our Annual Reports (MD&A on Operational, Financial and Non-Financial Performance)
- Presentation on Additional ESG Performance Indicators
- Presentation on Environmental Impact of Lean & Efficient Operations

In specific contexts, the following reports will also contain information on action plans and developments:

- BIST Corporate Governance Rating Reports
- UN Global Compact Communications on Progress
- Our CDP Reports
- Our Quarterly Investor Presentations
- Our Monthly Traffic Data
- Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF)

Our Corporate Governance Compliance Form (URF) and Corporate Governance Information Form (KYBF) is accessible through the [Public Disclosure Platform](#). All other sources are available on our [Investor Relations Website](#).

A2.4. Actions to improve sustainability performance of work processes or products and services have been publicly disclosed.

We report on improvements in the sustainability performance of our work processes and products and services, in addition to the disclosure of ESG KPIs in our Corporate Sustainability Reports, Annual Reports, corporate presentations on performance and through specific disclosures (such as communication on the first use of sustainable aviation fuel in domestic flights in Türkiye, the first ever sustainability performance linked EXIM-backed aircraft financing we secured for 10 incoming Airbus 321neo aircraft and our Carbon Offsetting Project for June 5, 2022 World Environment Day).

In addition to the sources listed in response to A2.3, the following channels are used to communicate information on specific initiatives:

- [Pegasus Airlines Sustainability Hub](#)
- [Social Media Communication on June 5, 2022 Carbon Offsetting Project](#)

- [Pegasus Airlines Press Room](#)
 - [Press Release on SAF use for Domestic Flights](#)
 - [Press Release on Sustainability Linked Loan](#)

A3. Reporting

A3.1. Sustainability performance, targets and actions have been reported and publicly disclosed as part of the annual activity report in a direct, accurate and concise manner.

Please refer to explanations in A2.2, A2.3 and A2.4 above. Corporate Responsibility Report is annexed to our Annual Report. All information is provided accurately in a clear and concise manner.

A3.2. Information on how activities relate to the United Nations (UN) 2030 Sustainable Development Goals have been publicly disclosed.

Our Corporate Sustainability Report provides a conceptual framework identifying the UN Sustainable Development Goals we contribute to and how we aim to do that.

A3.3. Adverse litigation on ESG matters filed and/or finalized or otherwise material for ESG policies and/or with a potential to materially impact business have been publicly disclosed.

There is no material litigation falling within the scope of this reporting item. General information on files and/or finalized lawsuits are provided in Sections 4F and 4H of our Annual Report.

A4. Verification

A4.1. ESG KPI calculations have been verified by independent third parties and this information has been publicly disclosed.

We give importance to the verification, performance measuring and rating for our ESG efforts by independent third parties. Our proficiencies for our activities (TDGCA, EASA, IATA, ISO, etc.), verification and rating of our activities (CDP, CORSIA and Corporate Governance Compliance Rating, etc.) are disclosed on our Investor Relations Website.

As part of the sustainability linked loan financing secured for 10 Airbus 321neo aircraft, our sustainability KPIs were verified by a second party opinion provided by an independent ESG ratings and analytics agency as to their alignment with sustainable finance principles.

B. ENVIRONMENTAL PRINCIPLES

B1. The Company has disclosed its policies and practices regarding environmental management, its environmental management systems (ISO 14001) and programs.

We are committed to constantly improving our system by realizing environmental targets, enhance environmental performance, prevention of pollution and protecting the environment, complying with applicable laws and all applicable standards, creating sustainable environmental awareness in our passenger and cargo air transportation activities.

Our environmental targets and deliverables are set out in the Pegasus Airlines Sustainability Hub and our environmental reporting under CDP and UN Global Compact CoP.

B2. Scope, reporting period, reporting date, and reporting limitations have been disclosed in relation to environment reports prepared to deliver information on environment management.

Our ISO 14001 Environmental Management System geographically covers our headquarters located in Pendik, Istanbul and our facilities at Istanbul Sabiha Gökçen, Izmir Adnan Menderes and Antalya Airports. The scope and conditions relating to our CDP greenhouse gas inventory monitoring and reporting is provided in our CDP reports.

B3. Senior responsible, high-level committees and their responsibilities relating to environment and climate change are disclosed.

See explanations for Item A2.1 above.

B4. Environmental targets included in rewarding criteria for performance incentive schemes for stakeholders (e.g., Board members, management and employees) have been publicly disclosed.

There are various environmental target related performance incentives applicable to certain members of senior management as well as employees from different departments.

In 2022, we launched a brand-new employee recommendation system “FLYDEA”, whereby employees are encouraged to submit innovative ideas on improving our business. Ideas are welcomed in eight categories, one of them being Sustainability, Environment & OHS. Ideas are evaluated by a tiered review system, voted by employees and selected ideas are scheduled for implementation while those submitting the ideas are rewarded.

B5. The manner by which material environmental issues are integrated into business targets and strategy has been publicly disclosed.

Since 2021, we disclose our main ESG KPIs as part of our Annual Reports. Changes and trends are analyzed in the management’s discussion & analysis section. As of 2022, we supplement this set of data with additional ESG KPIs and a presentation of lean & efficient operations with environmental impact. ESG performance is presented to investors as part of our quarterly results presentation. Furthermore, our Sustainability Hub provides a clear description of how we view sustainability and integrate sustainability into our business model. See explanations for Item A2.3 above for a list of platforms where such information is made available.

B6. Sustainability performance relating to business processes or products and services and performance-enhancing actions are disclosed.

See explanations for Item A2.4 above.

B7. The way environmental issues are managed and are integrated into business targets and strategy, in a way that covers operations and suppliers and customers across the value chain, has been publicly disclosed.

As part of our Corporate Sustainability Policy, we are committed to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability. We have plans and works in place to strengthen and infuse our sustainability initiatives across our value chain. We aim to implement these measures in the next three-year period.

B8. The Company has publicly disclosed if it participates in policy development with relevant institutions and non-government organizations and cooperation areas with these institutions.

Exploring partnerships with stakeholders and non-governmental organizations is part of our sustainability (ESG) strategy. In 2022, we have been involved in policy work with ministries and other regulatory authorities, aviation stakeholders, non-governmental organizations (NGOs), universities and private enterprises within and outside of the aviation industry.

We are actively involved in policy-making, regulatory feedback, cooperating with relevant organizations and NGOs for environmental matters as part of national and international sectoral entities where we serve in management or advisory councils such as International Air Transport Association (“IATA”) and Turkish Private Sector Aviation Enterprises Association (“TÖSHİD”) and in direct contact with TDGCA in respect of national regulatory work such as the establishment of a national aviation emission monitoring, reporting, verification system infrastructure and a national regulation on sustainable aviation fuels.

Our Vice-Chairperson of the Board of Directors (Managing Director) Mehmet T. NANE currently serves as the Chair of the IATA 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. Mr. NANE is also the President of TÖSHİD.

In 2022, among other platforms we were involved in:

- Member of IATA Environment & Sustainability Partners Working Group.
- Member of AACO Environmental Policy Group.
- Member of Special Expert Panel on Climate Change as part of the 12th Development Plan preparations carried out by the Turkish Presidency on Strategy and Budget.
- Sector representation on Climate Change and Environment Panels organized by the Turkish Ministry of Infrastructure and Transport, Turkish Ministry of Energy and Natural Resources and Turkish Ministry of Environment, Climate Change and Urbanization.

B9. Information on environmental impact has been publicly disclosed in comparable format with previous term, in light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impact).

Environmental impact information with targets and comparable with previous performance is mainly provided in our CDP reports but are also communicated through different regular and specific reports.

B10. Standards, protocols, methodologies and base year details used to collect and calculate data have been publicly disclosed.

Applicable standard, protocol, methodology and base year details are provided in our reporting under CDP and CORSIA.

B11. Increase or decrease in the levels of environmental indicators for the reporting year is publicly disclosed.

Details on indicators compared against previous years are covered in our reporting under Annual Reporting of main ESG KPIs, our reporting under CDP and UN Global Compact, our monthly traffic results and specific initiative presentations.

B12. Short and long-term targets have been developed to reduce environmental impact, progress on these targets with information on targets from previous years have been publicly disclosed.

We disclose our short and long-term targets on environmental impact on our Sustainability Hub and in our reporting under Annual Reporting of main ESG KPIs, CDP and UN Global Compact. We also provide progress information in our monthly traffic results and specific initiative presentations.

B13. Climate action strategy has been developed and planned actions have been publicly disclosed.

In 2021, we were among the leading airlines in the world to join the “2050 Net Zero Carbon Emissions” target adopted at the 77th Annual General Assembly of International Air Transport Association (IATA). Also in 2021, we further strengthened this commitment by setting our interim carbon emissions target for 2030. Accordingly, we are aiming to reduce flight related carbon emissions per unit passenger kilometer (RPK) by 20% by 2030, compared to 2019. As of October 2021, we started disclosing our carbon emission data benchmarked against past years as part of our monthly traffic reports.

B14. Programs and policies to prevent or minimize potential negative environmental impact of products and/or services have been developed and have been publicly disclosed. Actions were implemented to reduce greenhouse gas emissions of third parties (e.g., supplier, dealer) and these actions have been publicly disclosed.

We disclose such content as part of our Annual Reports and through specific initiative presentations.

As part of our Corporate Sustainability Policy, we are committed to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability. We have plans and works in place to strengthen and infuse our sustainability initiatives across our value chain. We aim to implement these measures in the next three-year period.

B15. Environmental benefit/gains and cost savings derived from initiatives and projects aiming to reduce environmental impact have been publicly disclosed.

We disclose such content as part of our reporting under CDP and through specific initiative presentations.

B16. Energy consumption (natural gas, gas oil, LPG, coal, electric, heating, cooling, etc.) data have been publicly disclosed as Scope-1 and Scope-2 emissions.

This information is covered in our reporting under CDP.

B17. Information on electricity, heating, vapor and cooling generation within the reporting year has been publicly disclosed.

This information is covered in our reporting under CDP.

B18. Actions on the increase in renewable energy use and transitioning into zero or low carbon electricity have been developed and these have been publicly disclosed.

As part of our sustainability strategy, we have plans and works to increase use of renewable energy in our operations. We aim to implement these measures in the next three-year period.

B19. Renewable energy production and consumption data are disclosed.

As part of our sustainability strategy, we have plans and works to increase use of renewable energy in our operations. We aim to implement these measures in the next three-year period.

B20. Energy efficiency projects have been implemented and energy consumption savings and emission reductions realized through these projects have been publicly disclosed.

We disclose such content as part of our reporting under CDP and through specific initiative presentations.

B21. Information on water consumption, water sourced from above or under-ground if any, water recycled and discharged, the applicable resources and procedures have been publicly disclosed.

Publicly disclosed information is limited to water consumption rates and policy declarations.

B22. Information on the applicability of any carbon pricing scheme (Emissions Trading System, Cap & Trade or Carbon Tax) on operations or activities has been publicly disclosed.

We participate in the carbon offsetting and reduction scheme for international aviation in accordance with ICAO and TDGCA regulations. EU-ETS and UK-ETS are applicable for only a limited number of flights carried out within the European Union or between the European Union and the United Kingdom in the same period. We also comply with carbon tax like measures implemented in various jurisdictions.

B23. Information on carbon credits accumulated or purchased in the reporting period have been publicly disclosed.

There is no carbon credit purchase obligation for the reporting period.

B24. Details on carbon pricing implemented within the Company is publicly disclosed.

We use a carbon scheme for our internal use, risk assessment, procurement needs and budgeting, based on our future projections and market price trends for carbon credits and other commodities such as sustainable aviation fuels.

B25. Platforms through which the Company discloses environmental information have been publicly disclosed.

We report environmental performance through a number of platforms, including the following:

- Our Corporate Sustainability Reports
- Our Annual Reports (MD&A on Operational, Financial and Non-Financial Performance)

- Presentation on Additional ESG Performance Indicators
- Presentation on Environmental Impact of Lean & Efficient Operations
- UN Global Compact Communications on Progress
- Our CDP Reports
- Our Quarterly Investor Presentations
- Our Monthly Traffic Data

C. SOCIAL PRINCIPLES

C1. Human Rights and Employee Rights

C1.1 Corporate Human Rights and Employee Rights Policy have been formed in a way that addresses the International Declaration of Human Rights, ILO Agreements and the national legal framework on human rights, and the policies and the roles and responsibilities for the implementation of the policies have been published.

Full compliance commitment with the legal framework on human rights and employment and related roles and responsibilities are covered in various sections of the Pegasus Airlines Ethical Behavior Guide, Pegasus Airlines Human Resources Policy, Pegasus Airlines Compensation and Indemnification Policy and Pegasus Airlines Compensation Management Policy.

We are the first airline in Türkiye to commit to the United Nations Global Impact. Thereby, we committed to comply with the ten principles regarding human rights, labor, environment and anti-corruption.

C1.2. Corporate policies on employee rights cover fair workforce, improvement of working conditions, female employment and inclusiveness issues (gender, race, religious belief, language, marital status, ethnic identity, sexual orientation, sexual identity, familial responsibilities, union actions, political view, disability, social and cultural differences, etc.), by also considering impact on supply and value chain.

Equal opportunity, fair workforce, improvement of working conditions, female employment and inclusiveness policies are covered in various sections of the Pegasus Airlines Human Resources Policy and Pegasus Airlines Ethical Behavior Guide.

Underlining our specific emphasis on women’s role in the workplace, gender balance and the principle of equality, we were the first airline globally to sign-up with the United Nation’s Women’s Empowerment Principles. We carry out studies as a full member of the TDGCA’s Gender Balance Development Commission and we support platforms such as Yanındayız (In Support) Association, wTech Women in Technology Association, PWN Istanbul, Women in Sales platform and we continue our proud tradition of naming our new aircraft after newborn baby girls of our employees. We support actions to increase awareness among women regarding opportunities in aviation, and to improve women’s quantitative and qualitative impact and effectiveness in aviation. In 2019, we became one of the first airlines in the World to join IATA’s “25by2025” initiative which is a voluntary campaign for IATA member airlines to improve female representation in the industry by 25%, or up to a minimum of 25% by 2025. As a solid reflection of this commitment, our Board of Directors revised its “Policy on Representation in the Board of Directors” and adopted a 25% minimum female representation in the Board of Directors by 2025.

C1.3. Actions implemented throughout the value chain on providing equal opportunity to groups sensitive to specific economic, environmental, social factors (persons with low income, women, etc.) or on minority rights, have been publicly disclosed.

As part of our Corporate Sustainability Policy, we are committed to continuously improve our sustainability compliance framework by raising stakeholder awareness on corporate sustainability. We have plans and works in place to strengthen and infuse our sustainability initiatives across our value chain. We aim to implement these measures in the next three-year period.

C1.4. Developments aiming to prevent or remedy discrimination, inequality, human rights violations, forced labor and child labor have been publicly disclosed.

Our actions in this area are covered in various sections of the Pegasus Airlines Human Resources Policy and Pegasus Airlines Ethical Behavior Guide, and specific action is reported through Annual Reports, specific reporting on ESG performance and UN Global Compact Communications on Progress.

C1.5. Corporate policies on employee rights cover employee investment (training and development policies), indemnification, side benefits, unionization right, life/work balance solutions and talent management. Mechanisms and remedy methods have been developed on employee complaints and dispute resolution. Actions implemented during the reporting period aimed at employee satisfaction have been publicly disclosed.

Our actions in this area are covered in various sections of the Pegasus Airlines Human Resources Policy and Pegasus Airlines Ethical Behavior Guide, and specific action is reported through Annual Reports, specific reporting on ESG performance and UN Global Compact Communications on Progress.

Complaint and resolution mechanisms are established within our Ethics Governance Framework and are addressed through our Human Resources Policy, Pegasus Airlines Ethical Behavior Guide and our Anti-Bribery and Anti-Corruption Policy.

Our actions are measured by employee effectiveness surveys and reported through Annual Reports and specific reporting on ESG performance and UN Global Compact Communications on Progress.

C1.6. Occupational health and safety policies have been developed and have been publicly disclosed. Preventive actions for workplace accidents and employee health, and accident statistics have been publicly disclosed.

Pegasus holds ISO 45001:2018 Occupational Health and Safety Management System certificate. Our Occupational Health and Safety Policy is publicly available. Company-wide workplace accidents and preventive actions, measures, accident statistics are reported to senior management on a monthly basis. We disclose our targets and performance indicators on Occupational Health and Safety on our Investor Relations Website.

C1.7. Policies on the protection of personal data and data security have been developed and have been publicly disclosed.

We commit to the protection of personal data and ensuring data security at the highest level through the Pegasus Airlines Information Security Policy and Pegasus Airlines Privacy Policy. Efforts in these areas are coordinated by the Legal and Information Technologies

Departments, managed by inter-departmental governance bodies and regulated by extensive Company-wide regulations. We maintain working groups such as Personal Data Protection Committee and Corporate Cyber Incidents Response Team to address issues such as protection of personal data, information security and business continuity. We participate in the aviation-specific cybersecurity studies as part of a TDGCA-led task force.

C1.8. Ethics policy has been developed and has been publicly disclosed.

We adopted the Pegasus Airlines Ethical Behavior Guide to manage ethics compliance. Relying on this document, an efficient ethical governance is functioning under the direct supervision of the Audit Committee reporting to the Board of Directors. Information on our activities is reported in our Annual Reports and our UN Global Compact Communications on Progress.

C1.9. Community investment, social responsibility, financial inclusiveness and financial access efforts are disclosed.

We engage in community investment and social responsibility, and we regularly report our efforts in this area. These efforts are carried out in accordance with the Pegasus Airlines Donations and Charitable Contributions Policy adopted by the Shareholders' General Assembly and the Pegasus Airlines Corporate Social Responsibility Policy adopted by the Board of Directors. Through initiatives such as the "We're Flying to the Future" project where we collaborate with a foundation operating at national level to address complex social issues (*Sivil Toplum İçin Destek Vakfı*), we assume social responsibility especially in the areas of education, health, environment, solidarity and civil aviation.

C1.10. Employees have been provided access to informative sessions and training programs on ESG policies and actions.

Through training and development programs planned at Pegasus Academy and awareness campaigns, our employees are informed of ESG policies and actions. In 2022, trainings were provided to our employees, through online and class training programs, on a wide range of topics including flight safety, environment, information security, ethics compliance, occupational health and safety and sustainability actions. Awareness actions were carried out on the same subjects through online announcements and teasers.

C2. Stakeholders, International Standards and Initiatives

C2.1. Customer satisfaction policy has been developed regarding the management and resolution of customer complaints and has been publicly disclosed.

We regularly measure customer satisfaction, and we adopted customer satisfaction among our key management performance indicators. In the last three years, we received national and international awards on customer experience, brand image and services and improved overall customer satisfaction compared to the previous year. We describe our efforts in this area and the awards received in Sections 3 (*Research & Development Activities*) and Section 7A (*Stakeholder Initiatives*) of our annual activity reports.

C2.2. Information on stakeholder communication (which stakeholder, subject matter and frequency) has been publicly disclosed.

Information on this item is provided as part of our Annual Reports and Corporate Governance Reporting.

C2.3. International reporting standards applied to reports have been publicly disclosed.

We report within the framework of CDP, UN Global Compact Enhanced Communication on Progress publicly, and within the framework of CORSIA, EU ETS and UK ETS on respective emissions monitoring, verification and reporting schemes.

C2.4. Sustainability principles adopted by the Company and international institutions, committees and principles to which the Company commits have been publicly disclosed.

We are the first airline in Türkiye to sign the United Nations Global Compact. Thus, we committed to comply with the ten principles relating to human rights, working standards, environmental sensitivity and fight against corruption. Platforms where we actively participate in the area of gender equality are detailed under Item C1.2 above. We also committed to the 2050 Fly Net Zero campaign and 25by2025 by campaign initiated by IATA.

C2.5. Solid efforts are made to take part in the Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).

We are represented in the BIST Corporate Governance Index permanently since 2013 and in the BIST Sustainability Index between 2016-2019 and since 2020. We are committed to improving our performance on both indices and are considering other platforms to increase visibility on our sustainability performance.

D. CORPORATE GOVERNANCE PRINCIPLES

D1. Necessary measures are taken to comply with the Corporate Governance Principles regarding stakeholders and to strengthen communication with stakeholders. Stakeholders' views are sought regarding sustainability measures and strategy development.

We redesigned our sustainability strategy through workshops bringing together around 60 employees from different departments and organizational seniority levels in a facilitated format. Communication of our sustainability actions are carried out with our stakeholders in a transparent manner. Our actions are enhanced through third party support, including advisor input. To that end we maintain open communication channels with the public on sustainability and evaluate stakeholder impact. Please also refer to our explanations for Item D2 below.

D2. Efforts are made to increase awareness on social responsibility projects and sustainability through training and awareness activities.

Raising awareness on sustainability and its importance to all but also to Pegasus Airlines is part of our sustainability strategy. A significant number of demonstrative projects, employee training and awareness work is being carried out. This was also the main idea behind launching the Pegasus Airlines Sustainability Hub in 2022. We quote part of the Hub's welcoming message below:

“At Pegasus, our sustainability ventures, whether related to climate action, gender balance, or transparency, only truly make sense if they form part of a larger, global effort. With that in mind, we aim to share easy-to-access information on the sustainability of our business that our passengers, investors, employees, and stakeholders may find interesting. Please use the topic links below to navigate this site, and if you would like to send us feedback, please **contact us.**”

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

