



PEGASUS HAVA TAŐIMACILIĐI ANONİM ŐIRKETİ
ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – JUNE 30, 2022

AUGUST 15, 2022

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(Convenience translation of a report and condensed consolidated financial statements originally issued in Turkish)

Review Report On Compliance Of Interim Operating Report

To the Board of Directors of Pegasus Hava Taşımacılığı Anonim Şirketi

We have been engaged to perform a review on the compliance of the financial information included in the accompanying interim operating report of Pegasus Hava Taşımacılığı Anonim Şirketi (the Company) and its subsidiaries (“the Group”) as of 30 June 2022, with the interim condensed consolidated financial statements, which we reviewed. Interim operating report is the responsibility of the Group management. Our responsibility as the auditors is to express a conclusion regarding if the financial information included in the accompanying interim operating report is consistent with the interim condensed consolidated financial statements and explanatory notes, which we reviewed as the subject of the review report dated 15 August 2022.

We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial information included in the accompanying interim operating report is not consistent, in all material respects, with the information disclosed in the interim condensed consolidated financial statements and explanatory notes, which we reviewed.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Sinem Ari Öz, SMMM
Partner

15 August 2022
İstanbul, Turkey

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
INTERIM ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – JUNE 30, 2022

This Report is prepared in accordance with the Regulation on the Determination of the Minimum Content of Company Annual Reports published by the Turkish Ministry of Commerce, the Corporate Governance Communiqué No. II-17.1 and the Corporate Governance Principles published by the Turkish Capital Markets Board and other applicable provisions of Turkish law.

As used in this Report, the following terms shall have the meanings indicated below:

- **“Board”** or **“Board of Directors”** refers to the Pegasus Board of Directors.
- **“Company”** or **“Pegasus”** refers to Pegasus Hava Taşımacılığı A.Ş., more fully described in Section 1/A of this Report.
- **“Esas Holding”** refers to Esas Holding A.Ş.
- **“Hitit CS”** refers to Hitit Bilgisayar Hizmetleri A.Ş.
- **“PFTC”** refers to Pegasus Uçuş Eğitim Merkezi A.Ş.
- **“PAT”** refers to Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.
- **“Principles”** refers to the Corporate Governance Principles published by the Turkish Capital Markets Board.
- **“Report”** refers to this Annual Report of the Pegasus Board of Directors.

1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS

Reporting Period	: January 1, 2022 – June 30, 2022
Commercial Title	: Pegasus Hava Taşımacılığı A.Ş.
Trade Registration	: Istanbul Trade Registry / 261186
Central Registry No.	: 0-7230-0470-8500017
Headquarters	: Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı, No: 11/A Kurtköy 34912 Pendik / Istanbul
Contact Information	: Telephone. +90 216 560 7000 Corporate Website. www.flypgs.com Investor Relations Website. http://www.pegasusinvestorrelations.com

B- VISION, MISSION AND STRATEGIC TARGETS OF PEGASUS

Our Company operates in line with the strategic targets determined by our Board of Directors in accordance with our aim of being shown below and our motto of: *“Everybody has the right to fly.”*

Our Aim of Being is:

To be the leading low-cost carrier in our region, enabling everybody to travel safely with low fares and on-time.

Our strategic targets are also underpinned by our key corporate values of: innovation, people orientation, competitiveness, result orientation, and effectiveness & efficiency.

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

C- CAPITAL, SHAREHOLDING AND ORGANIZATION STRUCTURE OF PEGASUS

Pegasus has an issued capital of TL 102,299,707, within the authorized capital ceiling of TL 500,000,000. Information on the capital and shareholding structure of Pegasus as of January 1, 2022, and June 30, 2022, respectively, is shown in the table below.

Shareholder	January 1, 2022		June30, 2022	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Esas Holding	64,353,570	62.91%	64,353,570	62,91%
Publicly Traded	35,321,707	34.53%	35,321,707	34.53%
- Publicly Traded Shares Prior to IzAir Merger	35,294,000	34.50%	35,294,000	34.50%
- Shares issued for IzAir Merger	27,707	0.03%	27,707	0.03%
Emine KAMIŞLI	874,810	0.86%	874,810	0.86%
Ali İsmail SABANCI	874,810	0.86%	874,810	0.86%
Kazım KÖSEOĞLU	437,405	0.43%	437,405	0.43%
Can KÖSEOĞLU	437,405	0.43%	437,405	0.43%
Total	102,299,707	100.00%	102,299,707	100.00%

In the above table, “IzAir” refers to İHY İzmir Havayolları A.Ş., a former consolidated subsidiary of Pegasus that was acquired by way of merger in 2018.

As of June 30, 2022, Esas Holding is the controlling shareholder of Pegasus. Esas Holding is a holding company founded in 2000 by Şevket SABANCI and his family and has investments in the aviation, retail and entertainment, manufacturing, food, real estate and several other sectors in and outside of Türkiye. Esas Holding is fully owned by Şevket SABANCI family members.

Our Company's management organization chart as of June 30, 2022, is provided in Section 1/F of this Report.

D- INFORMATION ON BUSINESS ACTIVITIES

Pegasus is the leading low-cost airline in Türkiye. Pegasus operated charter flights since 1990. Following its acquisition by Esas Holding at the beginning of 2005, Pegasus changed its business model, introducing a low-cost network carrier model for the first time and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, Pegasus experienced rapid expansion of its operations both in domestic and international routes. Between 2009 and 2019, Pegasus' cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market. With a growing young and modern fleet of 95 aircraft with 4,80 average aircraft age as of June 30, 2022, Pegasus aims to be the leading low-cost airline in the region.

Pegasus provides high-frequency services on short- and medium-haul, point-to-point and transit routes on its domestic and international network primarily from its main hub in Istanbul Sabiha Gökçen International Airport. As of June 30, 2022, Pegasus offered scheduled

passenger services on 36 domestic routes in Türkiye and 89 international routes to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 125 destinations in 47 different countries. Our operations across this network was negatively affected by travel restrictions imposed by the authorities, as of March 2020, when COVID-19 was declared a pandemic by the World Health Organization. In parallel with the success of vaccination programs, authorities globally started to loosen travel restrictions in the first quarter of 2022 as the number of COVID-19 cases started to decrease. This development is expected to contribute to the normalization of travel demand.

Pegasus' business model is based on a strong focus on efficient operations and cost control, and revenue generation through various services ancillary to the core air passenger services. In first half of 2022, the Company's CASK, non-fuel was recorded as €c 2,20, while revenue recorded from ancillary services constituted 28% of total revenue for the period. In first half of 2022, Pegasus continued to derive revenue from other services, primarily consisting of cargo services and a relatively low volume of charter and split charter flights for tour operators, which represented 4% of total revenue for the period.

E- INFORMATION ON PRIVILEGED SHARES

Pegasus has not issued any privileged shares. Therefore, there are no voting privileges attached to Pegasus shares or any preference in respect of the nomination of Board members or the allocation of any distribution or payment to be made from Company profits.

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

a)- Management Body: The management body of Pegasus is the Board of Directors. Within the framework of Article 10 of our Articles of Association, the Board of Directors must be composed of at least five members. As of June 30, 2022, the Board of Directors consisted of eight members.

The identity, duty and term of office of each Board member are indicated below.

Name / SURNAME	Duty	Serves Since ⁽¹⁾	Committee Duties
Ali İsmail SABANCI	Chairperson of the Board	2005	-
Mehmet Tevfik NANE	Vice-Chairperson of the Board (Managing Director)	2022	-
Hüseyin Çağatay ÖZDOĞRU	Executive Board Member	2006	-
Mehmet Cem KOZLU	Non-Executive Board Member	2013	Member, Corp. Gov. Comm.
Hatice Zeynep Bodur OKYAY	Independent Board Member	2016	Chair, Audit Comm.
Stephen Mark GRIFFITHS	Independent Board Member	2016	Chair, Corp. Gov. Comm.
Agah UĞUR	Independent Board Member	2019	Chair, Risk Comm. Member, Audit Comm.
David Alexander Florenz VISMANS	Independent Board Member	2022	Member, Corp. Gov. Comm. Member, Risk Comm.

⁽¹⁾ Board appointments are made annually at the discretion of our shareholders and our current Board members were appointed for a term of one year at the Annual General Assembly Meeting dated March 31, 2022.

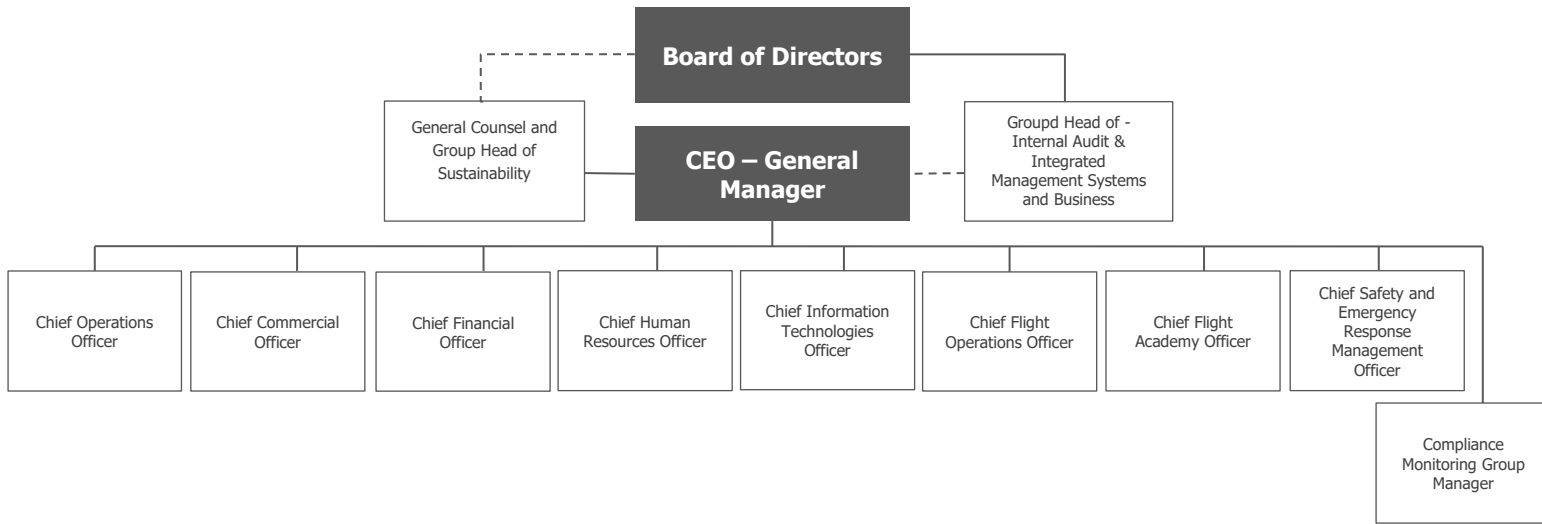
b)- Senior Management: Pegasus senior management comprises the General Manager (CEO) and executives directly reporting to the CEO. Information on Pegasus senior management and their duties as of June 30, 2022, is provided in the following chart.

Name / SURNAME	Duty	Serves in Pegasus Since ⁽¹⁾	Serves in Position Since ⁽²⁾
Güliz ÖZTÜRK	President & General Manager (CEO)	2005	2022
Onur DEDEKÖYLÜ	Chief Commercial Officer	2010	2022
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Ergün DEMİRCİ	Chief Operations Officer	2013	2022
Gençer KARATEPE	Chief Flight Operations Officer	2018	2020
Yavuz Selim ÖZMEN	Chief Flight Academy Officer	2016	2020
Barış FINDIK	Chief Information Technologies Officer	2017	2017
Dilara OĞUR	Chief Human Resources Officer	2015	2015
Murat TÜNEY	Chief Safety and Emergency Response Management Officer	2011	2020
Sinan Onur ÖZTUNA	Compliance Monitoring Group Manager	2016	2020
Tayfun BORA	Airline Security Group Manager	2003	2020
Ali UZUN	General Counsel and Group Head of Sustainability	2013	2018
Özgür DİNÇER	Group Head of – Internal Audit & Integrated Management Systems and Business Excellence	2017	2017

⁽¹⁾ Indicates service in Pegasus Group Companies.

⁽²⁾ Indicates service in the stated duty.

Pegasus management organization chart is as follows:



———— Reporting Line

----- Additional Reporting Line

c)- Number of Employees: The total number of full-time employees of Pegasus and its consolidated subsidiaries defined in Section 1/H of this Report, as of June 30, 2022, was 6.433. This number includes the members of our senior management listed above. There are no employees under a collective bargaining agreement. Information on benefits provided to Pegasus to our employees are detailed in the [Pegasus Compensation and Indemnification Policy](#) available in our Investor Relations Website.

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

Information relating to the aircraft operated by Pegasus and its consolidated subsidiaries as of June 30, 2022, is provided in the following table:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		30.06.2022	30.06.2021	Growth (%)	30.06.2022	30.06.2021	Growth (%)	30.06.2022
B737-800	4.163	23	30	-23%	4.347	5.670	-23%	8.83
A320CEO	4.074	10	12	-17%	1.812	2.172	-17%	7.93
A320NEO	4.740	46	44	5%	8.556	8.184	5%	3.46
A321NEO	4.237	16	7	129%	3.824	1.673	129%	1.05
TOTAL		95	93	-4%	18.539	17.699	5%	4.8

In July 2012, Pegasus placed an order with Airbus for 57 firm order A320neo and 18 firm order A321 neo aircraft, totaling 75, and an additional 25 optional aircraft, thereby constituting a purchase order for 100 new aircraft. In December 2017, Pegasus exercised its option for 25 additional aircraft and converted these option aircrafts to firm orders in A321neo configuration, subject to an additional option to reconvert the order to A320neo configuration subject to the applicable notice periods prior to the scheduled delivery of aircraft. In October 2021 and June 2022, Pegasus placed orders with Airbus for 6 and 8 additional A321neo aircraft respectively, totaling an additional firm order for 14 A321neo aircraft. The 2012 Airbus Order, as amended, comprised a total of 42 A320neo and 72 A321neo aircraft as of June 30, 2022. Pegasus is the first customer of CFM-Leap series engine used on A320neo aircraft. 8 aircraft joined Pegasus fleet in the first half of 2022.

The delivery schedule for the A320neo/A321neo aircraft under our Airbus order is as follows:

Aircraft Type	2020	2021	2022	2023	2024	2025
A320neo	9	6	0	0	0	0
A321neo	5	1	20	17	16	11

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

The table below lists information relating to the direct subsidiaries and joint ventures of Pegasus as of June 30, 2022. As of June 30, 2022, Pegasus did not have any indirect subsidiaries or joint ventures. Pegasus was not subject to any cross-shareholding for the same period.

Affiliate	Nationality / Area of Activity	Issued Share Capital	Nominal Shareholding	Share %	Affiliation with Pegasus
PAT	Türkiye / Simulated flight training	TL 100,000	TL 100,000	100.00%	Subsidiary
PFTC	Türkiye / Simulated flight training	TL 200,000	TL 98,800	49.40%	Joint Venture
Hitit CS	Türkiye / Information Technologies Solutions	TL 127,500,00	TL 46,153,846	36,82%	Joint Venture

5-FINANCIAL STATUS

A- PEGASUS SHARE

Pegasus shares started trading on Borsa Istanbul on April 26, 2013, at the initial public offer price of TL 18.40. As of June 30, 2022, the indices including Pegasus shares and information on Pegasus shares are as follows:

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

Pegasus shares closed the six-month period ending June 30, 2022, at a price of TL 171.00/share with year-to-date increase of 101%.

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

Operational and financial results of Pegasus for the period between January 1 – June 30, 2022, compared against the same period in 2021 and the year-over-year changes for the relevant line items are set out in the following charts:

<i>Overall Traffic Results</i>	<i>Jan. – Jun. 2022</i>	<i>Jan. – Jun. 2021</i>	<i>Y-O-Y Change %</i>
Number of passengers (<i>million</i>)	11,37	7,07	60,8
Cycle	74.815	51.111	46,4
Number of seats (<i>million</i>)	14,29	9,67	47,7
Load factor (%)	79,6	73,1	6,4
ASK ⁽¹⁾ (<i>million</i>)	20.351	11.812	72,3
Passengers per cycle	152	138	9,8
Avg. daily aircraft utilization (<i>hours</i>) ⁽²⁾	11,4	6,8	68,6
<i>Domestic</i>			
Number of passengers (<i>million</i>)	4,96	4,84	2,4
Cycle	32.069	32.640	-1,7
Number of seats (<i>million</i>)	6,10	6,12	-0,3
Load factor (%)	81,3	79,1	2,8
ASK ⁽¹⁾ (<i>million</i>)	4.543	4.966	-8,5
Passengers per cycle	155	148	4,3
<i>International</i>			
Number of passengers (<i>million</i>)	6,17	2,20	180,8
Cycle	41.336	18.238	126,6
Number of seats (<i>million</i>)	7,95	3,52	126,0
Load factor (%)	77,6	62,5	15,1
ASK ⁽¹⁾ (<i>million</i>)	15.336	6.811	125,1
Passengers per cycle	149	120	23,9

Charter

Number of passengers (million)	0,24	0,04	575,4
Cycle	1.410	233	505,2
Number of seats (million)	0,24	0,04	577,4
ASK ⁽¹⁾ (million)	473	34	1.273,8

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

⁽²⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time).

Summary Balance Sheet ('000 TL)	30.06.2022	31.12.2021	Change (%)
Current assets	18.719.523	12.687.114	48%
Non-current assets	54.980.075	40.275.937	37%
Total assets	73.699.598	52.963.051	39%
Current liabilities	22.201.297	12.679.118	75%
Non-current liabilities	44.344.559	33.414.087	33%
Shareholders' equity	7.153.742	6.869.846	4%

Summary P&L ('000 TL)	30.06.2022	31.12.2021	Change (%)
Sales	12.415.000	2.634.455	371%
Gross (loss) / profit	405.056	(952.561)	-143%
(Loss) /profit from operations	(348.328)	(1.189.391)	-71%
Operating (loss) / profit before financial income/(expense)	(115.088)	(1.191.044)	-90%
(Loss) / profit before tax	(1.980.244)	(1.673.854)	18%
(Loss) / profit for the period	(1.890.121)	(1.595.693)	18%
(Loss) / profit per share	(18,48)	(15,60)	18%

Changes in Financial Position ('000 TL)	36.06.2022	31.12.2021	Change (%)
Cash and cash equivalents	9.722.622	6.976.780	39%
Financial Investments	4.102.520	2.739.459	50%
Financial liabilities	48.824.841	36.665.967	33%
Net debt position ⁽¹⁾	34.999.699	26.949.728	30%

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

C- FINANCING SOURCES AND CAPITAL MARKETS INSTRUMENTS ISSUED BY PEGASUS

Pegasus finances approximately 85% of the purchase price for the Boeing and Airbus aircraft acquired by way of financial lease through loans obtained from various banks. As of June 30, 2022, the outstanding balance of the total loans borrowed for the financing of 69 aircraft acquired by way of financial lease is TL 35.045.703.151.

Furthermore, as of June 30, 2022, Pegasus and its subsidiaries had drawn TL 3.353.349.067 on cash loans and TL 1.733.183.432 on non-cash loans under credit lines with various Turkish and foreign banks. These credit lines are open credit facilities that can be generally used for terms ranging from 12 to 24 months. The Company believes it will have access to additional credit lines should it require supplementary short-term financing.

Pegasus issued debts in capital markets as a separate source of financing. Within the issuance limit of USD 750,000,000, approved by the Capital Markets Board by its decision dated April 1, 2021, and numbered 17/524, Pegasus concluded a first tranche issue of Eurobonds with a nominal value of USD 375,000,000 on April 30, 2021. The bonds carrying the ISIN XS2337336445 and US705567AA31 were issued for a term of 1,826 days and variable rate interest coupon payment in six-month arrears and will mature on April 30, 2026.

3- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY

A- INFORMATION ON THE RISK MANAGEMENT POLICY ADOPTED BY PEGASUS WITH RESPECT TO FORSEEABLE RISKS

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

The Committee on the Early Detection of Risks (Risk Committee) assists the Board with respect to the determination in advance, management and mitigation of the risks that may endanger the existence, development and the future of Pegasus.

When performing its risk detection and management duties, the Committee cooperates with other Board Committees and the Company management. In this respect, the Committee works in cooperation with the Audit Committee with respect to risks inherent to financial reporting and internal control mechanisms, with the Corporate Governance Committee with respect to human resources related risks involving the Board and the senior management.

The main risks to which the Company is exposed, the relevant departments responsible for the scrutiny and management of these risks and the measurement tools and tolerance limits applicable to these risks are determined by the Risk Committee. Risk areas thus defined are regularly reviewed, re-evaluated and the mitigating actions implemented by Company management in response to these risks are periodically submitted for the review and evaluation of the Committee. The risk evaluation analysis reviewed by the Committee and recommendations by the Committee are communicated to the Board once every two months.

4- OTHER MATTERS

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

On 18.07.2022, International credit rating agency Fitch Ratings Limited ("Fitch") revised its rating for the foreign-currency senior unsecured bonds issued by the Company to investors outside of Turkey and indicated in our Material Event Disclosure dated 19.04.2021, as B+. Fitch affirmed its B+ (negative outlook) rating for the Company's long term credit rating (IDR), last revised on 15.04.2022.

For obtaining a new rating on our compliance with the Corporate Governance Principles published by the Capital Markets Board, a new agreement was concluded with Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., effective for one year as of June 3, 2022 and rating work was concluded on 12.08.2022. Accordingly, our previous compliance rating of 96.80 (9.68/10.0) announced on 12.08.2021 has been revised as 97.10 (9.71/10.0) effective as of 12.08.2022.

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

The following annexes have been incorporated into this Report by reference:

- **Annex-1:** Pegasus Corporate Governance Compliance Statement (*URF*)
- **Annex-2:** Pegasus Corporate Governance Information Document (*KYBF*)

The above annexes are accessible through the following link:

<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1710-pegasus-hava-tasimaciligi-a-s>

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we transformed it!

