

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

**To the Board of Directors of
Pegasus Hava Taşımacılığı A.Ş.**

Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Pegasus Hava Taşımacılığı A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") for the period ended 31 December 2015.

Management's Responsibility for the Annual Report

The Company's Group Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"), and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the Communiqué. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements, based on our audit report dated 3 March 2016.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

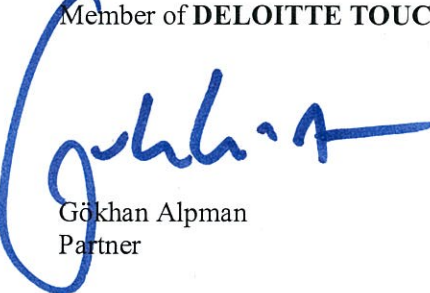
Opinion

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Company may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Gökhan Alpman
Partner

İstanbul , 3 March 2016

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
JANUARY 1 – DECEMBER 31, 2015

1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS

Reporting Period : January 1, 2015 – December 31, 2015
Commercial Title : Pegasus Hava Taşımacılığı A.Ş.
Trade Registration : Istanbul Trade Registry / 261186
Headquarters : Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı, No: 11/A
Kurtköy 34912 Pendik / Istanbul
Contact Information : Telephone. +90 216 560 7000
Corporate Website. www.flypgs.com
Investor Relations
Website. <http://www.pegasusinvestorrelations.com>

B- CAPITAL, SHAREHOLDING AND ORGANIZATION STRUCTURE OF PEGASUS

As part of the initial public offering of its shares in April 2013, Pegasus adopted the authorized capital system and increased its issued capital to TL 102,272,000 from TL 75,000,000, within the authorized capital ceiling of TL 500,000,000. Information on the capital and shareholding structure of Pegasus as of January 1, 2015 and December 31, 2015, respectively, is shown in the table below.

	<u>January 1, 2015</u>		<u>December 31, 2015</u>	
	<i>Number of Shares</i>	<i>Shareholding Ratio</i>	<i>Number of Shares</i>	<i>Shareholding Ratio</i>
Shareholder				
Esas Holding A.Ş. ("Esas Holding")	64,353,570	62.92%	64,353,570	62.92%
Publicly Traded	35,294,000	34.51%	35,294,000	34.51%
Emine KAMIŞLI	874,810	0.86%	874,810	0.86%
Ali İsmail SABANCI	874,810	0.86%	874,810	0.86%
Kazım KÖSEOĞLU	437,405	0.43%	437,405	0.43%
Can KÖSEOĞLU	437,405	0.43%	437,405	0.43%
Total	102,272,000	100%	102,272,000	100%

In addition to the above, our ultimate real person shareholders and their respective direct and indirect shareholding in Pegasus, as of January 1, 2015 and December 31, 2015 are as follows.

	<u>January 1, 2015</u>	<u>December 31, 2015</u>
	<i>Shareholding Ratio</i>	<i>Shareholding Ratio</i>
Shareholder		
Emine KAMIŞLI	%13,44	%13,44
Ali İsmail SABANCI	%13,44	%13,44
Şevket SABANCI	%10,34	%10,34
Zerin SABANCI	%10,34	%10,34
Kazım KÖSEOĞLU	%7,47	%7,47
Can KÖSEOĞLU	%7,47	%7,47
Fethi Ali KAMIŞLI	%0,75	%0,75
Kerem KAMIŞLI	%0,75	%0,75
Emrehan Şevket SABANCI	%0,75	%0,75
Kaan Ali SABANCI	%0,75	%0,75
Halka Açık Paylar	%34,51	%34,51
Total	%100	%100

As of December 31, 2015, Esas Holding is the controlling shareholder of Pegasus. Esas Holding is a holding company founded in 2000 by Şevket SABANCI and his family and as of December 31, 2014 has investments in the aviation, retail and entertainment, healthcare, food and real estate sectors in and outside of Turkey. Esas Holding is fully owned by Şevket SABANCI and the members of his family.

Our Company's management organization chart as of December 31, 2015 is provided in Section (1/F) of this Report.

C- INFORMATION ON BUSINESS ACTIVITIES

Pegasus is Turkey's leading low-cost airline. Pegasus entered the aviation sector through charter flights in 1990. Following its acquisition by Esas Holding at the beginning of 2005, Pegasus changed its business model, introducing a low-cost network carrier model and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, Pegasus experienced rapid expansion of its operations both in domestic routes as well as internationally. In comparison to the cumulative annual growth rate of the Turkish market between 2007 and 2015 at 12%, the cumulative annual growth rate of passengers flying with Pegasus reached 31% during the same period. In addition to being the fastest growing airline in Turkey in terms of passenger numbers during this period, Pegasus was the fastest growing airline among the 25 largest European airlines in terms of seat capacity in 2011, 2012 and 2013 according to the Official Airline Guide (OAG).

Pegasus focuses on providing high-frequency services on short- and medium-haul, point-to-point and transit routes on its domestic and international network primarily from its main hub in Istanbul Sabiha Gökçen International Airport. Pegasus also offers scheduled flights from other domestic hubs, primarily in Adana, Ankara, Antalya and İzmir. As of December 31, 2015, Pegasus offered scheduled passenger services on 33 domestic routes in Turkey and 70 international routes to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 103 destinations in 40 different countries.

Pegasus also offers a number of services ancillary to the core air passenger services and generates revenue through the provision of these services, including pre-order and in-flight sales of beverages and food, sales of duty-free items on board international flights, excess baggage, reservation change and cancellation fees, airport check-in and seat selection fees. In 2015, the revenue recorded from ancillary services constituted 19% of total revenue for the period, while ancillary revenue increased by 25% year-over-year from 2014.

In addition to the above, Pegasus derives revenue from other services, primarily consisting of cargo services and a relatively low volume of charter and split charter flights for tour operators, which represented 6% of total revenue in 2015.

D- INFORMATION ON PRIVILEGED SHARES

Pegasus has not issued any privileged shares.

E- AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN THE REPORTING PERIOD

There are no amendments made in the Pegasus Articles of Association in 2015. However; on January 28, 2016, our Board of Directors resolved on proposed changes to Articles 10 and 11 of the Company Articles on Association with the aim of removing the maximum number limitation on members of the Board of Directors to be appointed by the General Assembly and allowing the Board of Directors to delegate authority on establishing mortgage and pledge on Company assets. The proposed amendments that have been published on the Public Disclosure Platform (*Kamuyu Aydınlatma Platformu*) and our Investor Relations Website have been approved by the Capital Markets Board on February 5, 2016 and by the Ministry of Customs and Trade on February 23, 2016. The proposed amendments will be submitted for the approval of our shareholders at the Ordinary General Assembly Meeting relating to the year 2015.

An up-to-date copy of the Pegasus Articles of Association consolidating all amendments to date as well as information on Trade Registry Gazettes where past amendments were published are available on our Investor Relations Website.

F- INFORMATION ON THE MANAGEMENT BODY, SENIOR MANAGEMENT AND PEGASUS EMPLOYEES

a)- Management Body: The management body of Pegasus is the Board of Directors. As of December 31, 2015, the Board of Directors consisted of eight members. The identity, duty and term of office of each Director are indicated in the following chart.

<u>Name / Surname</u>	<u>Duty</u>	<u>Term of Office</u>
Ali İsmail SABANCI	Chairman of the Board	March31,2015- 2015 GA ⁽¹⁾
Hüseyin Çağatay ÖZDOĞRU	Vice-Chairman of the Board	March31,2015- 2015 GA ⁽¹⁾
Mehmet Cem KOZLU	Independent Director	March31,2015- 2015 GA ⁽¹⁾
Mehmet SAĞIROĞLU	Independent Director	March31,2015- 2015 GA ^{(1), (2)}
Saad Hassan HAMMAD	Independent Director	March31,2015- 2015 GA ⁽¹⁾
Şükrü Emre BERKİN	Member of the Board	March31,2015- 2015 GA ⁽¹⁾
Conor John McCarthy	Member of the Board	March31,2015- 2015 GA ⁽¹⁾
Sertaç HAYBAT	Member of the Board and CEO	March31,2015- 2015 GA ^{(1), (3)}

⁽¹⁾ Appointed for a term of one year at the Annual General Assembly Meeting dated March 31, 2015.

⁽²⁾ Term of office ended as of January 28, 2016 due to decease and number of Directors was thus reduced to seven.

⁽³⁾ Capital Markets Board non-objection obtained on July 15, 2015 as to the fulfillment of the independence criteria set out in the Corporate Governance Communiqué No: II-17.1. Pursuant to the Capital Markets Board non-objection letter dated February 29, 2016, Conor John McCARTHY has been appointed as an independent director to replace Mehmet SAĞIROĞLU until the Annual General Assembly Meeting to take place in 2016.

b)- Senior Management: Pegasus senior management comprises the General Manager, Chief Audit Executive, Family Members directly reporting to the General Manager and Vice-Presidents reporting directly to Senior Vice-Presidents. On a consolidated basis, Pegasus deems the General Managers of its subsidiaries İHY İzmir Havayolları A.Ş. ("**İzAir**") and Air Manas Air Company LLC ("**Air Manas**") among senior management. Information on Pegasus senior management and their duties is provided in the following chart.

<u>Name / Surname</u>	<u>Duty</u>
Sertaç HAYBAT	President & General Manager (CEO) ⁽¹⁾
Boğaç UĞURLUTEĞİN	Senior Vice-President, Ground Operations
Güliz ÖZTÜRK	Senior Vice-President, Commerce
Nadir KABAŞ	Senior Vice-President, Flight School ⁽²⁾
Nurçin ÖZSOY	Senior Vice-President, Cabin Services
Reha ÖZDEMİR	Senior Vice-President, Flight Operations ⁽³⁾
Serhan ULGA	Senior Vice-President, Finance, CFO
Servet ULAŞAN	Senior Vice-President, Technical
Aycan KURTOĞLU	Vice-President, Information Technologies
Aydın ALPA	Vice-President, Cargo
Aydın YUMRUTAŞ	Vice-President, Flight Operations (Head Pilot) ⁽⁴⁾
Dilara OĞUR	Vice-President, Human Resources ⁽⁵⁾
Doğan İNANÇ	Vice-President, Flight Training ⁽⁶⁾
Emre PEKESEN	Vice-President, Sales
Ergün DEMİRCİ	Vice-President, Technic AMO Part-147 ⁽⁷⁾
Ersel GEYİK	Vice-President, Support Services
İpek DÖŞER	Vice-President, Cabin Services
K. Mustafa HELVACIOĞLU	Vice-President, Safety Management and Quality
M. Barbaros KUBATOĞLU	Vice-President, Financial Controller
Mine ÖZTÜRK	Vice-President, Internal Audit & Chief Audit Executive
Murat DEMİRBİLEK	Vice-President, Ground Operations
Onur DEDEKÖYLÜ	Vice-President, Marketing
Ömer KAYA	Vice-President, Performance & CIT
Tahsin İSTANBULLU	Vice-President, Technic CAMO Part-M ⁽⁸⁾
Tamer YÜZÜAK	Vice-President, Finance and Strategic Planning
Turgut ATAY	Vice-President, Network Planning
V. Beste TAŞAR	Vice-President, Investor Relations
Tayfun BORA	Manager, Security
İlgar ALPTEKİN	General Manager, Air Manas
N. Nazif ÇETİN	General Manager, IzAir

⁽¹⁾ Term of office will end effective as of March 18, 2016. Mehmet Tevfik NANE has been appointed as General Manager to succeed Sertaç HAYBAT effective as of March 18, 2016.

⁽²⁾ Appointed as Senior Vice-President, Flight School effective as of October 9, 2015.

⁽³⁾ Appointed as Senior Vice-President, Flight Operations to succeed Nadir KABAŞ, effective as of October 23, 2015.

⁽⁴⁾ Appointed as Vice-President, Flight Operations (Head Pilot) to succeed Muzaffer ŞİMŞEK, effective as of November 1, 2015.

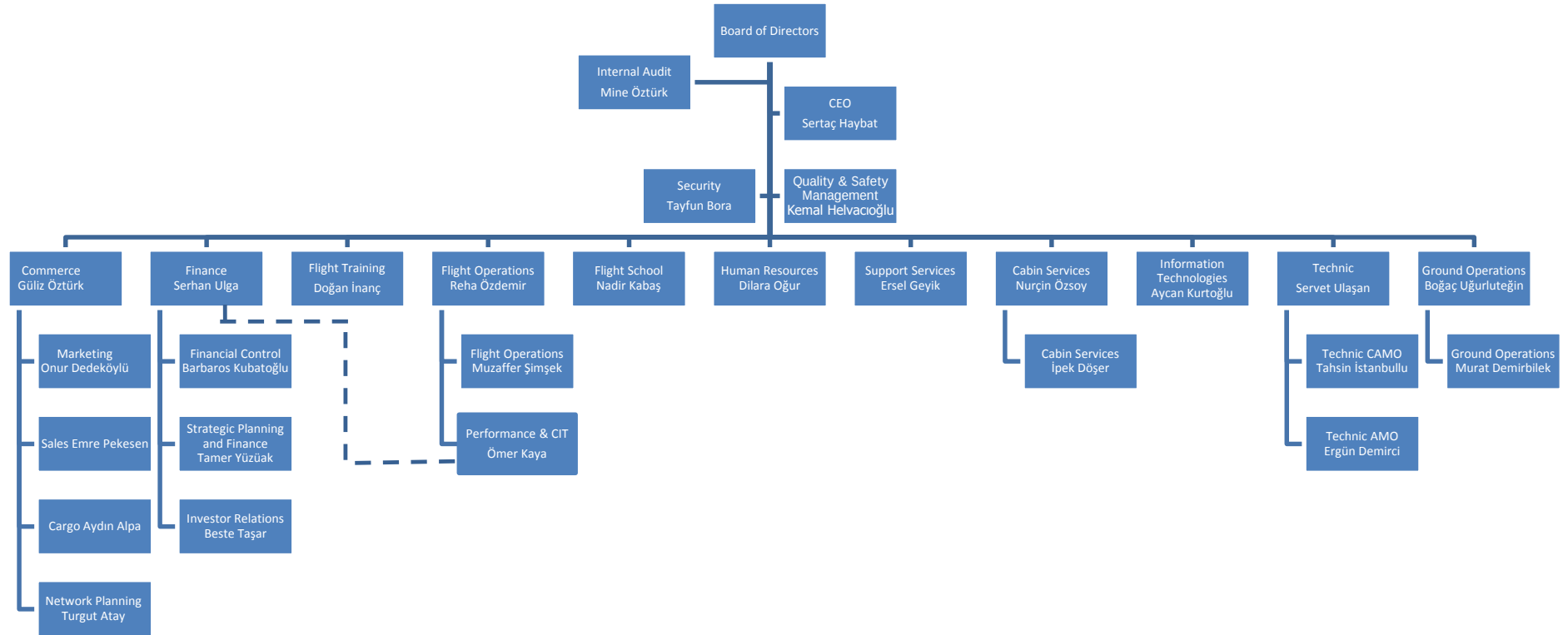
⁽⁵⁾ Appointed as Vice-President, Human Resources to succeed Zeynep Didem EGELİ, effective as of November 30, 2015.

⁽⁶⁾ Appointed as Vice-President, Flight Training to succeed Cahit TAŞBAŞ, effective as of December 18, 2015.

⁽⁷⁾ Appointed to this position effective as of June 1, 2015.

⁽⁸⁾ Appointed to this position effective as of June 1, 2015.

Pegasus management organization is as follows:



c)- Number of Employees: The total number of full time employed Family Members of Pegasus and its consolidated subsidiaries defined in Section (4/D) of this Report, as of December 31, 2014 and December 31, 2015, respectively were 3,608 and 4,967. This number, as of December 31, 2015 covers the members of our senior management listed above.

There are no Family Members employed under a collective bargaining agreement.

Information on benefits provided to Pegasus to our Family Members are detailed in the "Pegasus Compensation and Indemnification Policy" available on our Investor Relations Website.

G- INFORMATION ON TRANSACTIONS BETWEEN PEGASUS AND COMPANY DIRECTORS AND COMPETING ACTIVITIES OF DIRECTORS, EACH, SUBJECT TO THE SHAREHOLDERS' PERMISSION GRANTED AT THE GENERAL ASSEMBLY MEETING

At the Ordinary General Assembly Meeting dated March 31, 2015 our shareholders granted the members of our Board of Directors, in accordance with Articles 395 and 396 of the Turkish Commercial Code, to enter into transactions with Pegasus on their own behalf and on behalf of others and to engage in commercial business falling within the area of activity of Pegasus.

Furthermore, as per Clause 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.

Information on the related party transactions entered into by our Company in 2015 has been provided in Note 6 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2015, "Related Party Transactions".

Furthermore, as of December 31, 2015, Ali İsmail SABANCI, the Chairman of our Board of Directors, serves as a non-executive member of the board of directors of Air Berlin plc, an international air carrier, where our parent company Esas Holding holds 12.02% stake. Ali İsmail SABANCI has been serving the role of non-executive director in Air Berlin plc since May 2009.

Besides the above items, there was no event falling within the scope of Articles 395 and 396 of the Turkish Commercial Code or any material transaction entered into between Pegasus or its subsidiaries and the persons listed in the relevant clause of the Corporate Governance Principles. The Company believes that the above transactions and engagements do not give rise to any conflict of interest for Pegasus or its subsidiaries.

Pegasus acts prudently to prevent any conflict of interests with the entities providing services such as investment advice and rating services to it. In 2015, there are no transactions to report that gave rise to a conflict of interest in this regard.

2- FINANCIAL BENEFITS PROVIDED TO THE COMPANY DIRECTORS AND MEMBERS OF THE SENIOR MANAGEMENT

The gross honorary fees paid to the members of our Board of Directors for the Board meetings they attended in 2015 as well as gross payments for their duties as chairman or member at the relevant Board committees amounted to TL 988,149.

In 2015, the total salary and bonus fees paid to the General Manager and Senior Vice-Presidents serving in our senior management team, and the income tax and social security contributions with respect to the same persons amounted to TL 7,550,635.

3- RESEARCH AND DEVELOPMENT ACTIVITIES

As part of paperless cockpit studies aimed at reducing weight on board and increased operational efficiency undertaken by our Performance & CIT Department over the last years, the use of electronic flight bag (EFB) has been largely implemented in our fleet in 2015, whereas, studies on electronic flight charts developed by Pegasus in collaboration with the Ministry of Science, Industry and Technology and Istanbul Technical University resumed through 2015 and are underway.

4- COMPANY'S BUSINESS AND MATERIAL DEVELOPMENTS RELATING TO THE COMPANY ACTIVITIES

A- SECTORAL OUTLOOK, AND POSITION OF THE COMPANY IN THE SECTOR, INFORMATION ON PRODUCTION UNITS, SALES, PRICING AND CHANGES IN THE FOREGOING THROUGHOUT THE YEAR; INFORMATION ON PRODUCTIVITY AND ANY CHANGES IN CONTRAST TO PREVIOUS YEARS

International Aviation Market

Globalization and the rapid expansion of worldwide trade volume turned transportation into one of the key sectors of today's world economy. Parallel to this development the aviation sector, in particular, is experiencing growth at high levels and is playing a leading role in international and intercontinental integration.

In the past thirty years, the aviation sector gained a strong momentum amid increasingly dense social, political and economic relations and rose to prominence ahead of other methods of transportation. According to International Civil Aviation Organization (ICAO) data, scheduled passenger movement of 100 million persons in the 1950s reached 1 billion passengers in 1976 and 6.6 billion passengers in 2014. As this number represents two-way traffic, the real scheduled passenger number is estimated at 3.3 billion. According to ICAO data, total passengers carried by air transportation reached 3.8 billion in 2015. According to ICAO, the total passengers to be carried by air transportation is expected to rise to 7.3 billion by 2034.

Turkish Aviation Market

Since 2003 Turkish civil aviation market has been one of the fastest developing markets thanks to a number of regulatory amendments beginning with the removal of price tariffs on domestic flights in 2001.

High airfares due to lack of competition in domestic flights prior to 2001 had prevented growth in the Turkish civil aviation market. Domestic competition emerged following the removal of taxes on air transportation, other than VAT on ticket prices, in 2003. These changes made air transportation more affordable to Turkish citizens and triggered growth in the market.

The Turkish civil aviation industry significantly outperformed gross domestic product (GDP) in the last 12 years. Between 2003 and 2015 real Turkish GDP cumulative annual growth rate (CAGR) was 5%, while the upwards trend in terms of number of domestic passengers with CAGR of 21% in the same period was more than four times the growth in GDP. Number of domestic and international passengers increased by CAGR of 13% between 2003 and 2015. Turkish aviation market also resisted macroeconomic fluctuations during this period. For example, despite a 4.8% decline in GDP in 2009 domestic and international passenger numbers increased by 15.1 and 1.5%, respectively.

Development of Pegasus Market Share Since 2005

Following its acquisition by Esas Holding at the beginning of 2005, Pegasus changed its business model, introducing a low-cost network carrier model and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, Pegasus experienced rapid expansion of its operations both in domestic routes as well as internationally. In comparison to the cumulative annual growth rate of the Turkish market between 2007 and 2015 at 12%, the cumulative annual growth rate of the scheduled passengers flying with Pegasus reached 31% during the same period. In addition to being the fastest growing airline in Turkey in terms of passenger numbers during this period, Pegasus was the fastest growing airline among the 25 largest European airlines in terms of seat capacity in 2011, 2012 and 2013 according to the Official Airline Guide (OAG).

Total number of passengers carried by Pegasus in 2015 was 22.3 million. The total number of passengers carried in domestic and international flights in, into and from Turkey in the same period was 181.4 million according to the data provided by the General Directorate of State Airports Authority (DHMI).

Flying to 33 domestic destinations as of December 31, 2015, Pegasus increased total number of domestic passengers carried by 15% compared to 2014 and reached 13.8 million passengers and 82% load factor ratio. On the international scale, as of December 31, 2015, Pegasus flew to 70 destinations in 40 countries and increased the total number of passengers carried by 9.8% compared to 2014 to 8.5 million passengers in total, realizing a 75% load factor ratio.

The table below indicates Pegasus market share trend in terms of domestic and international scheduled passenger numbers between 2005 and 2015:

Pegasus Market Share Data (2005 – 2015)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Domestic	1%	9%	15%	14%	17%	20%	23%	26%	27%	28.0%	28.3%
Int'l.	5%	4%	4%	4%	5%	7%	8%	8%	9%	9.4%	9.8%

Source: Pegasus, DHMI

Explanations on the Company's Production Units, Information on Sales, Sales Conditions and Productivity

Comparative data on our Company's revenue generating activities, sales and productivity in 2015 is provided in Section (5/C) of the Report.

B- INFORMATION ON INVESTMENTS MADE BY PEGASUS IN THE RELEVANT ACCOUNTING PERIOD

Since 2005, Pegasus placed firm orders with Boeing for a total of 40 new B737-800NG aircraft and, as of December 31, 2014, all of the aircraft under the said Boeing Order have been taken delivery.

In addition to the aircraft subject to the Boeing orders, as of December 31, 2015 Pegasus consolidated fleet includes a total of 17 B737-800 NG and nine Airbus A320-200 ceo aircraft obtained through operational lease agreements. Pegasus consolidated fleet also includes one Boeing B737-400 operated by Air Manas.

Information relating to the aircraft operated by Pegasus and its consolidated subsidiaries as of December 31, 2015 is provided in the following table:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		31.12.2015	31.12.2014	Growth (%)	31.12.2015	31.12.2014	Growth (%)	31.12.2015
B737-400	3,148	1	1	0	168	168	-	17,75
B737-800	4,360	57	50	14	10,773	9,450	9	5,66
Airbus A320	3,900	9	4	125	1,620	720	100	1,95
TOPLAM		67	55	22	12,561	10,338	22	5,33

In July 2012, Pegasus placed an order with Airbus 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.

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 the 75 firm order aircraft and 25 option aircraft (assuming the option is exercised in full) under the Airbus order, expected to be delivered between 2016 and 2022, amount to approximately USD 12 billion as of December 31, 2015.

In 2013 Pegasus decided on purchasing CFMI's Leap type engine from the two available options for the Airbus A320neo/A321neo aircraft purchase agreement. Based on this decision, the delivery of the new Airbus aircraft will commence in 2016. Pegasus further agreed with CFMI on the provision of maintenance services for a term for up to 20 years starting from the delivery of each engine. Based on the assumption that the entire Airbus order is purchased and the relevant aircraft and the engines are operated for 20 years, it is expected that the payments to be made in compensation of the maintenance services procured until 2042, may reach USD 4.3 billion.

In 2015 Pegasus signed an 8-year maintenance time and materials support agreement with CFMI with respect to the CFM56-7B engines used on its Boeing 737-800NG fleet. The agreement will cover up to 90 shop visits and as part of the agreement, Pegasus will further purchase four spare engines from CFM. The services, part and engines to be delivered pursuant to the agreement are valued at approximately US\$450 million at list prices.

The delivery schedule for the A320neo/A321neo aircraft subject to our firm order with Airbus is as follows:

Aircraft Type	2015	2016	2017	2018	2019	2020	2021	2022
A320neo	-	7	5	10	14	13	8	-
A321neo	-	-	-	-	-	-	5	13

() If the option for the 25 aircraft under the Airbus order is fully or partially exercised by Pegasus, the delivery of the option aircraft will commence after 2022, unless the parties agree on earlier deliveries.*

The Group has obtained investment incentive certificates covering a total of 13 aircraft. Accordingly, a 15% “investment contribution rate” will be calculated for the said 13 aircraft and until such calculated amount is reached, the income derived from incentivized investments will be subject to discounted corporate tax. Discounted corporate tax is 50% of the prevailing corporate tax rate for the relevant terms (e.g., corporate tax will apply as 10% instead of 20%). Due to corporate tax accrual as of December 31, 2015, the relevant investment contribution has been reflected on the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2015.

C- EVALUATION OF INTERNAL CONTROL SYSTEMS AND INTERNAL CONTROL ACTIVITIES IN PEGASUS

Pegasus internal audit department was first established in June 2006 and was later reorganized as a Vice-Presidency in September 2010. The Company's Internal Audit Department continues its activities under the auspices of the Audit Committee. Findings of the Internal Audit Department are reported to the Audit Committee and evaluations and recommendations of the Committee are regularly reported to our Board of Directors. In this respect, the Audit Committee ensures that the necessary measures are implemented to ensure that the Internal Audit Department sufficiently and transparently performs its duties.

The Audit Committee of the Board of Directors was reorganized on August 17, 2013 to align its structure with the corporate governance principles determined by the Capital Markets Board. As of the date of this Report, the Company's Internal Audit Department performs its activities in accordance with the Internal Audit Regulation and the work plan approved by the Audit Committee, within the framework of its Charter published on our Investor Relations Website.

As of December 31, 2015, the Internal Audit Department of Pegasus comprises the Chief Audit Executive, two Internal Audit Senior Specialists and one Internal Audit Specialist.

D- INFORMATION ON DIRECT AND INDIRECT INVESTMENTS BY PEGASUS IN OTHER VENTURES

The table below lists information relating to the direct subsidiaries and joint ventures of Pegasus as of December 31, 2015. As of December 31, 2015 Pegasus did not have any indirect subsidiaries or joint ventures.

Commercial Title	Nationality / Area of Activity	Issued Share Capital	Nominal Shareholding	Share Percentage	Affiliation with Pegasus
Air Manas	Kyrgyzstan / Scheduled and unscheduled air transportation	KGS 12,425,000	KGS 6,088,250	49.00%	Subsidiary
IzAir	Turkey / Scheduled and unscheduled air transportation	TL 59,500,000	TL 41,125,000	69.12%	Subsidiary
Pegasus Uçuş Eğitim Merkezi A.Ş. (" PUEM ")	T.C. / Simulated flight training	TL 200,000	TL 98,800	49.40%	Joint Venture/ Associate
Hitit Bilgisayar Hizmetleri A.Ş. (" Hitit Bilgisayar ")	Information Technologies Solutions	TL 200,000	TL 80,000	40.00%	Joint Venture/ Associate

On March 26, 2015, our Company acquired 40% stake in Hitit Bilgisayar, a Turkish information technologies company providing IT system solutions in transportation, represented by Group (B) shares, from the existing shareholders of Hitit Bilgisayar for a compensation of USD 4,500,000. As part of the share acquisition, our Company is granted by the selling shareholders with a call option for additional Group (B) registered shares representing a further 10% of the share capital of Hitit Bilgisayar for a total consideration of USD 1,500,000, such call option becoming exercisable on April 4, 2016. Subject to the same terms and conditions, the selling shareholders have been granted a put option for the same 10% additional stake constituting the subject matter of the call option.

E- SHARE BUYBACK TRANSACTIONS

There were no share buyback transactions for the year 2015.

Pursuant to the "Pegasus Share Buyback Policy" adopted by the resolution of Board of Directors dated November 20, 2013 and numbered 403, available on our Investor Relations Website, Pegasus implements share buyback or accepting its own shares as lien in accordance with the mandatory provisions of the Turkish Commercial Code and the rules determined by the Capital Markets Board under the authority granted by the Capital Markets Law and all share buyback transactions are publicly announced within the framework of the regulatory framework.

F- INFORMATION ON SPECIAL AUDIT AND PUBLIC AUDITS DURING THE REPORTING PERIOD

There were no requests for special audit by Pegasus shareholders in 2015.

In 2015, Pegasus was subject to several planned and non-planned investigations and audits by the General Directorate of Civil Aviation, Ministry of Labor and Social Security and Ministry of Environment and Urbanism with respect to operational and technical compliance, environmental compliance for operations carried out at the Istanbul Sabiha Gökçen Airport, employment law compliance. As a result of said inspections and audits the Company was imposed administrative fines in the amount of TL 133,291.

G- LAWSUITS FILED AGAINST PEGASUS WITH A POTENTIAL TO AFFECT THE COMPANY'S FINANCIAL STATUS AND OPERATIONS AND POSSIBLE OUTCOME OF DISPUTES

As of December 31, 2015, Pegasus or its consolidated subsidiaries are not defendants in any lawsuit the outcome of which, alone, is expected to affect the Company's financial status and its operations, especially that would affect the Company's scheduled and unscheduled flight operations. The total risk arising from these lawsuits and the contingency allocation for the said risk as of December 31, 2015, as well as information on lawsuits that have not been made subject to any contingency calculations but, if finalized against Pegasus, may affect the Company's financial status and its shares in subsidiaries negatively are provided in Note 16 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2015. The said financial statements are available on our Investor Relations website.

H- ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED AGAINST THE COMPANY OR THE COMPANY DIRECTORS FOR ACTIONS IN VIOLATION OF THE LAW

Save as disclosed in Section (4/F) of the Report, there were no administrative or judicial sanctions imposed against Pegasus or our Directors for any action in violation of the law in 2015.

I- EVALUATION OF FULFILMENT OF TARGETS SET OUT BY THE COMPANY, FULFILMENT OF SHAREHOLDER DECISIONS ADOPTED AT THE GENERAL ASSEMBLY MEETING, EXPLANATIONS ON ANY FAILURE TO MEET THE FOREGOING

There are no shareholder decisions adopted at the General Assembly Meetings in 2015 that have not been fulfilled. The operational results of our Company for the year 2015 are in line with the strategic targets disclosed by Pegasus in the prospectus disclosed on April 13, 2013. In this respect, Pegasus increased the destinations flown both domestically and internationally in the targeted regions and the total number of passengers carried in 2015 shows a 13.2% increase from 2013 year-end result. Pegasus also increased the number of aircraft in fleet, utilization of aircraft and revenue generated from ancillary services, and in respect of the latter an ancillary revenue per passenger of TL 29.70 was reached as of December 31, 2015.

As part of the Company's strategy to grow in the targeted geography the Company engaged in negotiations with JSC Stock Investment Fund of Venture Investments Green Invest, a Kazakh based investment fund, for the development of a joint venture structure for implementing domestic and international low-cost scheduled air transportation based in the Republic of Kazakhstan. However; as of December 31, 2015 no agreement was reached in respect of a prospective venture. Furthermore, our consolidated subsidiary Air Manas extended its operations network by serving six new destinations in Russia, India and China.

J- DATE OF EXTRAORDINARY GENERAL ASSEMBLY MEETINGS HELD IN THE REPORTING PERIOD AND INFORMATION ON DECISIONS ADOPTED AT THE RELEVANT MEETINGS

There were no extraordinary General Assembly meetings held in 2015.

K- INFORMATION ON DONATIONS BY THE COMPANY AND CORPORATE SOCIAL RESPONSIBILITY PROJECTS WHERE THE COMPANY PARTICIPATED IN THE REPORTING PERIOD

"Pegasus Donations and Charitable Contributions Policy" was adopted by the decision of our Board of Directors dated November 20, 2013 and numbered 403 and entered into force upon the approval of the majority of the shareholders attending the Ordinary General Assembly Meeting dated March 31, 2014. The aforementioned Board of Directors resolution also approved the "Pegasus Corporate Social Responsibility Policy" which became immediately effective.

At the Ordinary General Assembly Meeting held on March 31, 2015, the General Assembly, in accordance with Article 19 of the Capital Markets Law No. 6362 and Article 11 of the Company Articles of Association, determined the ceiling for donations to be made by the Company in 2015 as TL 500,000. The donations made by the Company as of December 31, 2015 totaled TL 134,645.

L- TRANSACTIONS ENTERED INTO WITH OR UNDERTAKEN BY OR REFRAINED FROM FOR THE BENEFIT OF THE CONTROLLING PARENT COMPANY OR ANY OTHER ENTITY CONTROLLED BY THE CONTROLLING PARENT; WHETHER A REASONABLE CONSIDERATION WAS OBTAINED IN EACH INSTANCE AND WHETHER SUCH TRANSACTIONS HAVE RESULTED IN ANY LOSS FOR THE COMPANY

Pursuant to Article 199 of the Turkish Commercial Code, Pegasus Board of Directors is required to prepare a report with respect to our Company's transactions with its controlling parent Esas Holding and other entities controlled by Esas Holding and disclose the outcome of this report in the Annual Activity Report.

The relevant report prepared by the Company's Board of Directors on March 3, 2016, notes that *"in all transactions between our Company and Esas Holding or its subsidiaries between January 1, 2015 and December 31, 2015, according to the circumstances and conditions known to us at the time the transaction was made or a precaution was taken or not taken, an appropriate consideration was received, there are no precautions the Company has refrained from and there are no transactions or precautions that would require a settlement."*

Information on related party transactions entered into by our Company and our subsidiaries is provided in Note 6 to the Consolidated Financial Statements for the Accounting Period between January 1 – December 31, 2015. The said financial statements are available on our Investor Relations Website.

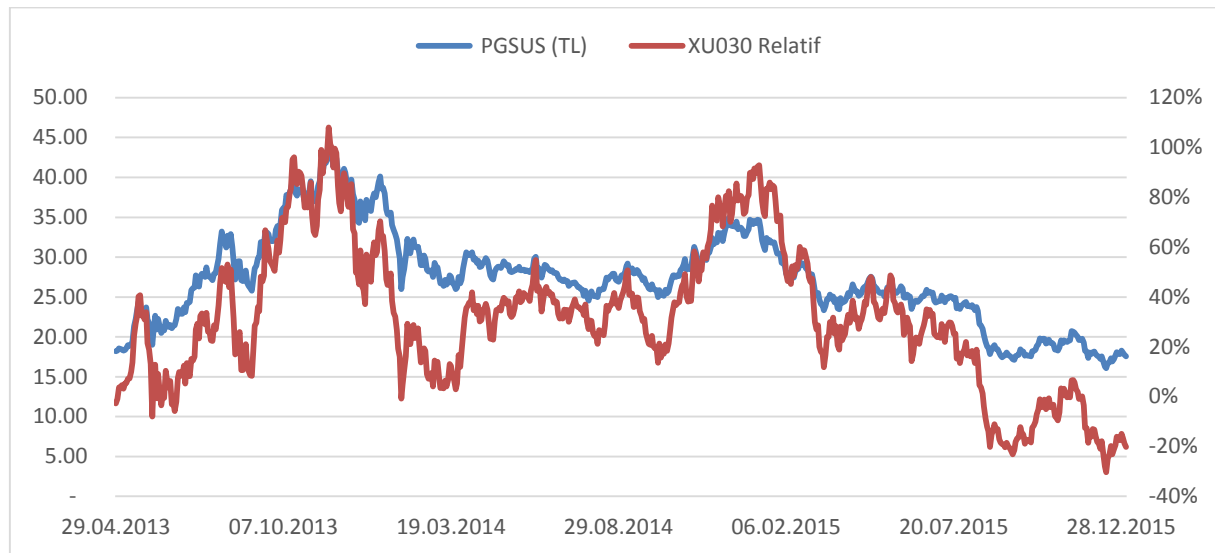
5-FINANCIAL STATUS

A- PEGASUS SHARE

Pegasus shares started trading on Borsa Istanbul on April 26, 2013 at the initial public offer price of TL 18.40. As of December 31, 2015, the indices including Pegasus shares and information on Pegasus shares are as follows:

Issuer	: PEGASUS HAVA TAŞIMACILIĞI A.Ş.
Trade Platforms	: BORSA ISTANBUL (BIST)
Market Segment	: STAR MARKET
Indices	: BIST SERVICES / BIST ISTANBUL / BIST ALL / BIST ALL-100 / BIST-50 / BIST-30 / BIST TRANSPORTATION / BIST STAR / BISTKYUR CORPORATE GOVERNANCE
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Provided below is a comparison between the performance of Pegasus shares against the performance of BIST-30 index between April 26, 2013 and December 31, 2015:



Pegasus shares closed at TL 18.75 on the first trade day, *i.e.*, April 26, 2013 and closed at TL 17.56 on December 31, 2015. Between April 26, 2013 and December 31, 2015 the lowest value Pegasus shares experienced was TL 16.09 (December 14, 2015) and the highest value Pegasus shares reached was TL 43.50 (November 25, 2013).

B- ANALYSIS OF FINANCIAL STATUS AND OPERATIONAL RESULTS; SUCCESS IN MEETING PLANNED OPERATIONAL TARGETS AND THE COMPANY'S STRATEGIC POSITIONING WITH RESPECT TO STRATEGIC TARGETS

As of December 31, 2015, Pegasus is the second largest Turkish airline in terms of passengers carried. The Company's performance within the strategic targets disclosed in the initial public offering prospectus on April 13, 2013 (pages 64 through 66) is set out in detail in Sections (4/I) and (5/C) of this Report.

C- SALES AND PROFITABILITY IN THE REPORTING PERIOD, REVENUE GENERATION, DEBT/EQUITY RATIO AND OTHER ASPECTS THAT PROVIDE INFORMATION ON THE COMPANY'S OPERATIONAL RESULTS COMPARED AGAINST PREVIOUS YEARS

Operational and financial results of Pegasus for the period between January 1 – December 31, 2015 compared against the same period in 2014 and the year-over-year changes for the relevant line items are set out in the following charts:

Pegasus Operational Results for the Period January 1, 2015 - December 31, 2015

Domestic	2014	2015	Change %
Number of passengers (<i>million</i>)	11.97	13.81	15.4
Number of seats (<i>million</i>)	14.60	16.86	15.5
Load factor (%)	82.0	81.9	-0.1pp
Cycle	77,914	90,010	15.5
Passengers per cycle	154	153	-0.1
ASK ⁽¹⁾ (<i>million</i>)	8,491	9,899	16.6
International ⁽²⁾			
Number of passengers (<i>million</i>)	7,77	8,52	9.8
Number of seats (<i>million</i>)	10,09	11,40	13.0
Load factor (%)	77,0	74,8	-2.2pp
Cycle	55.386	62.203	12.3
Passengers per cycle	140	137	-2.3
ASK (<i>million</i>)	15.887	18.070	13.7
Transfer passenger ratio (%) ⁽³⁾	%28,2	%28,9	0.7pp
Total			
Number of passengers (<i>million</i>)	19.74	22.34	13.2
Number of seats (<i>million</i>)	24.69	28.26	14.5
Load factor (%)	79.9	79.0	-0.9pp
Cycle	133,300	152,213	14.2
Passengers per cycle	148	147	-0.9
ASK (<i>million</i>)	24,378	27,969	14.7
Block hours ⁽⁴⁾	235,989	274,923	16.5
Average daily aircraft utilization (<i>hours</i>)	12.6	12.5	-0.5
Destinations flown ⁽⁵⁾	89	103	15.7
➤ Domestic	30	33	10.0
➤ International	59	70	18.6
Number of aircraft in fleet ⁽⁶⁾	55	67	21.8

⁽¹⁾ Refers to available seat kilometers, and is equal to the number of seats available for passengers during a specified period multiplied by the number of kilometers that those seats are flown.

⁽²⁾ Includes charter operational results.

⁽³⁾ Represents the percentage of a combination of two or more successive Pegasus operated flights that a passenger takes under one ticket and includes at least one international scheduled flight, among all international flights.

⁽⁴⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time).

⁽⁵⁾ Includes destinations announced and for which ticket sales have commenced.

⁽⁶⁾ As of December 31, 2013, includes the aircraft in IzAir and Air Manas fleet.

Pegasus Financial Results for the Period January 1, 2015 - December 31, 2015

Summary Balance Sheet (mn TL)	31.12.2014	31.12.2015	Change
Current assets	1,489	1,834	23%
Fixed assets	2,026	2,264	12%
Total assets	3,515	4,098	17%
Short-term liabilities	843	992	18%
Long-term liabilities	1,511	1,654	9%
Shareholders' equity	1,161	1,453	25%

Summary P&L (mn TL)	Jan.-Dec. 2014	Jan.-Dec. 2015	Change
Sales income	3,082	3,488	13%
Gross profit	463	431	-7%
Profit/(loss) from operations	325	244	-25%
Operating profit before financial income/(expense)	333	264	-21%
Profit/(loss) before tax	136	182	34%
Profit/(loss) for the period	143	112	-22%
Earnings/(loss) per share	0.0000014	0.000001	-21%

Changes in Financial Position (mn TL)	31.12.2014	31.12.2015	Change
Cash and cash equivalents	857	955	11%
Financial liabilities	1,354	1,415	5%
Net debt position ⁽¹⁾	497	460	-7%

⁽¹⁾ Net debt position = Financial liabilities - Cash and cash equivalents

D- FINANCING SOURCES AND CAPITAL MARKETS INSTRUMENTS ISSUED BY PEGASUS

Pegasus finances approximately 85% of the purchase price for the aircraft acquired by way of financial lease through loans obtained from various banks. As of December 31, 2015, the outstanding balance of the total loans borrowed for the financing of 25 aircraft acquired by way of financial lease is TL 1,364,807,077 million.

Furthermore, as of December 31, 2015, Pegasus and its subsidiaries had drawn TL 6,826,527 million on cash loans and TL 451,851,628 million on non-cash loans under credit lines with various Turkish and foreign banks. These credit lines are open credit facilities that can be generally used for terms ranging from 12 to 24 months. The Company believes it will have access to additional credit lines should it require supplementary short-term financing.

E- MANAGEMENT BODY EVALUATION AS TO THE COMPANY'S PRESERVATION OF ITS PAID CAPITAL

It is determined that as of December 31, 2015 the issued capital of 102.272.000 TL of the Company is maintained and Pegasus is not insolvent.

F- MEASURES TO IMPROVE THE FINANCIAL STRUCTURE OF THE COMPANY, IF ANY

The Company has strong financial structure necessary for its operations and as of December 31, 2015 there are no planned measures to improve the financial structure of the Company.

G- INFORMATION ON DIVIDEND DISTRIBUTION POLICY AND EXPLANATION ON THE USE OF PROFITS IF NOT USED TO PAY DIVIDENDS

"Pegasus Dividend Policy" was adopted by the decision of our Board of Directors dated November 20, 2013 and numbered 403 to be submitted for the approval of our shareholders at the first annual General Assembly Meeting.

"Pegasus Dividend Policy" that will be submitted to the shareholders' approval at the General Assembly Meeting includes the following principles:

- The main principles relating to the distribution of profit are laid out in Article 21 of our Articles of Association.
- In this framework, in the event there remains distributable profit following the deduction of previous years' losses from the net annual profit relating to a fiscal year, our shareholders have the authority to resolve on the distribution of profit, by taking into consideration our Company's goals and its financing requirements, in cash, in shares or a by using a combination of the two and the completion of distribution within the timeframe foreseen in the applicable law.
- The proposal for distribution of profit by our Board of Directors will be prepared in consideration of the above needs and will be submitted to the attention of our shareholders for discussion at the General Assembly. The Board of Directors must inform our shareholders at the General Assembly on how the profit will be used in the event there is no dividend distribution.
- Pegasus complies with the provisions of the Turkish Commercial Code No. 6102, the Capital Markets Law No. 6362 and the Corporate Governance Principles determined by the Capital Markets Board relating to the right to receive dividends and distribution of profit.

Pursuant to our accounts based on Turkish Financial Reporting Standards, the profit for the year 2015 realized as TL 111,863,873. The proposal of the Board of Directors regarding the use of profit for the year 2015 will be communicated to our shareholders prior to the Annual General Assembly Meeting relating to the year 2015.

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

6- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY**A- INFORMATION ON THE RISK MANAGEMENT POLICY ADOPTED BY PEGASUS WITH RESPECT TO FORSEEABLE RISKS**

Our Board of Directors is responsible for protecting the long-term benefits of our Company through a rational and prudent risk management approach by performing optimum balance between risk, growth and returns.

The Committee on the Early Detection of Risk has been formed as a Board of Directors Committee in order to assist the Board of Directors with respect to the determination in advance, management and mitigation of the risks that may endanger the existence, development and the future of Pegasus.

During the performance of its risk detection and management duties, the Committee on the Early Detection of Risk works in coordination with other Board Committees and the Company management. In this respect, the Committee on the Early Detection of Risk works in cooperation with the Audit Committee with respect to risks inherent to financial reporting and internal control mechanisms, with the Corporate Governance Committee with respect to human resources related risks involving the Board of Directors and the senior management, and with the Safety Committee for the surveillance of risks regarding flight safety.

Risk management policies implemented by Pegasus in 2015 within the framework of limits and guidance set out by the Board of Directors with respect to market risk (currency risk, interest rate risk and cost of fuel risk), credit risk and liquidity risk are summarized below.

a) Capital Risk

Our Company manages its capital with the goal of ensuring that it will be able to continue as a going concern while maximizing returns through the optimization of the debt and equity balance. Our Board of Directors and senior management reviews the cost of capital together with the risk associated with each class in the capital structure. Based on evaluations of our senior management and Board of Directors, the Company balances its overall capital structure from time to time through capital increases as well as the issue of new debt or the redemption of existing debt. In 2015, Pegasus financed net working capital shortcoming through short-term loans.

b) Currency Risk

The Group mainly generates revenue in TL and incurs indebtedness denominated in USD and other expenses in non-Euro currencies. Such non-Euro denominated transactions expose the Group to currency risk. Currency risk is managed through foreign exchange future purchase/sale transactions carried out in accordance with approved hedging policies.

Cash and non-cash assets and obligations of the Group denominated in foreign currency as of December 31, 2015 and December 31, 2014, are provided in Note 33 to the Consolidated Financial Statements for the period between January 1, 2015 – December 31, 2015.

c) Fuel Price Risk

Fuel costs constitute our largest operating expense, representing 37% our total cost of sales for 2015. Fuel prices may be subject to wide fluctuations based on geopolitical issues, exchange rate fluctuations, supply and demand as well as market speculation. The fluctuations in fuel prices have had a significant impact on our cost of sales and, in turn, on our results of operations.

Pegasus manages its risk to fuel prices through the use of derivative financial instruments. The Company's policy since 2011 includes a primary non-discretionary program for the first 30% of anticipated fuel consumption and a supplemental discretionary program for an additional 30% of our anticipated fuel consumption up to twelve months. Both programs use swap and option arrangements on jet fuel and Brent oil. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. As of December 31, 2015, 46% of the 2015 fuel consumption and 60% of the expected fuel consumption for 2016 had been subject to hedging transactions.

d) Interest Rate Risk

Pegasus is exposed to interest rate risk as the Company borrows funds at both fixed and floating interest rates. The Company aims to manage interest rate risk through an appropriate combination of fixed and floating rate based borrowings. In analyzing the floating rate interest obligations, the Company assumes that the year-end balance is present throughout the year and takes into account a 10-15% fluctuation in the applicable interest rates.

e) Credit Risk

Pegasus management defines credit risk as risk relating to the ability to collect receivables. Receivables that are due past more than one year are classified as impaired assets.

f) Liquidity Risk

Pegasus manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

B- INFORMATION ON THE WORK AND REPORTING OF THE COMMITTEE ON THE EARLY DETECTION OF RISKS

Committee on the Early Detection of Risks was established by the resolution of our Board of Directors dated August 17, 2013 and numbered 392, and is composed of three members, including the chairman. The Committee Charter was approved by the same Board resolution and has been publicly announced through the Public Disclosure Platform and our Investor Relations website. In 2015, our Independent Director Mehmet SAĞIROĞLU assumed the role of Committee chairman and our Independent Director Saad Hassan HAMMAD and İnsan TANRIÖVER served as members of the Committee.

Pursuant to its Charter the Committee convenes and adopts decisions by majority. The Committee convenes for meetings at least four times a year. The timing of Committee meetings follow, to the extent possible, the schedule of the meetings of the Board of Directors by having a meeting ahead of each scheduled Board meeting. In case of urgency the Committee may convene for meetings at the request of the chairman of the Committee or the chairman of the Board of Directors. In 2015, the Committee convened for meetings six times on March 3, April 14, May 5, July 31, November 11 and December 14 and also held a joint meeting with the Audit Committee on May 5, thereby completing seven meetings during the year.

The Committee established the main principles and review processes with respect to the main risks determined on strategic, operational, financial, legal and other risks that may endanger the existence, development and the future of Pegasus, and the implementation of necessary precautionary measures and the management of detected risks and periodically reports its findings to the Board of Directors.

C- FORWARD LOOKING RISKS WITH RESPECT TO SALES, PROFITABILITY, REVENUE GENERATION, EFFICIENCY, DEBT/EQUITY RATIO AND SIMILAR EVENTS

These have been evaluated as part of the above explanations.

7- OTHER MATTERS

A- MATERIAL EVENTS TAKING PLACE AFTER PERIOD END THAT MAY AFFECT THE RIGHTS AND BENEFITS OF THE SHAREHOLDERS, CREDITORS AND OTHER RELATED PERSONS AND ENTITIES

As part of the lawsuits filed by the Company for the cancellation of the accrued VAT liability of TL 30.872.430 and tax penalties totaling TL 46.308.645 imposed against the Company in connection with the VAT rates remitted on behalf of the non-resident aircraft lessor companies that are party to finance lease transactions for 2009, 2010, 2011 and January 2012, VAT accruals totaling TL 24,499,790 and tax penalties totaling TL 36,749,685 for all periods of 2011 have been revoked by the Istanbul 11th and 5th Tax Courts presiding over part of the pending lawsuits. In their judgements the Courts argued that 1% VAT should apply to financial lease services procured from non-resident aircraft lessor companies and that the 18% penalized tax accrual is in violation of the law. The lawsuits filed against the tax accrual and tax penalties are under review by different courts as a separate lawsuit is filed against each monthly period. It should be noted that the lawsuits filed for the periods 2009, January and February 2010 and January 2012 are pending review of the court of first instance whereas the decisions of the Istanbul 11th and 5th Tax Courts may be appealed by the Tax Administration and therefore are not final as of the date of this Report.

On January 28, 2016, our Board of Directors resolved on proposed amendments to Articles 10 and 11 of the Company Articles of Association. The proposed amendments were published on the Public Disclosure Platform on January 29, 2016. The proposed amendments have been approved by the Capital Markets Board on February 5, 2016 and by the Ministry of Customs and Commerce on February 23, 2016.

Mr. Mehmet SAĞIROĞLU, who has been serving as an Independent Director at Pegasus since April 2013 deceased on January 28, 2016 and his term of office as a member of our Board of Directors ended as of the said date. As of the date of this Report no appointment was made by the Board of Directors in his replacement.

On February 18, 2016, our Board of Directors appointed our Independent Director Saad Hassan HAMMAD as the Chairman of the Committee on the Early Detection of Risks and a member of the Audit Committee to replace Mehmet SAĞIROĞLU.

On February 18, 2016, our Board of Directors appointed Mehmet Tevfik NANE as General Manager (CEO) of the Company to replace Sertaç HAYBAT as of March 18, 2016. Sertaç HAYBAT will continue to serve as a member of the Board of Directors following the end of his term of office as General Manager (CEO).

Conor John McCARTHY, serving as a non-executive director at the Company, has been appointed as an independent director to replace Mehmet SAĞIROĞLU until the Annual General Assembly Meeting to take place in 2016 in accordance with the provisions of Article 4.3.8 of the Corporate Governance Principles annexed to the Corporate Governance Communiqué No: II-17.1 and the non-objection received from the Capital Markets Board on February 29, 2016.

On March 1, 2016, our Board of Directors resolved on the commencement of negotiations with Boeing for the purchase of five new B737-800 NG aircraft. The aircraft are expected to be delivered in 2017 and based on expected list prices at the date of delivery (*i.e.*, list prices that exclude price and payment term concessions but take into consideration our expectation of applicable escalation adjustments and aircraft configurations), the expected capital expenditures related to these aircraft total approximately USD 505 million.

Other than those mentioned above and in the relevant parts of this Report there has not been any material development affecting the rights of the stakeholders mentioned above.

B- OTHER MATTERS AND ADDITIONAL INFORMATION THAT ARE NOT INCLUDED IN THE FINANCIAL STATEMENTS THAT MAY STILL BE HELPFUL FOR INTERESTED PARTIES

None.

8- RESPONSIBILITY STATEMENT FOR THE ACTIVITY REPORT

RESPONSIBILITY STATEMENT AS PER ARTICLE 9 OF THE COMMUNIQUÉ NO. II-14.1 OF THE CAPITAL MARKETS BOARD

The audited consolidated financial statements and the annual activity report of the Board of Directors for the period between January 1, 2015 and December 31, 2015, prepared in accordance with the Capital Markets Board Communiqué No: II-14.1 and approved by the Board of Directors by its decision dated March 3, 2016 and numbered 527 have been provided in the annex hereto.

We hereby inform you that the Consolidated Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, together with the notes thereto and the Annual Activity Report, in accordance with the regulations of the Capital Markets Board:

- a) Have been reviewed by us;
- b) Based on the information available to us as a result of our duty at the Company, do not contain any incorrect disclosure on material issues or any insufficiencies that may be misleading as of the date the disclosure is made;
- c) Based on the information available to us as a result of our duty at the Company, the financial statements prepared in accordance with the applicable financial reporting standards and based on the principle of consolidation, reflect fairly on the Company's assets, liabilities, financial standing and profit/loss for the relevant period, and the activity report, again based on the principle of consolidation, reflect fairly on the development of the business, performance and the important risks and uncertainties faced by the Company;

and we hereby declare our responsibility for this statement. Respectfully yours,

Mehmet Cem KOZLU
Chairman of the Audit
Committee and Board Member

Saad Hassan HAMMAD
Audit Committee and
Board Member

Serhan ULGA
Senior Vice-President,
Finance & CFO

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

During the year that ended on December 31, 2015, the Corporate Governance Principles determined by the Capital Markets Board have been implemented by Pegasus as described below.

Immediately following the initial public offering of its shares in April 2013, Pegasus started working on ensuring compliance with the mandatory and non-mandatory Corporate Governance Principles as fast and to the widest extent as possible and such efforts have been overseen by both our Board of Directors and our Corporate Governance Committee. Consequently, the Company achieved full compliance with the mandatory Corporate Governance Principles and has also substantially complied with the remaining, non-mandatory Corporate Governance Principles within the same year as the initial public offering of its shares. This was endorsed by the compliance rating of 8.13 out of 10.00 attained by Pegasus at the end of 2013, following the independent rating study undertaken by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., whereby Pegasus became the first publicly traded entity to have undergone such independent assessment in the same year of its flotation of shares.

Later review of our corporate governance compliance resulted in the following assessment scores (each out of a scale of 10.00), a detailed report for each can be found on our Investor Relations website.

Reporting Date	Scope	Compliance Rating
March 3, 2014	Interim review in light of the new Corporate Governance Communiqué No. II-17.1	8.07
October 24, 2014	Annual review	8.77
September 29, 2015	Annual review	9.03

Pegasus has been included in the BIST Corporate Governance Index since 2014 and remains committed to continuously reviewing domestic and international developments in corporate governance and further improving its corporate governance practices. As part of the initiatives for improving the Company's corporate governance practices, in 2015, Pegasus brought further enhancements in shareholder and stakeholder relations through improvements made in financial reporting, communications relating to General Assembly meetings and internal corporate policies.

The relevant Corporate Governance Principles with which, as of December 31, 2015, our Company had not yet attained full compliance are listed below:

- Minority rights have not been granted to those holding less than 5% of the Company capital, which is the statutory threshold, and the scope of statutory minority rights have not been broadened through special provisions in our Articles of Association.
- Pegasus does not have an active practice regarding rewarding or dismissal of Directors as part of performance evaluation studies conducted by the Board of Directors.
- Remuneration and benefits provided to members of senior management is not disclosed on an individual basis.

Under the auspices of the Corporate Governance Committee, we are undertaking studies to improve current corporate governance practices and are regularly reviewing the foregoing matters for any need to change existing practices. In this respect, the existing Board self-assessment scheme was revised in 2015 into a more advanced model and now includes tools for assessing performance at both committee and individual levels. With respect to extending minority rights by virtue of an amendment to the Articles of Association, the Company's assessment is that given the Company's fulfillment of the minimum statutory requirements in this regard, the absence of extended minority rights does not create any conflict of interest. Finally, for the year 2015, the Company decided to continue to disclose board and senior management remuneration and benefits on a consolidated basis, which is regarded to be in line with the practice adopted by BIST Corporate Governance Index participants.

SECTION II - SHAREHOLDERS

2.1. INVESTOR RELATIONS UNIT

At Pegasus, relations with shareholders are undertaken by Vice-Presidency, Investor Relations, acting under the Senior Vice-Presidency, Finance. Our senior management personnel responsible for shareholder relations and their contact information are provided below:

Serhan ULGA

Senior Vice-President, Finance and Chief Financial Officer

Verda Beste TAŞAR

Vice President, Investor Relations

Telephone : +90 216 560 7580

Fax : +90 216 560 8087

E-mail : pegasusyatirimciiliskileri@flypgs.com

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

In accordance with the requirements of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, Verda Beste TAŞAR assumes the duty of heading the Company's investor relations unit and serves as a member of the Corporate Governance Committee. Beste TAŞAR is a full time employee of our Company reporting to the Senior Vice-President, Finance and holds Capital Markets Activities – Level III and Corporate Governance Rating Licenses.

Vice-President, Investor Relations regularly reports her studies to the Board of Directors and our Corporate Governance Committee, and in 2015, has reported regular updates to the Board of Directors on March 18, May 7, August 13 and December 18 and to the Corporate Governance Committee on March 18, August 13, October 16 and December 17.

In 2015, Pegasus responded to inquiries submitted by our shareholders without discrimination, through telephone, e-mails or meetings. In this respect over 550 inquiries were answered by telephone and e-mail and 209 meetings were held with individual and institutional investors. Pegasus also held 170 investor meetings at conferences attended in New York, London, Boston, Singapore and Hong Kong.

2.2. SHAREHOLDERS' EXERCISE OF THEIR INFORMATION RIGHTS

Detailed information relating to the principles, methods and frequency of communication of information to our shareholders in line with legal requirements is determined and publicly announced in the Pegasus Information Policy adopted by the decision of our Board of Directors dated November 20, 2013 and numbered 403, further amended by the decision dated March 27, 2014 and numbered 433. The consolidated text of the "Pegasus Information Policy" was submitted to the attention of our shareholders at the annual General Assembly meeting dated March 31, 2014 and is accessible through our Investor Relations Website.

The inquiries mentioned in the above *Section II - Shareholders; 2.1. Investor Relations Unit* have been answered within the framework of the law and the "Pegasus Information Policy" and in 2015 no other information requests or a request for the special audit of a specific matter were received.

Our shareholders are entitled by law to request the appointment of a special auditor to review specific matters, and following the amendments passed at the annual General Assembly meeting dated March 31, 2014 this statutory right is explicitly recognized in Article 16 of our Articles of Association.

2.3. GENERAL ASSEMBLY MEETINGS

The Annual General Assembly Meeting of our Company relating to the year 2014 was held on 31 March 2015 at 10:00 am local time at Pendik Green Park Hotel, Kaynarca Mahallesi, Erol Kaya Caddesi No: 204 Pendik, Istanbul in attendance of Hüseyin ÇAKMAK appointed as the Ministry representative by the letter of Provincial Commerce Directorate of the Governorship of Istanbul dated March 27, 2015.

The meeting invitation and the agenda were published in the Trade Registry Gazette dated March 6, 2015 and numbered 8773, on page 683, on our Corporate Website, on the Public Disclosure Platform and the Electronic General Assembly Portal within the time limits prescribed by the law. Furthermore, written invitations have been communicated to the shareholders that are not subject to the exception in Article 29 Paragraph 2 of the Capital Markets Law No. 6362.

Of the 102,272,000 shares corresponding to the TL 102,272,000 Company capital, 15,502 shares were represented in person and 80,807,619 shares were represented by proxy and the requisite meeting quorum provided in the Articles of Association and the law was met. Member of the Board of Directors and Company General Manager Sertaç HAYBAT and Dağhan ALPMAN representing the Company's independent auditor were present at the meeting.

The questions raised by the shareholders during the meeting were answered at the meeting, the details of which have been published as part of the meeting minutes on our Corporate Website, the Public Disclosure Platform and the Electronic General Assembly portal. No requests were received from the shareholders regarding the meeting agenda.

The agenda, list of attendees and meeting minutes relating to the aforementioned meetings are accessible through our Investor Relations Website.

There were no extraordinary General Assembly meetings held in 2015.

The decisions of our shareholders adopted at the Annual General Assembly Meeting held on March 31, 2015 are indicated in the table below:

Meeting Date	Resolutions
March 31, 2015 (Ordinary Annual General Assembly Meeting)	• Approval of the Annual Report, the Auditor Report and the Financial Statements for the year 2014 • Approval of the appointment of Mr. Saad Hassan HAMMAD as Director to replace Mr. Raymond Douglas WEBSTER by the Board of Directors as per the provisions of Article 363 of the Turkish Commercial Code • Release of the members of the Board of directors for operations and accounts pertaining to the year 2014 • Allocation of the Company's 2014 profit as extraordinary reserves • Appointment of the members of the Board of Directors for a term of one year and determination of payments to be made to the Directors during the term ⁽¹⁾ • Authorization of the members of the Board of Directors for transactions falling within the scope of Articles 395 and 396 of the Turkish Commercial Code ⁽²⁾ • Appointment of the independent audit firm for the year 2015 as per the provisions of Article 399 of the Turkish Commercial Code • Approval of donations and charitable contributions made by the Company in 2014 above the limit prescribed by the General Assembly and determination of a ceiling for donations to be made by the Company in 2015
⁽¹⁾	<i>For more information, please refer to Sections (1/F) and (2) of the 2015 Annual Report</i>
⁽²⁾	<i>For more information, please refer to Section (1/G) of the 2015 Annual Report</i>

There are no transactions to report in 2015 that had to be submitted for the approval of our shareholders, where the approval of the majority of the Independent Directors was required and not received with respect to a resolution of the Board of Directors.

Shareholders attending the Annual General Assembly Meeting dated March 31, 2015 were informed of the donations made by the Company in 2014 and no changes to the "Pegasus Donations and Charitable Contributions Policy" were proposed or discussed at the meeting.

2.4. VOTING RIGHTS AND MINORITY RIGHTS

Pegasus has not issued any shares with voting privileges and is not party to any cross-shareholding relationship. Pegasus does not engage in any practice hindering the exercise of minority shareholders representing at least 5% of the issued capital of the Company. However; minority rights have not been granted to those holding less than 5% of the Company capital, which is the statutory threshold, and the scope of statutory minority rights have not been broadened through special provisions in our Articles of Association.

2.5. DIVIDEND RIGHTS

"Pegasus Dividend Policy" was approved by the decision of our Board of Directors dated November 20, 2013 and numbered 403 and was subsequently published on our Investor Relations website. In line with legal requirements, "Pegasus Dividend Policy" became effective upon unanimous approval of the shareholders attending the Annual General Assembly Meeting dated March 31, 2014.

"Pegasus Dividend Policy" approved by our shareholders covers the following principles:

- The main principles relating to the distribution of profit are laid out in Article 21 of our Articles of Association.
- In this framework, in the event there remains distributable profit following the deduction of previous years' losses from the net annual profit relating to a fiscal year, our shareholders have the authority to resolve on the distribution of profit, by taking into consideration our Company's goals and its financing requirements, in cash, in shares or a by using a combination of the two and the completion of distribution within the timeframe foreseen in the applicable law.
- The proposal for distribution of profit by our Board of Directors will be prepared in consideration of the above needs and will be submitted to the attention of our shareholders for discussion at the General Assembly. The Board of Directors must inform our shareholders at the General Assembly on how the profit will be used in the event there is no dividend distribution.
- Pegasus complies with the provisions of the Turkish Commercial Code No. 6102, the Capital Markets Law No. 6362 and the Corporate Governance Principles determined by the Capital Markets Board relating to the right to receive dividends and distribution of profit.

At the Annual General Assembly Meeting held on March 31, 2015, based on the Company's statutory accounts, following the deduction of accumulated losses from the annual profit for the period between January 1, 2014 and December 31, 2014, and the allocation of statutory reserves, in line with the proposal by the Board of Directors, in consideration of the financing needs for new investment targets for the Company's fleet and the flight network and the need to maintain strengthened liquidity and with the purpose of realizing long-term shareholder value, our shareholders attending the Annual General Assembly Meeting dated March 31, 2015 resolved to set aside the net distributable profit for the year 2014 as extraordinary reserves.

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

2.6. TRANSFER OF SHARES

In accordance with the provisions of Article 137 paragraph 3 of the Capital Markets Law No. 6362, our Articles of Association do not contain any restrictions with respect to the transfer of Company shares that are traded on Borsa Istanbul.

Article 7 of our Articles of Association grants our Board of Directors the right not to approve the transfer of Company shares in specific circumstances and for the purpose of our Company's ability to resume its operations within the framework of the Turkish Civil Aviation Law No. 2902. Such authority of the Board of Directors will only become exercisable to the extent at least 50% of Pegasus shares are held by non-Turkish citizens.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. PEGASUS WEBSITE AND CONTENT

We are actively using our Corporate Website (<http://www.flypgs.com>) and our Investor Relations website (<http://www.pegasusinvestorrelations.com>).

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

In addition to the above, information we are required to make available as per the "Information Society Services" related provisions of the Turkish Commercial Code No. 6012, is made accessible through the e-COMPANY platform of the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/11366>) connected *via* a link on our Investor Relations Website.

The sections accessible through our Investor Relations website are as follows:

- About Pegasus
 - History of Pegasus
 - Corporate Information
 - Mission and Vision
 - Strategic Goals
 - Business Model
 - Awards
 - Press Releases
 - Human Resources
 - FAQ
 - Contact
- Corporate Governance
 - Message from the Chairman
 - Management Structure
 - Group Companies
 - IPO Prospectus
 - Articles of Association
 - Trade Registry Information re Amendments
 - General Assembly
 - Board Committees and Committee Charters
 - List of Insiders
 - Related Party Transactions
 - Policies
 - Corporate Governance Compliance Rating
 - Corporate Governance Compliance Report
 - Sustainability

- Operational and Financial Information
 - Annual Reports
 - Financial Statements and Audit Reports
 - Stock Data
 - Stock Info
 - On Time Performance
 - Fleet Overview
 - Traffic Data
- Investor Package
 - Investor Presentations
 - Analyst Information
 - Investor Calendar
 - Material Disclosures
 - Useful Links
 - Events
 - Investor Information Document
- Information Society Services

3.2. ANNUAL REPORT

Our Annual Reports are prepared in accordance with the "Regulation on the Determination of the Minimum Content of Annual Activity Reports" published by the Ministry of Customs and Commerce on the Official Gazette dated August 28, 2012 and numbered 28395, the Capital Markets Board Communiqué No. II-14.1 on the "Principles Relating to Financial Reporting in the Capital Markets" and the Capital Markets Board regulations regarding Corporate Governance Principles and, following the approval of our Board of Directors, are published in accordance with the applicable law and are made available on our Investor Relations Website.

SECTION IV - STAKEHOLDERS

4.1. COMMUNICATION OF INFORMATION TO STAKEHOLDERS

Pegasus undertakes to act in an honest, respectful, fair and trustful behavior based on reason, conscience and common sense with all stakeholders. In this respect, Pegasus aims to establish a sustainable, efficient and transparent communication with stakeholders and to enable stakeholders to achieve correct and complete information on time, in equal terms and in a way that is comprehensible, interpretable and easily accessible at low cost.

Besides such means, we are actively using inter-Company announcements and our Company's corporate intranet portal with respect to communication of information to our Family Members, as well as our Corporate Website (www.flypgs.com), Pegasus Call Center, "Pegasus Magazine", press, promotion and advertisement materials, e-mails, telephone, social media and similar corporate communication tools with respect to communication of information to our guests and other customers.

4.2. PARTICIPATION OF STAKEHOLDERS IN COMPANY MANAGEMENT

Pegasus believes that everybody has the right to fly and in this respect we value the opinion of and recommendations by all stakeholders through which we seek to introduce new practices that will improve our operations.

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

Pegasus encourages and incentivizes all Family Members to engage in management processes. In this respect:

- Our Company regularly conducts a "Corporate Climate Survey" covering all Family Members, the results of which and action items adopted at the initiative of senior management are shared with all Family Members through our corporate intranet portal;
- Within the framework of Pegasus Rules of Business Ethics, Pegasus undertakes to facilitate for all Family Members easy access to their superiors and members of our senior management and actively implements this principle;
- Our Company implements an "Idea that will Fly" contest where out of the pool of cost saving and/or revenue increasing ideas submitted by our Family Members those that are determined by members of our senior management are put to the vote of all Pegasus Family Members and rewarded according to the results and put into practice in our operations to the extent possible;
- Continuous Improvement Team studies are carried out by Vice-Presidency, Continuous Improvement and Performance. The process is open to all Family Members where ideas on all matters directly affecting our Company's profitability are discussed in an open forum. Meeting minutes, progress reports and other relevant information and documents are regularly made available to all Family Members through our corporate intranet portal.

4.3. HUMAN RESOURCES POLICY

We believe that everybody has the right to fly and through our innovative, rational, conscious and responsible approach we are aiming to be the leading low-cost airline in our region.

Within the framework of this vision, our Human Resources Policy aims to:

- ensure that all our Family Members work as a team by unifying the objectives of each member of the team, boosting their motivation to the highest possible level, by providing a democratic environment, in which all our Family Members share their ideas freely;
- effectively managing and finalizing hiring process by leading the right persons to the right departments at the right time;
- offer the most appropriate career planning to our individual Family Members, providing them the personal training required for their continuous growth, ensuring fair salary management based on the results obtained from our applied performance system, and thoughtful feedback to our Family Members;
- ensure all our Family Members execute their jobs correctly, effectively and quickly by offering enhanced occupational and personal training designed to advance personal development and maintain high motivation;

In turn, we expect our Family Members to work with dedication, teamwork, and open communication; focusing on results; seeking continuous growth and innovation; and embracing change.

The organization structure of our Company and job definitions of all our Family Members, as well as the performance and rewarding criteria implemented by our Company, are announced to our Family Members and are made available in our corporate intranet portal. Hiring criteria we implement are also determined in writing.

As Pegasus, we are further making the following commitments to our Family Members:

- Upholding, protecting and incentivizing protection of the ethical values set out in "Pegasus Rules of Business Ethics",
- Evaluating all complaints and problems relating to "Pegasus Rules of Business Ethics" and responding to all identified complaints and concerns; making no retaliation against such complaints and concerns;
- Treating all Family Members equally, without discrimination based on race, language, belief, political views or gender;
- Pursuing a compensation and advancement policy based on the qualities possessed by the Family Members and their performance, within the framework of the principles set out in the "Pegasus Compensation and Indemnification Policy".
- Ensuring accessibility of superiors and members of the senior management by all Family Members;
- Providing utmost care to the protection of personal information of Family Members;
- Ensuring that the Family Members receive requisite training necessary for their development and in this respect, incites not only a conventional information exchange but also organizational learning through information sharing and supportive development;
- Undertaking the necessary precautions to protect workplace safety and employee health;
- Ensuring and developing flight safety and security, operating in compliance with national and international standards in this respect and adopting Company-wide regulations, supporting them and scrutinizing their implementation.

4.4. ETHICAL RULES AND SOCIAL RESPONSIBILITY

"Pegasus Rules of Business Ethics" and "Pegasus Corporate Social Responsibility Policy" have been adopted by the decisions of our Board of Directors dated November 21 and November 20, 2013 and numbered 405 and 403, respectively, and have subsequently been published on the Public Disclosure Platform on December 4, 2013 and November 22, 2013, respectively. "Pegasus Rules of Business Ethics" was subsequently revised by a decision of the Board of Directors dated 27 March 2014 and numbered 433 to align the text with the new Capital Markets Board Communiqué on Corporate Governance No. II-17.1 and the changes have been published on the Public Disclosure Platform. The final versions of both documents are accessible through our Investor Relations website.

Pegasus Rules of Business Ethics set "Business Ethics" which is defined as *"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"* as the basis of all of its relations, and covers all Pegasus Family Members, including all Pegasus Directors and employees and the directors and employees of our subsidiaries. Pegasus Rules of Business Ethics determine the framework of the system through which the responsibilities of both our Company and our Family Members, the implementation of the rules and resolution of conflicts are implemented.

On the other hand, Pegasus Corporate Social Responsibility Policy determines the main values we care to address in our corporate social responsibility projects and our main goals as part of these projects within our strife to be a good corporate member of the society.

SECTION V - BOARD OF DIRECTORS

5.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

Within the framework of Article 10 of our Articles of Association, the Board of Directors of our Company is composed of at least five and a maximum of eight members to be appointed within the framework of the Turkish Commercial Code and the Capital Markets Law.

As of December 31, 2015, our Board of Directors consisted of eight members. In line with the Corporate Governance Principles of the Capital Markets Board, three independent Directors served at our Board of Directors. Two other Directors served in the capacity of non-executive directors.

The members of the Board of Directors and the duty and term of office of each Director is indicated in the table below.

Name / Surname	Duty	Executive Director	Term of Office
Ali İsmail SABANCI	Chairman of the Board	Yes	March31,2015- 2015 GA ⁽¹⁾
Hüseyin Çağatay ÖZDOĞRU	Vice-Chairman of the Board	Yes	March31,2015- 2015 GA ⁽¹⁾
Mehmet Cem KOZLU	Independent Director	No	March31,2015- 2015 GA ⁽¹⁾
Mehmet SAĞIROĞLU	Independent Director	No	March31,2015- 2015 GA ^{(1),(2)}
Saad Hassan HAMMAD	Independent Director	No	March31,2015- 2015 GA ⁽¹⁾
Şükrü Emre BERKİN	Member of the Board	No	March31,2015- 2015 GA ⁽¹⁾
Conor John McCARTHY	Member of the Board ⁽³⁾	No	March31,2015- 2015 GA ⁽¹⁾
Sertaç HAYBAT	Member of the Board and CEO ⁽⁴⁾	Yes	March31,2015- 2015 GA ⁽¹⁾

⁽¹⁾ Appointed for a term of one year at the Annual General Assembly Meeting dated March 31, 2015.

⁽²⁾ Term of office ended as of January 28, 2016 due to decease.

⁽³⁾ Capital Markets Board non-objection obtained on July 15, 2015 as to the fulfillment of the independence criteria set out in the Corporate Governance Communiqué No: II-17.1. Pursuant to the Capital Markets Board non-objection letter dated February 29, 2016, Conor John McCARTHY has been appointed as an independent director to replace Mehmet SAĞIROĞLU until the Annual General Assembly Meeting to take place in 2016.

⁽⁴⁾ Effective as of March 18, 2016, Sertaç HAYBAT will step down as General Manager (CEO) and continue to serve as a non-executive member of the Board.

In 2015, the Corporate Governance Committee, in accordance with the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board and Article 10 of the Company Articles of Association, evaluated Mehmet Cem KOZLU, Mehmet SAĞIROĞLU and Saad Hassan HAMMAD, three candidates named to the Committee as potential nominees to serve as independent directors. The Committee report was later approved by the Board of Directors and an application was filed with the Capital Markets Board, in response to which, the Capital Markets Board informed the Company in its letter dated March 2, 2015 that no objections are made in consideration of the Company's nominees. The nominees were subsequently appointed by the shareholders at the annual General Assembly meeting dated March 31, 2015.

Based on further evaluations by the Corporate Governance Committee and the Board of Directors, the Capital Markets Board clearance for Conor John McCARTHY to serve as an independent Director was obtained by the Capital Markets Board letter dated July 15, 2015.

The resumé of each Director and the independence statements provided by the independent Directors to Pegasus are provided in the following paragraphs.

Ali İsmail SABANCI

-

Chairman of the Board of Directors

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 (TALK).

Hüseyin Çağatay ÖZDOĞRU

-

Vice-Chairman of the Board of Directors

Hüseyin Çağatay ÖZDOĞRU served as a member of our Board of Directors since February 2007 and since March 2010 he serves as the Vice-Chairman of the Board. Between 1991 and 2002 he served in a wide range of IT firms in Turkey and in the United States, including Koç Unisys, IBM Turk and Global One Corporation and held various engineering and sales positions. During his tenure as the head of IT & telecommunications industry for Hacı Ömer Sabancı Holding A.Ş. between 2002 and 2005, he served as general manager, assistant general manager and executive member of the board of directors for group companies such as Turk.Net, Akinternet, I-BimSA and Sabancı Telekom. Çağatay ÖZDOĞRU joined Esas Holding in June 2005 as a member of the executive committee. Currently, he also serves as a member of the board of directors of Esas Holding and several other Esas Holding Group Companies, besides his duty as the Esas Holding CEO. Çağatay ÖZDOĞRU holds a Bachelor's Degree in Electronic and Telecommunication from Istanbul Technical University and a Master's Degree in Telecommunication granted by George Washington University.

Sertaç HAYBAT

-

Executive Director and CEO

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 still holds this position.

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.

Conor John McCARTHY serves as a member of our Board of Directors since February 2012. Conor McCARTHY started working for Aer Lingus in 1978 and spent a total of 18 years with the company in engineering, operations, maintenance, commercial planning, marketing, route economics, finance, strategic management, fleet planning and general management. After leaving Aer Lingus in 1996 as the chief executive officer of Aer Lingus Commuter, Conor McCARTHY joined Ryanair and served as its director of group operations until 2000. Conor McCARTHY is currently the executive chairman at Dublin Aerospace Ltd. and he previously also served as a member of the board of directors in Air Asia, which he also helped to co-found. He is also a shareholder of and the managing director of PlaneConsult, a specialist aviation consulting firm. Conor McCARTHY holds a bachelor's degree in engineering from Trinity College Dublin. He is a citizen and a resident of the Republic of Ireland.

Independence Statement

May 25, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "**Company**"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the "**Communiqué**") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

4.3.6 A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity⁽¹⁾ or an important commercial relationship⁽²⁾ should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled⁽³⁾ or materially influenced⁽⁴⁾ by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey ⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960; ⁽⁶⁾
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

Conor John McCARTHY

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.

Independence Statement

February 18, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "**Company**"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the "**Communiqué**") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

4.3.6 A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity⁽¹⁾ or an important commercial relationship⁽²⁾ should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled⁽³⁾ or materially influenced⁽⁴⁾ by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey ⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960; ⁽⁶⁾
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

Mehmet Cem KOZLU

Mehmet SAĞIROĞLU serves as an independent member of our Board of Directors since April 2013. Mehmet SAĞIROĞLU held several positions at Türkiye Demirdöküm Fabrikaları A.Ş. between 1976 and 1980 and at Türkiye Sınai Kalkınma Bankası between 1980 and 1999 where his last position was head of corporate finance. Mehmet SAĞIROĞLU later served as an executive manager and later as the member of the board of directors at Global Yatırım Holding A.Ş. between 2001 and 2006. In 2005 he also served as a member of the board of directors at TÜPRAŞ Türkiye Petrol Rafinerileri A.Ş. Between 2011 and 2012 Mehmet SAĞIROĞLU was the CEO of IEG Global Kurumsal Finansman A.Ş. and also served as the chairman of the Association of Listed Companies' Executives (Koteder) between May 2012 and October 2013. Mehmet SAĞIROĞLU currently serves as independent director at Alarko GYO A.Ş. Mehmet SAĞIROĞLU holds a bachelor's degree in business administration from Boğaziçi University.

Independence Statement

February 18, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the "**Company**"), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the "**Communiqué**") that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

4.3.6 A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity⁽¹⁾ or an important commercial relationship⁽²⁾ should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled⁽³⁾ or materially influenced⁽⁴⁾ by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey ⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960; ⁽⁶⁾
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;
- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

Mehmet SAĞIROĞLU

Saad Hassan HAMMAD joined Pegasus as a non-executive member of the Board of Directors on April 25, 2014 and serves as an independent director since March 31, 2015. Saad HAMMAD is currently the CEO of Flybe Group plc 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.

Independence Statement

February 18, 2015

To the attention of the Board of Directors and the Corporate Governance Committee of Pegasus Hava Taşımacılığı A.Ş.,

Re : Statement of Independence relating to Corporate Governance Principles

In relation to my nomination as an independent director of Pegasus Hava Taşımacılığı A.Ş. (the “**Company**”), I hereby declare that I fulfill the independency criteria set out in the below paragraph no. 4.3.6 of the corporate governance principles determined by the Capital Markets Board of Turkey as part of the Corporate Governance Communiqué No. II-17.1 (the “**Communiqué**”) that entered into force upon publication in the Official Gazette dated January 3, 2014 and numbered 28871.

4.3.6 A director fulfilling all of the following criteria qualifies as an "independent director".

- (a) No employment in a management position undertaking important duties and responsibilities, equity⁽¹⁾ or an important commercial relationship⁽²⁾ should have taken place between the independent director, his/her spouse or his/her relatives up to and including second degree on one side and the public company, other companies controlled⁽³⁾ or materially influenced⁽⁴⁾ by the public company, shareholders having management control or material influence over the public company and other companies where such shareholders enjoy management control, at any time during the past 5 years;
- (b) The independent director should not have been a shareholder (with 5% stake or more), a manager undertaking important duties and responsibilities or a member of the board of directors in any entity providing or procuring products or services to/from the public company of an important scale at any time during the past 5 years, during the time such products or services were provided or procured by the public company, most notably the audit (including tax audit, statutory audit, internal audit), rating and consultancy services provided to the public company;
- (c) The independent director must have acquired the vocational education, knowledge and experience necessary to duly perform the duties he/she is to undertake in this position,
- (d) The independent director should not be working full time in a governmental entity or institution after his/her appointment, unless he/she is a professor at the university who is allowed to act as an independent director according to the applicable legislation,
- (e) The independent director should be residing in Turkey ⁽⁵⁾ according to the Income Tax Law No. 193 dated December 31, 1960;⁽⁶⁾
- (f) The independent director should have strong ethical standards, professional reputation and experience allowing him/her to make positive contributions to the company's activities, keep his/her independence regarding any conflict of interest between the company's shareholders, and decide freely make taking the rights of stakeholders into consideration;
- (g) The independent director should be in a position to spend sufficient time for the company matters enabling him/her to follow-up on the activities of the company and fully perform his/her duties as an independent director;
- (h) The independent director should not have served as a member of the public company's Board of Directors for more than 6 years during the past 10 years;

- (i) The independent director should not be serving as an independent director at more than three companies under the same management control or at more than five publicly traded companies; and
- (j) The independent director should not be registered as a representative for a legal entity appointed as member of the Board of Directors.

Respectfully yours,

Saad Hassan HAMMAD

- (1) Equity relationship covers instances where more than 5% of the capital, voting rights or the total number of privileged shares are owned, alone or together with others listed in this sub-paragraph
- (2) Commercial relationship will be deemed important if the revenue or earning before tax derived from the transaction by either party represents 20% or more of its/his/her revenue or earning before tax from the same type of transactions
- (3) (Management) Control will be determined based on Turkish Financial Reporting Standard 10 *Consolidated Financial Statements*.
- (4) Material Influence will be determined based on Turkish Accounting Standard 28 *Investments in Associates and Joint Ventures*
- (5) Individuals are considered residents in Turkey, if (i) they are domiciled in Turkey in accordance with the Turkish Civil Code No. 4721, or (ii) they stay in Turkey for more than 6 months in a calendar year.
- (6) Pursuant to Article 5 Paragraph 6 of the Communiqué it is sufficient for at least half of the independent directors to fulfill this criterion

Our Directors have been authorized to enter into transactions with the Company and to undertake business transactions competing with Pegasus on their own or third parties' behalf as per the Articles 395 and 396 of the Turkish Commercial Code No. 6102 through the resolution of our shareholders at the Annual General Assembly meeting dated March 31, 2015. The ability of our Directors to undertake duties in other Companies is, in principle, not restricted. However; in the event of a potential conflict of interest or a proposed appointment that is likely to have an influence on the Director's ability to discharge duties and obligations to Pegasus the Directors are required to inform our Company in advance.

The duties assumed by our Directors outside of our Company in 2015 are indicated below.

Ali İsmail SABANCI		Chairman of the Board
Duties Assumed Elsewhere in 2015		
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 Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Board Member
5.	Mars Spor Kulübü ve Tesisleri İşletmeciliği A.Ş. (Group Company)	Board Member
6.	Mars Sportif Tesisler İşletmeciliği A.Ş. (Group Company)	Board Member
7.	U.N. RO-RO İşletmeleri A.Ş. (Group Company)	Board Member
8.	Trieste Holdco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
9.	Trieste Midco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
10.	Trieste Newholdco Denizcilik ve Taşımacılık A.Ş. (Group Company)	Board Member
11.	Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)	Vice-Chairman of the Board
12.	Bin Çağrı Hizmetleri A.Ş.	Board Member
13.	Air Berlin plc U.K.	Board Member
14.	Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.	Board Member
15.	Multimarka Ayakkabıcılık Sanayi ve Ticaret A.Ş.	Chairman of the Board
16.	Saray Bahçe Alışveriş Merkezi Ticaret A.Ş.	Board Member
17.	Kauçuk Yiyecek İçecek Hizmetleri ve Ticaret A.Ş.	Board Member

Hüseyin Çağatay ÖZDOĞRU		Vice-Chairman of the Board
Duties Assumed Elsewhere in 2015		
1.	Esas Holding A.Ş. (Group Company)	Board Member and CEO
2.	Mars Entertainment Group A.Ş. (Group Company)	Board Member
3.	Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği 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.	Ayakkabı Dünyası Kundura Sanayi ve Ticaret A.Ş. (Group Company)	Board Member
7.	Ayakkabı Dünyası Mağazacılık ve İnşaat A.Ş. (Group Company)	Board Member

8.	Esaslıgrup Gıda San. ve Tic. A.Ş. (Group Company)	Board Member
9.	Esas Hava Taşımacılık Turizm ve Ticaret A.Ş. (Group Company)	Chairman of the Board
10.	Acil Yardım Akademisi A.Ş. (Group Company)	Board Member
11.	Odea İnşaat Turizm Yatırımları ve Dış Ticaret A.Ş. (Group Company)	Chairman of the Board
12.	Kiraz 1 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company)	Board Member
13.	Kiraz 2 Gayrimenkul ve Yatırım Danışmanlığı A.Ş. (Group Company)	Board Member
14.	Peyman Kuruyemiş Gıda Ak. Kimyevi Madde Tarım Ürünleri Sanayi Ticaret A.Ş. (Group Company)	Chairman of the Board
15.	Esbon Süt Ürünleri San. Tic. A.Ş. (Group Company)	Board Member
16.	Esom Mağazacılık Ticaret A.Ş. (Group Company)	Board Member
17.	Kiraz 4 LLC U.S.A. (Group Company)	Board Member
18.	Kauçuk Yiyecek İçecek Hizmetleri Tic. A.Ş. (Group Company)	Board Member
19.	Denkar Denizcilik A.Ş. (Group Company)	Board Member
20.	Multi Marka A.Ş. (Group Company)	Board Member
21.	Kron Telekomünikasyon A.Ş.	Board Member

Sertaç HAYBAT

Executive Director and CEO

Duties Assumed Elsewhere in 2015

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

Duties Assumed Elsewhere in 2015

1.	Anadolu Bilişim Hizmetleri A.Ş.	Board Member
2.	Garanti Bilişim Teknoloji ve Ticaret Türk A.Ş.	Board Member
3.	BASE Gayrimenkul Turizm ve Ticaret A.Ş.	Board Member
4.	Thomas Cook Group plc U.K.	Board Member

Conor John McCARTHY

Non-Executive Director

Duties Assumed Elsewhere in 2015

1.	PlaneConsult Ireland	Founder and CEO
2.	Dublin Aerospace Ltd. Ireland	Executive Chairman

Mehmet Cem KOZLU

Independent Director

Duties Assumed Elsewhere in 2015

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.	Board Member
5.	Noktacom Medya İnternet Hizmetleri San. ve Tic. A.Ş.	Chairman of the Board
6.	Kamil Yazıcı Yönetim ve Danışma A.Ş.	Board Member
7.	Anadolu Kafkasya Enerji Yatırımları A.Ş.	Board Member
8.	Yazıcılar Holding A.Ş.	Consultant
9.	Anadolu Termik Santralleri Elektrik Üretim A.Ş.	Board Member
10.	Anadolu Efes Biracılık Malt Sanayii A.Ş.	Board Member
11.	Coca-Cola Avrasya & Afrika	Consultant
12.	The Marmara Hotels & Residences	Advisory Board Member

Mehmet SAĞIROĞLU

Independent Director

Duties Assumed Elsewhere in 2015

1.	Alarko GYO A.Ş.	Board Member
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Saad Hassan HAMMAD

Independent Director

Duties Assumed Elsewhere in 2015

1.	Flybe Group plc U.K.	Executive Director and CEO
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In addition to the above, pursuant to the mandatory Corporate Governance Principles, our shareholders will be informed of material transactions between Pegasus or its subsidiaries on one hand and our controlling shareholders, Directors, members of the senior management with administrative responsibility or their spouses or relatives up to and including the second degree on the other hand, that may create conflict of interest, as well as any other instances where any of the foregoing persons engage in competing business on their own account or on the account of others.

As of December 31, 2015 there is no female Director appointed at Pegasus. However the Board of Directors adopted the "Pegasus Policy on Female Participation at the Board of Directors" by the resolution dated 18 December 2014 and numbered 471 which reads *"While nominating candidates for the Board of Directors from a pool of prospective directors who are equal in terms of know-how, experience and competency, female candidates shall be given priority. Corporate Governance Committee conducts the scrutiny of our Company's compliance with the Corporate Governance Principles published by the Capital markets Board in this respect."*

5.2. WORKING PRINCIPLES OF THE BOARD OF DIRECTORS

Working procedures and principles of our Board of Directors have been determined in writing by our Board of Directors in line with the relevant provisions of our Articles of Association. Accordingly, without prejudice and any limitations to the mandatory provisions of the applicable law and the Articles of Association regarding the authority, responsibilities, duties of the members of the Board of Directors and the delegation thereof, the Board of Directors:

- manages and represents Pegasus by taking strategic decisions, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus with a diligent risk-management approach;
- sets the strategic targets of Pegasus, determines the human and financial resources required by , and while preventing conflicts of interest and balancing competing demands on Pegasus, supervises the performance of Pegasus and its management; and
- further supervises the compliance of Pegasus' operations with the applicable legislation, the Articles of Association, the internal regulations and policies adopted by Pegasus.

Our Articles of Associations authorize our Board of Directors to establish mortgage or pledge on the movable and immovable assets of the Company and to release such security for the purposes of obtaining loans, without further authorization from the General Assembly, to resolve on donations on behalf of the Company, within the ceiling to be determined by the General Assembly and subject to the restrictions that may be brought by the Capital Markets Board pursuant to Article 19 of the Capital Markets Law and to resolve on all matters that do not fall within the explicit authority of the General Assembly under the applicable law and the Articles of Association.

In line with the relevant provisions in our Articles of Association, our Board of Directors convenes for meetings and adopts resolutions whenever the Company business requires. However; the Board of Directors meets at least four times a year. Our Directors are expected to attend all meetings, devote sufficient preparation time ahead of each meeting and present their opinions at each meeting. Parallel to this expectation, the Chairman of the Board is expected to facilitate the efficient participation of all Directors at the meeting.

The records relating to the work of the Board of Directors are kept in writing and available to the Directors. Directors dissenting on any matter discussed during the meeting records his/her reasonable and detailed dissenting opinion in the records.

Save for special quorums required by law, our Board of Directors meets at the presence of simple majority of its members and adopts decisions by simple majority of those that are present at the meeting. Each Director has one vote. Unless one of the directors asks for a meeting, the Board of Directors can also adopt decisions by the written approval of simple majority of its members to a written proposal submitted by a director. Each resolution passed at the Board of Directors is put into writing and signed by the sufficient number of Directors and are kept in the Resolution Ledger of the Board of Directors.

In 2015, the Board of Directors held four meetings on March 18, May 7, August 13-14 and December 18, 2014. The overall attendance rate for the meetings was 97.22% in 2015.

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

Based on the resolution of our Board of Directors dated April 13, 2015 and numbered 490, the Audit Committee, the Corporate Governance Committee and the Committee on the Early Detection of Risks were formed as follows, to assist the Board of Directors on various matters as outlined in the Corporate Governance Principles of the Capital Markets Board.

Audit Committee

Chairman	Mehmet Cem KOZLU	<i>Independent Director</i>
Member	Mehmet SAĞIROĞLU	<i>Independent Director</i>

Corporate Governance Committee

Chairman	Saad Hassan HAMMAD	<i>Independent Director</i>
Member	Mehmet Cem KOZLU	<i>Independent Director</i>
Member	Şükrü Emre BERKİN	<i>Non-Executive Board Member</i>
Member	Verda Beste TAŞAR	<i>Vice-President, Investor Relations</i>

Committee on the Early Detection of Risks

Chairman	Mehmet SAĞIROĞLU	<i>Independent Director</i>
Member	Saad Hassan HAMMAD	<i>Independent Director</i>
Member	İnan TANRIÖVER	<i>Non-Board Member Expert</i>

In determining the composition of the structure of the Board Committees the Board of Directors aimed to form a balanced distribution of work in consideration of the number of Directors and Independent Directors and the legal requirements for the composition of each committee.

In accordance with the requirements of the Corporate Governance Principles of the Capital Markets Board, all of the members of the Audit Committee and the chairmen of the remaining Committees are appointed from among independent Directors while executive Directors assume no active duty in the said Committees. The Board of Directors did not establish separate Compensation and Nomination Committees, and, in accordance with the Corporate Governance Principles, the duties pertaining to such functions have been assumed by the Corporate Governance Committee.

In addition to the above Committees formed in line with the requirements of the Corporate Governance Principles, a Safety Committee is established to assist our Board of Directors with respect to safety matters relating to our Company's aviation operations. Safety Committee is composed of our CEO and two non-executive members of the Board of Directors and as of December 31, 2015, Conor John McCARTHY had been appointed as the Chairman of the Safety Committee while Mehmet Cem KOZLU and Sertaç HAYBAT are named as the other two members of the Committee.

The Committees record and maintain all of their works in writing and submit regular reports comprising information on their works and results of Committee meetings to the Board of Directors.

Summaries of the works undertaken by our Board Committees established as per the requirements of the Corporate Governance Principles in 2015 are as follows:

Audit Committee

The Audit Committee held five meetings on March 3, May 5, August 12, November 6 and December 17, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect reviewed our Company's financial reports for the periods ending on December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015 and shared its favorable opinion with our Board of Directors. The Committee also prepared the proposal for the appointment of the independent audit firm for 2015 audit requirements, oversaw the activities of the Company's Internal Audit Department, its work plan and budget. The Audit Committee has informed the Board of Directors of its activities at the Board meetings held in 2015.

Corporate Governance Committee

The Corporate Governance Committee held four meetings in 2015, on March 18, August 13, October 16 and December 18, in attendance of all members. The Committee engaged in works within the framework of its Charter and in this respect oversaw the nomination of independent directors and the determination of nomination and compensation principles for Board of Directors in 2015, and well as scrutinizing the operations of the Vice-Presidency, Investor Relations. The Corporate Governance Committee informed the Board of Directors of its activities at the Board meetings held in 2015.

Committee on the Early Detection of Risks

The Committee on the Early Detection of Risks held seven meetings in 2015, on March 3 in attendance of the majority of its members and on April 14, May 5, July 31, November 11 and December 14 in attendance of all members, and again on May 5 in attendance of the majority of its members. The Committee engaged in works within the framework of its Charter and in this respect established the main principles and surveillance mechanisms for the determination and management of main risks on strategic, operational, financial, legal and other matters that may endanger the existence, development and future of Pegasus and oversaw the implementation of such principles and mechanisms. The Committee on the Early Detection of Risks provided information on its studies and risk evaluations once every two months in accordance with the provisions of Article 378 of the Turkish Commercial Code.

5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Our Board of Directors is responsible for manages and represents Pegasus by taking strategic decisions, maintaining its risk, growth and income balance at the most appropriate level and by giving priority to the long-term interests of Pegasus with a diligent risk-management approach.

Committee on the Early Detection of Risks has been established by our Board of Directors to assist the Board of Directors in the determination in advance all types of risks, whether strategic, operational, financial, legal or otherwise that may endanger the existence, development and the future of Pegasus, the implementation of necessary precautionary measures and the management of detected risks.

While the Committee on the Early Detection of Risks operates responsible of the determination and surveillance of risks Company-wide, with respect to overseeing of certain specific risks, it acts in coordination with the other Board Committees and the relevant corporate departments acting under the General Manager. In this respect, the surveillance of risks relating to our Company's financial reporting and internal control mechanisms is conducted in cooperation with the Audit Committee; the surveillance of risks relating to human resources in respect of the members of the Board of Directors and the Company's senior management is conducted in cooperation with the Corporate Governance Committee and the surveillance of risks relating to aviation safety is conducted in cooperation with the Safety Committee.

5.5. VISION, MISSION AND STRATEGIC TARGETS OF PEGASUS

Pegasus operates in line with the strategic targets determined by our Board of Directors within the framework of our Company's mission and vision indicated below.

Our Mission

We believe that everybody has the right to fly. The Pegasus Family, our suppliers and our partners work together in cooperation to achieve this goal.

Our Vision

To be the leading low-cost airline in our region with our innovative, rational, conscious and responsible approach.

Our leadership criteria are the number of guests we carry, our response to customer expectations, our pricing policy and the added value we provide to the Pegasus Family.

Our annual budget is approved by our Board of Directors in advance of each fiscal year and our operational and financial results are closely monitored by the Board of Directors on a regular basis with comparisons against the budgeted targets. Our Board of Directors also reviews our Company's strategic targets on an annual basis.

5.6. FINANCIAL RIGHTS

Pursuant to the relevant provisions of our Articles of Associations, Directors are paid a monthly or annual salary or meeting-based remuneration to be determined by the General Assembly. The principles relating to the compensation of Directors are set out in the "Pegasus Compensation and Indemnification Policy".

With respect to the remuneration of independent directors, stock options or payment plans based on the company's performance cannot be used. Nevertheless, remuneration of independent directors should be at a level sufficient to protect their independence.

The criteria and procedures relating to the compensation of Directors and proposals for the remuneration of and other benefits to be provided to the Directors are annually determined by the Corporate Governance Committee and submitted to the Board of Directors. In this respect, the Corporate Governance Committee determined a set of principles and criteria regarding nomination and remuneration of the members of the Board of Directors for 2015 by its decision dated March 4, 2015 and numbered 9, which was published as Annex 3 to the Information Document prepared for the annual General Assembly meeting dated March 31, 2015 and communicated to our investors through our Corporate Website, the Public Disclosure Platform and the Electronic General Assembly Portal.

The aggregate of the honorary payments made to our Directors based on their attendance to Board meetings and the annual payments made for their duty as chairman or member in the Board Committees is disclosed in our Annual Report. In parallel, the sum of salary and bonus fees paid to the general manger and senior vice-presidents serving in our senior management team, and the income tax and social security contributions with respect to the same persons is also disclosed in our Company's Annual Report.

In 2015 the Company did not extend any loans to or provided any security to the members of the Board of Directors or the Senior Management.