



2020 Q2 RESULTS PRESENTATION
August 2020

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KEY HIGHLIGHTS - 2020 Q2

Fleet was grounded in April and May due to COVID-19 related restrictions, operations resumed in June



Traffic

- Fleet was grounded in April and May due to travel restrictions.
- Domestic flights resumed on June 1 and domestic ASK production reached c.40% compared to June '19. Domestic pax was down 91% YoY in Q2.
- Int'l flights resumed on June 13 with a slow capacity re-build due to ongoing travel restrictions. Int' pax was down 99% in Q2.



Financial Performance

- Q2 revenues at EUR22mn, down 95% YoY.
- Costs were pulled down by 75% YoY to EUR100mn with limited capacity roll-out and cost saving initiatives, fixed costs fell 60% YoY.
- EBITDA at EUR-14mn, net loss at EUR-120mn for Q2 including EUR 35mn loss on fuel hedge contracts (blend of realized loss for Q2 and charge for forward looking contracts estimated to be inefficient until the end of December 2020).



Cash reserves

- Cash reserves increased from EUR486mn at end-Q1 to EUR564mn at end-H1.
- EUR53mn cash-back received in Q2 after the EUR103mn margin call paid in Q1.
- EUR93mn bank loan drawn down in Q2.
- Monthly grounded cash burn was at c.EUR33mn.



Hygiene

- Priority is creating a totally hygienic environment for passengers and employees.
- All Pegasus aircraft are fitted with HEPA (High Efficiency Particulate Air) filters.
- Air in the aircraft cabin is filtered and replaced with fresh air on average every 3 minutes.
- All aircraft are disinfected every 24h with high efficacy products that act against the coronavirus and are effective for at least 48h.



COVID-19: Impact on operations and measures taken

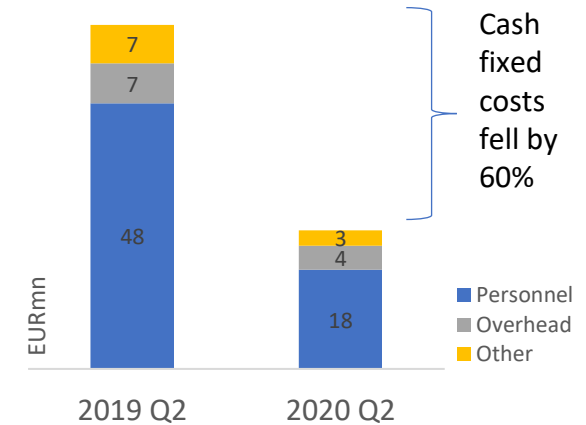
Management focusing on is cash and cost management

- Domestic scheduled flights were suspended in the March 28-June 1, 2020 period while international scheduled flights were suspended in the March 27-June 13, 2020 period.



Measures taken on cash management

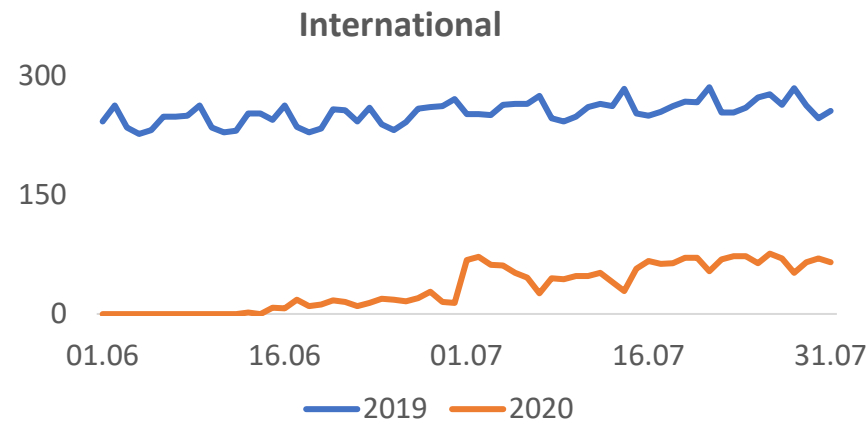
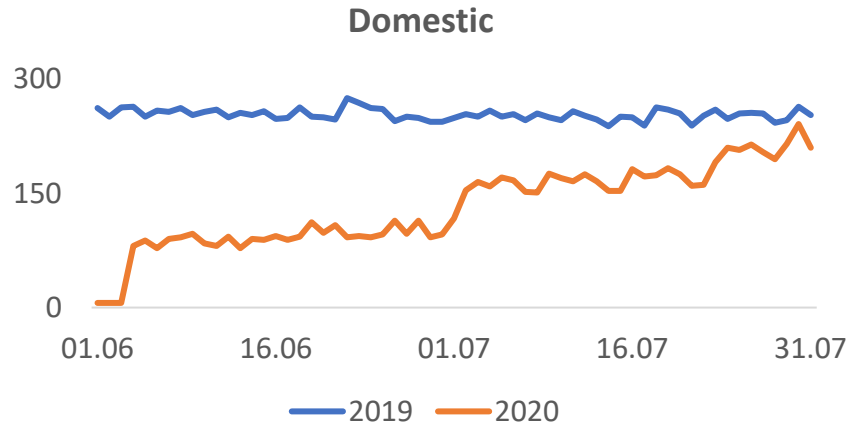
- Contingency plans are put in effect and are regularly reviewed to conserve cash and reduce costs inside our organization.
- Payroll cost is optimized with short-term employment allowance provided by the Government's support package.
- Talking with all suppliers for deferring payments and re-negotiating permanent discounts in contracts.
- Maintenance activity is rescheduled and optimized.
- Discretionary spending in administrative fields is cut down, non-critical projects and capex are postponed.
- Savings generated in general fixed costs as the staff switched to remote working.



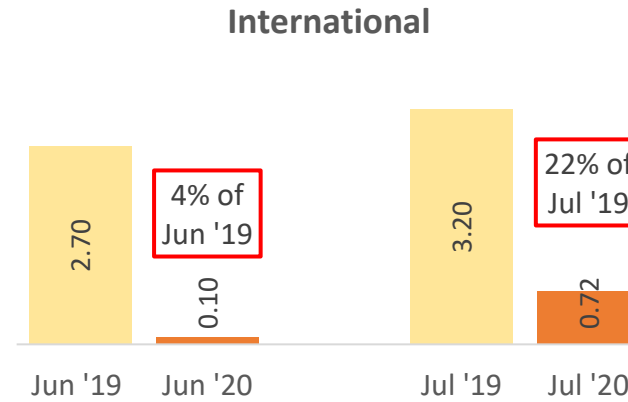
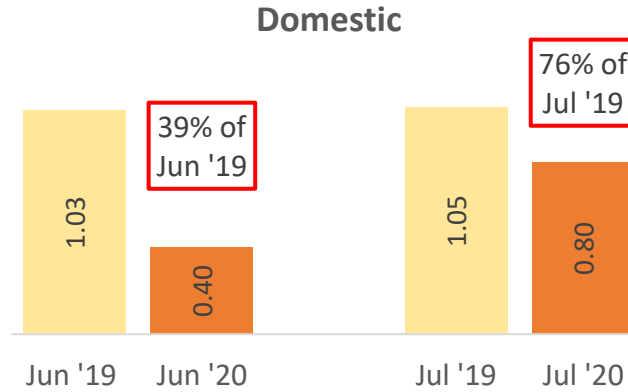
OPERATING ENVIRONMENT – RAMPING UP

Domestic operations are on a fast capacity re-build, International roll-out is slower due to ongoing travel restrictions

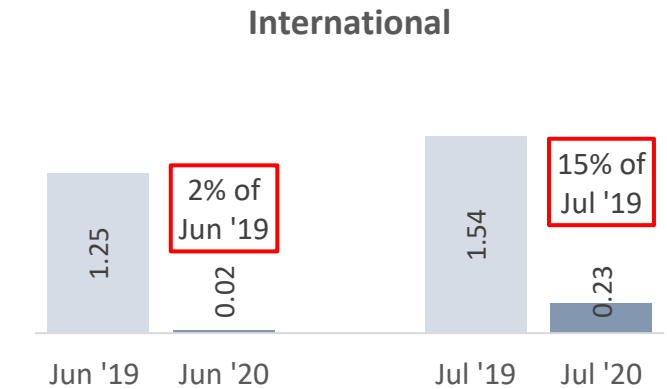
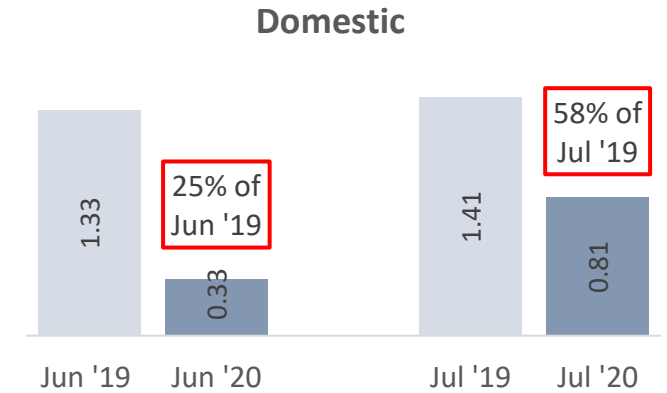
Daily nb. of cycles



ASK (bn)



Passengers (mn)



SUMMARY 2020 Q2/H1 FINANCIAL HIGHLIGHTS

Q2 P&L size remained far below the usual levels as a result of the contraction in capacity

EURmn	2019 Q2	2020 Q2	% Chg.	2019 H1	2020 H1	% Chg.
Revenues	407.0	22.0	-95%	697.2	308.7	-56%
Costs	335.0	99.7	-70%	641.6	408.8	-36%
EBITDA	130.7	-13.6	n.m.	172.8	27.6	-84%
Net profit	59.4	-119.8	n.m.	16.9	-168.4	n.m.

Revenues in Q2 were significantly depressed due to the COVID-19 related travel restrictions: no scheduled flights were operated in April and May. Service resumed in June gradually, first in domestic followed by international operations. Total Q2 seat capacity was down 94% YoY while revenues posted a decrease of 95% YoY.

Operating costs in Q2 were also notably lower by 70% YoY with the reduction in capacity and successful cost saving initiatives, but fixed nature of a portion of the cost base limited the YoY decline. Still, a significant reduction was generated in staff and other overhead costs with the cash fixed costs dropping by 60% YoY.

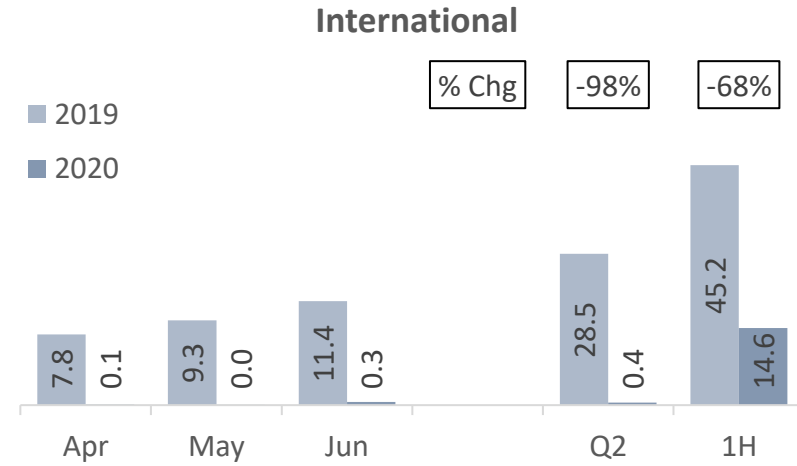
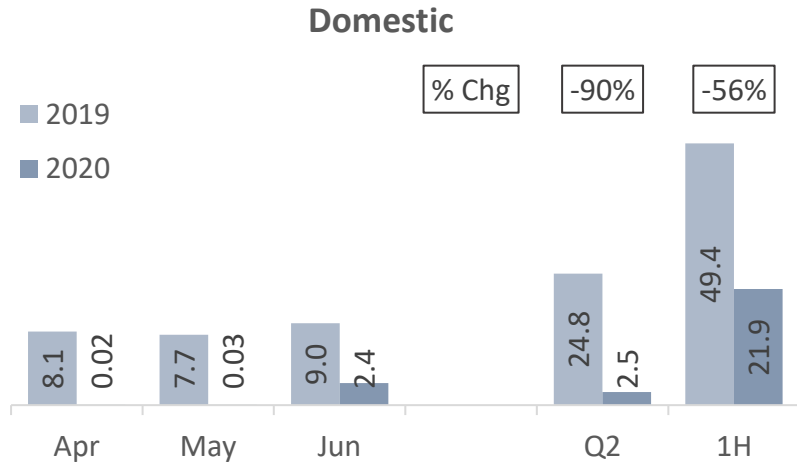
EUR120mn **net loss** was recorded in Q2, driven primarily by the negative operating result. A EUR35mn loss recorded on fuel hedges (blend of realized loss for Q2 and charge for forward looking contracts estimated to be inefficient until the end of December 2020) also weighed negatively on the bottom-line.



PASSENGER TRAFFIC – TURKEY & PEGASUS

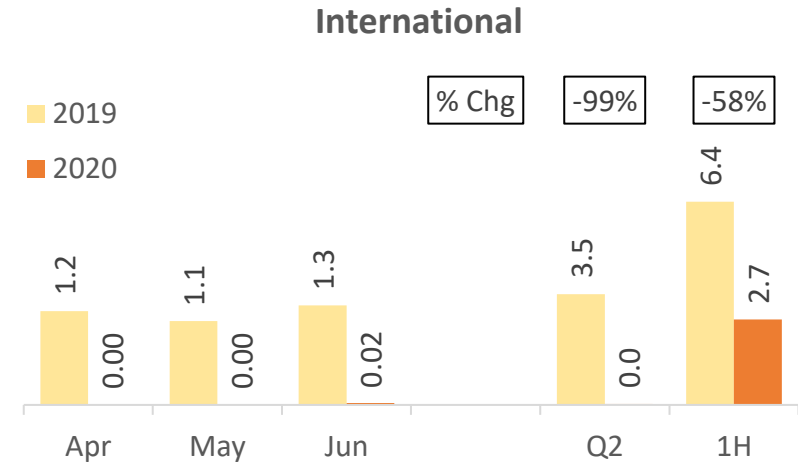
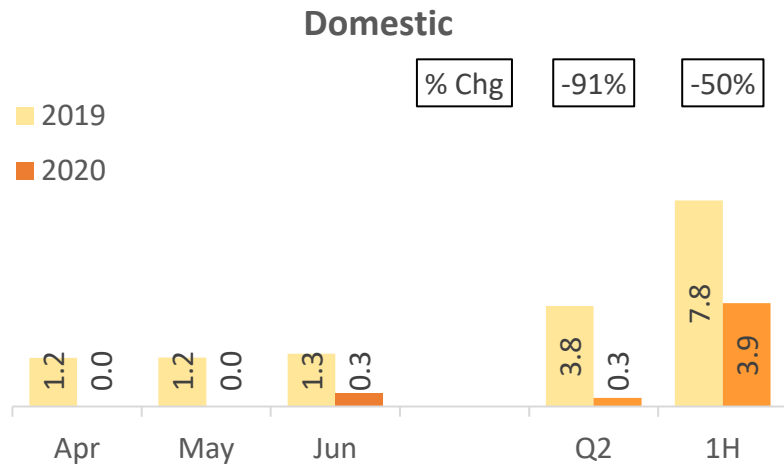
All operations were suspended in April and May - domestic flights resumed on June 1, international on June 13.

TURKEY



Source : General Directorate of State Airports Authority

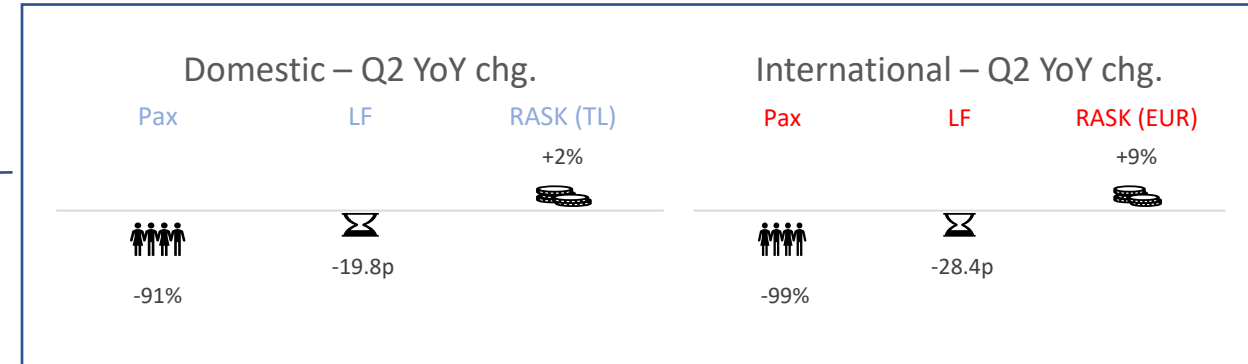
PEGASUS



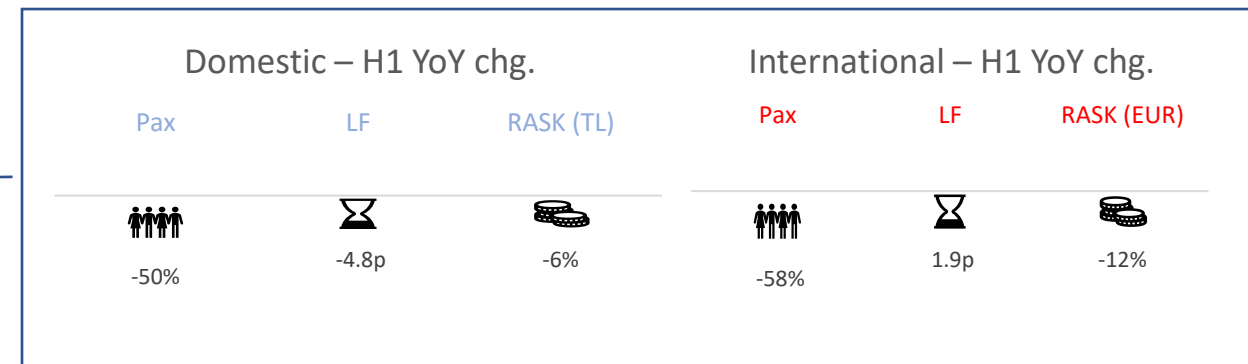
REVENUES

Q2 revenues were significantly depressed due to the COVID-19 related travel restrictions

	Q2 '19	Q2 '20	
TOTAL REVENUES	407	22	-95%
International	208	3	-99%
Domestic	79	9	-88%
Ancillary	107	6	-95%
Charter and Other	13	4	-70%



	H1'19	H1'20	
TOTAL REVENUES	697	309	-56%
International	339	126	-63%
Domestic	141	69	-51%
Ancillary	200	105	-47%
Charter and Other	17	8	-54%



COSTS

Cash fixed costs were pulled down by 60% YoY in Q2 thanks to strict cost control

EURmn	2019 Q1	2020 Q1	% chg.	2019 Q2	2020 Q2	% chg.	2019 H1 YTD	2020 H1 YTD	% chg.
Fixed Costs	121	128	6%	121	88	-26%	241	217	-10%
Depreciation and amortisation	58	64	9%	59	64	9%	117	128	9%
Personnel	50	50	-1%	48	18	-63%	98	68	-31%
Overhead	7	10	37%	7	4	-40%	14	14	-2%
Other fixed costs	5	5	0%	7	2	-60%	12	7	-36%
Operating costs	186	181	-3%	214	11	-95%	400	192	-52%
Jet fuel	104	100	-4%	123	4	-97%	228	104	-54%
Handling fees	23	23	-2%	27	1	-95%	51	24	-52%
Maintenance	14	15	5%	12	2	-83%	26	17	-37%
Navigation	19	19	-1%	23	1	-96%	42	20	-52%
Landing	10	9	-8%	13	0.3	-98%	23	10	-58%
Passenger service and catering	3	3	-10%	3	0.1	-97%	7	3	-54%
Commision	5	5	10%	6	0.2	-97%	11	6	-48%
Other operating costs	7	7	2%	7	2	-77%	14	9	-38%
TOTAL COSTS	306	309	1%	335	100	-70%	642	409	-36%

Cash fixed costs 60% lower YoY thanks to management's succesfull cost initiatives.

- Personnel costs were 63% lower with unpaid leaves and government's wage support
- Overhead costs, which include HQ expenses, IT related costs...etc, were down 40% YoY
- Other fixed costs were down 60% YoY.



LIQUIDITY

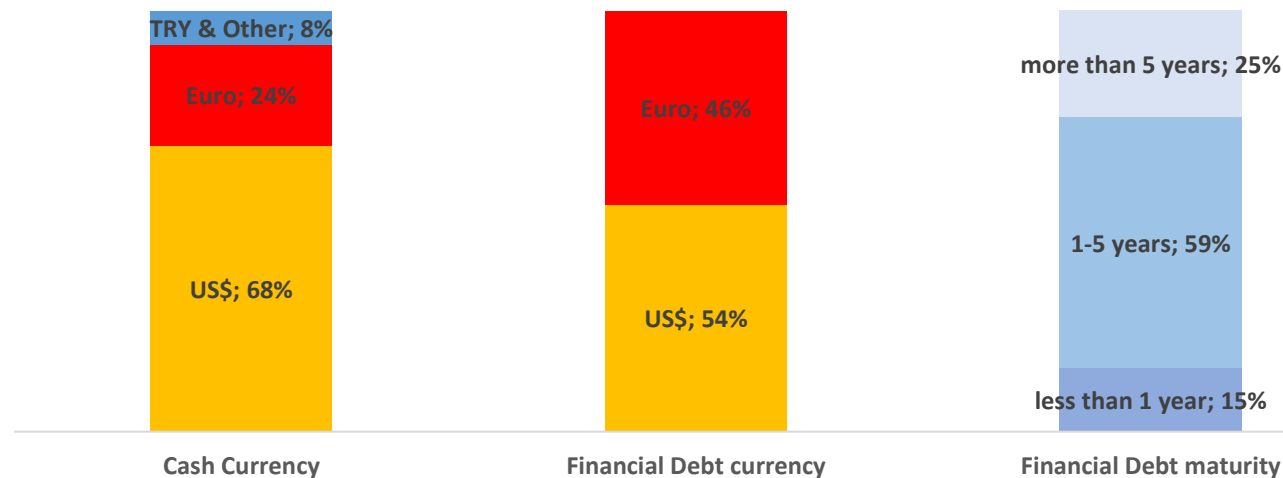
Strong focus on liquidity continues

EURmn	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020
CASH & EQUIVALENTS	652	486	564
OTHER ASSETS	101	247	187
PRE DELIVERY PAYMENT	238	270	231
FIXED ASSETS	2,173	2,151	2,377
TOTAL ASSETS	3,165	3,154	3,359
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LIABILITIES	746	774	727
BANK LOANS	114	196	288
LEASING LIABILITIES	1,503	1,494	1,726
SHAREHOLDERS' EQUITY	802	690	618
TOTAL LIA. & SH. EQUITY	3,165	3,154	3,359
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Net Debt, EURmn	846	1,069	1,335
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Net Debt/EBITDA TTM	1.5	1.8	3.1
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CASH PER A/C, EURmn	8.0	5.8	6.3

Net Debt: Cash & equivalents + PDP/2 – Bank loans – Leasing liabilities

Cash & equivalents include EUR23mn non-current financial assets at Dec 31, 2019 and EUR27mn at Mar 31, 2020 and EUR27mn at Jun 30, 2020

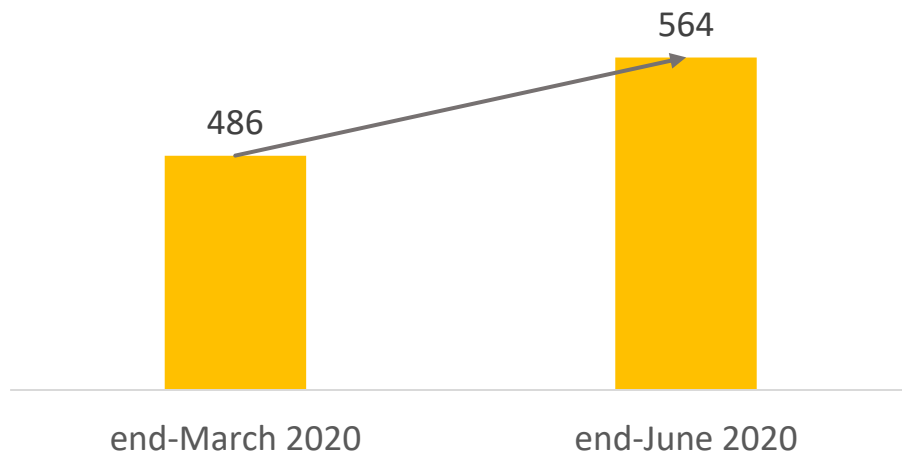
Breakdown of currencies and financial debt maturity



CASH RESERVES

Cash reserves increased by EUR78mn from end-March to end-June

Cash Reserves, EURmn



Key developments on the cash reserves in Q2

- EUR53mn cash back received from the margin call in Q2, following the EUR103mn cash outflow on the margin call in Q1
- EUR93mn bank loan drawn down in Q2, total bank loans reached EUR288mn as of the end of H1.
- Monthly grounded cash burn was at c.EUR33mn.

**Cash reserves include EUR27mn non-current financial assets at both 3M20 and 6M20.*



FLEET DEVELOPMENT

3 A320neo and 3 A321neo aircraft joined the fleet in Q2

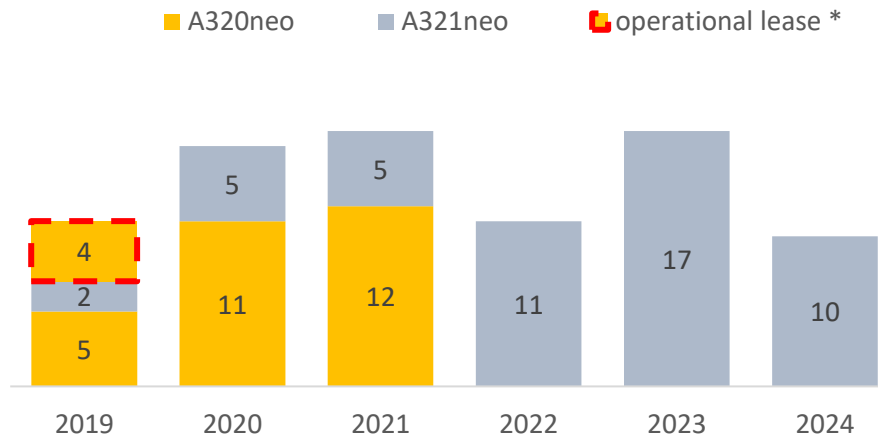
FLEET (as of June 30, 2020)

	Owned	Financial Lease	Operational Lease	Total
Boeing 737-800	3	16	18	37
Airbus A320ceo	-	-	12	12
Airbus A320neo	-	31	4	35
Airbus A321neo	-	5	-	5
Total	3	52	34	89

FLEET INFORMATION

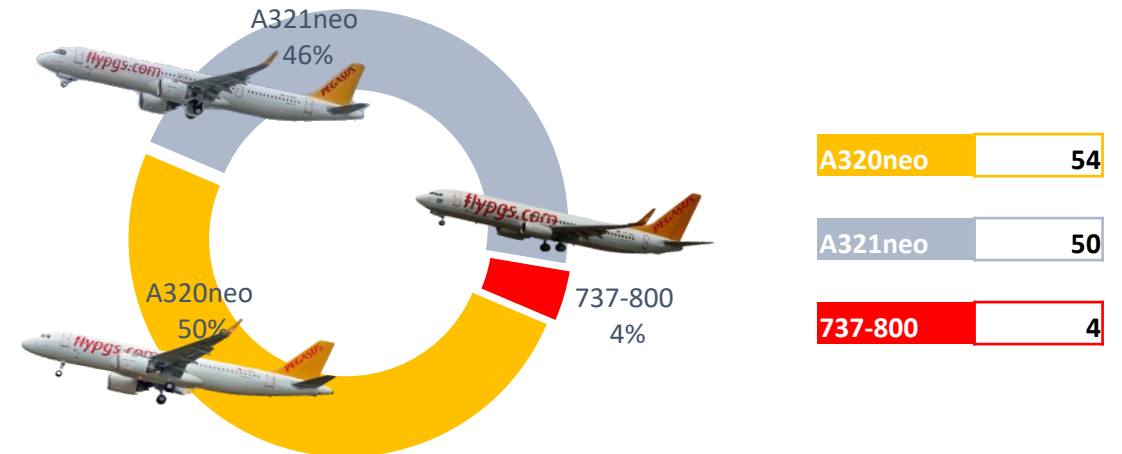
- ✈ The youngest fleet in Turkey and one of the youngest among LCCs: **5.17 years.**
- ✈ **3 A320neo and 3 A321neo** aircraft have been delivered in Q2 2020.
- ✈ Fleet to reach **94 aircraft** by 2020YE. **7 A320neo and 2 A321neo** will be delivered while **4 737-800** will be redelivered in the remainder of 2020.

ORDER BOOK (2019-2024)



* 4 operational lease A320neo

FLEET (as of 2024YE)



HEDGING, RISK MANAGEMENT & SENSITIVITY

We suspended our routine fuel hedging activity in Q2

HEDGE VOLUME AND PRICE

	2020FY	2021FY	2022FY
Hedge Ratio	n.m.	38.9%	1.9%
Hedged Price Range, \$/mt*	573-669	500-592	472-566
Brent Equivalent **	60-70	53-62	50-60

* Price ranges are calculated by using market data of June 30, 2020

** Jet Fuel Price/9.5

HEDGE STRATEGY

- Non-discretionary portion is limited with 60% at any annual budgeting period, which is executed regardless of the price levels utilizing layered hedging strategy.
- Discretionary portion is up to 20% of any annual budgeting period pursuant to the approval of Hedge Committee.
- Hedging tenor for non-discretionary portion is 24 months.
- Instruments: Vanilla Call Options, Zero Cost Collars and Swaps

RISK MANAGEMENT POLICY

- Currency Risk Hedge Program in place to weather exchange rate fluctuations.
- 100% international ticket revenues which are filed in US\$ but collected in TRY, EUR and GBP, as well as up to 25% of domestic ticket revenues collected in TRY (if required) are converted to US\$ in daily spot market.



No guidance issued at the moment due to continuing uncertainty in the operating environment

	2020 Outlook
Capacity Increase (ASK)	12%-14%
Utilization (Block Hour)	Flat YoY
Domestic Load Factor	Flat YoY
International Load Factor	1.0-1.5 pp increase YoY
Year end # of A/C	10 A/C increase
Domestic Yield (TRY)	TRY10.0-15.0 YoY increase
International Yield (€)	Flat to slight YoY decrease
Ancillary Revenue per Pax (€)	EUR 1.0-1.5 YoY increase
Total CASK (€c.)	Flat YoY
Non-Fuel CASK (€c.)	c. %1.0 lower YoY
EBITDA Margin	32.0%-32.5%
Net income	€210mn - €250mn

* Average Brent oil price is assumed to be US\$65/bbl in 2020.

Considering the flight restrictions in our operating geography related with the COVID-19 outbreak and the ongoing uncertainties with respect to its duration, we are currently unable to provide new guidance for 2020.

APPENDIX



APPENDIX - OPERATIONAL & FINANCIAL HIGHLIGHTS

	2018	2019	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	Q2/Q2 YoY chg	2019 1H	2020 1H	1H/1H YoY chg
TOTAL REVENUE (EURmn)	1,474	1,739	255	327	574	318	290	407	647	396	287	22	-95%	697	309	-56%
ANCILLARY REVENUE (EURmn)	357	459	73	85	108	91	93	107	143	116	100	6	-95%	200	105	-47%
EBITDA (EURmn)*	391	580	21	64	270	36	42	131	314	93	41	-14	-110%	173	28	-84%
EBITDA Margin*	26.5%	33.3%	8.2%	19.6%	47.1%	11.2%	14.5%	32.1%	48.6%	23.5%	14.4%	n.m.	n.m.	24.8%	8.9%	-15.8pp
PAX (mn)	30.6	30.8	6.9	7.8	8.8	7.1	6.9	7.41	8.8	7.6	6.2	0.4	-95%	14.3	6.6	-54%
LOAD FACTOR	87.3%	88.6%	86.5%	87.9%	89.4%	84.8%	86.9%	87.3%	91.3%	88.4%	86.6%	70.6%	-16.7pp	87.1%	85.6%	-1.5pp
ASK (bn)	39.9	43.9	8.6	9.8	11.8	9.7	9.5	10.8	12.7	10.9	8.8	0.5	-95%	20.3	9.3	-54%
AVERAGE STAGE LENGTH (km)	1,138	1,266	1,073	1,112	1,192	1,163	1,192	1,275	1,320	1,264	1,227	1,009	-21%	1,235	1,212	-2%
AVERAGE FLEET	79	84	75	76	82	83	82	82	83	84	84	85	4%	82	85	3%
RASK, (€)	3.69	3.96	2.96	3.33	4.88	3.28	3.07	3.76	5.08	3.62	3.25	4.30	14%	3.44	3.30	-4%
CASK, (€)	3.26	3.19	3.31	3.20	3.07	3.52	3.24	3.10	3.10	3.36	3.50	19.4	528%	3.16	4.38	38%
Non-fuel CASK, (€)	2.08	2.06	2.23	2.04	1.85	2.29	2.14	1.96	1.95	2.24	2.37	18.6	852%	2.04	3.26	60%
ANCILLARY PER PAX (€)	11.6	14.9	10.5	10.9	12.2	12.8	13.4	14.4	16.3	15.2	16.0	15.6	8%	14.0	16.0	15%
EUR/US\$ rate (avg.)	1.18	1.12	1.23	1.19	1.16	1.14	1.14	1.12	1.11	1.11	1.10	1.10	-2%	1.13	1.10	-2%
EUR/TRY rate (avg.)	5.67	6.35	4.68	5.20	6.53	6.29	6.09	6.59	6.30	6.40	6.72	7.54	14%	6.34	7.13	12%

* EBITDAR and EBITDAR margin in 2018 - with the implementation of IFRS-16, EBITDAR is not used starting from 2019 fiscal year.



APPENDIX - P&L Statement

P&L STATEMENT, EURmn	2019 Q2	2020 Q2	2019 6M	2020 6M
Sales	407	22	697	309
Cost of sales (-)	-316	-90	-596	-380
Gross profit	91	-68	101	-71
General administrative expenses (-)	-6	-7	-21	-17
Marketing expenses (-)	-14	-2	-24	-13
Other operating income	0	6	9	29
Other operating expenses (-)	-1	-38	-1	-54
Operating profit	71	-109	64	-125
Income/expense from investing activities	0.1	0.0	0.1	0.0
Share of investments income (equity method)	0.5	0.5	1	1
Operating profit before financial expense	71	-108	65	-124
Financial income	2	2	7	6
Financial expense (-)	-10	-5	-55	-55
Profit / (loss) before tax	63	-111	17	-173
Current tax expense	0	0	0	0
Deferred tax income / (expense)	-4	-9	0.1	5
Profit / (loss) for the period	59	-120	17	-168

Notes on Q2 performance

Revenues are generated through a very limited capacity operated in June. Operating costs were also down significantly due to limited capacity, but could not fully offset the revenue decline as a portion of cost base is fixed. Cost of sales includes EUR64mn depreciation (+9% YoY), EUR18mn personnel costs (-63% YoY)

Other operating expenses includes EUR35mn total loss on fuel hedge contracts (blend of realized loss for Q2 and charge for forward looking contracts estimated to be inefficient until the end of December 2020)

Includes EUR16mn leasing expenses and EUR9mn FX gain



APPENDIX – Balance Sheet

ASSETS, EURmn	2019 12M	2020 6M	LIABILITIES, EURmn	2019 12M	2020 6M
Current assets	916	856	Current liabilities	717	897
Cash and cash equivalents	630	537	Short term financial liabilities	345	490
Trade receivables	67	24	Trade payables	109	93
Other receivables	13	67	Passenger flight liabilities	145	107
Derivative financial instruments	0.0	0.5	Derivative financial instruments	8	53
Inventories	11	11	Short term provisions	69	93
Prepaid expenses	192	211	Other current liabilities	41	61
Current income tax assets	2	0.3	Non-Current liabilities	1,647	1,844
Other current assets	0.1	5.4	Long term financial liabilities	1,272	1,524
Non-Current assets	2,250	2,503	Derivative financial instruments	0	11
Financial assets	23	27	Deferred income	48	40
Other receivables	22	19	Long term provisions	252	205
Investments (equity method)	9	9	Deferred tax liabilities	75	64
Property and equipment	251	243	SHAREHOLDERS' EQUITY	802	619
Intangible assets	12	12	Paid-in share capital	61	61
Right of use assets	1,790	2,017	Share premiums on capital stock	194	194
Prepaid expenses	144	176	Other	-9	-25
			Retained earnings	557	389
TOTAL ASSETS	3,165	3,359	TOTAL LIABILITIES AND EQUITY	3,165	3,359



APPENDIX – Cash Flow Statement

CASH FLOW STATEMENT, EURmn	2019 6M	2020 6M
A. CASH FLOWS FROM OPERATING ACTIVITIES	203	-59
Net cash generated from operating activities	114	-9
Changes in working capital	89	-50
B. CASH FLOWS FROM INVESTING ACTIVITIES	-59	-75
Cash outflows from purchase of property, equipment and intangible assets	-17	-3
Changes in cash advances and payables	-41	-72
Proceeds from sale of aircraft	0	0
Other investing activities	0	0
C. CASH FLOWS FROM FINANCING ACTIVITIES	-148	40
Repayment of principal in lease liabilities	-110	-100
Net Change in bank loans	-13	166
Interest & commission paid	-32	-31
Interest received	7	6
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIV.	4	1
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	1	-93
E. CASH AND CASH EQUIV. AT THE BEGINNING OF THE PERIOD	455	630
CASH AND CASH EQUIV. AT THE END OF THE PERIOD (A+B+C+D+E)	456	537



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We didn't start aviation in Turkey but
we transformed it!



Thank you