

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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

	31 March 2019	31 December 2018
Balances with joint ventures and subsidiaries:		
PUEM	449.930	1.580.011
	449.930	1.580.011

b) Trade payables to related parties

	31 March 2019	31 December 2018
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	1.664.205	1.012.372
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	127.876	146.192
	1.792.081	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- 31 March 2019	1 January- 31 March 2018
Transactions with joint ventures and subsidiaries:		
PUEM	299.789	419.855
	299.789	419.855

b) Purchases of goods or services

	1 January- 31 March 2019	1 January- 31 March 2018
Transactions with joint ventures and subsidiaries:		
Hitit Bilgisayar	4.734.703	3.604.367
PUEM	2.300.039	2.225.207
Transactions with other related parties:		
Esasburda	196.816	530.863
Other	-	12.988
	7.253.758	6.373.425

c) Rent expenses

	1 January- 31 March 2019	1 January- 31 March 2018
Esasburda	2.114.444	1.724.218
	2.114.444	1.724.218

d) Surety commission expenses

	1 January- 31 March 2019	1 January- 31 March 2018
Esas Holding (Note 19)	2.872.484	2.238.965
	2.872.484	2.238.965

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 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Salaries and other short term benefits	13.723.683	4.098.559
Other long term benefits	2.114.002	810.479
	15.837.685	4.909.038

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

The details of short term trade receivables as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Trade receivables	254.353.459	183.818.051
Credit card receivables	400.274.970	60.138.676
Income accruals	5.746.053	2.163.918
	660.374.482	246.120.645
Less: Allowance for doubtful receivables	(12.150.440)	(10.606.503)
	648.224.042	235.514.142

The average collection period of trade receivables is approximately 23 days (31 December 2018: 20 days).

Short term trade payables

The details of short term trade payables as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Trade payables	252.373.315	404.564.278
Accrued direct operational costs	253.904.275	125.651.810
Other accrued expenses	75.246.296	52.151.590
Due to related parties (Note 5)	1.792.081	1.158.564
	583.315.967	583.526.242

The average credit period of trade payables is approximately 25 days (31 December 2018: 25 days).