



Corporate Governance Compliance Rating Report



Pegasus Hava Taşımacılığı A.Ş.

29 September 2015

Validity Period : 29.09.2015-29.09.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Pegasus Hava Taşımacılığı A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, printed on Official Gazette dated January 3rd 2014, numbered 28871; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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PEGASUS HAVA TAŞIMACILIĞI A.Ş.

CMB CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE GRADE

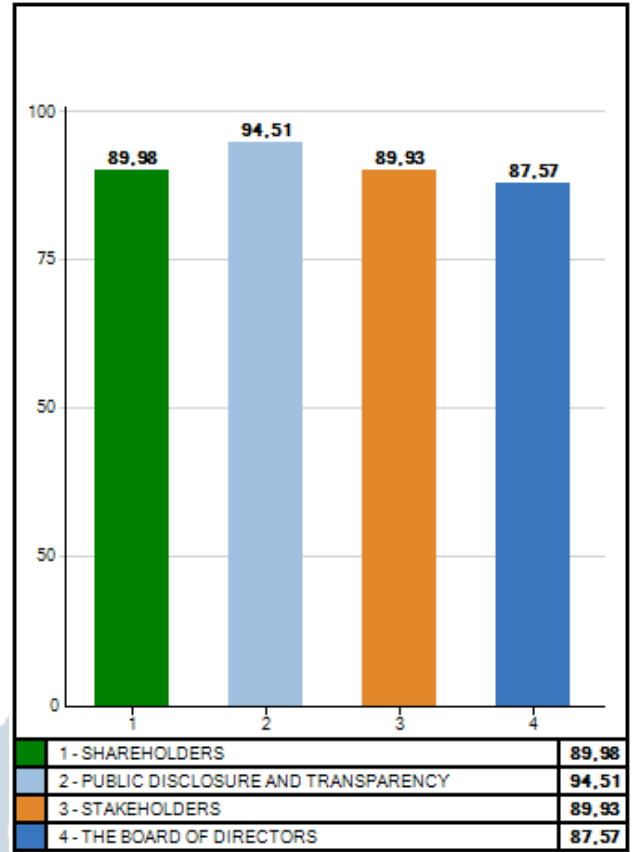
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Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş

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1. THIRD PERIOD REVIZED RATING RESULT

This report of rating of compliance of **PEGASUS Hava Taşımacılığı A.Ş.** with the Corporate Governance Principles has been concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, disclosed information and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

According to Capital Market Board decision dated 13.01.2015 and numbered 1/3, PEGASUS HAVA TAŞIMACILIĞI A.Ş. is included in the list of **BIST First Group Companies**. The company has been examined in 408 criteria described by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology for "BIST First Group Companies". At the end of the rating process, which has been conducted under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of

PEGASUS HAVA TAŞIMACILIĞI A.Ş has been determined as **9.03**.

This result signifies that **PEGASUS** has achieved a considerable compliance with CMB's Corporate Governance Principles. Internal control systems have been formed and are working. All possible risks for the Company have been determined and are controlled. Public disclosure and transparency activities are conducted at high level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors are generally compliant with corporate governance principles, but there is still need for some small improvements. As a result this grade also indicates that the Company well deserves to be included in the BIST Corporate Governance Index.

▪ It is seen that Pegasus has obtained the grade of **89.98** in respect of Shareholders' Section.

Main factors that ensured this grade for the Company;

- Investor Relations Department is in full compliance with the structure described in regulationjs and principles. License requirements for IRD Manager, which are obligatory for this duty, are met.

- General Assembly meeting on 31.03.2015 to discuss operations of 2014 was held open to stakeholders and public. This information was disclosed to public with the "General Assembly Information Document".

- As it has been expressed on the Information Document and meeting minutes, information about donations and aids made within the period has been given to the shareholders.

Activities for relations with shareholders are conducted by Investor Relations Director Verda Beste TAŞAR. She reports to Serhan ULGA, EVP for Finance.

Investor Relations Manager Verda Beste TAŞAR has Capital Market Activities ASdvanced Level 3 and Corporate Governance Rating Specialist Licenses. Aforementioned manager was appointed as a Member of Corporate Governance Committee on 25.04.2014.

The right of shareholders to obtain information and to examine has not been eliminated or restricted by the Articles of Association or any Company organs. Company conducts disclosures for shareholders and public in accordance with its "Disclosure Policy". The Policy is published on the Company's corporate website.

The General Assembly meeting to discuss operations of 2014 took place on 31.03.2015. Invitation for the meeting was made 3 (three) weeks before the meeting through Turkish Trade Registry Gazette (TTSG) dated 06.03.2015 and numbered 8773, Public Disclosure Platform (KAP) and Central Registry Agency E-General Assembly system (EGKS), in accordance with rules.

According to the Articles of Association each share provides one voting right. There is no privilege in voting right.

According to legal records of the Company, TRY 212,617,671 net profits were earned as of 31.12.2014. Profit for the period has been transferred to extraordinary reserves account with the suggestion of the Board of Directors and approval by the General Assembly. The reason for this was explained

to the shareholders at the general assembly by the Board of Directors.

- The Company has achieved the grade of **94.51** for the section Public Disclosure and Transparency.

Main factors that ensured this grade for the Company are;

- The fact that Company's strategic targets are published on its corporate website,
- Enrichment of the annual report with many detailed information.

The Company's efforts for public disclosure and transparency continue with the same sensitivity and efficiency. The fact that Company's strategic targets have been explained alongside with its mission and vision is found important in terms of transparency.

The fact that responsibility declarations of board members and top executives have been put into the annual report, in accordance with CMB Communiqué No II.14-1, is seen an improvement managed in this period.

Company's corporate website and annual reports are used as effective means for public disclosures in accordance with the criteria determined by Principles.

- The Company has achieved the grade of **89.93** for the section of Stakeholders.

Main factor that ensured this grade for the Company is;

- The fact that Company started to receive consultancy services for Balance Score Card policy. It will be possible to

disseminate company targets, determined within the scope of the project, which is conducted under the supervision of consultant firm, towards all levels of the company including top and middle management. Thus it is planned to run the process of determining strategies and strategic targets and disseminating them within the company in a healthier fashion in coming years. The project planned as four modules at the first phase and the first module has been completed. It has been learned that work on the second model, which is top management target dissemination, continues.

It has been our impression that the company tries to be respectful to stakeholders' rights, specified in regulations and mutual agreements and it has been observed that many internal regulations have been prepared to this end.

Compensation policy has been prepared for the employees and disclosed to public through corporate website.

Procedures for recruitment, remuneration, health, leaves, promotion, assignments, discipline, dismissal, death, resignation, and retirement and education have been developed and it's been observed that the company sticks to these policies in practice. Both during development of the policies and practice we got the impression that equal opportunity is given to individuals under the equal conditions. There are no employees in the company covered by labor agreement.

Policies for corporate social responsibility and sustainability have been prepared and disclosed to public.

▪ Pegasus has achieved the grade of **87.57** for the subsection of the Board of Directors.

Main factors that ensured this grade for the Company are;

- Presentation of a written risk evaluation report to the Board of Directors by Early Detection of Risk Committee once in every two months, in addition to routine briefing at every meeting,
- Having prepared a policy on women members of board and disclosing it to public,
- Improvement and continuation of the issue of board members' performance.

It has been determined that the strategic targets of the Company have been defined by the board of directors. Posts of Chairman and General Manager are carried out by different individuals and their powers have been described. It has been observed that the Audit, Corporate Governance and Early Detection of Risk Committees referred to in the Principles have been formed and their working principles have been determined. These principles appear in written documents. The Board has 8 (eight) members and, except for 3 (three), they are non - executive members. 3 (three) of the non – executive members are independent members of board of directors within the scope of CMB criteria. Between July 2014 and July 2015, the Board of Directors convened 5 (five) times. In the same period, Audit Committee held 5 (five), Corporate Governance Committee 4 (four) and Early Detection of Risk Committee 9 (nine) meetings and conveyed the meeting results to the Board of Directors. Guidelines for Compensation of the Directors and Top Executives have been determined and disclosed to public on the corporate website.

Performances of board members are evaluated - with professional help - by using objective criteria and a method of measurement is being developed. However there is yet no practice of rewarding or sacking them in the light of these evaluations.

2. COMPANY PROFILE AND CHANGES IN LAST ONE YEAR

A. Company Profile:



Company Name	: PEGASUS Hava Tařımacılıđı A.ř.
Company Address	: AEROPARK Yenřehir Mah. Osmanlı Bulvarı No:11/A Kurtky 34912 Pendik İSTANBUL
Company Phone	: (0216) 5607000
Company Facsimile	: (0216) 5607400
Company Website	: www.flypgs.com
Date of Incorporation	: 12.01.1990
Registered Number	: 261186 Istanbul Trade Registry Office
Paid in Capital	: 102.272.000.-TL
Line of Business	: Air transportation
Company's Sector	: Transportation

Company's Representative in Charge of Rating:

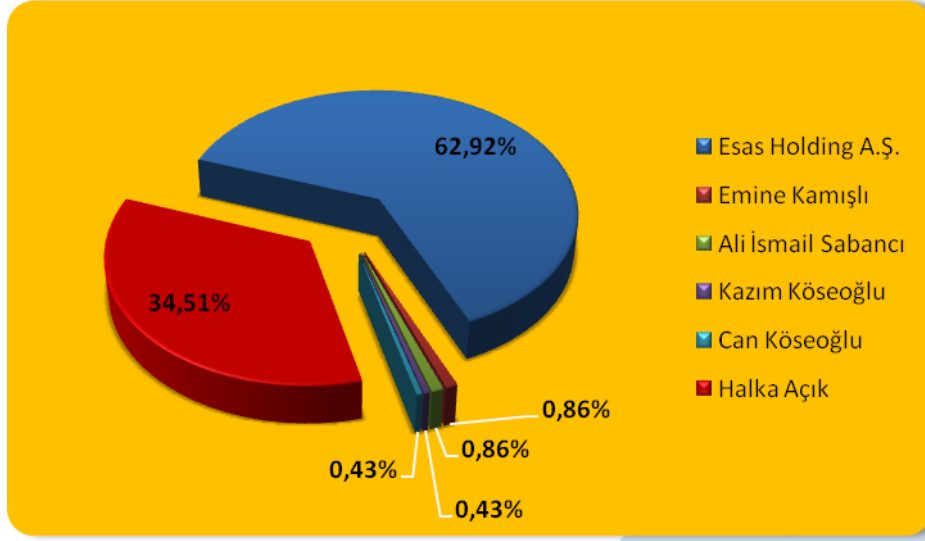
Verda Beste TAřAR

Investor Relations Director

beste.tasar@flypgs.com

0216 560 7580

Shareholders Structure of the Company



Source: www.pegasusyatirimciiliskileri.com

Shareholder Name	Share (TL)	Share (%)
Esas Holding A.Ş.	64.353.570	62,92
Emine KAMIŞLI	874.810	0,86
Ali İsmail SABANCI	874.810	0,86
Kazım KÖSEOĞLU	437.405	0,43
Can KÖSEOĞLU	437.405	0,43
Open to Public	35.294.000	34,51
Total	102.272.000	100,00

Source: www.pegasusyatirimciiliskileri.com

Esas Holding A.Ş.

Shareholder Name	Share (%)
Emine KAMIŞLI	20,00
Ali İsmail SABANCI	20,00
Şevket SABANCI	16,44
Zerrin SABANCI	16,44
Kazım KÖSEOĞLU	11,19
Can KÖSEOĞLU	11,19
Fethi Ali KAMIŞLI	01,19
Kerem KAMIŞLI	01,19
Emrecan Şevket SABANCI	01,19
Kaan Ali SABANCI	01,19
Total	100,00

Source: www.pegasusyatirimciiliskileri.com

Real Person Ultimate Controlling Shareholders

Name/ Surname	Direct and Indirect Share (%)
Şevket SABANCI ve AİLESİ	65,49
Open to Public	34,51
Total	100,00

Source: www.pegasusyatirimciiliskileri.com

Board of Directors

Name / Surname	Title	Executive/ Non - Executive
Ali İsmail SABANCI	Chairman of Board of Directors	Executive
Hüseyin Çağatay ÖZDOĞRU	Deputy Chairman	Executive
Sertaç HAYBAT	Board Member and General Manager	Executive
Conor McCARTY	Board Member	Non - Executive
Şükrü Emre BERKİN	Board Member	Non - Executive
Mehmet Cem KOZLU	Independent Board Member	Non - Executive
Mehmet SAĞIROĞLU	Independent Board Member	Non - Executive
Saad H. HAMMAD	Independent Board Member	Non - Executive

Source: www.kap.gov.tr

Committees formed within Board of Directors

Corporate Governance Committee

Name / Surname	Title	Duty
Saad H. HAMMAD	Independent Board Member	Committee Chairman
Mehmet Cem KOZLU	Independent Board Member	Committee Member
Şükrü Emre BERKİN	Board Member	Committee Member
Verda Beste TAŞAR	Investor Relations Director	Committee Member

Audit Committee

Name / Surname	Title	Duty
Mehmet Cem KOZLU	Independent Board Member	Committee Chairman
Mehmet SAĞIROĞLU	Independent Board Member	Committee Member

Early Detection of Risk Committee

Name / Surname	Title	Duty
Mehmet SAĞIROĞLU	Independent Board Member	Committee Chairman
Saad H. HAMMAD	Independent Board Member	Committee Member
İnan TANRIÖVER	Not a Board Member	Committee Member

Safety Committee

Name / Surname	Title	Duty
Conor McCARTY	Board Member	Committee Chairman
Mehmet Cem KOZLU	Independent Board Member	Committee Member
Sertaç HAYBAT	Board Member-General Manager	Committee Member

Top Management

Name / Surname	Title
Sertaç HAYBAT	Board Member and General Manager
Serhan Ulga	EVP- Financial Affairs &CFO
Güliz Öztürk	EVP-Commerce
Nadir KABAŞ	EVP-Flight Operations
Nurçin ÖZSOY	EVP-Cabin Services
Servet Ulaşan	EVP- Tecical
Boğaç UĞURLUTEĞİN	EVP, Ground Operations
Kemal Mustafa HELVACIOĞLU	Safety Management ve Quality Director
Cahit TAŞBAŞ	Flight Instruction Director
Aycan KURTOĞLU	IT Director
Zeynep Didem EGELİ	HR Director
Mine Öztürk	Internalp Audit Director
Ersel GEYİK	Support Services Director
Muzaffer ŞİMŞEK	Flight Operations Director (Chief Pilot)
İpek DÖŞER	Cabin Services Director
Murat DEMİRBİLEK	Ground Operations Director
Tahsin İSTANBULLU	CAMO - PART M Director
Ergün DEMİRCİ	AMO - PART 145 Director
Ömer KAYA	Performance & CIT Director
Emre PEKESEN	Sales Director
Onur DEDEKÖYLÜ	Marketing Director
Turgut ATAY	Network Planning Director
Aydın ALPA	Cargo Director
Barbaros KUBATOĞLU	Budget and Financial Affairs Director
Tamer YÜZÜAK	Finance and Strategic Planning Director
Verda Beste TAŞAR	Investor Relations Director
Tayfun BORA	Security Manager

Investor Relations Department

Name / Surname	Title	Contact
Serhan ULGA	EVP- Financial Affairs	0216 560 7320 pegasusyatirimciiliskileri@flypgs.com
Verda Beste TAŞAR	Investor Relations Director	0216 560 7580 beste.tasar@flypgs.com

Balance-Sheet Comparison of Company's Certain Selected Items as of the Last Two Years (000 TL)

	2013/12	2014/12	Change %
Current Assets	1.226.547-	1.508.850-	23
Fixed Assets	2.277.989.	2.025.868-	-11
Total Assets	3.504.536-	3.534.718-	0,88
Short Term Liabilities	683.929-	862.780-	26
Long Term Liabilities	1.674.380-	1.510.778-	-9,8
Equity	1.146.227-	1.161.160-	1,3

SOURCE: Public Disclosure Platform

Income Statement Comparison of Company's Certain Selected Items as of the Last Two Years (000 TL)

	2013/12	2014/12	Change %
Sales Income (Net)	2.393.583-	3.081.727-	28,7
Gross Profit	448.728-	463.460-	3,28
Operational Profit	258.091-	324.701-	25,8
Profit Before Tax	169.779-	181.395-	6,84
Net Profit/Loss	88.312-	143.306-	62,2

SOURCE: Public Disclosure Platform

Markets where the Capital Market Instrument is Quoted and Indexes that the Company Participates

- National Market
- BIST Services / -BIST İstanbul / -BIST Corporate Governance/ -BIST All / -BIST Transport / -BIST National/- BIST 100 / -BIST 30 / -BIST 50

The Bottom and Peak Closing Values of Company's Shares traded on the BIST in Last One Year
(01.08.2014/01.08.2015)

<i>Bottom (TL)</i>	<i>Peak (TL)</i>
23,35- (13.03.2015)	34,95- (15.12.2014)

Source : Pegasus Hava Tařımacılıđı A.ř.

B. Changes in One Last Year:

i. Changes in Capital and Articles of Association:

Since previous period of rating the Company did not make any changes in its Capital and shareholder structure, as well as Articles of Association. The distribution of TRY102,272,000 company Capital and the Real Person Ultimate Controlling Shareholders can be found on page 9 of this report.

ii. Dividend Distribution:

At its meeting on 04.03.2015, the Board of Directors discussed the issue of distribution of profits earned as a result of activities in 2014. The following decision was taken:

According to legal records a period profit of 212,617,671 was earned as of 31.12.2014. After subtraction of TRY 198,610,068, accumulated last year losses, TRY 3,958,644 taxes and TRY 502,448 legal reserves, distributable remaining period profit emerged as TRY 9,546,511. In order to finance investments towards extension of operations, fleet and flights in line with Company's growth strategy, to strengthen and keep liquidity and create value for shareholders in the long term, it is decided to present suggestion of transferring 2014 net and distributable profit into extraordinary reserve account for the approval of shareholders.

This decision of Board of Directors was presented for the approval of shareholders - together with its reasons - at the General Assembly on 31.03.2015 and it was accepted.

iii. Policies:

No change has been made in Company Policies (Disclosure Policy, Dividend Policy, Remuneration Policy, Employee Compensation Policy, Corporate Social Responsibility Policy, Human Resources Policy, Donations and Aids Policy, Repurchase of Shares Policy) since the previous rating until now. A policy has

been prepared in this period to assign women in the Board of Directors. The policy has been disclosed to public on the corporate website and in the annual report.

iv. Changes in the Subsidiaries:

▪ Company's subsidiary İHY İzmir Havayolları A.Ş continues to operate as Pegasus' capacity provider. In September 2012, Pegasus sold 46.82 % of its shares in İzair to Air Berlin Finance GmbH (AirBerlin) as part of AirBerlin Turkey deal. However Pegasus and AirBerlin agreed in March 2013 to suspend operations as AirBerlin Turkey. İzair increased its capital in the same period and as the shareholders didn't use their option to call, share of Pegasus increased to 69.12 %. However, thanks to amendments in Articles of Association at the general assembly, AirBerlin was given the right to repurchase its share, which would have increased its share to 47.62 % from 29.51 %. Deadline for AirBerlin to buy back its shares expired on 14.08.2014 and AirBerlin did not use its right within the time limits it was given. This information was disclosed to public on the same day with a material event disclosure.

▪ The Company's 59.45 % share in İzmirliiler Otelcilik Yatırım Turizm A.Ş was completely sold as of 26 December 2014 for USD 750,000 (TRY 1,738,275). It has been announced that TRY 596,169 Profit / Loss, which occurred as a result of the sale was going to be used for general corporate needs, within the scope of Article 5/1-e of Corporate Taxes Act. It was disclosed to public with a material event disclosure released on the sale day.

▪ (B) Registered shares of Hitit Bilgisayar Hizmetleri A.Ş. (Hitit Bilgisayar) - a company based in Turkey, providing IT solutions for transportation sector – which represented 40 % of the company, was bought for USD 4,500,000. According to Share Transfer Contract the Company has the right to purchase USD 1,500,000 worth of additional (B) Group shares that represent 10 % of Hitit Bilgisayar. The Company will be able to use this right on April 04, 2016. Those shareholders who transfer their shares under same conditions were also given right to sell for the 10 % (B) Group registered shares. Share transfer transaction was completed on 26.03.2015 and disclosed the same day on Public Disclosure Platform.

▪ The Board of Directors decided on 18 December 2014 to start low cost air transportation operations in the region where the Company aims to extend its operations. Base for these operations would be Kazakhstan. Within the scope of this decision, the Company signed a deal with JSC Stock Investment Fund of Venture Investments Green Invest, a Kazakhstan based investment fund, to found a joint venture by 31 December 2015. This development was disclosed to public with material event disclosures on 18.12.2014 and 29.06.2015.

v. Regulation Changes and Other:

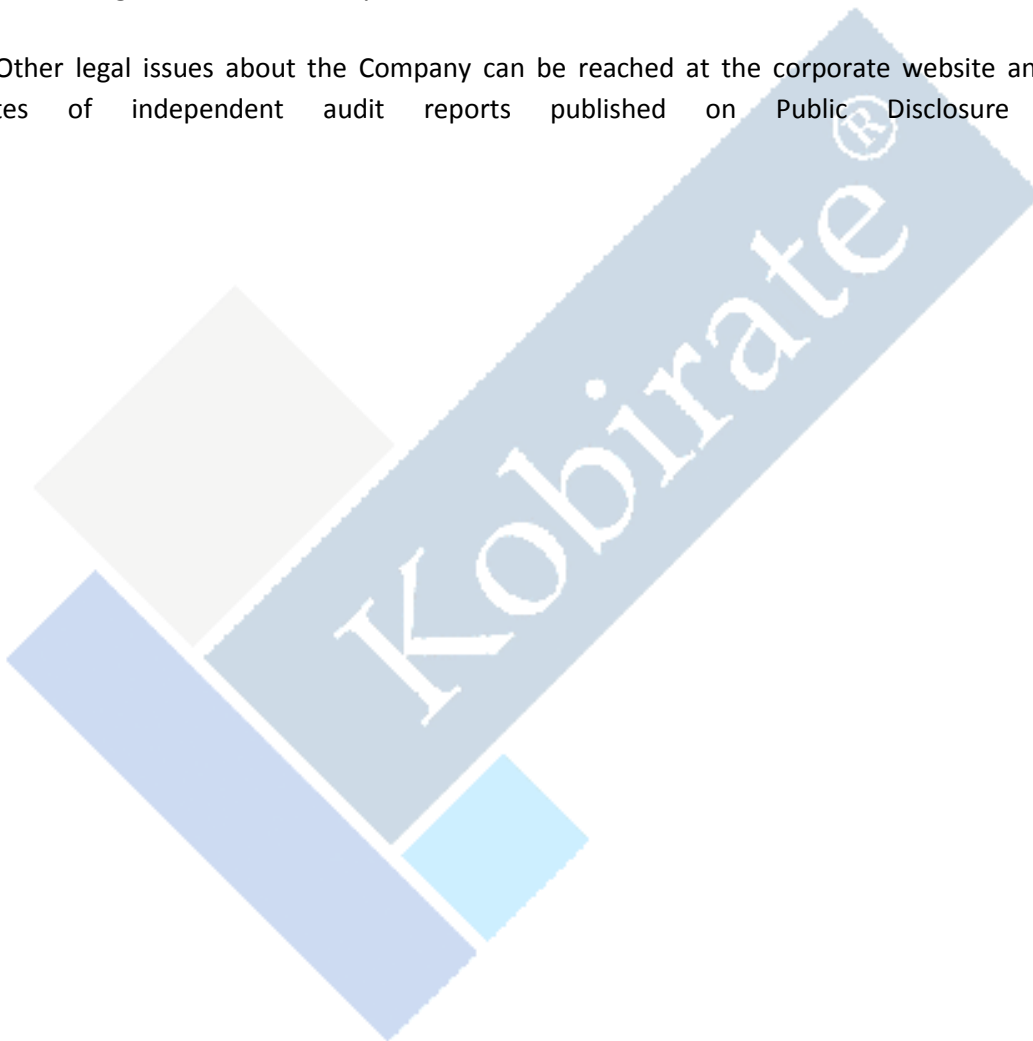
▪ In 2012, inspectors of Ministry of Finance Tax Inspection Board examined the Company's legal books and documents in terms of VAT, limited by leasing transactions for the years 2009, 2010, 2011 and January 2012. As a result of this examination TRY 30,872,645 VAT tax - for VAT rates the Company applied to outsourced charter plane companies – (excluding interest rates that will accrue) and a fine of TRY 46,308,645 were charged against the Company. In its public offering statement dated 13.04.2013, the Company disclosed to investors that it has applied to Ministry of Finance Central Reconciliation

Commission for reconciliation and in case of failure to achieve reconciliation it maintains the right of starting a law suit in tax courts.

According to the material event disclosure of the Company on 13.11.2014;

The reconciliation meeting with Central Reconciliation Commission took place on 13.11.2014 upon the request of the Company, but the meeting did not conclude with reconciliation. The Company holds the opinion that the VAT rate it uses in its operations to hire planes within the scope of financial hiring is in line with Government decisions within the frame of official guidelines and the articles of “Communiqué for General Implementation of Value Added Tax”, published by the Official Gazette numbered 28983 and dated 26.04.2014. Therefore the Company opened a law suit against transaction of charging tax and fine within the legal duration of 15 days after the declaration of non – reconciliation document.

- Other legal issues about the Company can be reached at the corporate website and through footnotes of independent audit reports published on Public Disclosure Platform.



3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

408 criteria are used in the rating process for BIST First Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by

our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DESCRIPTIONS
9-10	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognised and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
7-8,9	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
6-6,9	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DESCRIPTIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>