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PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
INTERIM ACTIVITY REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
JANUARY 1 – SEPTEMBER 30, 2015

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1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS

Reporting Period : January 1, 2015 - September 30, 2015
Commercial Title : Pegasus Hava Taşımacılığı A.Ş.
Trade Registration : Istanbul Trade Registry / 261186
Headquarters : Aeropark, Yenışehir Mahallesi, Osmanlı Bulvarı, No: 11/A
Kurtköy 34912 Pendik / Istanbul
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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. No changes have taken place with respect to the Company's shareholding structure since December 31, 2013. Information on the capital and shareholding structure of Pegasus as of September 30, 2015 is shown in the table below.

Shareholder	As of September 2015	
	Number of shares	Share in Capital (%)
Esas Holding A.Ş. ("Esas Holding")	64.353.570	%62,92
Halka Açık Paylar	35.294.000	%34,51
Emine KAMIŞLI	874.810	%0,86
Ali İsmail SABANCI	874.810	%0,86
Kazım KÖSEOĞLU	437.405	%0,43
Can KÖSEOĞLU	437.405	%0,43
Total	102.272.000	%100

As of September 30, 2015, Esas Holding is the controlling shareholder of Pegasus. Esas Holding is a holding company founded in 2000 by Şevket Sabancı and his family and as of September 30, 2015 has investments in the aviation, retail and entertainment, food, healthcare, logistics and real estate sectors in and outside of Turkey. Esas Holding is fully owned by Şevket Sabancı and the members of his family.

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 2014 at 13%, the cumulative annual growth rate of the scheduled passengers flying with Pegasus reached 25% 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, Antalya and İzmir. As of September 30, 2015, Pegasus offers scheduled passenger services on 31 domestic routes in Turkey and 67 international routes to European (including North Cyprus), CIS and Middle Eastern destinations, serving a flight network covering 98 destinations in 37 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 the first nine months of 2015, the revenue recorded from ancillary services constituted 17.9% of total revenue for the period, while the nominal value of ancillary revenue increased by 24.0 % year-over-year.

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 5.0 % of total revenue in the same months of 2015.

D- 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 the date of this Report, the Board of Directors consists of eight members. The identity, duty and term of office of each Director are indicated in the following page.

Name / Surname	Duty	Term of Office
Ali İsmail SABANCI	Chairman of the Board of Directors	March 31, 2015 - 2015 GA ⁽¹⁾
Hüseyin Çağatay ÖZDOĞRU	Vice-Chairman of the Board of Directors	March 31, 2015 - 2015 GA ⁽¹⁾
Mehmet Cem KOZLU	Independent Director	March 31, 2015 - 2015 GA ⁽¹⁾
Mehmet SAĞIROĞLU	Independent Director	March 31, 2015 - 2015 GA ⁽¹⁾
Saad Hassan HAMMAD	Independent Director	March 31, 2015 - 2015 GA ⁽¹⁾
Conor John McCARTHY	Non-executive Board Member	March 31, 2015 - 2015 GA ⁽¹⁾⁽²⁾
Şükrü Emre BERKİN	Non-executive Board Member	March 31, 2015 - 2015 GA ⁽²⁾
Sertaç HAYBAT	Board Member and CEO	March 31, 2015 - 2015 GA ⁽¹⁾
⁽¹⁾	Appointed for a term of one year at the Annual General Assembly dated March 31, 2015	
⁽²⁾	Following the Company's assessment that Mr. Conor John McCARTHY, a citizen of the Republic of Ireland and serving as a non-executive member of the Board of Directors since 2012 fulfills the independence criteria set out in the Corporate Governance Principles annexed to the Corporate Governance Communiqué No. II-17.1, the opinion of the Capital Markets Board was sought on the matter as per the requirements of the said Communiqué. In a letter dated July 15, 2015, the Capital Markets Board indicated no objections on the nomination of Mr. Conor John McCARTHY as an independent director.	

b)- Senior Management: Pegasus senior management comprises the CEO, chief audit executive, management personnel directly reporting to the CEO 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 the Pegasus senior management and their duties is provided in the following chart.

Name / Surname	Duty
Sertaç HAYBAT	President & CEO
Serhan ULGA	Senior Vice-President, Finance, CFO
Güliz ÖZTÜRK	Senior Vice-President, Commerce
Nadir KABAŞ	Senior Vice-President, Flight Operations ⁽¹⁾
Servet ULAŞAN	Senior Vice-President, Technical
Nurçin ÖZSOY	Senior Vice-President, Cabin Services
Boğaç UĞURLUTEKİN	Senior Vice-President, Ground Operations
Kemal Mustafa HELVACIOĞLU	Vice-President, Safety Management and Quality
Aycan KURTOĞLU	Vice-President, Information Technologies
Verda Beste TAŞAR	Vice-President, Investor Relations
Cahit TAŞBAŞ	Vice-President, Flight Training
Mine ÖZTÜRK	Chief Audit Executive
Barbaros KUBATOĞLU	Vice-President, Financial Controller
Tamer YÜZÜAK	Vice-President, Strategic Planning and Finance
Murat DEMİRBİLEK	Vice-President, Ground Operations
Zeynep Didem EGELİ	Vice-President, Human Resources
Emre PEKESEN	Vice-President, Sale

Onur DEDEKÖYLÜ	Vice-President, Marketing
Turgut ATAY	Vice-President, Network
Aydın ALPA	Vice-President, Cargo
Muzaffer ŞİMŞEK	Vice-President, Flight Operations (Head Pilot) ⁽²⁾
Ömer KAYA	Vice-President, Performance & CIT
Tahsin İSTANBULLU	Vice-President, Technic (CAMO Part M)
Ergün DEMİRCİ	Vice-President, Technic (AMO Part 147)
Ersel GEYİK	Vice-President, Support Services
İpek DÖŞER	Vice-President, Cabin Services
Tayfun BORA	Manager, Security
İlgar AILPTEKİN	CEO, Air Manas Air Company LLC
Nasuh Nazif ÇETİN	CEO, İzAir
(1)	The Board of Directors resolved that the Company develops a flight school project to cater for the Company's pilot needs as part of a sustainable solution for securing the Company's future human resources supply in light of its planned fleet expansion, and, within the scope of the foregoing, effective as of October 9, 2015, appointed Nadir KABAŞ, former Senior Vice-President, Flight Operations, as Senior Vice-President, Flight School. Subsequently, effective as of October 23, 2015, Reha ÖZDEMİR was appointed as Senior Vice-President, Flight Operations.
(2)	Effective as of November 1, 2015 Mr. Muzaffer ŞİMŞEK has resigned from his position and Mr. Aydın YUMRUTAŞ was assigned as "Vice President of Flight Operations" as of 01.11.2015.

c)- Number of Employees: As of September 30, 2015, the total number of full time employed Family Members of Pegasus and its consolidated subsidiaries were 4,631. This number covers the members of our senior management listed above.

E- 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 September 30, 2015.

As of September 30, 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
IHY İzmir Havayolları A.Ş. ("İzAir")	Turkey / Scheduled and unscheduled air transportation	TL 59,500,000	TL 41,125,000	69.%	Subsidiary
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Computer Services	TL 200,000	TL 80.000	40%	Joint Venture
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	T.C. / Simulated flight training	TL 200,000	TL 98,800	49%	Joint Venture
Air Manas Air Company LLC ("Air Manas")	Kyrgyzstan / Scheduled and unscheduled air transportation	KGS 12,425,000	KGS 6,088,250	49%	Subsidiary

2- FINANCIAL STATUS

A- 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 September 30, 2014 and all 40 aircraft have been taken delivery. Of these 40 aircraft, 2 aircraft owned by Pegasus, 25 of them financial lease and 13 aircraft in the fleet is operationally leased.

In addition to the aircraft subject to the Boeing orders, as of September 30, 2015 Pegasus consolidated fleet comprises of 16 B737-800 NG and 9 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 is provided in the following table:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		30.09.2014	30.09.2015	Change (%)	30.09.2014	30.09.2015	Change (%)	Sept.'15
B737-400	3.148	1	1	-	168	168	-	17,5
B737-800	4.360	49	55	12,2	9.261	10.395	12,2	5,6
Airbus A320	3.900	4	9	125	720	1.620	125	1,6
TOTAL		54	65	20,4	10.149	12.183	20,0	5,2

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.

The delivery schedule for our firm order A320neo/A321neo orders is as follows:

Aircraft Type	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						

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 remaining three firm order Boeing 737-800NG aircraft and 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 2014 and 2022, amount to approximately USD 12,2 billion as of September, 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.

As of the date of this Report, and subject to the market conditions and changes that may take place in connection therewith, Pegasus expects to increase the number of aircraft in its consolidated fleet to 65 in the summer season and 67 aircraft year end 2015.

B- 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 -September 30, 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 - September			
Domestic	2015	2014	Change %
Number of passengers (<i>million</i>)	10,3	9,06	13,70%
Number of seats (<i>million</i>)	12,52	10,96	14,30%
Load factor (%)	82,30%	82,70%	-0,40%
Cycle	66.844	58.492	14,30%
Passengers per cycle	154	155	-0,01%
ASK ⁽¹⁾ (<i>million</i>)	7.317	6.362	15,00%
International ⁽²⁾	2015	2014	Change %
Number of passengers (<i>million</i>)	6,54	5,96	9,8%
Number of seats (<i>million</i>)	8,66	7,67	12,9%
Load factor (%)	75,50%	77,70%	-2,2%
Cycle	47.423	42.026	12,8%
Passengers per cycle	138	142	-2,7%
ASK (<i>million</i>)	13.687	12.035	13,7%
Total	2015	2014	Change %
Number of passengers (<i>million</i>)	16,84	15,02	12,1%
Number of seats (<i>million</i>)	21,18	18,63	13,7%
Load factor (%)	79,50%	80,60%	-1,1%
Cycle	114.267	100.518	13,7%
Passengers per cycle	147	149	-1,4%
ASK (<i>million</i>)	21.004	18.397	14,2%
Block hours ⁽³⁾	205.839	178.010	15,6%
Average daily aircraft utilization (<i>hours</i>)	12,7	12,8	-0,5%
Destinations flown ⁽⁴⁾	98	86	14,0%
Domestic	31	30	3,3%
International	67	56	19,6%
Number of aircraft in fleet	65	54	20,40%
⁽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⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time)			
⁽⁴⁾ Includes destinations announced and for which ticket sales have commenced			
⁽⁵⁾ As of September 30, 2015, includes the aircraft in IzAir and Air Manas fleets.			

Pegasus Financial Results for the Period January 1, 2015 - September,30, 2015			
Summary Balance Sheet (Turkish Lira)	30.09 2015	31.12..2014	Change %
Current assets	2.142.362	1.508.850	42,0%
Non-current assets	2.501.111	2.025.869	23,4%
Total assets	4.643.473	3.534.719	31,4%
Short-term liabilities	1.191.298	862.780	38,0%
Long-term liabilities	1.782.615	1.510.779	18,0%
Shareholders' equity	1.669.560	1.161.160	43,8%
Summary Profit and Loss Statement	30.09 2015	30.09.2014	Change %
Sales income	2.737.023	2.410.126	13,6,%
Gross profit	465.909	423.001	10,1%
Loss from operations	280.340	305.179	-8,1%

Operating loss before financial income/(expense)	303.905	311.996	-2,6%
Loss before tax	270.568	307.138	-11,9%
Loss for the period	197.851	234.137	-15,5%
Earnings/(loss) per share	0,0019	0,0023	-17,4%
Changes in Financial Position	30.09.2015	31.12.2014	Change %
Cash and cash equivalents	1.357.877	856.891	58,5%
Financial liabilities	1.586.169	1.354.262	17,1%
Net debt position ⁽¹⁾	228.292	497.371	-54,1%
⁽¹⁾ Net debt position = Financial liabilities - Cash and cash equivalents			

C- 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 September 30, 2015, the outstanding balance of the total loans borrowed for the financing of 25 aircraft acquired by way of financial lease is TL 1.510.908.773

Furthermore, as of September 30, 2015, Pegasus and its subsidiaries had credit lines with various Turkish and foreign banks amounting to TL 1.739.319.965 and in total these entities have drawn TL 449.361.979 on non-cash loans TL 22.070.051 on cash loans under their 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.

D- 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.

The risk management policies implemented by Pegasus in the nine months of 2015 within the framework of the 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 set out in Note 23 to the Consolidated Financial Statements of the Company for the nine-month Period ended on September 30, 2015.

3- OTHER MATTERS

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

After the reporting period the company announced that Corporate Governance Compliance Rating Agreement signed with Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. on July 10, 2015. The term of the agreement is one year. Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. completed the Corporate Governance Rating Report of Pegasus Hava Taşımacılığı A.Ş. and Corporate Governance Rating has been determined as 9,03.

Within the framework of the preliminary permission previously announced on March 30, 2015, "Group B International Work Permit" allowing the Company to provide ground handling services on the ramp for its operations at Sabiha Gökçen Airport has been received from Directorate General of Civil Aviation on August 18, 2015.

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

None.