

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2018**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in normal course of business.

(i) Balances with Related Parties:

a) Other receivables from related parties

	30 June 2018	31 December 2017
Balances with joint ventures and subsidiaries:		
PUEM	2.580.614	1.702.020
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	-	31.747
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	11.778	-
	2.592.392	1.733.767

b) Trade payables to related parties

	30 June 2018	31 December 2017
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	917.084	764.389
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	64.072	-
	981.156	764.389

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant Transactions with Related Parties:

The significant transactions with Esas Holding consist of the financial guarantee that Esas provides for aircraft acquisitions and their related commissions. The Group records these commissions within finance expense.

The Group also leases their head office building from Esasburda İnşaat Sanayi ve Ticaret A.Ş. ("Esasburda"), another Esas Holding subsidiary, and records rent expense.

The Group receives simulator training services from PUEM for their pilots and generates revenues from labor hire and common area use.

The Group receives software and software support services from Hitit Bilgisayar that provides informations system solutions for transportation industry.

a) Sale of services

	1 January- 30 June 2018	1 January- 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Transactions with joint ventures and subsidiaries:				
PUEM	955.089	663.097	535.234	307.318
Transactions with other related parties:				
Air Berlin Plc&Co Luftverkehrs Kg (*)	-	884.401	-	33.378
	955.089	1.547.498	535.234	340.696

(*) Air Berlin Plc & Co Luftverkehrs Kg entered into liquidation process in August 2017. Therefore, the Group's management ceased commercial operations with the company as of that date.

b) Purchases of goods or services

	1 January- 30 June 2018	1 January- 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Transactions with joint ventures and subsidiaries:				
Hitit Bilgisayar	6.719.912	6.905.718	3.115.545	2.134.226
PUEM	4.541.061	3.483.658	2.315.854	1.719.615
Transactions with other related parties:				
Esasburda	998.188	1.087.334	467.325	651.525
Other	24.488	-	11.500	-
	12.283.649	11.476.710	5.910.224	4.505.366

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant Transactions with Related Parties (cont'd):

c) Rent expenses

	1 January- 30 June 2018	1 January- 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Esasburda	3.529.348	3.138.010	1.805.130	1.655.361
	3.529.348	3.138.010	1.805.130	1.655.361

d) Surety commission expenses

	1 January- 30 June 2018	1 January- 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Esas Holding (Note 19)	4.304.543	6.269.914	2.065.578	2.885.247
	4.304.543	6.269.914	2.065.578	2.885.247

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,0725% of the 115% of the amount guaranteed.

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 June 2018 and 2017 are as follows:

	1 January- 30 June 2018	1 January- 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Salaries and other short term benefits	6.552.428	4.652.216	2.453.869	2.292.704
Other long term benefits	810.479	985.195	-	-
	7.362.907	5.637.411	2.453.869	2.292.704