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PEGASUS
AIRLINES



MESSAGE FROM THE MANAGEMENT



→ GEOPOLITICS

- Risk impact
- Cost impact
- Capacity utilization impact

→ MANAGEMENT ACTION PLAN – 3 C

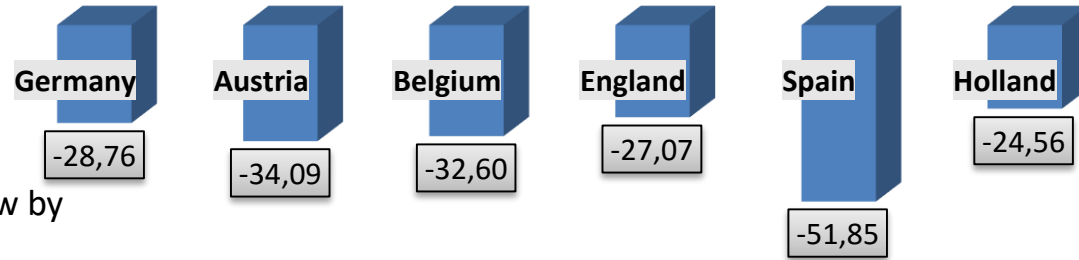
- Cash
- Cost
- Capacity

BUSINESS HIGHLIGHTS FOR Q2 2016



➤ According to the Ministry of Tourism and Culture's statistics, foreign visitors to Turkey were down 41% yoy in June. In the January-June period there was a 28% drop yoy. Tourists from Europe (OECD) fell by 40%, but tourists from Russia plummeted by a whopping 93%

% Change in the foreign visitors to Turkey



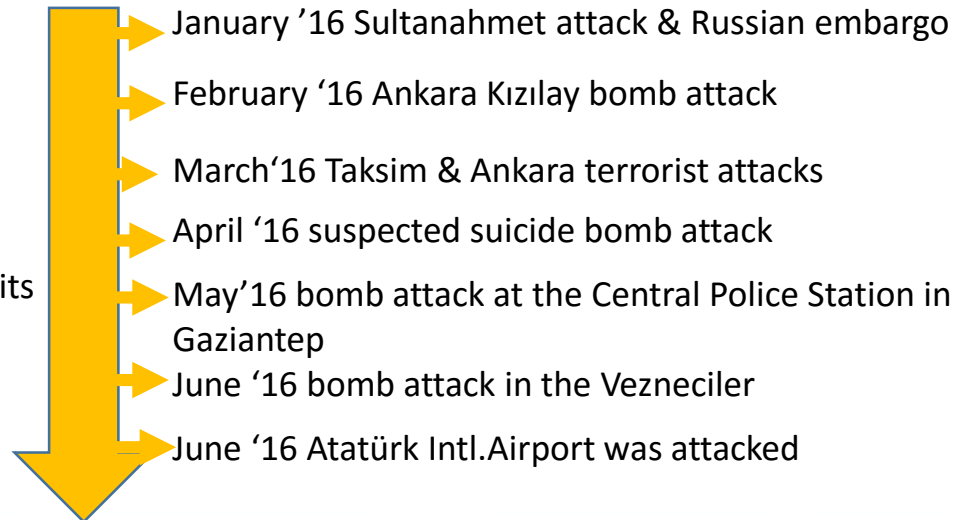
➤ According to the data compiled by DHMI (State Airports Authority) Domestic Pax in Turkey grew by 5% in the second quarter of 2016 while international passenger traffic declined by 19% year over year. Total air pax declined by 7% year over year

Drivers behind the demand

➤ Pegasus total sales revenue contracted by 4 % related with recent terror attacks and geopolitic risks.

➤ At the end of June 2016 Pegasus has 72 aircraft in its fleet.

➤ Continue to develop network- Capacity growth of 5% (y-o-y ASK growth)

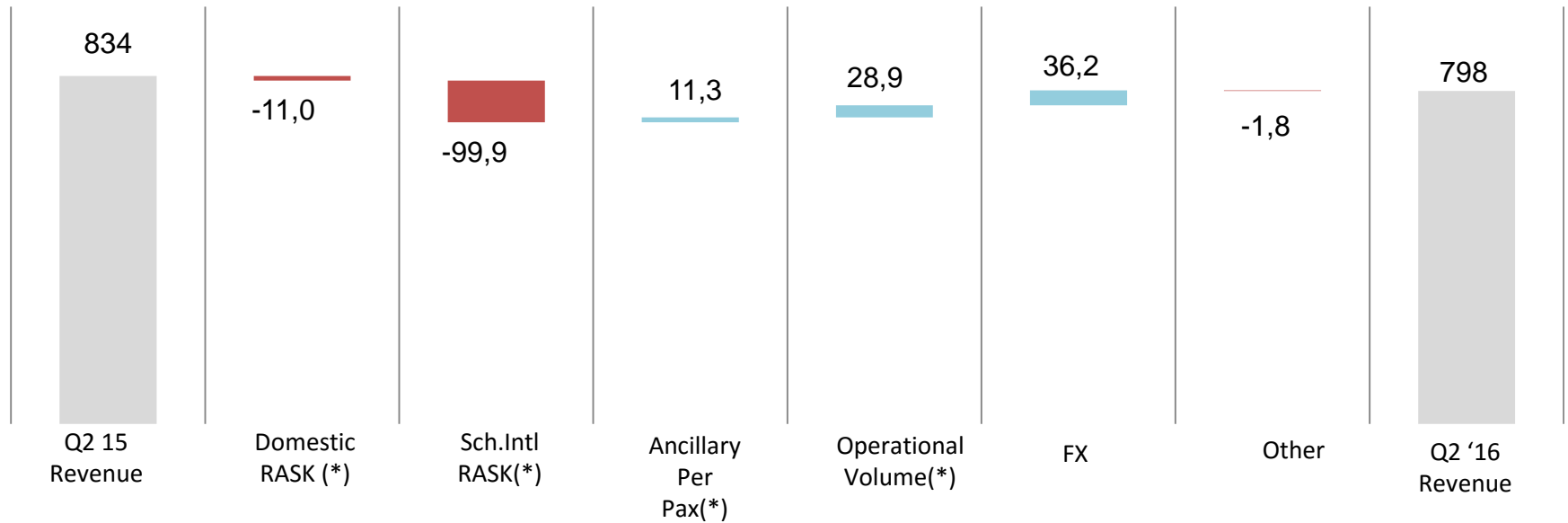


OPERATIONAL PERFORMANCE



	Q2 2016	Q2 2015	Change
PASSENGERS (MN)	5.9	5.6	4,0 %
LOAD FACTOR%	77,0%	78,1%	-1,03pp
SEAT (MN)	7,6	7,2	5,4 %
AVERAGE STAGE LENGTH (KM)	982	988	-1%
TOTAL YIELD (TL)	100,1	115,8	-13,5%
ANCILLARY REVENUE PER PAX (€c)	10,14	9,89	2,6%
TOTAL REVENUE (TLmn)	797,7	833,9	-4,3 %
PERIOD END FLEET	72	64	12,5%

Q2 2016 REVENUE PERFORMANCE (TLmn)



COMMENTS

- ➔ Pegasus reported a total revenue of TL 798 n in the Q2 2016
- ➔ Geopolitics risks and security concerns have pressured direct traffic into Turkey

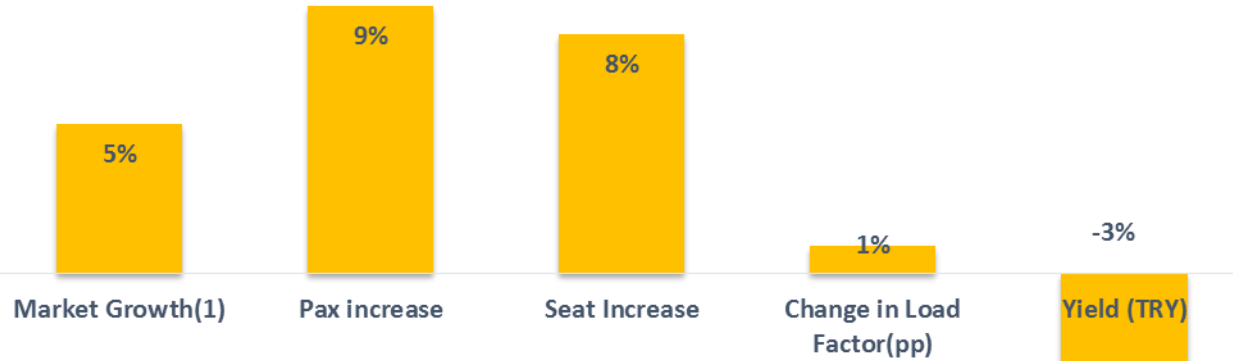
(*) Excluding FX impact

Q2 2016 GROWTH AND YIELD UPDATE



DOMESTIC

DOMESTIC YIELD⁽²⁾

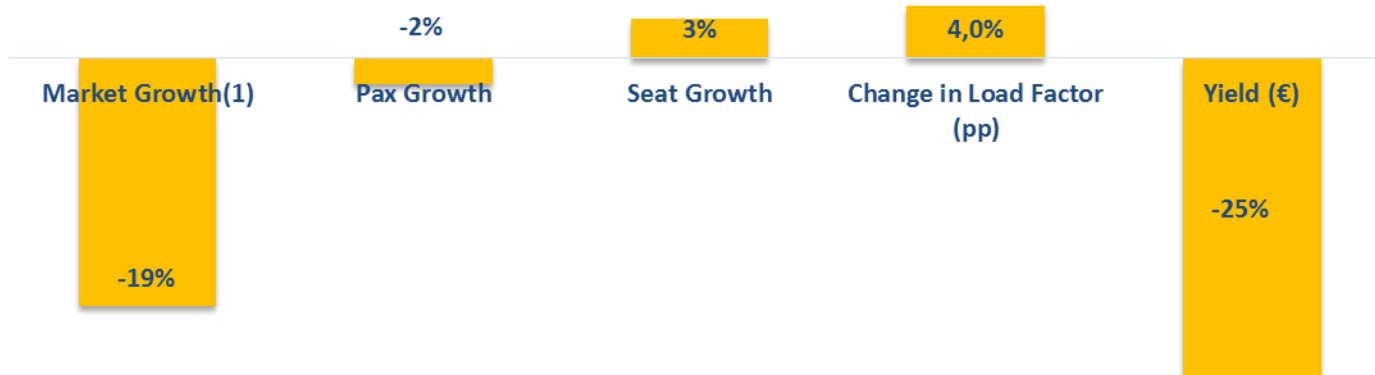


2015 Q2 70,7 TL

2016 Q2 68,6 TL

SCHEDULED INTERNATIONAL⁽²⁾

INTERNATIONAL YIELD⁽²⁾



2015 Q2 62,2 €

2016 Q2 47,0 €

(1) Source : DHMI

(2) Charter and ancillary excluded

FLEET DEVELOPMENT



FLEET EXPANSION (UNDER CONTRACT)

Year End	2016	2017	2018	2019	2020
Owned	4	4	4	4	4
Financial Lease	33	41	51	65	78
Operational Lease	45	42	40	32	24
Total	82	87	95	101	106

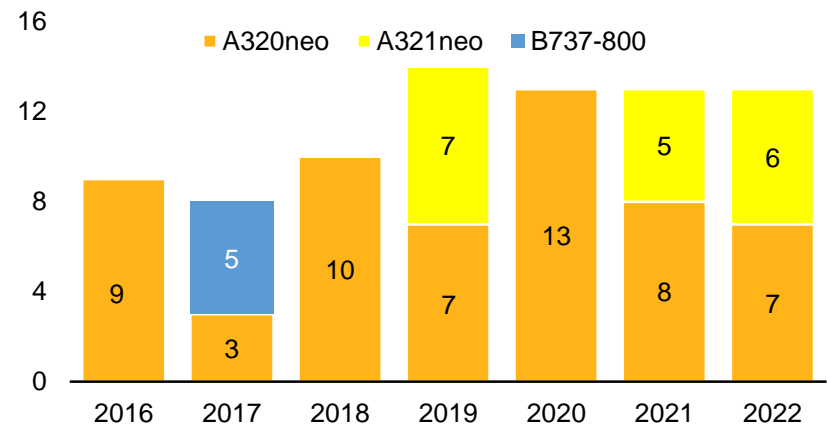
PEGASUS TODAY

- Fleet of 72 aircraft with average age of 5.6 as of June 2016. The youngest fleet in Turkey.
- World's First CFM LEAP-1A-powered A320neo delivered to Pegasus
- #2 Airline in domestic market with a market share of 30 %
- Operates 103 routes to 41 countries
- Financing agreement of the first 6 aircraft which will be delivered in 2016 has completed. Negotiations are proceeding for the remaining 3 aircraft.

FLEET OVERVIEW

June '16	Owned	Financial Lease	Operational Lease	Total
Boeing 737-800	3	24	32	59
Boeing 737-400	1	0	0	1
Airbus A320 CEO	0	0	12	12
Total	4	24	44	72

Order Book as of June 2016



2016 NETWORK AND FREQUENCY DEVELOPMENT

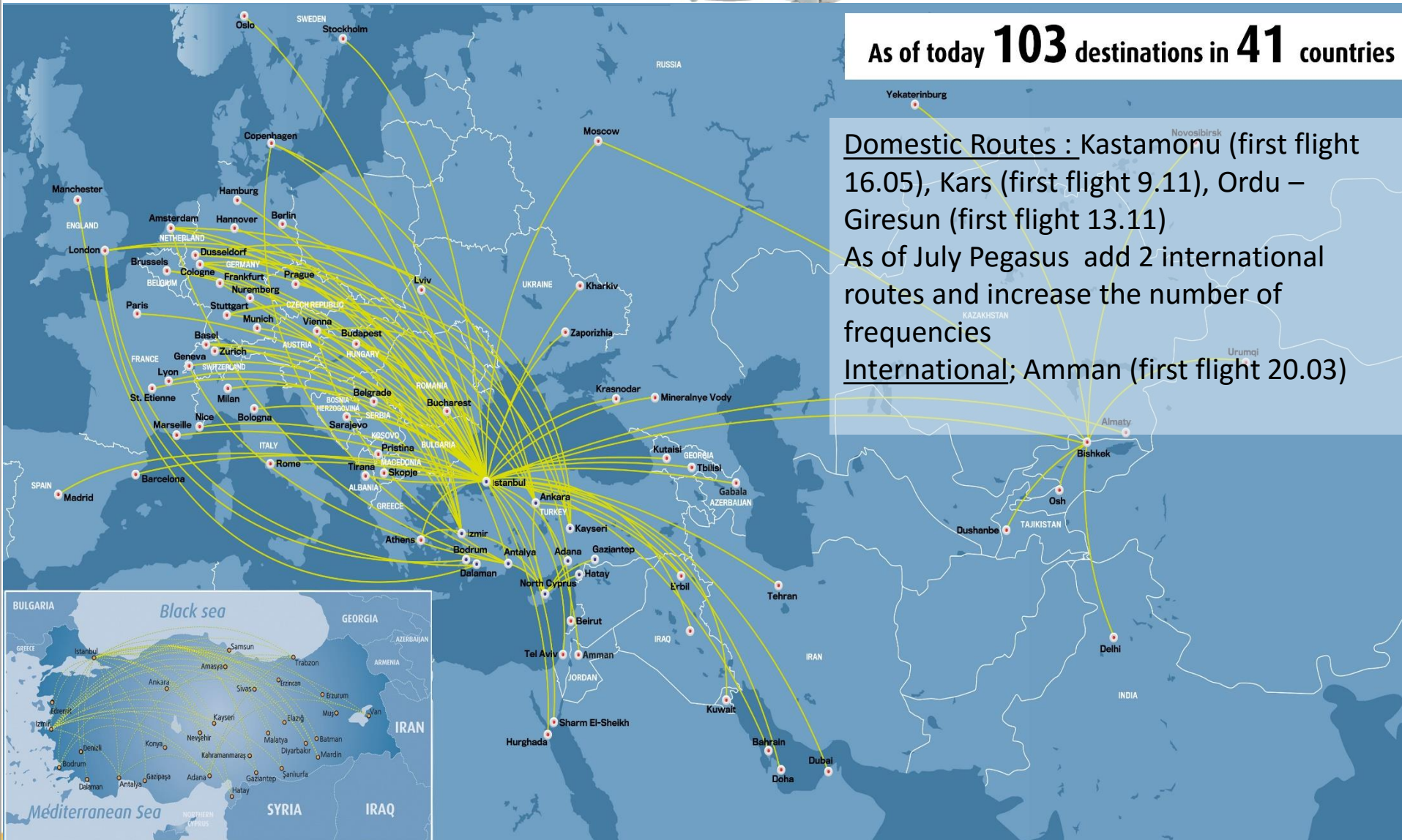


As of today **103** destinations in **41** countries

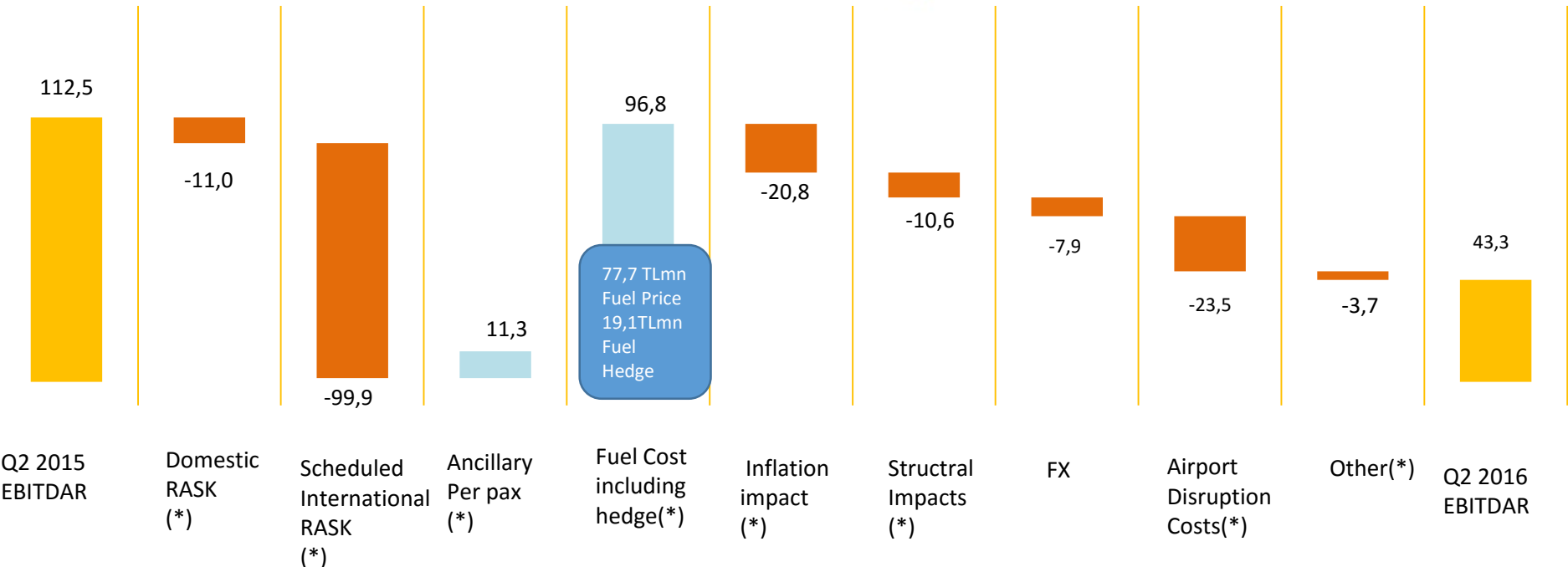
Domestic Routes : Kastamonu (first flight 16.05), Kars (first flight 9.11), Ordu – Giresun (first flight 13.11)

As of July Pegasus add 2 international routes and increase the number of frequencies

International; Amman (first flight 20.03)



Q2 2016 EBITDAR ANALYSIS (TLmn)



COMMENTS

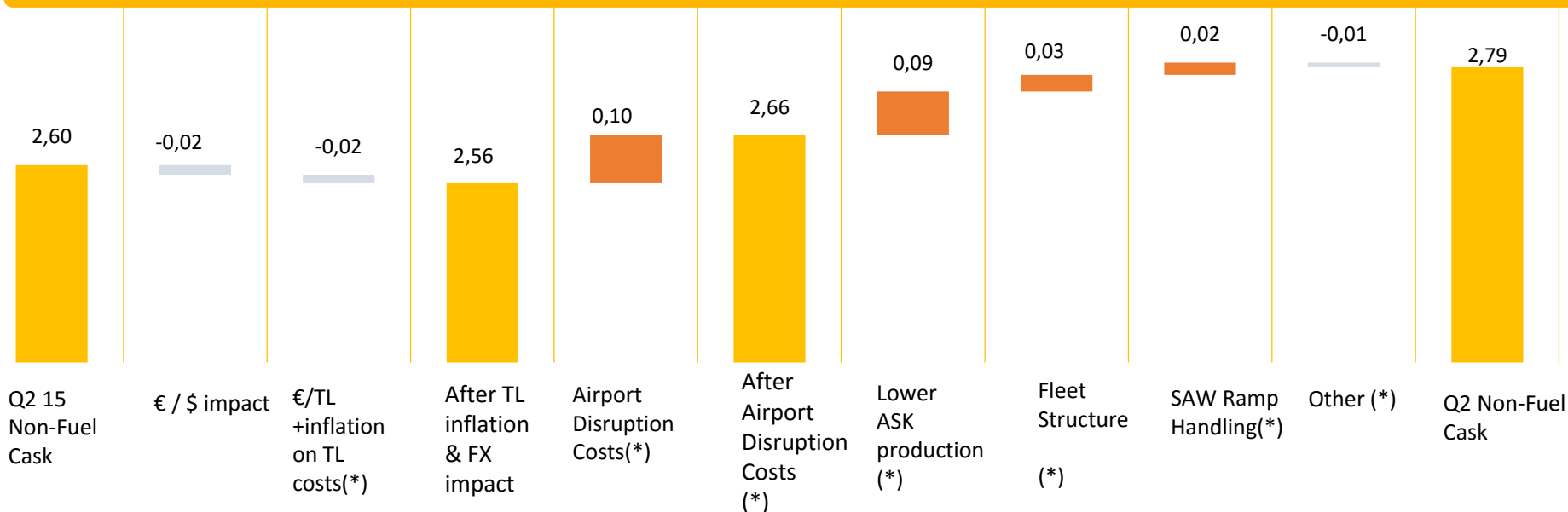
- ➔ Geopolitics and security concerns have pressured direct traffic into Turkey. Contraction in the demand impacted EBITDAR negatively
- ➔ Fuel costs and ancillary per pax made positive contribution
- ➔ The impact of structural changes (Sabiha Gokcen airport ramp handling and adding more operational lease aircraft) continued in the second quarter 2016

(*) FX excluded

Q2 2016 NON FUEL CASK PERFORMANCE (€c)



Q2 2016 NON FUEL CASK (€c) DEVELOPMENT



COMMENTS

- ➔ Total Cask improved by 7% supported by the fuel price in Q2 2016 (3.99€ -Q22015 - 3.73€ Q22016)
- ➔ The increase in the non-fuel CASK items mainly driven by the;
 - ➔ Capacity cut (limitation of average traffic movement) at Sabiha Gökçen (SAW) air space
 - ➔ Shrinking international passenger traffic to Turkey and lower ASK production due to our pending frequency and new route applications to Turkish Civil Aviation;
- ➔ With the new aircraft to be included in our fleet in the forthcoming period, the portion of financial lease aircraft will increase.

(*) constant currency

30 JUNE 2016 BALANCE SHEET



TLmn	30 JUNE 16	31 DECEMBER 15
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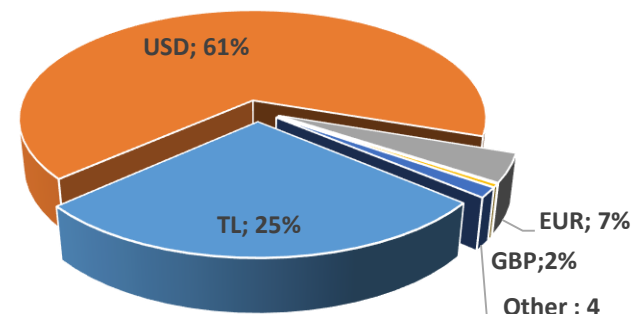
CASH	427	955
OTHER ASSESTS	749	672
PRE DELIVERY PAYMENTS	507	269
FIXED ASSESTS	2.284	2.202
TOTAL	3.967	4.098

TLmn	30 JUNE 16	31 DECEMBER 15
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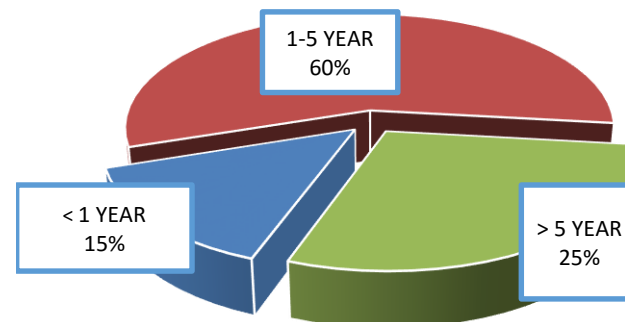
LIABILITIES	1.376	1.230
FINANCIAL DEBT	1.295	1.415
SHAREHOLDERS EQUITY	1.296	1.453
TOTAL	3.967	4.098

CASH PER AIRCRAFT	5,9	14,3
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CASH BREAKDOWN (30/06/16)



FINANCIAL LEASE MATURITY BREAKDOWN (30/06/16)

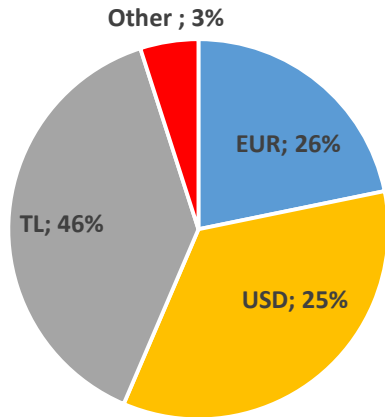


FOREIGN CURRENCY EXPOSURE

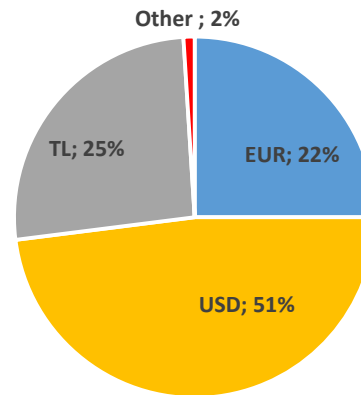


INCOME STATEMENT

REVENUE BREAKDOWN



EBIT BREAKDOWN



NET CASH FLOW POSITION –EBIT 2Q 2016

	TRY mn
EUR	0,7
USD	(266,3)
TL	143,3
OTHER	10,2

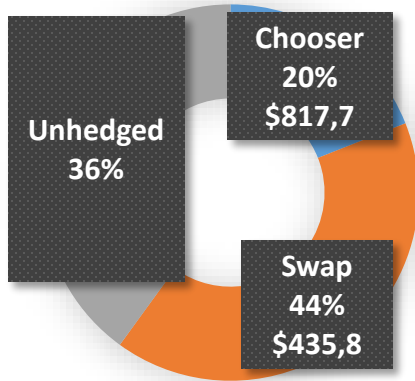
COMMENTS

- Increase in the USD revenue portion mainly driven by changing the international fares originating from Turkey to Europe into USD
- Strategy is to increase more US dollar priced destinations in order to balance our US dollar shortage

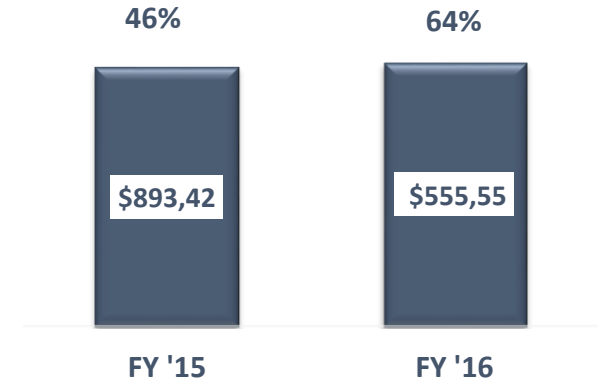
HEDGE & SENSITIVITY



2016 FUEL HEDGING PROPORTION ⁽¹⁾



HEDGE VOLUME & PER TON COST



SENSITIVITY TABLE

- A \$10 (per metric ton) price movement of jet fuel would impact Q2 '16 opex by 4.9 TRYmn
- A one kuruş movement in the US Dollar/TRY and EUR/TRY FX rate would impact Q1'16 EBIT by 0,0 TRYmn and -0,9 TRYmn respectively.

2016 Q2 P&L would be	+0,01 >	+0,01 >	+10\$ >
TRYmn	EUR/TL	USD/TL	Jet Fuel
Revenue	0,6	0,7	
Operational expenses (OPEX)	0,6	1,6	4,9
EBIT	0,0	-0,9	-4,9
EBITDAR	0,2	-0,6	-4,9

(1) Open chooser contracts are accounted in finance expense line under P&L and settled swap contracts are accounted under fuel cost

2016 OUTLOOK AND GUIDANCE CHANGE



Traffic & Market Growth

Pax Growth

Capacity Increase

ASK(available seat km)

Utilization

Load Factor

Domestic

International

Unit Revenue (YIELD)

Domestic (₺)

International(€)

Ancillary Per Pax

CASK (€c)

Cost per ASK

EBITDAR %

Old Target

%13-15

%18-20

~ 12.6

Flat Loads

Downside trend

Flat TL Yields

Downside trend

10€-11€

%2-3 contraction
Supported by the f
fuel

%19-21

Rising geopolitics risks, recent terrorist attacks and increasing security concerns have impacted the demand and traffic to Turkey

Sabiha Gokcen airport average traffic movement limitation

lower ASK production due to our pending frequency and new route applications to Turkish Civil Aviation;

New Target

% 5-7

%9-11

~ 12.0

2015 levels

4-6 contraction yoy

2TRY-3TRY Contraction

9€-10€ contraction

10€-11€

%1-2 contraction

11%-13%



Cask

Cash

Capacity

- ✂ Cost cutting measures → (0.02€-0.03€c. Cask impact)
 - ✂ Revisiting the existing contracts
 - ✂ Headcount optimization
 - ✂ Optimization in marketing activities
 - ✂ Process optimization with lean management
 - ✂ Operational optimization i.e optimization in the fuel consumption

- ✂ RASK Action Projects and Measures → (Minimum 0.03€c-0.05€c RASK impact)
 - ✂ Restructuring of revenue management system
 - ✂ Developing the digital marketing and CRM implications
 - ✂ Dynamic pricing of ancillary products
 - ✂ Wet lease

- ✂ Within the aim of having a younger fleet, the sales of aircrafts scheduled to have its first engine overhaul fleet

- ✂ Sabiha Gokcen Airport speed taxi way construction is expected to be completed in 2017 summer season which will create additional capacity