

**PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ**  
**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

**SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT**

During the year that ended on December 31, 2015, the Corporate Governance Principles determined by the Capital Markets Board have been implemented by Pegasus as described below.

Immediately following the initial public offering of its shares in April 2013, Pegasus started working on ensuring compliance with the mandatory and non-mandatory Corporate Governance Principles as fast and to the widest extent as possible and such efforts have been overseen by both our Board of Directors and our Corporate Governance Committee. Consequently, the Company achieved full compliance with the mandatory Corporate Governance Principles and has also substantially complied with the remaining, non-mandatory Corporate Governance Principles within the same year as the initial public offering of its shares. This was endorsed by the compliance rating of 8.13 out of 10.00 attained by Pegasus at the end of 2013, following the independent rating study undertaken by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., whereby Pegasus became the first publicly traded entity to have undergone such independent assessment in the same year of its flotation of shares.

Later review of our corporate governance compliance resulted in the following assessment scores (each out of a scale of 10.00), a detailed report for each can be found on our Investor Relations website.

| <b>Reporting Date</b> | <b>Scope</b>   | <b>Compliance Rating</b> |
|-----------------------|--|--------------------------|
| March 3, 2014         | Interim review in light of the new Corporate Governance Communiqué No. II-17.1 | 8.07                     |
| October 24, 2014      | Annual review  | 8.77                     |
| September 29, 2015    | Annual review  | 9.03                     |

Pegasus has been included in the BIST Corporate Governance Index since 2014 and remains committed to continuously reviewing domestic and international developments in corporate governance and further improving its corporate governance practices. As part of the initiatives for improving the Company's corporate governance practices, in 2015, Pegasus brought further enhancements in shareholder and stakeholder relations through improvements made in financial reporting, communications relating to General Assembly meetings and internal corporate policies.

The relevant Corporate Governance Principles with which, as of December 31, 2015, our Company had not yet attained full compliance are listed below:

- Minority rights have not been granted to those holding less than 5% of the Company capital, which is the statutory threshold, and the scope of statutory minority rights have not been broadened through special provisions in our Articles of Association.
- Pegasus does not have an active practice regarding rewarding or dismissal of Directors as part of performance evaluation studies conducted by the Board of Directors.
- Remuneration and benefits provided to members of senior management is not disclosed on an individual basis.

Under the auspices of the Corporate Governance Committee, we are undertaking studies to improve current corporate governance practices and are regularly reviewing the foregoing matters for any need to change existing practices. In this respect, the existing Board self-assessment scheme was revised in 2015 into a more advanced model and now includes tools for assessing performance at both committee and individual levels. With respect to extending minority rights by virtue of an amendment to the Articles of Association, the Company's assessment is that given the Company's fulfillment of the minimum statutory requirements in this regard, the absence of extended minority rights does not create any conflict of interest. Finally, for the year 2015, the Company decided to continue to disclose board and senior management remuneration and benefits on a consolidated basis, which is regarded to be in line with the practice adopted by BIST Corporate Governance Index participants.

## **SECTION II - SHAREHOLDERS**

### **2.1. INVESTOR RELATIONS UNIT**

At Pegasus, relations with shareholders are undertaken by Vice-Presidency, Investor Relations, acting under the Senior Vice-Presidency, Finance. Our senior management personnel responsible for shareholder relations and their contact information are provided below:

Serhan ULGA

Senior Vice-President, Finance and Chief Financial Officer

Verda Beste TAŞAR

Vice President, Investor Relations

Telephone : +90 216 560 7580

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Website : <http://www.pegasusinvestorrelations.com/>

In accordance with the requirements of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, Verda Beste TAŞAR assumes the duty of heading the Company's investor relations unit and serves as a member of the Corporate Governance Committee. Beste TAŞAR is a full time employee of our Company reporting to the Senior Vice-President, Finance and holds Capital Markets Activities – Level III and Corporate Governance Rating Licenses.

Vice-President, Investor Relations regularly reports her studies to the Board of Directors and our Corporate Governance Committee, and in 2015, has reported regular updates to the Board of Directors on March 18, May 7, August 13 and December 18 and to the Corporate Governance Committee on March 18, August 13, October 16 and December 17.

In 2015, Pegasus responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings. In this respect over 550 inquiries were answered by telephone and e-mail and 209 meetings were held with individual and institutional investors. Pegasus also held 170 investor meetings at conferences attended in New York, London, Boston, Singapore and Hong Kong.

## **2.2. SHAREHOLDERS' EXERCISE OF THEIR INFORMATION RIGHTS**

Detailed information relating to the principles, methods and frequency of communication of information to our shareholders in line with legal requirements is determined and publicly announced in the Pegasus Information Policy adopted by the decision of our Board of Directors dated November 20, 2013 and numbered 403, further amended by the decision dated March 27, 2014 and numbered 433. The consolidated text of the "Pegasus Information Policy" was submitted to the attention of our shareholders at the annual General Assembly meeting dated March 31, 2014 and is accessible through our Investor Relations Website.

The inquiries mentioned in the above *Section II - Shareholders; 2.1. Investor Relations Unit* have been answered within the framework of the law and the "Pegasus Information Policy" and in 2015 no other information requests or a request for the special audit of a specific matter were received.

Our shareholders are entitled by law to request the appointment of a special auditor to review specific matters, and following the amendments passed at the annual General Assembly meeting dated March 31, 2014 this statutory right is explicitly recognized in Article 16 of our Articles of Association.

## **2.3. GENERAL ASSEMBLY MEETINGS**

The Annual General Assembly Meeting of our Company relating to the year 2014 was held on 31 March 2015 at 10:00 am local time at Pendik Green Park Hotel, Kaynarca Mahallesi, Erol Kaya Caddesi No: 204 Pendik, Istanbul in attendance of Hüseyin ÇAKMAK appointed as the Ministry representative by the letter of Provincial Commerce Directorate of the Governorship of Istanbul dated March 27, 2015.

The meeting invitation and the agenda were published in the Trade Registry Gazette dated March 6, 2015 and numbered 8773, on page 683, on our Corporate Website, on the Public Disclosure Platform and the Electronic General Assembly Portal within the time limits prescribed by the law. Furthermore, written invitations have been communicated to the shareholders that are not subject to the exception in Article 29 Paragraph 2 of the Capital Markets Law No. 6362.

Of the 102,272,000 shares corresponding to the TL 102,272,000 Company capital, 15,502 shares were represented in person and 80,807,619 shares were represented by proxy and the requisite meeting quorum provided in the Articles of Association and the law was met. Member of the Board of Directors and Company General Manager Sertaç HAYBAT and Dağhan ALPMAN representing the Company's independent auditor were present at the meeting.

The questions raised by the shareholders during the meeting were answered at the meeting, the details of which have been published as part of the meeting minutes on our Corporate Website, the Public Disclosure Platform and the Electronic General Assembly portal. No requests were received from the shareholders regarding the meeting agenda.

The agenda, list of attendees and meeting minutes relating to the aforementioned meetings are accessible through our Investor Relations Website.

There were no extraordinary General Assembly meetings held in 2015.

The decisions of our shareholders adopted at the Annual General Assembly Meeting held on March 31, 2015 are indicated in the table below:

| <b>Meeting Date</b>  | <b>Resolutions</b>   |
|--|--|
| March 31, 2015<br>(Ordinary Annual<br>General Assembly<br>Meeting) | <ul style="list-style-type: none"> <li>• Approval of the Annual Report, the Auditor Report and the Financial Statements for the year 2014</li> <li>• Approval of the appointment of Mr. Saad Hassan HAMMAD as Director to replace Mr. Raymond Douglas WEBSTER by the Board of Directors as per the provisions of Article 363 of the Turkish Commercial Code</li> <li>• Release of the members of the Board of directors for operations and accounts pertaining to the year 2014</li> <li>• Allocation of the Company's 2014 profit as extraordinary reserves</li> <li>• Appointment of the members of the Board of Directors for a term of one year and determination of payments to be made to the Directors during the term <sup>(1)</sup></li> <li>• Authorization of the members of the Board of Directors for transactions falling within the scope of Articles 395 and 396 of the Turkish Commercial Code <sup>(2)</sup></li> <li>• Appointment of the independent audit firm for the year 2015 as per the provisions of Article 399 of the Turkish Commercial Code</li> <li>• Approval of donations and charitable contributions made by the Company in 2014 above the limit prescribed by the General Assembly and determination of a ceiling for donations to be made by the Company in 2015</li> </ul> |

<sup>(1)</sup> For more information, please refer to Sections (1/F) and (2) of the 2015 Annual Report

<sup>(2)</sup> For more information, please refer to Section (1/G) of the 2015 Annual Report

There are no transactions to report in 2015 that had to be submitted for the approval of our shareholders, where the approval of the majority of the Independent Directors was required and not received with respect to a resolution of the Board of Directors.

Shareholders attending the Annual General Assembly Meeting dated March 31, 2015 were informed of the donations made by the Company in 2014 and no changes to the "Pegasus Donations and Charitable Contributions Policy" were proposed or discussed at the meeting.

#### **2.4. VOTING RIGHTS AND MINORITY RIGHTS**

Pegasus has not issued any shares with voting privileges and is not party to any cross-shareholding relationship. Pegasus does not engage in any practice hindering the exercise of minority shareholders representing at least 5% of the issued capital of the Company. However; minority rights have not been granted to those holding less than 5% of the Company capital, which is the statutory threshold, and the scope of statutory minority rights have not been broadened through special provisions in our Articles of Association.

#### **2.5. DIVIDEND RIGHTS**

"Pegasus Dividend Policy" was approved by the decision of our Board of Directors dated November 20, 2013 and numbered 403 and was subsequently published on our Investor Relations website. In line with legal requirements, "Pegasus Dividend Policy" became effective upon unanimous approval of the shareholders attending the Annual General Assembly Meeting dated March 31, 2014.

"Pegasus Dividend Policy" approved by our shareholders covers the following principles:

- The main principles relating to the distribution of profit are laid out in Article 21 of our Articles of Association.
- In this framework, in the event there remains distributable profit following the deduction of previous years' losses from the net annual profit relating to a fiscal year, our shareholders have the authority to resolve on the distribution of profit, by taking into consideration our Company's goals and its financing requirements, in cash, in shares or a by using a combination of the two and the completion of distribution within the timeframe foreseen in the applicable law.
- The proposal for distribution of profit by our Board of Directors will be prepared in consideration of the above needs and will be submitted to the attention of our shareholders for discussion at the General Assembly. The Board of Directors must inform our shareholders at the General Assembly on how the profit will be used in the event there is no dividend distribution.
- Pegasus complies with the provisions of the Turkish Commercial Code No. 6102, the Capital Markets Law No. 6362 and the Corporate Governance Principles determined by the Capital Markets Board relating to the right to receive dividends and distribution of profit.

At the Annual General Assembly Meeting held on March 31, 2015, based on the Company's statutory accounts, following the deduction of accumulated losses from the annual profit for the period between January 1, 2014 and December 31, 2014, and the allocation of statutory reserves, in line with the proposal by the Board of Directors, in consideration of the financing needs for new investment targets for the Company's fleet and the flight network and the need to maintain strengthened liquidity and with the purpose of realizing long-term shareholder value, our shareholders attending the Annual General Assembly Meeting dated March 31, 2015 resolved to set aside the net distributable profit for the year 2014 as extraordinary reserves.

Our Articles of Association do not include any provisions granting privileges in respect of the distribution or payment of the Company profit.

## **2.6. TRANSFER OF SHARES**

In accordance with the provisions of Article 137 paragraph 3 of the Capital Markets Law No. 6362, our Articles of Association do not contain any restrictions with respect to the transfer of Company shares that are traded on Borsa Istanbul.

Article 7 of our Articles of Association grants our Board of Directors the right not to approve the transfer of Company shares in specific circumstances and for the purpose of our Company's ability to resume its operations within the framework of the Turkish Civil Aviation Law No. 2902. Such authority of the Board of Directors will only become exercisable to the extent at least 50% of Pegasus shares are held by non-Turkish citizens.

## SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. PEGASUS WEBSITE AND CONTENT

We are actively using our Corporate Website (<http://www.flypgs.com>) and our Investor Relations website (<http://www.pegasusinvestorrelations.com>).

All aspects relating to the relay of information to our shareholders are covered on our Investor Relations Website in Turkish and English.

In addition to the above, information we are required to make available as per the "Information Society Services" related provisions of the Turkish Commercial Code No. 6012, is made accessible through the e-COMPANY platform of the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/11366>) connected *via* a link on our Investor Relations Website.

The sections accessible through our Investor Relations website are as follows:

- About Pegasus
  - History of Pegasus
  - Corporate Information
  - Mission and Vision
  - Strategic Goals
  - Business Model
  - Awards
  - Press Releases
  - Human Resources
  - FAQ
  - Contact
- Corporate Governance
  - Message from the Chairman
  - Management Structure
  - Group Companies
  - IPO Prospectus
  - Articles of Association
  - Trade Registry Information re Amendments
  - General Assembly
  - Board Committees and Committee Charters
  - List of Insiders
  - Related Party Transactions
  - Policies
  - Corporate Governance Compliance Rating
  - Corporate Governance Compliance Report
  - Sustainability

- Operational and Financial Information
  - Annual Reports
  - Financial Statements and Audit Reports
  - Stock Data
  - Stock Info
  - On Time Performance
  - Fleet Overview
  - Traffic Data
- Investor Package
  - Investor Presentations
  - Analyst Information
  - Investor Calendar
  - Material Disclosures
  - Useful Links
  - Events
  - Investor Information Document
- Information Society Services

### **3.2. ANNUAL REPORT**

Our Annual Reports are prepared in accordance with the "Regulation on the Determination of the Minimum Content of Annual Activity Reports" published by the Ministry of Customs and Commerce on the Official Gazette dated August 28, 2012 and numbered 28395, the Capital Markets Board Communiqué No. II-14.1 on the "Principles Relating to Financial Reporting in the Capital Markets" and the Capital Markets Board regulations regarding Corporate Governance Principles and, following the approval of our Board of Directors, are published in accordance with the applicable law and are made available on our Investor Relations Website.

## **SECTION IV - STAKEHOLDERS**

### **4.1. COMMUNICATION OF INFORMATION TO STAKEHOLDERS**

Pegasus undertakes to act in an honest, respectful, fair and trustful behavior based on reason, conscience and common sense with all stakeholders. In this respect, Pegasus aims to establish a sustainable, efficient and transparent communication with stakeholders and to enable stakeholders to achieve correct and complete information on time, in equal terms and in a way that is comprehensible, interpretable and easily accessible at low cost.

Besides such means, we are actively using inter-Company announcements and our Company's corporate intranet portal with respect to communication of information to our Family Members, as well as our Corporate Website ([www.flypgs.com](http://www.flypgs.com)), Pegasus Call Center, "Pegasus Magazine", press, promotion and advertisement materials, e-mails, telephone, social media and similar corporate communication tools with respect to communication of information to our guests and other customers.

### **4.2. PARTICIPATION OF STAKEHOLDERS IN COMPANY MANAGEMENT**

Pegasus believes that everybody has the right to fly and in this respect we value the opinion of and recommendations by all stakeholders through which we seek to introduce new practices that will improve our operations.



Through contact means provided in our corporate website ([www.flypgs.com](http://www.flypgs.com)) and Pegasus Call Center we are receiving and evaluating requests, questions and complaints from all stakeholders.

Pegasus encourages and incentivizes all Family Members to engage in management processes. In this respect:

- Our Company regularly conducts a "Corporate Climate Survey" covering all Family Members, the results of which and action items adopted at the initiative of senior management are shared with all Family Members through our corporate intranet portal;
- Within the framework of Pegasus Rules of Business Ethics, Pegasus undertakes to facilitate for all Family Members easy access to their superiors and members of our senior management and actively implements this principle;
- Our Company implements an "Idea that will Fly" contest where out of the pool of cost saving and/or revenue increasing ideas submitted by our Family Members those that are determined by members of our senior management are put to the vote of all Pegasus Family Members and rewarded according to the results and put into practice in our operations to the extent possible;
- Continuous Improvement Team studies are carried out by Vice-Presidency, Continuous Improvement and Performance. The process is open to all Family Members where ideas on all matters directly affecting our Company's profitability are discussed in an open forum. Meeting minutes, progress reports and other relevant information and documents are regularly made available to all Family Members through our corporate intranet portal.

#### **4.3. HUMAN RESOURCES POLICY**

We believe that everybody has the right to fly and through our innovative, rational, conscious and responsible approach we are aiming to be the leading low-cost airline in our region.

Within the framework of this vision, our Human Resources Policy aims to:

- ensure that all our Family Members work as a team by unifying the objectives of each member of the team, boosting their motivation to the highest possible level, by providing a democratic environment, in which all our Family Members share their ideas freely;
- effectively managing and finalizing hiring process by leading the right persons to the right departments at the right time;
- offer the most appropriate career planning to our individual Family Members, providing them the personal training required for their continuous growth, ensuring fair salary management based on the results obtained from our applied performance system, and thoughtful feedback to our Family Members;
- ensure all our Family Members execute their jobs correctly, effectively and quickly by offering enhanced occupational and personal training designed to advance personal development and maintain high motivation;

In turn, we expect our Family Members to work with dedication, teamwork, and open communication; focusing on results; seeking continuous growth and innovation; and embracing change.

The organization structure of our Company and job definitions of all our Family Members, as well as the performance and rewarding criteria implemented by our Company, are announced to our Family Members and are made available in our corporate intranet portal. Hiring criteria we implement are also determined in writing.

As Pegasus, we are further making the following commitments to our Family Members:

- Upholding, protecting and incentivizing protection of the ethical values set out in "Pegasus Rules of Business Ethics",
- Evaluating all complaints and problems relating to "Pegasus Rules of Business Ethics" and responding to all identified complaints and concerns; making no retaliation against such complaints and concerns;
- Treating all Family Members equally, without discrimination based on race, language, belief, political views or gender;
- Pursuing a compensation and advancement policy based on the qualities possessed by the Family Members and their performance, within the framework of the principles set out in the "Pegasus Compensation and Indemnification Policy".
- Ensuring accessibility of superiors and members of the senior management by all Family Members;
- Providing utmost care to the protection of personal information of Family Members;
- Ensuring that the Family Members receive requisite training necessary for their development and in this respect, incites not only a conventional information exchange but also organizational learning through information sharing and supportive development;
- Undertaking the necessary precautions to protect workplace safety and employee health;
- Ensuring and developing flight safety and security, operating in compliance with national and international standards in this respect and adopting Company-wide regulations, supporting them and scrutinizing their implementation.

#### **4.4. ETHICAL RULES AND SOCIAL RESPONSIBILITY**

"Pegasus Rules of Business Ethics" and "Pegasus Corporate Social Responsibility Policy" have been adopted by the decisions of our Board of Directors dated November 21 and November 20, 2013 and numbered 405 and 403, respectively, and have subsequently been published on the Public Disclosure Platform on December 4, 2013 and November 22, 2013, respectively. "Pegasus Rules of Business Ethics" was subsequently revised by a decision of the Board of Directors dated 27 March 2014 and numbered 433 to align the text with the new Capital Markets Board Communiqué on Corporate Governance No. II-17.1 and the changes have been published on the Public Disclosure Platform. The final versions of both documents are accessible through our Investor Relations website.

Pegasus Rules of Business Ethics set "Business Ethics" which is defined as "*honest, respectful, fair and trustful behavior based on reason, conscience and common sense when interacting with Pegasus Family Members, guests, customers, suppliers and other persons and entities we work and interact with*" as the basis of all of its relations, and covers all Pegasus Family Members, including all Pegasus Directors and employees and the directors and employees of our subsidiaries. Pegasus Rules of Business Ethics determine the framework of the system through which the responsibilities of both our Company and our Family Members, the implementation of the rules and resolution of conflicts are implemented.

On the other hand, Pegasus Corporate Social Responsibility Policy determines the main values we care to address in our corporate social responsibility projects and our main goals as part of these projects within our strife to be a good corporate member of the society.

## SECTION V - BOARD OF DIRECTORS

### 5.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

Within the framework of Article 10 of our Articles of Association, the Board of Directors of our Company is composed of at least five and a maximum of eight members to be appointed within the framework of the Turkish Commercial Code and the Capital Markets Law.

As of December 31, 2015, our Board of Directors consisted of eight members. In line with the Corporate Governance Principles of the Capital Markets Board, three independent Directors served at our Board of Directors. Two other Directors served in the capacity of non-executive directors.

The members of the Board of Directors and the duty and term of office of each Director is indicated in the table below.

| Name / Surname          | Duty                                       | Executive Director | Term of Office                           |
|-------------------------|--|--------------------|--|
| Ali İsmail SABANCI      | Chairman of the Board                      | Yes                | March31,2015- 2015 GA <sup>(1)</sup>     |
| Hüseyin Çağatay ÖZDOĞRU | Vice-Chairman of the Board                 | Yes                | March31,2015- 2015 GA <sup>(1)</sup>     |
| Mehmet Cem KOZLU        | Independent Director                       | No                 | March31,2015- 2015 GA <sup>(1)</sup>     |
| Mehmet SAĞIROĞLU        | Independent Director                       | No                 | March31,2015- 2015 GA <sup>(1),(2)</sup> |
| Saad Hassan HAMMAD      | Independent Director                       | No                 | March31,2015- 2015 GA <sup>(1)</sup>     |
| Şükrü Emre BERKİN       | Member of the Board                        | No                 | March31,2015- 2015 GA <sup>(1)</sup>     |
| Conor John McCARTHY     | Member of the Board <sup>(3)</sup>         | No                 | March31,2015- 2015 GA <sup>(1)</sup>     |
| Sertaç HAYBAT           | Member of the Board and CEO <sup>(4)</sup> | Yes                | March31,2015- 2015 GA <sup>(1)</sup>     |

<sup>(1)</sup> Appointed for a term of one year at the Annual General Assembly Meeting dated March 31, 2015.

<sup>(2)</sup> Term of office ended as of January 28, 2016 due to decease.

<sup>(3)</sup> Capital Markets Board non-objection obtained on July 15, 2015 as to the fulfillment of the independence criteria set out in the Corporate Governance Communiqué No: II-17.1. Pursuant to the Capital Markets Board non-objection letter dated February 29, 2016, Conor John McCARTHY has been appointed as an independent director to replace Mehmet SAĞIROĞLU until the Annual General Assembly Meeting to take place in 2016.

<sup>(4)</sup> Effective as of March 18, 2016, Sertaç HAYBAT will step down as General Manager (CEO) and continue to serve as a non-executive member of the Board.

In 2015, the Corporate Governance Committee, in accordance with the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board and Article 10 of the Company Articles of Association, evaluated Mehmet Cem KOZLU, Mehmet SAĞIROĞLU and Saad Hassan HAMMAD, three candidates named to the Committee as potential nominees to serve as independent directors. The Committee report was later approved by the Board of Directors and an application was filed with the Capital Markets Board, in response to which, the Capital Markets Board informed the Company in its letter dated March 2, 2015 that no objections are made in consideration of the Company's nominees. The nominees were subsequently appointed by the shareholders at the annual General Assembly meeting dated March 31, 2015.

Based on further evaluations by the Corporate Governance Committee and the Board of Directors, the Capital Markets Board clearance for Conor John McCARTHY to serve as an independent Director was obtained by the Capital Markets Board letter dated July 15, 2015.

The resumé of each Director and the independence statements provided by the independent Directors to Pegasus are provided in the following paragraphs.

**Ali İsmail SABANCI** - **Chairman of the Board of Directors**

Ali İsmail SABANCI serves as the Chairman of our Board of Directors since January 2005. He previously held several positions at Morgan Stanley & Co. Incorporated and Akbank T.A.Ş. between 1991 and 1997. He also served as the head of projects of Hacı Ömer Sabancı Holding A.Ş. between 1987 and 2001 and as the executive assistant general manager for strategy and business development between 2001 and 2004. Ali SABANCI serves as a member of the board of directors of Esas Holding and several other Esas Holding Group Companies since 2004. He has a master's degree in Economics and Politics granted by Tufts University and bachelor's degree in International Finance obtained from Columbia University Business Administration Faculty. He is the Chairman of Young Entrepreneurs Board within the Union of Chambers and Commodities of Turkey and also member to Istanbul Chamber of Industry (ISO) and Turkish-American Business Council (TAİK).

**Hüseyin Çağatay ÖZDOĞRU** - **Vice-Chairman of the Board of Directors**

Hüseyin Çağatay ÖZDOĞRU served as a member of our Board of Directors since February 2007 and since March 2010 he serves as the Vice-Chairman of the Board. Between 1991 and 2002 he served in a wide range of IT firms in Turkey and in the United States, including Koç Unisys, IBM Turk and Global One Corporation and held various engineering and sales positions. During his tenure as the head of IT & telecommunications industry for Hacı Ömer Sabancı Holding A.Ş. between 2002 and 2005, he served as general manager, assistant general manager and executive member of the board of directors for group companies such as Turk.Net, Akinternet, I-BimSA and Sabancı Telekom. Çağatay ÖZDOĞRU joined Esas Holding in June 2005 as a member of the executive committee. Currently, he also serves as a member of the board of directors of Esas Holding and several other Esas Holding Group Companies, besides his duty as the Esas Holding CEO. Çağatay ÖZDOĞRU holds a Bachelor's Degree in Electronic and Telecommunication from Istanbul Technical University and a Master's Degree in Telecommunication granted by George Washington University.

**Sertaç HAYBAT** - **Executive Director and CEO**

Sertaç HAYBAT, serves as our General Manager (CEO) and a member of our Board of Directors since 2005. He started working in the airline industry as the maintenance manager for Bursa Airlines in 1979. he worked for Turkish Airlines in three different occasions, first between 1982 and 1987 as a member of the engineering team, later between 1989 and 1993 as strategic planning and investments manager, marketing director and as sales director for Singapore, Malaysia and Indonesia, and between 1997 and 2003, as a member of the executive management team responsible for finance and corporate planning. Sertaç HAYBAT also served as a member of the board of directors of SunExpress until 2003. Sertaç HAYBAT holds a Bachelor's Degree in aviation engineering granted by Manchester University in 1976. He was elected as the Chairman of Turkish Private Aviation Enterprises Association (TOSHID) in December 2012 and still holds this position.

**Şükrü Emre BERKİN** - **Non-Executive Director**

Şükrü Emre BERKİN, serves as a member of Board of Directors since March 2010. Between March 2014 and March 2015, he served as an independent director at Pegasus. Emre Berkin started working for Digital Equipment Corporation in 1983 and served in sales, consultancy, support and service positions in United States and in Turkey. Between 1993 and 2006, Emre BERKİN worked for Microsoft Corporation holding various positions, including Vice President of Europe, Middle East and Africa Regions and as Head of Middle East and Africa operations. He was also the first general manager of Microsoft Turkey. Emre BERKİN currently runs an independent consulting practice focused on international business development, mergers and acquisitions, funding and investments, and he also serves as a member of the boards of directors of various companies in and outside of Turkey. Emre BERKİN has a Master's Degree in Computer Engineering granted by DePaul University and a Bachelor's Degree in Electronic and Telecommunication from Middle East Technical University.

Conor John McCARTHY serves as a member of our Board of Directors since February 2012. Conor McCARTHY started working for Aer Lingus in 1978 and spent a total of 18 years with the company in engineering, operations, maintenance, commercial planning, marketing, route economics, finance, strategic management, fleet planning and general management. After leaving Aer Lingus in 1996 as the chief executive officer of Aer Lingus Commuter, Conor McCARTHY joined Ryanair and served as its director of group operations until 2000. Conor McCARTHY is currently the executive chairman at Dublin Aerospace Ltd. and he previously also served as a member of the board of directors in Air Asia, which he also helped to co-found. He is also a shareholder of and the managing director of PlaneConsult, a specialist aviation consulting firm. Conor McCARTHY holds a bachelor's degree in engineering from Trinity College Dublin. He is a citizen and a resident of the Republic of Ireland.

**Independence Statement**

May 25, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

**Re : Statement of Independence relating to Corporate Governance Principles**

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "Company"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the "Communiqué") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

**4.3.6** A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity<sup>(1)</sup> or an important commercial relationship<sup>(2)</sup> should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled<sup>(3)</sup> or materially influenced<sup>(4)</sup> by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey<sup>(5)</sup> according to the Income Tax Law No. 193 dated December 31, 1960;<sup>(6)</sup>
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

**Conor John McCARTHY**

Mehmet Cem KOZLU serves as an independent member of our Board of Directors since April 2013. Cem KOZLU served as the chairman of the board of directors and CEO at Türk Hava Yolları A.O. between 1988 and 1991 and in 1990 he also served as the chairman of the Association of European Airlines. After having served as a member of the Turkish Parliament between 1991 and 1995, he took a second term as the chairman of Turkish Airlines between 1997 and 2003. Cem KOZLU held several positions at The Coca-Cola Company between 1996 and 2006 where his last position was the president of the company's Central Europe, Eurasia and Middle East operations. Since 2006, he has continued to serve as consultant to Coca-Cola Eurasia and Africa Group. Cem KOZLU served as the chairman of the International Airline Training Fund between 2008 and 2010 and continues to serve as member of board of directors or advisor in various companies. Cem KOZLU holds a bachelor's degree from Denison University and an MBA degree from Stanford University. He also holds a Ph.D. in administrative sciences from Boğaziçi University.

**Independence Statement**

February 18, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

**Re : Statement of Independence relating to Corporate Governance Principles**

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "**Company**"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the "**Communiqué**") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

**4.3.6** A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity<sup>(1)</sup> or an important commercial relationship<sup>(2)</sup> should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled<sup>(3)</sup> or materially influenced<sup>(4)</sup> by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey<sup>(5)</sup> according to the Income Tax Law No. 193 dated December 31, 1960;<sup>(6)</sup>
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

**Mehmet Cem KOZLU**



Mehmet SAĞIROĞLU serves as an independent member of our Board of Directors since April 2013. Mehmet SAĞIROĞLU held several positions at Türkiye Demirdöküm Fabrikaları A.Ş. between 1976 and 1980 and at Türkiye Sınai Kalkınma Bankası between 1980 and 1999 where his last position was head of corporate finance. Mehmet SAĞIROĞLU later served as an executive manager and later as the member of the board of directors at Global Yatırım Holding A.Ş. between 2001 and 2006. In 2005 he also served as a member of the board of directors at TÜPRAŞ Türkiye Petrol Rafinerileri A.Ş. Between 2011 and 2012 Mehmet SAĞIROĞLU was the CEO of IEG Global Kurumsal Finansman A.Ş. and also served as the chairman of the Association of Listed Companies' Executives (Koteder) between May 2012 and October 2013. Mehmet SAĞIROĞLU currently serves as independent director at Alarko GYO A.Ş. Mehmet SAĞIROĞLU holds a bachelor's degree in business administration from Boğaziçi University.

**Independence Statement**

February 18, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

**Re : Statement of Independence relating to Corporate Governance Principles**

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "Company"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the "Communiqué") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

**4.3.6** A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity<sup>(1)</sup> or an important commercial relationship<sup>(2)</sup> should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled<sup>(3)</sup> or materially influenced<sup>(4)</sup> by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey<sup>(5)</sup> according to the Income Tax Law No. 193 dated December 31, 1960;<sup>(6)</sup>
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

**Mehmet SAĞIROĞLU**





Saad Hassan HAMMAD joined Pegasus as a non-executive member of the Board of Directors on April 25, 2014 and serves as an independent director since March 31, 2015. Saad HAMMAD is currently the CEO of Flybe Group plc and has considerable executive and non-executive experience in the aviation sector. From 2005 to 2009 Saad HAMMAD served as the Chief Commercial Officer at easyJet plc and in 2011 and 2012 he served as a non-executive directors at Air Berlin plc and a member of the Finance Committee. Outside of aviation, Saad HAMMAD was, from 2009 to 2013 the Managing Director at the Gores Group, an operations-focused private equity firm with approximately US\$4 billion under management. Previously, Saad HAMMAD held a number of leadership positions in brand management, sales and marketing and retailing at Procter & Gamble, Thorn-EMI, Vision Express and the Minit Group. He was also Managing Director – Europe at Tibbett & Britten and CEO & Co-founder of Autocascade, a pan-European web-based yield management start-up focused on the automotive sector. Saad HAMMAD also served as a non-executive director of Optos plc, provider of medical retinal-imaging technology, where he was a member of the Audit and Remuneration Committees. Saad HAMMAD holds a BA (Hons) in Politics, Philosophy and Economics from Oxford University and an MBA from INSEAD. He is a citizen and a resident of the United Kingdom.

**Independence Statement**

February 18, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

**Re : Statement of Independence relating to Corporate Governance Principles**

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the “Company”), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the “Communiqué”) that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

**4.3.6** A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity<sup>(1)</sup> or an important commercial relationship<sup>(2)</sup> should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled<sup>(3)</sup> or materially influenced<sup>(4)</sup> by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey <sup>(5)</sup> according to the Income Tax Law No. 193 dated December 31, 1960; <sup>(6)</sup>
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;

- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

**Saad Hassan HAMMAD**

- <sup>(1)</sup> Equity relationship covers instances where more than 5% of the capital, voting rights or the total number of privileged shares are owned, alone or together with others listed in this sub-paragraph
- <sup>(2)</sup> Commercial relationship will be deemed important if the revenue or earning before tax derived from the transaction by either party represents 20% or more of its/his/her revenue or earning before tax from the same type of transactions
- <sup>(3)</sup> (Management) Control will be determined based on Turkish Financial Reporting Standard 10 *Consolidated Financial Statements*.
- <sup>(4)</sup> Material Influence will be determined based on Turkish Accounting Standard 28 *Investments in Associates and Joint Ventures*
- <sup>(5)</sup> Individuals are considered residents in Turkey, if (i) they are domiciled in Turkey in accordance with the Turkish Civil Code No. 4721, or (ii) they stay in Turkey for more than 6 months in a calendar year.
- <sup>(6)</sup> Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion

Our Directors have been authorized to enter into transactions with the Company and to undertake business transactions competing with Pegasus on their own or third parties' behalf as per the Articles 395 and 396 of the Turkish Commercial Code No. 6102 through the resolution of our shareholders at the Annual General Assembly meeting dated March 31, 2015. The ability of our Directors to undertake duties in other Companies is, in principle, not restricted. However; in the event of a potential conflict of interest or a proposed appointment that is likely to have an influence on the Director's ability to discharge duties and obligations to Pegasus the Directors are required to inform our Company in advance.

The duties assumed by our Directors outside of our Company in 2015 are indicated below.

**Ali İsmail SABANCI**

**Chairman of the Board**

***Duties Assumed Elsewhere in 2015***

|     |   |                            |
|-----|---|----------------------------|
| 1.  | Esas Holding A.Ş. (Group Company)   | Board Member               |
| 2.  | Esas Burda Turizm ve İnşaat San. Tic. A.Ş. (Group Company)                | Board Member               |
| 3.  | Mars Entertainment Group A.Ş. (Group Company)                             | Chairman of the Board      |
| 4.  | Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş. (Group Company) | Board Member               |
| 5.  | Mars Spor Kulübü ve Tesisleri İşletmeciliği A.Ş. (Group Company)          | Board Member               |
| 6.  | Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)                  | Board Member               |
| 7.  | U.N. RO-RO İşletmeleri A.Ş. (Group Company)                               | Board Member               |
| 8.  | Trieste Holdco Denizcilik ve Taşımacılık A.Ş. (Group Company)             | Board Member               |
| 9.  | Trieste Midco Denizcilik ve Taşımacılık A.Ş. (Group Company)              | Board Member               |
| 10. | Trieste Newholdco Denizcilik ve Taşımacılık A.Ş. (Group Company)          | Board Member               |
| 11. | Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)           | Vice-Chairman of the Board |
| 12. | Bin Çağrı Hizmetleri A.Ş.   | Board Member               |
| 13. | Air Berlin plc U.K.   | Board Member               |
| 14. | Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.                          | Board Member               |
| 15. | Multimarka Ayakkabıcılık Sanayi ve Ticaret A.Ş.                           | Chairman of the Board      |
| 16. | Saray Bahçe Alışveriş Merkezi Ticaret A.Ş.                                | Board Member               |
| 17. | Kauçuk Yiyecek İçecek Hizmetleri ve Ticaret A.Ş.                          | Board Member               |

**Hüseyin Çağatay ÖZDOĞRU**

**Vice-Chairman of the Board**

***Duties Assumed Elsewhere in 2015***

|    |   |                       |
|----|---|-----------------------|
| 1. | Esas Holding A.Ş. (Group Company)   | Board Member and CEO  |
| 2. | Mars Entertainment Group A.Ş. (Group Company)                             | Board Member          |
| 3. | Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş. (Group Company) | Chairman of the Board |
| 4. | Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)                  | Board Member          |
| 5. | U.N. RO-RO İşletmeleri A.Ş. (Group Company)                               | Board Member          |
| 6. | Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)           | Board Member          |
| 7. | Ayakkabı Dünyası Mağazacılık ve İnşaat A.Ş. (Group Company)               | Board Member          |

|     |  |                       |
|-----|--|-----------------------|
| 8.  | Esaslıgrup Gıda San. ve Tic. A.Ş. (Group Company)  | Board Member          |
| 9.  | Esas Hava Taşımacılık Turizm ve Ticaret A.Ş. (Group Company)                               | Chairman of the Board |
| 10. | Acil Yardım Akademisi A.Ş. (Group Company)   | Board Member          |
| 11. | Odea İnşaat Turizm Yatırımları ve Dış Ticaret A.Ş. (Group Company)                         | Chairman of the Board |
| 12. | Kiraz 1 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company)                           | Board Member          |
| 13. | Kiraz 2 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company)                           | Board Member          |
| 14. | Peyman Kuruyemiş Gıda Ak. Kimyevi Madde Tarım Ürünleri Sanayi Ticaret A.Ş. (Group Company) | Chairman of the Board |
| 15. | Esbon Süt Ürünleri San. Tic. A.Ş. (Group Company)  | Board Member          |
| 16. | Esom Mağazacılık Ticaret A.Ş. (Group Company)  | Board Member          |
| 17. | Kiraz 4 LLC U.S.A. (Group Company)   | Board Member          |
| 18. | Kauçuk Yiyecek İçecek Hizmetleri Tic. A.Ş. (Group Company)                                 | Board Member          |
| 19. | Denkar Denizcilik A.Ş. (Group Company)   | Board Member          |
| 20. | Multi Marka A.Ş. (Group Company)   | Board Member          |
| 21. | Kron Telekomünikasyon A.Ş.   | Board Member          |

### **Sertaç HAYBAT**

### **Executive Director and CEO**

#### ***Duties Assumed Elsewhere in 2015***

|    |  |                       |
|----|--|-----------------------|
| 1. | IHY İzmir Havayolları A.Ş. (Group Company)       | Chairman of the Board |
| 2. | Pegasus Uçuş Eğitim Merkezi A.Ş. (Group Company) | Chairman of the Board |

### **Şükrü Emre BERKİN**

### **Non-Executive Director**

#### ***Duties Assumed Elsewhere in 2015***

|    |  |              |
|----|--|--------------|
| 1. | Anadolu Bilişim Hizmetleri A.Ş.                | Board Member |
| 2. | Garanti Bilişim Teknoloji ve Ticaret Türk A.Ş. | Board Member |
| 3. | BASE Gayrimenkul Turizm ve Ticaret A.Ş.        | Board Member |
| 4. | Thomas Cook Group plc U.K.                     | Board Member |

### **Conor John McCARTHY**

### **Non-Executive Director**

#### ***Duties Assumed Elsewhere in 2015***

|    |                               |                    |
|----|-------------------------------|--------------------|
| 1. | PlaneConsult Ireland          | Founder and CEO    |
| 2. | Dublin Aerospace Ltd. Ireland | Executive Chairman |

### **Mehmet Cem KOZLU**

### **Independent Director**

#### ***Duties Assumed Elsewhere in 2015***

|     |  |                       |
|-----|--|-----------------------|
| 1.  | Anadolu Endüstri Holding A.Ş.                        | Board Member          |
| 2.  | Evyap Holding A.Ş.                                   | Consultant            |
| 3.  | Evyap Asya   | Chairman of the Board |
| 4.  | Coca-Cola Satış ve Dağıtım A.Ş.                      | Board Member          |
| 5.  | Noktacom Medya İnternet Hizmetleri San. ve Tic. A.Ş. | Chairman of the Board |
| 6.  | Kamil Yazıcı Yönetim ve Danışma A.Ş.                 | Board Member          |
| 7.  | Anadolu Kafkasya Enerji Yatırımları A.Ş.             | Board Member          |
| 8.  | Yazıcılar Holding A.Ş.                               | Consultant            |
| 9.  | Anadolu Termik Santralleri Elektrik Üretim A.Ş.      | Board Member          |
| 10. | Anadolu Efes Biracılık Malt Sanayii A.Ş.             | Board Member          |
| 11. | Coca-Cola Avrasya & Afrika                           | Consultant            |
| 12. | The Marmara Hotels & Residences                      | Advisory Board Member |

### **Mehmet SAĞIROĞLU**

### **Independent Director**

#### ***Duties Assumed Elsewhere in 2015***

|    |                 |              |
|----|-----------------|--------------|
| 1. | Alarko GYO A.Ş. | Board Member |
|----|-----------------|--------------|

### **Saad Hassan HAMMAD**

### **Independent Director**

#### ***Duties Assumed Elsewhere in 2015***

|    |                      |                            |
|----|----------------------|----------------------------|
| 1. | Flybe Group plc U.K. | Executive Director and CEO |
|----|----------------------|----------------------------|

In addition to the above, pursuant to the mandatory Corporate Governance Principles, our shareholders will be informed of material transactions between Pegasus or its subsidiaries on one hand and our controlling shareholders, Directors, members of the senior management with administrative responsibility or their spouses or relatives up to and including the second degree on the other hand, that may create conflict of interest, as well as any other instances where any of the foregoing persons engage in competing business on their own account or on the account of others.

As of December 31, 2015 there is no female Director appointed at Pegasus. However the Board of Directors adopted the "Pegasus Policy on Female Participation at the Board of Directors" by the resolution dated 18 December 2014 and numbered 471 which reads "*While nominating candidates for the Board of Directors from a pool of prospective directors who are equal in terms of know-how, experience and competency, female candidates shall be given priority. Corporate Governance Committee conducts the scrutiny of our Company's compliance with the Corporate Governance Principles published by the Capital markets Board in this respect.*"

## **5.2. WORKING PRINCIPLES OF THE BOARD OF DIRECTORS**

Working procedures and principles of our Board of Directors have been determined in writing by our Board of Directors in line with the relevant provisions of our Articles of Association. Accordingly, without prejudice and any limitations to the mandatory provisions of the applicable law and the Articles of Association regarding the authority, responsibilities, duties of the members of the Board of Directors and the delegation thereof, the Board of Directors:

- manages and represents Pegasus by taking strategic decisions, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus with a diligent risk-management approach;
- sets the strategic targets of Pegasus, determines the human and financial resources required by , and while preventing conflicts of interest and balancing competing demands on Pegasus, supervises the performance of Pegasus and its management; and
- further supervises the compliance of Pegasus' operations with the applicable legislation, the Articles of Association, the internal regulations and policies adopted by Pegasus.

Our Articles of Associations authorize our Board of Directors to establish mortgage or pledge on the movable and immovable assets of the Company and to release such security for the purposes of obtaining loans, without further authorization from the General Assembly, to resolve on donations on behalf of the Company, within the ceiling to be determined by the General Assembly and subject to the restrictions that may be brought by the Capital Markets Board pursuant to Article 19 of the Capital Markets Law and to resolve on all matters that do not fall within the explicit authority of the General Assembly under the applicable law and the Articles of Association.

In line with the relevant provisions in our Articles of Association, our Board of Directors convenes for meetings and adopts resolutions whenever the Company business requires. However; the Board of Directors meets at least four times a year. Our Directors are expected to attend all meetings, devote sufficient preparation time ahead of each meeting and

present their opinions at each meeting. Parallel to this expectation, the Chairman of the Board is expected to facilitate the efficient participation of all Directors at the meeting.

The records relating to the work of the Board of Directors are kept in writing and available to the Directors. Directors dissenting on any matter discussed during the meeting records his/her reasonable and detailed dissenting opinion in the records.

Save for special quorums required by law, our Board of Directors meets at the presence of simple majority of its members and adopts decisions by simple majority of those that are present at the meeting. Each Director has one vote. Unless one of the directors asks for a meeting, the Board of Directors can also adopt decisions by the written approval of simple majority of its members to a written proposal submitted by a director. Each resolution passed at the Board of Directors is put into writing and signed by the sufficient number of Directors and are kept in the Resolution Ledger of the Board of Directors.

In 2015, the Board of Directors held four meetings on March 18, May 7, August 13-14 and December 18, 2014. The overall attendance rate for the meetings was 97.22% in 2015.

### **5.3. NUMBER, STRUCTURE AND INDEPENDENCY OF COMMITTEES ESTABLISHED AT THE BOARD LEVEL**

Based on the resolution of our Board of Directors dated April 13, 2015 and numbered 490, the Audit Committee, the Corporate Governance Committee and the Committee on the Early Detection of Risks were formed as follows, to assist the Board of Directors on various matters as outlined in the Corporate Governance Principles of the Capital Markets Board.

#### **Audit Committee**

|          |                  |                             |
|----------|------------------|-----------------------------|
| Chairman | Mehmet Cem KOZLU | <i>Independent Director</i> |
| Member   | Mehmet SAĞIROĞLU | <i>Independent Director</i> |

#### **Corporate Governance Committee**

|          |                    |   |
|----------|--------------------|---|
| Chairman | Saad Hassan HAMMAD | <i>Independent Director</i>               |
| Member   | Mehmet Cem KOZLU   | <i>Independent Director</i>               |
| Member   | Şükrü Emre BERKİN  | <i>Non-Executive Board Member</i>         |
| Member   | Verda Beste TAŞAR  | <i>Vice-President, Investor Relations</i> |

#### **Committee on the Early Detection of Risks**

|          |                    |                                |
|----------|--------------------|--------------------------------|
| Chairman | Mehmet SAĞIROĞLU   | <i>Independent Director</i>    |
| Member   | Saad Hassan HAMMAD | <i>Independent Director</i>    |
| Member   | İnan TANRIÖVER     | <i>Non-Board Member Expert</i> |

In determining the composition of the structure of the Board Committees the Board of Directors aimed to form a balanced distribution of work in consideration of the number of Directors and Independent Directors and the legal requirements for the composition of each committee.

In accordance with the requirements of the Corporate Governance Principles of the Capital Markets Board, all of the members of the Audit Committee and the chairmen of the remaining Committees are appointed from among independent Directors while executive Directors assume no active duty in the said Committees. The Board of Directors did not establish separate Compensation and Nomination Committees, and, in accordance with the Corporate Governance Principles, the duties pertaining to such functions have been assumed by the Corporate Governance Committee.



In addition to the above Committees formed in line with the requirements of the Corporate Governance Principles, a Safety Committee is established to assist our Board of Directors with respect to safety matters relating to our Company's aviation operations. Safety Committee is composed of our CEO and two non-executive members of the Board of Directors and as of December 31, 2015, Conor John McCARTHY had been appointed as the Chairman of the Safety Committee while Mehmet Cem KOZLU and Sertaç HAYBAT are named as the other two members of the Committee.

The Committees record and maintain all of their works in writing and submit regular reports comprising information on their works and results of Committee meetings to the Board of Directors.

Summaries of the works undertaken by our Board Committees established as per the requirements of the Corporate Governance Principles in 2015 are as follows:

#### **Audit Committee**

The Audit Committee held five meetings on March 3, May 5, August 12, November 6 and December 17, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect reviewed our Company's financial reports for the periods ending on December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015 and shared its favorable opinion with our Board of Directors. The Committee also prepared the proposal for the appointment of the independent audit firm for 2015 audit requirements, oversaw the activities of the Company's Internal Audit Department, its work plan and budget. The Audit Committee has informed the Board of Directors of its activities at the Board meetings held in 2015.

#### **Corporate Governance Committee**

The Corporate Governance Committee held four meetings in 2015, on March 18, August 13, October 16 and December 18, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect oversaw the nomination of independent directors and the determination of nomination and compensation principles for Board of Directors in 2015, and well as scrutinizing the operations of the Vice-Presidency, Investor Relations. The Corporate Governance Committee informed the Board of Directors of its activities at the Board meetings held in 2015.

#### **Committee on the Early Detection of Risks**

The Committee on the Early Detection of Risks held seven meetings in 2015, on March 3 in attendance of the majority of its members and on April 14, May 5, July 31, November 11 and December 14 in attendance of all members, and again on May 5 in attendance of the majority of its members. The Committee engaged in works within the framework of its Charter and in this respect established the main principles and surveillance mechanisms for the determination and management of main risks on strategic, operational, financial, legal and other matters that may endanger the existence, development and future of Pegasus and oversaw the implementation of such principles and mechanisms. The Committee on the Early Detection of Risks provided information on its studies and risk evaluations once every two months in accordance with the provisions of Article 378 of the Turkish Commercial Code.



#### **5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM**

Our Board of Directors is responsible for manages and represents Pegasus by taking strategic decisions, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus with a diligent risk-management approach.

Committee on the Early Detection of Risks has been established by our Board of Directors to assist the Board of Directors in the determination in advance all types of risks, whether strategic, operational, financial, legal or otherwise that may endanger the existence, development and the future of Pegasus, the implementation of necessary precautionary measures and the management of detected risks.

While the Committee on the Early Detection of Risks operates responsible of the determination and surveillance of risks Company-wide, with respect to overseeing of certain specific risks, it acts in coordination with the other Board Committees and the relevant corporate departments acting under the General Manager. In this respect, the surveillance of risks relating to our Company's financial reporting and internal control mechanisms is conducted in cooperation with the Audit Committee; the surveillance of risks relating to human resources in respect of the members of the Board of Directors and the Company's senior management is conducted in cooperation with the Corporate Governance Committee and the surveillance of risks relating to aviation safety is conducted in cooperation with the Safety Committee.

#### **5.5. VISION, MISSION AND STRATEGIC TARGETS OF PEGASUS**

Pegasus operates in line with the strategic targets determined by our Board of Directors within the framework of our Company's mission and vision indicated below.

##### **Our Mission**

We believe that everybody has the right to fly. The Pegasus Family, our suppliers and our partners work together in cooperation to achieve this goal.

##### **Our Vision**

To be the leading low-cost airline in our region with our innovative, rational, conscious and responsible approach.

Our leadership criteria are the number of guests we carry, our response to customer expectations, our pricing policy and the added value we provide to the Pegasus Family.

Our annual budget is approved by our Board of Directors in advance of each fiscal year and our operational and financial results are closely monitored by the Board of Directors on a regular basis with comparisons against the budgeted targets. Our Board of Directors also reviews our Company's strategic targets on an annual basis.

#### **5.6. FINANCIAL RIGHTS**

Pursuant to the relevant provisions of our Articles of Associations, Directors are paid a monthly or annual salary or meeting-based remuneration to be determined by the General Assembly. The principles relating to the compensation of Directors are set out in the "Pegasus Compensation and Indemnification Policy".

With respect to the remuneration of independent directors, stock options or payment plans based on the company's performance cannot be used. Nevertheless, remuneration of independent directors should be at a level sufficient to protect their independence.

The criteria and procedures relating to the compensation of Directors and proposals for the remuneration of and other benefits to be provided to the Directors are annually determined by the Corporate Governance Committee and submitted to the Board of Directors. In this respect, the Corporate Governance Committee determined a set of principles and criteria regarding nomination and remuneration of the members of the Board of Directors for 2015 by its decision dated March 4, 2015 and numbered 9, which was published as Annex 3 to the Information Document prepared for the annual General Assembly meeting dated March 31, 2015 and communicated to our investors through our Corporate Website, the Public Disclosure Platform and the Electronic General Assembly Portal.

The aggregate of the honorary payments made to our Directors based on their attendance to Board meetings and the annual payments made for their duty as chairman or member in the Board Committees is disclosed in our Annual Report. In parallel, the sum of salary and bonus fees paid to the general manger and senior vice-presidents serving in our senior management team, and the income tax and social security contributions with respect to the same persons is also disclosed in our Company's Annual Report.

In 2015 the Company did not extend any loans to or provided any security to the members of the Board of Directors or the Senior Management.