

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(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 September 2018	31 December 2017
Balances with joint ventures and subsidiaries:		
PUEM	3.125.226	1.702.020
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	-	31.747
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	11.777	-
	3.137.003	1.733.767

b) Trade payables to related parties

	30 September 2018	31 December 2017
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	715.728	764.389
	715.728	764.389

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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 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.

a) Sale of services

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Transactions with joint ventures and subsidiaries:				
PUEM	1.635.238	1.000.727	680.149	337.630
Transactions with other related parties:				
Air Berlin Plc&Co Luftverkehrs Kg (*)	-	889.222	-	4.821
	1.635.238	1.889.949	680.149	342.451

(*) Air Berlin Plc & Co Luftverkehrs Kg entered into liquidation process in August 2017. Therefore, the Group's management ceased commercial operations with the company as of that date.

b) Purchases of goods or services

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Transactions with joint ventures and subsidiaries:				
Hitit Bilgisayar	9.712.860	10.243.269	2.992.948	3.337.551
PUEM	6.758.905	4.705.316	2.217.844	1.221.658
Transactions with other related parties:				
Esasburda	1.519.384	1.627.689	521.196	540.355
Other	27.527	-	3.039	-
	18.018.676	16.576.274	5.735.027	5.099.564

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

c) Rent expenses

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Esasburda	5.631.517	4.765.266	2.102.169	1.281.908
	5.631.517	4.765.266	2.102.169	1.281.908

d) Surety commission expenses

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Esas Holding (Note 19)	6.837.344	9.201.295	2.532.801	2.931.381
	6.837.344	9.201.295	2.532.801	2.931.381

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,0725% 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 30 September 2018 and 2017 are as follows:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Salaries and other short term benefits	9.965.933	6.800.171	3.413.505	2.147.955
Other long term benefits	810.479	985.195	-	-
	10.776.412	7.785.366	3.413.505	2.147.955