

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

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

(i) Balances with Related Parties:

a) Other receivables from related parties

| | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Balances with joint ventures and subsidiaries: | | |
| PUEM | - | 1.580.011 |
| | - | 1.580.011 |

b) Trade payables to related parties

| | 30 June 2019 | 31 December 2018 |
|---|------------------|------------------|
| Balances with joint ventures and subsidiaries: | | |
| Hitit Bilgisayar | 2.055.735 | 1.012.372 |
| PUEM | 461.879 | - |
| Balances with other related parties: | | |
| Esasburda İnşaat Sanayi ve Ticaret A.Ş. | 187.078 | 146.192 |
| | 2.704.692 | 1.158.564 |

(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 simulator training services from PUEM for their pilots and generates revenue 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.

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

a) Sale of services

| | 1 January- 30 June 2019 | 1 January- 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| Transactions with joint ventures and subsidiaries: | | | | |
| PUEM | 602.997 | 955.089 | 303.208 | 535.234 |
| | 602.997 | 955.089 | 303.208 | 535.234 |

b) Purchases of goods or services

| | 1 January- 30 June 2019 | 1 January- 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| Transactions with joint ventures and subsidiaries: | | | | |
| Hitit Bilgisayar | 10.295.683 | 6.719.912 | 5.560.980 | 3.115.545 |
| PUEM | 4.678.078 | 4.541.061 | 2.378.039 | 2.315.854 |
| Transactions with other related parties: | | | | |
| Esasburda | 1.240.330 | 998.188 | 1.043.514 | 467.325 |
| Other | 31.200 | 24.488 | 9.000 | 11.500 |
| | 16.245.291 | 12.283.649 | 8.991.533 | 5.910.224 |

c) Rent expenses

| | 1 January- 30 June 2019 | 1 January- 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|-----------|----------------------------|----------------------------|---------------------------|---------------------------|
| Esasburda | 4.229.693 | 3.529.348 | 2.115.249 | 1.805.130 |
| | 4.229.693 | 3.529.348 | 2.115.249 | 1.805.130 |

d) Surety commission expenses

| | 1 January- 30 June 2019 | 1 January- 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Esas Holding (Note 19) | 5.879.730 | 4.304.543 | 3.007.246 | 2.065.578 |
| | 5.879.730 | 4.304.543 | 3.007.246 | 2.065.578 |

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,080% of the 115% of the amount guaranteed.

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 June 2019 and 2018 are as follows:

| | 1 January- 30 June 2019 | 1 January- 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|--|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Salaries and other short term benefits | 16.198.013 | 6.552.428 | 2.474.330 | 2.453.869 |
| Other long term benefits | 2.114.002 | 810.479 | - | - |
| | 18.312.015 | 7.362.907 | 2.474.330 | 2.453.869 |