



Q2 2017
RESULTS PRESENTATION

August 15, 2017

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2017 Q2 Operating Environment

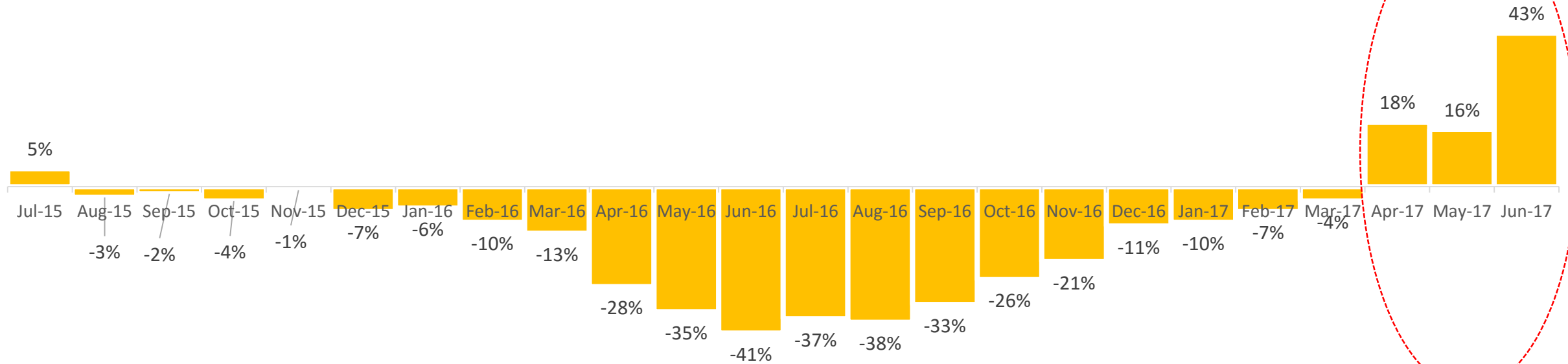


In the second quarter of 2017 based on the data published by Devlet Hava Meydanları İşletmesi (DHMI); Total passengers used airports in Turkey increased by 10% and realized as 48.6 million levels.



For the first time since July 2015, the change in the number of foreigners visiting Turkey turn into positive in the second quarter of 2017.

Foreign Visitor Traffic to Turkey



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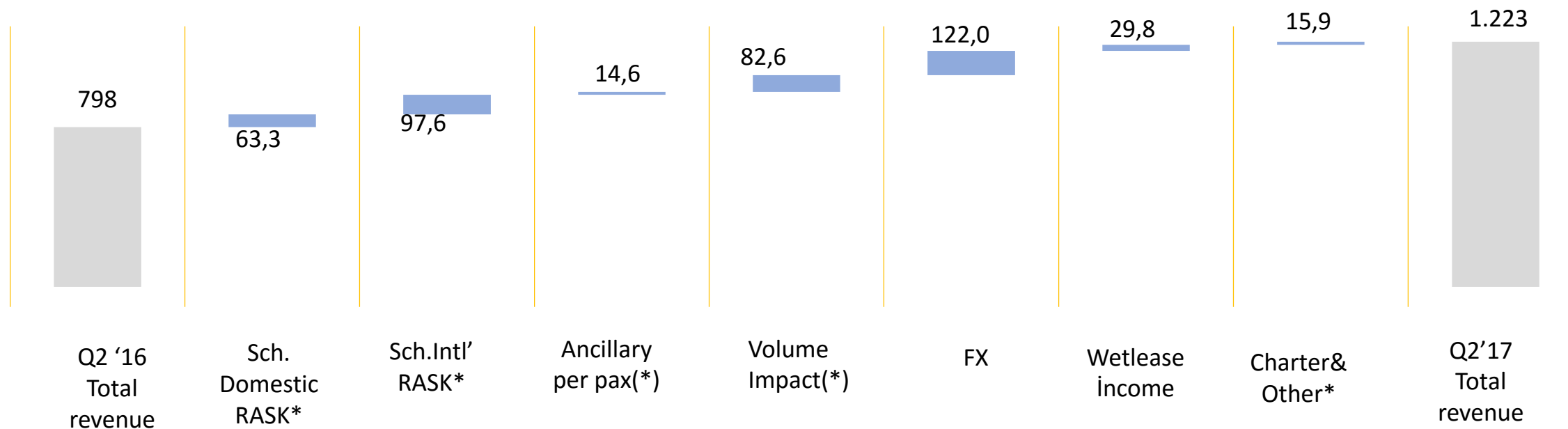


We increased both the capacity and load factor!

2016 Q2	2017 Q2	CHANGE		2016 H1	2017 H1	CHANGE
798	1.223	53,4%	TOTAL REVENUE (TLmn)	1.488,8	2.109,3	41,7%
195	276	41,5%	ANCILLARY REVENUE (TL mn)	370,8	501,5	35,3%
43	260	499,8%	EBITDAR (TLmn)	28,1	265,8	846,4%
5,4%	21,23%	15,8%	EBITDAR Margin	1,9%	12,6%	10,7%
5,9	6,9	17,0%	GUESTS CARRIED (MN)	11,2	12,6	12,5%
77,0%	83,8%	6,8%	LOAD FACTOR %	76,6%	82,5%	5,9%
7,6	8,2	7,6%	SEATS (MN)	14,7	15,3	4,5%
982	979	-0,3%	AVERAGE STAGE LENGTH	983	981	-0,3%
100,1	134,8	34,6%	UNIT REVENUE ¹ (TRY)	97,04	123,65	27,4%
10,1	10,2	0,5%	ANCILLARY PER PAX (€)	10,1	10,1	-0,5%
72	76	5,6%	FLEET PERIOD END	72	76	5,6%

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Total revenue increased by 53%...



COMMENTS

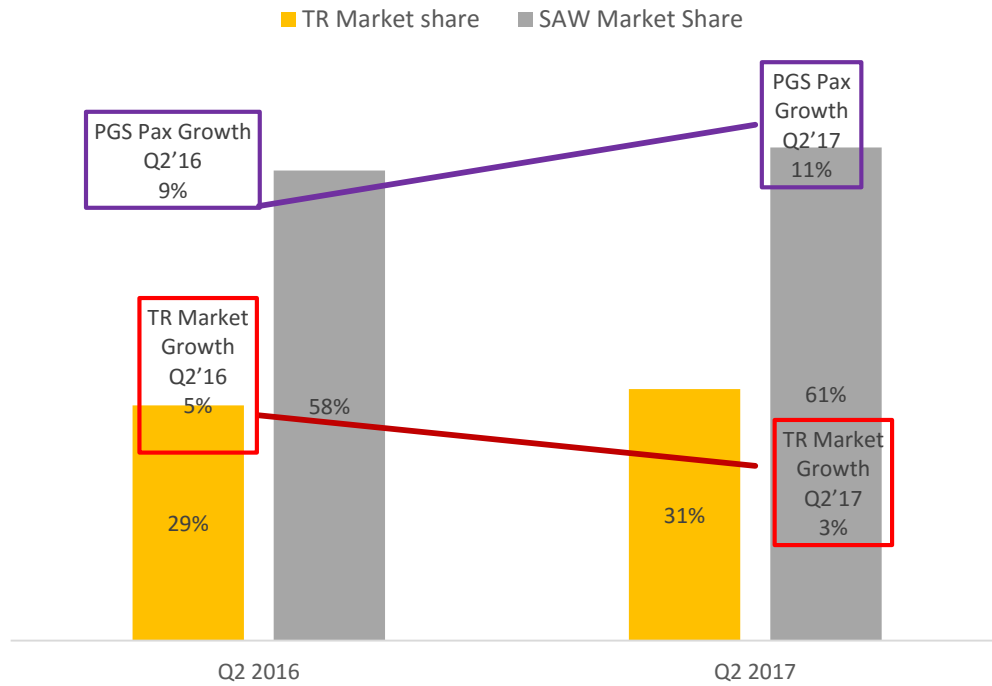
- ➔ Total revenue in the second quarter of 2017 increased by 53 compared to the same period last year.
- ➔ Total scheduled RASK,FX, Wetlease income, Operational volume impact and ancillary per pax made a positive contribution.

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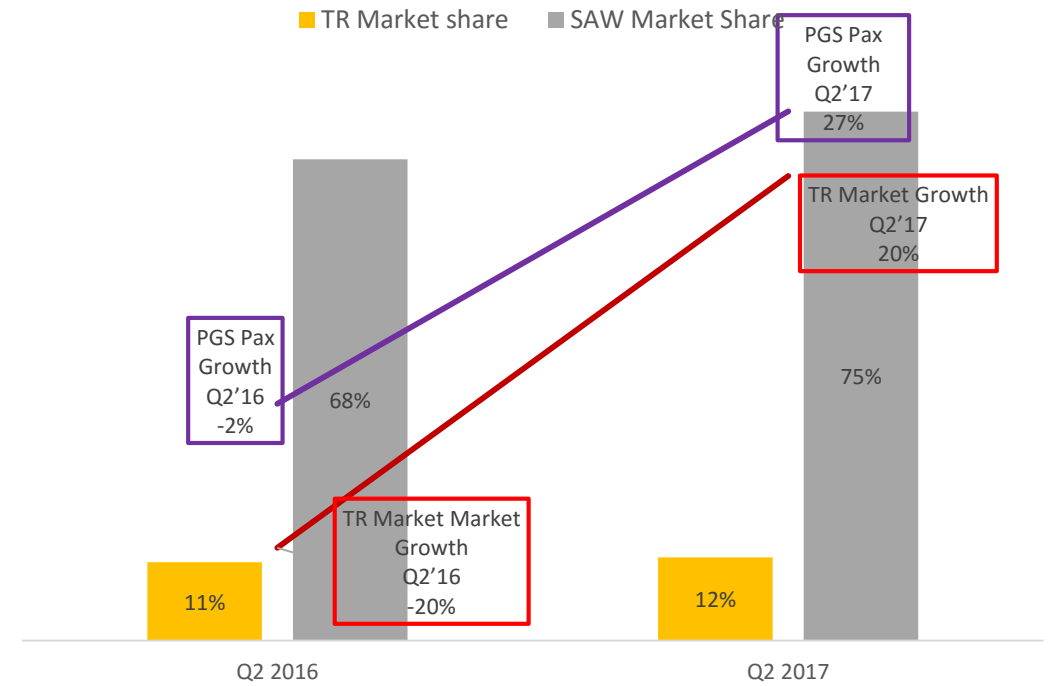


Continue to increase our market share in Turkey...

DOMESTIC

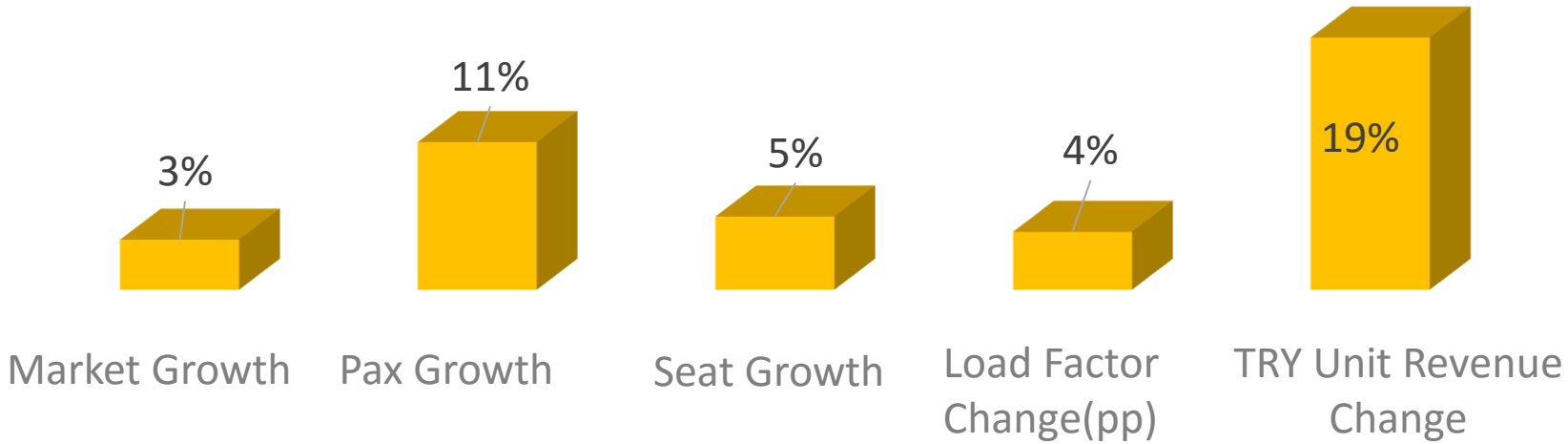


INTERNATIONAL

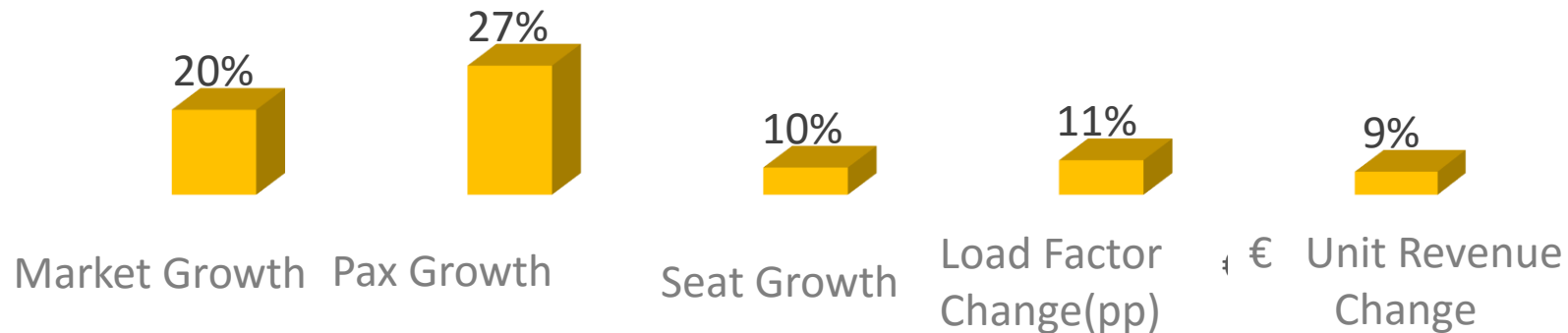


Grew faster than the market

DOMESTIC



SCH.INTERNATIONAL⁽¹⁾



DOMESTIC UNIT REVENUE

2017 Q2 81,35TRY

2016 Q2 68,58 TRY

SCH.INTERNATIONAL UNIT REVENUE

2017 Q2 51,15 €

2016 Q2 46,98 €

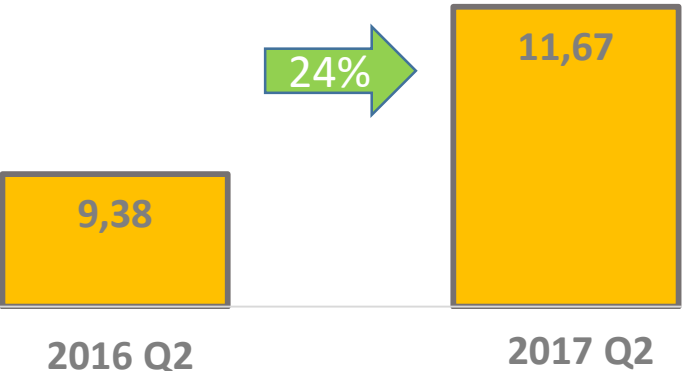
TOTAL EURO YIELD

2017 Q2 45,34€

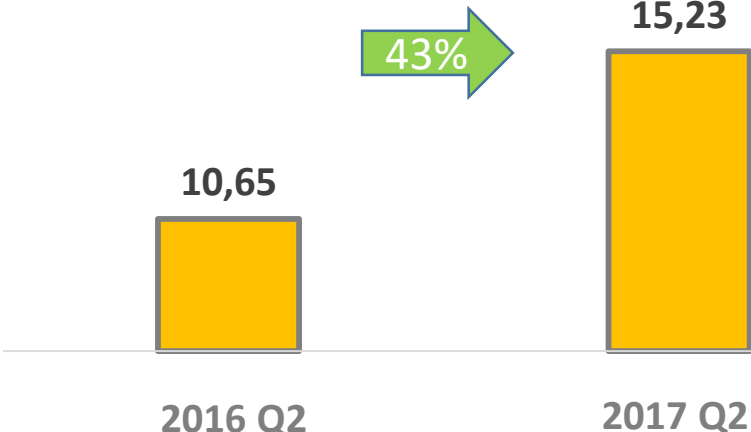
2016 Q2 41,50€

RASK DEVELOPMENT

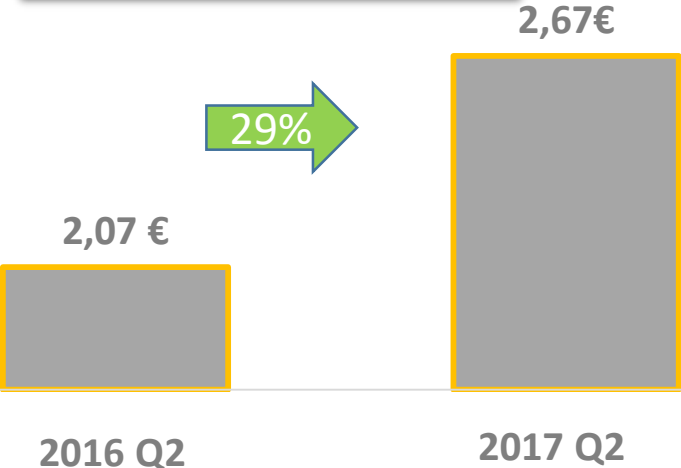
SCH. DOMESTIC RASK⁽¹⁾



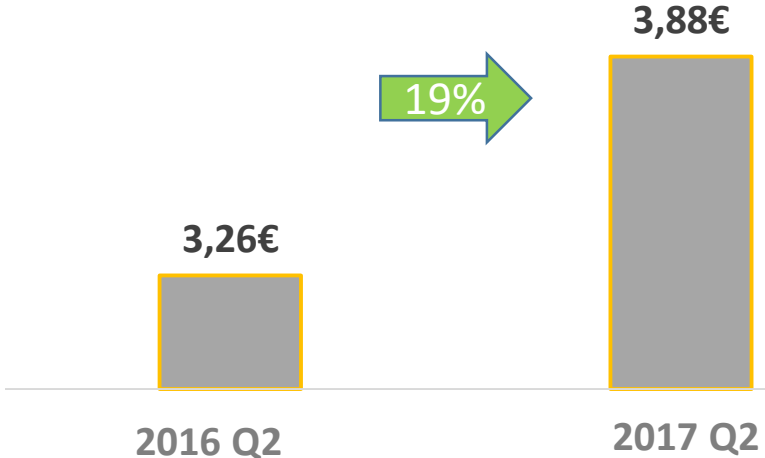
TOTAL TL RASK⁽²⁾



€ International RASK⁽⁴⁾



Total € RASK⁽³⁾



(1) RASK: Sch. Domestic Revenue (ancillary&other income excluded)/ Domestic ASK. (2) Other &Ancillary income included total TL revenue /Total ASK (3) Other&Ancillary income included total € income /Total ASK (4) RASK: other &ancillary revenue excluded € sch.international revenue/ International ASK

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Fleet Development*

FLEET EXPANSION

Year End	2016	2017	2018	2019	2020
Owned	4	4	4	4	4
Financial Lease	33	28	35	49	62
Operational Lease	45	42	43	35	27
Total	82	74	82	88	93

PEGASUS TODAY

- Fleet of 76 aircraft with average of 5.70 as of June 2017. The youngest fleet in Turkey
- Pegasus fleet consists of Boeing 737-800, Airbus320NEO and Airbus320CEO's which delivers cost efficiency and reliable operations
- One of the six A320neo aircraft to be delivered in 2017 was delivered on June 30th. In the second half of the year, the financing contract was signed for the 5 of the 2 aircraft to be delivered, while negotiations with the financier candidates for the remaining 3 are ongoing.

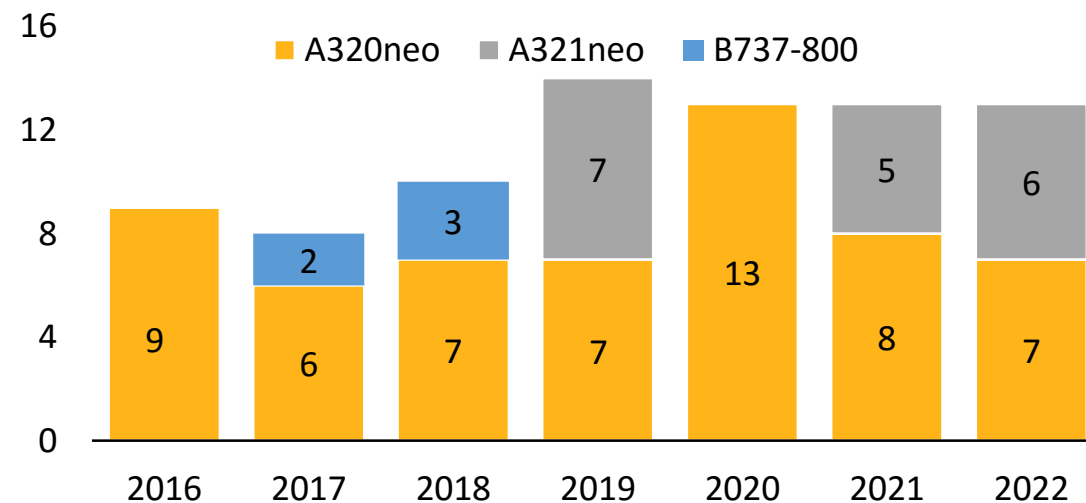


*The fleet development plan reflects the company's consolidated fleet development plan as of the date of this presentations submission. The information contained in this fleet slide is subject to change.

FLEET AS OF JUNE 2017

June 17	Owned	Financial Lease	Operational Lease	Total
Boeing 737-800	3	18	32	53
Boeing 737-400	1	0	0	1
Airbus A320Ceo	0	0	12	12
Airbus A320Neo	0	10	0	10
Total	4	28	44	76

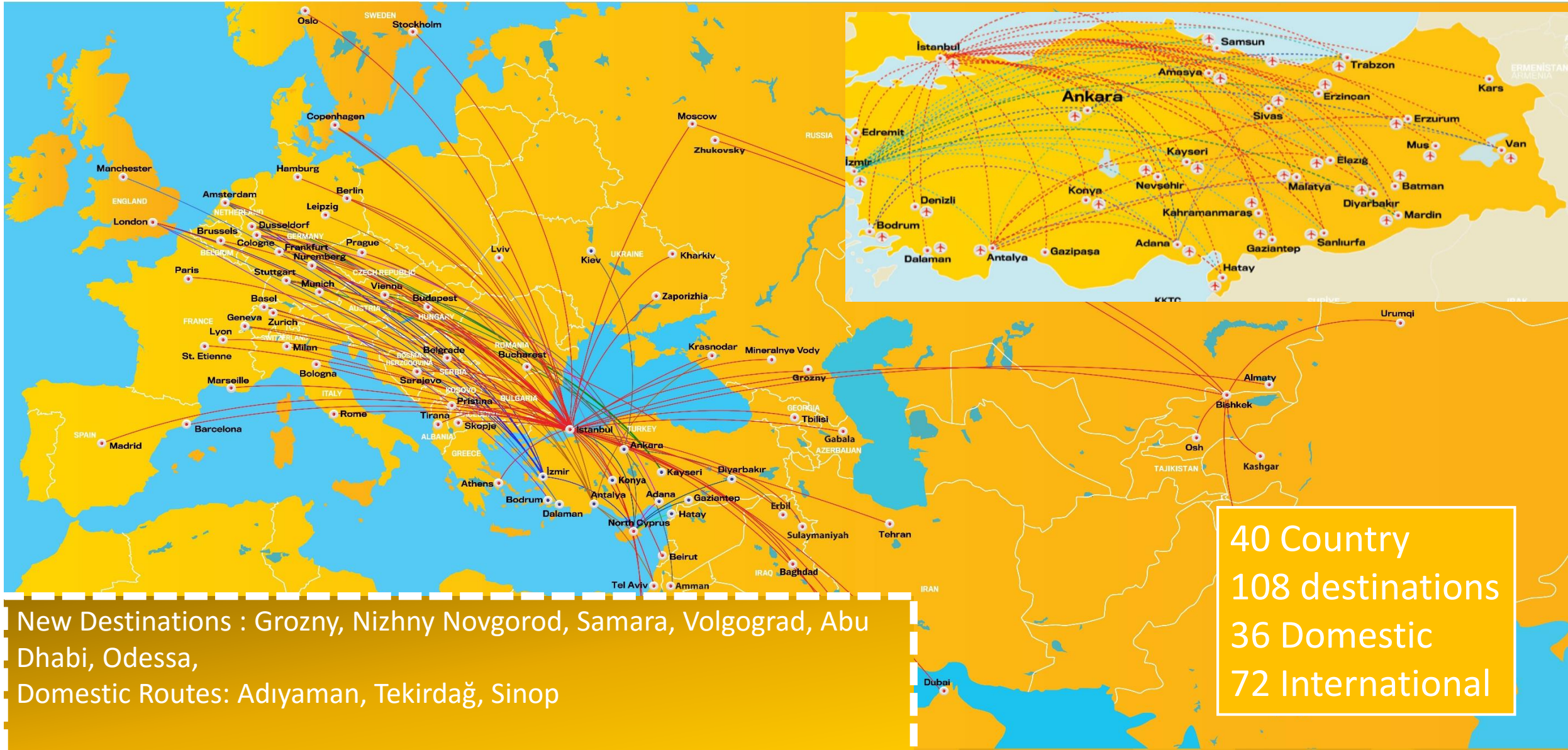
ORDER BOOK AS OF JUNE'17



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We continue to grow by opening new routes

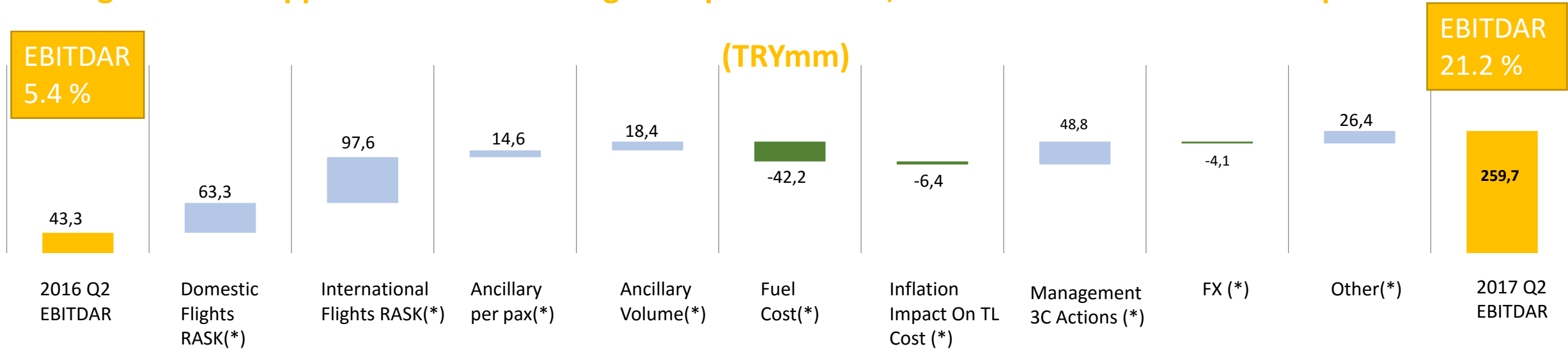




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EBITDAR Bridge

Strong EBITDAR supported with increasing sales performance, stabilized demand and the impact of 3C actions



→ Despite the impact of increase in fuel price, currency and inflation, we managed to achieve a better EBITDAR nominally year over year

→ The Breakdown of the management 3C action plan is ;

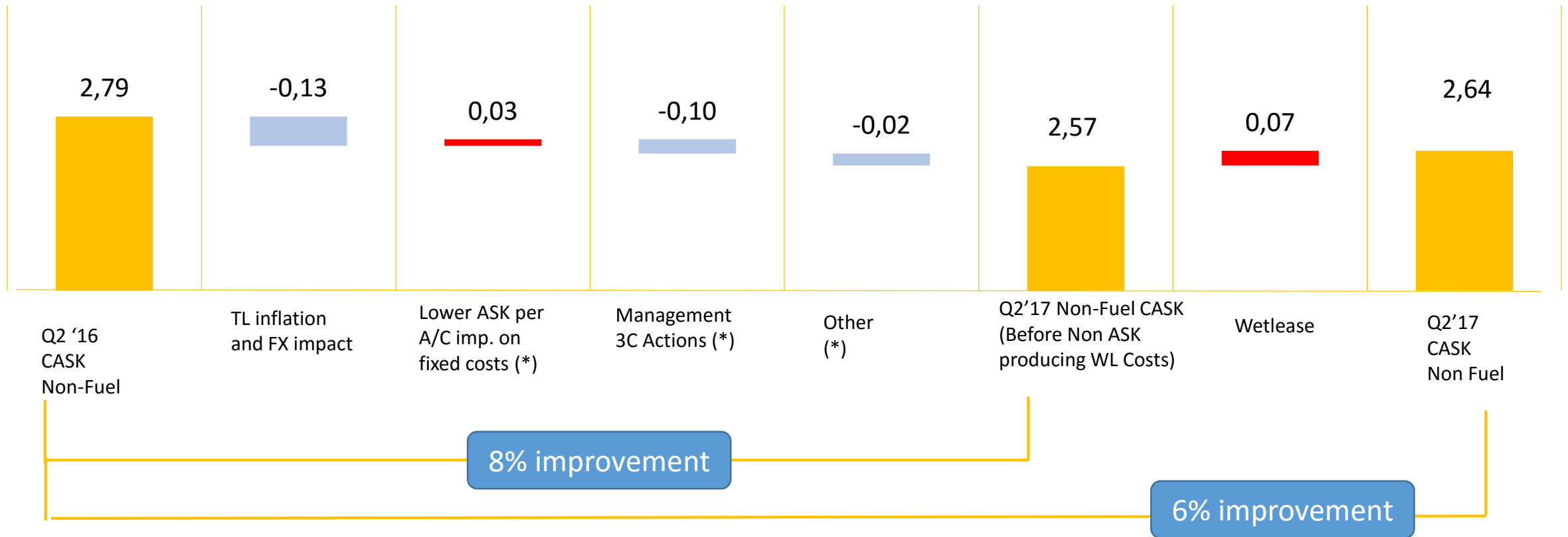
- 17.5 mnTL Wet lease,
- 11.8 mnTL Lower Marketing Expense,
- 4.3 mnTL Structural changes,
- 15.2 mnTL Man power optimization



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Manage to improve our non fuel CASK by 6%

CASK Non Fuel (€c.)



✈ Non Fuel CASK improved by 8 % compared to the WL impact excluded Non-ASK producing non fuel Cask.

✈ The breakdown of management 3C actions ; 0.05€c Man Power optimisation, 0.01€c Saw Ramp Handling and 0.04€c Lower marketing expense

✈ Total CASK remain flat due to the increasing fuel prices.



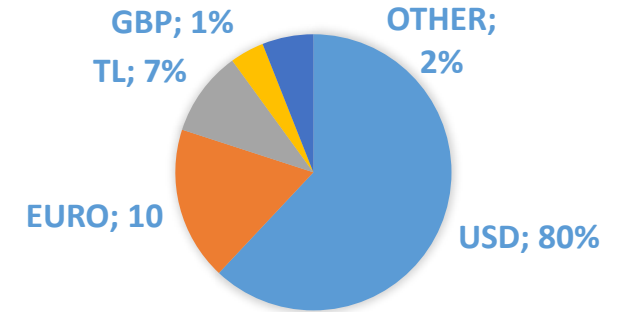
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Balance Sheet (TRYmm)

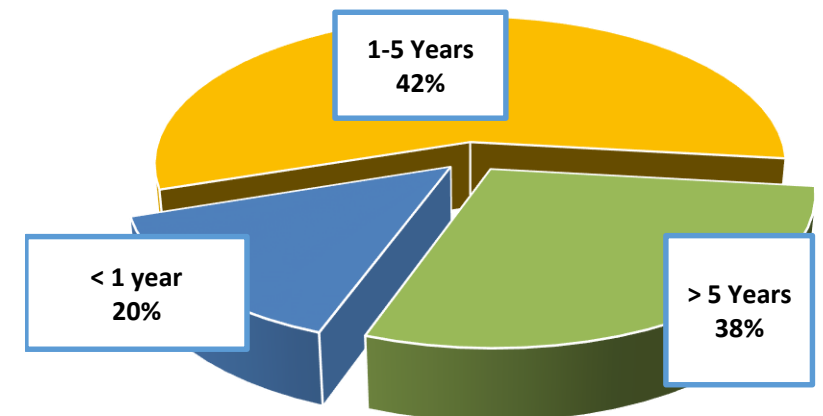
mnTRY	30 June 2017	31 Dec 2016
CASH	1.200	692
OTHER ASSETS	858	587
PRE DELIVERY PAYMENT	542	405
FIXED ASSETS	3.825	3.934
TOTAL	6.426	5.618
LIABILITIES	1.986	1.372
FINANCIAL DEBTS	2.797	2.677
SHAREHOLDERS EQUITY	1.642	1.569
TOTAL	6.426	5.618
CASH PER A/C (TRYmn)	15,8	8,4

The increase in cash mainly driven by the aircraft sales.

CASH BREAKDOWN 30/06/2017



FINANCIAL LEASE MATURITY BREAKDOWN (30/06/17)



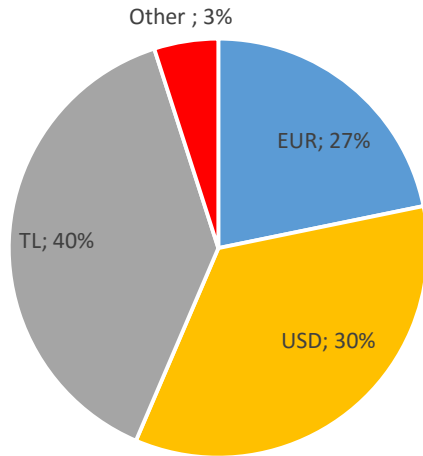
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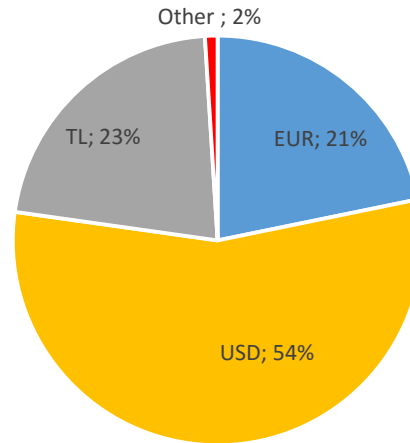
Foreign Currency Exposure

Income Statement

REVENUE BREAKDOWN



EBIT BREAKDOWN



EBIT CURRENCY BREAKDOWN 2017 Q2

	TRY mn
EUR	73,3
USD	(274,4)
TL	222,7
OTHER	19,6



Pegasus incurs cost of sales and expenses mostly in non-Euro currencies, particularly in USD and TL while a significant portion of its revenue is in Euro and TL; which results in the Company's operational results being exposed to fluctuations in non-Euro currencies, and especially in USD and TL. Furthermore the cash held by the Company is also exposed to the said currency risk.



Pegasus seeks to manage uncertainty arising from exchange rate fluctuations and their impact on costs through a "Currency Risk Hedge Program« adopted by the Board of Directors, under which the Company aims to hedge its Euro, Turkish Lira, British pound sterling and Swiss franc denominated surplus totaling up to 100% of its USD needs through each year.



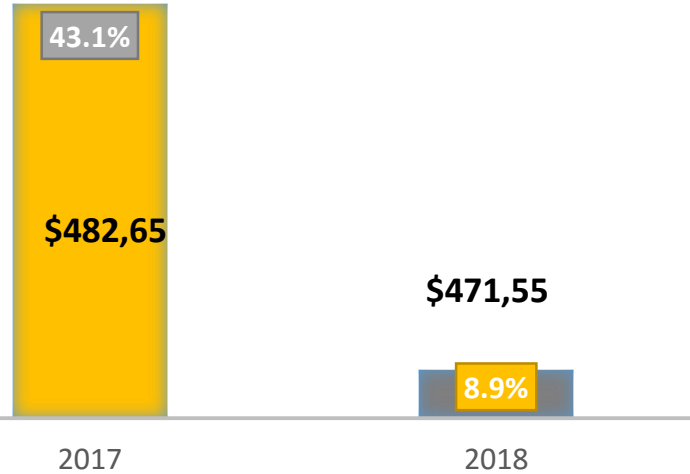
We started buying USD for TRY based foreign currency sales in spot market daily at the end of 2016. Additionally after the hedge committee meeting we started buying USD against 25% (which we think appropriate amount for the beginning, but will consider to increase or decrease in due course) of domestic sales revenue.

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HEDGE & SENSITIVITY

HEDGE VOLUME & PER TON COST



2017	Volume	Strike Level
OPTION	30%	\$491,04
ZCC	30%	\$439.70 - \$569.90
SWAP	40%	\$497.36
2018	Volume	Strike Level
OPTION	17%	\$523.31
ZCC	17%	\$436.45 - \$541.17
SWAP	66%	\$475.60

HEDGE STRATEGY

Non-discretionary portion will be executed every month regardless of the market levels using layered hedging method and will be limited to 30% of total annual consumption. Additional discretionary volumes of 30% annual fuel consumption will be considered as Discretionary Hedging. Hedge up to 12 months (layered) .Avoid speculation and complexity; No speculative hedging, i.e. hedge amount and levels will be certain at execution. Below instruments will be used:

Vanilla Call Options
Zero Cost Collar
Swap

SENSITIVITY ANALYSIS

- A \$10 (per metric ton) price movement of jet fuel would impact 2017 Q2 opex by 6.3 TRYmn
- A one kuruş movement in the US Dollar/TRY and EUR/TRY FX rate would impact 2017 Q2 EBIT by -0,8 TRYmn and 0,2 TRYmn respectively..

2017 Q2 I&S DATA	+0,01 >	+0,01 >	+10\$ >
TRYmn	EUR/TL	USD/TL	Jet Yakıtı
Revenue	0,8	1,0	-
OPEX	0,6	1,8	6,3
EBIT	0,2	-0,8	-6,3
EBITDAR	0,4	-0,4	-6,3

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MANAGEMENT ACTION PLAN – 3C

CASK

- ✓ Revisiting the existing contracts
- ✓ Headcount optimization
- ✓ Optimization in marketing activities
- ✓ Process optimization with lean management
- ✓ Operational optimization i.e. optimization in the fuel consumption
- ✓ Restructuring of revenue management system

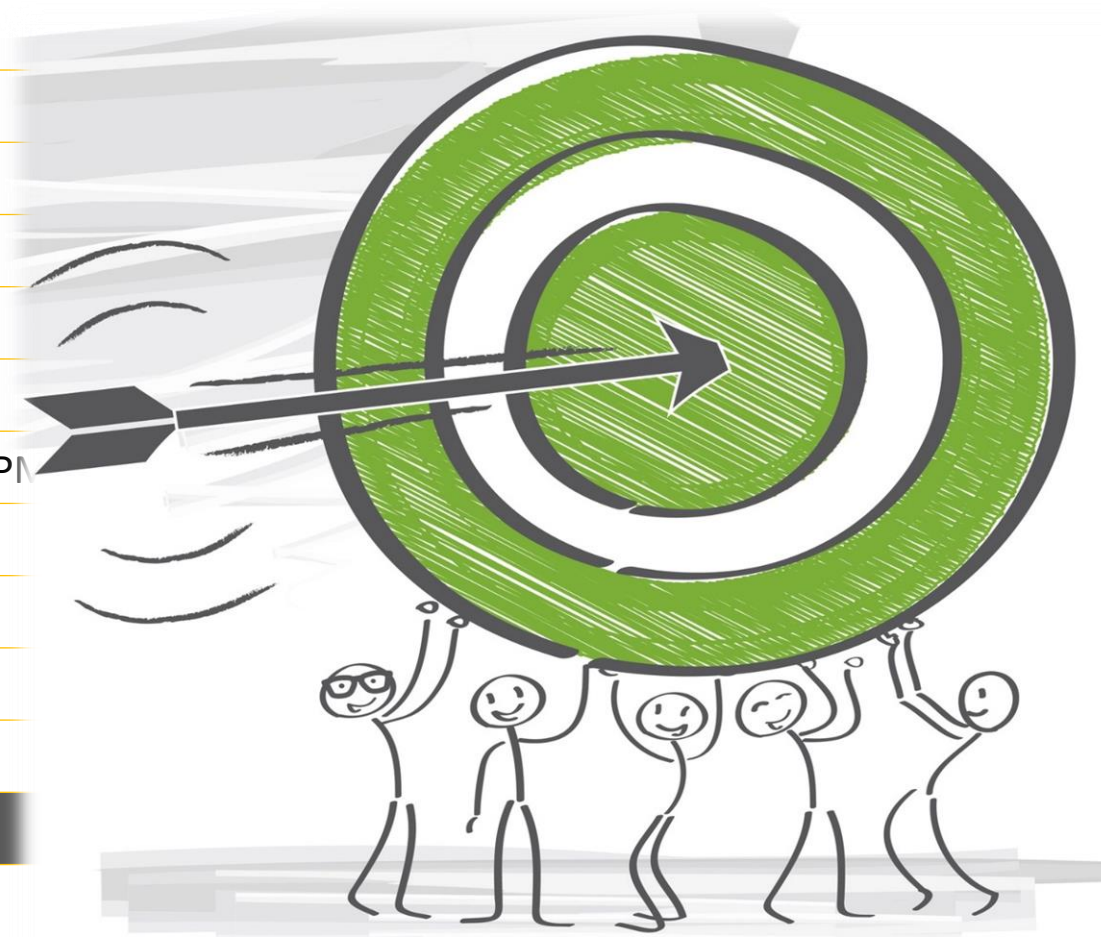
CASH

- ✓ Within the aim of having a younger fleet, the sales of aircrafts scheduled to have its first engine overhaul fleet
- ✓ The sale and lease back of cockpit simulator
-  The sale and lease back of B737-800 spare engines
- ✓ Wet lease operations
- ✓ Acceleration of spare engine discount
- ✓ Dynamic Pricing of Ancillary Products

CAPACITY

- ✓ Sabiha Gokcen Airport speed taxi way construction is expected to be completed in 2017 summer season which will create additional capacity
- ✓ Deferral of the aircraft
- ✓ Sale of Aircraft in the fleet

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2017 MANAGEMENT GUIDANCE

	2016 Realization	2017 Management Guidance	
		Old	New
Guest Growth%	8,10%	%5-%7	%11-%13
Capacity Increase (ASK) %	9,10%	%6-%8	%8-%10
Utilization(Block Hour)	12	12	12.1
Domestic Load Factor	83%	% 1-2pp improvement compared to 2016 levels	% 3-4pp improvement compared to 2016 levels
International Load Factor	72%	% 1-2pp improvement compared to 2016 levels	% 5-6pp improvement compared to 2016 levels
Domestic Yield (TRY)	71,80 TL	TRY2-TRY4 improvement compared to 2016 levels	TRY6-TRY7 improvement compared to 2016 levels
International Yield (€)	€ 56,33	2016 levels	1€ reduction compared to 2016 levels
Ancillary per guest	10,13 €	10€-11€	10€-11€
Total CASK (€c.)	3,78 €	€3,80-€3,95 levels	€3,65-€3,70
Non-Fuel CASK (€c.)	2,81 €	€2.60-€2,70 levels	€2,55-€2,60
EBITDAR	15%	%15 - %16	%21 - %22

EBITDAR Calculation

<i>(TLmn)</i>	Note	2016 Q2	2017 Q2
Sales	15	797,7	1.223,4
Cost of sales (-)	15	(827,4)	(1.091,7)
Gross loss		(29,7)	132,7
General administrative expenses (-)	16	(37,6)	(42,2)
Marketing Expenses (-)	16	(45,3)	(49,4)
Other operating income/expenses (net)		0,4	
Operating Loss		(112,2)	41,2
Depreciation and amortization	13	51,2	80,0
Operating lease expenses	13	104,3	138,5
EBITDAR		43,3	259,7

Unit Cost (CASK) Breakdown

Change	CASK-€c		Cost Items	EUR Million		Change
	2016 - 2017 Q2	2017 2.Ç		2016 2.Ç	2017 2.Ç	
18%	1,11	0,94	Jet fuel expenses	89,0	70,4	26%
-18%	0,54	0,65	Personnel expenses	43,1	48,8	-12%
3%	0,44	0,43	Rental Expenses	35,5	32,1	11%
-8%	0,34	0,37	Maintenance expenses	27,4	27,9	-2%
21%	0,25	0,21	Depreciation and amortization expenses	20,4	15,7	30%
0%	0,29	0,30	Handling fees	23,7	22,1	7%
-3%	0,24	0,25	Navigation expenses	19,4	18,7	4%
4%	0,12	0,12	Landing expenses	9,8	8,8	12%
34%	0,09	0,07	Commission expenses	7,2	5,0	44%
-12%	0,04	0,05	Passenger service and catering expenses	3,4	3,6	-5%
-55%	0,04	0,08	Advertising expenses	2,8	5,9	-52%
-13%	0,24	0,28	Other	19,2	20,6	-7%
0%	3,74	3,73	CASK-€ cent	300,7	279,5	8%
-6%	2,64	2,79	CASK non fuel-€ cent			

Fleet Development Plan

			2016	2017	2018	2019	2020
			Year	Year	Year	Year	Year
			End	End	End	End	End
BOEING	737-800	Financial Lease	24	13	13	13	13
		Owned	3	3	3	3	3
		Operational Lease	33	30	31	23	16
	737-400	Owned	1	1	1	1	1
		Operational Lease	0	0	0	0	0
AIRBUS	A320 CEO	Financial Lease	0	0	0	0	0
		Operational Lease	12	12	12	12	11
	A320	Financial Lease	9	15	22	29	42
	NEO	Operational Lease	0	0	0	0	0
	A321	Financial Lease	0	0	0	7	7
	NEO	Operational Lease	0	0	0	0	0

		Financing Type	2016	2017	2018	2019	2020
			Year	Year	Year	Year	Year
			End	End	End	End	End
TOTAL		<i>Owned</i>	4	4	4	4	4
		<i>Financial Lease</i>	33	28	35	49	62
		<i>Operational Lease</i>	45	42	43	35	27
		<i>TOTAL</i>	82	74	82	88	93

PEGASUS HAVA YOLLARI INVESTOR RELATIONS

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