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**ACTIVITY REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD OF
JANUARY 01 TO JUNE 30, 2013, WHICH WAS DRAFTED IN ACCORDANCE
WITH THE COMMUNIQUÉ SERIAL: II NO. 14.1 ON PRINCIPLES OF FINANCIAL
REPORTING AT CAPITAL MARKETS**

**1. INFORMATION ABOUT ORGANIZATION, FIELDS OF OPERATION, AND
SHAREHOLDING STRUCTURE OF THE COMPANY**

Trade Title	: Pegasus Hava Taşımacılığı Anonim Şirketi
Head Office Address	: AEROPARK Yenişehir Mah. Osmanlı Bulvarı No:11 Kurtköy Pendik-İstanbul /Türkiye
Actual Management Address	: AEROPARK Yenişehir Mah. Osmanlı Bulvarı No:11 Kurtköy Pendik-İstanbul /Türkiye
Trade Registry	: Istanbul Trade Registry
Trade Registry ID Number	: 261186
Date of Registration to Trade Registry	: 12.01.1990

1.1. Organizational Structure and Fields of Operation of the Company

Pegasus Hava Taşımacılığı A.Ş. (“Company” or “Pegasus”) and its affiliates (together with the Company, “Group”) is an airline organization which operates as a low-cost carrier. The Group operates on the basis of low-cost model, and utilizes practices specific to low-cost air carriers that aim to offer easily accessible, reliable, and plain services.

As of June 31, 2013, the Group has a total of 2.813 full-time employees (December 31, 2012: 2.045)



Affiliates of the Company are as follows: IHY İzmir Airlines Inc., Co. ("İzAir"), Air Manas Air Company LLC ("AirManas"), and İzmirililer Hotel Management, Investment, Tourism Inc., Co. (İzmirililer Hotel Management).

1.2. Shareholding Structure

(1) Public Offering

Pursuant to the Board of Directors Decision No. 368 of March 21, 2013, Pegasus resolved to increase the issued capital of the Company from TL 75.000.000 to TL 102.272.000; to offer 27.272.000 shares corresponding to the increased portion of its capital, which amounted to TL 27.272.000, to public through restriction in full of all rights that were available to then-existing shareholders to subscribe to such shares in accordance with applicable provisions of the Capital Market Regulations; to accept the request for public offering of a portion, in the amount of TL 4.813.000, of shares held in the portfolio of Esas Holding; and also to accept the request for public offering through an extra sales of a portion, in the amount of TL 3.209.000, of shares held in the portfolio of Esas Holding if sufficient demand is received after the public offering.

In this regard, the Company's shares were first traded at the Stock Exchange Istanbul on April 26, 2013 upon approval of the Offering Prospectus, which was announced through weekly bulletins of the CMB, Issue No. 13/442 of April 11, 2013, and Issue No. 2013/12 of April 11, 2013.

After the public offering, the Company's shareholding structure changed as follows:

	June 31, 2013	December 31, 2012
Esas Holding A.Ş. ("Esas Holding")	62,92%	96,50%
Publicly Held Portion	34,51%	-
Members of Sabancı Family	2,57%	3,50%
TOTAL	100,00%	100,00%

1.3. Information about Group Companies

Affiliates and Subsidiaries



The following tables show jointly managed subsidiaries, affiliates, shares held, and shareholding percentages as of June 30, 2013

<u>Affiliates</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
İzAir(*)	69%	51%
Air Manas	49 %	49%
İzmirliler Hotel Management	59%	59%

(*) Pegasus increased its share in İzAir to 69.12% as a result of non-utilization of remaining shareholders of İzAir of their rights of first refusal as of May 2, 2013, and of performance by Pegasus of such capital increase in full upon completion of capital increase process that was accepted by shareholders of İzAir (subject to decision of Air Berlin not to use its rights of first refusal) together with approval of articles of Association. The Group included İzair in full consolidation through classification of it as an affiliate.

Jointly Managed Subsidiaries June 30, 2013 **December 31, 2013**

Pegasus Flight Training Center Inc., Co. ("PUEM")	49%	49%
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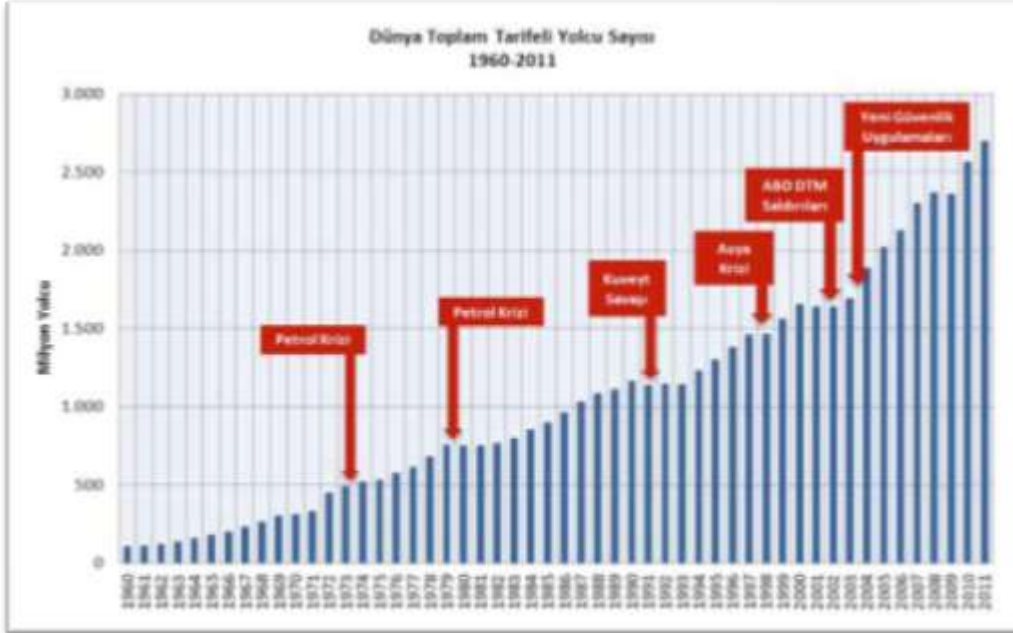
2. SECTORAL OUTLOOK, AND POSITION OF THE COMPANY IN THE SECTOR

2.1. International Airline Market

It is a fact that the airline transportation market has experienced a striking increase in volume of its operations, and the market's significance has increased considerably when compared to alternative transportation systems under influence of global dynamics that have developed significantly and become more complex during last thirty years. According to the data presented by ICAO (International Civil Aviation Organization), the number of scheduled passengers has increased from 100 millions in 1950s to a total of one billion in 1976, and to a total of 5.126 billions in 2010 in the second world. However, these numbers represent a volume of bi-directional traffics, and the actual number of scheduled passengers should be read as 2.5 billions. According to indefinite data pertaining to the year 2011, overall number of passengers was realized as about 2.7 billions.

IATA (International Air Transport Association), which owns as members a total of 230 airline companies from 126 countries that represent 84% of global traffic of passengers, said that overall number of scheduled passengers was 1.780 billions during the year 2010. ACI (Airports Council International), which owns as members a total of 1.650 airports from 179 countries, announced overall number of passengers as 2.500 billions for the year 2010. These differences in aggregate numbers of passengers are attributable to various information sources that are referred to by ICAO, IATA, and ACI for statistical purposes .

During the period of 1960 and 1999, the total volume of domestic and international scheduled passengers increased by 7.29% per year on average. The average rate of such increase was 4.55% during the period of 2000 to 2011.



According to data provided by IATA, the global air transportation industry offered employment to 5.5 million people, and 32 million people in total in 2010

It can also be said that this industry has a share of 7.5% in overall global income, and 25% of total sales volume of all companies operating in the world is linked to the airline industry. This industry has achieved a gigantic size with 1.629 airline companies, 27.271 airplanes, and 3.733 airports in the same year. In short, this sector has become one of the most important sectors that play a role in economic and social development.

ICAO anticipates that rate of growth in global economy (GNP) would be 3.5% per year on average, and that volume of scheduled passengers would increase by 4.6% on passenger – kilometer basis, international traffic by 5.3%, and domestic traffic by 3.5% during the period of 2005 to 2025. The biggest rate of growth is expected to be achieved in the Middle East and Asia-Pacific Regions, and that rate of growth to be achieved in Europe and Northern America is expected to be below global average. Forecasts made by IATA for periods of 2010-2014, 2010-2019, and 2011-2015 anticipate a growth rate somewhere between 5.0% and 5.8%. For forecasts of IATA for the period of 2001 to 2015, consideration was given to the continuity of uncertainties although regression in global economy was overcome, and that rate of increase would be 5.9% for volume of domestic passengers, and 5.8% for volume of international passengers by emphasizing the fact that rising economies give support for global growth in spite of negative developments suffered in developed countries.

2.2. Growth in Turkish Aviation Market Since 2003

Turkish aviation market has experienced a major growth as a result of changes that took place between 2001 and 2003, which promoted demand for travel by airline, and allowed new players to enter the market. Total number of passengers increased by 14.1% BYBO from 29.9 millions in 2003 to 97.7 millions in 2012. Total number of domestic passengers increased by 24.2% BYBO from 4.6 millions in 2003 to 32.3 millions in 2012. Total number of international passengers increased by 11.1% BYBO from 25.3 millions in 2003 to 65.4 millions in 2012.

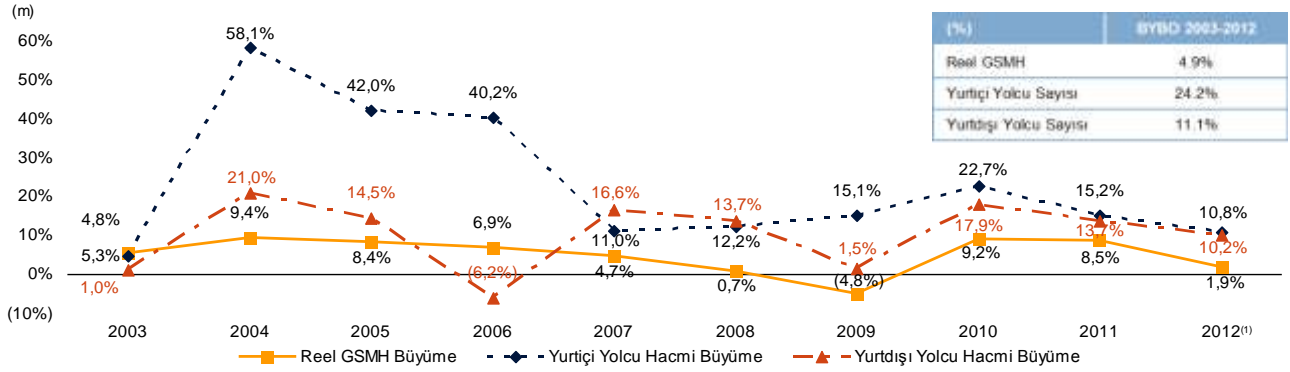
The following table shows rates of growth achieved in annual numbers of passengers in Turkey between 2003 and 2012.

Year	Domestic Passengers	Growth (%)	International Passengers	Growth (%)	Total	Growth (%)
2003	4,6	4,8	25,3	1,0	29,9	1,5
2004	7,2	58,1	30,6	21,0	37,8	26,6
2005	10,3	42,0	35,0	14,5	45,3	19,8
2006	14,4	40,2	32,9	-6,2	47,3	4,3
2007	16,0	11,0	38,4	16,6	54,3	14,9
2008	17,9	12,2	43,6	13,7	61,5	13,3
2009	20,6	15,1	44,3	1,5	64,9	5,5
2010	25,3	22,7	52,2	17,9	77,5	19,4
2011	29,1	15,2	59,4	13,7	88,5	14,2
2012 ⁽¹⁾	32,3	10,8	65,4	10,2	97,7	10,4

Resource: State Airports Authority

Turkish aviation industry has achieved a growth rate that is higher than rate of growth in the GNP during the last decade. The real GNP grew up by 4.9% BYBO during the period of 2003 to 2012 whereas the number of domestic passengers increased by 4.9 times of rate of increase in the real GNP during the same period of time. Rate of increase in number of international passengers was 11.1%, which is 2.3 times of rate of increase in the real GNP during the same period of time. Furthermore, Turkish aviation market generally showed resistance to macroeconomic fluctuations. For example, number of domestic passengers even increased by 15.1%, and number of international passengers by 1.5% in the year 2009 when the real GNP decreased by 4.8%

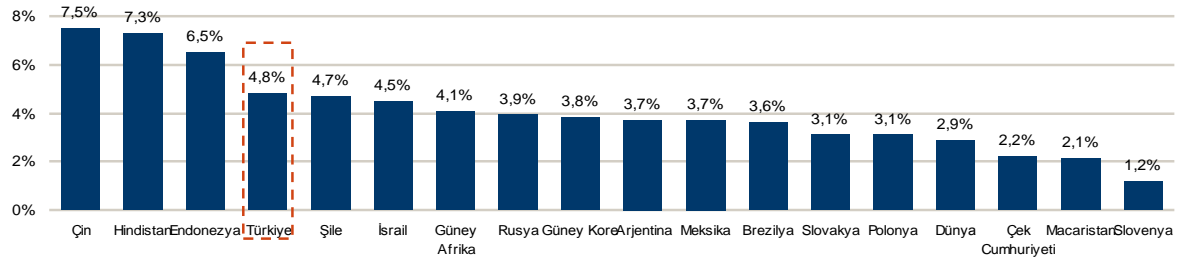
Türkiye'de Reel GSMH Artışı ve Yurtiçi Yolcu Hacmindeki Artış (2003-2012) Karşılaştırması



Kaynak: DHMI (yolcu sayısı), TÜİK (GSMH).
Not: Devlet Hava Meydanları İşletmesi Genel Müdürlüğü ("DHMI") datası. DHMI, yurtiçi yolcu sayılarını iki kez saymaktadır ve gösterilen rakamlar buna göre düzeltmeye tabi tutulmuştur.

Real GNP of Turkey is expected to increase by about 4.8% BYBO during the period of 2012 and 2017 (EIU). This percentage is rather good when compared to other developing markets and global average (2.9%)

2012-2017 Reel GSMH Büyümesi



Kaynak: EIU, 2013.

2.3. Sabiha Gökçen Airport

Constructed in Pendik District as the second airport of Istanbul, Sabiha Gökçen Airport was opened for operations in January 2001. A consortium comprising Limak Holding and GMR Airports Holding as its members acquired operation rights of the Airport for twenty (20) years, and started operating the Airport on May 1, 2008. Annual passenger capacity of the Airport increased to 25 millions upon completion of a new terminal on October 31, 2009. In 2010, this Airport was elected as the Best Airport of World at the Congress for Low Cost Airlines.

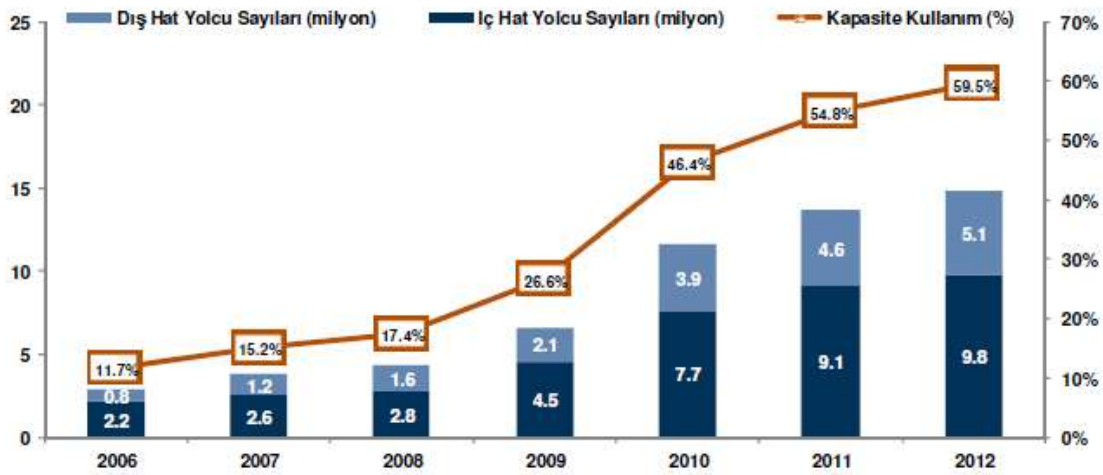
The following units are available at the new terminal building of the Airport and its annexes:

- 112 check-in counters, 24 self-check kiosks, and 50 passport contours for arriving and departing passengers;
- A restaurant and cafe area of 5.000 m2 where F&B companies serve, three lounges with apron view, and a CIP hall;
- 2-floor VIP building connected with the terminal building, a conference hall of 400 m2, and a four-floor parking lot with a capacity of 4.718 vehicles and 72 busses;

- A multiple airplane parking system that is capable of serving up to eight airplanes with large size body or 16 airplanes with medium size body;
- A 128-room airport hotel with separate entrances from land and airport sides; and
- A duty free area operated by SETUR, which has an overall area of 4.500 mg, i.e. a departure area of 3.300 m2, and an arrival area of 1.200 m2.

Seated near settlement units in Bursa, Yalova, Gebze, İzmit, and Sakarya, the Airport has access to a total population of 20 million people. It is therefore among the airports which have the largest catchment area in Europe.

İstanbul Sabiha Gökçen Havalimanı Yolcu Sayısı ve Kapasite Kullanım Oranı(%)



Kaynak: İSG

2.4. Main Strengths of the Company

- A powerful platform that shall constitute the basis for growth at an attractive market.
- Low fixed costs, and a flexible cost structure.
- A dynamic low fare structure, and an advanced revenue management system.
- A modern, young, and growing fleet.
- A modern main hub that is near to regions with low penetration rates.
- A strong brand.
- A competent and initiative-focused management team and a board of directors as well as a dedicated and reputable main shareholder
- Pegasus extends its flight network each year, and actively continues to seek for new opportunities in order to sustain this extension process.



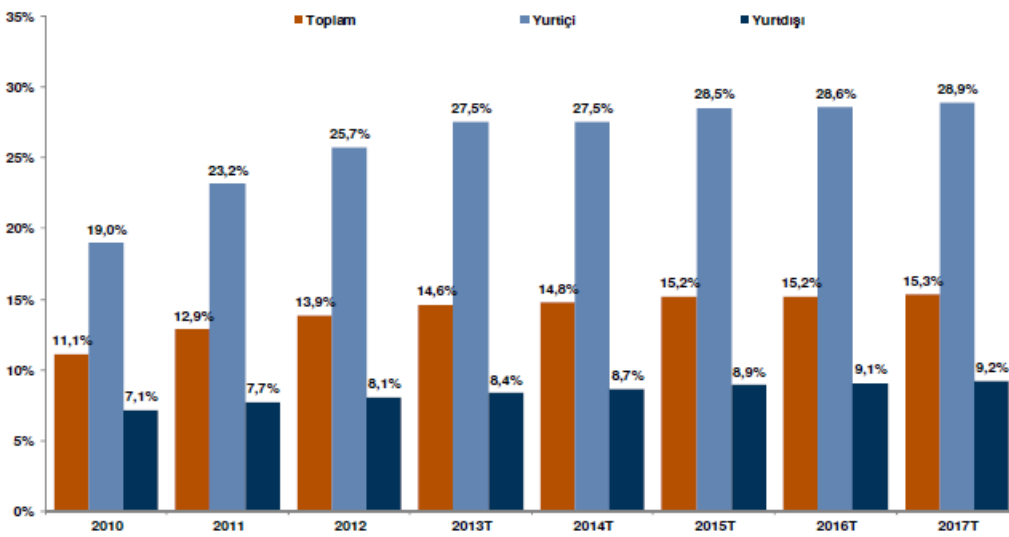
2.5. Growth of the Company's Market Share

Upon acquisition by Esas Holding in 2005, Pegasus put its focus on rendering services with affordable prices and high in-time departure performance with its young fleet by changing its business model into a low cost network carrier. Number of both domestic and international lines increased rapidly as a result of success achieved in implementation of this low cost carrier model. Pegasus achieved an annual combined rate of increase of 31.4% in its number of passengers, and of 43.7% in number of scheduled passengers during the period of 2006 to 2012. During the same period, this rate was realized as 12.8% for entire Turkish market. During the same period, the Company became the fastest growing airline of Turkey with respect to passenger numbers, and also became the fastest growing airline among the largest 25 airline companies of Europe with respect to seat capacities when compared to years 2011 and 2012 according to OAG data.

The Company put its focus on rendering short and long distance, point to point, and transit flight services of high frequency within its domestic and international flight network, mainly from its main hub located at Sabiha Gökçen, which is a modern structure seated in Istanbul. Furthermore, scheduled flight services are offered from other domestic hubs seated in Adana, Antalya, and İzmir. As of June 30, 2013, Pegasus offers scheduled flights to 29 destinations in Turkey (including five destinations that were announced and opened for ticket sales), and 49 destinations in Europe (including Northern Cyprus), the Commonwealth of Independent States, and the Middle East (including two destinations that were announced and opened for ticket sales). Furthermore, in addition to passenger carriage services that make up its main field of operations, Pegasus offers various auxiliary services, and derive income from these auxiliary services such as receipt of preliminary orders for F&B items, sale of such F&B items during flights, excess luggage

fees, reservation change and cancellation fees, airport check-in fees, seat selection fees, and sale of duty free products during international flights, and etc. The Company also offers low volume charter and split charter flights for tour operators. Although it is planned to sustain charter operations by focusing on well-established, high margin, and low credit risk bearing tour operators, it is intended to shift airplanes used for charter operations to international and domestic scheduled flights in parallel to acquisition of new traffic rights. Furthermore, some other services are offered such as wet lease and sub-charter services for airplanes, cargo services, training services for pilots, flight staff, and technical staff, and etc.

Pegasus Pazar Payı Gelişimi (%)



Kaynak: Pegasus, DHMİ, İş Yatırım

2.6. Low Cost Network Carrier Model (LCC Model)

Pegasus has been implementing a combination of “hub and spoke” and “point to point” models since the date of its incorporation due to peculiar position of Istanbul and local market requirements. A review of flight network of Pegasus indicates that the Company offers both flights connected with its main hub and point to point flights from its hubs in Antalya, İzmir, and Adana. Accordingly, Pegasus can be considered as a “Low Cost Network Carrier”, The Company is able to increase number of transit passengers and occupancy rates by means of connecting flights that are offered from its main hub in Sabiha Gökçen Airport. As of the end of 2012, the share of transit passengers held in total number of international passengers was 22%. On the other hand, the Company creates new markets by means of point to point flights that are offered from its hubs in İzmir, Antalya, and Adana; increases range of services that are offered to passengers; and positions itself differently in the market.

Conventional airlines perform flights connected with single or multiple main hubs that are named as “hub and spoke” whereas low cost carriers prefer point to point flights. This preference is based on reasons such as increase in



daily utilization durations through uninterrupted use of airplanes, employment of flight staff in a more efficient manner, and generation of new markets by offering direct flight services to passengers who would normally flight in a connected fashion.

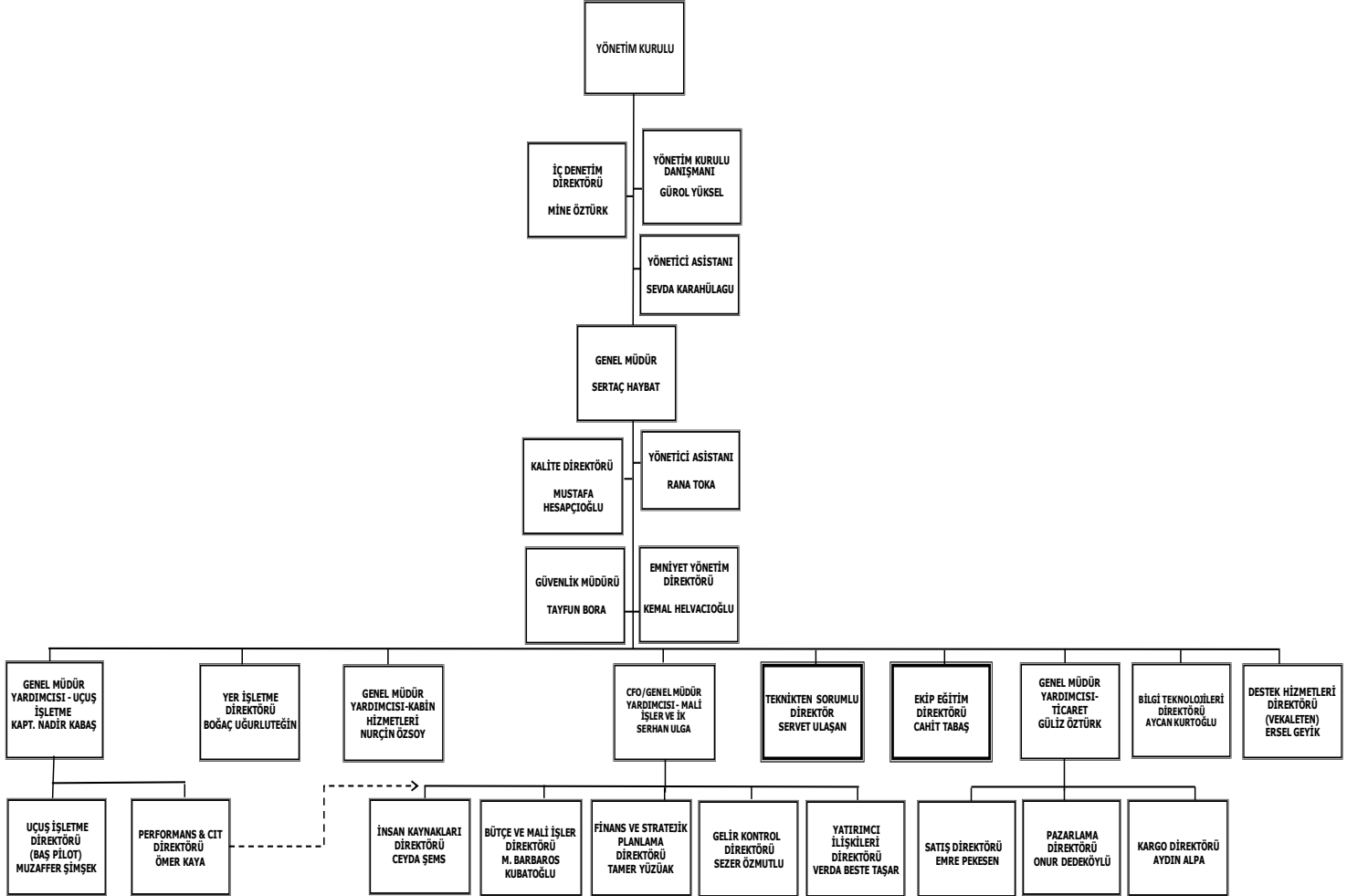
In cooperation with the CIT ("Continuous Improvement Team"), Pegasus works to find ways of lowering costs in many fields from flight procedures to technical aspects. The Company also makes efforts to ensure participation of its staff in this process. For this purpose, employees who come up with new ideas and application methods are rewarded. Applications regarding flight procedures receive attention among policies that are implemented for this purpose, and weight decreasing activities save the Company from extra costs.

Fundamental Principles of Low-Cost Carrier Model

- Focus on costs
- Low prices
- High performance in terms of in time departures
- A modern fleet with low fuel oil consumption
- Presentation of "a la carte" products and services, and increasing perquisites
- Short / medium distance flights
- Single cabin class
- Use of airplanes with high productivity
- Large orders for airplanes to obtain suitable prices
- Focus on Internet as a sales channel

3. INFORMATION ABOUT MANAGEMENT AND ORGANIZATIONAL CHART

3.1. *Organizational Chart*



3.2. Board of Directors, Committees of Board of Directors, Independent Auditors, and Staff Members in charge of Management

Members of the Board of Directors

Name and Surname	Position	Work Address	Judicial Person Represented	Positions assumed at the Partnership during the last five years	Term in Office / Remaining Term in Office	Capital Share	
						(in TL)	(%)
Ali İsmail Sabancı	Chairman of the Board of Directors	Esas Plaza Rüzgarlıbahçe Mah. Kavak Sok.No:3 Beykoz-İstanbul	Shareholder	Chairman of the Board of Directors	1 year	874,810	1,17
Hüseyin Çağatay Özdoğru	Deputy Chairman of the Board of Directors		-	Member of the Board of Directors	1 year	-	-
Sertaç Haybat	Member of the Board of Directors	Aeropark, Yenişehir Mah.Osmanlı	-	General Manager	1 year	-	-

Şükrü Emre Berkin	Member of the Board of Directors	Bulvarı No:11 Kurtköy/Pendik -İstanbul	-	Member of the Board of Directors	1 year	-	-
Raymond Douglas Webster	Member of the Board of Directors		-	-	1 year	-	-
Conor John McCarthy	Member of the Board of Directors		-	Member of the Board of Directors	1 year	-	-
Mehmet Cem Kozlu⁽¹⁾	Member of the Board of Directors (Independent member)		-	-	1 year	-	-
Mehmet Sağıroğlu⁽¹⁾	Member of the Board of Directors (Independent member)		-	-	1 year	-	-

(1) The person has been elected pursuant to a Board of Directors Decision to act for remaining term in office of his predecessor, and shall be submitted for approval of the first general assembly meeting.

Staff Members in Charge of Management

No	Name and Surname	Position
1	Sertaç Haybat	General Manager (CEO)
2	Gürol Yüksel	Advisor to the Board of Directors, and General Manager of İzAir
3	Utkan Önder	General Manager of PUEM
4	İlgar Alptekin	General Manager of Air Manas
5	Serhan Ulga	Assistant General Manager (CFO) in Charge of Financial Affairs and Human Resources
6	Nadir Kabaş	Assistant General Manager in Charge of Flight Operations
7		
8	Nurçin Özsoy	Assistant General Manager in Charge of Flight Services
9	Güliz Öztürk	Assistant General Manager in Charge of Commercial Affairs
10	Kemal Mustafa Helvacıoğlu	Director of Security Management
11	Aycan Kurtoğlu	IT Director
12	Boğaç Uğurluteğin	Director of Ground Operations
13	Mustafa Hesapçioğlu	Quality Director
14	Verda Beste Taşar	Investor Relations Director
15	Cahit Taşbaş	Training Director
16	Servet Ulaşan	Director for Technical Affairs
17	Mine Öztürk	Internal Audits Director
18	Tayfun Bora	Security Manager

Committees

Committees and members of the Board of Directors were established or nominated as follows pursuant to a resolution that was adopted by the Board of Directors on August 17, 2013.

Audit Committee

Mehmet Cem Kozlu - Chairman

Mehmet Sağıroğlu-Member

Corporate Governance Committee

Raymond Douglas Webster - Chairman

Mehmet Cem Kozlu-Member

Şükrü Emre Berkin-Member

Committee for Early Determination of Risks

Mehmet Sağıroğlu - Chairman

İnan Tanrıöver-Member

Ali İsmail Sabancı-Member

Independent Auditor

At the ordinary general assembly meeting held by the Company on March 27, 2013, the firm 'DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.' was appointed as the independent auditor.

Duties and principles of operation of committees of the board of directors, which are established as per the Corporate Governance Principles, are published to public over our corporate website.

4. FINANCIAL STATUS

RESULTS OF CONSOLIDATED BALANCE SHEET (in TL)

ASSETS	June 30, 2013	December 31, 2012
Current Assets	1.127.953.260	339.329.147
Fixed Assets	1.976.445.134	1.869.681.888
TOTAL ASSETS	3.104.398.394	2.209.011.035

EQUITIES	June 30, 2013	December 31, 2012
Short term liabilities	803.794.034	538.075.762
Long term liabilities	1.401.707.992	1.343.583.125
TOTAL EQUITIES	2.205.502.026	1.881.658.887

RESULTS OF CONSOLIDATED INCOME STATEMENT (in TL)

	June 30, 2013	June 30, 2012
Sales income	991.318.782	799.254.993
Gross profit	180.819.780	15.814.162
Profit (loss) from operations	100.981.786	(791.860)
Profit (loss) before tax	68.535.519	(78.005.906)
Net term profit (loss)	44.141.270	(70.143.901)

FINANCIAL PERFORMANCE INDICATORS (in TL)

	June 30, 2013	June 30, 2012
Operational EBITDAR(*)	200.136.281	56.988.676
<i>Margin</i>	20,4%	7,8%
EBT	71.376.103	-67.186.989
<i>Margin</i>	7,3%	-9,3%
Perquisite per guest	19,0	16,5
Gain per share	0,6	-0,9
	June 30, 2013	December 31, 2012
Adjusted operational net liability	1.157.011.096	1.765.424.406

(*) The format of financial statements was changed in accordance with the Financial Statement Format No. II-14.1 of the CMB, which was put in effect on June 13, 2013. Below is a list of items that make up the EBITDAR calculation:

PGS Operational EBITDAR: Profit before tax; financing expenses; financing revenues; shares in profits (losses) from investments that have been valued as per equity method; shares in depreciation and redemption amounts; operational leasing expenses; revenues from currency differences that are attributable to operations; expenses from currency differences that are attributable to operations; revenues from cancellation of rediscounts; rediscount expenses; revenues from currency differences that are attributable to investment activities; expenses from currency differences that are attributable to investment activities; revenues from operations of AirBerlin Turkey; and expenses from operations of AirBerlin Turkey.

5. TRAFFIC RESULTS

P e g a s u s H a v a T a şım acılığ ı A.Ş.

Traffic Results of the Period between January - June

Domestic Lines	2012	2013	Change (%)
Number of guests (million)	3,92	4,72	20%
Number of seats (<i>million</i>)	4,95	5,82	18%
Occupancy rate (%)	79,30%	81,20%	2%
Landing	26.593	30.938	16%
Number of guests per landing	148	153	3%
ASK (<i>million</i>)	2.857	3.326	16%
International Lines ⁽¹⁾	2012	2013	Değişim %
Number of guests (million)	2,24	2,83	26%

Number of seats (million)	3,06	3,71	21%
Occupancy rate (%)	73,30%	76,20%	4%
Landing	16.682	20.276	22%
Number of guests per landing	134	139	4%
ASK (million)	4.448	5.631	27%
Total	2012	2013	Change (%)
Number of guests (million)	6,16	7,55	23%
Number of seats (million)+B4	8	9,52	19%
Occupancy rate (%)	77,00%	79,30%	3%
Landing	43.275	51.214	18%
Number of guests per landing	142	147	4%
ASK (million)	7.305	8.957	23%
Block hours	78.248	86.149	10%
Average daily flight use (block hours)	11,1	12,1	9%
Number of destinations available for scheduled passenger flights ⁽²⁾	56	71	27%

(1) Including results of charter operations.

(2) Including destinations that have been announced as of the end of period, and opened for ticket sales

6. FLEET STATUS, INVESTMENTS, INCENTIVES, AND INVESTMENT POLICIES

AIRPLANE TYPE	RANGE (km)	NUMBER OF AIRPLANES			SEAT CAPACITY			AVERAGE FLEET AGE
		June 30, 2012	June 30, 2013	Increase (%)	June 30, 2012	*	Increase (%)	
Boeing 737-400	3.148	2	1	-50,00%	336	168	-50,00%	15,25
Boeing 737-800	4.630	37	38	2,70%	6.993	7.182	2,70%	3,09
TOTAL		39	39	0,00%	7.329	7.350	0,29%	3,40

Pegasus has placed a firm purchase order to Boeing Company for purchase of forty (40) new 737-800NG airplanes since 2005, and 36 of these airplanes have been delivered so far. As of June 30, 2013, two of remaining four airplanes, which are covered under the order placed to Boeing company for 737-800NG airplanes, are anticipated to be delivered in 2014, and the other two in 2015.

The following table shows numbers of airplanes that would join the fleet of Pegasus between 2013 and 2022 when the firm order is expected to be completed based on the assumption that the first airplane to be delivered within scope of the Airbus Order would be delivered in 2015, and that no airplanes would be disposed of the fleet. According to the special event disclosure made via the Public Disclosures Platform on July 5, 2013, it was resolved to select the Leap type airplane engine from among

two available engine options offered engine manufacturer within scope of the Purchase Agreement for executed for Airbus A320neo/A321neo airplanes. Accordingly, the delivery of these airplanes shall commence in 2016. Delivery schedule would be updated during the period to come.

Airplane Type	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Boeing 737-800NG	2 ⁽¹⁾	2	2	-	-	-	-	-	-	-
Airbus A320neo (2)	-	-	2	5	5	10	14	13	8	-
Airbus A321neo (2)	-	-	-	-	-	-	-	-	5	13

- (1) As of June 30, 2013, two (2) new Boeing 737-800NG airplanes, which were scheduled to be delivered in 2013, have been delivered.
- (2) If Pegasus wishes to use a part or entire of the option for 25 airplanes out of the Airbus Order, then delivery of these airplanes would start after 2022 unless an agreement is reached between Pegasus and Airbus for earlier delivery of the airplanes.

The Company continuously analyses its fleet requirements and market conditions. The Company plans to manage the fleet of Airbus A320neo and A321neo type airplanes in an active manner although it has not yet made its decision regarding acquisition of airplanes through purchase or operational leasing thereof, and to maintain a balanced portfolio of airplanes purchased and airplanes obtained by means of operational leasing. According to actual fleet planning of the Company, and based on the assumption that delivery of the Airbus Order would commence in 2015, the fleet is anticipated to comprise 46, 53, and 56 airplanes as at December 31, 2013, 2014, and 2015 respectively. These figures also include five (5) Boeing 737-800NG airplanes which are planned to be included in İzAir fleet. The average fleet size is anticipated to be 43, 52, and 57 as at the same dates respectively.

Orders placed to Boeing and Airbus companies are subject to privileges regarding confidential prices and payment terms based on list purchase prices, and also subject to some adjustments that to be based on escalation adjustment articles (up to a certain limit for Airbus), and the actual purchase price to be paid by the Company for airplanes ordered shall be different from list prices of such airplanes, typically lower. Pursuant to these principles, and on the basis of estimated prices payable on the date of delivery (in consideration of increases in estimated prices and customizations attributable to airplane configurations although prices and payment terms are excluded), the total sum of investment expenditures was realized USD 12.4 Billion as of December 31, 2012 for final orders that cover Boeing airplanes to be



delivered between 2013 and 2012 and also for the Airbus Order. USD 0,4 billion of such sum comprised investment expenditures incurred for four (4) new Boeing 737-800NG type airplanes, and an approximate portion of USD 12,0 billion comprised investment expenditures incurred for the Airbus Order for a total of 100 Airbus A320neo and A321neo airplanes, i.e. 75 ones being firm and remaining 25 ones being optional (based on the assumption that the option would be used in full). Resources, which are anticipated to be used for funding of planned investment expenditures, shall be obtained from a portion of proceeds of the public offering, loans, and cash from operations. The Company considers to incur only some non-fleet investment expenditures in near future.

7. FINANCING AND RISK MANAGEMENT POLICIES

7.1. Management of Currency Risks

The company has significant transactions in non-euro currencies including, Turkish Lira revenues, non-euro borrowings and US dollars fuel purchases. Performed in currencies other than Euro, these deals expose the Company to currency risks. These risks are managed by means of forward currency trading contracts which are executed pursuant to approved policies.

7.2. Management of Fuel Oil Price Risks

In order to improve the accuracy of its fuel oil procurement plans, and protect itself against risks that are associated with fuel oil prices, the Group takes measures for protection from financial risks by means of various options and swap deals with financial institutions for up to 60% of its estimated fuel oil costs which are anticipated to be incurred for up to 12 months. In 2012 when the program for protection from risks associated with fuel oil prices was implemented for the first full year, 45% of overall consumption volume was covered under protection from financial risks. As of June 30, 2013, deals were performed for protection from financial risks for 48.4% of estimated fuel oil consumption for the year 2013.

7.3. Management of Interest Rate Risks

Incurrence by the Group of loans based on fixed or variable interest rates depends on actual interest rate risks of the Group. The Group aims to manage its interest rate risks through use of an appropriate ratio of loans with fixed and variable interest rates.

7.4. Management of Liquidity Risks

The Group manages its liquidity risks by regularly following up its estimated and actual cash flows, and ensuring the continuance of sufficient funds and borrowing reserves through matching of financial assets and maturities of liabilities.



8. CORPORATE GOVERNANCE PRINCIPLES

Pursuant to the Company's regulatory obligations for compliance to the Corporate Governance Principles, a Corporate Governance Committee and a Committee for Early Determination of Risks were established pursuant to the Board of Directors Decision of August 17, 2013, and the organizational structure and operation principles of the existing Audit Committee of the Company has been rendered compliant to the Corporate Governance Principles.