

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2015

(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 receivable and payables resulting from operating activities are generally settled in normal course of business.

(i) Balances with Related Parties:

a) Other receivables from related parties

	30 September 2015	31 December 2014
Balances with other related parties:		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	288.890	265.501
PUEM	-	35.671
	288.890	301.172

b) Trade payables to related parties

	30 September 2015	31 December 2014
Balances with parent company:		
Esas Holding	1.292.395	-
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar (*)	495.789	-
PUEM	267.741	-
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	1.561.864	85.569
	3.617.789	85.569

(*) The Group purchased shares representing 40% capital of Hitit Bilgisayar Hizmetleri A.Ş.'s that provides information system solutions for transportation industry on 26 March 2015.

(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 Esas Holding A.Ş. and Esasburda, another Esas Holding subsidiary, and records rent expense as disclosed below.

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

The Group has significant transactions with Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. ("Callpex") that provide call center services to Pegasus. The Company's chairman is a shareholder in Callpex.

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

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

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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 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Balances with joint ventures and subsidiaries:				
PUEM	424.699	152.006	125.420	38.811
Balances with other related parties:				
Doğan Burda	606.850	156.850	654.724	231.106
	1.031.549	308.856	780.144	269.917

b) Purchases of goods or services

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Balances with joint ventures and subsidiaries:				
PUEM	4.146.659	1.345.644	4.410.114	1.050.935
Hitit Bilgisayar (*)	3.637.769	1.915.392	-	-
Balances with other related parties:				
Callpex	5.964.725	2.220.025	5.874.651	2.029.996
Esasburda	217.351	77.781	364.706	(96.355)
RM Arşiv (**)	-	-	19.476	2.991
Other	22.897	19.087	28.109	-
	13.989.401	5.577.929	10.697.056	2.987.567

(*) The Group purchased shares representing 40% capital of Hitit Bilgisayar Hizmetleri A.Ş.'s that provides information system solutions for transportation industry on 26 March 2015.

(**) Due to disposal of shares of the Company's shareholders, RM Arşiv was delisted from related parties list as of 19 August 2014.

c) Rent expenses

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Esasburda	3.068.689	1.141.470	2.288.811	945.009
	3.068.689	2.282.940	2.288.811	945.009

d) Surety commission expenses

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Esas Holding (Note 19)	9.086.361	3.216.633	10.012.687	3.260.504
	9.086.361	3.216.633	10.012.687	3.260.504

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.

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FOR THE THREE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2015**

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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 year ended 30 September 2015 and 2014 are as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Salaries and other short term benefits	5.356.905	1.788.277	4.579.253	1.370.329
Other long term benefits	1.496.387	-	1.176.268	-
	6.853.292	1.788.277	5.755.521	1.370.329

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

The details of short term trade receivables as of 30 September 2015 and 31 December 2014 are as follows:

	30 September 2015	31 December 2014
Trade receivables	81.139.547	47.705.241
Credit card receivables	269.979.975	185.703.124
Income accruals	7.518.801	1.633.595
	358.638.323	235.041.960
Less: Allowance for doubtful receivables	(2.339.833)	(1.861.737)
	356.298.490	233.180.223

Short term trade payables

The details of short term trade payables as of 30 September 2015 and 31 December 2014 are as follows:

	30 September 2015	31 December 2014
Trade payables	211.792.595	150.396.070
Accrued direct operational costs	117.832.933	32.902.644
Other accrued expenses	16.825.681	13.002.278
Due to related parties (Note 5)	3.617.789	85.569
	350.068.998	196.386.561