

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(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 2017	31 December 2016
Balances with joint ventures and subsidiaries:		
PUEM	1.702.020	999.811
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	-	86.218
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	31.747	-
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	-	11.778
	1.733.767	1.097.807

b) Trade payables to related parties

	31 December 2017	31 December 2016
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	764.389	1.277.402
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	-	177.988
	764.389	1.455.390

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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 2017	1 January- 31 December 2016
Balances with joint ventures and subsidiaries:		
PUEM	1.432.266	1.114.259
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	889.222	5.761.303
	2.321.488	6.875.562

b) Purchases of goods or services

	1 January- 31 December 2017	1 January- 31 December 2016
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	13.064.401	10.607.057
PUEM	6.393.132	6.129.688
Balances with other related parties:		
Esasburda	2.117.785	1.564.599
Doğan Burda	-	54.302
Other	32.820	21.260
	21.608.138	18.376.906

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

c) Rent expenses

	1 January- 31 December 2017	1 January- 31 December 2016
Esasburda	6.575.117	5.168.853
	6.575.117	5.168.853

d) Surety commission expenses

	1 January- 31 December 2017	1 January- 31 December 2016
Esas Holding (Note 25)	11.933.266	11.955.096
	11.933.266	11.955.096

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,675% 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 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Salaries and other short term benefits	7.738.798	13.359.086
Other long term benefits	985.195	3.811.325
	8.723.993	17.170.411