

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, 2017, the Corporate Governance Principles determined by the Capital Markets Board were implemented by Pegasus as described below.

Immediately following the initial public offering of its shares in April 2013, Pegasus achieved full compliance with the mandatory Corporate Governance Principles and substantially complied with the remaining, non-mandatory Corporate Governance Principles within the same year as the initial public offering of its shares. With respect to the non-mandatory Corporate Governance Principles listed below with which, as of December 31, 2017, our Company had not yet attained full compliance, evaluations are underway to achieve compliance at the highest level possible.

As a result of the independent rating study undertaken by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. in 2017 with respect to our compliance with the Corporate Governance Principles (all of the mandatory and non-mandatory provisions), our Company's compliance rating was determined as 9.25 out of 10.00 as of August 21, 2017.

The [full report](#) of the said rating agency accessible on our Investor Relations website indicates that our Company substantially complies with the Corporate Governance Principles, that recommendations by the agency for improved compliance (among the items listed below) do not raise any major risks and that our Company has therefore attained the right to be included in the BIST Corporate Governance Index.

Pegasus is a member of 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 2017, Pegasus achieved improvement shareholder and stakeholder relations through various new Board practices, corporate policies and procedures and the active participation of our employees in our Company's strategic planning process. Pegasus was also included in the BIST Sustainability Index in 2017 based on its performance for a number of sustainability criteria, including corporate governance.

The Corporate Governance Principles with which, as of December 31, 2017, 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.
- The Company does not have an active practice regarding the rewarding or dismissal of Directors as part of the performance evaluation studies conducted by the Board of Directors.
- Although honorarium entitlements and compensation relating to committee duties for the members of the Board of Directors are disclosed on an individual basis, salary and benefits provided to the members of Senior Management are 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, a comprehensive Board self-assessment study was conducted in 2017, triggering several improvements, among others, in terms of Board and Committee reporting, Board Member orientation and Management interaction and performance evaluation for each Board Member. 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. The Company also continues 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 other BIST Corporate Governance Index participants.

SECTION II - SHAREHOLDERS

2.1. INVESTOR RELATIONS UNIT

At Pegasus, relations with shareholders are undertaken by Pegasus Investor Relations, reporting to the Company CFO. Our senior management personnel responsible for shareholder relations and their contact information are provided below:

Mr. M. Barbaros KUBATOĞLU¹
Chief Financial Officer

Ms. H. Nur KARABACAK²
Investor Relations Manager

Telephone : +90 216 560 7580

Fax : +90 216 560 8087

E-mail : pegasusyatirimciiliskileri@flypgs.com

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

In accordance with the requirements of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, Nur KARABACAK assumes the duty of heading the Company's investor relations unit and serves as a member of the Corporate Governance Committee. Nur KARABACAK is a fulltime employee of our Company reporting to the CFO and holds a CMB – Level 3 License. Pegasus Investor Relations regularly reports its studies to our Board of Directors and our Corporate Governance Committee. In 2017, the studies with regular updates have been reported to the Board of Directors and to the Corporate Governance Committee on March 23, May 18, August 21, and December 14. During the year term, the Company responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings and attended five roadshows/conferences.

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 in writing and

¹ Appointed to succeed Serhan ULGA upon his resignation effective as of January 12, 2018.

² Appointed effective as of January 8, 2018.

publicly announced in the [Pegasus Information Policy](#). The current text of the Pegasus Information Policy 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 2017 there has not been any other request for information or a request for special audit of a specific matter.

Our shareholders are entitled by law to request the appointment of a special auditor to review specific matters, and 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 for the year 2016 was held on March 31, 2017 at 10:00 am local time at the Company headquarters located at Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı No: 11/A Kurtköy 34912 Pendik, İstanbul, in attendance of Mustafa ÇALIŞKAN, representative of the Ministry of Customs and Trade, appointed by the letter of the Governorship of İstanbul Provincial Trade Directorate dated March 30, 2017.

The meeting invitation and the agenda were published in the Trade Registry Gazette dated March 7, 2017 and numbered 9278, on pages 149 and 150, on our Company's 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 set out in Article 29 Paragraph 2 of the Capital Markets Law No. 6362.

Based on review of the List of Attendees, it was determined that 1.50 shares representing TL 1.50 of the Company capital of TL 102,272,000 divided into 102,272,000 shares, were represented in person and further 65.979.288 shares representing TL 65.979.288 of the Company capital were represented by proxy, thus constituting the requisite minimum meeting quorum foreseen by the law and the Articles of Association. It was further determined that among the shares represented by proxy 1.625.718 shares representing TL 1.625.718 of the Company capital were represented by custodians attending the Meeting through Electronic General Meeting System (E-GEM) operated by the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) and that no information was submitted to the Company in respect of such representation prior to the Meeting. Mr. Hüseyin Çağatay ÖZDOĞRU, Vice-Chairman of the Board of Directors, Mr. Mehmet Tevfik NANE, Company General Manager (CEO) and representing the Company's independent auditor, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, Mr. Cem TOVİL attended the Meeting in person.

The decisions of our shareholders adopted at the Ordinary General Assembly meeting held on March 31, 2017 are indicated in the table below:

Meeting Date	Resolutions
March 31, 2017 (Annual General Assembly)	<ul style="list-style-type: none">• Approval of the Annual Activity Report, the Auditor Report and the Financial Statements for the year 2016• Release of the members of the Board of Directors for operations and accounts pertaining to the year 2016• Allocation of the 2016 loss in the previous years' losses account• Authorization 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⁽¹⁾

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- 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⁽²⁾
 - Appointment of the independent audit firm for the year 2017 as per the provisions of Article 399 of the Turkish Commercial Code
 - Determination of a ceiling for donations to be made by the Company in 2017
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(1) *For more information, please refer to Section (1/F) and (2) of the 2017 Annual Activity Report*

(2) *For more information, please refer to Section (1/G) of the 2017 Annual Activity Report*

The agenda, list of attendees and meeting minutes relating to the aforementioned meeting are published on our Investor Relations website.

There were no transactions to report in 2017 that had to be submitted for the approval of our shareholders, where the approval of the majority of the Independent Board Members was required and not received with respect to a resolution of the Board of Directors.

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 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.

According to the dividend distribution chart submitted to the attention of the shareholders by the resolution of the Board of Directors dated March 6, 2017 and numbered 575, the Company had no distributable net profit for the year 2016 due to net loss for the period. In the absence of distributable profit, the necessary information was provided and the allocation of the loss of the period in the previous years' losses account was unanimously approved by the shareholders attending the Meeting.

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 and Investor Relations Websites which are indicated below:

<http://www.flypgs.com>

<http://www.pegasusinvestorrelations.com>

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

In addition to the above, the 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
 - Stock Info
 - On Time Performance
 - Fleet Overview
 - Traffic Data
- Investor Package
 - Investor Presentations
 - Analyst Information
 - Investor Calendar
 - Material Disclosures
 - Useful Links
 - Events

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 following the approval of 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, our Company's corporate intranet portal and our document management system with respect to communication of information to our employees, as well as our corporate website (www.flypgs.com), our mobile site and mobile applications, Pegasus Call Center, 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 in consideration of which we seek to introduce new practices that will improve our operations.

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

Pegasus encourages and incentivizes all employees to engage in business management processes. In this respect:

- Within the framework of Pegasus Ethical Behavior Guide, Pegasus undertakes to facilitate for all Employees easy access to their superiors and members of our senior management and actively implements this principle;
- Studies are carried out to improve all matters directly affecting our Company's profitability and our work environments. Meeting minutes, progress reports and other relevant information and documents are regularly made available to all Employees through our corporate intranet portal.

4.3. HUMAN RESOURCES POLICY

Pegasus Human Resources aims to develop and implement fair, transparent, sensitive and innovative human resources strategies for sustainable and constantly improving success in business.

Pegasus Human Resources strategy is to be the Company everyone would like to work for in the aviation sector.

To reach our goals we;

- implement segmented and solution oriented human resources practices by taking into consideration the dynamics of the sector we operate in,
- encourage and promote our employees for high performance and constant improvement beginning with mapping out our workforce requirements and throughout employment term,
- conduct a performance evaluation process once in a year and involving mid-term evaluations based on our main objectives that reflect on our Employees' self-development, earnings and career plans according to results of the performance evaluation,
- bring high potential employees to the Pegasus and train them for managerial responsibility and track self-development of our Employees keeping them informed of horizontal and vertical career opportunities,

- compensate our employees mindful of their added value contribution to the Company and based on a fair, transparent and competitive compensation scheme focused on corporate strategy and individual achievements,
- construct the right norm staff plans and productive organization management structure by determining of effective and accurate labor force needs based on a job evaluation system linked to the content of the job,
- give priority to make the right investment in the right person in line with our career planning practices supported by education and development opportunities which reveal the potential for our Employees,
- create a solution for our employees' by determining their potential needs throughout their careers in Pegasus.

The organization structure of our Company and the performance and rewarding criteria implemented by our Company are announced to our employees and are made available in our corporate intranet portal and in our document management system. The hiring criteria we implement are also determined in writing.

As Pegasus, we are further making the following commitments to our Employees within the scope of the Pegasus Ethical Behavior Guide:

- Maintain honest, respectful, fair and trustful behavior based on reason, conscience and common sense while performing all our activities,
- Establish open, collaborative and friendly relationships in every aspect,
- Uphold, protect and incentivize the protection of the values set out in the Pegasus Ethical Behavior Guide,
- Act in conformity with all applicable laws, rules and regulations,
- Act honestly and ethical in case of conflicts of interest between responsibilities towards Pegasus and personal interests,
- Provide full, accurate and comprehensible information in the reports and documents which are made public or sent to the registered regulatory bodies,
- Work to preserve a Company culture and a working environment that promotes the ethical principles set out in the Ethical Behavior Guide in order to achieve Company targets, provide safety and satisfaction to our guests.

4.4. ETHICAL RULES AND SOCIAL RESPONSIBILITY

Following the initial public offering of its shares in April 2013, Pegasus published its first set of ethical rules, the Pegasus Rules of Business Ethics on December 4, 2013. The document was later superseded in 2016 by the Pegasus Ethical Behavior Guide, which includes more comprehensive and explanatory rules of ethical behavior especially for our employees, has been adopted in the same date.

[Pegasus Corporate Social Responsibility Policy](#) was adopted by the decision of our Board of Directors dated November 20, 2013 and was subsequently been published on our Investor Relations Website and the Public Disclosure Platform November 22, 2013.

Pegasus Ethical Behavior Guide defines Rules of Ethical Behavior as honest, respectful, fair and trustful behavior based on reason, conscience and common sense when interacting with Pegasus employees, guests, customers, suppliers and other persons and entities we work and interact with and sets this as the basis of all of its relations. Pegasus Ethical Behavior Guide covers all Pegasus employees, including all Pegasus Directors and employees and the directors

and employees of our subsidiaries. Pegasus Ethical Behavior Guide determines the framework of the system which is implemented for the responsibilities of both our Company and employees, the implementation of the rules and resolution of conflicts.

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 members to be appointed in line with the provisions of the Turkish Commercial Code and the Capital Markets Law.

As of December 31, 2017, our Board of Directors consisted of seven members. In line with the Corporate Governance Principles of the Capital Markets Board, four independent Directors served at our Board of Directors. Apart from Independent Board Members, three 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	31.03.2017 – 2017 GA ⁽¹⁾
Hüseyin Çağatay ÖZDOĞRU	Vice-Chairman of the Board	Yes	31.03.2017 – 2017 GA ⁽¹⁾
Sertaç HAYBAT	Non-Executive Board Member	No	31.03.2017 – 2017 GA ⁽¹⁾
Mehmet Cem KOZLU	Independent Board Member	No	31.03.2017 – 2017 GA ⁽¹⁾
Saad Hassan HAMMAD	Independent Board Member	No	31.03.2017 – 2017 GA ⁽¹⁾
Hatice Zeynep Bodur OKYAY	Independent Board Member	No	31.03.2017 – 2017 GA ⁽¹⁾
Stephen Mark GRIFFITHS	Independent Board Member	No	31.03.2017 – 2017 GA ⁽¹⁾

⁽¹⁾ Appointed for a term of one year at the Annual General Assembly Meeting dated March 31, 2017.

According to the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board and Article 10 of the Company Articles of Association, Mehmet Cem KOZLU, Hatice Zeynep Bodur OKYAY, Saad Hassan HAMMAD and Stephen Mark GRIFFITHS were named as nominees for Independent Board Members for 2017 based on the Corporate Governance Committee report dated January 30, 2017 and were appointed as Independent Board Members at the General Assembly Meeting dated March 31, 2017.

The résumés and information on duties assumed elsewhere in 2017 for each Director is provided below, and the independence statements provided by the independent Directors to Pegasus are provided at the end of the Report.

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

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 AK bank T.A.Ş. between 1991 and 1997. He also served as the head of projects of Hacı Ömer Sabancı Holding A.Ş. between 1887 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 (TAK).

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

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 - **Non-Executive Director**

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 held this position until 2014. Sertaç HAYBAT also serves as a board member at Flybondi Limited.

Mehmet Cem KOZLU - **Independent Director**

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.

Saad Hassan HAMMAD - **Independent Director**

Saad Hassan HAMMAD joined Pegasus as a non-executive member of the Board of Directors on April 25, 2014 and has served as an independent director since March 31, 2015. Saad HAMMAD serves as the CEO for Key Travel since November 2017, and has considerable executive and non-executive experience in the aviation sector. Between August 2013 and October 2016 Saad HAMMAD served as the CEO of Flybe Group plc. 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 director 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.

Hatice Zeynep Bodur OKYAY - ***Independent Director***

Zeynep Bodur OKYAY joined Pegasus as a non-executive director on July 14, 2016 and has served as an independent director since October 2016. Since 1992, Zeynep Bodur OKYAY held a number of duties at the Kale Group with investments in ceramics, construction materials, construction chemicals, defense and aviation, machinery, energy, mining, transportation and IT. Having assumed several roles as part of ceramics production planning and production management between 1992 and 1995, she was later appointed as the president and executive committee member of the group's marketing companies and since 2007, serves as the president and CEO of the Kale Group. Zeynep Bodur OKYAY holds a bachelor's degree in management engineering obtained from the Istanbul Technical University and has completed the management program master's degree at Harvard University. Among her active duties assumed in various non-governmental organizations, associations, foundations and chambers, Zeynep Bodur OKYAY serves as the chairman of the general assembly of the Istanbul Chamber of Industry, vice-chairman of the Economic Development Foundation, board member of the Foreign Economic Relations Board, member of the board of trustees of the Turkish Education Foundation and vice-chairman of the female entrepreneurs board of the Union of Chambers and Commodity Exchanges of Turkey.

Stephen Mark GRIFFITHS - ***Non-Executive Director***

Stephen Mark GRIFFITHS joined Pegasus as a non-executive member of the Board of Directors on November 11, 2016 and has served as an independent director since January 2017. Steve GRIFFITHS is currently Independent Contractor / Senior Advisor in Oliver Wyman Consulting – London. Prior to October 2017, he served as the Chief Operating Officer of the London Underground. He has considerable executive experience in the aviation sector. Between 1995 and 2013, Steve GRIFFITHS served in various positions at Virgin Atlantic Airways Limited. Between March 2009 and June 2013, Steve GRIFFITHS was the Chief Operating Officer of Virgin Atlantic, responsible for the safe, efficient and cost-effective delivery of the airline operations and customer service promise, with leadership responsibility for 6,500 employees in flight operations, engineering, airports, cargo, pilots, cabin crew, safety and security and customer experience. Prior to that, Steve GRIFFITHS served as director of engineering between 2007 and 2009 and undertook various senior engineering positions between 1995 and 2007. Between 1986 and 1995, Steve GRIFFITHS served as senior service engineer at Rolls Royce plc. Steve GRIFFITHS holds HND in Mechanical Engineering and has completed the Advanced Leadership Development Programme at Cranfield University. He is a citizen and a resident of the United Kingdom.

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 meetings in 2016. 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 2017 are indicated below:

Ali İsmail SABANCI		Chairman of the Board
<i>Duties Assumed Elsewhere in 2017</i>		
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.	U.N. RO-RO İşletmeleri A.Ş. (Group Company)	Board Member
5.	Trieste Holdco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
6.	Trieste Midco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
7.	Trieste Newholdco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
8.	Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)	Vice-Chairman of the Board
9.	Air Berlin plc U.K	Board Member
10.	Multimarka Ayakkabıcılık Sanayi ve Ticaret A.Ş.	Chairman of the Board
11.	Saray Bahçe Alışveriş Merkezi Ticaret A.Ş.	Board Member
12.	Kauçuk Yiyecek İçecek Hizmetleri ve Ticaret A.Ş.	Board Member

Hüseyin Çağatay ÖZDOĞRU		Vice-Chairman of the Board
<i>Duties Assumed Elsewhere in 2017</i>		
1.	Esas Holding A.Ş. (Group Company)	Board Member and CEO
2.	Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Board Member
3.	Mars Spor Kulübü ve Tesisleri İş. A.Ş.	Board Member
4.	Trieste New Holdco A.Ş.	Board Member
5.	Trieste Holdco A.Ş.	Board Member
6.	Trieste Midco A.Ş.	Board Member
7.	U.N. RO-RO İşletmeleri A.Ş. (Grup Şirketi)	Board Member
8.	Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)	Board Member
9.	Esaslıgrup Gıda San. ve Tic. A.Ş. (Group Company)	Board Member
10.	Esas Hava Taşımacılık Turizm ve Ticaret A.Ş. (Group Company)	Chairman of the Board
11.	Acil Yardım Akademisi A.Ş. (Group Company) – <i>subject to liquidation</i>	Chairman of the Board
12.	Kiraz 1 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company)	Board Member
13.	Esbon Süt Ürünleri San. Tic. A.Ş. (Group Company) – <i>liquidated in 2017</i>	Board Member
14.	Kauçuk Yiyecek İçecek Hizmetleri Tic. A.Ş. (Group Company)	Board Member
15.	Denkar Denizcilik A.Ş. (Group Company)	Board Member
16.	Multi Marka A.Ş. (Group Company)	Vice-Chairman of the Board
17.	Kron Telekomünikasyon A.Ş.	Board Member
18.	MEF Üniversitesi Yaşam Boyu Eğitim Merkezi	Chairman of the Board
19.	Koroza Ambalaj San. Tic. A.Ş.	Board Member

Sertaç HAYBAT		Non-Executive Board Member
<i>Duties Assumed Elsewhere in 2017</i>		
1.	Flybondi Limited, U.K.	Board Member

Mehmet Cem KOZLU		Independent Board Member
<i>Duties Assumed Elsewhere in 2017</i>		
1.	Anadolu Endüstri Holding A.Ş.	Board Member
2.	Coca Cola İçecek A.Ş.	Board Member

3.	Kamil Yazıcı Yönetim ve Danışma A.Ş.	Board Member
4.	Yazıcılar Holding A.Ş.	Constultant
5.	Anadolu Efes Biracılık Malt Sanayii A.Ş.	Board Member
6.	The Marmara Hotels & Residences	Advisory Board Member
7.	Do&Co the Gourmet Entertainment Company	Board Member
8.	Global İlişkiler Forumu	Chairman of the Board

Saad Hassan HAMMAD

Independent Board Member

Duties Assumed Elsewhere in 2017

1.	Key Travel, U.K.	CEO
2.	Jetlines, Canada	Non-Executive Director

Hatice Zeynep Bodur OKYAY

Independent Board Member

Duties Assumed Elsewhere in 2017

1.	H. İbrahim Bodur Holding A.Ş.	Executive Chairman
2.	Kale Holding A.Ş.	Executive Chairman
3.	Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş.	Executive Chairman
4.	Kale Havacılık Sanayi A.Ş.	Executive Chairman
5.	Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	Executive Chairman
6.	Bodur Gayrimenkul Geliştirme A.Ş.	Executive Chairman
7.	Bodur Menkul İş Geliştirme Sanayi ve Ticaret A.Ş.	Executive Chairman
8.	Kalebodur Gayrimenkul Geliştirme Yatırım ve Ticaret A.Ş.	Executive Chairman

Stephen Mark GRIFFITHS

Independent Director

Duties Assumed Elsewhere in 2017

1.	Oliver Wyman Consulting, U.K.	Independent Contractor
2.	London Underground, U.K.	Chief Operating Officer

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.

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, 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.

During the year, the Board of Directors held four meetings on March 23, May 18, August 21-22 and December 14, 2017. The overall attendance rate for the meetings was 100% in 2017.

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

Based on the resolutions of our Board of Directors dated February 7, 2017 numbered 569, the Audit Committee, the Committee on the Early Detection of Risks, Safety Committee and the Corporate Governance Committee were re-composed as follows.

Audit Committee

Chairman	Mehmet Cem KOZLU	<i>Independent Board Member</i>
Member	Saad Hassan HAMMAD	<i>Independent Board Member</i>

Committee on Early Detection of Risks

Chairman	Saad Hassan HAMMAD	<i>Independent Board Member</i>
Member	Sertaç HAYBAT	<i>Non-Executive Board Member</i>
Member	İnan TANRIOVER	<i>Non-Board Member Expert</i>

Corporate Governance Committee

Chairman	Stephen Mark GRIFFITHS	<i>Independent Board Member</i>
Member	Mehmet Cem KOZLU	<i>Independent Board Member</i>
Member	Hatice Nur KARABACAK	<i>Investor Relations Manager⁽¹⁾</i>

Safety Committee

Chairman	Sertaç HAYBAT	<i>Non-Executive Board Member</i>
Member	Mehmet Cem KOZLU	<i>Independent Board Member</i>
Member	Mehmet T. NANE	<i>CEO</i>

⁽¹⁾ *Appointed as a member of the Corporate Governance Committee effective as of January 8, 2018.*

In determining the composition of the structure of the Board Committees the Board of Directors aims to form a balanced distribution of work in consideration of the number of Non-Executive and Independent Board Members 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 Audit, Risk and Corporate Governance Committees are appointed from among Independent Board Members while Executive Board Members 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, 2017, Sertaç HAYBAT serves as the Chairman of the Safety Committee while Mehmet Cem KOZLU and Mehmet T. NANE 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 2017 are as follows:

Audit Committee

The Audit Committee held four meetings on March 3, May 9, August 11 and November 8, 2017 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 March 31, June 30, September 30, December 31, 2017 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 2017 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 2017.

Corporate Governance Committee

The Corporate Governance Committee held four meetings in 2017, on March 23, May 18, August 21 and December 14, 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 2017, and well as scrutinizing the operations of the Investor Relations

Department. The Corporate Governance Committee worked on the matters of planning subrogation and evaluation of performances of executive management and their regular observation. The Corporate Governance Committee also carried out a comprehensive Board Evaluation Process with the involvement of independent experts in 2017. The Corporate Governance Committee informed the Board of Directors of its activities at the Board meetings held in 2017.

Committee on Early Detection of Risks

The Committee on the Early Detection of Risks held six meetings in 2017, on January 31, March 29, May 31, August 20, October 11 and December 13, 2017. 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, and 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.

In 2017, management risk review, management and reporting processes were revised to improve the quality and efficiency of Company-wide, integrated risk reporting.

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, "**Nomination and Compensation Principles and Criteria for Pegasus Board of Directors**" has been determined by the decision of the Corporate Governance Committee dated March 6, 2017 and numbered 22, which was published as Article 6 in the [Information Document](#) prepared for the Ordinary Annual General Assembly meeting relating 2016, dated March 31, 2017 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.

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⁽¹⁾ or an important commercial relationship⁽²⁾ 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⁽³⁾ or materially influenced⁽⁴⁾ 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⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (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 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

25.01.2017

⁽¹⁾ 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

⁽²⁾ 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

⁽³⁾ (Management) Control will be determined based on Turkish Financial Reporting Standard 10 Consolidated Financial Statements.

⁽⁴⁾ Material Influence will be determined based on Turkish Accounting Standard 28 Investments in Associates and Joint Ventures

⁽⁵⁾ 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.

⁽⁶⁾ Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion

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⁽¹⁾ or an important commercial relationship⁽²⁾ 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⁽³⁾ or materially influenced⁽⁴⁾ 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⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (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 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

25.01.2017

⁽¹⁾ 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

⁽²⁾ 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

⁽³⁾ (Management) Control will be determined based on Turkish Financial Reporting Standard 10 Consolidated Financial Statements.

⁽⁴⁾ Material Influence will be determined based on Turkish Accounting Standard 28 Investments in Associates and Joint Ventures

⁽⁵⁾ 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.

⁽⁶⁾ Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion

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⁽¹⁾ or an important commercial relationship⁽²⁾ 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⁽³⁾ or materially influenced⁽⁴⁾ 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⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (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 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,

Hatice Zeynep Bodur OKYAY

25.01.2017

⁽¹⁾ 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

⁽²⁾ 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

⁽³⁾ (Management) Control will be determined based on Turkish Financial Reporting Standard 10 Consolidated Financial Statements.

⁽⁴⁾ Material Influence will be determined based on Turkish Accounting Standard 28 Investments in Associates and Joint Ventures

⁽⁵⁾ 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.

⁽⁶⁾ Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion

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⁽¹⁾ or an important commercial relationship⁽²⁾ 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⁽³⁾ or materially influenced⁽⁴⁾ 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⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (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 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,

Stephen Mark GRIFFITHS

25.01.2017

⁽¹⁾ 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

⁽²⁾ 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

⁽³⁾ (Management) Control will be determined based on Turkish Financial Reporting Standard 10 Consolidated Financial Statements.

⁽⁴⁾ Material Influence will be determined based on Turkish Accounting Standard 28 Investments in Associates and Joint Ventures

⁽⁵⁾ 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.

⁽⁶⁾ Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion
