



# Pegasus Airlines – The Low Cost Network Carrier

August 2013

# Our Business Snapshot



We are 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
- Currently operates out of 4 bases in Turkey (Istanbul Sabiha Gökçen International Airport (“SAW”) being the main hub) and flies to 41 international (including Northern Cyprus) and 29 domestic destinations in 28 countries<sup>(1)</sup>
- 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)

Figure 1: Business Mix (2012)

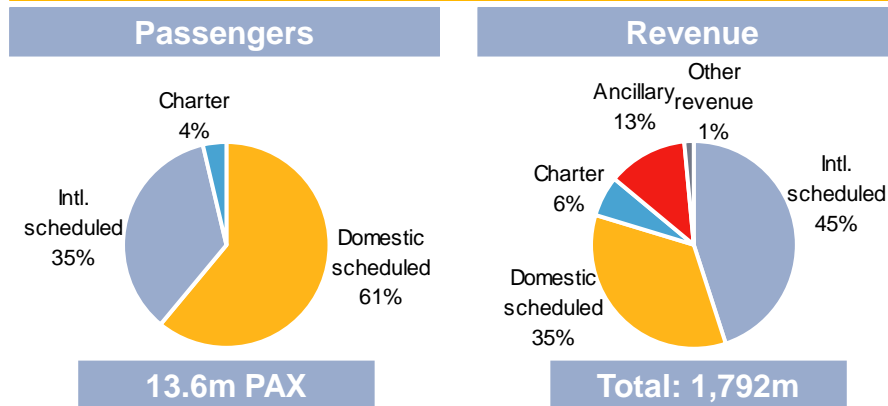
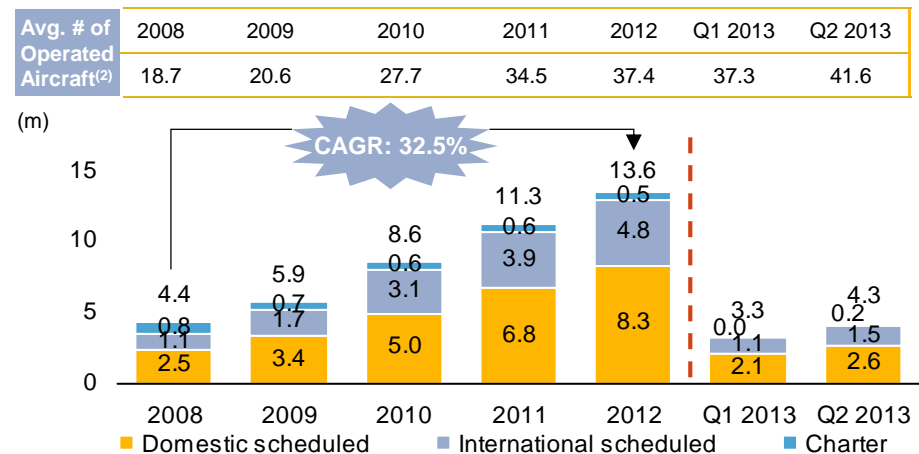


Figure 2: Pegasus Passenger Volume & Aircraft Development



1. As of 26th March 2013. Includes two new international routes and five new domestic routes that have been announced and for which ticket sales have started. The number of destinations does not include seasonal destinations (Zweibrücken, Manchester and Hanover) and codeshare destinations (Baku and Bishkek).

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

Note: International scheduled includes international split charter.

Source: Pegasus information.

# Our IPO and Recent Performance



We have recently completed our IPO in April 2013 and c.35% of our total shares outstanding trade at Borsa Istanbul

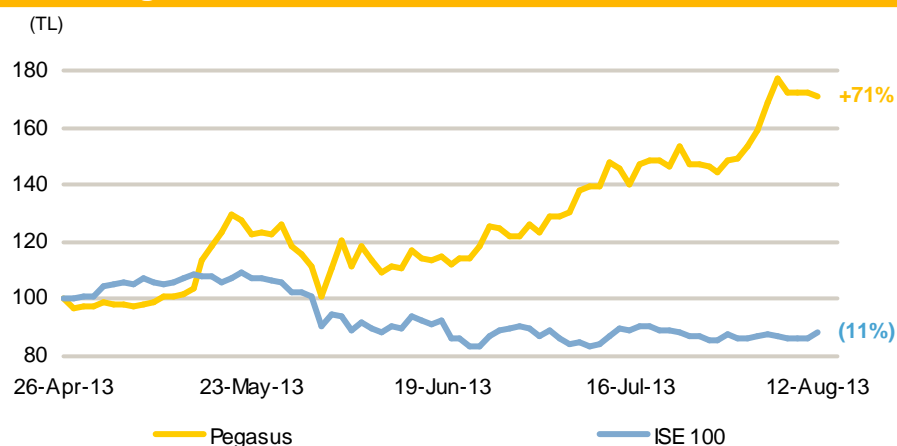
## Commentary

- The deal priced at TRY18.40 equating to a market capitalisation at IPO of TRY 1.88bn
- Sold 32.1m shares - 85% primary, 15% secondary, with a 70% international / 30% domestic split
  - Current ownership: c.35% free float / c.65% Esas Holding<sup>(2)</sup> (after greenshoe)
- Strong operating momentum continued in the traditionally slow Q1 2013
- Significantly strengthened the balance sheet and brought down our PF adjusted net leverage to c.2.2x in Q2 2013

## Figure 3: Key Summary Financials

(TLm)	2010	2011	2012	Q1 2013	Q2 2013
Revenue	978	1,469	1,792	377	605
Y-o-Y Growth	-	50.2%	22.0%	44.8%	60.5%
EBITDAR	161	198	392	52	148
Margin	16.5%	13.5%	21.9%	13.8%	24.5%
Adjusted Net Leverage <sup>(1)</sup>	7.5x	10.1x	4.5x	3.9x	2.2x

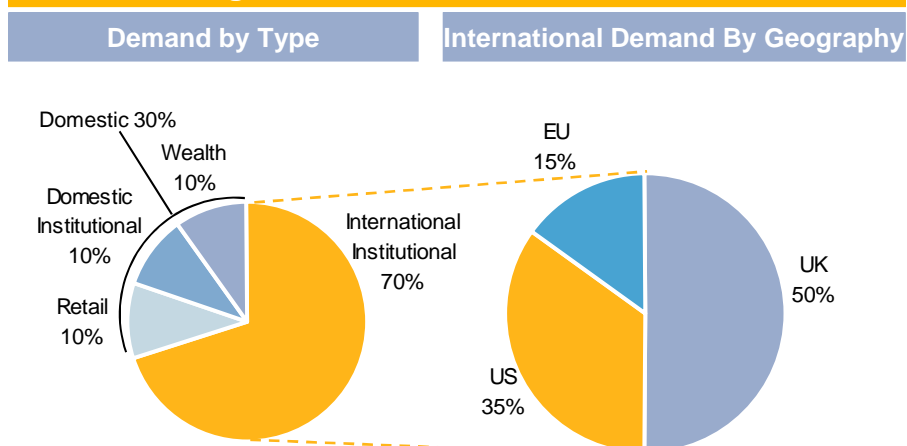
## Figure 4: Share Price Performance since IPO



Source: Bloomberg.

1. Adjusted net debt is defined as the sum of current and non-current financial liabilities, current and non-current financial obligations under finance leases, and operating lease expenses multiplied by seven less cash and cash equivalents and 50% of advances on aircraft purchases (PDPs).
2. Refers to shares held by Esas Holding or shares held directly by members of the Esas holding.

## Figure 5: IPO Demand Breakdown



# 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 and Hanover) and codeshare destinations (Baku and Bishkek).
2. Refers to the targeted number of destinations as of 31 December 2013.

# 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 Track Record

7

Promising Future Growth Opportunities

8

Experienced Management Supported by a Seasoned Board of Directors



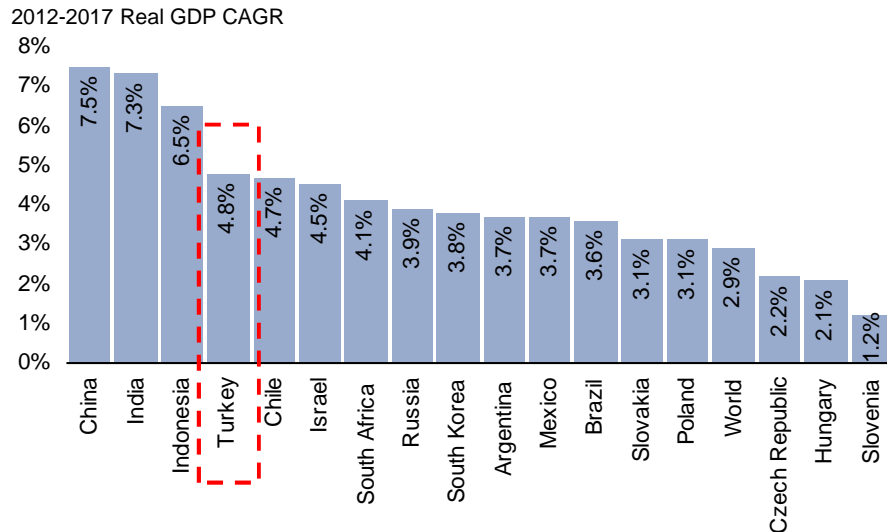
# 1 Large and Fast Growing Home Market in Turkey



## Solid macro picture with healthy growth fundamentals

- Transformation of Turkey into an aspiring economy through structural and financial reforms over the last decade
  - Real GDP has increased significantly since 2001<sup>(1)</sup> but GDP per capita of \$10.4K<sup>(2)</sup> still has room for growth
- 15<sup>th</sup> largest economy globally and 7<sup>th</sup> largest in Europe<sup>(3)</sup>
  - Regional hub leveraging unique geographical location
- 3<sup>rd</sup> largest country in Europe with a young and growing population of ~76m<sup>(4)</sup> people – median age of ~30 years<sup>(4)</sup>
- One of the top tourism destinations globally<sup>(5)</sup>

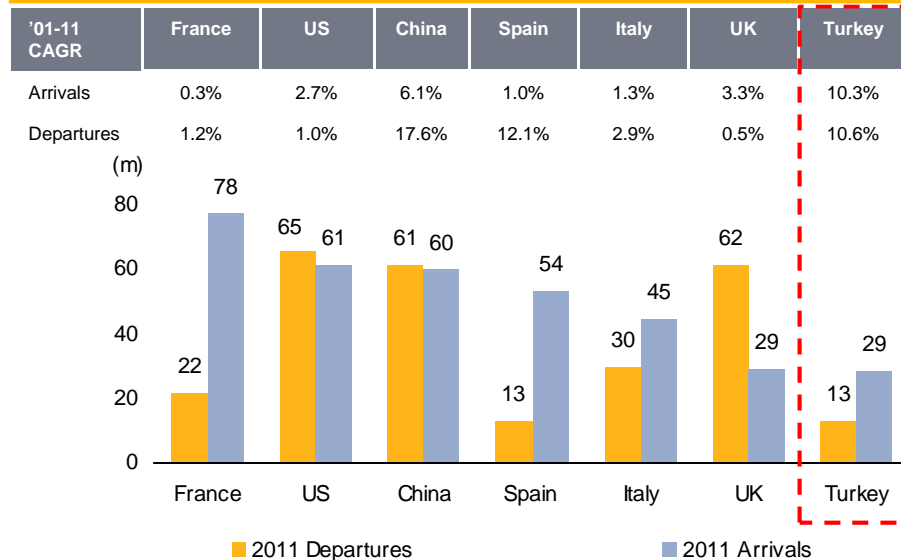
Figure 6: Solid Growth Expectations



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.

Figure 7: Top Arrival & Departure Destinations Globally<sup>(5)</sup>



- EIU, 2013.
- Turkish Statistical Institute. Average 2012 TL/\$ exchange rate of 1.8015 used to convert GDP per capita.
- 2011 data by GDP PPP – World Bank.
- TurkStat.
- By arrivals – latest available EIU data. Excludes Hong Kong data.

# Resilient and Structurally Attractive 2 Turkish Aviation Market

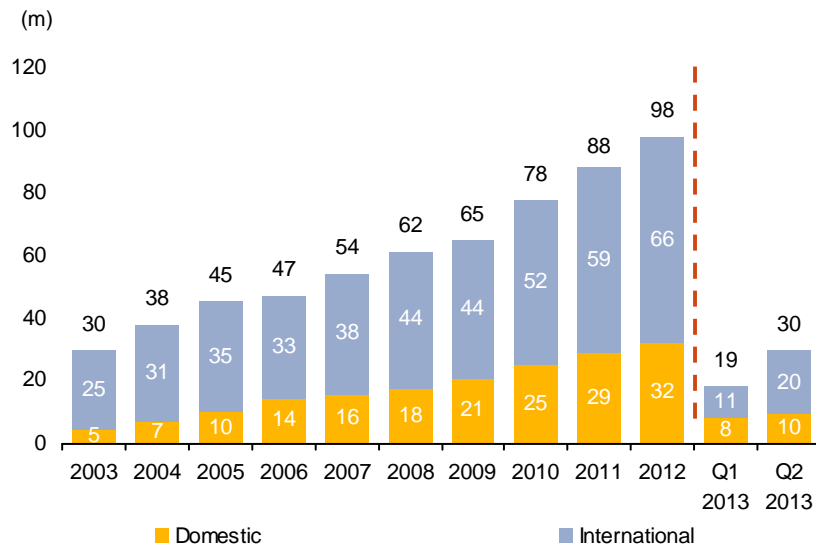


## Rapidly growing, but still underpenetrated market

- The Turkish civil aviation market went through a series of changes in the early 2000s which accelerated the growth
- 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%
- Despite strong growth, both the domestic and international markets remain underpenetrated
- Very large mountainous country with few motorways and limited high speed rail

**Figure 8: Passenger Volume Growth in Turkey<sup>(1)</sup>**

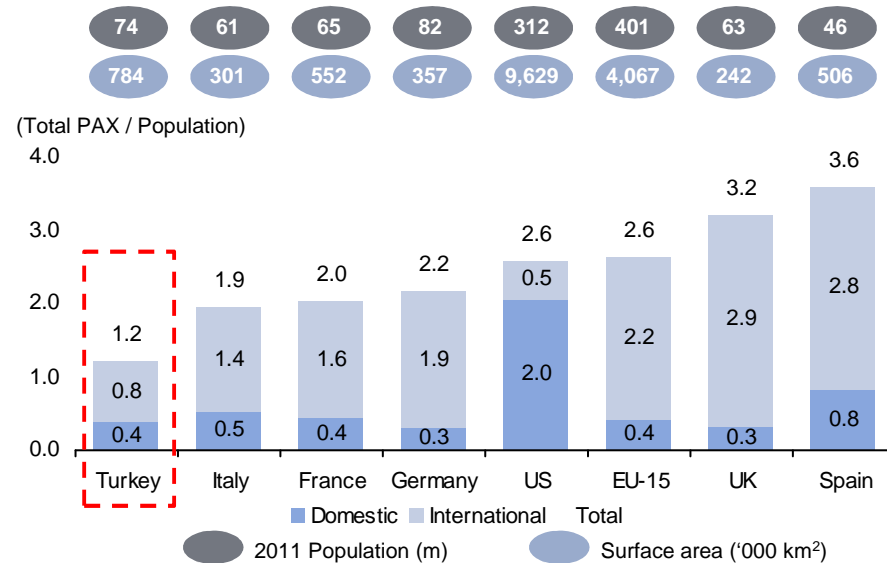
- Passenger growth has been 2.8x real GDP growth between 2003 and 2012



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.

**Figure 9: 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...

Figure 10: CASK (2012)

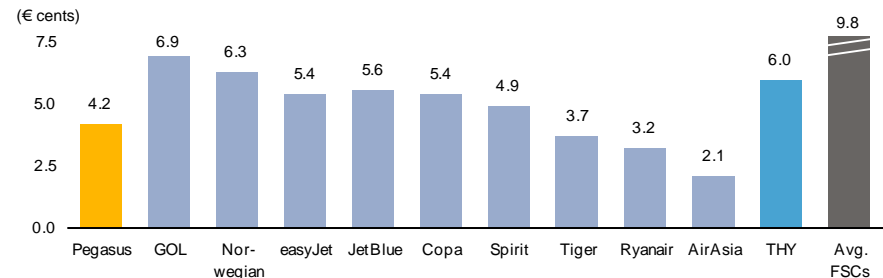
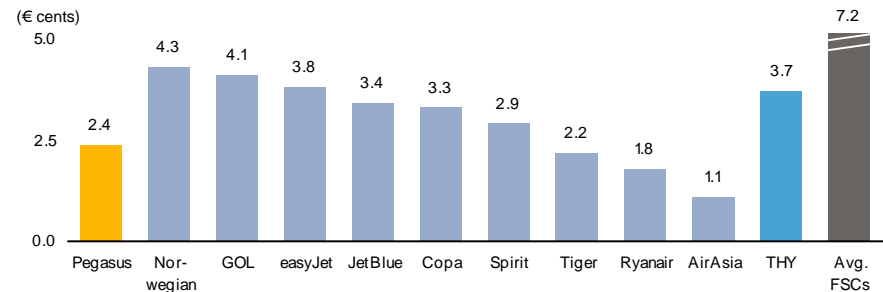


Figure 11: CASK ex-fuel (2012)



Source: Pegasus information, remaining company data per public filings.  
 Note: Peers figures calendarised to 2012 December year end; easyJet, Ryanair and Tiger calendarised to 2011 December year end. Average FX rates from FactSet 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



# 4 High Quality, Stress Tested Operating Performance

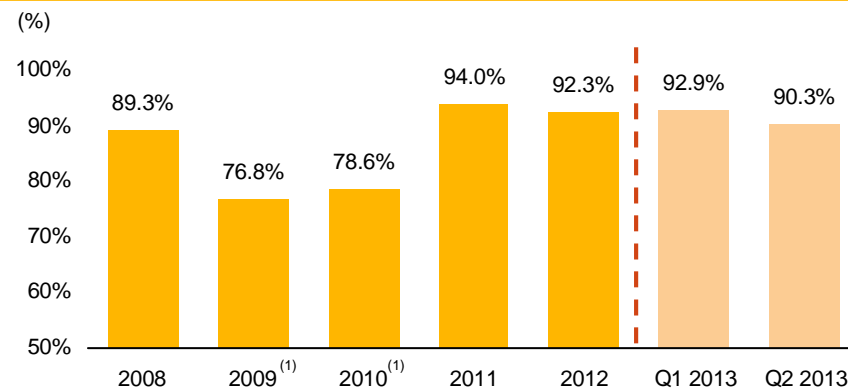


## Solid operational KPIs across the board...

### Commentary

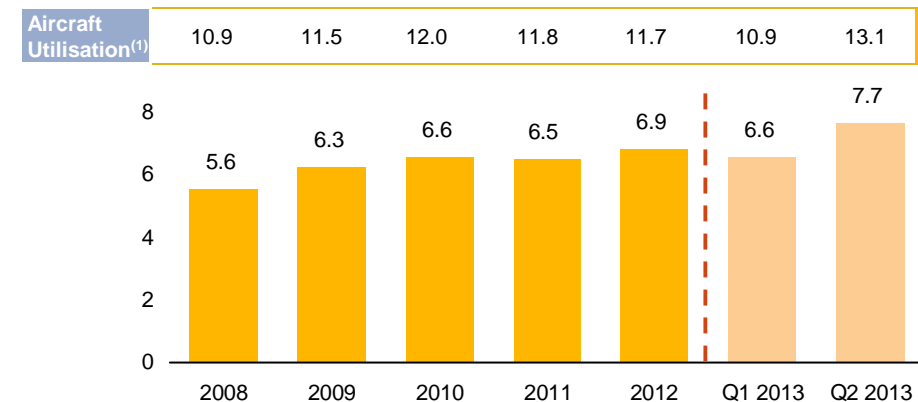
- Excellent “on-time” record, while achieving solid utilisation
  - Particularly important for the network model
- Continuously deliver strong and improving utilisation performance
- Consistent focus on improvement of asset utilisation
- Robust load factors as a result of hands-on revenue management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

### Figure 13: “On-Time” Record



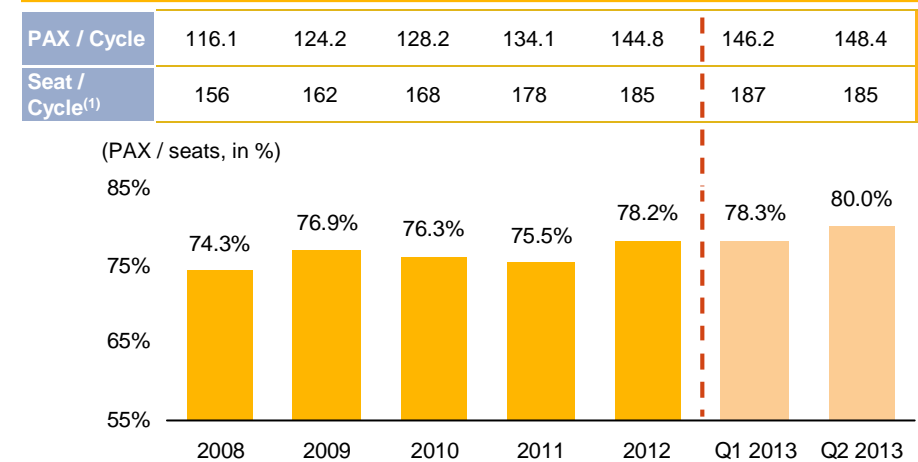
Source: Pegasus information.  
1. 2009 and 2010 data impacted by the opening of the new terminal at SAW.

### Figure 12: Turns Per Day



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

### Figure 14: Load Factors



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

# 4 High Quality, Stress Tested Operating Performance

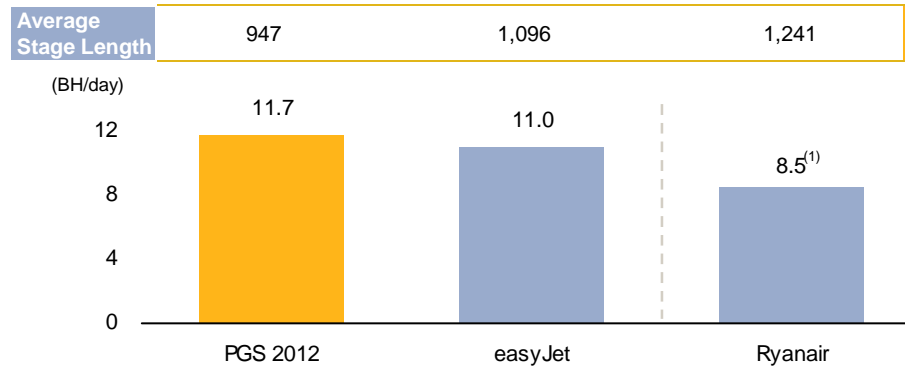


...and our KPIs fare very well against leading European low cost carriers

## Commentary

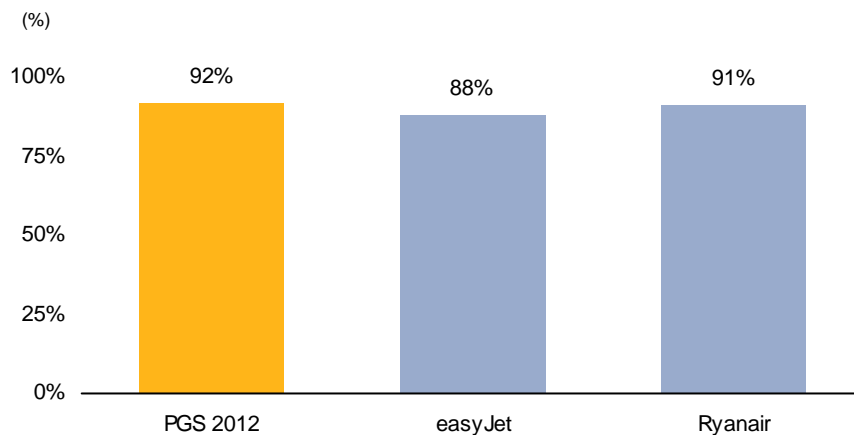
- High aircraft utilisation rates
- Stronger punctuality than Ryanair and easyJet in 2011 and 2012
  - Despite the network feed model
- Good load factor levels with room for improvement
  - We believe +80% levels (close to Ryanair) is achievable within the short/medium term
  - easyJet figures are impacted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

## Figure 15: Aircraft Utilisation



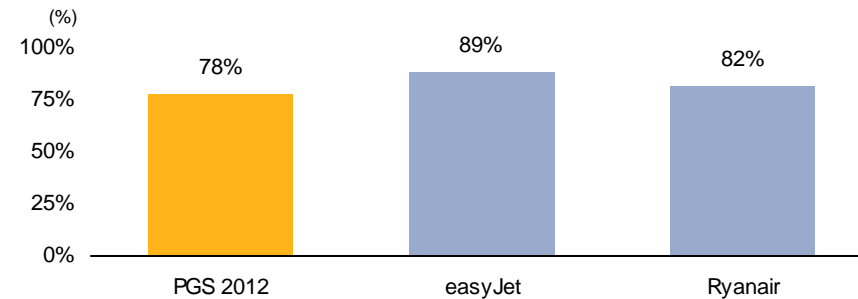
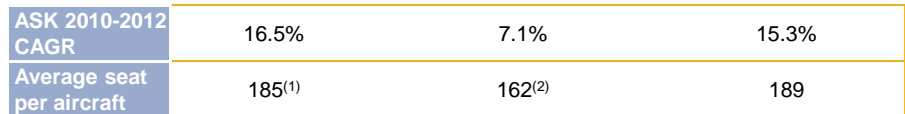
Source: Pegasus information, easyJet and Ryanair company filings.  
 Note: 2012 fiscal year data shown. easyJet year end in September. Ryanair year end in March.  
 1. Aircraft utilisation in reported per flight hours. We estimate that a 15-20% increase is a reasonable assumption to translate into block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

## Figure 16: "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.

## Figure 17: 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



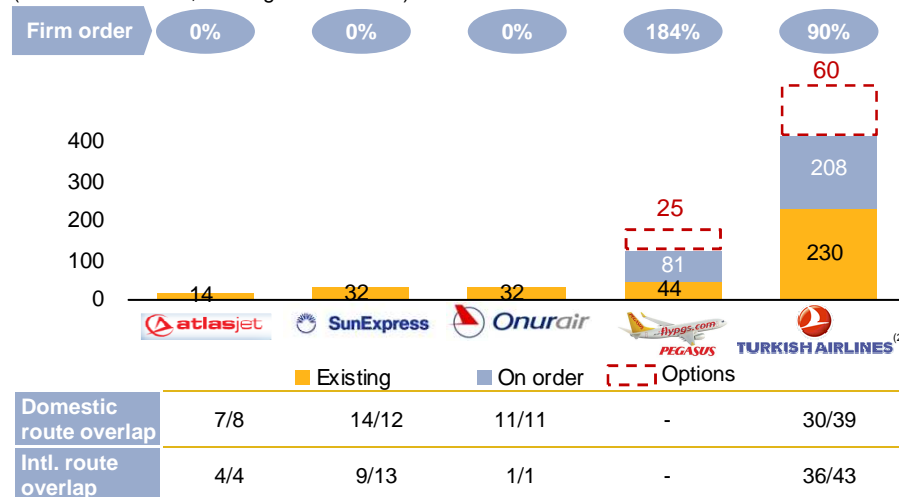
We serve 96%<sup>(1)</sup> of domestic market and we believe we have structural competitive advantages over our domestic competitors

### Comments

- We are clearly differentiated vs. Turkish Airlines (“THY”)
- We have a significant cost advantage over THY which enables us 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 business model

### Figure 19: Fleet Profiles of Turkish Operators

(Number of aircraft, existing and on order)



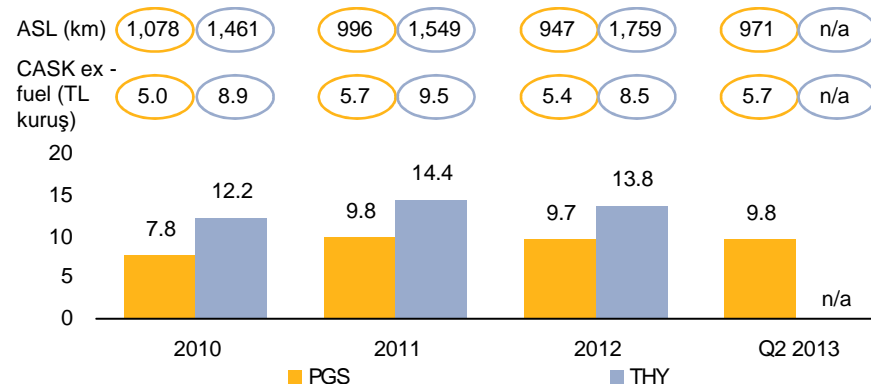
Source: Pegasus information, TOSHID (29 March 2013), company information.

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 fleet as of July 2013.

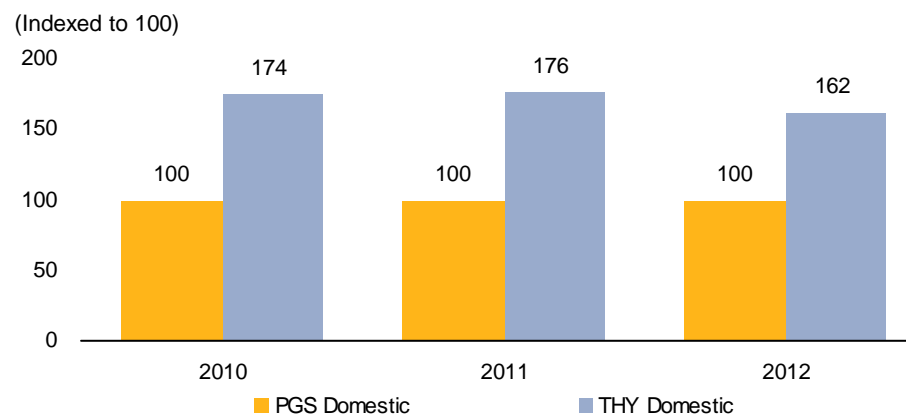
### Figure 18: CASK Comparison with THY



Source: Pegasus information, THY company information.

Note: PGS CASK and CASK ex-fuel figures converted from € to TL at the average €/TL Jan-March 2013 FX rate of 2.3357.

### Figure 20: Indexed Domestic RASK Comparison with THY



Source: Pegasus information, THY company information.

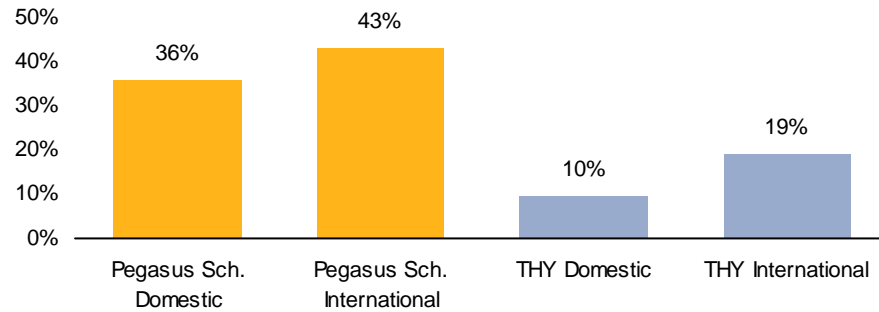


# 6 Strong Historical Track Record

Our strong performance has led to solid increase in passenger volumes and market share gains, both, domestically and internationally

**Figure 21: PAX Growth – Pegasus vs. THY**

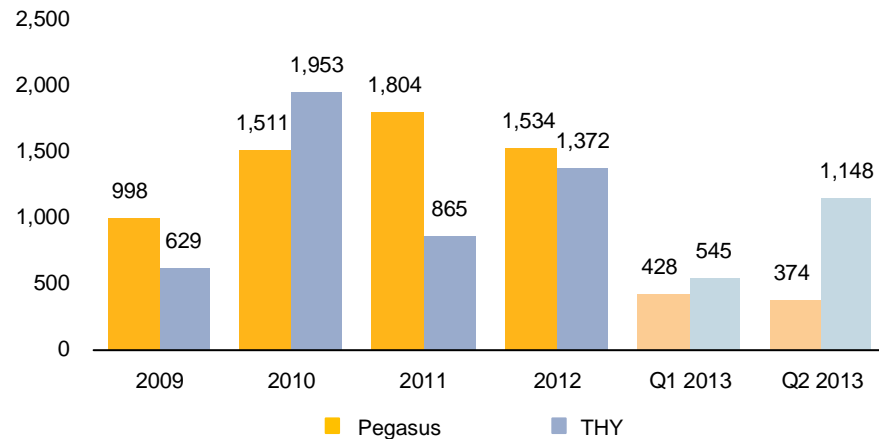
(2008 – 2012 passenger CAGR)



Source: Pegasus information, THY.

**Figure 23: Change in Domestic PAX – Pegasus vs. THY**

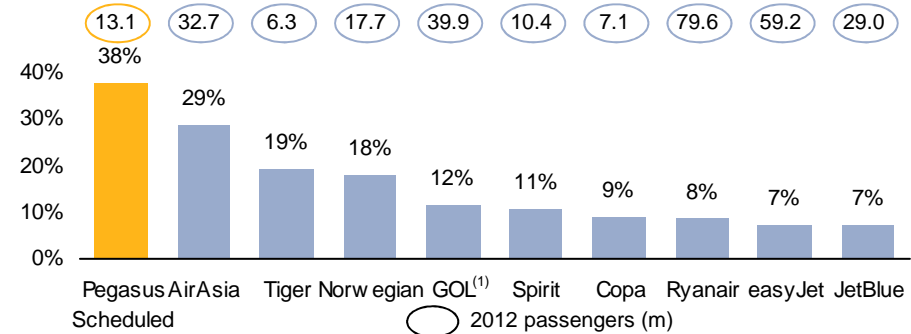
Passengers ('000)



Source: Pegasus information, THY.

**Figure 22: PAX Growth – Pegasus vs. International Peers**

(2008 – 2012 passenger CAGR)

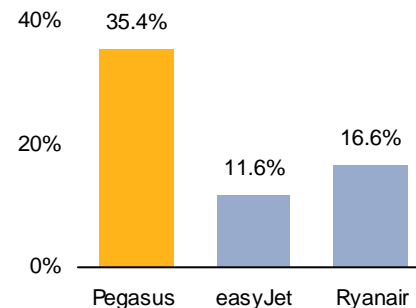


Source: Pegasus information per company data, remaining company data per company websites.

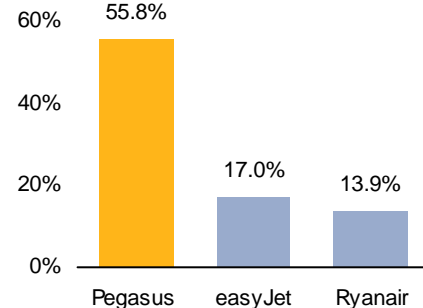
1. Last twelve months' data as of September 2012 for GOL.

**Figure 24: Revenue and EBITDAR Growth – Pegasus vs. Key Peers**

2010 – 2012 Revenue CAGR<sup>(1)</sup>



2010 – 2012 EBITDAR CAGR<sup>(2)</sup>



Source: Pegasus information, easyJet and Ryanair filings.

1. 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.

2. 2012 fiscal year data used. easyJet fiscal year end is in September and Ryanair fiscal year end is in March.



# 6 Strong Historical Track Record

Robust topline and EBITDAR performance over the last 3 years and momentum continues in YTD 2013

Figure 25: Revenue Development

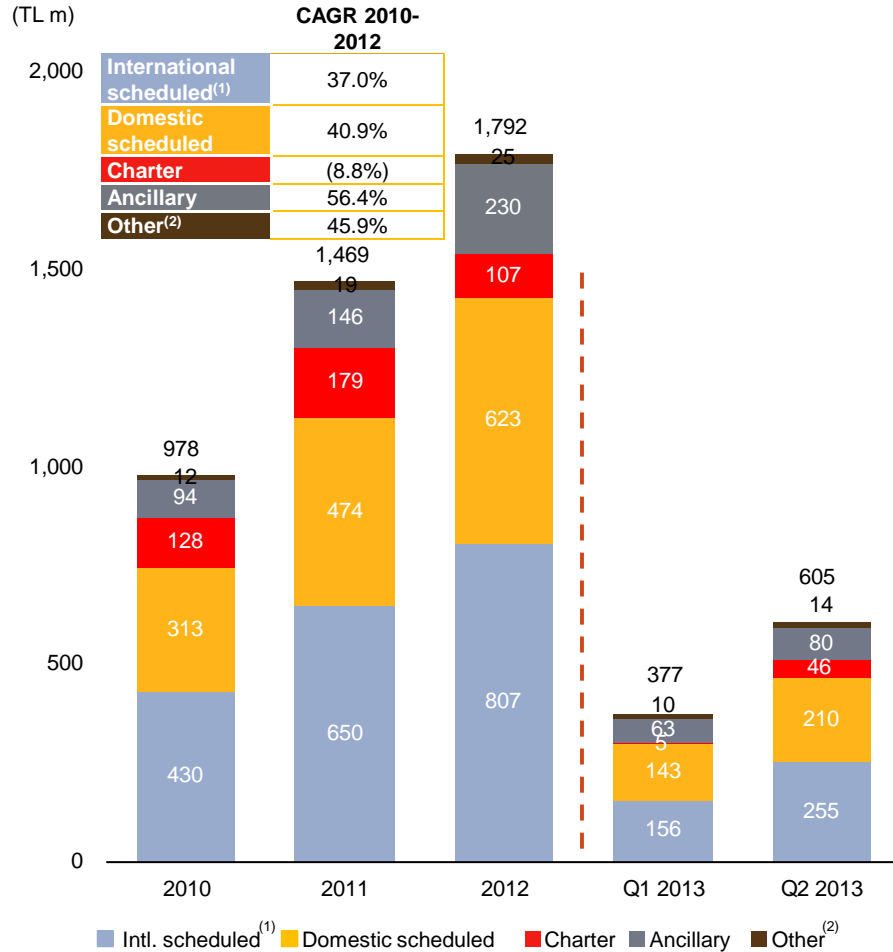
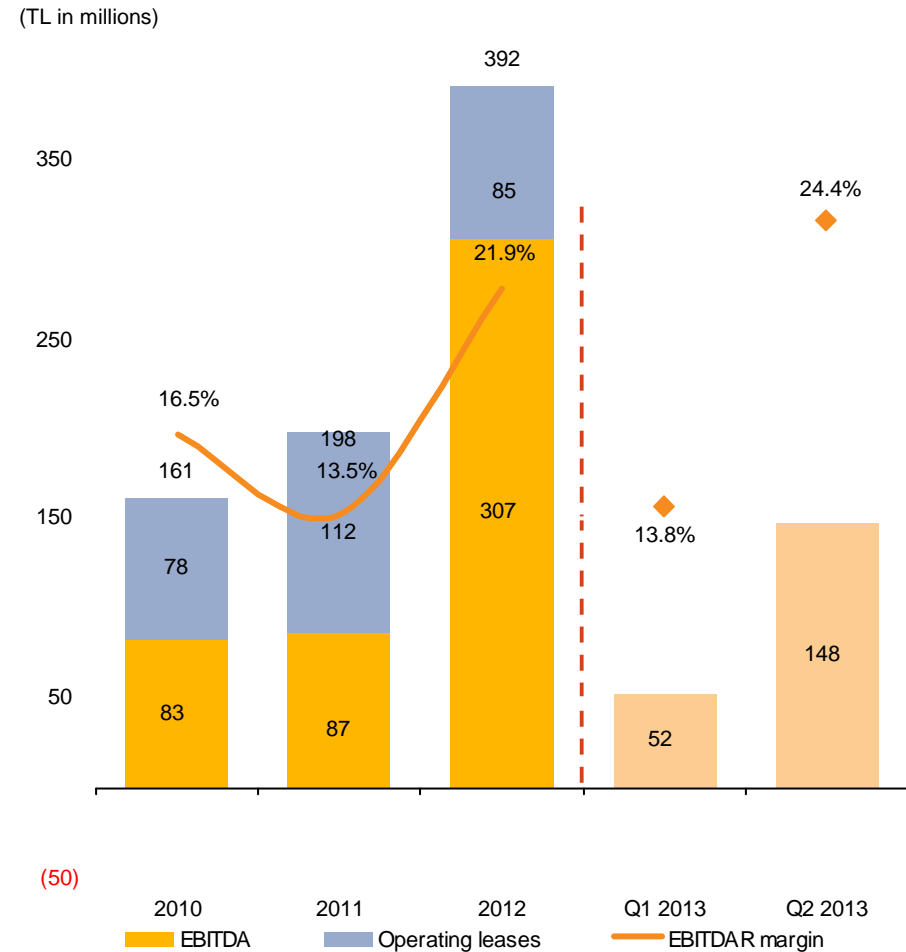


Figure 26: EBITDAR and Margin



Source: Pegasus information.

1. Includes international split charter.

2. Includes cargo services and training revenue.



# 6 Strong Historical Track Record

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
- Integrated IT infrastructure
- Well established risk management systems
- One of the youngest fleets in the LCC sector globally

## Figure 28: Flight Data Monitoring System



Source: Pegasus information.

## Figure 27: Daily P&L System

EUR	Thursday 01/08/13	Friday 02/08/13	Saturday 03/08/13
<b>Revenue</b>			
Grand Total (incl.com.&pass.tax)	2,892,208	3,358,390	3,410,610
Ancillary Revenue	395,220	411,955	397,644
Other Income	19,798	21,383	21,376
<b>Total Revenue</b>	<b>3,307,226</b>	<b>3,791,729</b>	<b>3,829,629</b>
<b>Total Operating Expenses</b>	<b>1,817,427</b>	<b>1,947,791</b>	<b>1,957,412</b>
<b>Total G&amp;A &amp; Amort .Expenses</b>	<b>665,764</b>	<b>665,764</b>	<b>665,764</b>
<b>Total Expenses</b>	<b>2,483,191</b>	<b>2,613,555</b>	<b>2,623,176</b>
<b>EBITDAR</b>	<b>1,120,682</b>	<b>1,474,822</b>	<b>1,503,101</b>
<b>EBT</b>	<b>824,034</b>	<b>1,178,174</b>	<b>1,206,453</b>
Rev.per PAX (excl.tax)	56.13	64.21	66.70
Pax	51,526	52,306	51,131
LF %	80%	76%	77%
Seat	64,776	68,787	66,078
Cyc	351	366	357
Ancillary Revenue Per Pax	7.67	7.88	7.78
Total Revenue Per Seat	51.06	55.12	57.96
Total Cost / Seat	38.34	37.99	39.70
ASK	64,356,213	68,129,745	68,965,230

Source: Pegasus information.



# 6 Strong Historical Track Record

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

Figure 29: How Does CIT Operate?

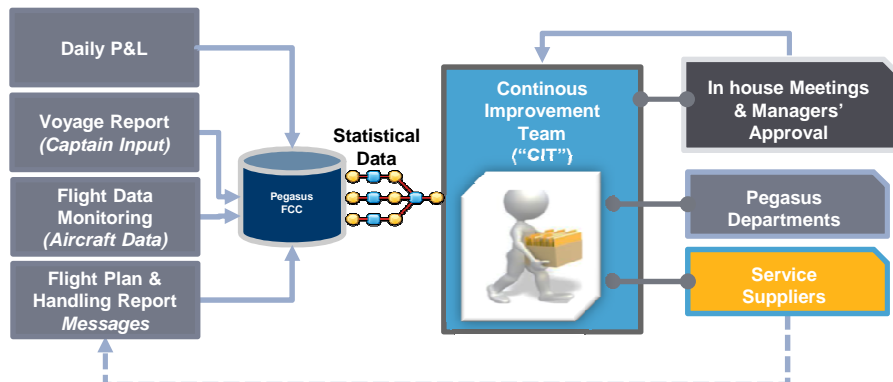
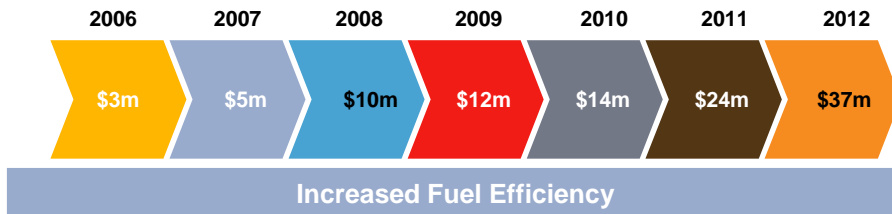
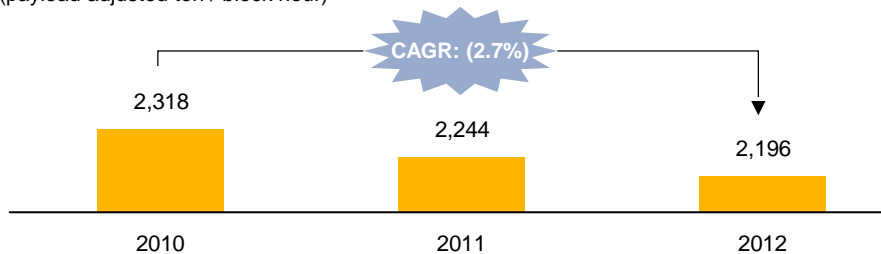


Figure 31: Management Estimates of Achievements of CIT Team



(payload adjusted ton / block hour)



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

Figure 30: What are Some of the Specific Project Examples?

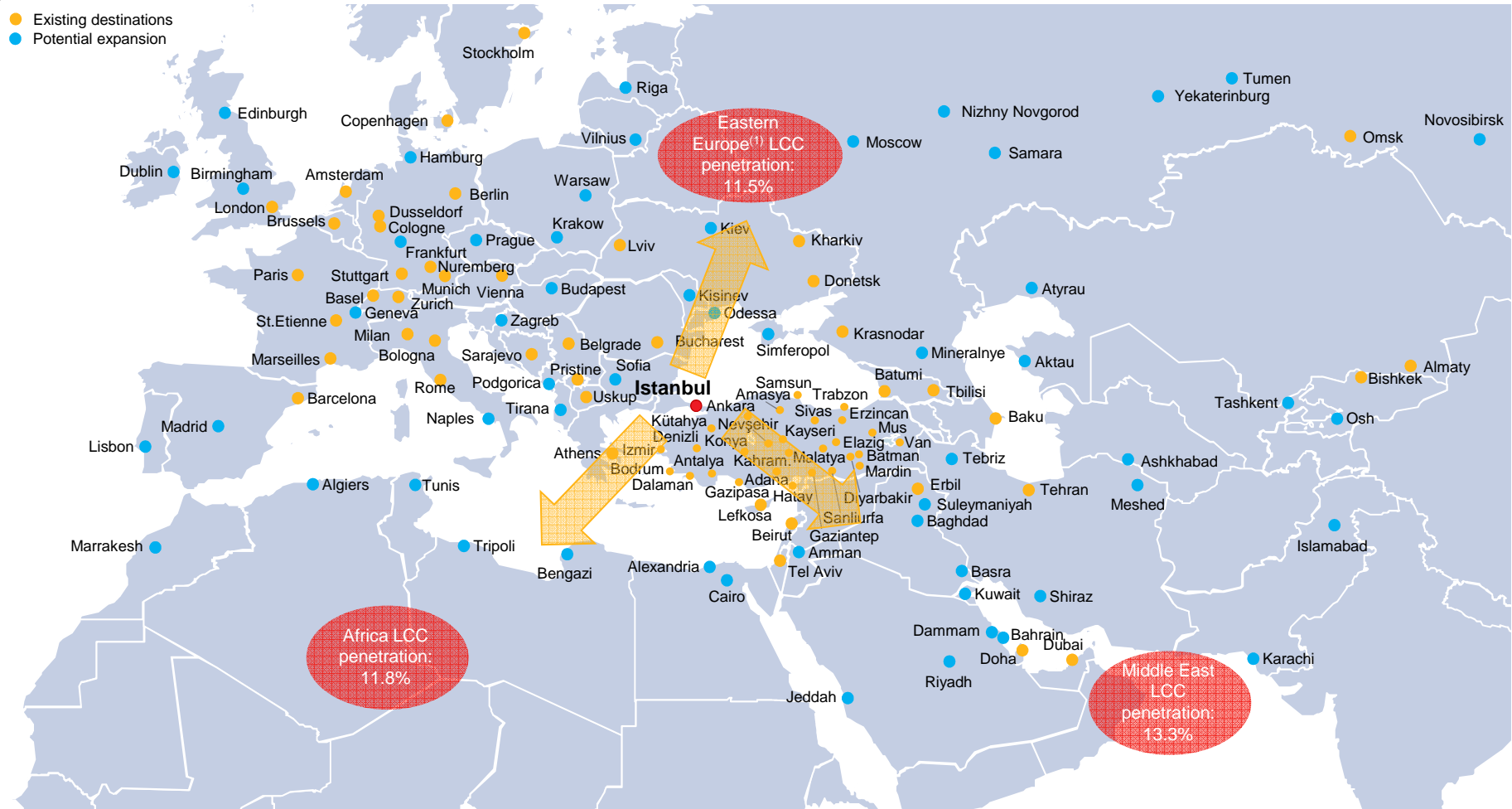
	Selected Initiatives	'12 Financial Impact (\$m)
Flight Procedures	High flight level	\$6.8
	Engine derate-reduced take-off thrust	\$4.3
	APU usage only on the ground	\$4.4
	One alternative airport instead of two	\$1.9
	Hr/cycle minimisation	\$1.7
	Flight planning system change (multi leg tankering, etc.)	\$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 <sup>(1)</sup>
	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
<b>Total</b>		<b>\$37.3</b>

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

# 7 Promising Future Growth Opportunities



Future demand stimulation through growing our route network and increasing frequencies. Internationally, we focus on markets where trips per capita and LCC penetration remain low



Source: Pegasus information. LCC penetration rates from "CAPA – Centre for Aviation", defined as LCC capacity share (%) of total seats.  
 Note: Destinations shown do not include seasonal destinations (Zweibrücken, Manchester and Hanover). Baku and Bishkek are codeshare destinations.  
 1. Excluding Russia.

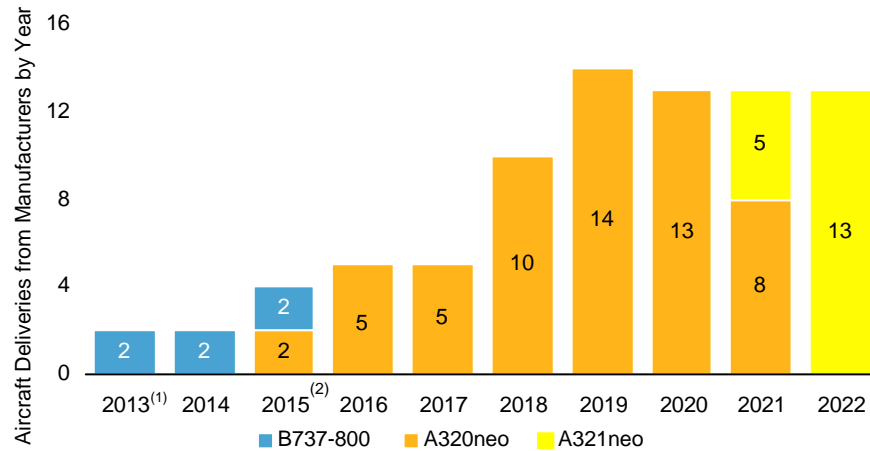


# 7 Promising Future Growth Opportunities



Growth is supported by future “new generation” aircraft deliveries which give us financial and operational flexibility going forward and a state of the art airport base

Figure 32: Fleet Upgrade / Expansion Supports Continued Growth



Source: Pegasus information.

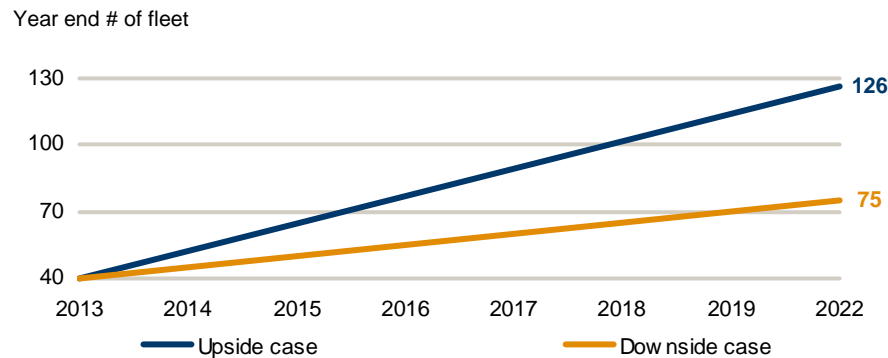
1. Includes one new Boeing 737-800NG aircraft delivered after 31 December 2012.
2. Assuming the first Airbus deliveries in 2015.

Figure 33: SAW Provides an Excellent Base for Our Growth

- International airport located on the Anatolian side of Istanbul, 35km southeast of central Istanbul
- Large catchment area – covers population of almost 20 million

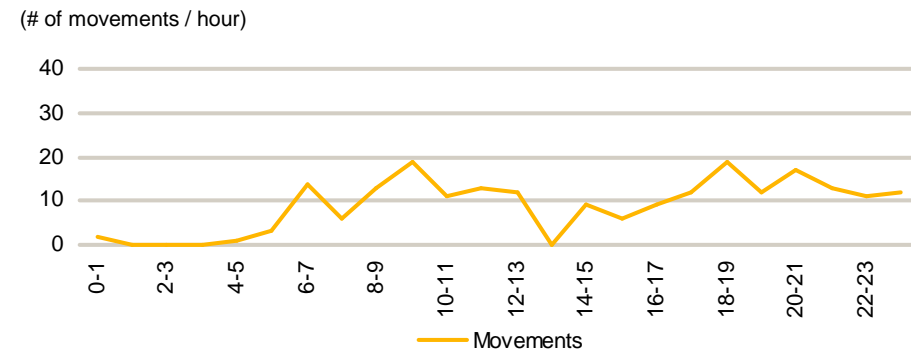


Figure 34: Fleet Development Flexibility



Source: Per Pegasus current plan.

Figure 35: Underutilised Runway Capacity



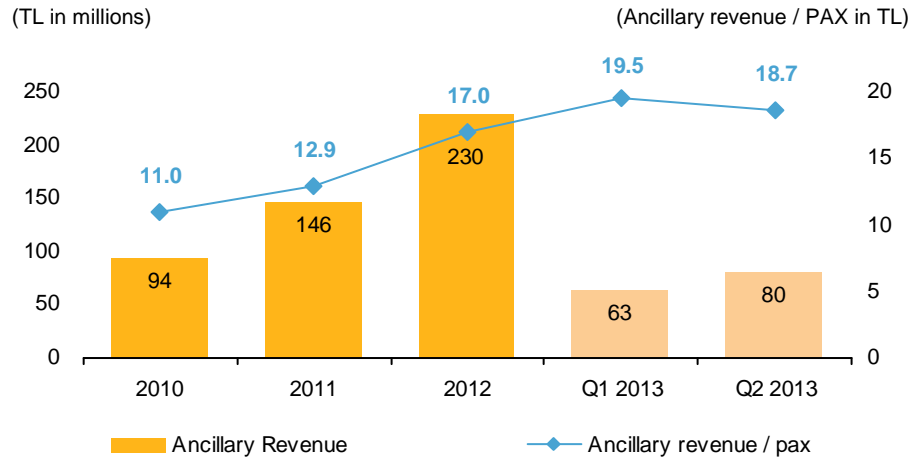
Source: Air Traffic Intelligence.



# 7 Promising Future Growth Opportunities

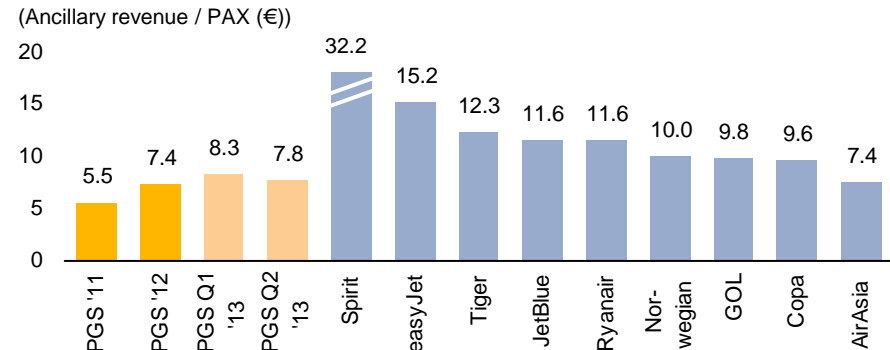
## Significant upside potential in ancillary revenues and internet sales channel

**Figure 36: Ancillary Revenue Development**



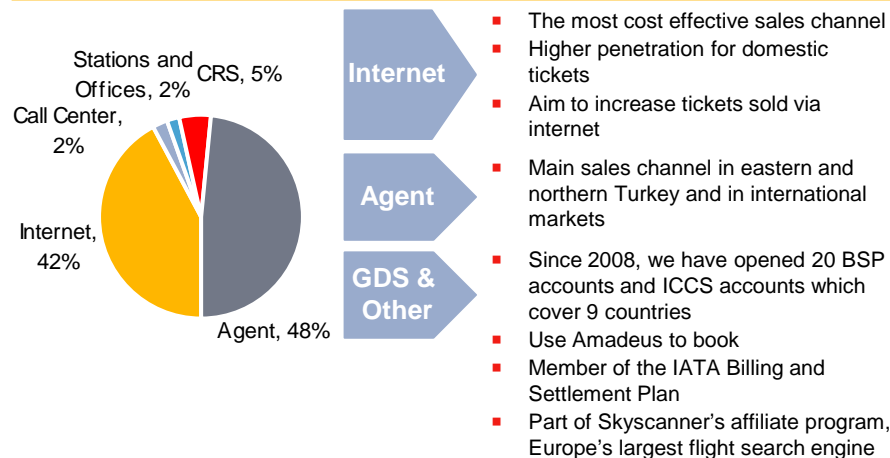
Source: Pegasus information.

**Figure 37: Room for Growth in Ancillary Revenue<sup>(1)</sup>**



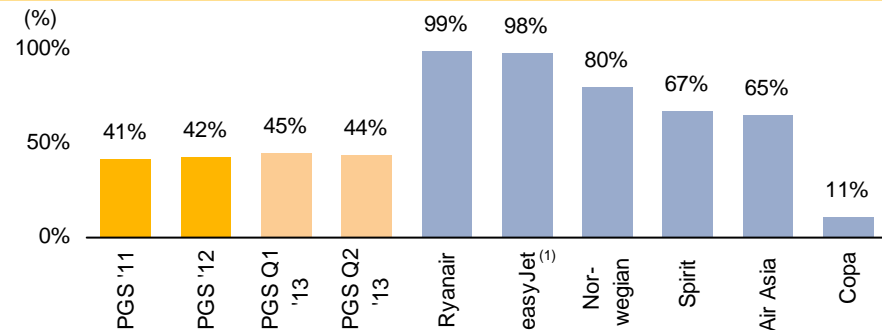
Source: Pegasus information, company information for remaining companies.  
 Note: Financials calendarised to 2011 December year end and converted at the respective average 2011 FX rates. Ancillary revenue of Pegasus and other companies may not be comparable as the term is not universally defined. 2011 fiscal year data shown for easyJet (September fiscal year end). PGS 2011, 2012, Q1 2012 and Q1 2013 figures converted at the €/TL FX rates of 2.3349, 2.3061, 2.3549 and 2.3557, respectively.  
 1. Data not stage length adjusted.

**Figure 38: Sales Breakdown by Channel – 2012**



Source: Pegasus information.

**Figure 39: Internet Sales as % of Total Sales**



Source: Pegasus information, company information for remaining companies.  
 Note: Latest disclosed data shown for peers. JetBlue, Tiger and GOL data not disclosed. Pegasus internet sales % for domestic and international each weighted by the proportion of domestic and international revenues to arrive at a combined internet sales %.  
 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.

# 8 Experienced Management Supported by a Seasoned Board of Directors



We have a high profile management team and Board of Directors of experienced airline professionals

## Members of the Board



**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**  
Conor McCarthy

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



**Member**  
Cem Kozlu

- Has held various positions in The Coca-Cola Company since 1996 including the President of Central Europe, Eurasia and Middle East
- CEO of Turkish Airlines from 1988-1991 and Chairman from 1997-2003
- Member of Parliament in the Turkish Grand National Assembly (1991-1995)



**Member**  
Emre Berkin

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



**Member**  
Mehmet Sağiroğlu

- More than 35 years experience in the Turkish financial institutions and corporations
- Former head of investment banking and corporate finance at leading Turkish banks including Global Securities, TSKB
- Current chairman of KOTEDER (The Association of Listed Companies' Executives)

## Leading Corporate Governance

### Board composition and independence

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

### Board committees

- Audit Committee has been established.<sup>(1)</sup> After the contemplated IPO, Corporate Governance, Nomination, 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. Committee was established on 21 April 2011.

# Outlook & Trends<sup>(1)</sup>



## 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 annual 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

## Current Trading (Q2 2013)

- 16.6% increase in domestic passengers over Q2 2012
- 23.0% increase in international scheduled passengers over Q2 2012 (21.8% increase including international charter operations)
- Load factor of 80.0%, an increase of 1.0% over Q2 2012
- Utilisation of 13.1 BH/day, an increase of 4.6% over Q2 2012
- 7.7 turns per day, an increase of 8.1% over Q2 2012

1. These trends and targets involve a number of risks and uncertainties and actual results may differ materially. See disclaimer on page 24 of this presentation.



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## Appendices

# Income Statement



Figure 40: Income Statement

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated)

	2010	2011	2012	H1 2013
Sales revenue (net)	977,863,116	1,484,079,753	1,919,892,223	991,318,782
Cost of sales	(867,782,511)	(1,376,748,406)	(1,600,787,909)	(810,499,002)
<b>Gross profit</b>	<b>110,080,605</b>	<b>107,331,347</b>	<b>319,104,314</b>	<b>180,819,780</b>
General administrative expenses (-)	(35,077,321)	(44,887,428)	(50,250,429)	(52,985,007)
Selling and marketing expenses (-)	(38,823,562)	(67,845,635)	(80,353,989)	(32,866,827)
Other operating income and expenses (net)	7,199,355	9,850,948	4,189,016	6,013,840
<b>Operating profit / (loss)</b>	<b>43,379,077</b>	<b>4,449,232</b>	<b>192,688,912</b>	<b>100,981,786</b>
Share of investments' profit / (loss) accounted for using equity method / income from investing activities	(109,663)	409,670	(1,513,990)	709,190
Financial income	4,856,873	13,984,584	13,278,513	18,471,096
Financial expense (-)	(17,175,753)	(31,522,079)	(49,133,836)	(51,626,553)
<b>Profit / (Loss) before tax</b>	<b>30,950,534</b>	<b>(12,678,593)</b>	<b>155,319,599</b>	<b>68,535,519</b>
<b>Tax income / (expense)</b>				
Current tax expense	-	-	-	-
Deferred tax expense	(10,713,224)	(1,407,307)	(29,016,083)	(24,394,249)
<b>Profit / (Loss) for the period</b>	<b>20,237,310</b>	<b>(14,085,900)</b>	<b>126,303,516</b>	<b>44,141,270</b>
<b>Other comprehensive income / (loss)</b>				
Currency translation differences	1,177,467	30,247,314	3,555,138	52,287,706
Hedge fund	(126,249)	3,317,598	8,727,235	(15,731,306)
<i>Gai (loss) on on derivative contracts</i>	<i>(49,610)</i>	<i>3,989,186</i>	<i>14,898,232</i>	<i>(16,684,486)</i>
<i>Gains included in income statement</i>	<i>(86,561)</i>	<i>126,249</i>	<i>(3,191,351)</i>	<i>-</i>
<i>Deferred tax effect</i>	<i>9,922</i>	<i>(797,837)</i>	<i>(2,979,646)</i>	<i>953,180</i>
<b>Total comprehensive profit / (loss)</b>	<b>21,288,528</b>	<b>19,479,012</b>	<b>138,585,889</b>	<b>80,697,670</b>
<b>Net profit / (loss) attributable to:</b>				
Shareholders' of the parent	25,536,874	(15,323,004)	126,303,516	47,014,274
Non-controlling interest	(5,299,564)	1,237,104	-	(2,873,004)
	<b>20,237,310</b>	<b>(14,085,900)</b>	<b>126,303,516</b>	<b>44,141,270</b>
Earnings / Loss per share (TL)	1.07	(0.20)	1.68	0.55
<b>Total comprehensive profit / (loss) attributable to:</b>				
Shareholders' of the parent	26,703,345	19,612,025	138,585,889	85,653,842
Non-controlling interest	(5,414,817)	(133,013)	-	(4,956,172)
	<b>21,288,528</b>	<b>19,479,012</b>	<b>138,585,889</b>	<b>80,697,670</b>

Source: Pegasus information.

# Balance Sheet



Figure 41: Balance Sheet

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated)	2010	2011	2012	H1 2013
<b>Current assets</b>				
Cash and cash equivalents	49,284,469	19,549,364	210,150,238	858,145,363
Trade receivables	18,511,639	78,693,508	41,871,360	178,554,427
Inventories	208,889	580,183	1,882,592	2,355,113
Other receivables and assets	41,011,332	99,314,260	85,424,957	88,898,357
<b>Total current assets</b>	<b>109,016,329</b>	<b>198,137,315</b>	<b>339,329,147</b>	<b>1,127,953,260</b>
Investments	286,360	662,186	1,512,212	822,949
Tangible assets	854,170,057	1,412,703,602	1,730,317,522	1,798,380,817
Intangible assets	3,231,665	5,632,441	5,013,650	9,462,167
Other receivables and non-current assets	263,790,567	202,706,762	132,838,505	155,863,541
Deferred tax assets	5,550,596	12,346,542	-	11,915,660
<b>Total non-current assets</b>	<b>1,127,029,245</b>	<b>1,634,051,533</b>	<b>1,869,681,889</b>	<b>1,976,445,134</b>
<b>Total Assets</b>	<b>1,236,045,574</b>	<b>1,832,188,848</b>	<b>2,209,011,036</b>	<b>3,104,398,394</b>
<b>Current liabilities</b>				
Financial liabilities and obligations under finance leases	210,182,820	292,036,185	185,954,714	198,445,484
Trade payables	54,390,220	100,683,084	88,538,575	188,848,940
Other payables and current liabilities	114,666,823	158,179,062	237,372,046	383,278,479
Provision for employee benefits	11,493,640	6,627,087	26,210,428	33,221,131
<b>Total current liabilities</b>	<b>390,733,503</b>	<b>557,525,418</b>	<b>538,075,763</b>	<b>803,794,034</b>
Financial liabilities and obligations under finance leases	11,307,245	-	-	-
Other non-current liabilities	14,255,429	18,302,176	26,333,376	44,311,739
Provision for employee benefits	546,745	625,339	4,149,445	3,999,961
Deferred tax liabilities	28,982,991	36,998,098	72,180,973	97,438,150
<b>Total non-current liabilities</b>	<b>676,331,651</b>	<b>1,085,966,355</b>	<b>1,343,583,125</b>	<b>1,401,707,992</b>
<b>Total liabilities</b>	<b>1,067,065,154</b>	<b>1,643,491,773</b>	<b>1,881,658,888</b>	<b>2,205,502,026</b>
Share capital	75,000,000	75,000,000	75,000,000	102,272,000
Effects of the acquisition of IHY İzmir Havayolları A.Ş. ("İzair")	29,504,957	29,504,957	29,504,957	29,504,957
Translation reserve / Cash flow hedging reserve	37,436,994	72,372,023	84,654,396	580,827,777
Retained earnings post net profit/(loss) for the year	32,453,286	11,889,279	138,192,795	185,207,069
Non-controlling interest	(5,414,817)	(69,184)	0	1,084,565
<b>Total equity</b>	<b>168,980,420</b>	<b>188,697,075</b>	<b>327,352,148</b>	<b>898,896,368</b>
<b>Total liabilities and equity</b>	<b>1,236,045,574</b>	<b>1,832,188,848</b>	<b>2,209,011,036</b>	<b>3,104,398,394</b>

Source: Pegasus information.

# Cash Flow Statement



Figure 42: Cash Flow Statement

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated)	2010	2011	2012	H1 2013
<b>Profit / (loss) for the period</b>	<b>20,237,310</b>	<b>(14,085,900)</b>	<b>126,303,516</b>	<b>47,014,274</b>
Depreciation and amortization	39,548,159	75,870,148	104,401,778	56,599,919
Inc. in income sharing plan, vacation accrual, EBP & provision for retirement pay liability	7,347,640	1,437,576	24,891,069	17,582,227
Current tax expense	10,713,224	1,407,307	29,016,083	24,394,249
Change in maintenance reserves and redelivery provision	5,545,800	24,708,159	12,739,780	7,604,049
Interest and commission expense	16,835,102	28,462,893	35,096,398	3,878,330
Interest income	(256,762)	(1,351,413)	(3,574,571)	-
Interest income & Other	(1,402,704)	(12,429,919)	10,526,819	12,085,359
<b>Cash generated from operating activities before changes in working capital</b>	<b>98,567,769</b>	<b>104,018,851</b>	<b>339,400,872</b>	<b>169,158,407</b>
Increase in trade receivables	8,125,563	(56,950,451)	28,952,710	(131,791,836)
(Increase) / Decrease in inventories	(95,361)	(371,294)	(1,303,613)	(472,521)
(Increase) / Decrease in other receivables and other current assets	(8,388,197)	(60,961,681)	(4,436,483)	(33,150,093)
Increase in trade payables	3,639,302	46,958,917	42,232,097	59,198,966
Increase in other current liabilities	28,387,617	21,682,335	58,871,748	201,793,184
<b>Changes in working capital</b>	<b>31,668,924</b>	<b>(49,642,174)</b>	<b>124,316,459</b>	<b>95,577,700</b>
<b>Cash flows from operating activities</b>	<b>130,236,693</b>	<b>54,376,677</b>	<b>463,717,330</b>	<b>264,736,107</b>
Retirement pay liabilities paid	(3,614,600)	(6,909,628)	(1,269,663)	(19,345,050)
<b>Net cash generated from operating activities</b>	<b>126,622,093</b>	<b>47,467,049</b>	<b>462,447,667</b>	<b>245,391,057</b>
Purchase of property, equipment and intangible assets	(7,699,987)	(14,918,929)	(20,058,058)	(8,861,763)
Changes in advances on aircraft	(94,259,452)	47,576,258	13,918,856	1,505,631
Proceeds from sale of property, equipment and intangible assets	160,623	952,892	2,557,434	-
Interest received / interest and commission paid & other	-	-	14,126,802	282,658
<b>Net cash used in investing activities</b>	<b>(101,798,816)</b>	<b>33,610,221</b>	<b>10,545,034</b>	<b>(7,073,474)</b>
Repayment of principal in finance lease liabilities	(44,595,041)	(78,665,344)	(117,378,591)	(68,109,332)
Interest and commission paid	(16,664,901)	(26,402,099)	(36,526,904)	(7,136,033)
Increase in borrowings	163,490,265	195,318,313	318,010,468	2,864,885
Repayment of borrowings	(83,458,628)	(201,300,888)	(446,496,800)	(2,747,795)
Increase in share capital	2,539,380	-	-	484,805,813
Effect of Izair acquisition	(3,168,069)	237,643	-	-
<b>Net cash (used in) / generated from financing activities</b>	<b>18,143,006</b>	<b>(110,812,375)</b>	<b>(282,391,827)</b>	<b>409,677,538</b>
Net (decrease) / increase in cash and cash equivalents	42,966,283	(29,735,105)	190,600,874	647,995,121
Cash and cash equivalents at the beginning of the period	6,318,186	49,284,469	19,549,364	210,150,238
<b>Cash and cash equivalents at the end of the period</b>	<b>49,284,469</b>	<b>19,549,364</b>	<b>210,150,238</b>	<b>858,145,359</b>

Source: Pegasus information.



# Q1 2013 Operating Data



Figure 43: Q1 2013 Operating Data

	H1 2012	H1 2013	Y-o-Y Growth
<b>Domestic</b>			
Pax (m)	3.9	4.7	20.0%
Seat (m)	5.0	5.8	18.0%
Load factor (%)	79%	81%	2.0%
Cycle	26.6	30.9	16.0%
Pax per cycle	148	153	4.0%
ASK (m)	2.9	3.3	16.0%
Market Share (%)	25.7%	26.7%	1.0%
<b>International</b>			
Pax (m)	2.2	2.8	26.0%
Seat (m)	3.1	3.7	21.0%
Load factor (%)	73%	76%	4.0%
Cycle	16.7	20.3	22.0%
Pax per cycle	134	139	4.0%
ASK (m)	4.4	5.6	27.0%
Market Share (%)	8.3%	9.2%	0.8%
<b>Total</b>			
Pax (m)	6.2	7.6	23.0%
Seat (m)	8.0	9.5	19.0%
Load factor (%)	77%	79%	3.0%
Cycle	43.3	51.2	18.0%
Pax per cycle	142	147	4.0%
ASK (m)	7.3	9.0	23.0%
Block hour	78.2	86.1	10.0%
Turns per day	6.5	7.2	11.1%
Utilisation	11.1	12.1	9.0%
# of destinations	56	71	27%
FTEs	2,131	2,289	7%
Aircraft	39	43	10%

Source: Pegasus information.

# Disclaimer (1/2)



## Definitions

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

All revenue, CASK, CASK ex-fuel, EBITDA, EBITDAR and EBITDAR margin items are Pegasus operational figures. These figures do not include figures related to the operation by IZair (which was jointly controlled with Air Berlin) and split charter flights between Turkey and selected cities in Germany under the “Air Berlin Turkey” brand (this operation commenced 1 November 2011)

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.

“Fuel efficiency” is defined as “payload adjusted ton / 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.

“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.

“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.

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