



ANALYST MEETING
21 DECEMBER 2016

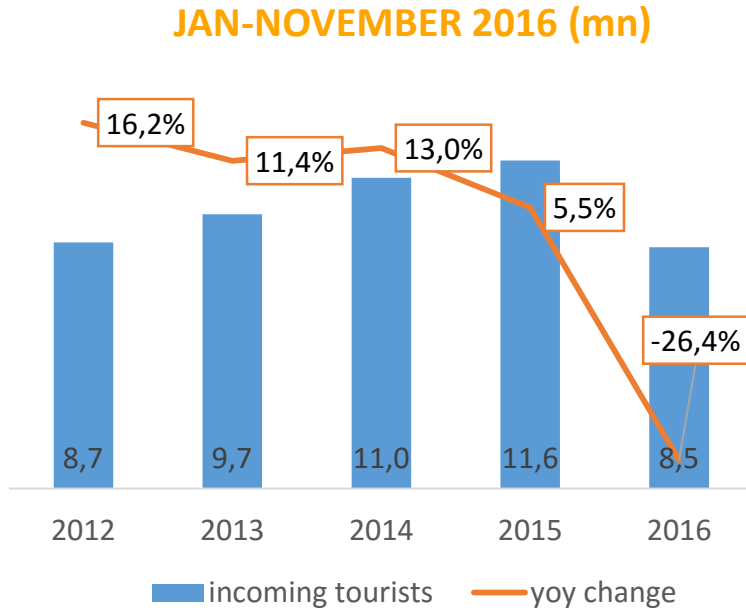
DEVELİ NİŞANTAŞI
İSTANBUL

AGENDA

-  Macro View
-  Operational Evaluation
-  Fleet Development
-  Management Action Plan
-  Network Development
-  Hedge Strategy
-  2017 Management View
-  Q&A

MACRO OVERVIEW

INCOMING TOURIST TO ISTANBUL IN THE LAST 5 YEARS

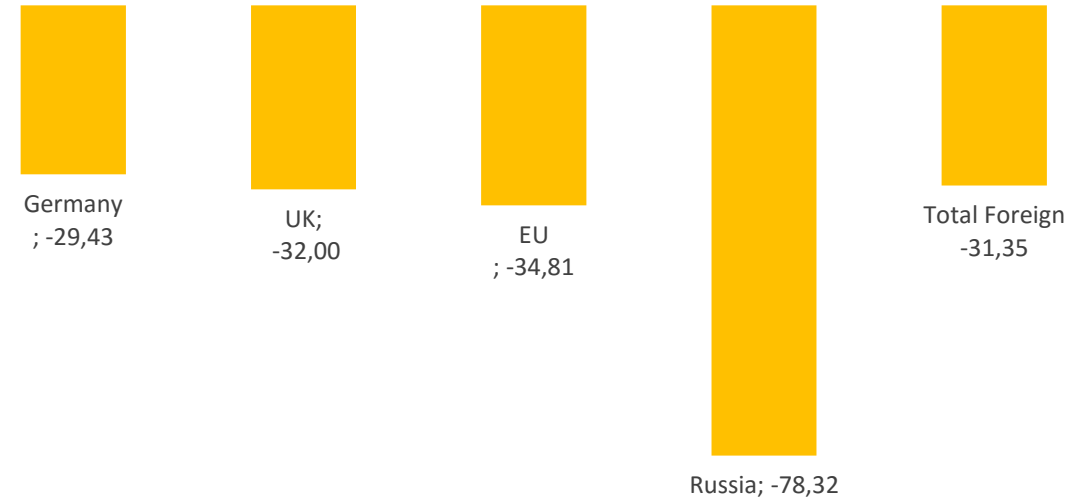


Based on the data taken from ports and tourism ministry total incoming tourists to Istanbul contracted by 26.4 % in January-November period

Incoming tourist ratio who prefers SAW airport is 21 %

Change in the foreign arrivals according to their nationality

January- October 2015 / 2016



Geopolitic/ Politic Risks



Decline in Tourism Revenues



Slow Down in GDP Growth



Vulnerable Turkish Lira

OPERATIONAL EVALUATION

Second Biggest Airline in Turkey



November passenger growth % 12, Cumulative Pax Growth % 8



On time performance % 86.04



Baggage mishandled ratio per 1.000 Pax is 3.2 (EU average 7.8)



November domestic market share % 31.3 → International Market Share % 14.5 → Total Market Share % 25.5



Sabiha Gökçen (SAW) Market share % 60



Transit Ratio in International Traffic **%31** (%13 intl to intl / %18 intl to domestic)

FLEET DEVELOPEMENT

As of December 16, 2016 Pegasus fleet composed 60 Boeing 737-800, 12 Airbus A320-200ceo, 6 Airbus A320-200neo and 1 Boeing 737-400. Total fleet 79 with an average age 5,4.

16.DEC.16	B737-800	B737-400	A320-200ceo	A320-200neo	TOTAL
PEGASUS	50	0	12	6	68
IZAIR	8	0	0	0	8
AIRMANAS	2	1	0	0	3
TOTAL	60	1	12	6	79

MANAGEMENT ACTION PLAN



MANAGEMENT ACTION PLAN

CASK

CASH

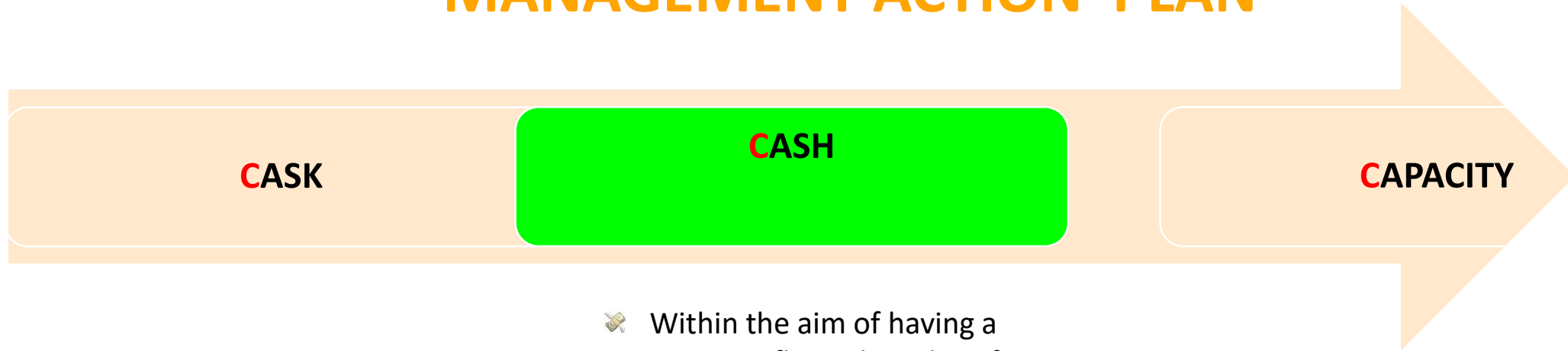
CAPACITY

- ✂ 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



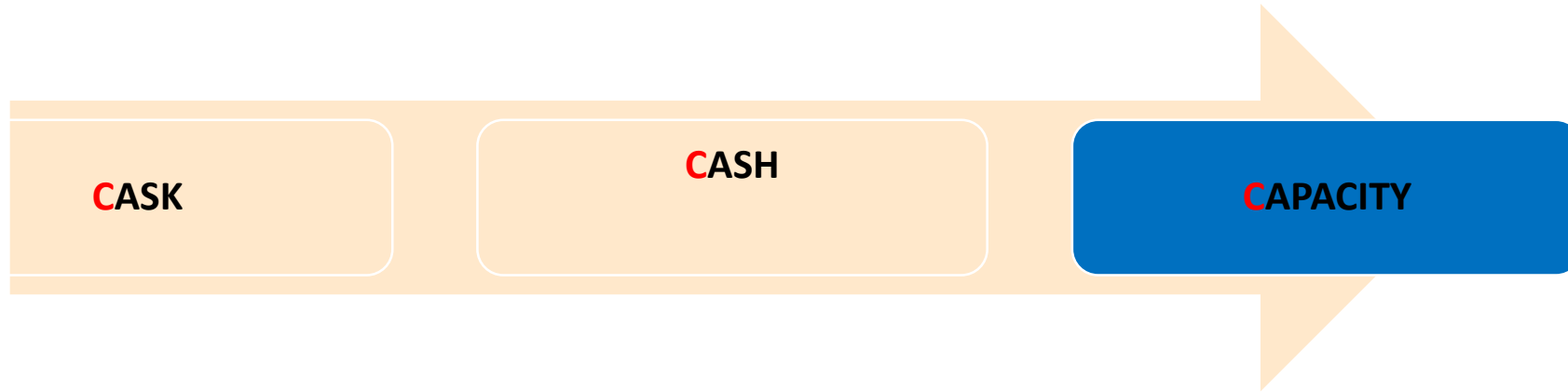
Cost Cutting Measures Impact
0.05€-0.06€c.
(Annualized Cask impact)

MANAGEMENT ACTION PLAN



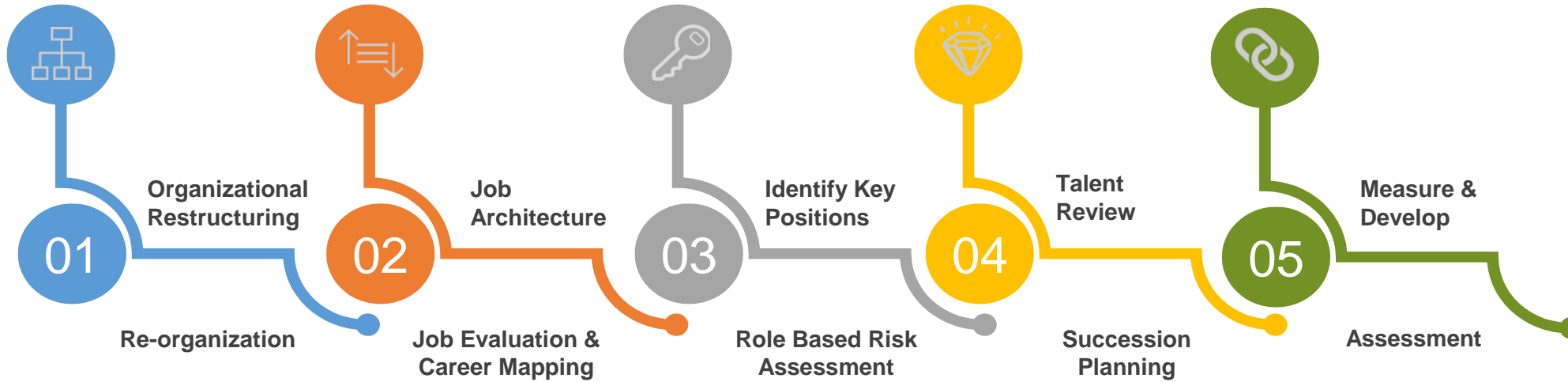
- ✂ Within the aim of having a younger fleet, the sales of aircrafts scheduled to have its first engine overhaul fleet
- ✂ The sale and lease back of cockpit simulator and spare engines
- ✂ Wet lease operations
- ✂ Acceleration of spare engine discount
- ✂ Dynamic Pricing of Ancillary Products

MANAGEMENT ACTION PLAN

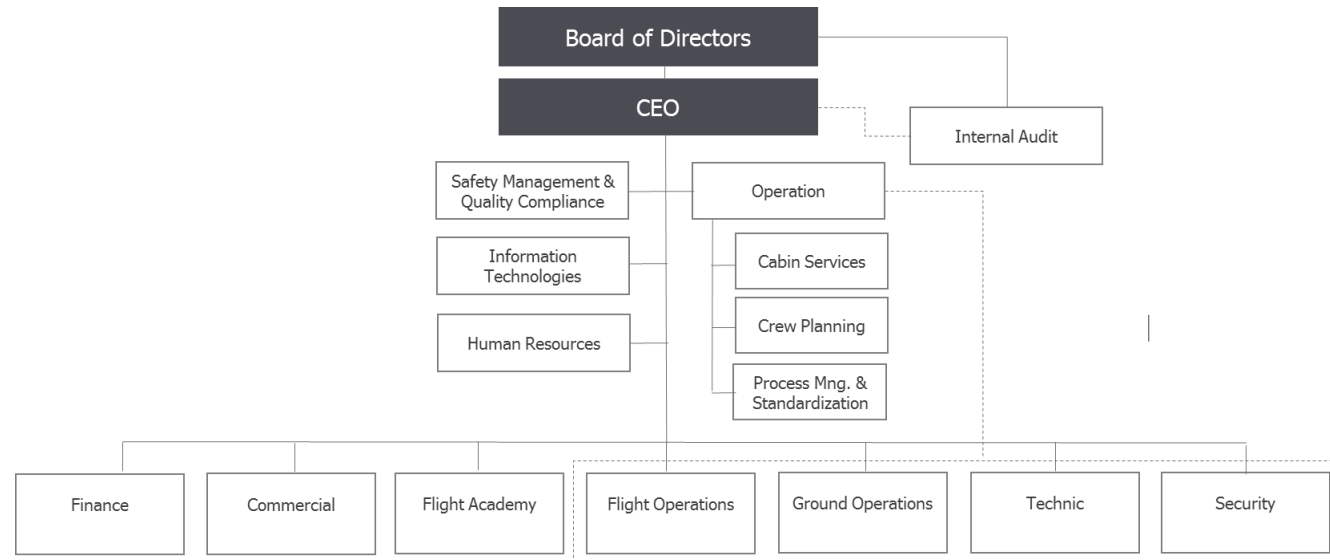


- ✂ Sabiha Gokcen Airport speed taxi way construction is expected to be completed in 2017 summer season which will create additional capacity
- ✂ Deferral of the aircraft
- ✂ Sale of Aircrafts in the fleet

MANAGEMENT ACTION PLAN-LEAN MANAGEMENT



We continue to improve our organization to make our success sustainable and long term by reviewing our working methods and work structure and aim to achieve an organizational model that will render the maximum contribution for our long term goals. In line with this; we restructured our organization following a study carried out in collaboration with the Boston Consulting Group (BCG), international consultancy company



2017 NETWORK DEVELOPMENT

New Destinations and Frequency Increase in Winter 2016/17



New Destinations

- Ankara-Kiev as of Dec 06 – 4 weekly frequencies
- Mineralnye Vody as of Dec 16 – 4 weekly frequencies



Frequency Increase

- Ankara-Amman – additional 3 freq. (daily)
- Baghdad – additional 4 freq. (daily)
- Amsterdam – additional 4 freq. (weekly 20)
- Budapest – additional 1 freq. (weekly 5)
- Doha – additional 1 freq. (daily)
- Bishkek – additional 3 freq. (weekly 10)
- Oslo – additional 2 freq. (weekly 5)
- Prague – additional 1 freq. (weekly 6)
- Pristina – additional 2 freq. (weekly 6)
- Sarajevo– additional 1 freq. (daily)
- Skopje – additional 1 freq. (weekly 4)



2017 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 (ZCC)

2016 FUEL HEDGE BREAKDOWN	
UPLIFT TONN	734,797
HEDGE VOLUME	469,797
HEDGE RATIO	64%
HEDGE PRICE \$	555,55
HEDGE PRICE €	510,90

2017 Breakdown	Q1	Q2	Q3	Q4	2017FY
Uplift Ton	172.630	184.279	204.384	181.273	742.566
Non-discretionary %30	51.789	55.283	61.316	54.409	222.797
Discretionary %30	51.789	55.283	61.316	54.409	222.797

2017 MANAGEMENT VIEW



- ✈️ CASK will be positively impacted by the implementations of CASK initiatives
- ✈️ Slight improvement in Domestic Load Factor and TRY Yields compared to estimated 2016 Year End levels
- ✈️ Slight improvement in Scheduled International Load Factor compared to 2016 estimated Year End Results but Erosion in the Euro Yields will continue
- ✈️ With the impact of 3C initiatives and fuel efficiency impact of new Airbus Neo's, Nominal Ebitdar will be positively impacted compared to 2016 Year End estimations.
- ✈️ Load Factor active strategy will continue in 2017.