



**PEGASUS HAVA TAŐIMACILIĐI ANONİM ŐRKETİ**  
**INFORMATION DOCUMENT REGARDING**  
**THE ANNUAL SHAREHOLDERS MEETING TO BE HELD ON MARCH 31, 2017**

**MARCH 6, 2017**

## PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ

### INFORMATION DOCUMENT FOR THE 2016 GENERAL ASSEMBLY MEETING DATED MARCH 31, 2017

#### 1. Invitation to the General Assembly Meeting dated March 31, 2017

The Annual Shareholders Meeting of our Company for the year 2016 will be held on Friday, March 31, 2017 at the Company headquarters located at Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı No: 11/A Kurtköy 34912 Pendik İstanbul and will convene to discuss the following agenda items.

The Financial Statements of the Company and the Independent Auditor's Report for the year 2016, the proposal of the Board of Directors regarding the use of the Company profit for the year 2016, the Company's Corporate Governance Compliance Report, the proposed amendments to the Company Articles of Association and the Information Document relating to the other agenda items are made available for the review of our shareholders, starting from three weeks prior to the meeting, at our Company headquarters, at our corporate website <http://www.pegasusinvestorrelations.com> and the Electronic General Assembly Portal of the Central Registry Agency.

In accordance with Article 415 paragraph 4 of the Turkish Commercial Code No. 6102 and Article 30 paragraph 1 of the Capital Markets Law No. 6362, attendance and voting at the General Assembly is not conditional upon the deposit of Company shares at the Central Registry Agency. Therefore, our shareholders do not have to block their Pegasus shares in the event they would like to attend the General Assembly Meeting.

Our shareholders who will vote through the Electronic General Assembly System may refer to the Central Registry Agency (<https://egk.mkk.com.tr/egkweb/en/> or 444 0 655) for more information on their obligations stipulated in the Regulations and Communiqués regarding Electronic General Assembly participation.

In accordance with the provisions of the Capital Markets Board Communiqué No. II-30.1 regarding Proxy Voting and Call for Proxies, published in the Official Gazette dated December 24, 2013 and numbered 28862, our shareholders who will have themselves represented at the meeting through proxy must produce their proxy form in line with the attached proxy form (**Annex-1**) and are required to present the signed proxy, certified by a Turkish notary public or the signed proxy alongside a signature circular certified by a Turkish notary public. Proxies appointed electronically through the Electronic General Assembly System do not have to present any written proxy statement. Voting at the General Assembly will be made by show of hands, with provisions relating to electronic voting being reserved.

Information on the Annual General Assembly Meeting is available on our website: <http://www.pegasusyatirimciliskileri.com>. Our shareholders may seek any additional information regarding the General Assembly procedures from Pegasus Investor Relations.

Pursuant to Article 17, paragraph 1, sub-paragraph (e) of our Articles of Association, the Annual General Assembly Meeting will be open for the attendance of all stakeholders and the press as observers.

We request the attendance of our shareholders.

**PEGASUS HAVA TAŞIMACILIĞI A.Ş.**

## **AGENDA FOR THE ANNUAL GENERAL ASSEMBLY MEETING FOR THE YEAR 2016**

- 1)** Commencement and establishment of the Meeting Chairing Committee
- 2)** Review, discussion and approval of the Annual Activity Report, Independent Auditor's Report and the Financial Statements relating to the year 2016
- 3)** Release of each member of the Board of Directors with respect to the Company's transactions in 2016
- 4)** Review and approval of the Board of Directors' proposal for the utilization of the 2016 profit
- 5)** Appointment of the members of the Board of Directors and determination of their term of office
- 6)** Determination of the salary, honorarium, bonus and similar financial rights of the members of the Board of Directors
- 7)** Authorization of the members of the Board of Directors to enter into transactions within the scope of Articles 395 and 396 of the Turkish Commercial Code
- 8)** Appointment of the Independent Auditor
- 9)** Submission of information to the shareholders on the changes made to the "Pegasus Information Policy" and the "Pegasus Compensation and Indemnification Policy" and the "Pegasus Ethical Behavior Guide" published in 2016
- 10)** Submission of information to the shareholders on donations and charitable contributions made in 2016 and determination by the shareholders of a maximum ceiling for donations and charitable contributions to be made in 2017
- 11)** Submission of information to the shareholders with respect to transactions in 2016 falling within the scope of Article 1.3.6 of the Corporate Governance Principles
- 12)** Submission of information to the General Assembly with respect to security, pledge, mortgage and surety provided by the Company for the benefit of third parties in 2016 and any income and benefits derived therefrom
- 13)** Requests and recommendations and close of meeting

## 2. Additional Information provided in accordance with the Corporate Governance Principles of the Capital Markets Board

### 2.1. Pegasus Shareholding Structure and Information on Shares and Voting Rights

As of the date of this Information Document, the issued capital of our Company is TL 102,272,000, within the authorized capital ceiling of TL 500,000,000, and the capital and shareholding structure as of the same date is as follows:

Shareholder	As of March 6, 2017	
	Number of Shares	Shareholding Ratio
Esas Holding A.Ş.	64,353,570	62.92%
Publicly Traded Shares	35,294,000	34.51%
Emine KAMIŞLI	874,810	0.86%
Ali İsmail SABANCI	874,810	0.86%
Kazım KÖSEOĞLU	437,405	0.43%
Can KÖSEOĞLU	437,405	0.43%
<b>Total</b>	<b>102,272,000</b>	<b>100%</b>

Our Company has not issued any privileged shares and each Pegasus share gives its titular one vote.

### 2.2. Information on Material Changes in the Management and Operations of Pegasus and its Subsidiaries

Information on management and operations of Pegasus and its consolidated subsidiaries have been disclosed in the relevant sections of the Annual Activity Report for the year 2016.

In this respect,

- Pegasus Havacılık Teknolojileri ve Ticaret A.Ş. (“**Pegasus Aviation Technologies**”) was incorporated as a 100% subsidiary of the Company on May 13, 2016, to operate in the field of synthetic training device services and training operations.
- By the exercise of the call option announced through the material event disclosures dated March 26, 2015 and April 4, 2016, Pegasus acquired an additional 10% of the share capital of Hitit Bilgisayar Hizmetleri A.Ş. (“**Hitit Computer Services**”) represented by Group (B) registered shares from the other shareholders of the entity on May 30 2016. The total consideration paid for the shares thus acquired was for USD 1,500,000. Consequently, the Company’s ownership in Hitit Computer Services increased to 50%.
- As of December 31, 2016, Pegasus took delivery of the first nine A320neo aircraft forming part of its order with Airbus dated 2012 for 57 firm order A320neo and 18 firm order A321 neo aircraft, totaling 75, and an additional 25 optional aircraft, thereby constituting a purchase order for 100 new aircraft. Pegasus became the first customer of CFM-Leap series engines used on A320neo aircraft. Eight of the said aircraft were financed through commercial loan obtained from banks and similar financing institutions while the remaining aircraft was financed through JOLCO (*Japanese Operating Lease with Call Option*) and all nine aircraft have been acquired through financial lease and have been accounted for in the Company’s assets.
- In 2016, Pegasus placed a new order with Boeing for the purchase of five new B737-800NG aircraft. While the aircraft subject to this order were initially scheduled to be delivered in 2017 an agreement was reached with Boeing for the deferral of three aircraft deliveries until 2018. Based on estimated

list prices at the date of delivery (excluding price and payment term concessions but take into consideration the Company's expectation of applicable escalation adjustments and aircraft configurations), the Company's expected capital expenditures relating to these aircraft, amount to approximately USD 505 million.

- Following the resignation of Conor John McCARTHY on July 14, 2016, Hatice Zeynep Bodur OKYAY was appointed by the Board of Directors to succeed him for the remainder of his term of office as per Article 363 of Turkish Commercial Code. The appointment was approved by our shareholders at the Extraordinary General Assembly Meeting dated November 11, 2016. At the same meeting, Stephen Mark GRIFFITHS was appointed as a Director in line with the proposal of the Board of Directors. Both members serve as Independent Directors as per the Capital Markets Board non-objection letters dated October 5, 2016 and January 9, 2017.
- Effective as of February 18, 2016, Mehmet Tevfik NANE succeeded Sertaç HAYBAT as the General Manager (CEO) of the Company. Sertaç HAYBAT continues to serve Pegasus as a non-executive Director. Effective as of October 14, 2016, further changes were implemented with respect to the Company's organization structure and senior management duties as part of the ongoing operational efficiency and corporate reorganization measures. Accordingly, the number of executives directly reporting to the CEO was reduced and the role of Chief Operations Officer (COO) was introduced. Nasuh Nazif ÇETİN, who had most recently served as the General Manager of our subsidiary İHY İzmir Havayolları A.Ş. ("İzAir") was appointed as the new COO. Nedim ÖZESEN was appointed as IzAir General Manager effective as of the same date. With respect to another subsidiary of the Company, Air Manas Air Company LLC ("Air Manas"), İlgar ALPTEKİN resigned as General Manager and Talgat NURBAEV was appointed to succeed him effective as of on January 1, 2017.
- In light of the increased geopolitical risks, lower demand in international travel and decreased tourism revenue, slowdown in domestic growth and increased risks with respect to currency fluctuations in 2016, Pegasus initiated a comprehensive set of initiatives identified as the "3C Initiatives" in the second half of 2016 covering the Company's cost base (CASK), liquidity performance (Cash) and fleet capacity management (Capacity). Review of cost items, process simplification, workforce optimization, revenue management initiatives and several other actions resulted in an improved CASK (cost per average seat kilometer) performance and further actions were implemented with respect to improving the Company's cash position and fleet capacity management in 2016. Actions aimed at improving CASK, Cash and Capacity performance as part of the 3C Initiatives continue into 2017.

### **2.3. Information on Requests by our Shareholders with respect to the General Assembly Meeting Agenda**

In 2016, we have not received any agenda-related requests from our shareholders with respect to the Annual General Assembly Meeting for the year 2016.

## **3. Information on the Agenda Items for the Annual General Assembly Meeting dated March 31, 2017**

### **3.1. Commencement and establishment of the Chairing Committee**

The meeting will commence and the election of the Chairman for the meeting, and the deputy-chairman, if necessary, will be conducted in accordance with the provisions of the Turkish Commercial Code No. 6102 ("TCC"), Regulation on the Procedures and Principles Relating to General Assembly

Meetings of Joint Stock Companies and Representatives from the Ministry of Customs and Trade to Attend Such Meetings ("**Regulation**") and Articles 6 and 7 of our Company Bylaws Regarding the Working Principles and Procedures of the Shareholders General Assembly ("**Bylaws**").

The Chairman will appoint at least one secretary who will be responsible for keeping the meeting minutes. The Chairman may also appoint the requisite number of voting officers as well as experts and advisers to help implement technical matters with respect to attendees participating in the meeting *via* electronic means.

### **3.2. Review, discussion and approval of the Annual Activity Report, Independent Auditor's Report and the Financial Statements relating to the year 2016**

The Annual Activity Report of the Board of Directors and Financial Statements of the Company and the Independent Auditor's Report for the period January 1 – December 31, 2016, and the Company's Corporate Governance Compliance Report annexed to the Annual Activity Report that have been made available for the review of our shareholders, starting from three weeks prior to the meeting, at our Company headquarters, at our corporate website <http://www.pegasusinvestorrelations.com> and the Electronic General Assembly Portal of the Central Registry Agency ("**CRA**") will be submitted for the review, discussion and approval of our shareholders.

### **3.3. Release of each member of the Board of Directors with respect to the Company's transactions in 2016**

In accordance with the provisions of the TCC and the Regulation, the release of each member of our Board of Directors for the Company's business, transactions and accounts for 2016 will be submitted for the approval of our shareholders.

### **3.4. Review and approval of the Board of Directors' proposal for the utilization of the 2016 profit**

"**Pegasus Dividend Policy**", adopted by our Board of Directors through its resolution dated November 20, 2013 and numbered 403, entered into force upon unanimous approval by the shareholders attending the Annual General Assembly Meeting dated March 31, 2014 and published on our Investor Relations website is provided as **Annex-2** hereto.

Pursuant to the profit distribution chart adopted by our Board of Directors through its resolution dated March 6, 2017 and numbered 575 and provided as **Annex-3** hereto, our Company has no distributable profit for the year 2016 due to the net loss for the period incurred in 2016.

### **3.5. Appointment of the members of the Board of Directors and determination of their term of office**

Among our current Directors, Ali İsmail SABANCI, Hüseyin Çağatay ÖZDOĞRU, Sertaç HAYBAT, Şükrü Emre BERKİN, Mehmet Cem KOZLU and Saad Hassan HAMMAD were appointed as Directors at our Annual General Assembly Meeting dated April 7, 2016 for a term of one year and their term of office expires as of the Annual General Assembly Meeting dated March 31, 2017.

Hatice Zeynep Bodur OKYAY was appointed through the resolution of Board of Directors dated July 14, 2016, following the resignation of Conor John McCARTHY and her appointment was approved by our shareholders at the Extraordinary General Assembly Meeting dated November 11, 2016. Stephen Mark GRIFFITHS, nominated by the Board of Directors, was appointed as Director at the Extraordinary General Assembly Meeting dated November 11, 2016. The term of office for both Directors expires as of Annual General Assembly Meeting dated March 31, 2017.

In this respect, the election for our Board of Directors, which must constitute of at least five members, will take place at the Annual General Assembly Meeting dated March 31, 2017, based on nominations by our shareholders as per the relevant provisions of the TCC and Article 10 of our Articles of Association. Save for exceptions that may be allowed by the Capital Markets Board, one third of the total number of Directors must fulfill the requisite independency criteria set out in the Corporate Governance Principles.

In addition to the above, as per Article 4.5.11 of the Corporate Governance Principles and the Committee Charter, our Corporate Governance Committee is responsible for the establishment of a transparent system for the determination, evaluation and training of appropriate candidates for the Board of Directors and developing policies and strategies in this regard. In line with this responsibility, the Corporate Governance Committee determined a set of principles and criteria for 2017 Director Nomination, provided as **Annex-4** hereto for the attention of our shareholders.

In consideration of the above and also the classification of our Company by the Capital Markets Board among "Tier 1 Companies" in terms of implementation of Corporate Governance Principles, announced in the Capital Markets Board Bulletin No. 2017/1 dated January 6, 2017, our Corporate Governance Committee has recommended, in its report evaluating the fulfillment of the requisite independency criteria by nominees for independent Director seats, that Mehmet Cem KOZLU, Saad Hassan HAMMAD, Hatice Zeynep Bodur OKYAY and Stephen Mark GRIFFITHS are proposed to our shareholders at the Annual General Assembly Meeting as nominees for independent director seats. Our Board of Directors, having accepted the recommendations of the Committee, filed the necessary applications with the Capital Markets Board. In its letter dated February 14, 2017, the Capital Markets Board provided its non-objection to the nomination of the proposed candidates as independent directors.

The résumé for and duties undertaken in the past year by each of our current Directors who are eligible for re-appointment are provided as **Annex-5** hereto for the attention of our shareholders.

### **3.6. Determination of the salary, honorarium, bonus and similar financial rights of the members of the Board of Directors**

As per the relevant provisions of the TCC and Article 10 of our Articles of Association, our Directors are paid a monthly or annual salary or a per meeting payment to be determined by our shareholders at the General Assembly.

In this respect, the Company must comply with the mandatory rules determined by the Capital Markets Board. Consequently, payments to be made to our Directors during their term of office will be determined in accordance with the decision of our shareholders.

In As per Article 4.5.13 of the Corporate Governance Principles and the Committee Charter, our Corporate Governance Committee is responsible for determining the principles and criteria that apply to the compensation of Directors, review such principles and criteria and taking into consideration the fulfillment of these criteria propose payments to be made to the Directors to the Board of Directors. In line with this responsibility, the Corporate Governance Committee determined a set of principles and criteria for 2017 Director Remuneration, provided as **Annex-4** hereto for the attention of our shareholders.

### **3.7. Authorization of the members of the Board of Directors to enter into transactions within the scope of Articles 395 and 396 of the TCC**

Members of our Board of Directors can only enter into transactions with the Company as per Article 395 of the TCC and undertake business in competition with our Company as per Article 396 of the TCC, subject to the authorization by our shareholders at the General Assembly Meeting. In this respect, authorization of our Directors for the said matters will be submitted for the review and approval of our shareholders.

### **3.8. Appointment of the Independent Auditor**

The proposal, in line with the recommendation of our Audit Committee, to appoint DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (member of Deloitte Touche Tohmatsu) for procuring the necessary services to fulfill our Company's internal audit requirements arising from the TCC and the Communiqué Series: X, No: 22 regarding "Independent Audit Standards in Capital Markets" of the Capital Markets Board for the year 2017, will be submitted for the review and approval of our shareholders.

### **3.9. Submission of information to the shareholders on the changes made to the "Pegasus Information Policy" and the "Pegasus Compensation and Indemnification Policy" and the "Pegasus Ethical Behavior Guide" published in 2016**

Pursuant to the decision of our Board of Directors and effective as of December 15, 2016;

- Pegasus Information Policy Section 14 has been amended to align the Company's "*Blackout Period*" policy with the principles determined by the Capital Markets Board in its principle decision no. 16/514 and dated May 28, 2014/15;
- Pegasus Compensation and Indemnification Policy Sections 1 and 5 have been amended to reflect the current senior management organization structure of the Company;

As of the same date, Pegasus Rules of Business Ethics have been replaced and succeeded by the Pegasus Ethical Behavior Guide. The latest amendments to the Pegasus Information Policy and Pegasus Compensation and Indemnification Policy and their consolidated texts which are accessible through our Investor Relations Website and the information note on the Pegasus Ethical Behavior Guide, also available for access on our Investor Relations Website are provided respectively as **Annex-6**, **Annex-7** and **Annex-8** hereto, for information to our shareholders.

### **3.10. Submission on information to the shareholders on donations and charitable contributions made in 2016 and determination by the shareholders of a maximum ceiling for donations and charitable contributions to be made in 2017**

"**Pegasus Donations and Charitable Contributions Policy**", adopted by our Board of Directors through its resolution dated November 20, 2013 and numbered 403 and entered into force upon approval by the majority of the shareholders attending the Annual General Assembly Meeting dated March 31, 2014, was amended at the Extraordinary General Assembly Meeting dated November 11, 2016. The amendment allows the Company to make donations for solidarity purposes besides education, health and aviation. The consolidated text is accessible on our Investor Relations Website and is provided as **Annex-9** hereto.



Pursuant to Article 19 of the Capital Markets Law No. 6362 ("**Capital Markets Law**") and Article 11 of the Company Articles of Association, the ceiling for donations and charitable contributions to be made by Pegasus in 2016 was determined as TL 5,000,000 at the Annual General Assembly Meeting held on April 7, 2016. The total donations and charitable contributions made by the Company in 2016 total TL 1.814.555.

At the Annual General Assembly Meeting dated March 31, 2017, information on donations and charitable contributions made by Pegasus in 2016 will be provided to our shareholders and the upper ceiling for donations and charitable contributions to be made in 2017 will also be determined by our shareholders in line with Article 19 of the Capital Markets Law and Article 11 of the Company Articles of Association.

In this respect, our Board of Directors resolved to propose TL 5,000,000 as the applicable ceiling for donations and charitable contributions to be made by the Company in the year 2017 within the scope of the Pegasus Donations and Charitable Contributions Policy.

### **3.11. Submission of information to the shareholders with respect to transactions in 2016 falling within the scope of Article 1.3.6 of the Corporate Governance Principles**

As per Article 1.3.6 of the Corporate Governance Principles determined by the Capital Markets Board Communiqué No. II-17.1 on Corporate Governance 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. The relevant information in this respect is provided in Section (1/G) of the Annual Activity Report of our Board of Directors for the period January 1 – December 31, 2016.

### **3.12. Submission of information on the security, pledge, mortgage and surety provided by the Company for the benefit of third parties and income and benefits derived therefrom to the attention of the shareholders**

Our shareholders will be informed of the security, pledge and mortgage information stated in Note 16 (*Commitments – Collaterals, Pledges, Mortgages*) to our Consolidated Financial Statements for the Period January 1 – December 31, 2016, as per the requirements of Article 12 of the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board.

### **3.13. Requests and recommendations and close of meeting**

PEGASUS HAVA TAŞIMACILIĞI A.Ş.

POWER OF ATTORNEY

I/we hereby appoint ....., further identified below, as my/our representative to represent me/us and vote, submit proposals and sign documents on my/our behalf, within the framework of the instructions below, at the annual general assembly meeting of Pegasus Hava Taşımacılığı A.Ş., scheduled for 10:00 AM on March 31, 2017 and to be held at the Company headquarters located at Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı No: 11/A Kurtköy 34912 Pendik, İstanbul.

Name, Surname / Commercial Title of the Proxy

.....  
Turkish Identification / Tax Number, Trade Registration No. and MERSIS No. of the Proxy

.....  
(\* ) For foreign proxies equivalent of the required information must be provided

**A) SCOPE OF REPRESENTATIVE AUTHORITY**

**For Sections 1 and 2 provided below either (a), (b) or (c) must be chosen to indicate the scope of representative authority.**

**1. With Respect to the Agenda Items:**

- a) The Proxy is authorized to vote at its own discretion.
- b) The Proxy is authorized to vote in accordance with the proposals of the Company management.
- c) The Proxy is authorized to vote in accordance with the instructions below.

**Instructions:**

**If the Shareholder chooses option (c) above, the Shareholder will provide instructions to the Proxy by indicating its vote on each agenda item and by also indicating its dissenting opinion, if any, for the agenda items voted against.**

Agenda Items (*)	In Favor	Against	Dissenting Opinion
1.			
2.			
3.			

(\* ) Agenda items for the General Assembly will be listed one by one. If the minority shareholders propose another draft resolution, this draft resolution will also be indicated here.

**2. Special Instructions Regarding Other Matters Arising During the Meeting Especially the Exercise of Minority Rights:**

- a) The Proxy is authorized to vote at its own discretion.
- b) The Proxy is not authorized to vote on these matters.
- c) The Proxy is authorized to vote in accordance with the special instructions below.

**SPECIAL INSTRUCTIONS;** Special instructions to the Proxy, if any, will be indicated here.

.....

**B) The Shareholder will indicate the shares it wishes the Proxy to represent by choosing one of the following.**

**1. I approve the representation of the shares detailed below by the Proxy.**

- a) Series and Order:\* .....
- b) Number:\*\* .....
- c) Amount-Nominal Value of the Shares: .....
- d) Information on any Privileges attached to the Shares: .....
- e) Bearer or Registered:\* .....
- f) Ratio Against the Entire Number of Shares and Voting Rights of the Shareholder:  
.....

\* Not required for dematerialized shares.

\*\* For dematerialized shares group information will be provided instead of number

**2. I approve the representation of all my shares indicated in the list of attendees to be prepared by the CRA one day prior to the General Assembly by the Proxy.**

**NAME, SURNAME OR COMMERCIAL TITLE OF THE SHAREHOLDER (\*)**

.....

Turkish Identification / Tax Number, Trade Registration No. and MERSIS No. of the Shareholder:

.....

Address of the Shareholder:

.....

(\*) For foreign shareholders equivalent of the required information must be provided.

SIGNATURE SEAL /  
SIGNATURE

**PEGASUS HAVA TAŞIMACILIĞI A.Ş.  
DIVIDEND POLICY**

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.

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

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.

This Dividend Policy has been adopted by the resolution of the Board of Directors dated 20 November 2013 and numbered 403 and will be submitted to our shareholders for their approval at the first ordinary General Assembly meeting to be held. After becoming effective through the approval of our shareholders this policy will be published in our investor relations web-site. The same procedure will apply to any amendments hereto.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. 2016 Dividend Distribution Chart (TL)			
1.	Paid/Issued Capital	102,272,000	102,272,000
2.	General Legal Reserves (According to the Statutory Records)	-	-
Information on any privileges on dividend distribution provided for in the Articles of Association, if any			
		CMB Records	Statutory Records
3.	Profit for the Period	(143,669,576)	(507,558,400.75)
4.	Taxes ( - )	7,486,578	
5.	Net Profit for the Period ( = )	(136,182,998)	(507,558,400.75)
6.	Previous Years' Losses ( - )	-	-
7.	General Statutory Reserves ( - )	-	
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	(136,182,998)	(507,558,400.75)
9.	Donations made in the Period ( + )	1,814,555	-
10.	Net Distributable Profit for the Period with Donations Included	(134,368,443)	-
11.	First Dividend Payment to the Shareholders	-	-
	- Cash	-	-
	- Bonus Shares	-	-
	- Total	-	-
12.	Dividend Payment to Privileged Shareholders	-	-
13.	Other Dividend Payments	-	-
	- to the Directors,		
	- to the Employees,		
	- to non-Shareholders		
14.	Dividend Payments to Usufruct Certificate Holders	-	-
15.	Second Dividend Payment to the Shareholders	-	-
16.	General Statutory Reserves	-	-
17.	Other Statutory Reserves	-	-
18.	Special Reserves	-	-
19.	EXTRAORDINARY RESERVES	-	-
20.	Other Resources Available for Distribution	-	-

	SHARE GROUP	TOTAL DIVIDEND DISTRIBUTION		TOTAL DIVIDEND DISTRIBUTION / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PERTAINING TO EACH SHARE WITH NOMINAL VALUE OF TL 1	
		CASH (TL)	NONCASH (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	A	-	-	-	-	-
	B	-	-	-	-	-
	TOTAL	-	-	-	-	-

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**2017 NOMINATION AND COMPENSATION PRINCIPLES AND CRITERIA FOR  
PEGASUS BOARD OF DIRECTORS****1. Pegasus Board of Directors Nomination Criteria**

- 1.1. The Board of Directors is composed of at least five members (*Principle 4.3.1, Pegasus Article 10 of the AoA*).
- 1.2. Members of the Board of Directors (including those representing a legal entity Director nominee) must have full legal capacity (*TCC 359/2-3*).
- 1.3. Majority of the members of the Board of Directors are non-executive Directors (*Principle 4.3.2*).
- 1.4. Save where permitted by the Capital Markets Board, one-third of the total number of Directors must fulfill the independence criteria set out in the Corporate Governance Principles (*Principles 4.3.3 - 4.3.6*).
- 1.5. The Directors must be able to allocate the necessary time to fulfill duties and to attend to a minimum of four meetings and the necessary number of committee meetings throughout the year and to prepare for the meetings (*Principle 4.4.1, Article 12 of the AoA*).
- 1.6. At least one independent director must have five years' of experience in audit, accounting and finance to serve as a member of the Audit Committee (*Principle 4.3.10*).
- 1.7. Members of the Board of Directors must have the requisite qualities to ensure that the Board of Directors:
  - provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
  - sets the Company's strategic aims and guides corporate strategy, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and balancing competing demands on the Company, reviews Company and management performance; and
  - sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.
- 1.8. Non-executive members of the Board of Directors must further have the qualities to meet the following key elements:
  - **Strategy:** Non-Executive Directors should constructively challenge and contribute to the development of strategy;
  - **Performance:** Non-Executive Directors should scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
  - **Risk:** Non-Executive Directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
  - **People:** Non-Executive Directors are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing, and where necessary removing, senior management and in succession planning.
- 1.9. As a principle, it is expected that the members of the Board of Directors are not engaged in other duties that would prevent them from performing as Directors at the Company and that creates a conflict of interest.
- 1.10. The aforesaid principles and criteria may be re-evaluated by the Board of Directors in case of changes in the applicable law.

## **2. Pegasus Board of Directors Compensation Criteria**

- 2.1.** Members of the Board of Directors receive a monthly or an annual salary or a specific payment for each meeting, in either case to be determined by the General Assembly (*TCC 394, Article 10/4 of Pegasus AoA*).
- 2.2.** Independent Directors do not participate in share options or performance-based payment schemes (*Principle 4.6.3, Pegasus Compensation Policy*)
- 2.3.** The payments to be made to Independent Directors must be at a level to protect their independence (*Principle 4.6.3, Pegasus Compensation Policy*)
- 2.4.** In line with the above evaluations and the principles set out in the Pegasus Compensation and Indemnification Policy, the Committee proposes the following principles for compensation of Directors in 2016:
  - Payment of an honorarium of maximum €15,000 gross to the non-executive Directors for each board meeting attended;
  - Payment of an annual fee of gross €10,000 and €5,000 gross to the non-executive Directors for each board committee where they undertake the chairman and member role, respectively;
  - No payment to be made to executive Directors for their participation at the Board or any board committees;
  - Payment of costs and expenses incurred by the directors in connection with their duties in accordance with the Company regulations.



**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 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).

**Duties Assumed Elsewhere in 2016**

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 Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Board Member
5.	U.N. RO-RO İşletmeleri A.Ş. (Group Company)	Board Member
6.	Trieste Holdco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
7.	Trieste Midco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
8.	Trieste Newholdco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
9.	Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)	Vice-Chairman of the Board
10.	Bin Çağrı Hizmetleri A.Ş.	Board Member
11.	Air Berlin plc U.K	Board Member
12.	Multimarka Ayakkabıcılık Sanayi ve Ticaret A.Ş.	Chairman of the Board
13.	Saray Bahçe Alışveriş Merkezi Ticaret A.Ş.	Board Member
14.	Kauçuk Yiyecek İçecek Hizmetleri ve Ticaret A.Ş.	Board Member

**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, Akinetnet, 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.

**Duties Assumed Elsewhere in 2016**

1.	Esas Holding A.Ş. (Group Company)	Board Member and CEO
2.	Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Board Member
3.	U.N. RO-RO İşletmeleri A.Ş. (Group Company)	Board Member
4.	Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)	Board Member
5.	Ayakkabı Dünyası Mağazacılık ve İnşaat A.Ş. (Group Company)	Board Member
6.	Esaslıgrup Gıda San. ve Tic. A.Ş. (Group Company)	Board Member
7.	Esas Hava Taşımacılık Turizm ve Ticaret A.Ş. (Group Company)	Chairman of the Board
8.	<i>In process of discharge</i> Acil Yardım Akademisi A.Ş. (Group Company)	Board Member
9.	Kiraz 1 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company)	Board Member
10.	<i>In process of discharge</i> Esbon Süt Ürünleri San. Tic. A.Ş. (Group Company)	Board Member
11.	Kiraz 4 LLC U.S.A. (Group Company)	Board Member
12.	Kauçuk Yiyecek İçecek Hizmetleri Tic. A.Ş. (Group Company)	Board Member
13.	Denkar Denizcilik A.Ş. (Group Company)	Board Member
14.	Multi Marka A.Ş. (Group Company)	Board Member
15.	Kron Telekomünikasyon A.Ş.	Board Member

**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 hold this position till 2014.

**Duties Assumed Elsewhere in 2016**

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**

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.

**Duties Assumed Elsewhere in 2016**

1.	Thomas Cook Group plc U.K.	Board Member
2.	BASE Gayrimenkul Turizm ve Ticaret A.Ş.	Board Member

**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.

**Duties Assumed Elsewhere in 2016**

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.	Vice-Chairman of the Board
5.	Kamil Yazıcı Yönetim ve Danışma A.Ş.	Board Member
6.	Yazıcılar Holding A.Ş.	Consultant
7.	Anadolu Efes Biraçılık Malt Sanayii A.Ş.	Board Member
8.	The Marmara Hotels & Residences	Advisory Board Member
9.	Do&Co the Gourmet Entertainment Company	Board Member
10.	Global İlişkiler Forumu	Board Member

**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 most recently served as the

CEO of Flybe Group plc, between August 2013 and October 2016 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.

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**Duties Assumed Elsewhere in 2016**

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|-----------|----------------------|----------------------------|
| <b>1.</b> | Flybe Group plc U.K. | Executive Director and CEO |
|-----------|----------------------|----------------------------|

**Hatice Zeynep Bodur OKYAY**

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**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.

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**Duties Assumed Elsewhere in 2016**

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

**Stephen Mark GRIFFITHS**

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**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 the Chief Operating Officer of the London Underground and 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.

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**Duties Assumed Elsewhere in 2016**

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- |           |                    |                         |
|-----------|--------------------|-------------------------|
| <b>1.</b> | London Underground | Chief Operating Officer |
|-----------|--------------------|-------------------------|
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**PEGASUS HAVA TAŞIMACILIĞI A.Ş.  
INFORMATION POLICY**

**1. PURPOSE, SCOPE AND LEGAL BASIS**

Pegasus Hava Taşımacılığı A.Ş. ("Pegasus") Information Policy has been adopted by Pegasus Board of Directors in accordance with the provisions of the Material Events Communiqué No. II-15.1 ("Communiqué") and the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board and aims to determine the principles and procedures regarding the communication of information to Pegasus shareholders, investors and other stakeholders.

**2. GENERAL PRINCIPLES**

This Information Policy:

- a) Aims to establish a sustainable, efficient and transparent communication between Pegasus and its shareholders, investors and other stakeholders;
- b) Targets to have shareholders, investors and other stakeholders achieve correct and complete information on time, in equal terms and in a way that is comprehensible, interpretable and easily accessible at low cost;
- c) Does not trigger any disclosure obligation with respect to information that is deemed as commercial secret, that is legally objectionable or that may otherwise harm the legitimate interests of Pegasus.

In terms of communication of information, Pegasus complies with the Turkish Commercial Code, the Capital Markets Law and the applicable regulations including the Corporate Governance Principles of the CMB.

**3. RESPONSIBILITY**

Pegasus Board of Directors assumes responsibility for the formation, review, update and development of this Information Policy. In this respect the Board of Directors work in collaboration with and obtains views from the Corporate Governance Committee and Pegasus Investor Relations Directorate.

The Corporate Governance Committee informs the Board of Directors and makes recommendations on matters relating to the Information Policy and assists the Board of Directors in relation to the implementation of the provisions thereof.

**4. PUBLIC DISCLOSURE METHODS AND TOOLS**

Save as otherwise required under the Turkish Commercial Code, the Capital Markets Law and the applicable regulations, the public disclosure methods and tools used by Pegasus are described below:

- a) Material event disclosures and other notifications publicly disclosed via the Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) ("KAP") for the publication of public disclosures;
- b) Activity reports and financial statements periodically disclosed through KAP as well as footnotes, independent auditor reports, responsibility statements in relation therewith;
- c) Announcements made through the Turkish Trade Registry Gazette;
- d) Press statements, bulletins and announcements made through the written press or broadcast media;
- e) Statements made to data distribution firms;
- f) Physical or electronic informative meetings and events held with capital markets participants and informative presentations prepared for communicating with the relevant capital markets participants;
- g) Pegasus investor relations and public information services web-site ([www.pegasusyatirimciliskileri.com](http://www.pegasusyatirimciliskileri.com); [www.flypgs.com/bilgi-toplumu-hizmetleri](http://www.flypgs.com/bilgi-toplumu-hizmetleri));
- h) Communication via telephone, e-mail and similar communication methods;
- i) Documents other than those listed above that need to be published in accordance with the applicable law.

**5. DISCLOSURE OF MATERIAL EVENTS****A) Procedures Relating to Disclosure of Material Events**

Continuous and inside information that need to be publicly disclosed as per the requirements of the Communiqué are communicated to the public without delay via KAP by the joint approval of at least two

Pegasus representatives authorized in this respect. Public disclosures are prepared under the coordination of Pegasus Investor Relations Directorate and by the participation of other relevant units.

Material disclosures published on KAP are included in our investor relations web-site latest on the immediately following business day. All published material disclosures are kept in our investor relations web-site for a five-year period following disclosure.

#### **B) Postponement of Disclosure of Inside Information**

Pegasus may postpone the disclosure of inside information to prevent any harm to its legal rights and legitimate interests within the framework of the Communiqué, so long as such postponement does not mislead the public and the confidentiality of the relevant information is secured. Once the reasons for postponement cease to exist the relevant inside information is communicated to the public, together with the reasons for postponement, in accordance with the provisions of the Communiqué.

#### **C) Measures to Protect the Confidentiality of Inside Information**

As a general principle, neither Pegasus nor any of our employees can share information that can be deemed as inside information with third parties. All Pegasus Family Members are informed of this obligation in writing. In the event (i) it becomes known that information that may be deemed as inside information is shared with third parties without authorization and (ii) Pegasus is unable to maintain the confidentiality of such information a public disclosure in relation to the inside information will be made without delay.

Pegasus maintains and updates an Insiders List covering the individuals who have regular access to inside information on Pegasus. Persons named in the Insiders List are informed by our Investor Relations directorate in writing of their confidentiality obligations and the possible consequences of any unauthorized disclosure of inside information.

Pegasus further undertakes all measures necessary for the protection of the confidentiality of the information that is shared with third parties including independent auditors, financial advisors, lawyers and other consultants who are engaged in connection with its operations.

#### **D) Persons with Administrative Responsibility and their Related Parties**

Pegasus notifies those with administrative responsibility in writing of their and their related parties' obligations with respect to the public disclosure of their transactions on the capital markets instruments issued by Pegasus within the framework of the Communiqué. The definitions in the Communiqué are used to determine the scope of those with administrative responsibility in Pegasus and their related parties.

### **6. PUBLICATION OF FINANCIAL STATEMENTS**

Pegasus prepares its financial statements and footnotes relating thereto in accordance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards as per the Turkish Commercial Code, the Capital Markets Law and the applicable regulations and publishes these statements on KAP following the approval of the Board of Directors within the applicable deadlines set out in the CMB regulations. Financial statements published on KAP are included in our investor relations web-site latest on the immediately following business day. All published financial statements are kept in our investor relations web-site for a five-year period following disclosure.

Information which the investors might require in relation to the financial statements and their footnotes are provided in our investor relations web-site and are regularly updated. All applications by and questions from our shareholders are responded without discrimination through telephone, e-mail or one-on-one meetings.

### **7. PUBLICATION OF ACTIVITY REPORTS**

Pegasus prepares its activity reports in accordance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards as per the Turkish Commercial Code, the Capital Markets Law and the applicable regulations and publishes these statements on KAP following the approval of the Board of Directors within the applicable deadlines set out in the CMB regulations.

Activity reports published on KAP are included in our investor relations web-site latest on the immediately following business day. All published activity reports are kept in our investor relations web-site for a five-year period following disclosure.

### **8. OTHER DISCLOSURES**

#### **A) Disclosures Required by Law**

All notifications required by law, other than those mentioned above and including those relating to the exercise of shareholding rights whether to be announced in the Turkish Trade Registry Gazette or otherwise in print or electronically are made by our authorized signatories in accordance with the procedures set out in the applicable legislation.

With the aim of easing access to information for our shareholders, our Investor Relations Directorate ensures that notifications relating to the exercise of shareholding rights made elsewhere are promptly made available in our investor relations web-site.

#### **B) Information and Documents Relating to General Assembly Meetings**

Information document prepared in connection with the General Assembly agenda and other necessary information, documents and reports are prepared and are kept in printed copies in our headquarters prior to the General Assembly meeting and are also shared with our shareholders through our investor relations web-site and KAP. The relevant information and documents are also submitted to the attendees at the General Assembly meeting.

#### **C) Press Releases, Bulletins and Announcements**

Pegasus informs the public of material developments through controlled newsfeed to printed press and broadcast media. Data distributors such as Reuters and Bloomberg are also included in this scope of communication. Depending on specific circumstances such communication can be made through a press meeting. With the aim of easing access to information for investors Pegasus provides access to all such press releases, bulletins and announcements through our investor relations web-site.

### **9. PERSONS AUTHORIZED TO MAKE PUBLIC DISCLOSURE**

Unless otherwise determined by the Board of Directors or in accordance with the authority granted by the Board of Directors, corporate spokespeople who are authorized to make press statements, bulletins and announcements to printed press, broadcast media and data distributors on behalf of Pegasus are the Chairman of the Board of Directors, the CEO, the CFO, the Chief Commercial Officer, the Investor Relations Director and persons authorized by the CEO in this respect. Any press disclosure to be made by the members of the Board of Directors on behalf of Pegasus is subject to approval by the Chairman of the Board of Directors.

Our Investor Relations Directorate undertakes communication on behalf of Pegasus, in coordination with the relevant departments at Pegasus to the extent necessary, with respect to the promotion of our company before existing and potential investors and financial institutions in and outside of Turkey, and responding to questions from the personnel of the said institutions or otherwise within the context of investor relations.

All disclosures to be made by the authorized spokespeople go through a preliminary internal review under the coordination of the Investor Relations Directorate and with the participation of the Corporate Communications and Sponsorship Directorate.

Pegasus employees cannot respond to queries from capital markets participants unless authorized to do so within the above framework. All information requests will be directed towards our Investor Relations Directorate.

### **10. COMMUNICATION WITH CAPITAL MARKETS PARTICIPANTS**

Regular conduct of relations with capital markets participants, clarification of questions, studies relating to shareholders and investors and shareholder relations are undertaken under the coordination of our Investor Relations Directorate.

In line with the aforesaid purposes, Pegasus may, at its discretion, organize information meetings targeted at analysts, investors, financial institutions or shareholders. These meetings may be held physically or by using methods such as conference call and video conference.

Our Investor Relations Directorate aims to respond to all meeting and information requests from shareholders positively and strives to provide the highest possible level of communication.

The presentations and reports shared at these meetings are provided in our investor relations website to enable equal access to information. No inside information that has not been made public can be shared at non-public meetings with capital markets participants.

Only those who are authorized to make public statements on behalf of Pegasus can engage in communications with third parties at information meetings.

Besides meetings, information and documents published in the Pegasus investor relations web-site provide shareholders, investors, analysts and other stakeholders with the possibility of following developments relating to Pegasus.

#### **11. ANALYST REPORTS**

The institutions preparing analyst reports are responsible for the content of such reports. Subject to obtaining the consent of the authors and indicating the source for the report, Pegasus may publish analyst reports on its web-site with the aim of providing alternative viewpoints to investors. Pegasus does not assume any responsibility to review, confirm or approve the content of analyst reports. However, without providing any commentary it may review the accuracy of the information contained in analyst reports in respect of publicly available information. Pegasus does not validate, approve or undertake the responsibility of or distribute the revenue models and expectations mentioned in these analyst reports. Pegasus publishes the name of the analysts covering Pegasus and the institutions they work for in its web-site.

#### **12. NEWS AND RUMORS IN THE MEDIA AND SIMILAR COMMUNICATION CHANNELS**

Pegasus follows news and rumors in printed press, audiovisual media and the internet by daily review of the market.

As a general principle, Pegasus does not comment on unfounded news, market rumors and speculations that are not sourced to its disclosure.

In the presence of news or rumors with a potential to affect investment decisions and the value of capital markets instruments Pegasus makes material event disclosures with respect to the accuracy and/or sufficiency of such information within the framework of the capital markets legislation. However; Pegasus may refrain from making any statements if the information relates to a matter relating to which Pegasus has decided to postpone disclosures, until the reasons for postponement no longer exist.

Unless those authorized to make public disclosures on behalf of Pegasus determine otherwise, Pegasus does not provide any comments if the information fails to qualify as inside information.

#### **13. ANNOUNCEMENT OF EXPECTATIONS AND TARGETS**

Pegasus may, from time to time, disclose its future expectations within the framework of this Information Policy. The written documents where Pegasus discloses its future expectations clearly indicate that the potential risks, uncertainties and other factors may lead to actual results that are significantly different from expectations.

Future expectations may only be disclosed by those authorized to make public disclosures and subject to the foregoing disclaimers being mentioned or a reference to another written publicly available document.

Future expectations rely on reasonable assumptions and forecasts and the reasons for expectations and the relevant data are disclosed together with the expectations. These expectations cannot contain any unfounded or exaggerated forecasts, cannot be misleading and they should be related to the financial condition and results of operations of Pegasus.

In the event future expectations do not realize or it is determined that these will not realize, the matter will be promptly disclosed to the public in accordance with the procedures set out in this Information Policy and the relevant information will be revised.

#### **14. SILENT PERIOD AND BLACKOUT PERIOD**

Pegasus refrains from discussing financial results and related matters with capital markets participants in certain designated periods within the year to avoid asymmetric distribution of information and unauthorized disclosure relating to results of operations. The said periods are called "**Silent Periods**". A Silent Period commences fifteen days before the announcement of the financial statements for the relevant period on KAP and ends on the date when the results relating to the relevant period are published on KAP. Pegasus may organize and attend information meetings during the Silent Period with the attendance of the authorized spokespeople and these persons may attend conferences, panels, similar events and make written and verbal statements; however, information to be shared in this respect will be kept limited to the results relating to the period prior to the latest reporting period and information that has been previously disclosed to public.

In addition to Silent Periods Pegasus implements "**Blackout Periods**" during which those with regular access to inside information are prohibited from trading in Pegasus' shares. A Blackout Period commences the day after the date on which a half-year (six months) or full year (twelve months) financial accounting period concludes and ends upon the disclosure of the results relating to the relevant period on KAP.

**15. PEGASUS INVESTOR RELATIONS AND PUBLIC INFORMATION SERVICES WEB-SITE**  
([www.pegasusyatirimciiliskileri.com](http://www.pegasusyatirimciiliskileri.com); [www.flypgs.com/bilgi-toplumu-hizmetleri](http://www.flypgs.com/bilgi-toplumu-hizmetleri) )

Pegasus investor relations web-site is efficiently used in informing the public and ensuring transparency and the information published in the web-site is regularly updated.

Pegasus publishes the information and documents required to be published online as per the applicable law and the CMB's Corporate Governance Principles in the investor relations and public information services web-site in accordance with the procedures and timing limitations set out in the regulations. Pegasus also provides access to any other disclosures made as per this Information Policy in its web-site. Pegasus ensures that the information published in the investor relations web-site is consistent with the disclosure made elsewhere in accordance with the applicable law.

Pegasus investor relations web-site is structured in a way to allow fast and easy access to information. Corporate web-site has sections in both Turkish and English.

Pegasus undertakes all measures relating to the security of the corporate web-site.

Announcements in the corporate web-site are no substitutes for material event disclosures that have to be made as per the applicable law.

**16. EFFECTIVE DATE**

This Information 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 Information 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.



**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 the members of our board of directors and the 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 OTHER 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 Pegasus Family Members.

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.

- D. Compensation Procedures:** Proposals regarding the applicable criteria and procedures relating to the compensation of the General Manager and the Pegasus Family Members directly reporting to the General Manager 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.

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**PEGASUS ETHICAL BEHAVIOR GUIDE**

The principles in Pegasus Ethical Behavior Guide are summarized as follows:

**What is Pegasus Ethical Behavior Guide?**

Pegasus Ethical Behavior Guide represents 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 other parties.

**Who must follow the Ethical Behavior Guide?**

Rules of Ethical Behavior Guide covers all "Family Members", comprising Pegasus Management Team and employees of Pegasus and Subsidiaries. Within the framework of Ethical Behavior Guide, directors and employees of our subsidiaries are also considered among Family Members.

**Corporate Values**

Pegasus build up honest, respectful, fair and trustful behavior based on reason, conscience and common sense while performing all activities. We establish open, friendly and collaborative relations in every aspect. These fundamental principles and Pegasus Ethical Behavior Guide are determinative for all our commercial decisions.

- **Honesty:** Represents acting in honesty, in line with legal regulations and complying with Pegasus Ethical Behavior Guide in all our relations.
- **Respect:** Represents respecting each other, guests, suppliers, partners and those we work with within the courtesy rules.
- **Fairness:** Represents evaluating the interests of every party and be fair in each decision or transactions.
- **Reliability:** Represents acting in conformance with all laws and regulations, providing full, accurate and comprehensible information with all stakeholders, protecting long term benefits, timely and complete fulfillment of responsibilities.

**Management Commitment**

The Board of Directors of Pegasus, Chief Executive Officer and member of the senior management directly reporting to the CEO commit to:

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

Behavior expected from our Family Members within the scope of the Pegasus Ethical Behavior Guide is described below:

**Our Responsibilities**

In addition to our legal responsibilities, Pegasus give utmost importance to fulfill responsibilities towards family members, guests, competitors, public organizations and institutions, suppliers, shareholders, environment and media. In this respect and in particular:

- Pegasus gives utmost care to ensure and develop flight safety and security, operates in compliance with national and international standards and adopts inter-company regulations, supports them and scrutinizes their implementation.
- We expect from all Family Members to build honest, respectful, fair and trustworthy behavior to provide guest satisfaction. We undertake to comply with the fair competition rules in all our activities to comply with relevant competition laws and regulations and act honestly.

- While conducting our transactions, we manage the resources and company assets with efficiency in the context of financial discipline and accountability.
- In executing all activities and procedures, we do not expect any benefit from, and keep an equal distance to all public institutions and organizations, and we fulfil our liabilities with a sense of responsibility.

Our announcements to shareholders provide clear, timely, accurate information regarding our financial statements, strategies, investments and risk profile within the scope of the applicable laws. Pegasus further undertakes all measures necessary for the protection of the confidentiality of the information that is shared with third parties.

#### **Conflict Of Interest**

Family Members are expected acting diligently to prevent any conflicts between the interests of Pegasus and their own interests or the interests of their close ones ("Conflict of Interest").

It is not allowed to receive from or give any money or redeemable gifts to or from the customers and suppliers of Pegasus that might affect their impartiality and decisions. Such kind of transactions can only be performed with the approval of Ethics Committee.

#### **Protection of Company Assets and Safety**

Each Family Member is responsible for preparing all commercial, operational and financial records under his/her responsibility accurately, timely and in accordance with current laws/regulations. These records constitute the basis while performing our responsibilities towards shareholders, Family Members, guests, suppliers and partner.

All Family Members know that Company assets is for Company use only. They always protect the Company assets, prevent the personal or misuse and waste of resources.

All Family Members are expected to protect the confidentiality of the information of our guests, suppliers, partners, and non-public information including personal data of Pegasus.

Family members are expected to comply with all applicable health and safety regulations and Occupational Health and Safety Regulations to create safe, healthy and secure working place and increase efficiency.

#### **Social Media and Political Activities**

Pegasus does not conduct activities on behalf of any political parties. Family Members avoid any expression or activity that can be perceived as representing Pegasus.

#### **Compliance with Pegasus Ethical Behavior Guide**

Pegasus Ethics Committee is established to ensure the proper practice of Ethical Behavior Guide. Ethics Committee also ensure the objective evaluation complaints and notifications concerning violation of Ethical Behavior Guide.

For any concerns regarding non-compliance, you may directly contact: etik@flypgs.com.

Family Members will be deemed to have violated Pegasus Ethical Behavior Guide in case of intentional falsification and slander, in the event they provide incorrect and/or incomplete information during an investigation or to retaliate or threaten to retaliate against cooperating Family Members.

**PEGASUS HAVA TAŞIMACILIĞI A.Ş.**  
**DONATIONS AND CHARITABLE CONTRIBUTIONS POLICY**

As per Article 11/2 of our Articles of Association, our Board of Directors is authorized to make donations on behalf of Pegasus within the upper limit to be determined by our shareholders at the General Assembly. In this respect, our Board of Directors acts in accordance with the principles laid out in this Policy and the applicable regulations of the Capital Markets Board.

**Principles Relating to Donations and Charitable Contributions:**

- Pegasus may make donations or charitable contributions to persons, associations, foundations, non-governmental organizations and public institutions that operate in the fields of education and health and solidarity or in connection with the scope and purpose of Pegasus.
- The upper limit applicable to donations and charitable contributions to be made in any fiscal year is determined by our shareholders upon proposal by the Board of Directors at the General Assembly meeting to be convened with respect to the results of the preceding year.
- Donations and charitable contributions by Pegasus can only be made based on a resolution of the Board of Directors. The Board of Directors has the authority to make such donations and contributions within the applicable limit determined by our shareholders.
- In principle, donations and charitable contributions by Pegasus should serve to contribute to social development and conform to our strategy and key corporate values of safety, reliability, innovation, agility, accessibility, creativity and entrepreneurship and our corporate ethical standards.
- Information relating to all donations and charitable contributions made in any given fiscal year as well as those benefiting from such donations and contributions are provided to our shareholders at the relevant General Assembly meeting as a separate agenda item.
- Any amendments to this Policy proposed by our Board of Directors are proposed to our shareholders and become effective upon approval at the General Assembly.
- As per the provisions of Article 21 of our Articles of Association donations by Pegasus in any given year will be added to the distributable profits during calculations for the relevant fiscal year.
- Sponsorship activities and activities pursued by Pegasus under the Corporate Social Responsibility Policy that may be pursued for commercial reasons will be performed independent of this Donation Policy and within the authority granted by our Board of Directors.

This Donations and Charitable Contributions Policy has been adopted by the resolution of the Board of Directors dated 20 November 2013 and numbered 403 and will be submitted to our shareholders for their approval at the first ordinary General Assembly meeting to be held. After becoming effective through the approval of our shareholders this policy will be published in our investor relations web-site. The same procedure will apply to any amendments hereto.