

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2017**

(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 September 2017	31 December 2016
Balances with joint ventures and subsidiaries:		
PUEM	1.735.363	999.811
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	71.698	86.218
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	-	11.778
	1.807.061	1.097.807

b) Trade payables to related parties

	30 September 2017	31 December 2016
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	1.213.498	1.277.402
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	89.584	177.988
	1.303.082	1.455.390

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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 services from Doğan Burda for magazine advertising and printing expenditures.

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.

The Group, generates flight revenue from the ticket sales of Air Berlin Plc & Co Luftverkehrs Kg pursuant to the agreement between the parties.

a) Sale of services

	1 January- 30 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Balances with joint ventures and subsidiaries:				
PUEM	1.000.727	495.535	337.630	168.499
Balances with other related parties:				
Air Berlin Plc&Co Luftverkehrs Kg	889.222	4.704.260	4.821	2.483.143
	1.889.949	5.199.795	342.451	2.651.642

b) Purchases of goods or services

	1 January- 30 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Balances with joint ventures and subsidiaries:				
Hitit Bilgisayar	10.243.269	8.572.481	3.337.551	3.875.097
PUEM	4.705.316	4.799.625	1.221.658	1.554.196
Balances with other related parties:				
Esasburda	1.627.689	1.056.876	540.355	288.441
Other	-	50.135	-	-
	16.576.274	14.479.117	5.099.564	5.717.734

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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 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Esasburda	4.765.266	3.802.604	1.627.256	1.281.908
	4.765.266	3.802.604	1.627.256	1.281.908

d) Surety commission expenses

	1 January- 30 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Esas Holding (Note 19)	9.201.295	8.924.904	2.931.381	2.823.870
	9.201.295	8.924.904	2.931.381	2.823.870

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,675% 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 September 2017 and 2016 are as follows:

	1 January- 30 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Salaries and other short term benefits	6.800.171	9.777.727	2.147.955	2.115.566
Other long term benefits	985.195	3.523.737	-	-
	7.785.366	13.301.464	2.147.955	2.115.566