

PEGASUS HAVA TAŞIMACILIĞI A.Ş.

COMPENSATION AND INDEMNIFICATION POLICY

1. PURPOSE, SCOPE AND LEGAL BASIS

Pegasus Hava Taşımacılığı A.Ş. ("**Pegasus**") Compensation and Indemnification Policy has been adopted by Pegasus Board of Directors in accordance with the provisions of the Corporate Governance Communiqué No. II-17.1 ("**Communiqué**") of the Capital Markets Board and aims to determine in writing the principles relating to the compensation of **(i)** the members of our board of directors and **(ii)** the members of our senior management comprising the Pegasus CEO, Assistant General Managers and Directors as well as other employees of Pegasus (altogether, "**Pegasus Family Members**").

2. GENERAL PRINCIPLES

Compensation principles at Pegasus are determined by taking into consideration:

- a) our company's structure, long term goals and sustainable success,
- b) balanced salary structure within the company and our annual budget,
- c) incentivizing loyalty, efficiency and productivity,
- d) circumstances relating to the sector in which we operate and competition,
- e) responsibilities undertaken by Pegasus Family Members, their calculable personal success levels and career development goals, and
- f) the applicable law.

Pegasus complies with the provisions of the Turkish Commercial Code, the Capital Markets law and the Communiqué in the compensation of members of the Board of Directors.

3. RESPONSIBILITY

Pegasus Board of Directors assumes ultimate responsibility for the formation, review, update and development of this Compensation and Indemnification Policy.

In this respect the Board of Directors works in collaboration with and obtains views from the Corporate Governance Committee and Pegasus senior management.

The efficient implementation of compensation policies at Pegasus within the framework of this Compensation Policy is undertaken by the Pegasus senior management under the supervision of the Corporate Governance Committee.

4. COMPENSATION OF DIRECTORS

Pegasus Directors are paid a monthly or annual salary or a per meeting payment to be determined by the General Assembly.

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.

Any allocation to be made to the members of the Board of Directors from the company profit requires the approval of the General Assembly as per Article 21 of the Pegasus Articles of Association.

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.

5. COMPENSATION OF PEGASUS FAMILY MEMBERS

Compensation of Pegasus Family Members other than the Directors is undertaken in accordance with the following principles.

- A. Fixed Monthly Salary:** Within the framework of the general principles set out in Article 2 above, the fixed monthly salary is determined based on the position, seniority and individual performance of the relevant Pegasus Family Member and the annual inflation rate and is paid on a monthly basis so long as the employment agreement remains in effect. The fixed monthly salary is reviewed on an annual basis within the framework of the principles set out herein.
- B. Performance-based Bonus:** As Pegasus, we believe that our continued success depends, among other factors, on the support and dedication of our management personnel and employees. We have made efforts to motivate our staff through performance-based incentives. Our staff remuneration policy focuses on maximizing efficiency and productivity while keeping staff motivated and committed to our company.

In line with this strategy, we implement bonus schemes for all our Family Members based on the financial performance of Pegasus and the realization of personal goals within periods to be determined by our Board of Directors. The said bonus schemes may be determined by our Board of Directors subject to different criteria, principles and calculations for the members of our senior management and our remaining employees.

The main goal of the implementation of the bonus schemes is to reward employees' good performance, foster motivation and strengthen the employees' identification with the company. Also, we believe this is an effective way of giving employees a sense of ownership in the company.

- C. Other Benefits:** Besides fixed monthly salary and performance bonuses Pegasus may provide its family members with tangible and non-tangible benefits, payments or target-based rewards within the principles set out in this Compensation Policy.

Proposals regarding the applicable criteria and procedures relating to the compensation of the members of our senior management and compensation and benefits to be provided to the members of the Board of Directors are determined by the Corporate Governance Committee on an annual basis and submitted to the Board of Directors for approval.

The relevant resolutions of the Board of Directors and company regulations adopted within the framework of these resolutions apply to the compensation of the remaining Pegasus Family Members.

Compensation paid and benefits provided to the members of the Board of Directors and the senior management are disclosed to the public in the annual activity report collectively for the Directors and the senior management.

6. EMPLOYMENT AGREEMENTS, RIGHT TO INDEMNITY AND STATUTORY RIGHTS

Each Family Member other than the Directors works under an employment agreement. The employment relationship between Pegasus and the members of the flight crew that are covered by paragraph 1(a) of Article 4 of the Labor Law No. 4857 is subject to the provisions of the Turkish Code of Obligations and the Turkish civil aviation legislation while the relationship between Pegasus and non-flight crew Family Members engaged through an employment agreement is subject to the provisions of the Labor Law. Pegasus acts in accordance with the applicable law in terms of indemnification of the said Family Members.

7. EFFECTIVE DATE

This Compensation and Indemnification Policy became effective upon the resolution of the Board of Directors dated 20 November 2013 and numbered 403.

In case of a need for amendment in the Compensation and Indemnification Policy, the amendments become effective upon the affirmative view of the Corporate Governance Policy and the approval of the Board of Directors. The revised Information Policy is then published in our investor relations web-site.