



PEGASUS HAVA TAŐIMACILIĐI ANONİM ŐRKETİ
ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – JUNE 30, 2021

AUGUST 17, 2021

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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 2021, 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 17 August 2021.

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



Sinam Arı Öz, SMMM
Partner

17 August 2021
İstanbul, Türkiye

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
INTERIM ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – JUNE 30, 2021

This Report is prepared in accordance with the Regulation on the Determination of the Minimum Content of Company Interim 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., the controlling shareholder of Pegasus.
- **“Hitit CS”** refers to Hitit Bilgisayar Hizmetleri A.Ş., a joint venture affiliate of Pegasus.
- **“PFTC”** refers to Pegasus Uçuş Eğitim Merkezi A.Ş., a joint venture affiliate of Pegasus.
- **“PHT”** refers to Pegasus Havacılık Teknolojileri ve Ticaret A.Ş., a 100% owned subsidiary of Pegasus.
- **“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, 2021 – June 30, 2021
Commercial Title	: Pegasus Hava Taşımacılığı A.Ş.
Trade Registration	: Istanbul Trade Registry / 261186
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- 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, 2021 and June 30, 2021, respectively, is shown in the table below.

Shareholder	January 1, 2021		June 30, 2021	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Esas Holding A.Ş.	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%	102,299,707	100%

As of June 30, 2021, Esas Holding is the controlling shareholder of Pegasus. Esas Holding is a holding company founded in 2000 by Şevket SABANCI and his family and as of June 30, 2020 has investments in the aviation, retail and entertainment, manufacturing, food, pharmaceuticals, education and real estate sectors in and outside of Turkey. Esas Holding is fully owned by Şevket SABANCI Family Members.

Our Company's management organization chart as of June 30, 2021 is provided in Section 1/E of this Report.

C- INFORMATION ON BUSINESS ACTIVITIES

Pegasus is Turkey's leading low-cost airline. 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 9%, significantly outpacing the 18% annual average growth recorded by the Turkish market with a growing, young and modern fleet of 93 aircraft with 5.1 average aircraft age as of June 30, 2021, 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, 2021, Pegasus offered scheduled passenger services on 36 domestic routes in Turkey and 80 international routes to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 116 destinations in 44 different countries. Our operations across this network was negatively affected by COVID-19 related travel restrictions, as described below.

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. As of June 30 2021, the Company's CASK, non-fuel was recorded as €c 2,61, while revenue recorded from ancillary services constituted 35% of total revenue for the period. As of June 30, 2021, 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 2% of total revenue for the period.

On March 30, 2020 we had announced forced suspension of all our domestic and international flights based on COVID-19 related restrictions imposed by the authorities. As part of transition to controlled social life, our domestic flights between limited destinations in Turkey determined by the Turkish General Directorate of Civil Aviation restarted on June 1, 2020 and our domestic network expanded gradually thereafter. We resumed our international operations on June 13, 2020 with a limited number of destinations and our schedule expanded in the following period to the extent permitted by continuing travel restrictions in our operating geography. Our forward booking capacity plans will be shaped according to the extend and duration of the current travel restrictions.

D- 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.

E- 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, 2021, 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	-
Hüseyin Çağatay ÖZDOĞRU	Vice-Chairperson of the Board	2006	-
Sertaç HAYBAT	Non-Executive Board Member	2005	Member, Risk Comm.
Mehmet Cem KOZLU	Non-Executive Board Member	2013	Member, Corp. Gov. Comm.
Hatice Zeynep Bodur OKYAY	Independent Board Member	2016	Chair, Audit Com.
Stephen Mark GRIFFITHS	Independent Board Member	2016	Chair, Corp. Gov. Comm.
Michael Glyn POWELL	Non-Executive Board Member	2018	Member, Corp. Gov. Comm.
Agah UĞUR	Independent Board Member	2019	Chair, Risk Comm. Member, Audit 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 April 15, 2021.

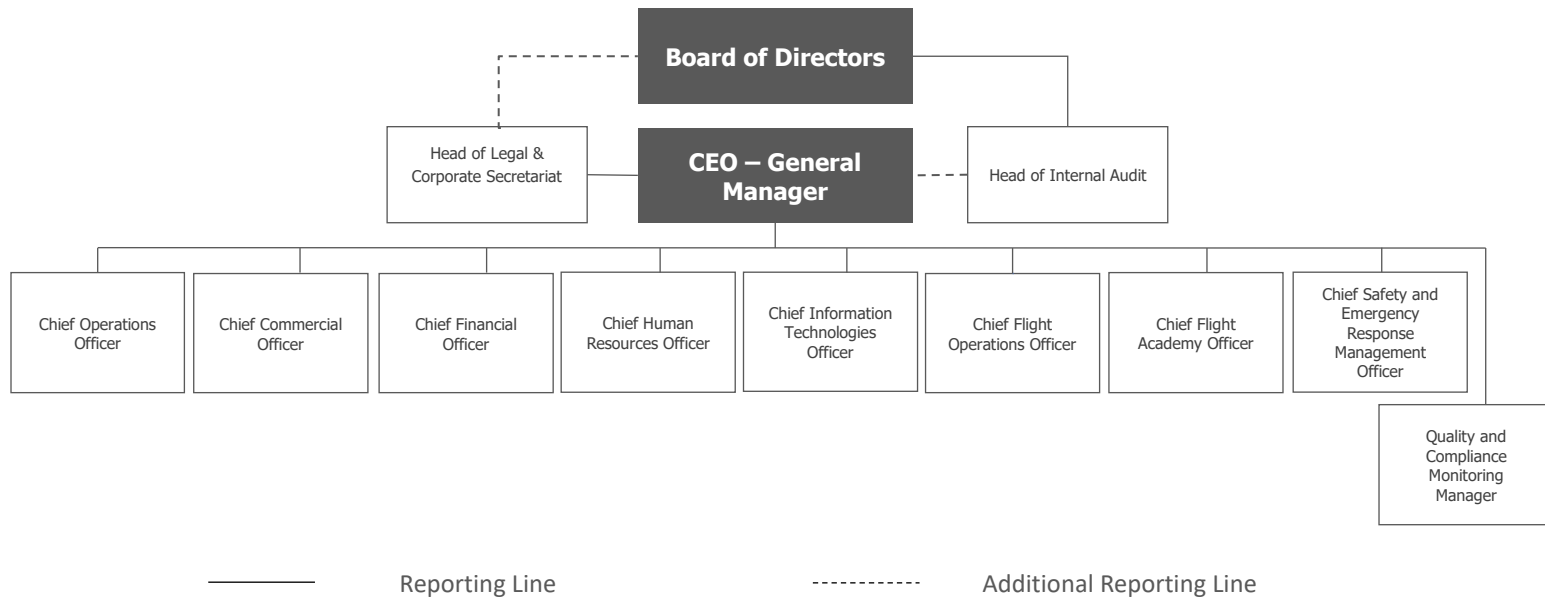
b)- Senior Management: Pegasus senior management comprises the General Manager (CEO) and executives directly reporting to the CEO. Information on Pegasus senior management and their duties as of June 30, 2021 is provided in the following chart.

Name / SURNAME	Duty	Serves in Pegasus Since ⁽¹⁾	Serves Since ⁽²⁾
Mehmet T. NANE	President & General Manager (CEO)	2016	2016
Güliz ÖZTÜRK	Chief Commercial Officer	2005	2010
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Nasuh N. ÇETİN	Chief Operations Officer	2013	2016
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 TÜNAY	Chief Safety Management & Emergency Response Management Officer	2011	2020
Sinan Onur ÖZTUNA	Quality and Compliance Monitoring Manager	2016	2020
Tayfun BORA	Security Manager	2003	2020
Ali UZUN	Head of Legal and Corporate Secretariat (General Counsel)	2013	2018
Özgür DİNÇER	Head of Internal Audit	2017	2017

⁽¹⁾ Indicates service in the Pegasus Group Companies.

⁽²⁾ Indicates service in the stated duty.

Pegasus management organization chart is as follows:



c)- Number of Employees: The total number of full-time employees of Pegasus and its consolidated subsidiaries defined in Section 1/G of this Report, as of June 30, 2021 was 5.962. This number, as of June 30, 2021 covers 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.

F- 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, 2021 is provided in the following table:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		30.06.2021	30.06.2020	Growth (%)	30.06.2021	30.06.2020	Growth (%)	30.06.2021
B737-800	4.163	30	37	-23%	5.670	6.993	23%	8.8
A320CEO	4.074	12	12	0%	2.172	2.172	0%	7.3
A320NEO	4.740	44	35	-20%	8.184	6.510	-20%	2.6
A321NEO	4.237	7	5	-29%	1.673	1.195	-29%	1.1
TOTAL		93	89	-4%	17.699	16.870	-5%	5.1

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. Pegasus is the first customer of CFM-Leap series engine used on A320neo aircraft. As part of this order 4 A320neo aircraft joined Pegasus fleet in the first half of 2021.

In April 2020, 7 A320neo aircraft which were scheduled to be delivered in 2022 were converted to 7 A321neo aircraft to be delivered in 2023. In September 2020, 8 A320neo aircraft which were scheduled to be delivered in 2021 were converted to 5 A321neo aircraft to be delivered in 2022 and 3 A321neo aircraft to be delivered in 2025. As a result of these conversions, the order of 100 new aircraft with Airbus now consists of 42 firm order A320neo aircraft and 58 firm order A321neo aircraft.

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	10	3

G- 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 Jun0 31, 2021. As of June 30, 2021, 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
PHT	Turkey / Simulated flight training	TL 100,000	TL 100,000	100.00%	Subsidiary
PFTC	Turkey / Simulated flight training	TL 200,000	TL 98,800	49.40%	Joint Venture/ Associate
Hitit CS	Turkey / Information Technologies Solutions	TL 200,000	TL 100,000	50.00%	Joint Venture/ Associate

2-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, 2021, 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 SERVICES / BIST ISTANBUL / BIST ALL / BIST ALL-100 / BIST-50 / BIST TRANSPORTATION / BIST STAR / BISTKYUR CORPORATE GOVERNANCE / BIST SUSTAINABILITY / BIST 30
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Pegasus shares closed the six-month period ending June 30, 2021 at a price of TL 72.05/share with year to date decrease of 3%.

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, 2021 compared against the same period in 2020 and the year-over-year changes for the relevant line items are set out in the following charts:

Overall Traffic Results	Jan. – Jun. 2021	Jan. – Jun. 2020	Y-O-Y Change %
Number of passengers (<i>million</i>)	7,07	6,59	7,2
Cycle	51.111	41.669	22,7
Number of seats (<i>million</i>)	9,67	7,71	25,5
Load factor (%)	73,1	85,6	-12,4
ASK ⁽¹⁾ (<i>million</i>)	11.812	9.343	26,4
Passengers per cycle	138	158	-12,6
Avg. daily aircraft utilization (<i>hours</i>) ⁽²⁾	6,6	9,9	-32,6
Domestic			
Number of passengers (<i>million</i>)	4,84	3,90	24,0
Cycle	32.640	24.162	35,1
Number of seats (<i>million</i>)	6,12	4,50	36,0
Load factor (%)	79,1	86,7	-8,8
ASK ⁽¹⁾ (<i>million</i>)	4.966	3.460	43,5
Passengers per cycle	148	161	-8,2
International			
Number of passengers (<i>million</i>)	2,20	2,68	-18,0
Cycle	18.238	17.397	4,8
Number of seats (<i>million</i>)	3,52	3,19	10,0
Load factor (%)	62,5	83,9	-21,4
ASK ⁽¹⁾ (<i>million</i>)	6.811	5.854	16,3
Passengers per cycle	120	154	-21,8

Charter

Number of passengers (million)	0,04	0,01	185,6
Cycle	233	110	111,8
Number of seats (million)	0,04	0,01	185,6
ASK ⁽¹⁾ (million)	34	29	17,9

⁽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)	30.06.2021	31.12.2020	Change (%)
Current assets	9.726.499	5.519.473	76%
Non-current assets	27.758.423	23.551.200	18%
Total assets	37.484.922	29.070.673	29%
Current liabilities	9.519.183	6.505.675	46%
Non-current liabilities	23.278.879	17.178.580	36%
Shareholders' equity	4.686.860	5.386.418	-13%

Summary P&L ('000 TL)	30.06.2021	30.06.2020	Change (%)
Sales	2.634.455	2.029.617	30%
Gross (loss) / profit	(952.561)	(614.500)	55%
(Loss) / profit from operations	(1.189.391)	(1.024.157)	16%
Operating (loss) / profit before financial income/(expense)	(1.196.776)	(1.015.684)	18%
(Loss) / profit before tax	(1.673.854)	(1.363.742)	23%
(Loss) / profit for the period	(1.595.693)	(1.328.596)	20%
(Loss) / profit per share	(15,60)	(12,99)	20%

Changes in Financial Position ('000 TL)	30.06.2021	31.12.2020	Change (%)
Cash and cash equivalents	6.051.511	3.605.571	68%
Financial Investments	1.210.910	234.036	417%
Financial liabilities	26.096.152	19.012.093	37%
Net debt position ⁽¹⁾	18.833.731	15.172.486	24%

⁽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, 2021, the outstanding balance of the total loans borrowed for the financing of 61 aircraft acquired by way of financial lease is TL 17.057.483.773.

Furthermore, as of June 30, 2021, Pegasus and its subsidiaries had drawn TL 3.112.631.177 on cash loans and TL 1.326.014.438 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 TRY 2,500,000,000, approved by the Capital Markets Board by its decision dated December 31, 2020 and numbered 79/1617, Pegasus concluded a first tranche issue of domestic bonds with a nominal value of TRY 260,000,000 on February 11, 2021. The bonds carrying the ISIN TRSPEGS22218 were issued for a term of 365 days and variable rate interest coupon payment in three-month arrears and will mature on February 11, 2022. In addition,

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, and 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

Hitit Bilgisayar Hizmetleri A.Ş., our associate company where we hold 50% stake, decided to explore opportunities for the initial public offering of its shares. The contemplated offering and the prospectus will be subject to the approval of the Capital Markets Board.

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 the second tranche issue of Eurobonds with a nominal value of TL 260.000.000 TL nominal amount, 365 days maturity and quarterly floating rate coupon payments, was made today. The interest rate for the 2nd coupon payment was set at 5.6486%.

The Company's "Corporate Governance Rating Report" for the new term has been prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., an entity authorized by the Capital Markets Board to conduct compliance rating with respect to the applicable corporate governance principles. Our previous Compliance rating of 96.30

(9.63/10.0) announced on August 19, 2020 has been revised as 96.80 (9.68/10.0) effective as of August 12, 2021.

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 Report (*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>

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

