

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

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

(i) Balances with Related Parties:

a) Other receivables from related parties

	31 December 2016	31 December 2015
Balances with joint ventures and subsidiaries:		
PUEM	999.811	-
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	86.218	278.844
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	11.778	-
	1.097.807	278.844

b) Trade payables to related parties

	31 December 2016	31 December 2015
Balances with parent company:		
Esas Holding	-	190.421
Balances with joint ventures and subsidiaries:		
Hittit Bilgisayar	1.277.402	595.265
PUEM	-	179.953
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	177.988	47.561
	1.455.390	1.013.200

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant Transactions with Related Parties:

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

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

The Group receives services from Doğan Burda for magazine advertising and printing expenditures.

The Group receives simulator training services from PUEM for their pilots and generates revenues from labor hire and common area use.

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

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

a) Sale of services

	1 January- 31 December 2016	1 January- 31 December 2015
Balances with joint ventures and subsidiaries:		
PUEM	1.114.259	587.736
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	5.761.303	13.405.547
Doğan Burda	-	620.799
	6.875.562	14.614.082

b) Purchases of goods or services

	1 January- 31 December 2016	1 January- 31 December 2015
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	10.607.057	6.631.151
PUEM	6.129.688	5.958.749
Balances with other related parties:		
Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.(*)	-	8.003.409
Esasburda	1.564.599	1.078.178
Doğan Burda	54.302	-
Other	21.260	22.897
	18.376.906	21.694.384

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

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

c) Rent expenses

	1 January- 31 December 2016	1 January- 31 December 2015
Esasburda	5.168.853	4.389.809
	5.168.853	4.389.809

d) Surety commission expenses

	1 January- 31 December 2016	1 January- 31 December 2015
Esas Holding (Note 25)	11.955.096	12.214.137
	11.955.096	12.214.137

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

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Salaries and other short term benefits	13.359.086	7.042.397
Other long term benefits	3.811.325	1.496.387
	17.170.411	8.538.784