

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 DECEMBER 2015

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 6 - 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 2015	31 December 2014
<b>Balances with other related parties:</b>		
Air Berlin Plc & Co Luftverkehrs Kg	278.844	1.159.620
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	-	265.501
PUEM	-	35.671
	<b>278.844</b>	<b>1.460.792</b>

b) **Trade payables to related parties**

	31 December 2015	31 December 2014
<b>Balances with parent company:</b>		
Esas Holding	190.421	-
<b>Balances with joint ventures and subsidiaries:</b>		
Hitit Bilgisayar	595.265	-
PUEM	179.953	-
<b>Balances with other related parties:</b>		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	47.561	85.569
	<b>1.013.200</b>	<b>85.569</b>

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#### NOTE 6 - 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 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.

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 2015	1 January- 31 December 2014
<b>Balances with joint ventures and subsidiaries:</b>		
PUEM	587.736	525.844
<b>Balances with other related parties:</b>		
Air Berlin Plc & Co Luftverkehrs Kg	13.405.547	6.303.888
Doğan Burda	620.799	879.724
	<b>14.614.082</b>	<b>7.709.456</b>

##### (b) Purchases of goods or services

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Balances with joint ventures and subsidiaries:</b>		
PUEM	5.958.749	6.241.622
Hitit Bilgisayar (*)	6.631.151	-
<b>Balances with other related parties:</b>		
Callpex	8.003.409	7.544.340
Esasburda	1.078.178	956.841
RM Arşiv (**)	-	19.476
Other	22.897	28.109
	<b>21.694.384</b>	<b>14.790.388</b>

(\*) The amount is related to the period between the purchase date of Hitit Bilgisayar on 26 March 2015 and 31 December 2015.

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

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NOTE 6 - RELATED PARTY TRANSACTIONS (cont'd)

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

(c) Rent expenses

	1 January- 31 December 2015	1 January- 31 December 2014
Esasburda	4.389.809	3.090.034
	<b>4.389.809</b>	<b>3.090.034</b>

(d) Surety commission expenses

	1 January- 31 December 2015	1 January- 31 December 2014
Esas Holding (Note 26)	12.214.137	13.172.235
	<b>12.214.137</b>	<b>13.172.235</b>

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 year ended 31 December 2015 and 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Salaries and other short term benefits	7.042.397	6.736.860
Other long term benefits	1.496.387	1.176.268
	<b>8.538.784</b>	<b>7.913.128</b>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

**Short term trade receivables**

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

	<b>31 December 2015</b>	<b>31 December 2014</b>
Trade receivables	66.728.316	47.705.241
Credit card receivables	220.177.025	185.703.124
Income accruals	10.899.930	1.633.595
	<b>297.805.271</b>	<b>235.041.960</b>
Less: Allowance for doubtful receivables	(3.175.648)	(1.861.737)
	<b>294.629.623</b>	<b>233.180.223</b>

The average credit period on sales of services is approximately 28 days (31 December 2014: 25 days).

The movement of provision for doubtful receivables for the years ended 31 December 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
<b>1 January</b>	1.861.737	1.785.063
Charge for the year	1.054.427	172.356
Collections and written off allowances	(140.476)	(80.112)
Currency translation differences	399.960	(15.570)
<b>31 December</b>	<b>3.175.648</b>	<b>1.861.737</b>

Risk related to trade receivables is disclosed in Note 33.

**Short term trade payables**

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

	<b>31 December 2015</b>	<b>31 December 2014</b>
Trade payables	173.295.633	130.439.749
Accrued direct operational costs	60.336.067	32.902.644
Other accrued expenses	11.254.193	13.002.278
Due to related parties (Note 6)	1.013.200	85.569
	<b>245.899.093</b>	<b>176.430.240</b>

The average credit period on sales of services is approximately 28 days (31 December 2014: 25 days).