



# Q1 2014 ANALYST & INVESTOR PRESENTATION

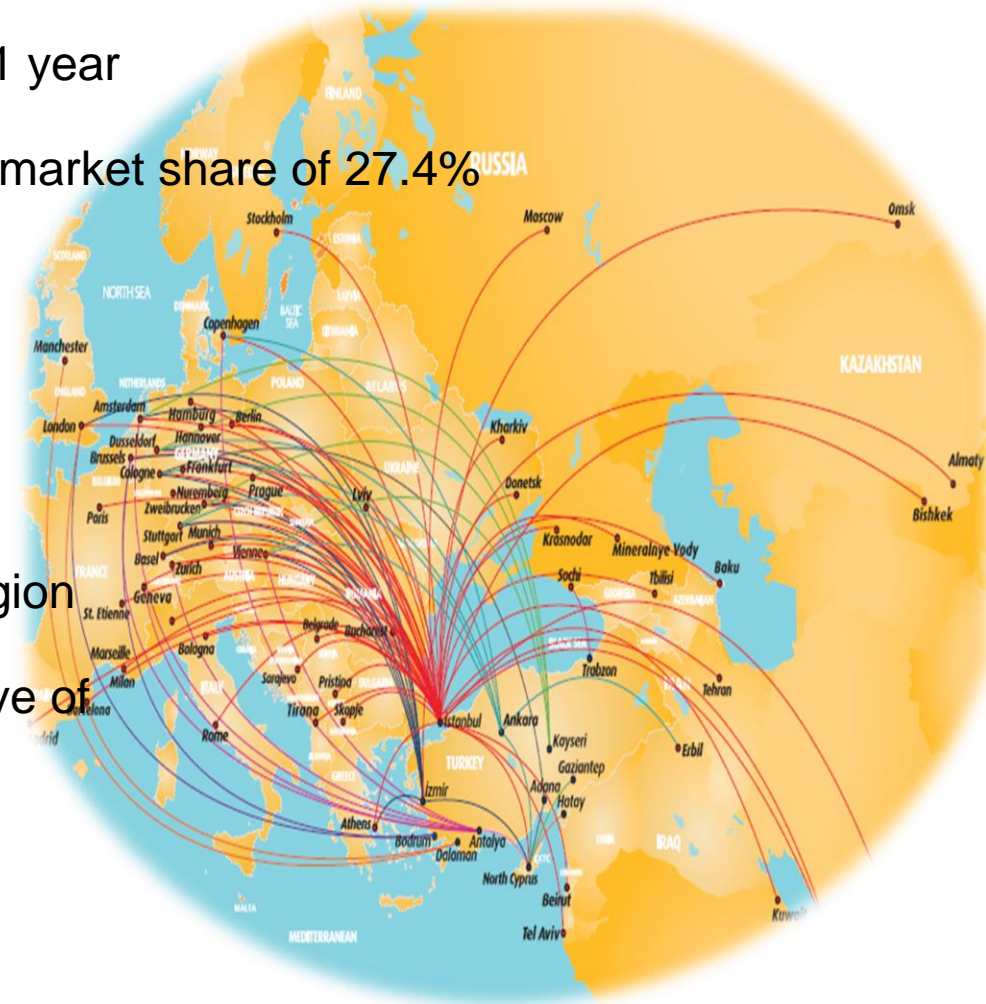
# Pegasus at a Glance



- Fleet of 52 aircraft with an average age of 4.1 year
- Leading presence in domestic market with a market share of 27.4%
- Operates on over 83 routes in 34 countries
- Strong on time performance 90.90 %
- Growing ancillary revenue
- One of the largest catchment areas in the region

with c.18m population living with a one hour drive of

Pegasus Main hub SAW airport



# Key Highlights of Q1 2014 Results



- We continue to execute on the business plan we set out at the time of our IPO
- Operational and financial results were announced yesterday
- Load Factor increased by 0.4% pp
- ASK grew by 28.4% in Q1 in 2014
- CASK came down from 4.26€c to 4.23€c (\*)
- 36 % increase in revenues supported by significant growth in scheduled operations and increase in ancillary revenue
- Ancillary revenue per PAX increased by 8% in Euro terms with the penetration of existing ancillary services and with the help of our new bundled product
  - 8.96€ per pax in 2014 Q1 vs 8.27€ per pax in 2013 Q1
- Negative EBITDAR margin

(\*)excluding marketing expense timing difference

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# Operational Performance



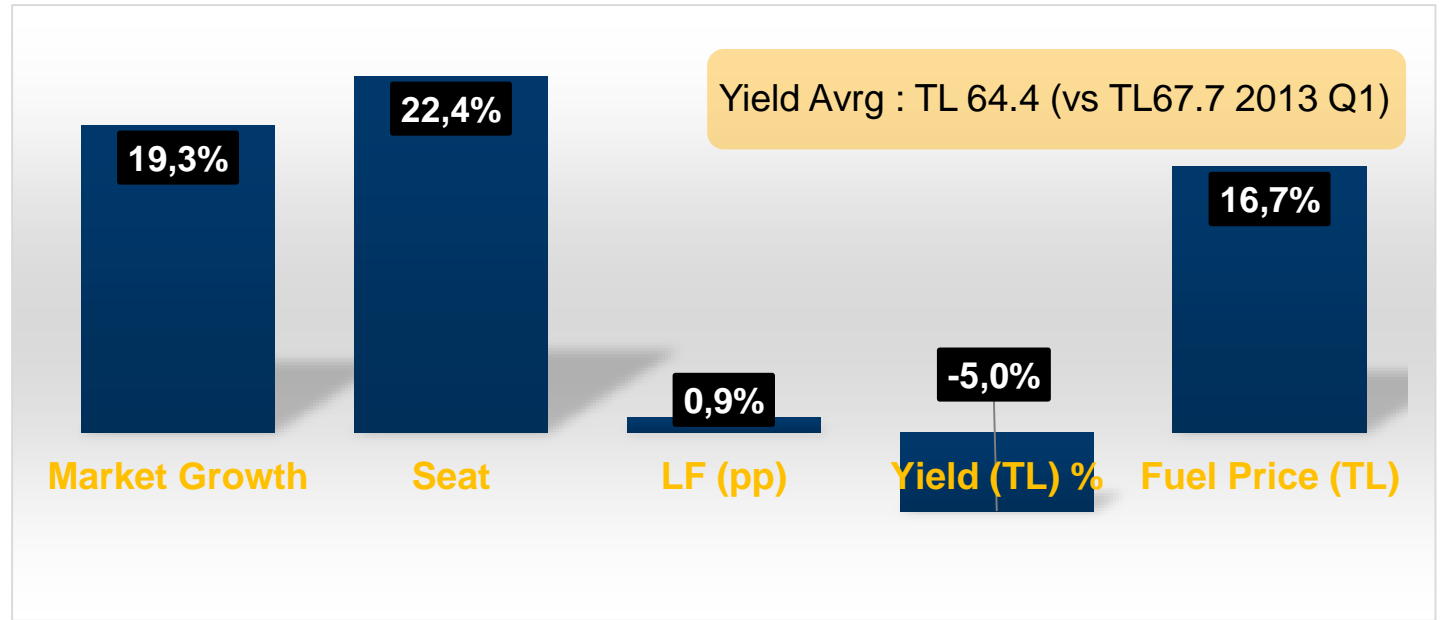
<b>DOMESTIC</b>	<b>Q1 2013</b>	<b>Q1 2014</b>	<b>YoY</b>
Pax (mio)	2,10	2,61	23,8%
Seat (mio)	2,61	3,20	22,4%
Load factor (%)	80,5%	81,5%	0,9%
Cycle	13.858	17.077	23,2%
Pax per cycle	152	153	0,5%
ASK (mio)	1.502	1.885	25,5%
<b>INTERNATIONAL(*)</b>	<b>Q1 2013</b>	<b>Q1 2014</b>	<b>YoY</b>
Pax (mio)	1,15	1,47	28,3%
Seat (mio)	1,54	1,98	28,7%
Load factor (%)	74,5%	74,3%	-0,2%
Cycle	8.381	10.803	28,9%
Pax per cycle	137	136	-0,5%
ASK (mio)	2.241	2.921	30,4%
<b>TOTAL</b>	<b>Q1 2013</b>	<b>Q1 2014</b>	<b>YoY</b>
Pax (mio)	3,25	4,08	25,4%
Seat (mio)	4,15	5,18	24,7%
Load factor (%)	78,3%	78,7%	0,4%
cycle	22.239	27.880	25,4%
Pax per Cycle	146	146	0,0%
ASK (mio)	3.743	4.807	28,4%
Block Hour	36.499	47.213	29,0%
Utilization	10,9	10,9	0,0%

(\*) International flights includes charter traffic

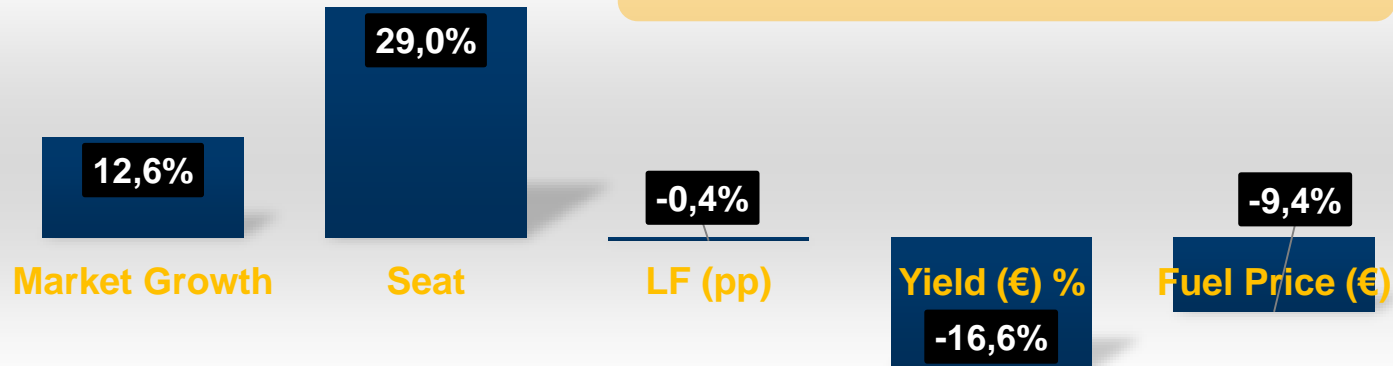
# Quarterly Revenue Analysis



## Domestic Delta Analysis



Yield Avrg : EUR 48.8 (vs EUR 58.6 2013 Q1)



## International Delta Analysis

# New Destinations & Frequencies in 2014



## New Destinations in S 14

- ✓ Madrid as of March
- ✓ Frankfurt as of March
- ✓ Kuwait as of March
- ✓ Charleroi as of April (instead of BRU)
- ✓ Hamburg as of July
- ✓ Bishkek as of March (conversion from Marketing carrier to operating carrier)
- ✓ Bahrain, Prague and Genève as of July
- ✓ Mineralnye Vody as of May 14
- ✓ Budapest, Dammam and Turkmenbasi in progress

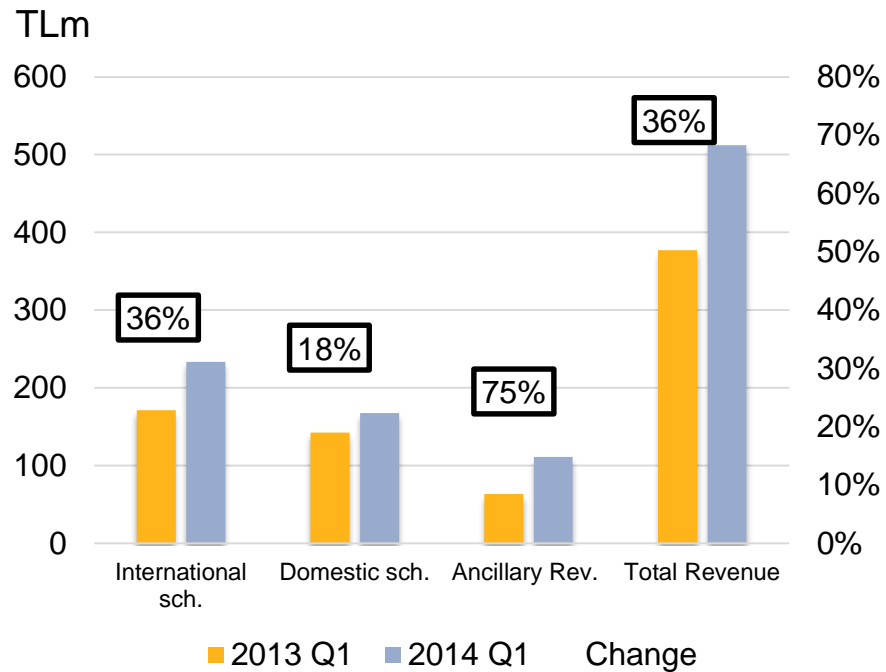
## More Frequencies in S 14

- ✓ Tel Aviv daily 3 freq
- ✓ Cologne daily 2 freq
- ✓ Düsseldorf weekly 19 freq
- ✓ Krasnodar additional 2 freq
- ✓ Sarajevo additional 1 freq
- ✓ Vienna weekly 11 freq
- ✓ Stuttgart weekly 9
- ✓ London (STN) weekly 16
- ✓ Barcelona weekly 9

# Financial Performance



## Revenue Development



## Comments

- Revenue of TLmn 512 in Q1 2014
- Up 36% year on year
- Growth on the back of increased capacity

(1) International revenue includes international split charter  
(2) Total revenue includes cargo services and training revenue

# Revenue Performance



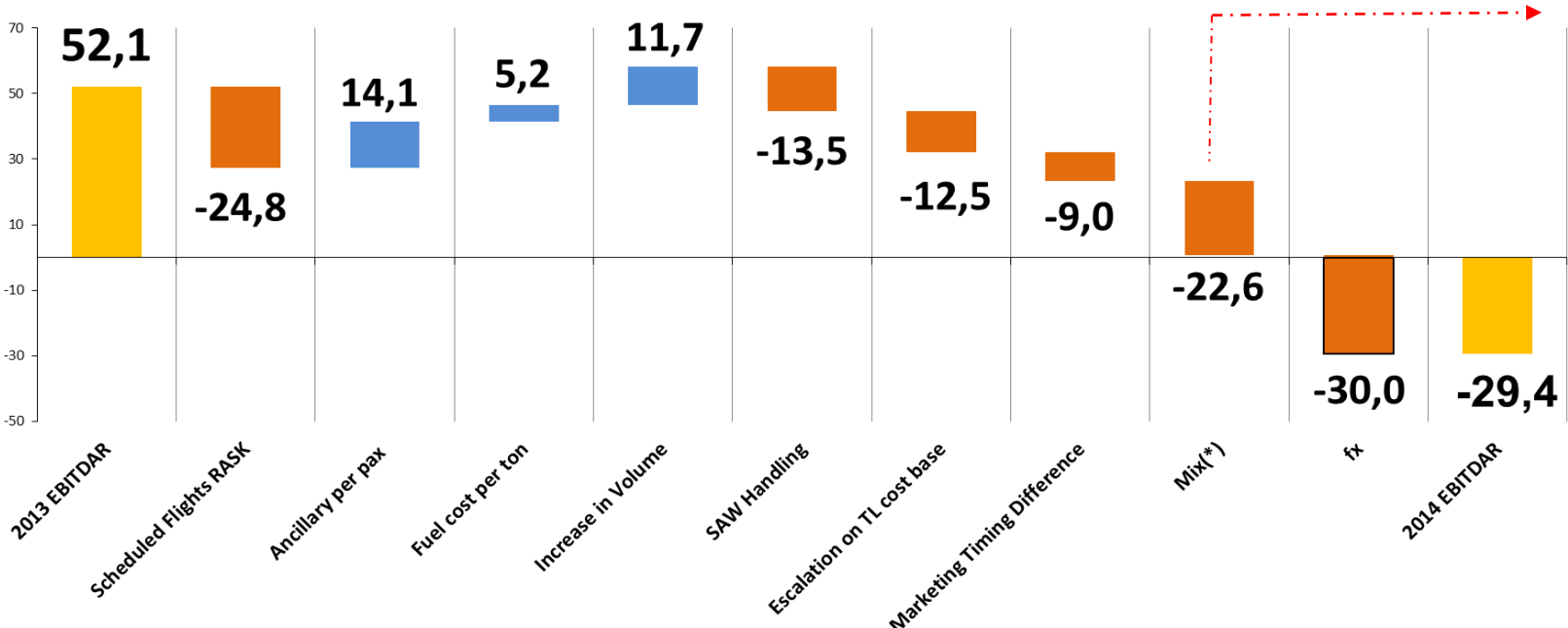
	Q1 '14	Q1'13	Change
<b>Passengers (m)</b>	4.1	3.2	25%
<b>Load Factor (%)</b>	78.7	78.3	0.4%
<b>Seats (m)</b>	5.2	4.2	25%
<b>Average Sector Length (km)</b>	928	902	3 %
<b>Total Revenue (TRYm)</b>	512.1	377.1	36 %
<b>Ancillary Revenue per pax (TRY)</b>	27.3	19.5	40%



# EBITDAR Analysis



**Fig. 2: 2013-2014 EBITDAR Bridge**



Delayed Flight Costs	-2,8
Consolidation (Airmanas&Izair)	-3,7
Employee performance bonus	-7,0
Change in engine overhaul provision	-2,8
Delta in operational leasing a/c in the fleet	-3,7
Other	-2,5

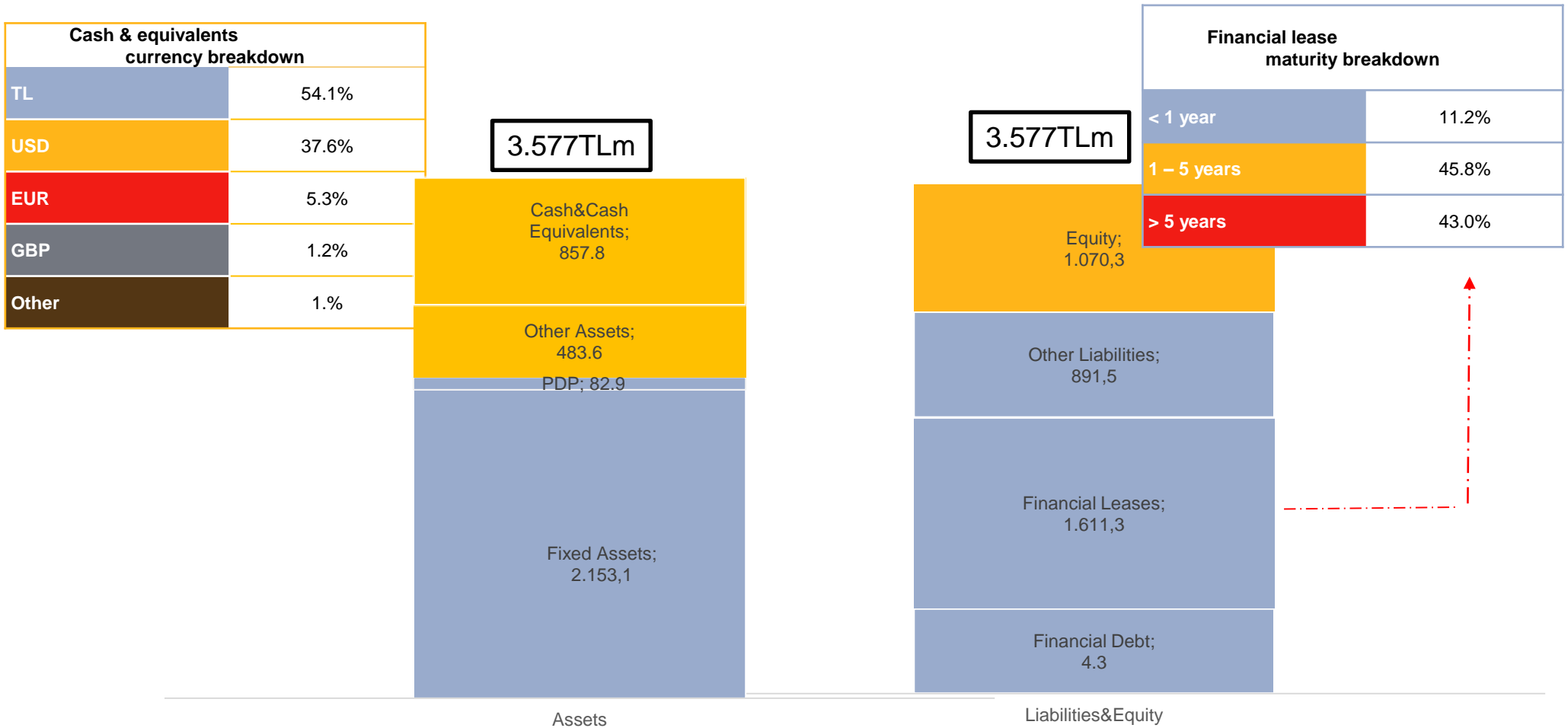
## Comments

- TRY-29.4m net EBITDAR reported in Q1 2014 period
- Mix includes the impacts of delayed flight costs, Izair & Air Manas fixed costs, change in engine overhaul provision, fleet ownership structure and employee performance bonus
- Marketing spent – time difference
- Delayed flight costs- warm winter, one-off

# Balance Sheet Analysis



**Fig. 1: Balance Sheet Structure (31<sup>st</sup> March 2014) (TL m)**



# CASK Analysis



Fig. 1: CASK €c non-fuel Bridge

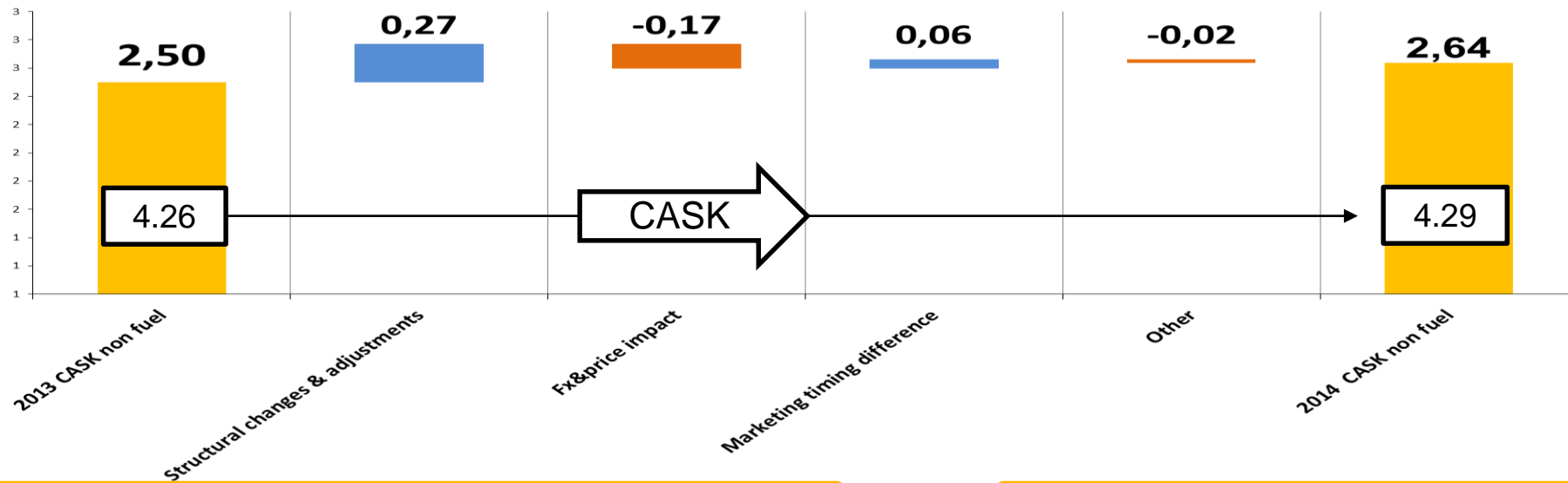


Fig. 2: CASK non-fuel Seasonality Relationship

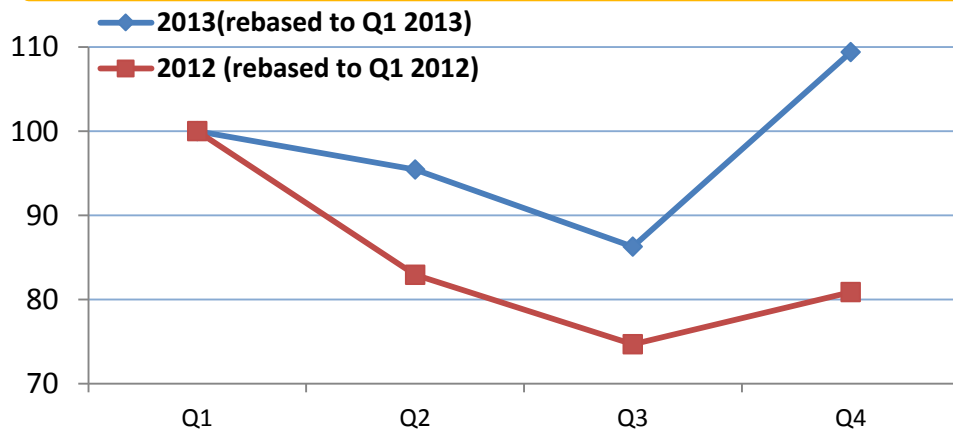
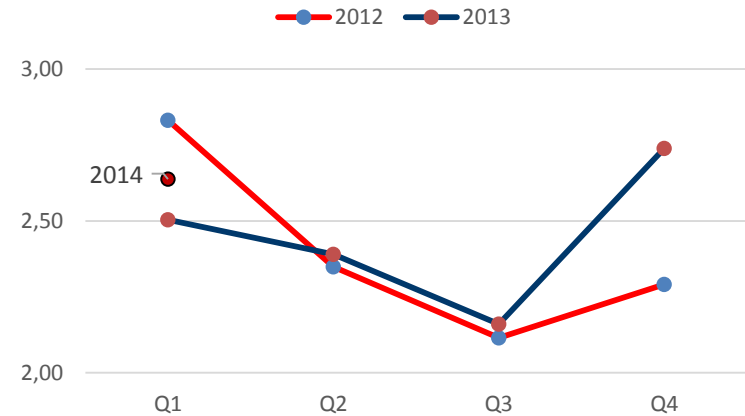






Fig. 3: Nominal CASK non-fuel values



# FX gain/loss impact



Assets		Liabilities & Equity	
<b>Monetary Assets</b>		<b>Monetary Liabilities</b>	
Cash and cash equivalents	€  VS. TL, \$, £ = FX Loss @ P&L	Bank Loans	€  VS. TL, \$, £ = FX Gain @ P&L
Trade receivables		Obligations under finance leases	
PDP		Trade payables	
FX Gain/(Loss) recorded in 2014 Q1 (TL m): -45.5		FX Gain/(Loss) recorded in 2014 Q1(TL m): -4.2	
<b>Non-Monetary Assets</b>		<b>Non-Monetary Liabilities &amp; Equity</b>	
Investments	€  VS. TL = FX Gain @ P&L	Capital	€  VS. TL = FX Loss @ P&L
Tangible assets		Premium in excess of par	
Intangible assets		Retained earning	
FX Gain/(Loss) recorded in 2014 Q1(TL m): 30.1		FX Gain/(Loss) recorded in 2014 Q1 (TL m): 27.4-	
Net FX Gain/(Loss) recorded in 2014 Q1 (TL m): -47.0			

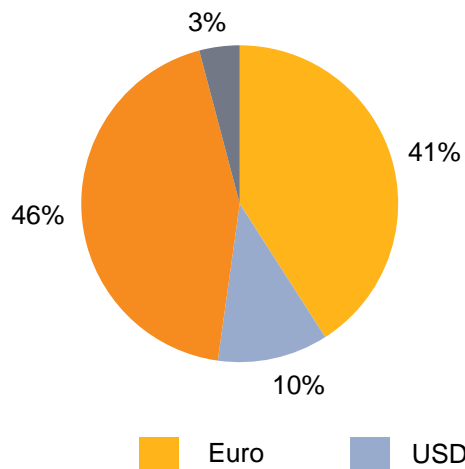
Note: €/TL rates: 31/12/2013: 2.9365; 31/032014: 3.0072

# Decrease in currency exposure

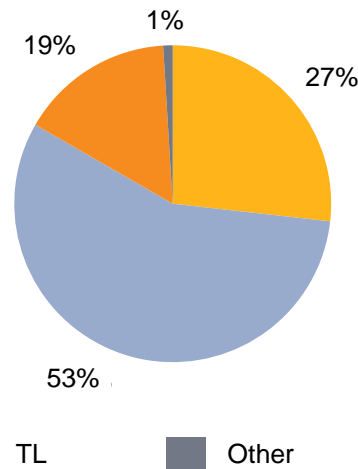


**Fig. 1: Foreign Currency Position of Income Statement (%)**

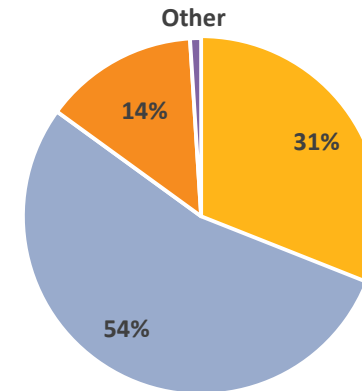
**Currency Exposure of Revenues**



**Currency Exposure of expenses**



**Currency Exposure of expenses before recent changes**



5 pp of expenses converted to TL from Euro and USD

## Hedging Update

- For 2014, 86% of USD short positions are hedged already (2013: 96%)
- Hedging volumes:
  - Fuel – 2014: 48%; 2015: 13% / USD 928. 80 per tonn for 2014
  - Dollar – 2014: 90%; 2015: 10% / EUR-USD : 1.3863

**Fig. 2: Sensitivity Table (TLm)**

2014Q1	EUR/TL	USD/TL	Fuel
$\Delta$	+0.01	+0.01	+\$10
	EUR/TL	USD/TL	Fuel
<b>Revenues</b>	0.7	0.2	-
<b>Opex</b>	0.6	1.5	2.3
<b>EBIT</b>	0.1	-1.3	-2.3
<b>EBITDAR</b>	0.3	-1.1	-2.3

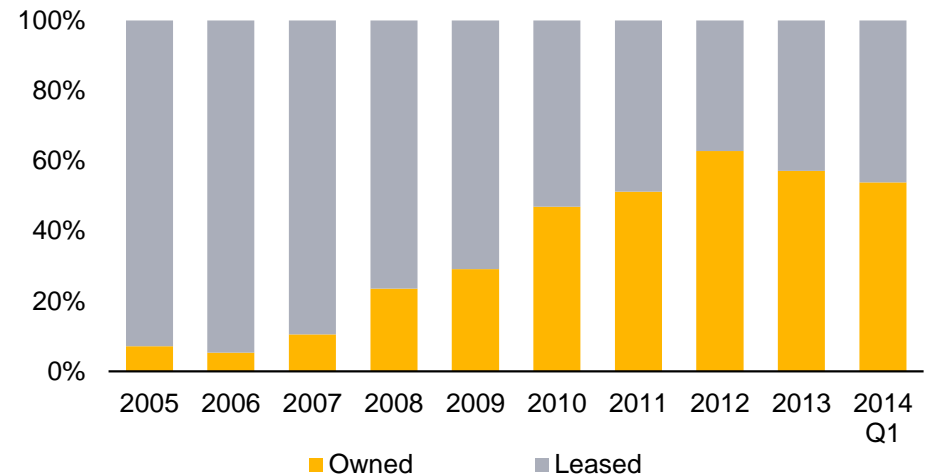
# FLEET DEVELOPMENT



**Fig. 1: Fleet Overview**

Fleet at 31 Mar 14	Owned	Leased	Total
Boeing 737-800	27	20	47
Boeing 737-400	1	0	1
Airbus A320 CEO	0	4	4
<b>Total Fleet</b>	<b>28</b>	<b>24</b>	<b>52</b>

**Fig. 2: Ownership Profile**



**Fig. 3: Fleet Expansion**

	2013	2014				2014	2015	2016
TOTAL FLEET	Year End	Q1	Q2	Q3*	Q4	Year End	Year End	Year End
Owned	1	1	1	1	1	1	1	1
Financial Lease	27	27	27	27	27	27	27	34
Operational Lease	15	18	20	20	20	20	21	21
Wet Lease	6	6	6	6	6	6	6	6
<b>TOTAL</b>	<b>49</b>	<b>52</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>62</b>

\* An operational lease aircraft is planned to be delivered in 2014 Q3.

# Outlook & Trends



Traffic – Market Growth	<ul style="list-style-type: none"><li>▪ We expect continuation of robust PAX growth in the Turkish international and domestic aviation market<ul style="list-style-type: none"><li>▪ We target a total PAX growth of c.20% in 2014</li></ul></li><li>▪ DHMI forecasts passenger growth of 10% CAGR in Turkey between 2013 and 2015</li></ul>
Capacity Increase	<ul style="list-style-type: none"><li>▪ In total, we expect to add c.20% of additional ASKs annually to our network over the next three years</li><li>▪ In terms of utilisation, we expect a similar performance to 2013 within the short term</li></ul>
Load Factors and Bookings Trend	<ul style="list-style-type: none"><li>▪ Current favourable trends in load factors expected to continue in 2014 – we target to exceed 2013 levels<ul style="list-style-type: none"><li>▪ Our mid term target is to exceed 82% levels in load factor</li></ul></li></ul>
RASK / Yield	<ul style="list-style-type: none"><li>▪ Pressure on yields offset by increased load factor, resulting in a stable RASK</li></ul>
Ancillary Revenues	<ul style="list-style-type: none"><li>▪ Our target is to grow our ancillary revenues to at least €10-12 per PAX range within the next three years</li></ul>
Operating Costs (CASK)	<ul style="list-style-type: none"><li>▪ Expected to remain stable for the near term</li><li>▪ CIT team actively looking into several initiatives to further bring down costs – and increase the estimated and cumulative savings from 2014's €m47 level</li></ul>
2014 EBITDAR margin	<ul style="list-style-type: none"><li>▪ Between 17-19%</li></ul>
Capex and Cash Flow	<ul style="list-style-type: none"><li>▪ We expect marginal non-aircraft capex</li><li>▪ We target positive cash flow impact from working capital changes</li></ul>

1. These trends and targets involve a number of risks and uncertainties and actual results may differ materially. See disclaimer at the end of the presentation.

# Definitions



## 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.

“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.

“CASK exc. fuel” 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.



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