



Pegasus Airlines – The Low Cost Network Carrier

February 2013

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Definitions

“Pegasus,” the “Company,” “PGS,” “Group,” “we,” “our” and “us” refer to Pegasus Hava Taşımacılığı A.Ş.

All revenue, cost of sales, CASK, CASK ex-fuel, EBITDA, EBITDAR and EBITDAR margin items are Pegasus operational figures. These figures do not include the jointly controlled entity with Air Berlin (IzAir)

EBITDA, EBITDAR and EBITDAR margin are unaudited supplementary measures that are not presented in accordance with IFRS. They should not be considered as a substitute for IFRS measures.

EBITDAR, EBITDAR margin, CASK, CASK ex-fuel, RASK, ancillary revenue, internet sales, aircraft utilisation, “on-time” record, average stage length comparison of Pegasus vs. peer group defined in this document may not be comparable as the terms are not universally defined.

“PAX” refers to passengers.

“ASK” 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.

“ASL” refers to average stage length in kilometers, calculated by dividing available seat kilometers (ASK) by capacity.

“Fuel efficiency” is defined as “payload adjusted ton / block hour.” “Block hours,” or “BH” refer to the hours from an aircraft’s take-off to landing (including taxi time).

“Payload adjusted ton” is based on 2010 carried PAX per flight, assuming 1 additional PAX adds a weight of 100kg and burns 4kg additional fuel when “carried” 1 block hour.

“CASK” refers to cost per available seat kilometer, and is equal to sum of cost of sales, general administrative expenses and selling and marketing expenses divided by available seat kilometers (ASK).

“Charter flights” refer to flights that take place outside normal schedules through contracting for an aircraft with a particular customer, typically a tour operator.

“Cycle” refers to the operation of an aircraft from take-off to its next landing.

“Employee productivity” refers to a productivity metric that is equal to passengers carried during a period divided by the number of average number of employees (full-time equivalents) during that same period.

“Load factor,” or “LF” refers to the total number of passengers as a percentage of the total number of available seats during any given period.

“Non-fuel CASK” is equal to CASK excluding jet fuel expenses divided by available seat kilometers (ASK).

“On-time” refers to a flight departure in connection with which the door of the aircraft closes within 15 minutes of the scheduled departure time.

“Point-to-point flight” refers to a flight that takes a passenger non-stop from the point of origin to the destination.

“Revenue passenger” refers to a passenger for whose transportation an air carrier receives commercial remuneration.

“RASK” refers to revenue per available seat kilometer.

“Seat capacity” refers to the total number of passengers who can be seated in an aircraft.





“Split charter flights” refer to an arrangement whereby a tour operator purchases a certain number of seats on a charter flight, rather than commit to the entire aircraft capacity, as seat capacity on each flight is sold in parts to several tour operators. As opposed to standard charter flights, airlines, not tour operators, are ultimately responsible for filling the aircraft.

“Yield” refers to total revenue divided by the number of passengers at any given period.

Today's Attendees (1/2)



The Team that introduced the low cost airlines business model in Turkey

	Experience
 <p>Ali Sabancı <i>Chairman of the Board</i> Age: 43</p>	<ul style="list-style-type: none">▪ Chairman of Pegasus since February 2005▪ Board member of Esas Holding A.Ş.▪ Previously worked at Sabancı Holding▪ Prior to Sabancı Holding worked at Morgan Stanley & Co. and Akbank T.A.Ş. (1991-1997)
 <p>Sertaç Haybat <i>President & CEO</i> <i>Member of the Board</i> Age: 60</p>	<ul style="list-style-type: none">▪ Advised on Esas Holding's acquisition of Pegasus in 2005▪ Started working in Turkish aviation industry in 1979▪ Worked at Turkish Airlines for approximately 15 years<ul style="list-style-type: none">▪ Most recently as the CFO▪ Former Board member of SunExpress⁽¹⁾▪ Elected as chairman of the Turkish Private Aviation Enterprises Association
 <p>Serhan Ulga CPA, CMA <i>Senior Vice President,</i> <i>Finance & HR and CFO</i> Age: 46</p>	<ul style="list-style-type: none">▪ Joined Pegasus in 2007▪ Former CFO and member of the Executive Management Committee at Polisan Holding▪ Served as finance director & controller at Avery Dennison Turkey (formerly Paxar) and Dogan Media Group▪ Worked for 12 years in the US, with firms including Ernst & Young, Rockwell Automation and Boston Scientific Corporation (1991-2003)
 <p>Güliz Öztürk <i>Senior Vice President –</i> <i>Commercial</i> Age: 43</p>	<ul style="list-style-type: none">▪ Joined Pegasus in 2005, responsible for commercial operations▪ Between 2003 and 2005 served as HR Director at Ciner Holding▪ Held various positions at THY from 1990 to 2003, most recently as SVP of marketing and sales▪ More than 20 years of experience in the airline industry▪ Bachelor's degree in psychology from Boğaziçi University

1. JV between Turkish Airlines and Lufthansa.

Today's Attendees (2/2)



Experience



Aycan Kurtoğlu

*Vice President and
CIO
Age: 51*

- Joined Pegasus in 2005
- Held various positions at THY from 1989 to 2003, most recently as VP of Information Technology
- Held the position of System Programmer at Turkish Aerospace Industries and Halk Bank
- Bachelor of Science Degree in Computer Engineering from Middle East Technical University



Tamer Yüzüak

*Vice President –
Finance and
Strategic Planning
Age: 40*

- Joined Pegasus in 2005
- Held various positions at THY from 1994 to 2004, most recently as Strategic Planning and Investments Manager
- Held the position of Strategic Planning Manager at Havaş from 2004 to 2005
- Bachelor's degree in Management Engineering at Istanbul Technical University



**Barbaros
Kubatoğlu**

*Vice President and
Financial Controller
Age: 39*

- Joined Pegasus in 2007
- Served as VP of Logistics and Strategic Planning at Havaş from 2002 to 2005
- Held the various positions at Çelebi Ground Handling Co. from 1997 to 2002, most recently as Budget and Finance Manager
- M.Sc. Degree in Management Engineering from Istanbul Technical University



Ayşe Ceyda Şems

*Human Resources
Vice President
Age: 39*

- Joined Pegasus in 2007
- Served as Human Resources Manager at Turkish Bank from 2004 to 2007
- Served as Vice President of Human Resources and Employee Relations at HSBC Bank A.Ş from 2000 to 2004
- Worked as Human Resources Specialist at Osmanlı Bankası from 1996 to 2000
- Holds an MBA degree from Yeditepe University



Abdullah Atacan

*Budget and Cost
Control Manager
Age: 32*

- Joined Pegasus in 2010
- Held various positions at Deloitte from 2001 to 2010, most recently as Senior Audit Manager
- Worked at Deloitte in the US from 2005 to 2007
- Bachelor's degree in Management from Bilkent University

Today's Agenda



Topic	Presenter	Time	Pages
Business Overview	Ali Sabancı	09:15 – 09:30	6-7
The Pegasus Equity Story	Sertaç Haybat	09:30 – 10:45	8-24
Coffee Break		10:45 – 11:00	
Operations	Sertaç Haybat / Güliz Öztürk / Aycan Kurtoğlu	11:00 – 12:30	25-42
Lunch		12:30 – 13:15	
Financials	Serhan Ulga	13:15 – 14:30	43-58
Transaction Highlights	Serhan Ulga	14:30 – 14:40	59-61
Outlook & Trends	Sertaç Haybat	14:40 – 15:00	62
Site Visit – Sabiha Gökçen Airport	Serhan Ulga	15:00 – 17:00	



Business Overview

Business Overview



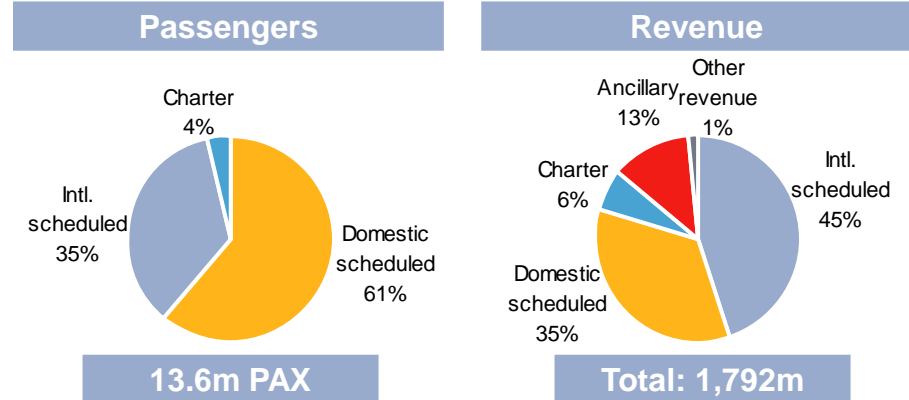
Pegasus is the pioneer of the low cost network carrier model in a fast growing aviation market

Background and Key Facts

- Established in 1990 to provide charter services, Pegasus was acquired by Esas Holding in 2005 and started a new chapter in the Turkish aviation market as the only airline operating a low cost network carrier model
 - Transformed the Turkish aviation industry by making flying “affordable” for Turkish citizens
 - First scheduled domestic flights in November 2005 and started international scheduled service in January 2006 (to Lefkosa in Northern Cyprus)
- Currently operates out of 4 bases in Turkey (Istanbul Sabiha Gökçen International Airport (“SAW”) being the main hub) and flies to 39 international (including Northern Cyprus) and 24 domestic destinations in 27 countries⁽¹⁾
 - 1,700 scheduled flights per week
- Fleet of 40 aircraft (average age of 3.7 years) as of 31 December 2012
 - Recently placed an order for up to 100 Airbus aircraft (57 A320neo, 18 A321neo, option for further 25 aircraft of A320/A321neo)
 - Deliveries scheduled 2015 onwards – 63 out of 75 post 2018
 - Order volume of \$12 billion at expected list prices – the largest single order in the history of Turkish civil aviation
- Headquartered in Istanbul, Pegasus employs 2,045 employees as of 31 December 2012
- Ownership Structure:
 - Pegasus is currently 96.5% owned by Esas Holding A.Ş.
 - ESAS Holding is wholly-owned by the Şevket Sabancı family and has operations in the aviation, food, health, retail and real estate sectors
 - The remaining interest is directly owned by Sabancı family members
- The Company generated TL1,792m of revenue and TL392m of EBITDAR (21.9% margin) in 2012

1. As of 18 February 2013. The number of destinations does not include seasonal destinations (Zweibrucken, Manchester, Nuremberg and Hanover) and codeshare destinations (Baku).

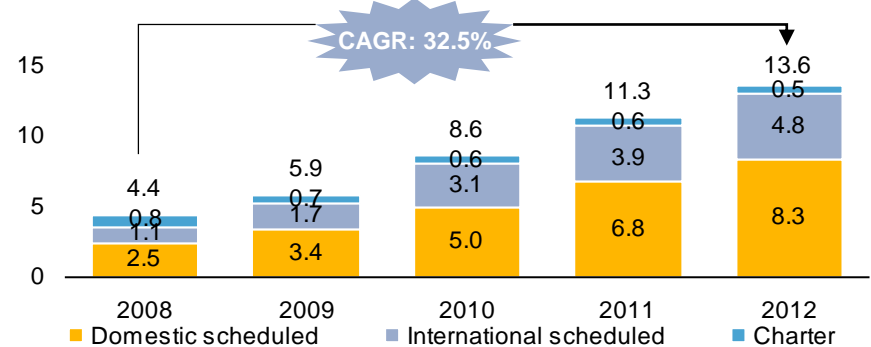
Business Mix (2012)



Source: Pegasus information.

Pegasus Passenger Volume & Aircraft Development

Avg. # of Operated Aircraft ⁽¹⁾	2008	2009	2010	2011	2012
	18.7	20.6	27.7	34.5	37.4



Source: Pegasus information.

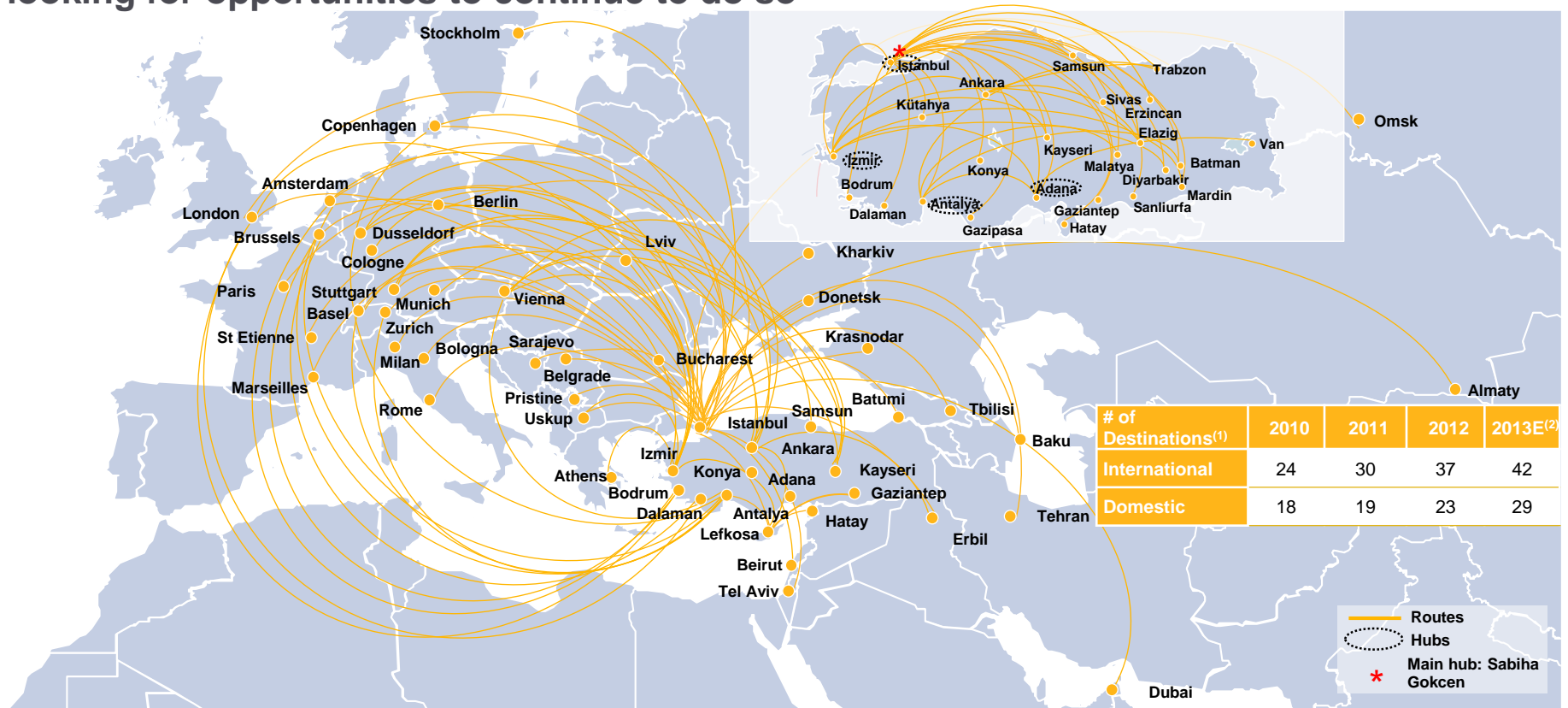
Note: International scheduled includes international split charter.

1. Operated aircraft defined as the average number of aircraft less number of days in planned overhaul

Our Growing Route Network



We have significantly expanded our route network over the years and we are actively looking for opportunities to continue to do so



Our Mission Statement:

"We aim to combine the network benefits of full-service carriers, and the price benefits of LCCs, to provide inexpensive travel, on-time performance and new planes."

Ali Sabancı - Chairman

Source: Pegasus information.

1. The number of destinations does not include seasonal destinations (Zweibrucken, Manchester, Nuremberg and Hanover) and codeshare destinations (Baku).
2. Refers to the targeted number of destinations as of 31 December 2013.

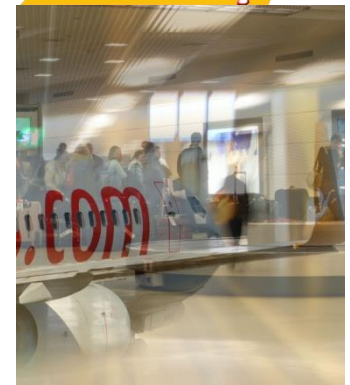


The Pegasus Equity Story

The Pegasus Equity Story



-  1 Large and Fast Growing Home Market in Turkey
-  2 Resilient and Structurally Attractive Turkish Aviation Market
-  3 Successful “Bespoke” LCC Model
-  4 High Quality, Stress Tested Operating Performance
-  5 Clearly Differentiated from Domestic Competition
-  6 Strong Historical Growth Track Record
-  7 Promising Future Growth Opportunities
-  8 Experienced Management Supported by a Seasoned Board of Directors



1 Large and Fast Growing Home Market in Turkey

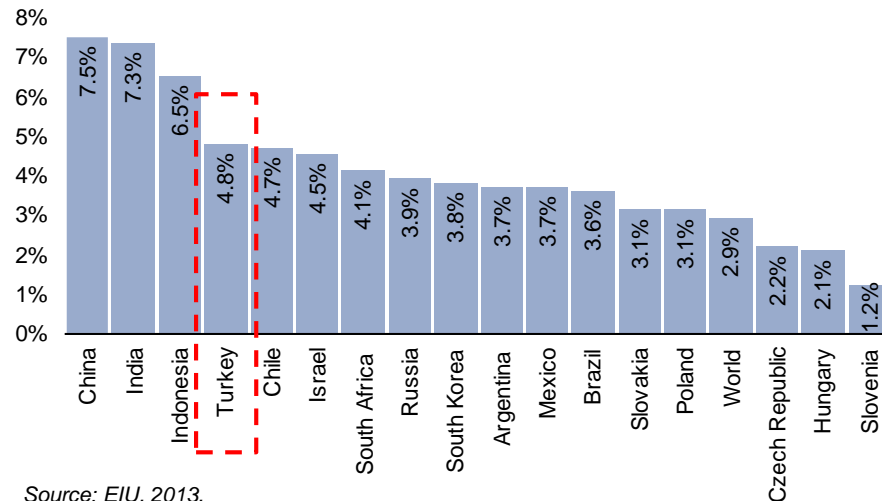


Solid macro picture with healthy growth fundamentals

- Transformation of Turkey into an aspiring global economy through structural and financial reforms over the last decade
 - Real GDP that has increased significantly since 2001⁽¹⁾
 - 2011 GDP per capita of ~\$10.5K⁽²⁾ still has significant room for growth
- 15th largest economy globally and 7th largest in Europe⁽³⁾
 - Regional hub leveraging unique geographical location
- 3rd largest country in Europe with a population of ~74m⁽⁴⁾ people
 - Young and growing population with a median age of ~29 years⁽⁴⁾
- One of the top tourism destinations globally⁽⁴⁾

Solid Growth Expectations

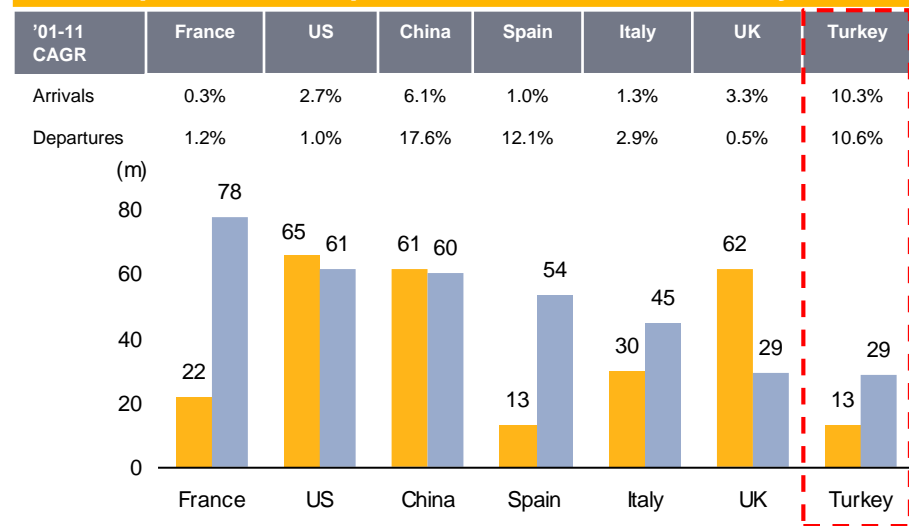
2012-2017 Real GDP CAGR



Source: EIU, 2013.

Note: In the EIU tourism data presented, arrivals are defined as the number of visitors who travel to a country other than that where they have their normal residence for a period not exceeding 12 months and whose main purpose in visiting is other than an activity remunerated from within the country visited; departures are defined as the number of departures that people make from their country of normal residence to any other country for any purpose other than a remunerated activity within the country visited.

Top Arrival & Departure Destinations Globally⁽⁵⁾



- EIU, 2013.
- Turkish Statistical Institute. Average 2011 TL/\$ exchange rate of 1.6717 used to convert GDP per capita.
- 2011 data by GDP PPP – World Bank.
- 2011 population – EIU; 2012E median age – CIA.
- By arrivals – latest available EIU data. Excludes Hong Kong data.

Resilient and Structurally Attractive Turkish Aviation Market

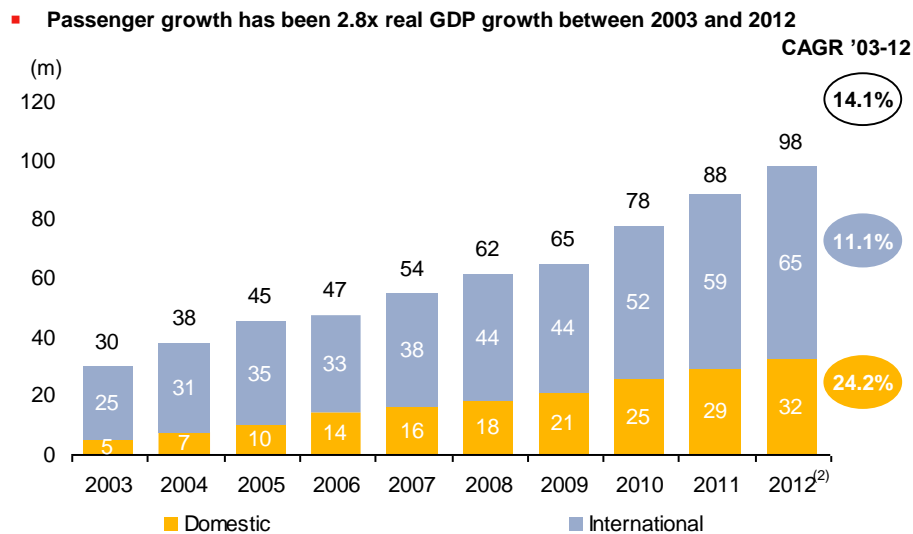
2



Rapidly growing, but still underpenetrated market

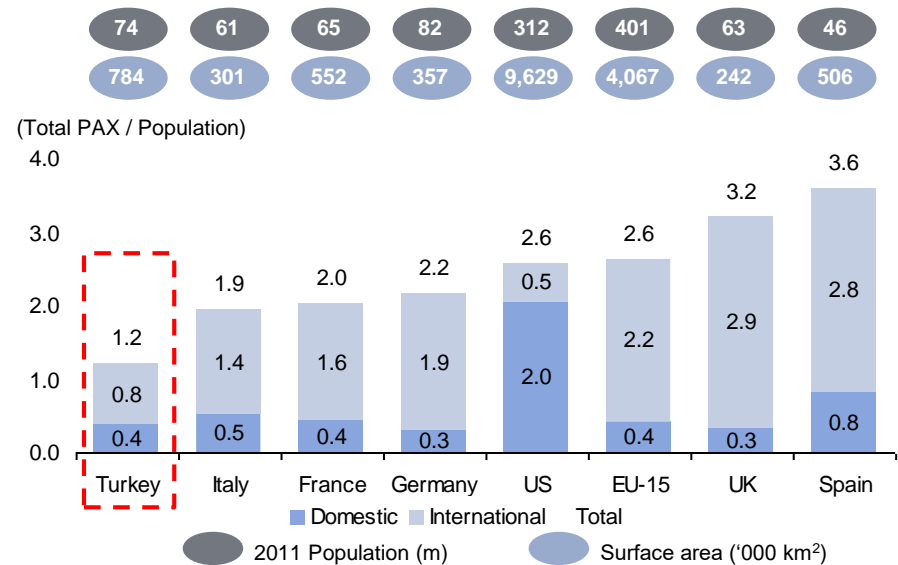
- The Turkish civil aviation market went through a series of changes in the early 2000s which paved the way for the growth:
 - Change in Civil Aviation Law in 2001 – fare approval process eliminated on domestic flights
 - In 2003 all taxes except VAT eliminated from the ticket prices
- Since 2003, passenger growth has been very strong (14.1% CAGR) and very resilient
 - Even in 2009, when real GDP contracted by 5.1%, passengers in Turkey grew by 5.5% (domestic and international passengers grew by 15.1% and 1.5%, respectively)
- Despite strong growth, both the domestic and international markets remain underpenetrated on a trips per capita basis
- Very large mountainous country with few motorways and limited high speed rail

Passenger Volume Growth in Turkey⁽¹⁾



Note:
 1. General Directorate of State Airports Authority of Turkey ("DHMI") data. DHMI double counts the domestic passenger numbers and the displayed numbers have been adjusted for that. Real GDP data from EIU.
 2. Preliminary DHMI data.

Trips per Capita



Note: 2011 data.
 PAX: Turkey – DHMI; US – US Bureau of Transportation Statistics; rest – Eurostat.
 Population: Turkey, US – World Bank; rest – Eurostat.
 Surface Area: United Nations.

3 Successful "Bespoke" LCC Model

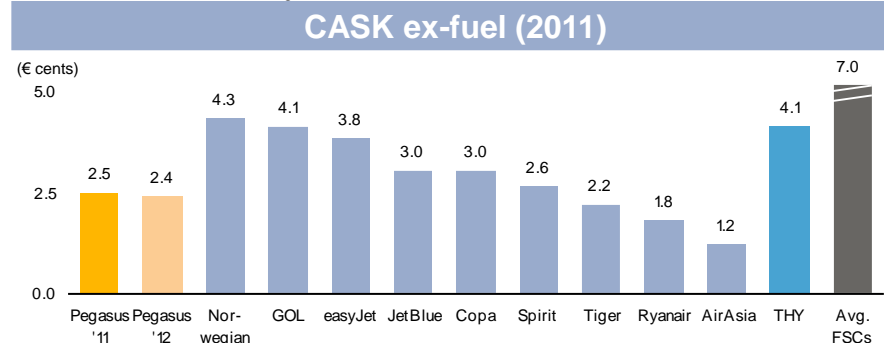
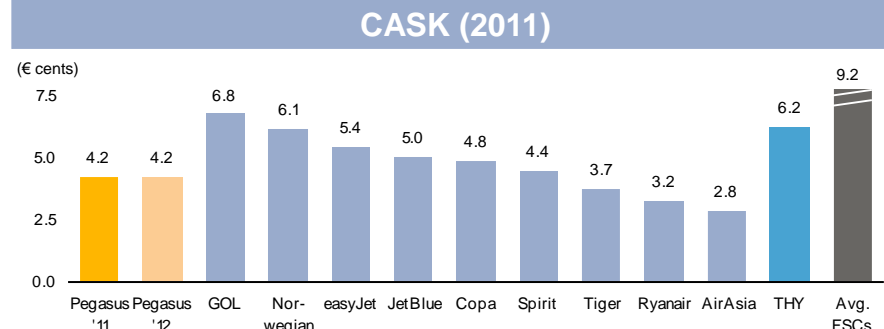


Proven and meticulously customised low cost "network" carrier model

We are an LCC and We Stick with the Key Principles...

- Relentless focus on cost control ✓
- Short / medium haul flights ✓
- Highly focused on punctuality ✓
- Dynamic pricing, low / promotional fares ✓
- Unbundled product and service offering, focus on ancillary revenue ✓
- Single cabin class ✓
- High aircraft utilisation ✓
- Modern, fuel efficient fleet ✓
- Large fleet orders to secure good pricing ✓
- Focus on internet as distribution channel ✓

...with a Highly Competitive Cost Base...



Source: Pegasus information, remaining company data per public filings.
 Note: Figures calendarised to 2011 December year end. Average respective FX rates from FactSet for the calendar year 2011 used. FSCs include Aeroflot, AF-KLM, Finnair, Lufthansa, SAS and IAG.

...but We Customised the "Traditional" LCC Model According to the Requirements of our Markets

- We offer point-to-point structure with network feed primarily through Istanbul SAW hub
 - Increases volume for international routes and decreases seasonality for domestic routes
- We pioneered in Europe the use of several products and applications that are starting to be implemented by other LCCs:
 - Seat selection, use of GDS, code sharing
- We constantly continue to focus on product and process innovation

3 Successful "Bespoke" LCC Model



Relentless control of costs is in our DNA and we believe in the sustainability of our low cost execution capabilities

Highlights of the Operational Infrastructure

- "Continuous Improvement Team" – aggressive focus on operational cost control
- Strong operational and financial reporting and performance tracking systems and practices
 - Teledyne wireless groundlink system with FDM and ACMS applications
 - Daily P&L with granularity down to operating metrics on a route by route basis
- Integrated IT infrastructure
- Well established risk management systems
- One of the youngest fleets in the LCC sector globally
 - Fuel efficiency
 - Low maintenance costs

Flight Data Monitoring System



Source: Pegasus information.

Daily P&L System

EUR	Saturday 16/02/13	Sunday 17/02/13	Monday 18/02/13
Revenue			
Grand Total (incl.com.&pass.tax)	1,372,810	1,496,075	1,270,634
Ancillary Revenue	293,355	310,878	291,956
Other Income	20,058	20,607	19,984
Total Revenue	1,686,223	1,827,560	1,582,574
Fuel	769,131	810,835	783,447
Handling	99,839	97,904	96,016
Landing	40,541	45,545	45,939
Overflight	112,302	113,195	107,201
Crew Cost	20,194	19,745	18,880
Maintenance	82,613	86,522	83,526
Catering Cost	20,316	21,669	19,936
Commission	10,451.21	10,494.15	10,703.33
Other DOC	73,228.32	76,615.75	76,398.37
Total Operating Expenses	1,228,616	1,282,524	1,242,047
Total G&A & Amort .Expenses	681,951	681,951	681,951
Rev. per PAX (excl.tax)	37.71	37.45	34.17
Pax	36,400	39,948	37,183
LF %	81%	82%	79%
Seat	44,940	48,783	47,166
Cyc	241	260	251
Ancillary Revenue Per Pax	8.1	7.8	7.9
Total Revenue Per Seat	37.5	37.5	33.6
Total Cost / Seat	42.5	40.3	40.8
ASK	41,334,090	42,739,620	41,056,176

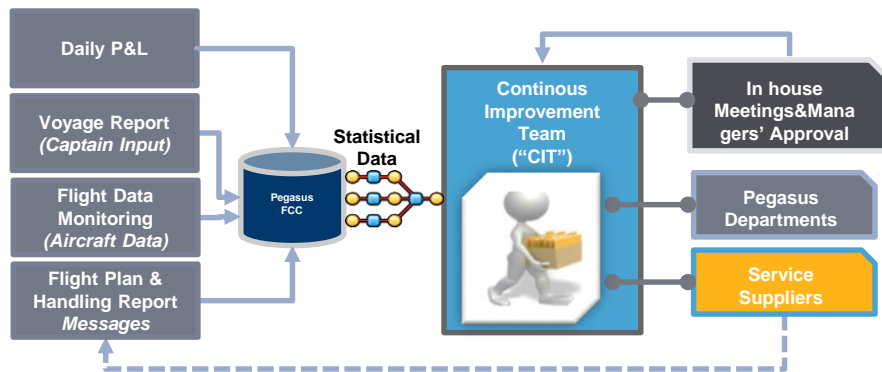
Source: Pegasus information.

3 Successful "Bespoke" LCC Model

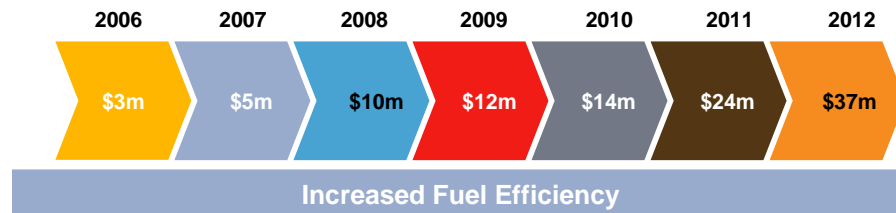


Strongly supported by our Board and "C" level management, our CIT team has been instrumental in increasing cost awareness within the organisation and routinely drive substantial cost savings by breaking the mould of "traditional" practices

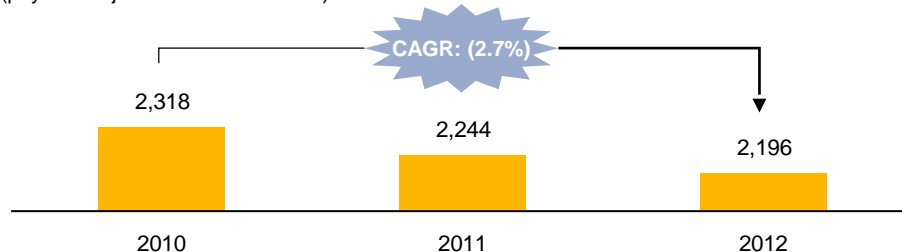
How Does CIT Operate?



Management Estimates of Achievements of CIT Team



(payload adjusted ton / block hour)



Source: Figures on this page are Pegasus internal estimates and represent the cumulative impact of quantifiable cost saving initiatives.

1. Converted at the €/TL FX rate of 2.3061.

What are Some of the Specific Project Examples?

	Selected Initiatives	'12 Financial Impact (\$m)
Flight Procedures	High flight level	\$6.8
	Engine derate-reduced take-off thrust	\$4.3
	APU usage only on the ground	\$4.4
	One alternative airport instead of two	\$1.9
	Hr/cycle minimisation	\$1.7
	Flight planning system change (multi leg tankering, etc.)	\$0.7
	Landing fuel decrease	\$0.7
	Reverse thrust idle	\$0.4
	Other	\$2.4
	Weight Reduction	Removal of airstairs
Oven number decrease in the galley		\$0.3
Light weight carpet and trolleys		\$0.3
Hygiene materials in standard units instead of trolley		\$0.2
Potable water filling and magazines weight		\$0.1
Other		\$0.6
Technics	Carbon brake (steel brakes are replaced by carbon ones – weight decrease and lower maintenance cost)	\$2.3
	Engine washing	\$1.8
Other	Crew Utilisation	\$3.0 ⁽¹⁾
	MTOW decrease (lower enroute and landing charges)	\$2.4
	Ideal MAC (for lower fuel flow)	\$1.6
	Negotiation for lower price at SAW for electricity (50% reduction)	\$0.5
Total		\$37.3

1. Converted at the 2012 average €/FX rate of 1.2849.

High Quality, Stress Tested Operating Performance

4

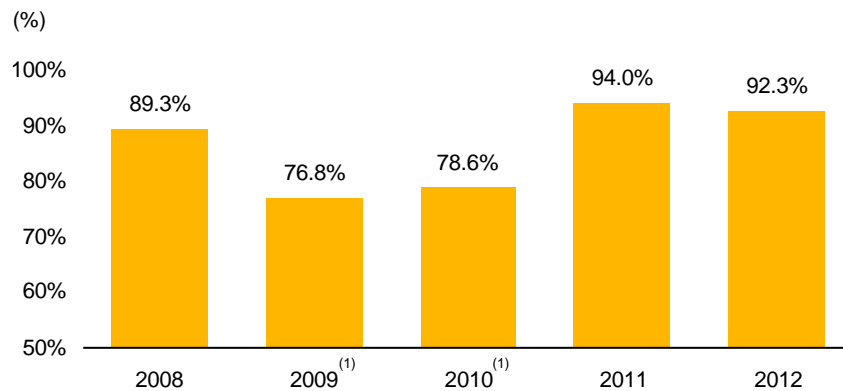


Solid operational KPIs across the board...

Commentary

- Excellent “on-time” record, while achieving solid utilisation
 - Particularly important for the network model
- Continuously deliver strong and improving utilisation performance
- Consistent focus on improvement of asset utilisation
- Robust load factors as a result of hands on revenue management and meticulous execution of low cost network carrier model
 - Despite significant expansion in route network and fleet size

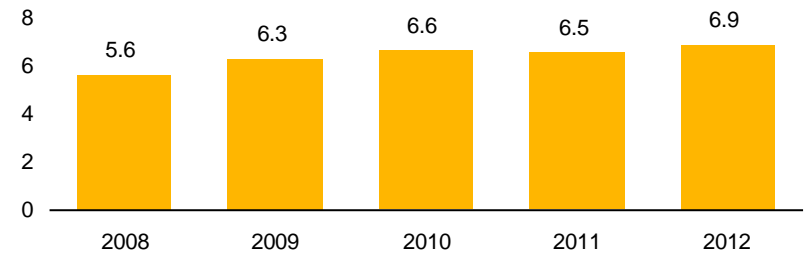
“On-Time” Record



Source: Pegasus information.
1. 2009 and 2010 data impacted by the opening of the new terminal at SAW.

Turns Per Day

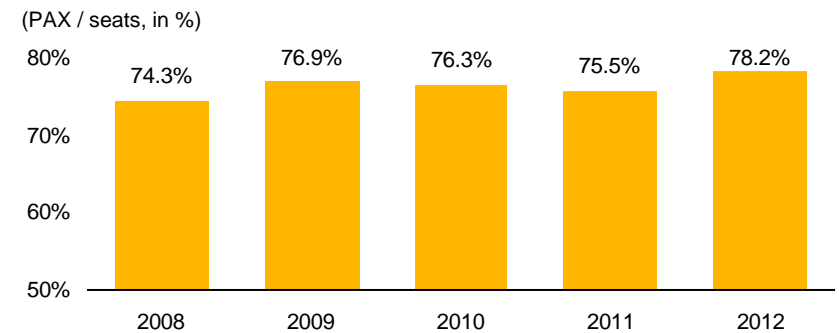
Aircraft Utilisation ⁽¹⁾	10.9	11.5	12.0	11.8	11.7
Average Stage Length ⁽¹⁾	1,306	1,063	1,078	996	947



Source: Pegasus information.
1. Aircraft utilisation in BH/day and average stage length in km.

Load Factors

PAX / Cycle	116.1	124.2	128.2	134.1	144.8
Seat / Cycle ⁽¹⁾	156	162	168	178	185



Source: Pegasus information.
1. Figures are calculated by dividing total seat capacity by total number of cycles.

High Quality, Stress Tested Operating Performance

4

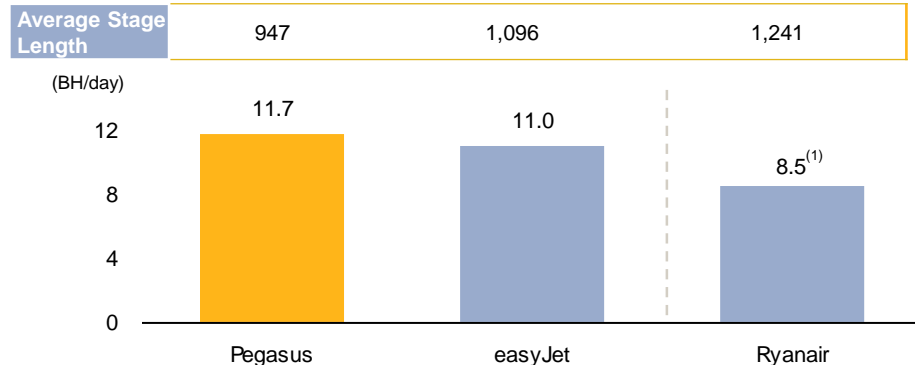


...and our KPIs fare well against leading European low cost carriers

Commentary

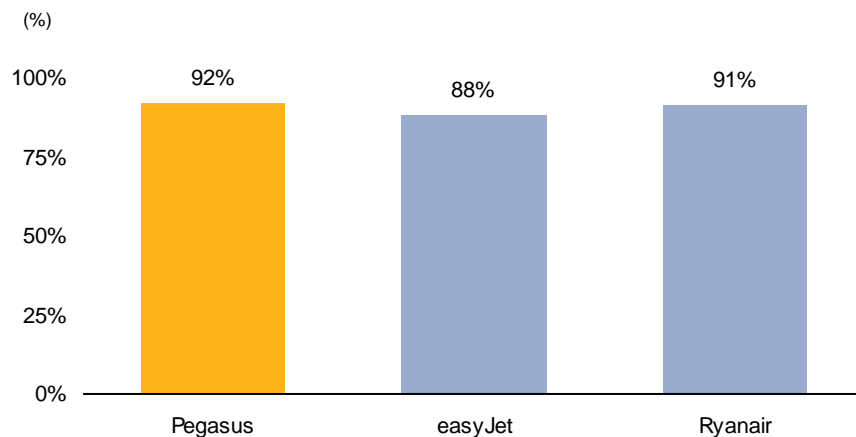
- High aircraft utilisation rates
- Stronger punctuality than Ryanair and easyJet in 2011 and 2012
 - Despite the network feed model
- Good load factor levels with room for improvement
 - We believe +80% levels (close to Ryanair) is achievable within the short/medium term
 - easyJet figures are impacted by the lower average # of seats per aircraft

Aircraft Utilisation



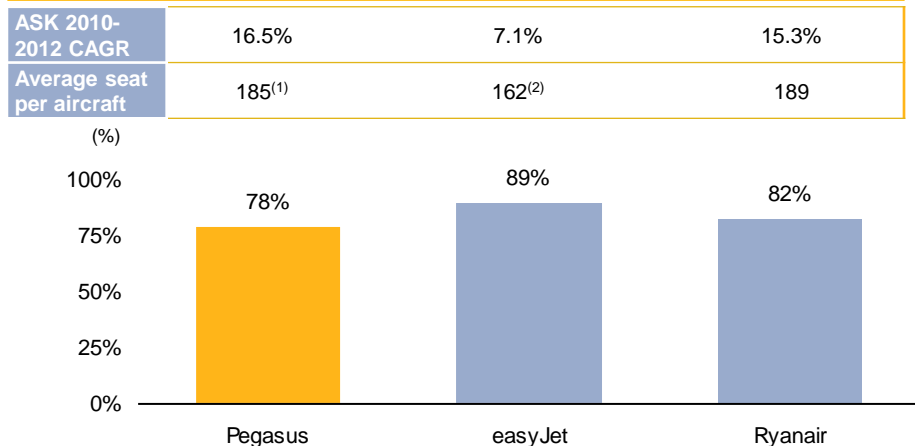
Source: Pegasus information, easyJet and Ryanair company filings.
 Note: 2012 fiscal year data shown. easyJet year end in September. Ryanair year end in March.
 1. Aircraft utilisation in reported per flight hours. We estimate that a 15-20% increase is a reasonable assumption to translate into block hours.

"On-Time" Record



Source: Pegasus information, easyJet and Ryanair company filings.
 Note: 2012 fiscal year data shown. easyJet year end in September. Ryanair year end in March.

Load Factors



Source: Pegasus information, easyJet and Ryanair company filings.
 Note: Calendar year 2012 figures shown.
 1. Figure is calculated by dividing total seat capacity by total number of cycles.
 2. Weighted average seats of 157 156-seat A319 aircraft and 56 180-seat A320 aircraft.

5 Clearly Differentiated from Domestic Competition



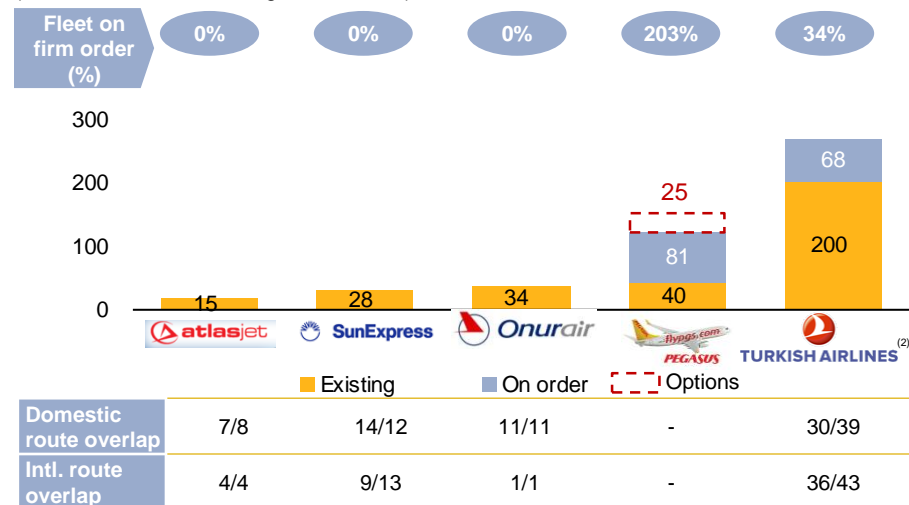
We serve 96%⁽¹⁾ of domestic market and we believe we have structural and sustainable competitive advantages over our domestic competitors

Comments

- Pegasus is clearly differentiated vs. Turkish Airlines (“THY”) and THY’s repositioning allows room for further growth
- Pegasus has a significant cost advantage over THY which enables Pegasus to offer attractive low fares
- We believe our other domestic competitors, such as Atlasjet, Onurair, SunExpress and AnadoluJet (part of THY) lack scale and low cost network carrier concept

Fleet Profiles of Turkish Operators

(Number of aircraft, existing and on order)



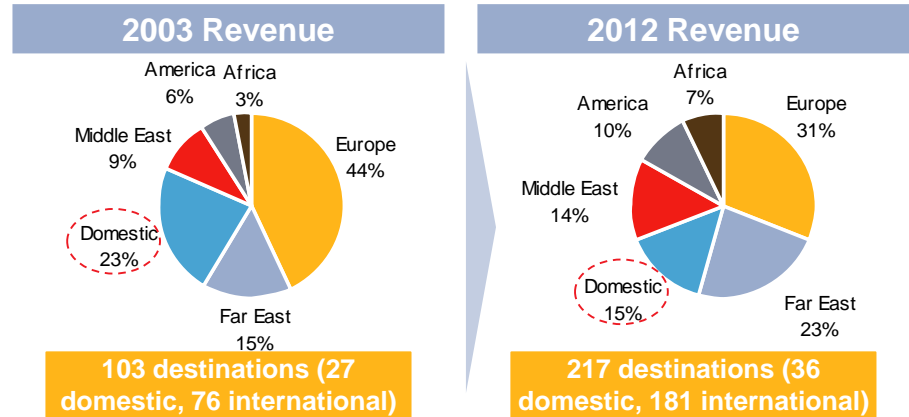
Source: Pegasus information.

Note: Overlap figures represent winter and summer season overlaps, respectively.

1. Pegasus serves all the airports which make up 96% of total passengers in Turkey as of 2012.

2. Includes AnadoluJet.

THY Repositioning on Long-Haul Markets

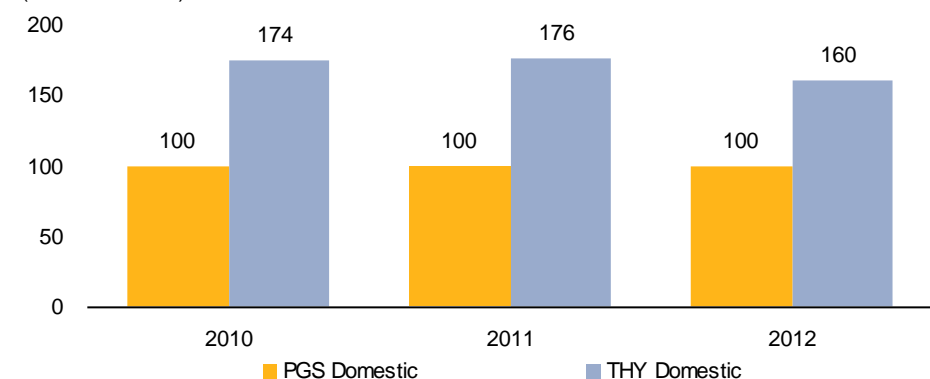


Source: THY company information.

Indexed Domestic RASK Comparison

- We continuously offer cheaper tickets than THY

(Indexed to 100)



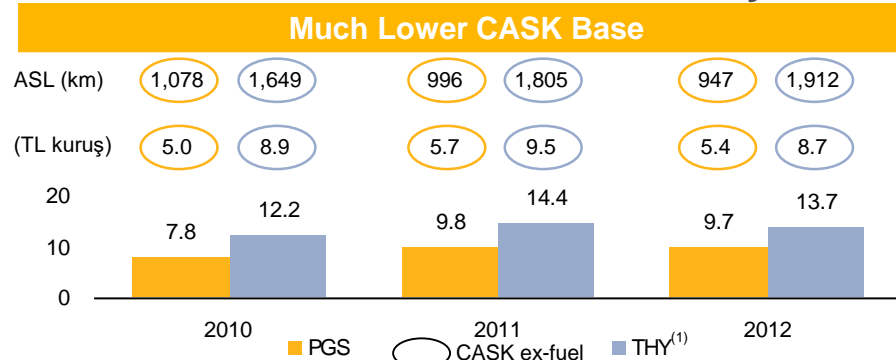
Source: Pegasus information, THY company information.

1. THY 2012 figures based on last twelve months data as of 30 September 2012.

5 Clearly Differentiated from Domestic Competition



Our business model is fundamentally different from THY



Source: Pegasus information, THY company information.

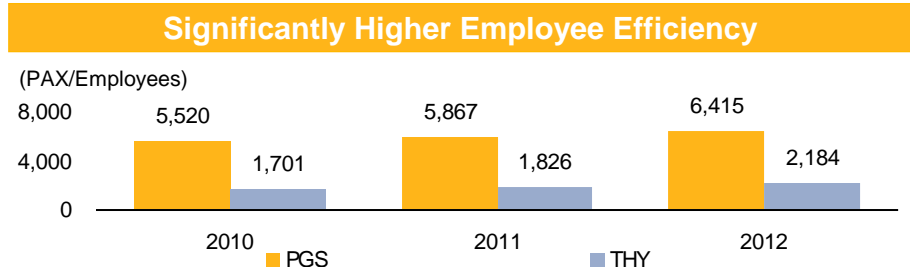
1. THY 2012 figures based on last twelve months data as of 30 September 2012.

Key Operating Cost Items / ASK⁽¹⁾

(TL kuruş)	PGS	THY ⁽²⁾
Personnel	1.20	2.53
	Nonunionised, flexible	Unionised
Ground Handling	0.68	0.87
	Primarily outsourced ⁽³⁾	Insourced through JV
Maintenance	0.43	0.36
	Primarily outsourced	Insourced
Passenger service and catering	0.12	0.61
	Primarily outsourced	Insourced through JV
Landing and navigation	0.87	1.02
	Some use of secondary airports	Focused on primary airports

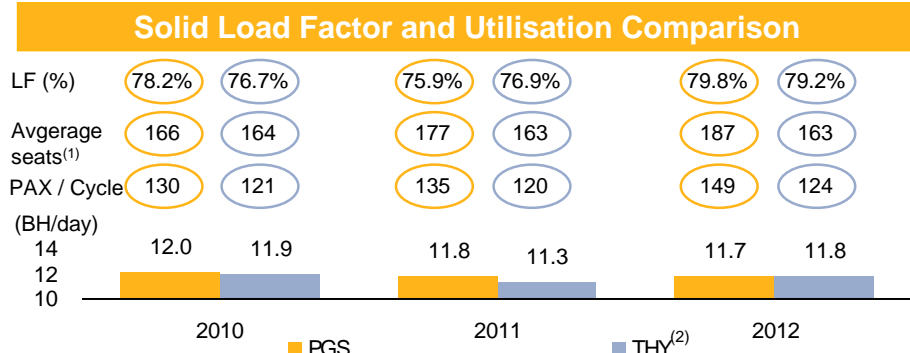
Source: Pegasus information, THY company information. Based on 2012 data. THY figures do not include JVs (TGS, Turkish Do & Co, etc.) P&L line items.

- None of these figures are adjusted for stage length. PGS passenger service and catering does not include ancillary revenue received from selling these services.
- THY 2012 figures based on last twelve months data as of 30 September 2012.
- Details on passenger and ground handling provided on p. 32. The Company opportunistically looks into insourcing some of its domestic passenger handling operations.



Source: Pegasus information, THY company information.

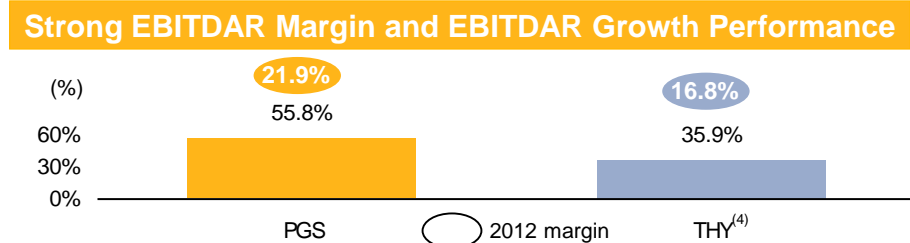
Note: Employee figures do not include the JVs (TGS, Turkish Do & Co, etc.) employees.



Source: Pegasus information, THY company information.

Note: Domestic load factor, PAX/Cycle, # of seats and utilisation shown. THY weighted average # of seats shown.

- Figures are calculated by dividing total domestic seat capacity by total domestic number of cycles.
- Aircraft utilisation denotes disclosed narrow body medium haul aircraft.



Source: Pegasus information, THY company information.

Note: EBITDAR 2010-2012 CAGR and 2010-2012 average margin shown.

4. THY 2012 figures based on last twelve months data as of September 2012.

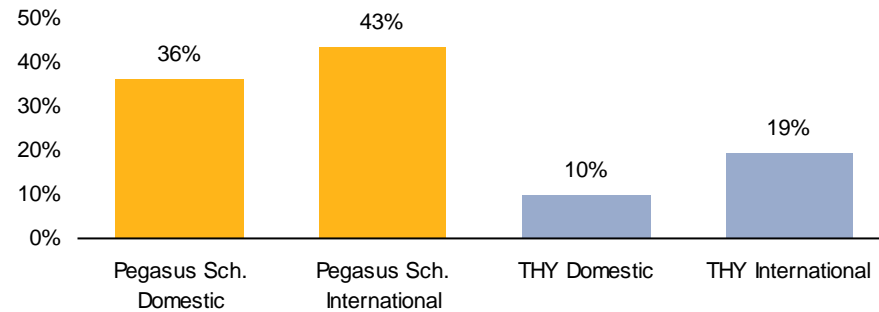
6 Strong Historical Growth Track Record



Pegasus' strong growth led to solid increase in passenger volumes and market share gains

PAX Growth – Pegasus vs. THY

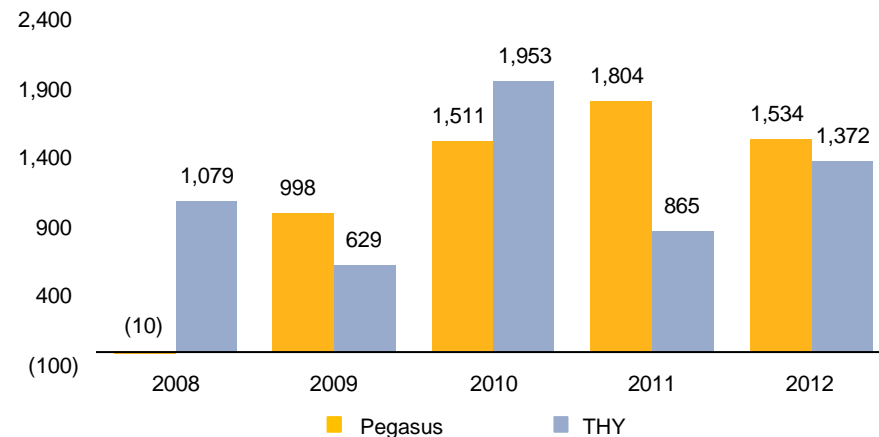
(2008 – 2012 passenger CAGR)



Source: Pegasus information, THY.

Change in Domestic Passengers – Pegasus vs. THY

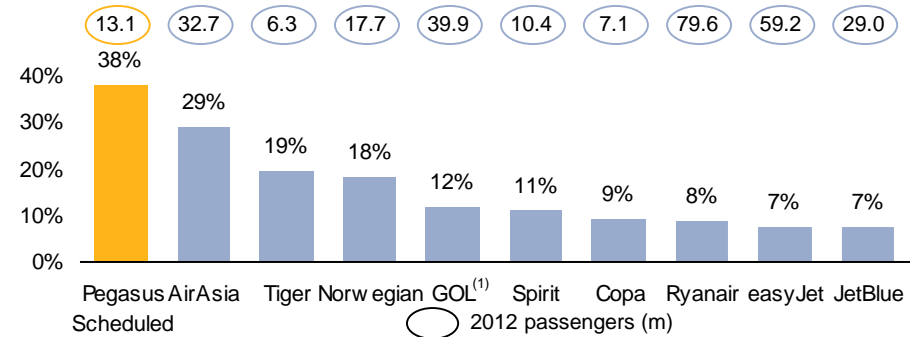
Passengers ('000)



Source: Pegasus information, THY.

PAX Growth – Pegasus vs. International Peers

(2008 – 2012 passenger CAGR)

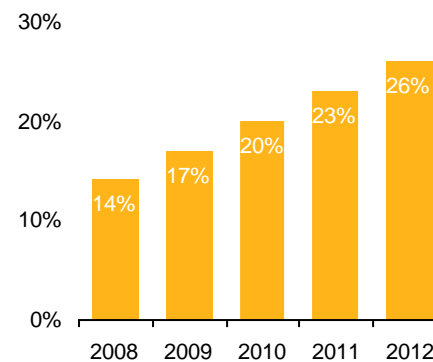


Source: Pegasus information per company data, remaining company data per company websites.

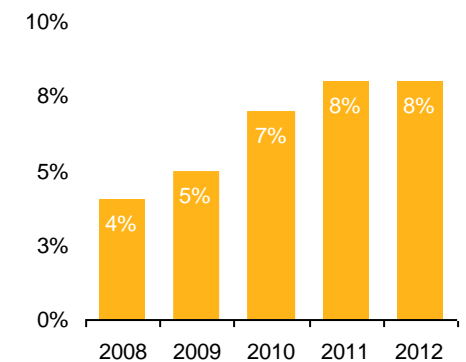
1. Last twelve months' data as of September 2012 for GOL.

Market Share Breakdown of Turkish Market

Domestic



International



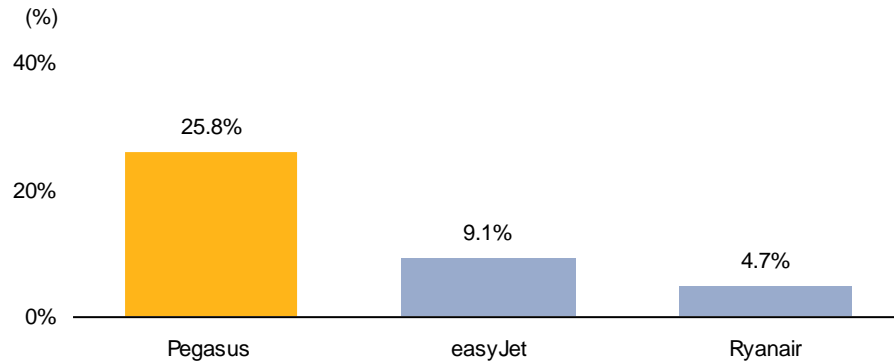
Source: Pegasus information.

6 Strong Historical Growth Track Record



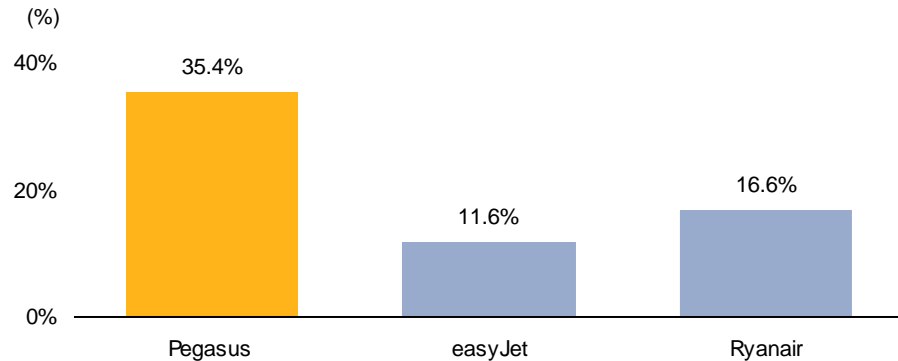
We have outperformed the revenue and EBITDAR⁽¹⁾ growth of our international peers and improved our margin profile dramatically

2010-2012 PAX CAGR



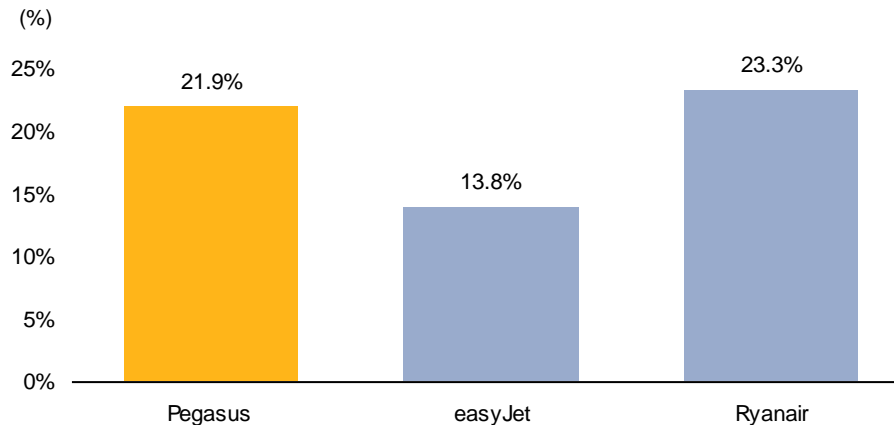
Source: Pegasus information, easyJet and Ryanair filings.
Note: Calendar year data used.

2010 – 2012 Revenue CAGR⁽²⁾



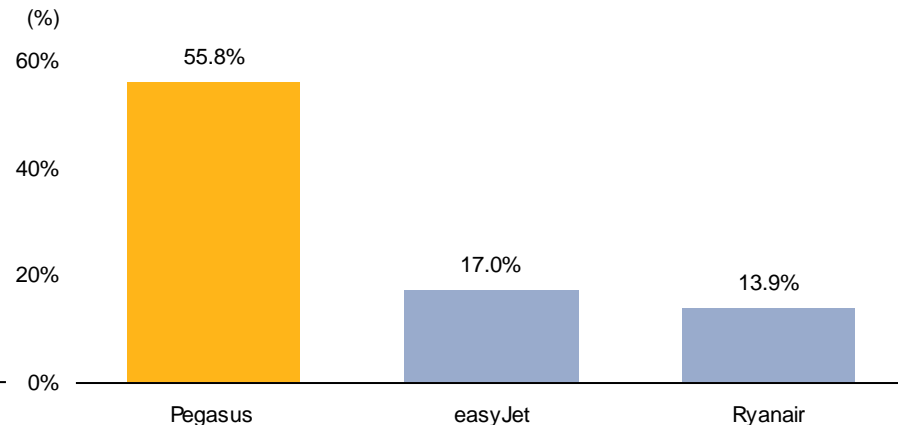
Source: Pegasus information, easyJet and Ryanair filings.
2. 2012 fiscal year data used. easyJet fiscal year end is in September and Ryanair fiscal year end is in March. 2010 and 2011 easyJet and Ryanair data calendarised to December year end.

2012 EBITDAR Margin⁽¹⁾



Source: Pegasus information, easyJet and Ryanair filings.
1. 2012 fiscal year data used for easyJet and last twelve months data as of September 2012 used for Ryanair. easyJet fiscal year end is in September and Ryanair fiscal year end is in March.

2010 – 2012 EBITDAR CAGR⁽³⁾



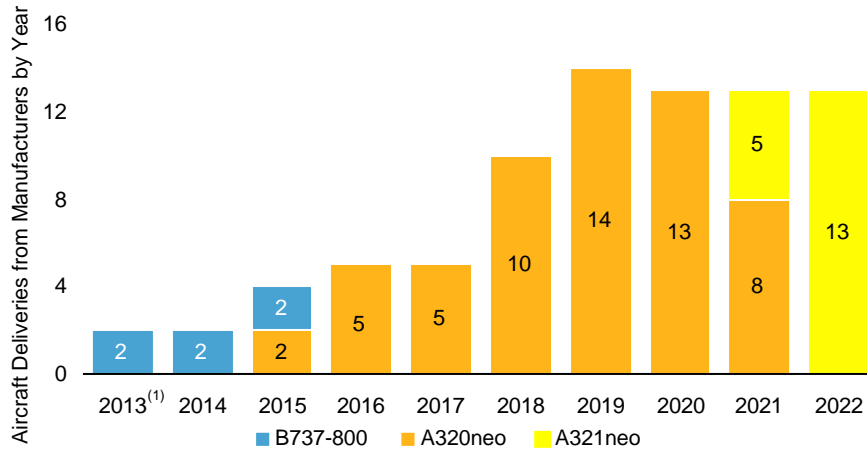
Source: Pegasus information, easyJet and Ryanair filings.
3. 2012 fiscal year data used. easyJet fiscal year end is in September and Ryanair fiscal year end is in March.

7 Promising Future Growth Opportunities



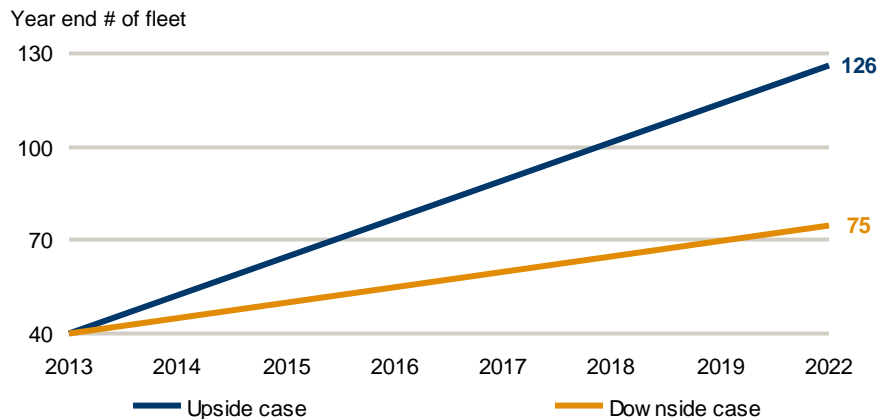
Growth is supported by future “new generation” aircraft deliveries which give us financial and operational flexibility going forward

Fleet Upgrade / Expansion Enables Continued Growth



Source: Pegasus information.
1. Includes one new Boeing 737-800NG aircraft delivered after December 31, 2012.

Fleet Development Flexibility



Source: Per Pegasus current plan.

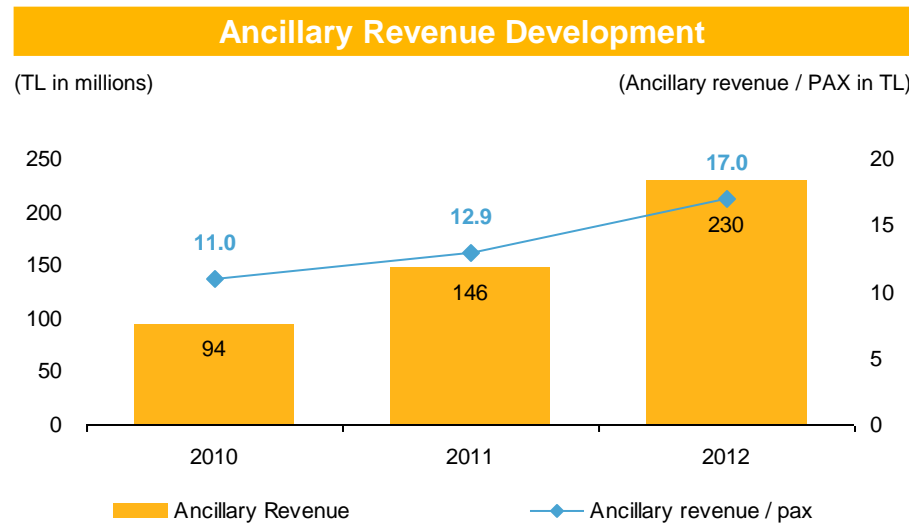
Aircraft Delivery Schedule Enables Continued Growth

- Pegasus has one of the youngest and most modern fleets of the Turkish operators, consisting primarily of 38 B737-800 aircraft (as of Dec 2012)
- Recently placed an order for up to 100 new Airbus aircraft
 - Firm order for 75 A320/321neo and option to increase the order by 25 aircraft
 - Order gives flexibility for the future
- The new A320/321neo expected to further improve operating costs
- Pegasus aims to maintain a simple fleet structure with young, modern, and operationally efficient aircraft
 - We believe our current fleet of B737-800s and incoming A320/321s positions us well for future growth

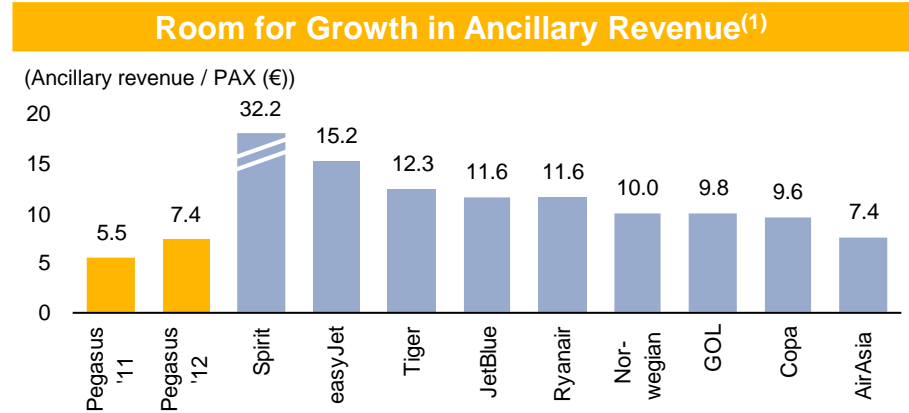
7 Promising Future Growth Opportunities



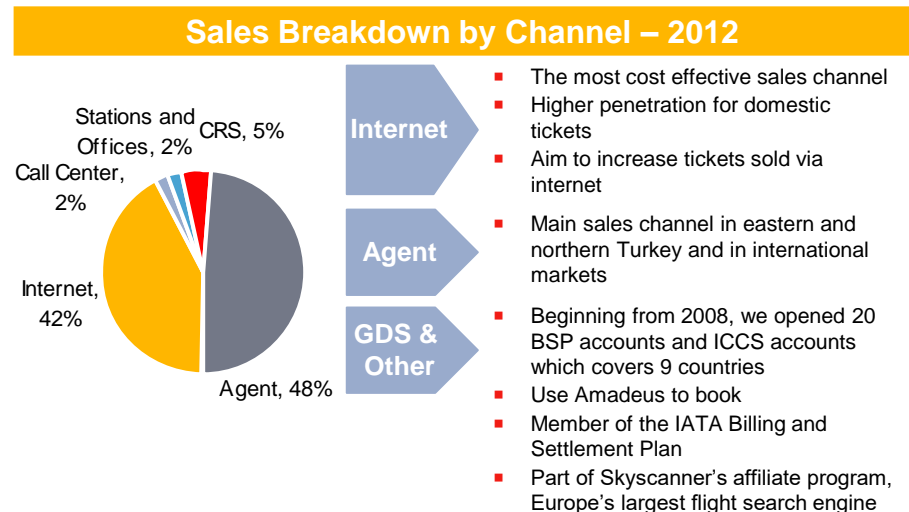
Significant upside potential in ancillary revenues and internet sales channel



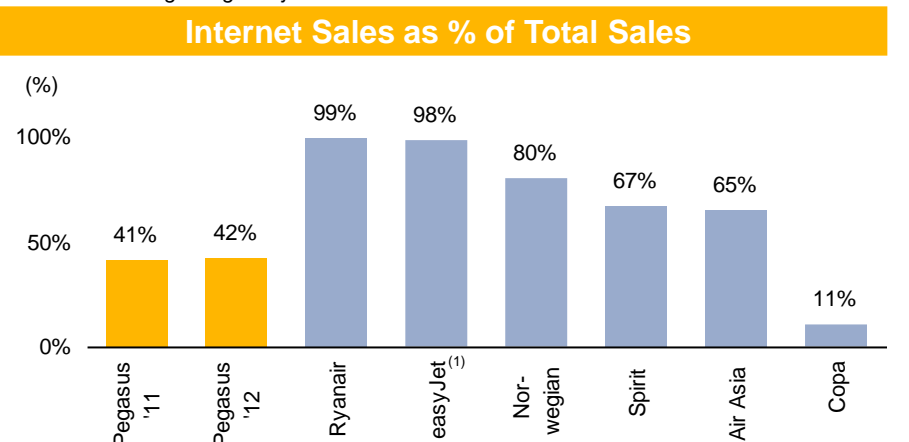
Source: Pegasus information.



Source: Pegasus information, company information for remaining companies.
 Note: Financials calendarised to 2011 December year end and converted at the respective average 2011 FX rates. Ancillary revenue of Pegasus and other companies may not be comparable as the term is not universally defined. 2011 fiscal year data shown for easyJet (September fiscal year end). PGS 2011 and 2012 figures converted at the €/TL FX rates of 2.3349 and 2.3061, respectively.
 1. Data not stage length adjusted.



Source: Pegasus information.



Source: Pegasus information, company information for remaining companies.
 Note: Latest disclosed data shown for peers. JetBlue, Tiger and GOL data not disclosed.
 1. Percentage of seats sold online – latest disclosed data as of 2007. In 2007 easyJet entered the GDS distribution channel and stopped disclosing internet sales figures.

7 Promising Future Growth Opportunities



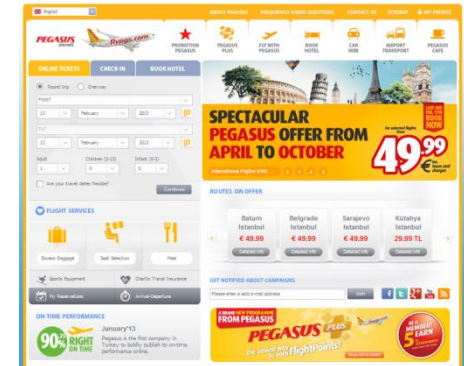
More of the same, some of the new

Ancillary Revenue

- We have a history of successfully pioneering services and products
 - Seat selection, Pegasus Card, etc.
- Continuously improve and increase penetration of existing services, and identify opportunity areas to introduce new ancillary services
 - Recently introduced check-in fee, SMS services, etc.
- Currently evaluating several other initiatives:
 - Bundled products – primarily targeting business passengers
 - Piece Concept in excess baggage charging⁽¹⁾
 - Duo seat concept
 - Further penetrate with travel related products, such as car rental, hotel reservation, lounge and airport car parking, etc.
- Utilise research techniques to make pricing, sensitivity, awareness, usage and preference analysis of each ancillary service
 - Promotions to increase trial rate and impulse purchase
 - Click-through mechanisms and pop-up advertisements on the website

Internet Sales

- Search engine marketing and search engine optimization play a critical role in attracting search engine traffic
- Email marketing is utilized to communicate promotions and increase flypgs.com traffic
- Re-marketing techniques by Google utilized to drive traffic
- Mobile site - mobile.flypgs.com
- Currently working on several new projects:
 - Behavioral Targeting to provide personalized ads on flypgs
 - Content marketing (City Guide section on flypgs, Globe-trotter's Blogger Club, Online video content, etc)
 - Alternative payment systems will be introduced (Turkcell mobile wallet, mobile payment, etc.)
 - "Search by budget" tool to ease flight search on flypgs



Source: Pegasus information.

1. Subject to changes in the Turkish legislation.

8 Experienced Management Supported by a Seasoned Board of Directors



Pegasus has a high profile management team and Board of Directors of experienced airline professionals

Members of the Board

Leading Corporate Governance



Chairman
Ali Sabancı

- Member of the Board of Directors of ESAS Holding, TUSIAD, ISO, DEIK, TAIK and TABA



Vice Chairman
Çağatay Özdoğru

- Member of BoD of ESAS Holding, Medline, Promed and Medair
- Previously vice president of the CEE, CIS, Middle East & African region at Global One Corporation



Member
Sertaç Haybat

- Former Board member of Sun Express and Executive Management Team of THY



Member
Raymond Douglas Webster

- Former CEO of easyJet and Manager of Strategic Planning at Air New Zealand
- 27 years of experience in the airline industry



Member⁽¹⁾
Michael Charles Lee

- 18 years at British Airways and chairman of the Aviation Division of MyTravel Group for 13 years
- 45 years of experience in the airline industry



Member
Conor McCarthy

- Executive Chairman at Dublin Aerospace, Co-Founder of AirAsia and former Director of Group Operations at Ryanair
- 23 years in the airline industry



Member
Emre Berkin

- Founding CEO of Microsoft Turkey
- 13 year career at Microsoft



Member
İnan Tanrıöver

- CFO of Esas Holding A.Ş. since June 2007
- Former Executive Board member at Şekerbank T.A.Ş & Board member at Deutsche Bank Turkey

Board composition and independence

- Minimum 5 and maximum 8 members (currently 8 at Pegasus)
- 1 out of 3 must be independent

Board committees

- Audit and Nomination Committees have been established.⁽²⁾ After the contemplated IPO, Corporate Governance and Risk Committees will be established in accordance with the CMB's rules

Safety Committee

- Flight safety

Independent Audit

- Pegasus' accounts are audited by an internationally recognised independent auditor

Note: ✓ = Independent member of the Board of Directors.

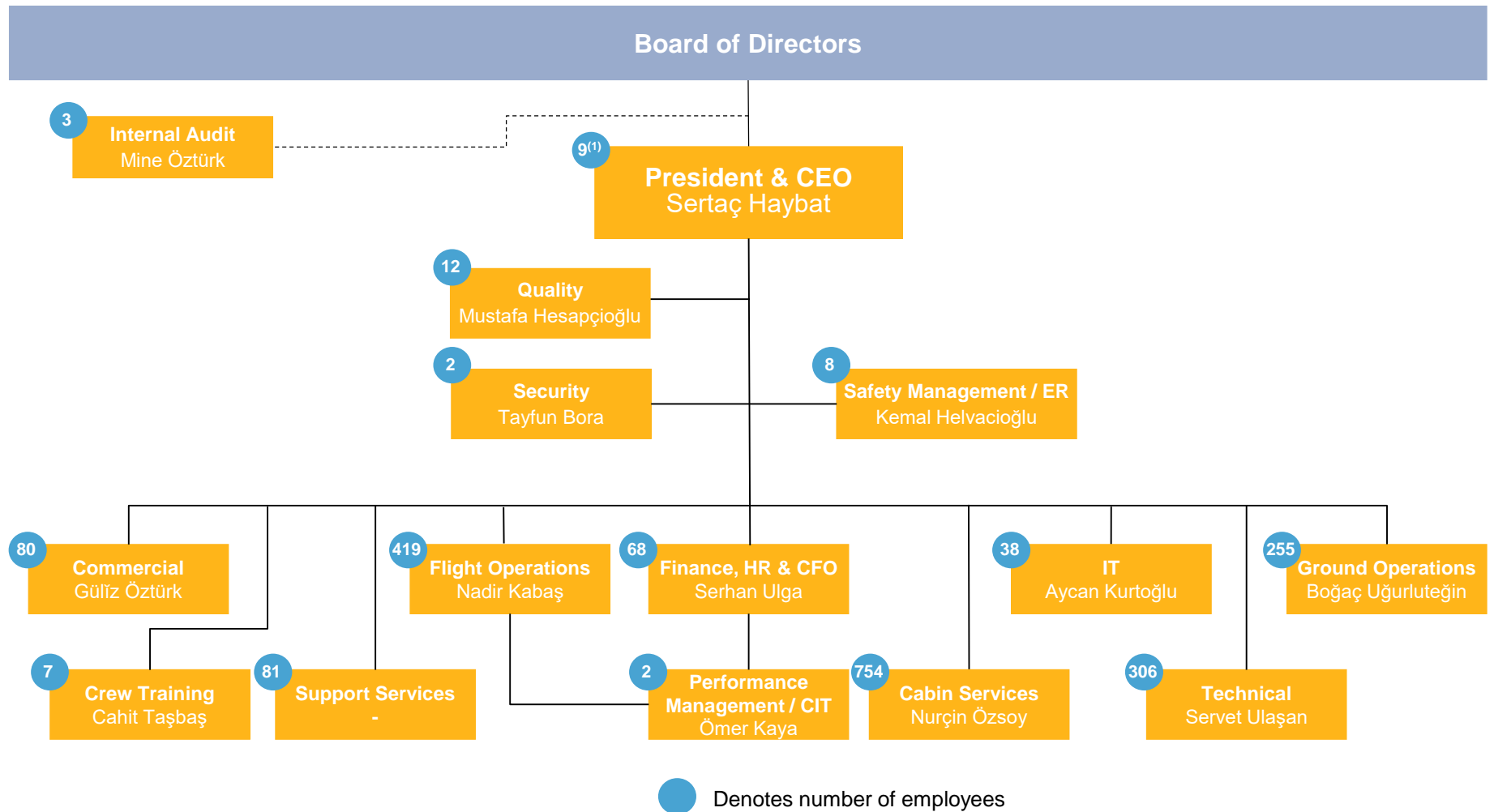
1. Will change status to dependent if contemplated IPO is executed.

2. All committees have been established on 21 April 2011.



Operations

Organisation and Support Functions



The total number of employees working for the Group is 2,045 as at 31 December 2012

Source: Pegasus information.

1. Includes 2 secretaries, 2 drivers, 2 consultants and 3 security persons.

Yield & Capacity Management



Dynamic pricing and capacity management supported by airRM

Overview

- In February 2012 we introduced a revenue management system – airRM – monitored by a specialised team that seeks to optimize revenue from passenger seat sales while still offering fares that are on average lower than our competitors on the same routes
 - Ability to apply multiple fare levels for revenue optimization and establish the number of seats in each fare level
 - Revenue management team's target is to maximize load factor and revenue for each individual flight
 - Financial reporting systems generate a daily income statement with granularity down to operating metrics on a route by route basis
- Our emphasis on keeping operating costs low has allowed us to set low fares
 - Our dynamic pricing system is driven by the number of seats remaining available for sale and by the days remaining before each flight
 - As the load factor gets higher, the fare levels increase for each specific route, day and flight
 - We adjust our pricing in accordance with changes in passenger volume stemming from imbalances in the direction of traffic, such as holiday seasons
 - During these periods, we decrease the fares on the lower demand flights to stimulate traffic on those routes to help offset our fixed costs
 - We also take into account competitor prices while benchmarking
- Our network allows both point-to-point and transit travel, providing connectivity to international customers, primarily via Istanbul, between international destinations and Turkey and thus generates incremental revenue for the entire network

Source: Pegasus information.



We have a comprehensive sales & marketing strategy

Overview

- Key brand attributes and messages are low fares, on-time departure performance and a young fleet
- Launch image communication campaigns to convey key messages and brand attributes and have multiple promotion and communication campaigns throughout the year
 - We conduct launch and post-launch awareness campaigns in Turkey and international markets
- Develop and implement segmented sales & marketing programs targeting the following key segments: leisure travellers, business travellers, VFR (visiting family and relatives)
- Multi-channel distribution strategy, with the priority channels being own web and mobile site (flypgs.com); other channels are call centre, travel agencies, affiliates and GDSs
- In order to gain share in the business travel segment, we work with corporate customers and offer them negotiated rates
- Utilise multiple media channels in our communication programs, with digital and social media playing an increasingly important role and share in our communication strategy
- In order to increase ancillary revenue, new ancillary services are introduced and communicated through multiple communication channels and pricing is continuously optimised

take off to Turkey for less

TWICE DAILY FLIGHTS TO ISTANBUL

Istanbul, Izmir, Adana, Ankara, Gaziantep plus North Cyprus, Tel Aviv, Dubai, Beirut, Tehran, Tbilisi and more*

from **53.99** £ including tax and charges

20 KG FREE

flypgs.com | PEGASUS AIRLINES

*All flights to North Cyprus, Tel Aviv, Dubai, Beirut, Tehran, Tbilisi via Istanbul and Erzurum.

RÖTAR MI? O NE?

Pegasus'ta "zamanında kalkış" var. Çünkü sizin zamanınız bizim için çok değerli ve biz bu konuya çok önem veriyoruz. Hiç mi rötar yapıyoruz? Aa: Ama çok az.

BİZ UÇUŞLARIMIZIN %94'ÜNDE TAM ZAMANINDA KALKIYORUZ.

Cok mu uctuk?
flypgs.com
Sen de uc!
PEGASUS

Source: Pegasus information.

Distribution Channels



Our aim is to increase the share of our direct sales channels – primarily flypgs.com

Overview

- Main objective is to use direct sales channel via www.flypgs.com
 - Total visits on flypgs.com (average/month): 5,103,272
 - Unique visitors (average/month): 2,207,571
- For marketing international flights, Pegasus also uses the GDS system
- Domestic flights are not sold directly via GDS

2010-2011:

- Until end of 2010, international flights were mainly sold through Turkish agents on Pegasus’ B2B booking site in respective countries
- In 2011, increased its digital media use (social networks)

2012:

- Initiated a “flypgs.com” awareness campaign in Turkey
- “Search Engine Marketing” budget was increased in countries with low web sales

Major online travel agents (“OTAs”)

- Pegasus works with the largest OTAs
- Also works with flight comparison sites

Domestic Distribution Channels⁽¹⁾

	2010	2011	2012
Website ⁽²⁾	45.5%	45.5%	47.3%
Travel Agents	46.6%	45.8%	45.8%
GDSs ⁽³⁾	0.3%	1.5%	1.3%
Call Center	6.3%	5.2%	3.1%
Other	1.3%	1.9%	2.5%

International Distribution Channels⁽¹⁾

	2010	2011	2012
Website	30.8%	31.5%	32.5%
Travel Agents	63.3%	55.3%	52.9%
GDSs	1.7%	10.2%	12.7%
Call Center	2.7%	1.7%	0.9%
Other	1.5%	1.3%	1.0%

1. Of total tickets sold on scheduled flight ticket sales (includes split charter).
 2. Includes sales through the mobile site.
 3. Includes sales by travel agents that are booked through GDSs.

Source: Pegasus information.

Pegasus Plus Programme



Launched in October 2011, our frequent flyer programme Pegasus Plus has been a great success

Overview

- A critical tool in building loyalty
- Aimed at generating incremental flight frequency, increased ancillary sales and revenue generation through partnerships
- 610,192 members of Pegasus Plus (as of January 2013), including 165,041 Pegasus Credit Card holders
- Pegasus Credit Card allows card holders to collect flight points for all their purchases
- Highly flexible and easy-to-use model for passengers:
 - Members earn FlightPoints equivalent of 2% of purchase value when booking a flight or purchasing additional services. Each flight point currently equals TL 1.00
 - Charges and taxes can be paid using Flightpoints
 - Members can use their Flightpoints to make either partial payment or payment for the full fare amount
 - Membership number is the mobile phone number of the member



Our Main Hub – SAW Airport



State of the art facility with a large catchment area and ample room for further growth

SAW–Attractive Location in Istanbul



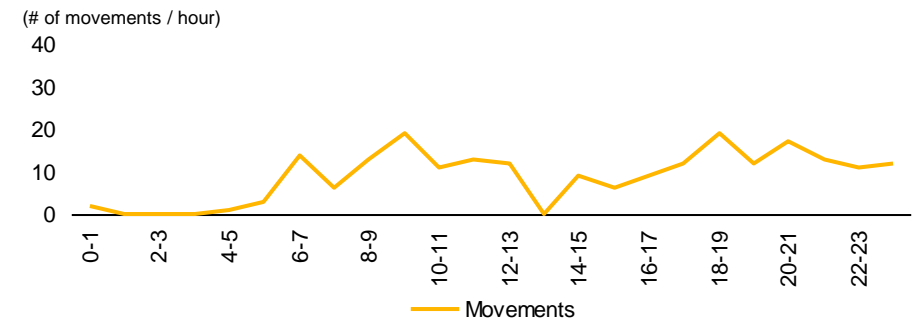
- Attractive location: located 35km southeast of central Istanbul
 - Connection via Turkey’s two major highways provides easy and fast access to the airport
- Operated by a consortium of Turkey’s Limak Holdings, India’s GMR Group and Malaysia Airports Holdings Berhad, who, after winning a 20-year concession in 2007, invested almost €500m in a new terminal
- Industrial and residential areas around the airport such as Bursa, Gebze, Izmit, Sakarya, Yalova and Istanbul Anatolian side
 - Public bus services, including bus services to the Kartal metro station connecting with Kadıköy, Asian centre of Istanbul and Pendik train station, allow for easy access to SAW
 - We also provide bus services to surrounding cities e.g. Bursa, etc.
- One of the largest catchment areas in Europe
 - c.18m population living within an area of 100km
- Announced construction of a second runway which would, if completed, bring total capacity of SAW to 50m passengers a year
 - This compares to Heathrow Airport operating at 100% capacity with c.70m passengers in 2012 and Charles de Gaulle Airport with 80m passengers capacity and c.62m passengers in 2012

Source: Sabiha Gökçen Airport website.

Infrastructure Details

- 112 check – in and 30 Self Service check - in kiosks, a total of 54 passport counters for incoming and outgoing passengers
- 6,500m² food court for cafés and restaurants, 3 apron viewing lounges and CIP halls
- A two-storey VIP building with terminal connection, 400 sqm conference center, a four – storey car park with a capacity of about 4,718 vehicles & 70 buses (3,836 indoors and 882 + 72 bus outdoors)
- A three – storey airport hotel with 128 rooms, adjacent to the terminal and with separate entrances at air and ground sides
- Multi aircraft parking system, allowing synchronized service to 8 aircrafts with large fuselages or 16 middle sized fuselage aircrafts;
- EDS (Explosives Detection Systems) baggage screening
- 5,050m² Duty Free shopping area is run by SETUR and occupies a space of (3,300 sqm in departures and 1,200 sqm in arrivals halls)
- Awards: “Quality in Tourism” award at SKALITE 2012, “SuperBrands 2012” award – the only airport brand in 2012 list, “World Quality Commitment” award in the Gold Category, “Best Airport” award by Voyager magazine, “Best Marketing” award from Routes Europe in the Mediterranean & Southern Europe category

Underutilised Runway Capacity



Source: Air Traffic Intelligence.

Airports and Airport Projects in Istanbul



We believe the third airport project could provide significant cost and catchment area expansion benefits for us

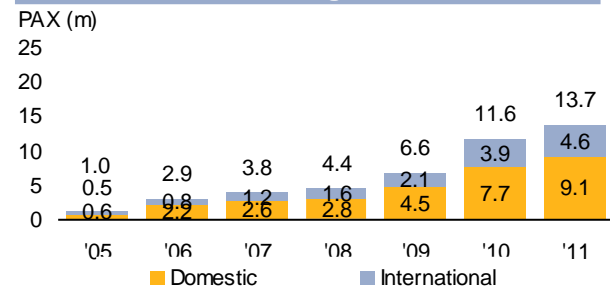
Description

Sabiha Gökçen Airport (SAW)

- International airport located on the Anatolian side of Istanbul, 35km southeast of central Istanbul
- Large catchment area – c.18m population living within an area of 100km
- State of the art terminal and an underutilised runway
- Pegasus Airlines is the largest carrier
- 5,050m² duty free shopping area
- The terminals are operated by a consortium of Turkey's Limak Holdings, India's GMR Group and Malaysia Airports Holdings Berhad

Key Statistics

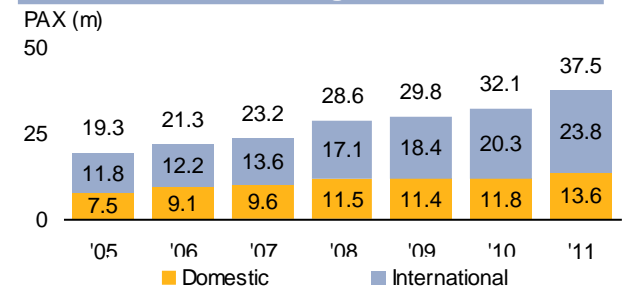
Passengers



Atatürk Airport (IST)

- Main Turkish international airport located on the European side of Istanbul, 25km to city center
- Catchment area: 5.5m people within 30 minutes, 10m people within 60 minutes and 17.5m people within 120 minutes
- Serves 124 airlines and allows access to more than 200 non-stop destinations
- THY is the largest carrier
- Equipped with the latest technology and automation systems
- 6,200m² duty free shopping area
- Operated by TAV Airports

Passengers



New Airport Project – 3rd Airport

Description

- If the new airport is constructed it is expected to provide substantial cost savings due to ample capacity
- Planned to be located between Yenikoy and Akpınar on the European side of Istanbul
- Covers a total area of 90 sq.m.
 - Currently the area has coal mines and requires a refilling of the underground coal pits of around 80-100m depth which will be the most costly and time consuming phase of the project
 - The tender specs mention the materials that will come out of Kanal Istanbul project will be given to the new airport construction if they are suitable, but otherwise it could be a force majeure for the operator

Capacity

- 4 phase project – 150 max PAX capacity planned at the end of all phases, through 6 runways:
 - Phase 1 is expected to bring 70m PAX capacity
 - Phase 2 is expected to bring an additional 20m PAX capacity,
 - Phase 3 adds 30m PAX capacity
 - By the end of Phase 4 expected to reach 150m PAX capacity

Source: Sabiha Gökçen Airport website, TAV Airports, BMI, information on New Airport Project from Transport Minister Press Conference as of 23 January 2013.



Overview

- Ground handling services include ramp baggage handling, flight operation coordination and aircraft security and passenger handling services include check-in and boarding services
 - Other airport operations, including security screening of passengers and luggage, are primarily the responsibility of the authorities at the airports
- Pegasus carries out passenger handling operations at the İzmir airport internally
- Mostly outsource ground handling and passenger handling services at all airports
- At Sabiha Gökçen Airport, Pegasus outsources both ground and passenger handling operations to Çelebi Ground Handling
 - Company plans to take over passenger handling services at the Sabiha Gökçen airport starting from June 1, 2013. We could consider to do the same at selected other airports in Turkey in the future, as long as doing so makes economical sense for us
- Airport charges need to be paid each time for landing and accessing the facilities at the airports
 - Selected used of secondary airports and focus on utilising low cost terminals
 - Depending on the policy of the individual airport, such charges can include landing and parking fees, passenger service charges, and security fees
 - As part of our low-cost strategy, where possible, we seek to negotiate advantageous terms for certain airport charges and other rebates



General characteristics of our IT services and infrastructure

Technology & Infrastructure

Effective IT Operation

- Virtualisation technology is extensively used for achieving scalability and cost efficient server capacity usage
- Low cost servers are utilised, scalability with granular growth in parallel to the business growth is realised
- Applications making use of web browser technology are preferred
- Open source software are utilised as long as they serve the business requirement and satisfy IT security requirements
- Internet is utilised as the main data communication infrastructure. Proprietary or legacy communication protocols or services are not used
- Standardization on system software and hardware is in place for simplifying the IT operation and efficient system support with the right sized staffing
- Third party application providers and local application developers are used, synergic long term relationships are set with those
- Pegasus operates its systems by its internal IT human resources, in a data center facility located in Istanbul

Sustain Business Continuity

- Capacity Plan foresees 2 years ahead, server, storage capacity and bandwidth increases are provisioned in accordance
- Redundant hardware and infrastructure are deployed for mission critical systems to support 7x24 business operation
- Internet bandwidth allocation is flexible to support up to 3x of the normal traffic during campaigns
- Mission critical systems and their data are replicated real-time to the systems located in airline's İzmir disaster recovery data center. IT Disaster Recovery Plan is reviewed and tested by the business units twice a year
- IT best practices are applied in change and problem management processes to reduce unplanned service disruptions
- IT security is closely reviewed and risks are addressed timely

Source: Pegasus information.

IT Systems (2/4)

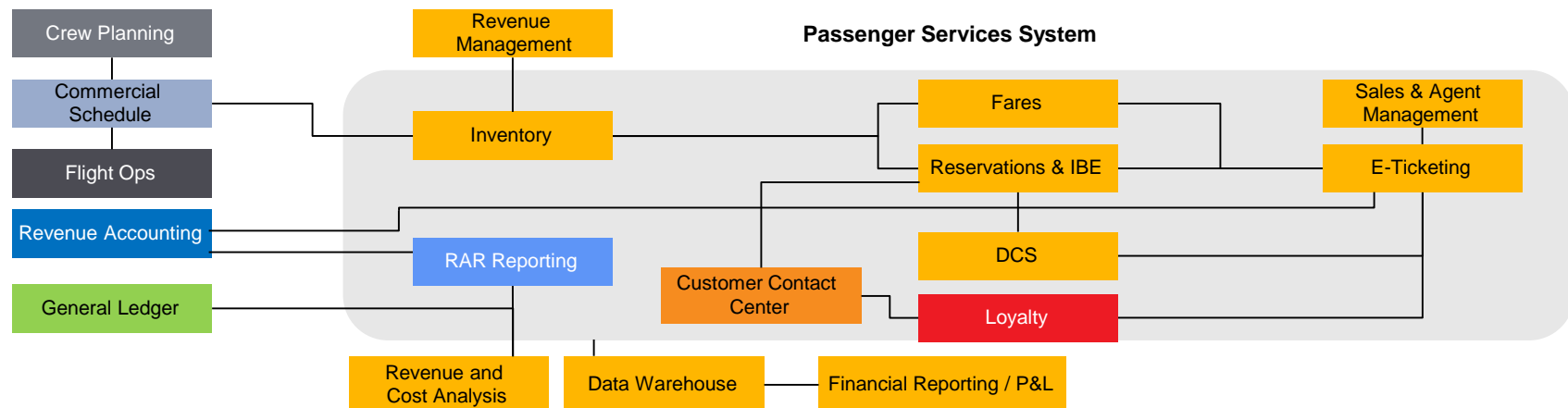


Cutting edge information technology infrastructure...

Overview

- The Company has an integrated IT infrastructure and invests in IT so as to directly lower costs, enable scalable operations, improve efficiency support operations
- Key applications include
 - Crane PAX for reservations, electronic ticketing and DCS System
 - Crane Loyalty for frequent flyer system
 - AirRM for revenue management system
 - Wings for technical maintenance system
 - Logo Unity II General Ledger, Crane RCA, data warehouse and IBM Cognos TM1 (BI) for financial management and reporting
 - Crane SP, Crane Slot and Crane FCC for commercial schedule planning, slot messages and operations control
 - Crane Crew for crew rostering and tracking
 - Pegasus Cafe for on board sales and backoffice system

Integrated IT Structure



Source: Pegasus information.

IT Systems (3/4)



...encompassing all the main areas in an integrated fashion

Passenger Services

- Crane PAX system from Hitit Computer Services Ltd.
- New generation system comprised of reservations, departure control (DCS), electronic ticketing

Revenue Management

- Receives post departure data and future booking figures in real time from reservations system calculates booking class authorisations for maximising the revenue, updates the inventory
- Detailed reports for historical and future availability, bookings, no-show, load factor, revenue per seat and similar

Frequent Flyer System

- Crane FF-Loyalty system
 - Manages basic member data, correspondence, activities & redemptions, partnership management and marketing
 - Interfaces with Crane PAX and Pegasus website for points redemption, ticket purchase and program enrolment

Operation and Planning Systems

- Lido Flight Planning from Lufthansa Systems for generating flight plans
- Crane FCC, Crane Sched, Crane Slot and Crane Crew systems used in commercial scheduling, slot management flight operations and crew scheduling
 - Built around a common database to provide real time data flow between them
- Electronic Flight Bag Application
 - For cockpit crew use
- PADES, centralised weight and balance system
- Pegasus Café on-board sales and back-office system,
 - catering ancillary load planning, pre-order processing
 - on-board sales, payment processing,
 - Accounting, commissions, reporting
 - Is integrated with commercial schedule, reservations, GL

Finance Systems

- Cost control and daily revenue and cost reporting implemented on Crane RCA
- Daily P&L reporting, using business intelligence tools (TM1 & Cognos) and the data warehouse.
- Logo Unity II General Ledger

Maintenance Systems

- WINGS system (to be replaced at the end of 2013 with AMOS by Swiss Aviation Software Ltd.)
 - Warehouse management
 - Technical supply management
 - Engineering, maintenance planning
 - Line maintenance
 - Interfaced with Crane FCC

Revenue & Cost Analysis

- Crane RCA system
 - Forecastis DOC per flight, receives electronic invoices, enables invoice control
 - Receives daily revenue data form Crane PAX
 - Receives flight schedule from Crane SP and FCC
 - Estimates DOC for each flight, receives electronic invoices, enables invoice control
 - revenue & cost forecasts and actuals are generated for management reporting

Safety and Quality System

- AQD for flight safety and quality incident reporting, root cause analysis, risk management, audits, reporting and compliance
- Used by all Pegasus staff
- Interfaced with electronic flightbag

Source: Pegasus information.



We have a strong pipeline of new projects to continuously improve our infrastructure

Technology & Infrastructure

Business Projects

- Deployment of new accrual and spend modalities, cross promotion functionalities for Pegasus Plus Programme expected February 2013
- Co-branded credit card implementation for Pegasus Plus Programme expected April 2013
- Analytics and campaign management tool design and implementation for Pegasus Plus programme
- Implementation of subhosting in Passenger Services System for Air Manas, expected February 2013
- Connecting Passenger Services System to Sabre Global Distribution System, expected 1Q 2013
- Electronic Miscellaneous Document implementation with Amadeus, expected 2Q 2013
- Product bundling expected 3Q 2013
- Connecting Passenger Services System to TravelPort GDSs, expected 4Q 2013
- Data warehouse expansion project phase II design and implementation, expected 4Q 2013
- Airport Self Service kiosk renovation and expansion project for Sabiha Gökçen, expected 3Q 2013
- Pegasus DCS expansion to abroad destinations, expected throughout 2013
- AMOS maintenance system implementation, expected November 2013
- Budgeting module implementation, expected 4Q 2013

Infrastructure

- Data Center relocation, expected April 2013
- Server and storage capacity upgrade, expected April 2013

Source: Pegasus information.

Maintenance



Line maintenance is provided in-house and heavy maintenance is outsourced

Line Maintenance

- Routine, scheduled maintenance checks on Pegasus' aircraft, including pre-flight, daily and overnight checks and any diagnostics and routine repairs ("A" checks)
- Approved JAR-145 maintenance organisation and licensed by the Turkish Civil Aviation Authority to provide line maintenance for B737-300/400/500/800 models
- At airports where Pegasus does not have a line station, these services may be performed by other maintenance organisations certified through EASA 145 or the Turkish Civil Aviation Authority

Heavy Maintenance

- More complex inspections and servicing of the aircraft that cannot be accomplished overnight ("C" and "D" checks)
- Performed following a pre-scheduled agenda of major overhauls defined by the aircraft's manual
- Currently outsourced – over the last five years, the majority of "C" checks were carried out by Turkish Technic (subsidiary of THY)
 - Pegasus has good relationships with Turkish Technic but the Company also has several other alternatives for heavy maintenance



Committed to achieving the highest level of safety performance and meeting national and international standards, while delivering services

Safety Management System (“SMS”)

- To maintain safety goals, Pegasus Airlines implemented a comprehensive Safety Management System
- To foster safety consciousness, introduced a “Just Culture” and hazard reporting system
- Sertaç Haybat is accountable and responsible for the implementation of the company’s SMS

Non-Punitive Policy

- Reporting of accidents or events/errors is an essential element of the Safety Management System
 - Non-punitive to encourage disclosure of such information without fear and retribution
- Information concerning safety freely available to personnel

Safety Goals

- Established by Safety Review Board during annual Safety Board meetings
- Safety goal setting concentrates on identifying systemic weaknesses and incident/accident precursors and either eliminating or mitigating them
 - Published and distributed to personnel

Safety Objectives

- Determined during Safety Action Group Meetings
- Each operational department sets their own objectives which are linked to the safety performance indicators, safety performance targets and action plans
- Followed up by Safety Management Department to measure safety performances
- Progresses are reviewed during Safety Action Group meetings
- Success or failure in meeting safety objectives treated in the same way as success or failure at meeting any other types of goals

- Safety certificates include IOSA Certificate; ISO 9001, ISO 14001 and OHSAS 18001 RoyalCert; ISO 9001 and ISO 14001 and OHSAS 18001 TUV
- The Company has had two minor incidents with no injuries incurred on passengers:
 - In Orly, France, LH winglet hit jet away on 7 July 2010
 - In Malatya, Turkey, LH wing hit a lighting pole on 30 October 2009
- Contributing factors were the infrastructure of the airport, documentation and lack of marshaller support or pushback services



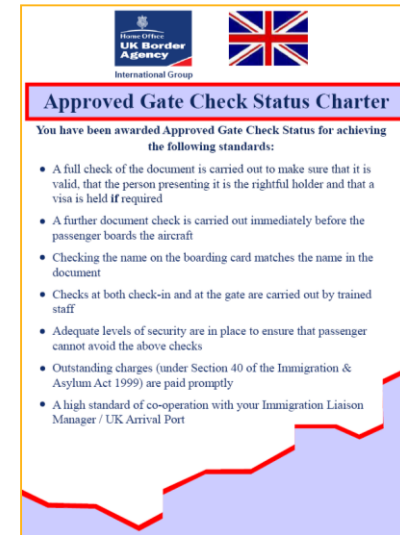
Source: Pegasus information.



In addition to the security services provided by airports, we train our personnel and also conduct secondary checks

Security Overview

- Relevant airport operators are responsible for security screening of passengers and baggage at Pegasus's domestic and international airports
- Pegasus trains its staff to remain vigilant in identifying potential security breaches as well as in handling unruly passengers
- The Company also institutes secondary checks, such as passport screening, at certain airports
- All potential employees undergo thorough background screening prior to being hired and are subsequently also screened by the local regulators and airport police before they are permitted access to the relevant airports. Appropriate training is provided to crew in respect of dangerous goods awareness and other security issues
- The Company is governed by the security regulations of the Turkish Civil Aviation Authority and the International Civil Aviation Organization
 - Safety and security issues such as licensing, approved maintenance training and reporting are regulated under the Civil Aviation Law and through a number of regulations such as the SHY-6A and the Regulation on Reporting and Assessment of Air Traffic Management Related Safety Occurrence
 - On the international and EU level, principles set out in ICAO, EASA and IATA Operational Safety Unit (IOSA) regulations govern safety matters



Training



We offer training in-house and for third parties through Pegasus Flight Academy

Overview

- All training programs for pilots and cabin crew are approved by the Turkish Civil Aviation Authority (regularly audited)
- Pegasus is Type Rating Training Organisation (TRTO) certified
- In 2010, Pegasus established a Boeing 737-800NG flight simulator in cooperation with SIM-Industries B.V. to operate own pilot training (prior to that pilot training was operated by THY and the International Flight Training Center)
- As part of the aircraft purchase agreement, Airbus will install flight simulators and provide support for flight training, crew training and maintenance training
- In December 2012, Pegasus implemented the infrastructure for the e-learning portal “Pegalearn” for employees which will allow access to the e-learning catalogue of soft skill and technical courses in addition to the standard courses assigned to employees
- As of 1 January 2013, Pegasus is entitled to use the IATA Authorized Training Center which will enable Pegasus employees to obtain the IATA certified courses and train the employees of other airline companies
- In addition to these training platforms, each group has its own training budget and could offer specific training opportunities for their personnel



Pilot Training

- Has provided either basic or refresher training for pilots flying the Pegasus fleet since 1994
- Training is conducted in-house by its own flight instructors

Technical Training

- Only company in Turkey that provides “Human Factors in Maintenance” training
- This program has been developed over the last four years by the Aerospace Psychology Research Group of the University of Dublin, Trinity College, Ireland, which carried out its STAMINA project in collaboration with the EU

Cabin Crew Training

- Cabin crew training takes place in the Pegasus Training Academy and has done so since the airline’s inception in 1990
- This training complies fully with international civil aviation rules and is within the framework of programs authorized by the Turkish Department of Transport and the Directorate General of Civil Aviation

Source: Pegasus information.

Compensation – Employee Benefits & Incentive Plans



Pegasus family geared for success

- We have various financial sharing schemes which have been established since March 2005 and in effect currently. We incentivise our team efficiently and provide competitive total compensation packages

Profit Sharing Plan

- All employees with at least one year service with us are eligible for this plan
- The profit pool is defined as 10% of respective years' earnings before tax (IFRS)
- Allocation formula is primarily based on: satisfaction of individual targets which are set at the beginning of each period and also base salary levels of each individual
- Payments are made every April (c.€8m will be distributed to our employees for 2012 performance in April 2013)

Executive Bonus Plan

- VP and above are eligible (currently 23 people)
- All-cash plan (no stock component)
- Eligibility is based on the EBITDAR performance of Pegasus and satisfaction of individuals' own targets in respective years
- Each individual has a personal pool and payments are made as equal instalments in 1+3 years (vesting period)

Source: Pegasus information.

Compensation – Employee Benefits & Incentive Plans



Pegasus family geared for success

Compensation for Pilots and Crew

- Captain and first officers have two main sources of income:
 - € denominated base salaries
 - TL denominated variable payments per sector flown
- On average, variable component equates to +20% of take home pay in a given year
- Similar structure for cabin crew; however, both base salaries and variable payments are denominated in TL
 - Cabin crew also receives a tidy-up pay (aircraft cleaning) per sector flown and commission on Pegasus Café sales
- On average, variable component equates between 20% and 40% of the take home pay for cabin attendants in any given year

Compensation for Other Employees

- Revenue management specialists (route analysts) and sales teams (group sales personnel) are heavily incentivised towards exceeding their annual budget targets by variable compensation schemes
 - For example, in 2012, revenue management specialists on average took an additional pay equal to 80% of their base salaries as incentive payments
- Share of excess baggage revenue: fixed TL payments per month per staff, if the station exceeds the monthly excess baggage revenue targets

General Packages for Employees

- We provide several other benefits including loss of license and life insurance for captains, private health care insurance for our employees and their immediate families
- Other standard benefits include maternity leave, sickness leave, collective transportation, lunch, etc.
- We also offer discounted flight tickets to our employees and their families

Source: Pegasus information.



Financials

Background to the Financials



Overview

- Pegasus reports in Turkish Lira in accordance with IFRS
- Euro is used as functional currency in accordance with IFRS
 - We translate monetary balance sheet items from Turkish Lira and U.S. dollars to Euro by using rates as at the balance sheet date. We also translate revenue, cost of sales, expenses and cash flow items from Turkish Lira and U.S. dollars to Euro by using the exchange rates in effect on the date of the transaction
 - We have converted our financial statements prepared in Euro as the functional currency into Turkish Lira as the reporting currency as follows:
 - Assets and liabilities have been translated into Turkish Lira using the Central Bank's official Turkish Lira ask rate (the "Central Bank exchange rate") for euro prevailing at the balance sheet date (December 31, 2012 EUR 1.00 = TL2.3517; December 31, 2011 EUR 1.00 = TL2.4438; December 31, 2010 EUR 1.00 = TL2.0491); and
 - Income and expenses have been translated into Turkish Lira at Central Bank exchange rates prevailing as of the dates of the relevant transaction
 - Translation gains and losses arising from the translations listed above are disclosed as foreign currency translation reserve under equity
- All reports have been reclassified for IzAir, a jointly controlled entity between Pegasus and Air Berlin
- Financials in the following section are based on Deloitte audited accounts

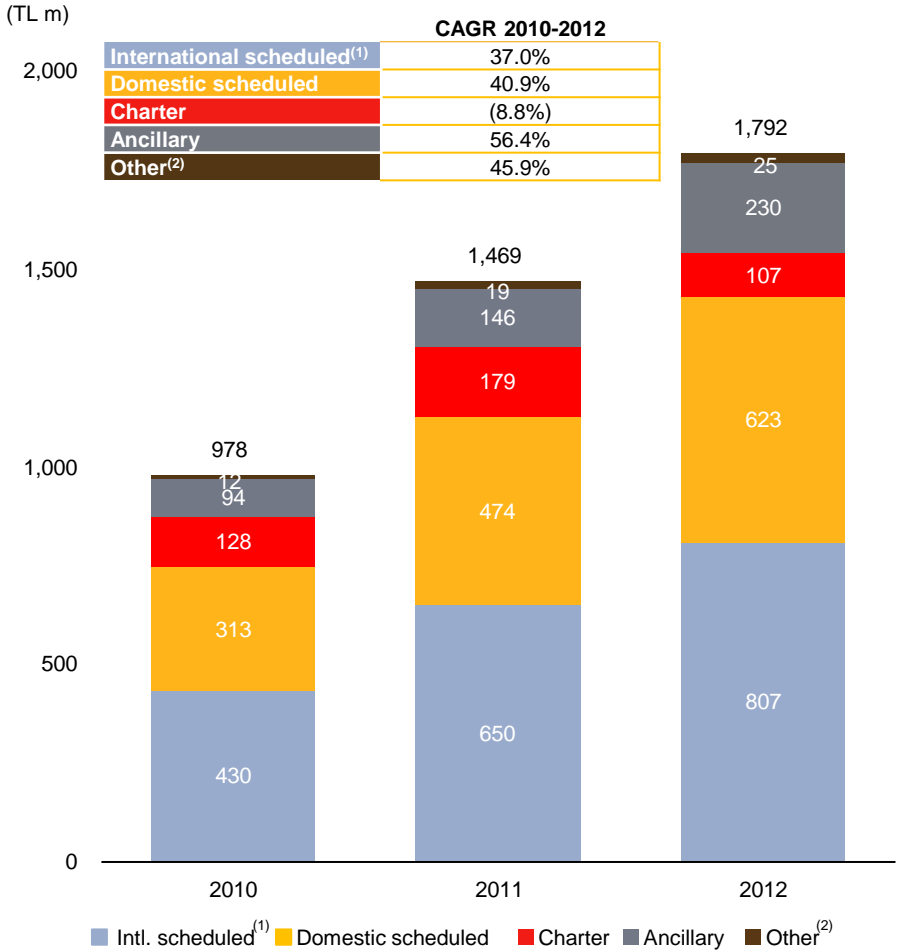
Source: Pegasus information.

Revenue Overview

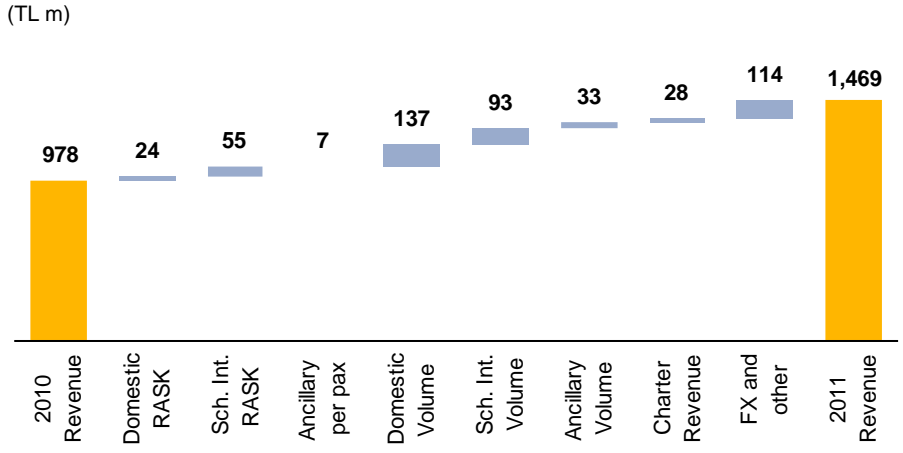


Pegasus has further reduced its charter exposure and increased its ancillary revenue while generating significant growth in its scheduled operations

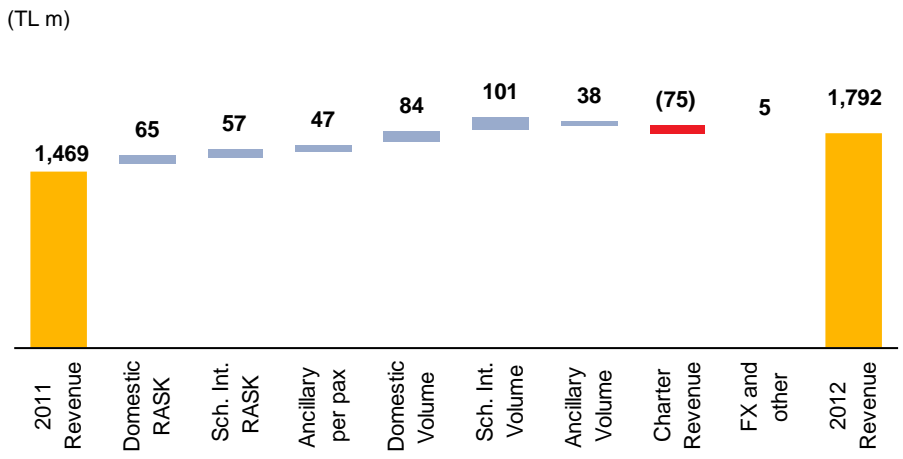
Revenue Development



2010-2011 Revenue Bridge



2011-2012 Revenue Bridge



Source: Pegasus information.
 1. Includes international split charter.
 2. Includes cargo services and training revenue.

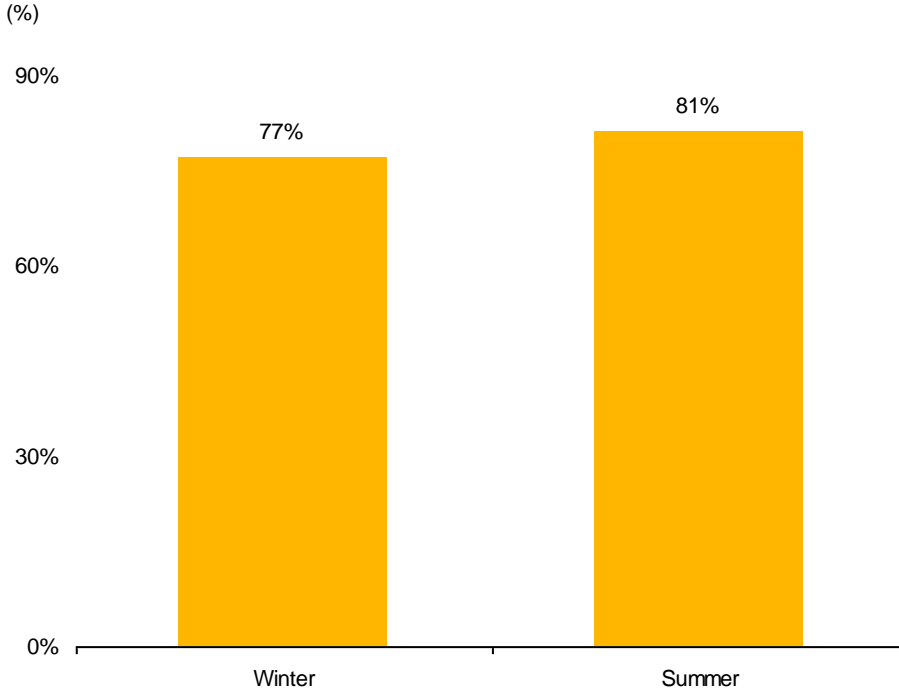
Seasonality & Load Factor Management



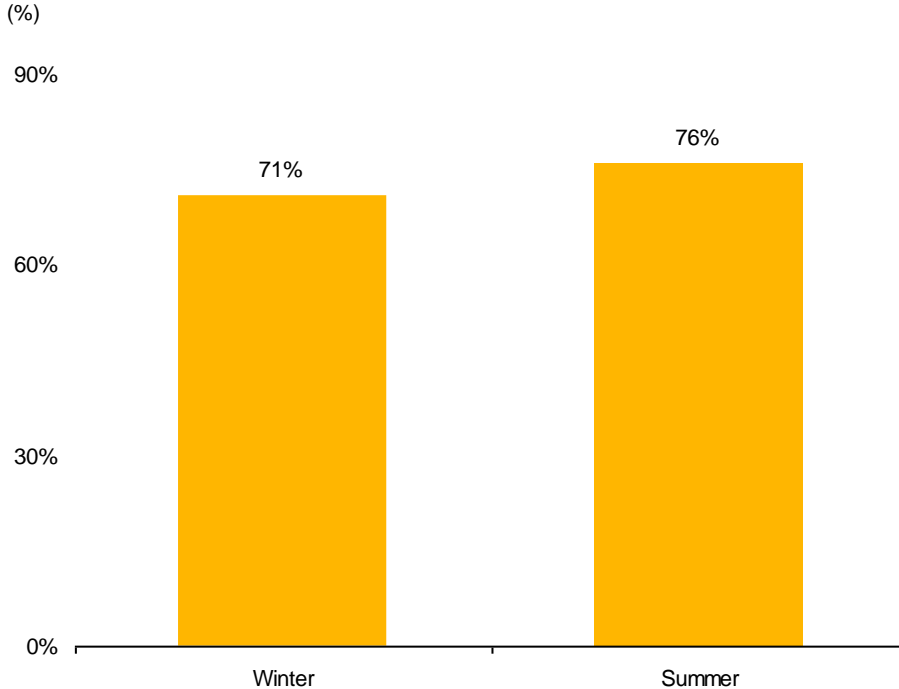
Limited seasonality increases visibility for our operations

- International passenger volumes are somewhat seasonal, with peaks around holiday seasons (Easter and Summer breaks)
- Seasonality effects domestic passenger volumes to a lesser extent, with only a modest increase in passengers in July (covering the summer break)
- We do not ground any aircraft during the winter season

2012 Seasonality – Domestic Scheduled Load Factors



2012 Seasonality – International Scheduled Load Factors



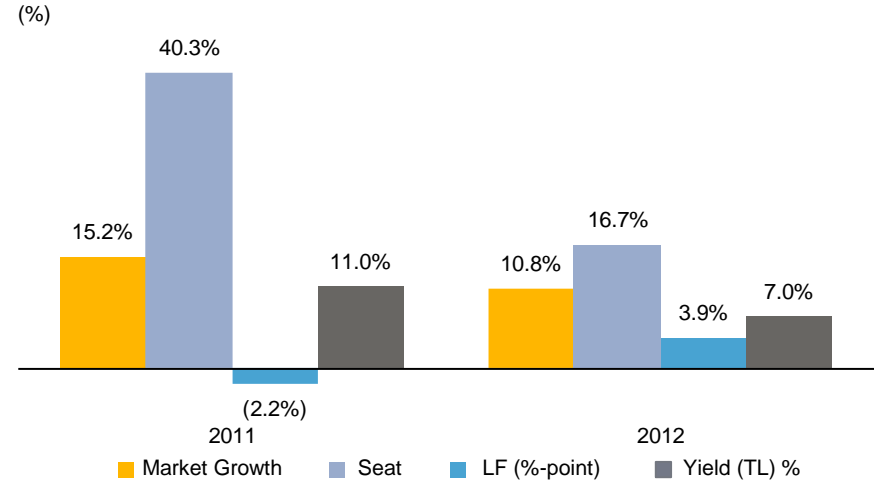
Source: Pegasus information.
Note: Winter and summer seasons according to IATA definitions: winter season runs from end of October until end of March and summer season runs from end of March until end of October.

KPI Drivers and RASK Analysis



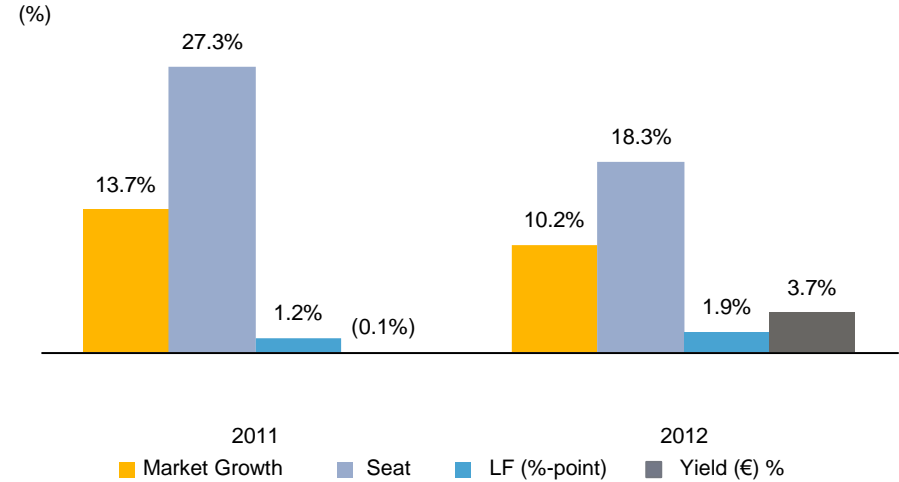
Despite significant growth in fleet and route network over the last few years, we have managed to increase yields and RASK

Annual Change in Key Domestic Scheduled Metrics



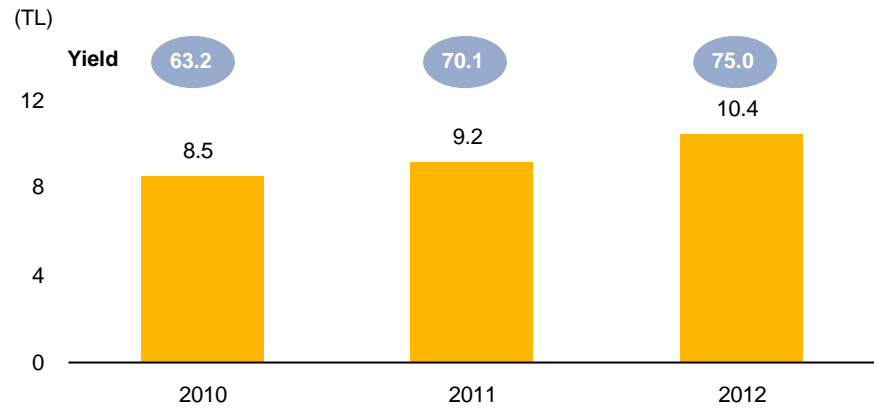
Source: Pegasus information.

Annual Change in Key International Scheduled Metrics



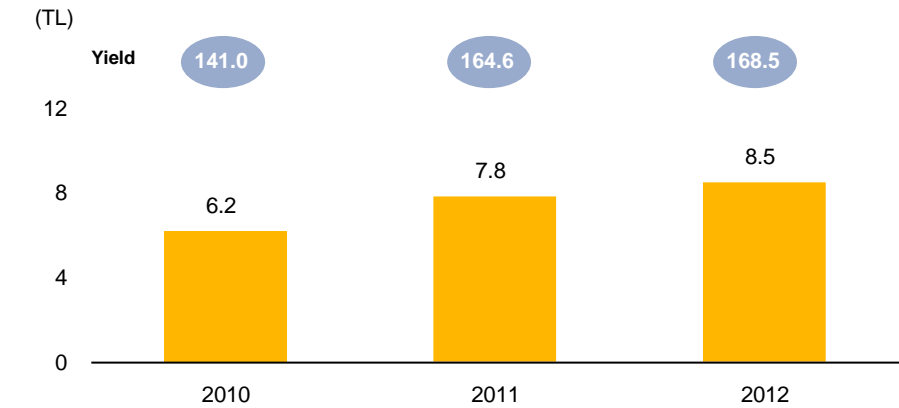
Source: Pegasus information.

Domestic Scheduled RASK



Source: Pegasus information.

International Scheduled RASK

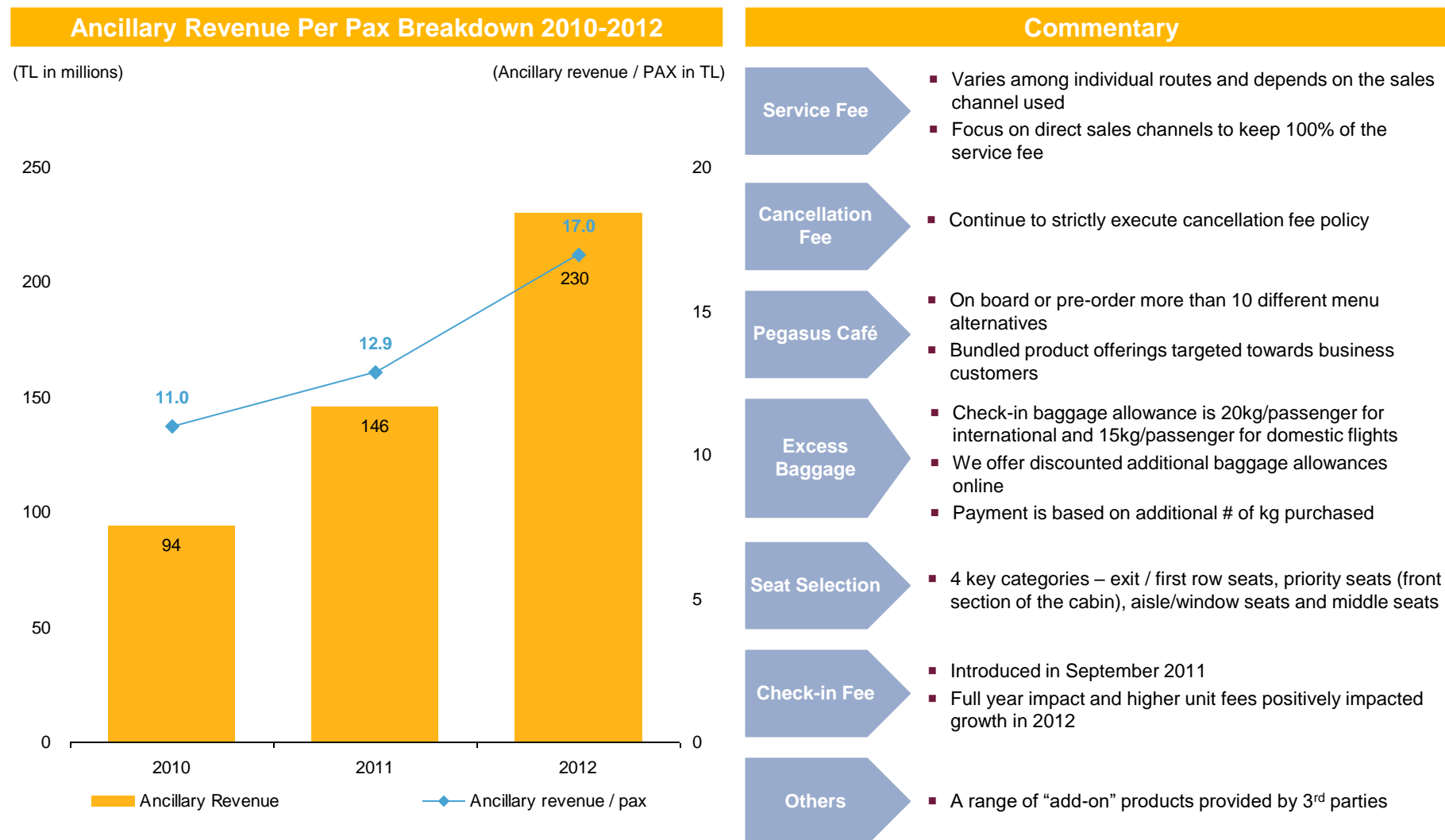


Source: Pegasus information.

Ancillary Revenue



We have a strong track record in continuously improving our ancillary revenue base



Source: Pegasus information.

Operating Costs



Pegasus has been consistent in managing costs to maintain a competitive cost structure

Costs / ASK					Comments
(TL kuruş)	2010	2011	2012	CAGR	
Jet fuel expenses	2.79	4.08	4.28	23.8%	<ul style="list-style-type: none"> ■ Jet fuel expenses have increased significantly over the last three years <ul style="list-style-type: none"> ■ Primarily due to our war on fuel initiative, we managed to decrease our payload adjusted ton / block hour usage from 2,318 to 2,196 in the same period ■ Income sharing plan impact in 2012 and EUR/TL rate were the key drivers of the increase in the personnel expenses <ul style="list-style-type: none"> ■ Our total number of personnel increased less than the increase in ASKs (30% vs. 36%) and excluding income sharing plan the cost per FTE increased by c.6% over the same period ■ Decrease in the average number of operating lease aircraft and increase in sale and leaseback ("SLB") aircraft ratio in operating leases were the key driver of the change in maintenance expenses between 2011 and 2012 <ul style="list-style-type: none"> ■ We do not pay any maintenance reserve for SLB aircraft; therefore we make provision per BH for these aircraft at estimated cost ■ Investments in the Pegasus brand and EUR/TL impact have increased the advertising costs per ASK by 14.2% over the period ■ Total commission expenses increased by 45.7% as a result of increasing in GDS sales ratio and EUR/TL impact <ul style="list-style-type: none"> ■ Significant increase in higher yield international sales recorded as a result of this GDS initiative ■ The increase in D&A is due to the increase in the number of finance leases, which is higher than the increase in ASKs
Maintenance expenses	0.65	0.73	0.43	(19.0%)	
Handling fees	0.62	0.67	0.68	4.3%	
Navigation expenses ⁽¹⁾	0.59	0.68	0.63	3.1%	
Landing expenses	0.20	0.24	0.24	10.0%	
Operating lease expenses	0.65	0.75	0.52	(10.7%)	
Personnel expenses	1.00	1.08	1.20	9.7%	
PAX service / catering expenses	0.13	0.13	0.12	(2.0%)	
Advertising expenses	0.17	0.23	0.22	14.2%	
Commission expenses	0.07	0.12	0.15	45.7%	
Rent expenses	0.02	0.03	0.03	5.9%	
Other expenses	0.55	0.57	0.57	1.4%	
D&A expenses	0.33	0.51	0.64	39.5%	
Total CASK	7.77	9.81	9.70	11.7%	
Total CASK (excl. fuel)	4.98	5.73	5.42	4.3%	
Total CASK (€c)	3.89	4.20	4.21	4.0%	
Total CASK (excl. fuel) (€c)	2.49	2.45	2.35	(2.9%)	

Source: Pegasus information.

Note: Figures converted into Euros at the €/TL FX rates of 1.9983, 2.3349 and 2.3061 for 2010, 2011 and 2012, respectively.

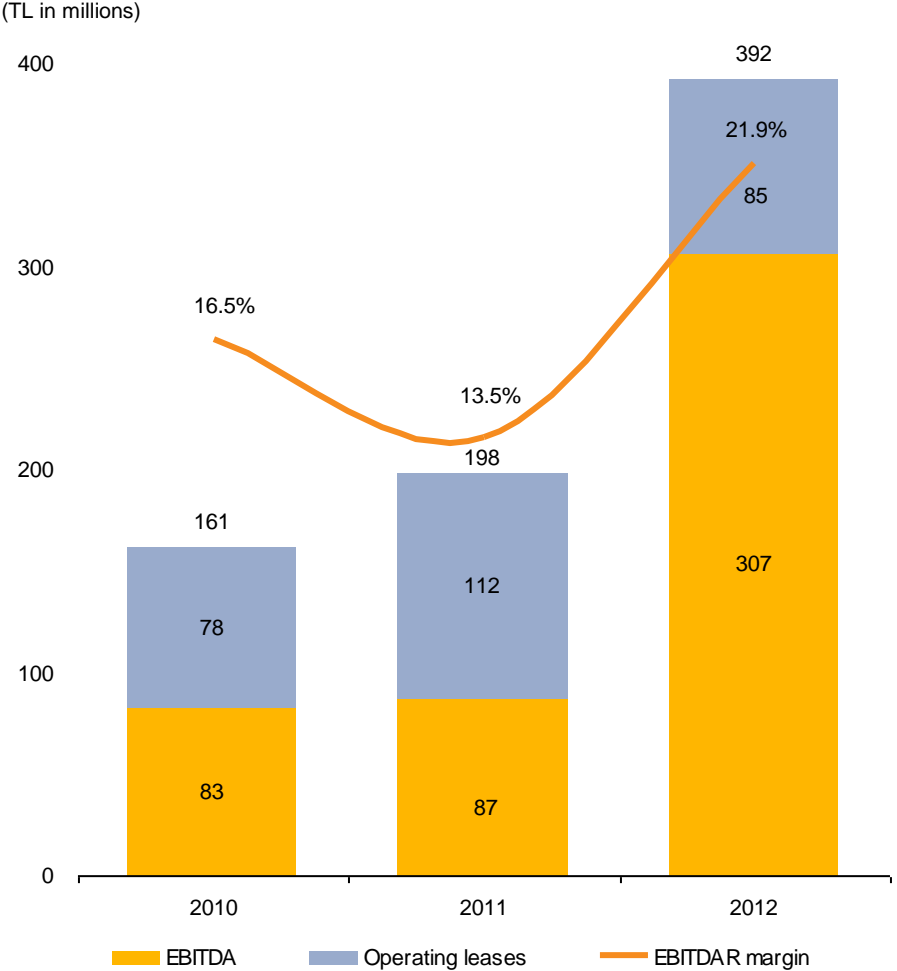
1. Includes traffic control and overflight expenses.

EBITDAR Analysis

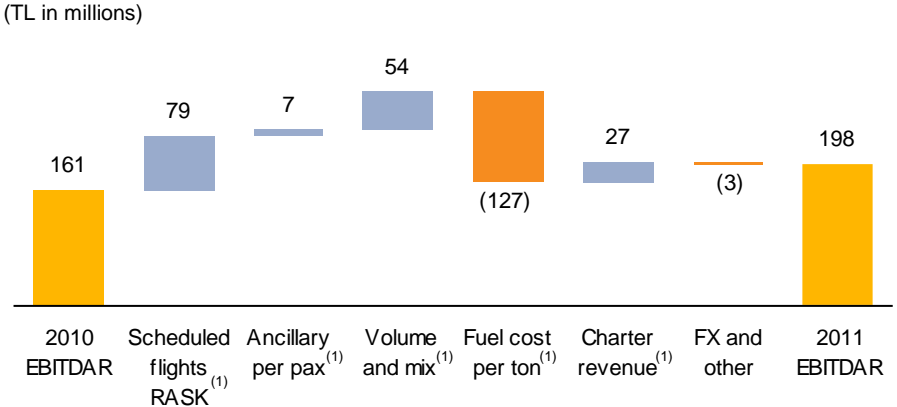


Strong and sustainable recovery in margins

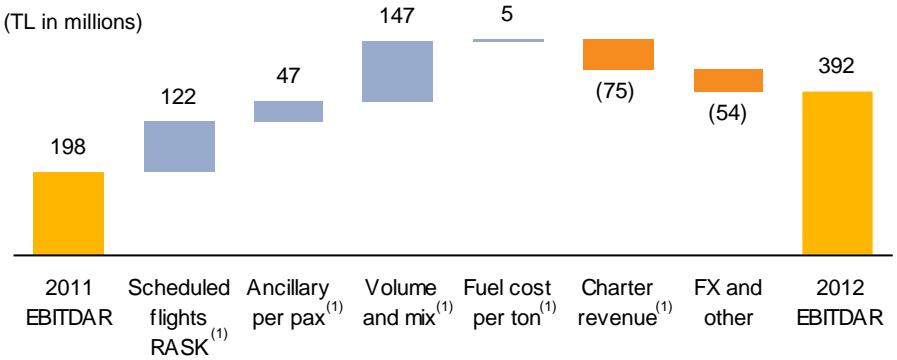
EBITDAR and Margin (2010-2012)



2010-2011 EBITDAR Bridge



2011-2012 EBITDAR Bridge



Average # of Operated Aircraft ⁽²⁾	2009	2010	2011	2012
	20.6	27.7	34.5	37.4

1. Excluding FX impact.
 2. Operated aircraft defined as the average number of aircraft less number of days in planned overhaul.

Source: Pegasus information.

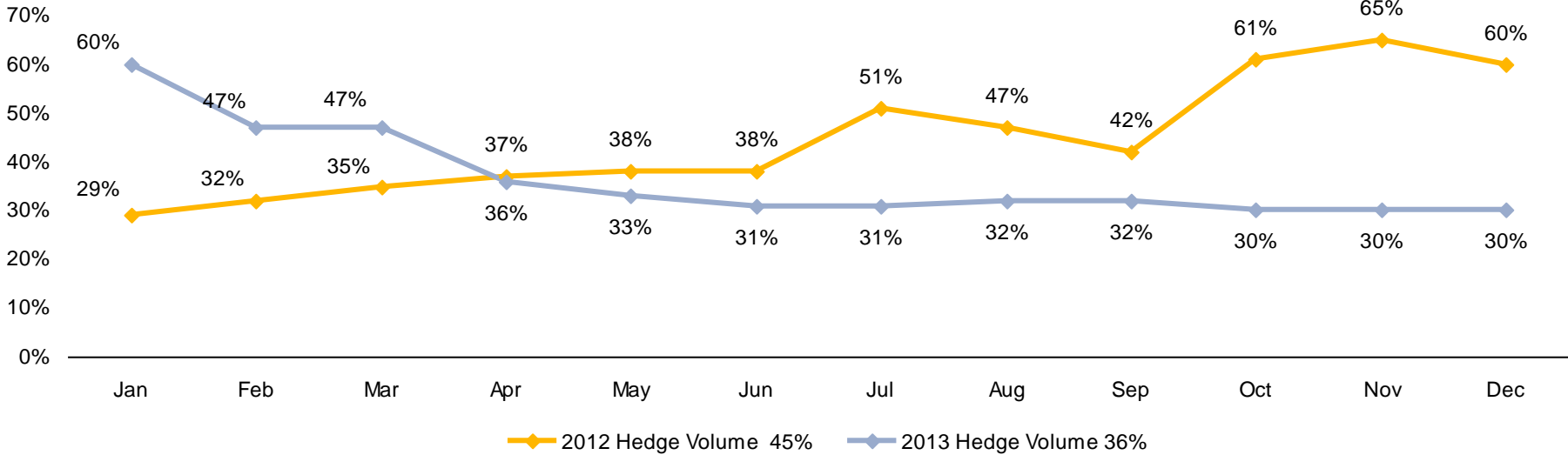
Fuel Hedging



Comments

- In September '11 our primary program for Fuel Hedge (Non-Discretionary) started to reach 30% of the annual fuel consumption in 2012. The supplementary program for Fuel Hedging (Discretionary) which was approved for another 30% of the annual fuel consumption
- In both programs till now we have used swaps on Jet CIFNWE and Brent oil, but to eliminate the downside risk as well as structures with collars
- Pegasus has also implemented fuel surcharges, bearing in mind what other industry participants are doing
- Pegasus hedged 45% of fuel consumption in 2012 at \$995 per ton
- For 2013, 36% of fuel consumption hedged in advance at \$929 per ton

Monthly Hedging Rates



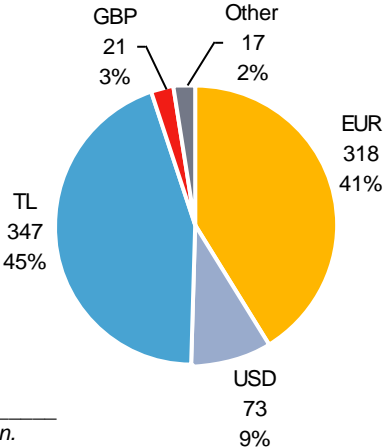
Source: Pegasus information.

FX Exposure & Hedging



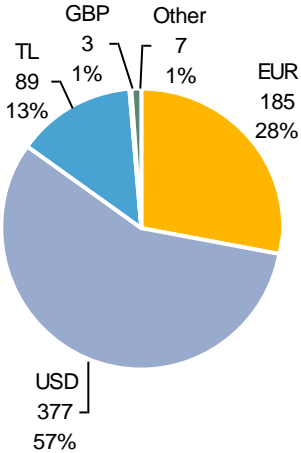
Pegasus manages its FX exposure by hedging

Revenue Exposure (€m, %)



Source: Pegasus information.

Expenses Exposure (€m, %)



Comments

- The functional currency of Pegasus is the Euro, as the Company receives 41% of its revenues in Euro
- Pegasus hedges its entire Euro denominated surplus and its Turkish Lira denominated surplus totalling up to 100% US\$ needs
- Hedging policy allows to cover currencies such as British Pound, Euro, Swiss Franc, Turkish Lira and US Dollar for up to 12 months
- In 2012, 94.8% of USD short positions were hedged
- For 2013, 81.2% of USD short positions are hedged already
- In 2012, a 10% devaluation of Euro vs. US Dollar would have decreased EBT by TL14.9m, and vice versa
- In 2012, a 10% appreciation of Euro vs. Turkish Lira would have decreased EBT by TL8.9m, and vice versa

Pegasus manages its FX exposure by hedging

Source: Pegasus information.

Balance Sheet Structure

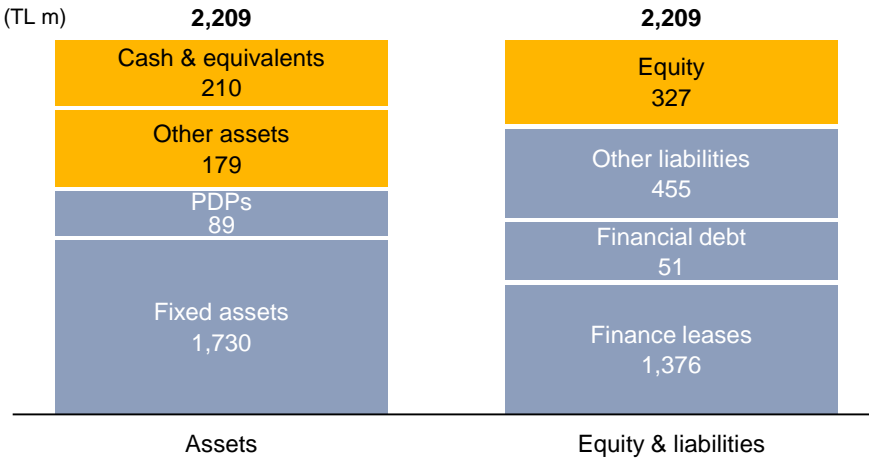


Commentary

- Pegasus' balance sheet has grown rapidly in-line with aircraft deliveries
- Returns in 2012 and efficient capitalisation have resulted in high return on equity
 - ROE of ~49% in 2012⁽¹⁾
- Adjusted net leverage came down significantly in 2012
- As of 31 December 2012, we have available borrowing capacity of TL395,013,764

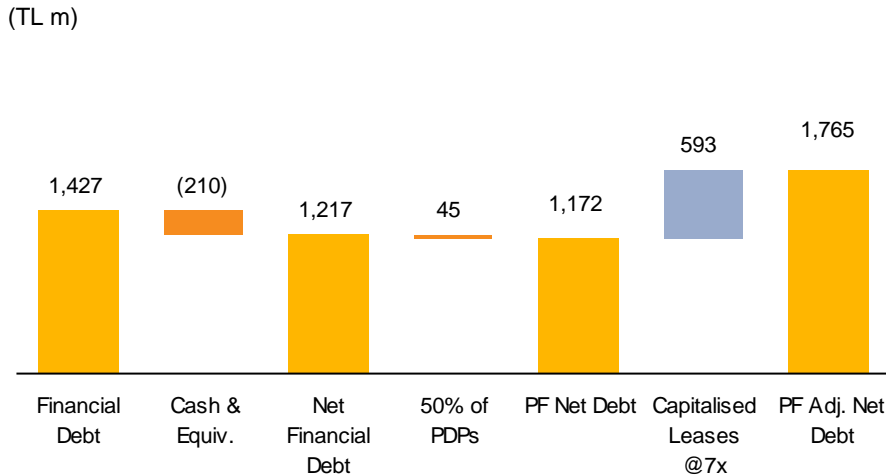
1. Calculated on average equity: 2012 net income of TL126.3, 2011 and 2012 equity of TL188.8m and TL327.3m, respectively.

Balance Sheet Structure (31st Dec 2012)



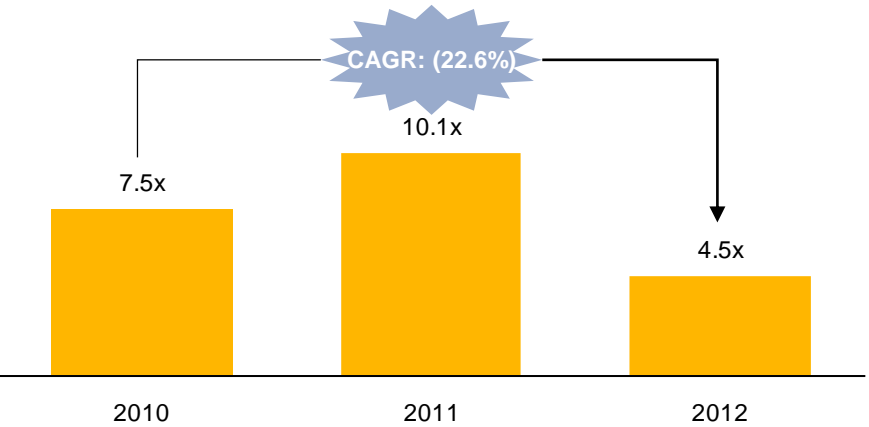
Source: Pegasus information.

Adjusted Net Debt (31st Dec 2012)



Source: Pegasus information.

Adjusted Net Leverage⁽¹⁾



Source: Pegasus information.

1. Adjusted net leverage calculated as adjusted net debt divided by EBITDAR. Adjusted net debt calculated as financial debt minus cash and cash equivalents minus 50% of PDPs plus operating leases capitalised at 7.0x

Capital Expenditures

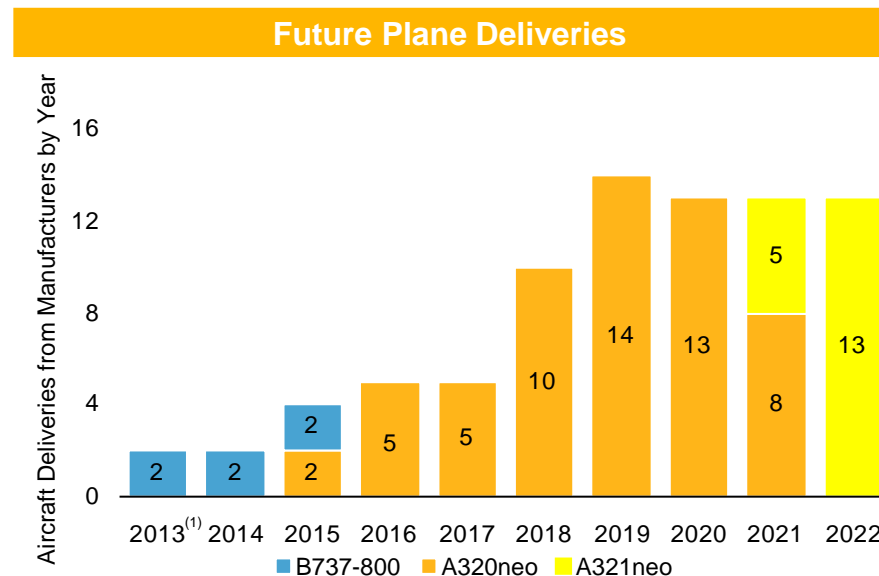


Capex principally comprises expenditures related to aircraft PDPs

Net Capex Schedule – 2010-2012			
(TL m)	2010	2011	2012
Pre-delivery payments for aircraft, net	(94.3)	47.6	13.9
Purchase of tangible and intangible equipment, net	(7.5)	(14.0)	(17.5)
Other ⁽¹⁾	-	-	14.1
Total	(101.8)	33.6	10.5

Source: Pegasus information.

1. Other capital expenditures cash proceeds from sales of subsidiary shares, payments for acquisition of subsidiary and interest received.



Source: Pegasus information.

1. One aircraft has already been delivered in 2013.

Comments

- Our capital expenditures principally comprise expenditures related to aircraft pre-delivery payments (PDPs)
 - The amount of each pre-delivery payment is calculated based on the aircraft's list price
- The difference between the pre-delivery payments made by us based on the list price of the aircraft and the final pre-delivery payment that is based on the actual purchase price of the aircraft is repaid to us by Boeing or deducted from the pre-delivery payments of other aircraft
 - We expect the pre-delivery payment mechanism for the aircraft to be delivered to us under the Airbus Order to be similar to our pre-delivery payment arrangements with Boeing.
- We have historically used finance leases more than operating leases to finance the growth of our fleet – 68% vs. 32% as of year end 2012
- We have started using sale and leaseback arrangements and expect to finance the remaining five Boeing 737-800NG aircraft to be delivered to us between 2013 and 2015 through sale and leasebacks
- While the costs related to sale and leaseback arrangements are slightly higher than the costs of Ex-Im or ECA supported financing, we believe that sale and leaseback arrangements provide us with certain benefits, including the additional flexibility to manage our balance sheet structure and the ability to mitigate the residual value risk relating to aircraft ownership
- With regard to our future fleet of Airbus A320neo and A321neo aircraft, we expect to continue to actively manage this fleet and to maintain a balanced portfolio of owned aircraft (including finance leases) and aircraft under operating leases (including sale and leaseback arrangements)

Source: Pegasus information.

Operating and Financing Cash Flow



We have strengthened our cash flow profile as a result of improved operating performance

Summary Cash Flow

(TL m)	2010	2011	2012
Net cash from operating activities	126.6	47.5	462.4
Net cash used in investing activities	(101.8)	33.6	10.5
Net cash provided by / (used in) fin. activities	18.1	(110.8)	(282.4)
Net (decrease) / increase in cash & cash equiv.	43.0	(29.7)	190.6
Cash & cash equiv. at the beginning of year	6.3	49.3	19.5
Cash & cash equiv. at the end of year	49.3	19.5	210.1

Net Cash Provided by / Used in Financing Activities

- Net cash used in financing activities in 2012 was mainly due to repayment of borrowings of TL446.5m, repayment of lease payables of TL117.4m and interest paid of TL36.5m, partially offset by increase in borrowings of TL318.0m
- Net cash used in financing activities in 2011 was mainly due to repayment of borrowings of TL201.3m, repayment of lease payables of TL78.7m and interest paid of TL26.4m, partially offset by increase in borrowings of TL195.3m

Net Cash from Operating Activities

- 2011-12**
 - Cash from operating activities in 2012 was primarily the result of the combination of cash generated from operations before working capital of TL 339.4m and changes in working capital of positive TL124.3m
 - The changes in working capital were mainly driven by the cash inflow from an increase in trade payables of TL42.2m, which was primarily attributable to an increase in cost of sales and disposal of subsidiary interest, and the cash inflow from an increase in other liabilities of TL58.9m, which was mainly due to increase in passenger flight liabilities of TL48.9m increase in accrued direct operational cost of TL7.9m, increase in deferred income from sale of subsidiary interest of TL11.9m, and allowance for the loss from associate of TL7.1m
- 2010-11**
 - The decrease was primarily attributable to a change in working capital of negative TL49.6m
 - The changes in working capital were mainly driven by the cash outflow from an increase in trade receivables of TL56.9m
 - Adjusted for credit card receivables, the increase in trade receivables would have been TL2.8m and working capital balance would have been TL54.1m lower

Source: Pegasus information.



Tax structure

Background

- The corporate income tax rate in Turkey is 20%
- Taxable income based on the accounting principles under Turkish tax regulation, not IFRS
- Tax payable is based on taxable profit calculated in accordance with Turkish tax legislation, not IFRS
- The depreciation of airframes under Turkish tax legislation is 10 years (versus 23 years + 15% residual under IFRS)
- Furthermore, Turkish tax legislation allows for accelerated depreciation, a non-linear depreciation methodology over 10 years
 - First 9 years: net book value beginning of period \times 10% \times 2 = annual depreciation
 - Year 10: residual (~13.4% of purchase price)
- Below we show (as an illustrative example) accumulated depreciation in year 5 under the various approaches assuming a \$45m asset
 - IFRS: \$8.3m (18% of asset)
 - TR GAAP: \$22.5m (50% of asset)
 - TR GAAP (acc. depr.): \$30.3m (67% of asset)
- As a result, Pegasus believes there will be no meaningful cash tax payable for 2013 and 2014
- Tax losses are allowed to be carried forward for a maximum of 5 years

Source: Pegasus information.



Other tax considerations

Investment Incentive – Tax Shield

- The Company obtained an incentive certificate in 21 March 2011 from the Turkish Treasury
- The certificate is for 11 aircraft purchased in 2011 and 2012. According to the incentive certificate the Company will use 15% of the purchase value of the aircraft as the contribution rates which is the maximum amount that could be deducted against taxable income that is attributable to the operation of these aircraft. The deduction will be performed by the application of 50% of the effective tax rate (i.e. use of 10% instead of 20%) for the taxable income attributable to the operation of these aircraft
- As the Company did not have any taxable profits during the year ended 31 December 2012 (2011: None, 2010: None) it has not recognized any benefit associated with the Incentive Program
- According to our calculations and tax profile, we expect to receive the tax shields impact of these investment incentives from 2015 onwards

VAT Dispute

- The Inspection Officers of Ministry of Finance has audited the accounts and transactions of the Company for 2009, 2010, 2011 and until January 2012. As a result of this inspection, the tax inspector has challenged the VAT tax remitted on behalf of the non-resident aircraft lessor company that is party to the Company's finance lease structure
- The tax inspector has asserted that the VAT rate should have been 18% for periods after 31 December 2007 resulting a liability of TL 30,872,430 and an additional tax penalty amount of TL 46,308,645 for the audited periods. The tax inspector has challenged application of the reduced VAT rate of 1% for financial leasing transactions by arguing that the reduced VAT rate should only be applicable for ordinary leasing transactions
- Management believes that the Group acted in full compliance with the Cabinet Decrees of Republic of Turkey and is intends to vigorously defend its position. Accordingly the Group has obtained opinions from legal advisers and tax experts. The Group also evaluated the private rulings issued by the Revenue Administration of Republic of Turkey which confirm the rates promulgated by Cabinet Decrees. Based on the opinions of the tax experts and the evaluation of the rulings, the Group has not provided for any provision, including the period which is not inspected, in the accompanying consolidated financial statements
- In order to mitigate any risk associated with future periods, the Group has begun to apply the 18% VAT rate from December 2012 and has filed the monthly VAT Tax Return "with objection" with the Tax Authorities based on the 18% rate. In the event of loss of lawsuit, liability amount of TL 30,872,430 will be subject to late payment penalty. Late payment penalty ratios vary between 2.4% and 1.4% for the years starting from 2007. The application 18% VAT on behalf of the non-resident aircraft lessors are deductible from the Group's VAT liability, hence does not create any additional cash outflow. This allows the Group to avoid any future penalties in what we believe is the very unlikely event that the Company does not prevail in court. The assessment of the tax inspector did not include the period between 1 February 2012 and 30 November 2012 and no liability has been calculated for this period

Source: Pegasus information.



We comply with all rules and regulations in providing insurance for the potential risks

Insurance Overview

- Pursuant to the Turkish and European Civil Aviation Law, all air carriers must procure and maintain a legal liability insurance to cover risks associated with domestic and international passenger and cargo carriage, covering both third party liability and passenger legal liability risks associated with damages (bodily injury / property damage) which may be incurred by third parties or passengers due to the operations of the air carrier
 - The minimum risk coverage and applicable limits are set forth in detail under the relevant regulations published by the Ministry of Transportation and Regulation (EC) No 261/2004
- In addition to protect Pegasus assets / aircraft lease obligations, Pegasus purchases various physical damage all-risk insurance policies which will respond in event of loss or damage to the aircraft or aircraft equipment. These policies also incorporate additional hull total loss only coverage for an amount of USD 5,000,000 any one aircraft / USD 10,000,000 in the aggregate and this coverage is directly for the benefit of Pegasus Airlines in the event of a major loss event
- Pegasus purchases insurance policies providing the following coverage:
 - Legal liability to third parties (covering liability to third parties, passengers, baggage and cargo), for a liability limit of USD 750,000,000 for any one occurrence. This insurance policy is issued in accordance with Turkish regulations by a domestic company. However, it is fully reinsured by a group of reinsurers led by Ace Lloyd's Syndicate 2488 (managed by Ace Global Markets). The coverage provided by this policy is similar to that maintained by other airlines of similar standing
 - Hull all-risk and hull war risks insurance providing coverage based on an agreed value for each aircraft up to a maximum amount of USD 75,000,000 any one aircraft
 - Spares all-risk insurance providing coverage up to a limit of USD 40,000,000 for any one occurrence
 - Pegasus's main insurance / reinsurance programme is arranged via JLT Specialty Ltd – Aerospace (Part of the JLT Group)
 - Other business insurance retained from Anadolu Sigorta A.Ş. in amounts per occurrence consistent with industry standards

Source: Pegasus information.

Air Berlin and IzAir Partnerships Overview



Background

- In June 2011, Pegasus, IzAir and Air Berlin started talks regarding having a shared operation which will include the split charter operation from/to Antalya and different German cities benefiting the touristic traffic under the brand Air Berlin Turkey
- The main aim was to combine Air Berlin's sales capabilities in Germany and Pegasus's advantageous cost structure in Turkey. The project commenced in November 2011
- On 14 March 2012 Pegasus, İzAir and Air Berlin signed a framework agreement where they have agreed on Air Berlin acquiring 46.82% of İzAir shares from Pegasus and a shareholders agreement establishing a joint control over İzAir by Pegasus and Air Berlin. The transfer of the shares was concluded on 4 September 2012 following the receipt of all regulatory approvals

Financial Results

(TL m)	2011	2012
Split charter flights revenue	15.5	128.1
Cost of sales	21.9	137.9
Gross profit	(6.4)	(9.8)

Source: Pegasus information.



Transaction Highlights

Transaction Overview



Structure and summary terms

Issuer	<ul style="list-style-type: none">▪ Pegasus Hava Taşımacılığı A.Ş.
Indicative Offering Size	<ul style="list-style-type: none">▪ Paid in nominal share capital: TL75,000,000▪ Primary offering: TL27,272,000 nominal share capital (26.7% of post IPO share capital)▪ Secondary offering: TL4,813,000 nominal share capital (4.7% of post IPO share capital)▪ 10% Over Allotment Option, Secondary Shares: TL3,209,000 nominal share capital (3.1% of post IPO share capital)▪ Free Float Post Over Allotment: 34.5%
Selling Shareholders	<ul style="list-style-type: none">▪ Esas Holding A.Ş.
Listing	<ul style="list-style-type: none">▪ Istanbul Stock Exchange
Distribution	<ul style="list-style-type: none">▪ Reg. S to institutional investors outside the US▪ Rule 144A placement to QIBs in the US▪ Turkish retail and Institutional
Target Timetable	<ul style="list-style-type: none">▪ Pricing in April 2013 on the basis of year end 2012 financials
Lock-up	<ul style="list-style-type: none">▪ 365 days for the selling shareholder(s)▪ 365 days for the company▪ 365 days for the management
Use of Proceeds	<ul style="list-style-type: none">▪ Finance the expansion of our route network and fleet▪ Reduce leverage and improve liquidity to solidify competitive position▪ General corporate purposes

Indicative Timetable



Date	Event
21 st February 2013	Analyst Presentation
05 th March 2013 (no later than 12pm)	Latest time for analysts to submit initial draft Research Reports for review
08 th March 2013 (no later than 12pm)	Comments following initial review of draft Research Reports by counsel for compliance with the Research Guidelines and factual accuracy
12 th March 2013 (no later than 5pm)	Analysts submit draft Research Reports for final review
14 th March 2013 (no later than 5pm)	Comments following final review of draft Research Reports by counsel for compliance with the Research Guidelines and factual accuracy

Note: All references are to London time.

Summary Research Guidelines



- This page does not replace the detailed research guidelines nor does it claim to be collectively exhaustive
- Research personnel must be separated from the investment banking side and may not be in possession of any material, non-public information. If they are 'wall-crossed' no research may be published. Syndicate members may not cooperate with non-syndicate members in the preparation of research
- Syndicate members are responsible to ensure compliance with local law and regulation as well as their internal legal and compliance requirements which may be stricter than these research guidelines

Key Dates	Research...	Blackout Period
<ul style="list-style-type: none"> ▪ Start of US blackout period: Already started ▪ Company presentation to connected analysts: 21 February ▪ Analysts submit initial draft research reports for review: 12:00 on 5 March ▪ Review of initial draft research reports for compliance with procedures and factual accuracy; comments to be circulated to analysts: 12:00, 8 March ▪ Analysts submit final draft research reports for final review: 17:00 on 12 March ▪ Review of final draft research reports for compliance with procedures and factual accuracy; comments to be circulated to analysts: 17:00, 14 March ▪ Publication and distribution of research reports: Between 8:00 and 23:59, 18 March ▪ Start of global black out period: 23:59, 18 March ▪ Publication of price range IOC: 8 April ▪ Publication of final IOC: 22 April ▪ Expected end of global and US blackout period: 3 June¹ 	<ul style="list-style-type: none"> ▪ ... must be the analysts own ▪ ... may not be endorsed nor in any way claim to be vetted or approved by the company, management, its advisors, or any other person ▪ ... must comply with local legal and regulatory as well as the syndicates internal legal and compliance requirements ▪ ... may only contain publicly available information or information from the analyst presentation ▪ ... may not express any opinion about the offer nor give any recommendation on participation ▪ ... must be fairly based and may not include a price target or fair value per share ▪ ... must be prominently dated and include the disclaimer and legend as outlined in the research guidelines ▪ ... must make clear that the report is independent and provide trustworthy sources or, where not available, include appropriate qualifications. Assumptions need to be made clear and where referencing the authors belief it needs to be clearly explained, caveated and qualified ▪ ... may only include forecasts for up to a maximum of <u>five</u> years and a valuation range for the company's expected enterprise value ▪ ... may be only published if syndicate members produce similar forecasts, projections or valuations on a regular basis 	<ul style="list-style-type: none"> ▪ Analysts may have no contact with the company or its management during the US blackout period, except for the analyst briefing ▪ Research may only be published on the day of the public announcement of the transaction. Nothing further may be published until the end of the global blackout period <div data-bbox="1480 792 1955 841" style="background-color: #FFD700; text-align: center; padding: 5px;">Distribution</div> <ul style="list-style-type: none"> ▪ Hard copy only ▪ <u>Not</u> at roadshows or to press and public ▪ Must be consistent with past practice ▪ receivers of research must also receive the IOC and any supplementary material, but <u>not</u> at the same time and the same document as they receive the research ▪ Only the final version may be distributed ▪ Sector research is unrestricted, but the company may not be emphasized and any contents relating to it must be extracted from existing, published research
<p>Potential breaches of this policy must be notified immediately to Barclays (Ben Plant) and Herbert Smith Freehills (Alex Bafi)</p>		

1. The Global Blackout Period and the US Blackout Period end on the later of: (a) 40 calendar days after the closing date (i.e. settlement) of the International Offering, (b) the completion of the distribution of Shares as notified by Barclays or (c) such later date as Barclays may provide notice of in writing..



Outlook & Trends

Outlook & Trends⁽¹⁾



Traffic – Market Growth

- We expect continuation of robust PAX growth in the Turkish aviation market
 - We target a total PAX growth of c.15% in 2013
- DHMI forecasts passenger growth of 8.7% CAGR in Turkey between 2011 and 2015
 - Our PAX numbers have grown c.3.2x the overall market over the last 5 years

Capacity Increase

- In total, we expect to add 12-16% of additional ASKs annually to our network over the next three years
- In terms of utilisation, we expect a similar performance to 2012 within the short term, but increasing night flights should increase our utilisation rates as we grow our network

Load Factors and Bookings Trend

- Current favourable trends in load factors expected to continue for the near term
 - Our short-mid term target is to exceed 80% levels in load factor
- YTD our bookings show YoY improvement

Ancillary Revenues

- Our target is to grow our ancillary revenues to at least €10-12 per PAX range within the next three years
- We believe we have several layers of growth opportunities to accomplish this target

Operating Costs (CASK)

- Expected to remain stable for the near term
- CIT team actively looking into several initiatives to further bring down costs – and increase the estimated cumulative savings from the current \$37m level
- Going forward, we will keep the same focus on operating costs, maintain a young and fuel efficient fleet and target to bring our CASK further down

Capex and Cash Flow

- We expect marginal non-aircraft capex
- We target positive cash flow impact from working capital changes

1. These trends and targets involve a number of risks and uncertainties and actual results may differ materially. See disclaimer on page 1 of this presentation.



Appendices

Key Operating Statistics



Key Operating Statistics

	2010	2011	2012
Domestic PAX (m)	5.0	6.8	8.3
International PAX (m)	3.1	3.9	4.8
Charter (m)	0.6	0.6	0.5
Total PAX (m)	8.6	11.3	13.6
ASL (km)	1,078	996	947
Number of segments flown	66,872	84,548	93,800
Pax / Cycle	128	134	145
ASK (m)	12,113	14,956	16,429
Seats (m)	11.2	15.0	17.4
Load Factor	76.3%	75.5%	78.2%
Number of employees (year end)	1,691	2,050	2,045
Average number of aircraft	28	38	40
Average fleet age	6.1	4.2	3.7
Utilisation	12.0	11.8	11.7
Turns per day	6.6	6.5	6.9
Fuel Burn per BH (ton/BH)	2,318	2,244	2,196
On-time Performance	78.6%	94.0%	92.3%

Source: Pegasus information.

Income Statement



Income Statement

<i>(in millions TL)</i>	2010	2011	2012
Revenue	978	1,469	1,792
<i>Growth</i>	38.6%	50.2%	22.0%
Jet fuel expenses	(338)	(611)	(702)
Personnel expenses	(121)	(162)	(198)
Maintenance expenses	(79)	(109)	(70)
Handling fees	(75)	(100)	(111)
Navigation expenses	(72)	(102)	(103)
Landing expenses	(24)	(36)	(40)
Passenger service and catering expenses	(15)	(19)	(20)
Advertising expenses	(21)	(35)	(37)
Commision expenses	(9)	(18)	(25)
Rent expenses	(3)	(4)	(5)
Other expenses	(67)	(85)	(93)
Other income/(expense) (net)	7	10	4
Total costs	(817)	(1,270)	(1,400)
EBITDAR	161	198	392
<i>Margin</i>	16.5%	13.5%	21.9%
Operating lease expenses	(78)	(112)	(85)
EBITDA	83	87	307
<i>Margin</i>	8.5%	5.9%	17.1%
Depreciation and amortisation	(40)	(76)	(104)
EBIT	43	11	202
<i>Margin</i>	4.4%	0.7%	11.3%
Share in (gain) / loss of associates	(0.1)	0.4	(1.5)
Finance (income) / expense net	(12)	(18)	(36)
EBT	31	(6)	165
<i>Margin</i>	3.2%	(0.4%)	9.2%
AB Turkey Operation EBT	0	(6)	(10)
EBT-IFRS	31	(13)	155
Deferred Tax Charge	(11)	(1)	(29)
Net Profit / (Loss)	20	(14)	126

Source: Pegasus information. Figures exclude IzAir.

Balance Sheet



Balance Sheet			
(in millions TL)	2010	2011	2012
Assets			
Cash and cash equivalents	49	20	210
Trade & Other receivables	60	178	127
Inventories	0	1	2
Total current assets	109	198	339
Investments	0	1	2
Tangible assets & Intangible Assets	857	1,418	1,735
Other receivables and non-current assets	264	203	133
Deferred tax assets	6	12	0
Total non-current assets	1,127	1,634	1,870
Total Assets	1,236	1,832	2,209
Liabilities			
Financial liabilities	152	189	51
Obligations under finance leases	58	103	135
Trade payables	54	101	89
Other payables and current liabilities	116	160	239
Provision for employee benefits	10	5	24
Total current liabilities	391	558	538
Financial liabilities	11	0	0
Obligations under finance leases	621	1,030	1,241
Other non-current liabilities	14	18	26
Provision for employee benefits	1	1	4
Deferred tax liabilities	29	37	72
Total non-current liabilities	676	1,086	1,344
Total liabilities	1,067	1,643	1,882
Equity			
Share capital	75	75	75
Retained earnings before net profit/(loss)	7	27	12
Net profit/ (loss) for the year	26	(15)	126
Other	67	102	114
Equity attributable to equity holders	174	189	327
Non-controlling interest	(5)	(0)	0
Total equity	169	189	327

Source: Pegasus information.

Cash Flow Statement



Cash Flow Statement

<i>(in millions TL)</i>	2010	2011	2012
NetProfit/(Loss)	20	(14)	126
Cash flows from operating activities			
Depreciation and amortization	40	76	104
Income tax expense	11	1	29
Interest and commission expense	17	28	35
Other	11	12	45
Cash generated from ops. before changes in WC	99	104	339
Increase in trade receivables	8	(57)	29
(Increase) / decrease in inventories	(0)	(0)	(1)
(Increase) / decrease in trade payables	4	47	42
(Increase) / decrease in other	20	(39)	54
Changes in working capital	32	(50)	124
Cash generated from operations	130	54	464
Retirement benefits and income sharing provision paid	(4)	(7)	(1)
Net cash from operating activities	127	47	462
Cash flows from investing activities			
Purchase of tangible and intangible assets	(8)	(15)	(20)
Changes in advances on aircraft	(94)	48	14
Cash proceeds from sales of tangible and intangible assets / other	0	1	17
Net cash used in investing activities	(102)	34	11
Cash flows from financing activities			
Repayment of lease payables	(45)	(79)	(117)
Interest paid	(17)	(26)	(37)
Increase in borrowings	163	195	318
Repayment of borrowings	(83)	(201)	(446)
Other	(1)	0	0
Net cash provided by / (used in) financing activities	18	(111)	(282)
Net increase in cash and cash equivalents	43	(30)	191
Cash and cash equivalents at the beginning of year	6	49	20
Cash and cash equivalents at the end of year	49	20	210

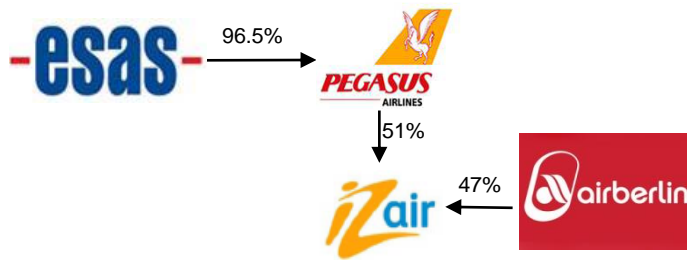
Source: Pegasus information.

ESAS Holding

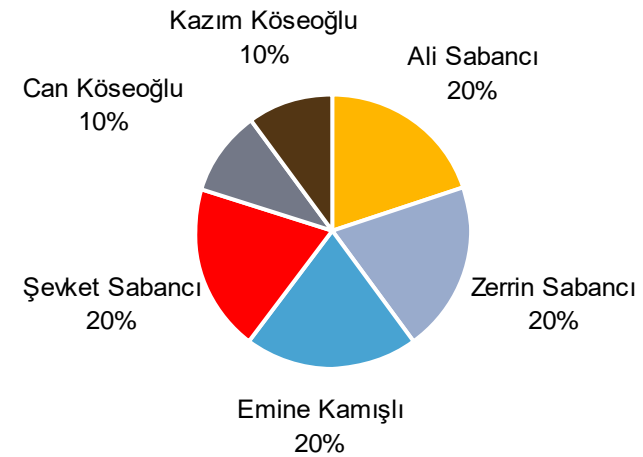


Shareholding Structure of Pegasus Airlines

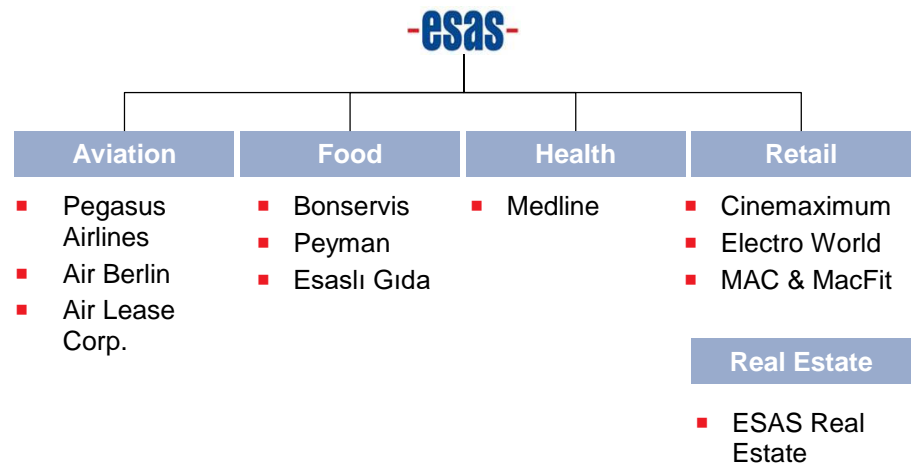
- Pegasus is currently 96.5% owned by Esas Holding A.Ş. The remaining interest is directly owned by Sabancı family members
- After being acquired by Esas Holding in January 2005, Pegasus, a 15 year-old company at that time, started a new chapter:
 - Pegasus Airlines started its scheduled domestic flights in November 2005
 - Started its scheduled service to North Cyprus as its first international destination in January 2006
- Esas Holding A.Ş.⁽¹⁾ established in 2000, wholly-owned by the Şevket Sabancı family
 - Chairman of Esas Holding: Şevket Sabancı
 - Chairman of Pegasus Airlines: Ali Sabancı



Current Shareholding Structure of Esas Holding



Current Structure – ESAS Holding⁽¹⁾



1. Esas Holding A.Ş. is an independent entity, not controlled by Sabancı Holding, listed in ISE conglomerate 78%–owned by Sabancı family members.