



our lowest fares are @  
**flypgs.com**

**PEGASUS**  
AIRLINES

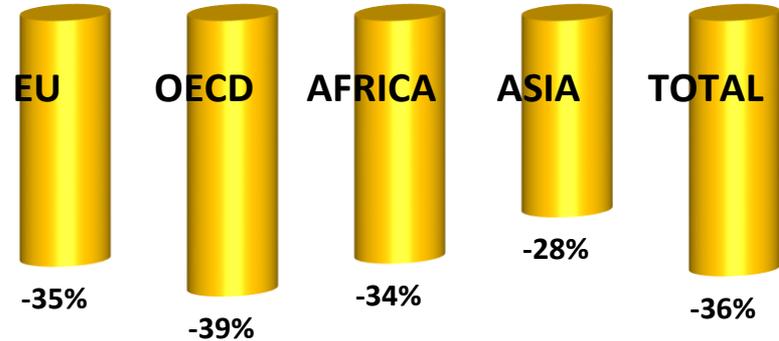


## BUSINESS HIGHLIGHTS FOR Q3 2016



- According to the Ministry of Tourism and Culture's statistics, foreign visitors to Turkey were down 36% yoy in the third quarter
- In 3rd Quarter, total pax traffic decreased by 11.6% yoy to 52.6mn; domestic pax were up by 0.8% to 28.6mn and international pax were down by 22.8% to 24.1mn.
- Despite the shrinking demand, Pegasus manages to increase its total revenue by 4 % .
- At the end of Sept 2016 Pegasus has 77 aircraft in its fleet.
- Continue to develop network- Capacity growth of 5% (y-o-y ASK growth)

### % Change in the foreign visitors to Turkey in the 3rd Quarter



### Important developments

Developments in Middle East and Mosul operation

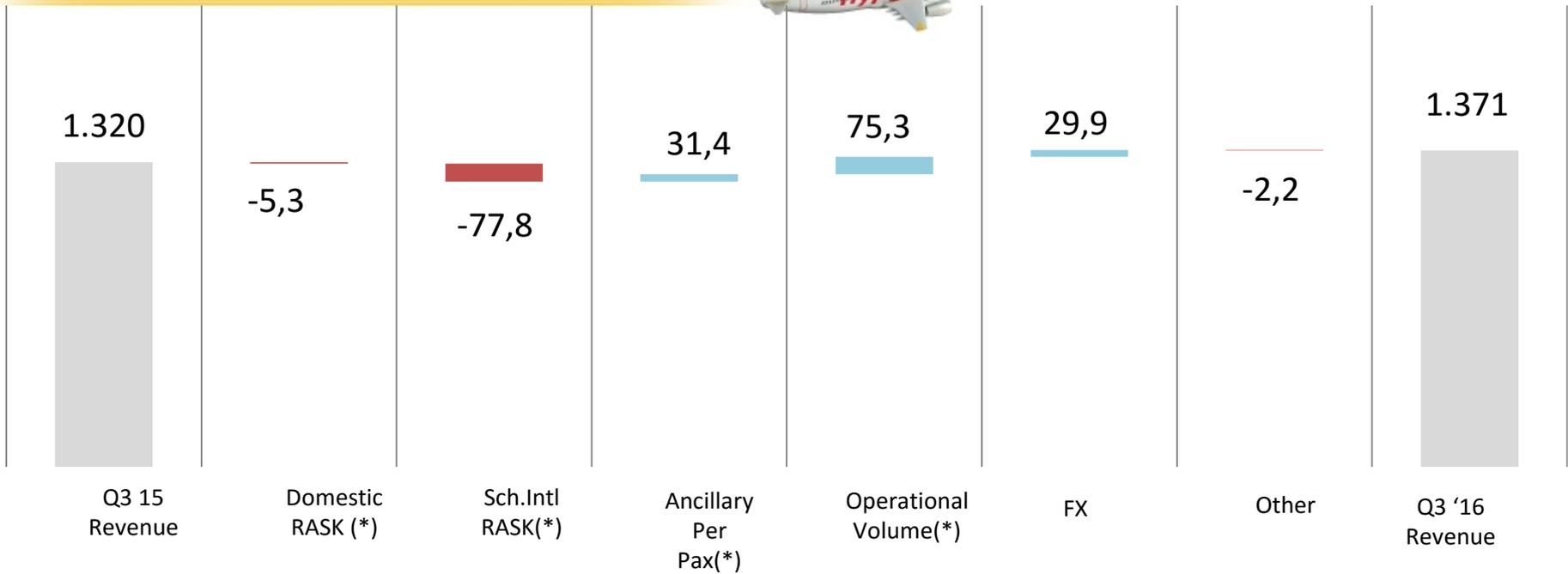
Moody's cut Turkey's sovereign credit rating to "junk «

# OPERATIONAL PERFORMANCE



	Q3 2016	Q3 2015	Change
PASSENGERS (MN)	6.8	6.7	2,6 %
LOAD FACTOR%	81,3%	82.0%	-0,8pp
SEAT (MN)	8.4	8.1	3,6 %
AVERAGE STAGE LENGTH (KM)	1020	1008	1.1%
TOTAL YIELD (TL)	163,0	166,1	-1,9%
ANCILLARY REVENUE PER PAX (€c)	10,6	9,2	14,5%
TOTAL REVENUE (TLmn)	1.371,2	1.320,0	3,9%
PERIOD END FLEET	77	65	18,5%

# Q3 2016 REVENUE PERFORMANCE (TLmn)



## COMMENTS

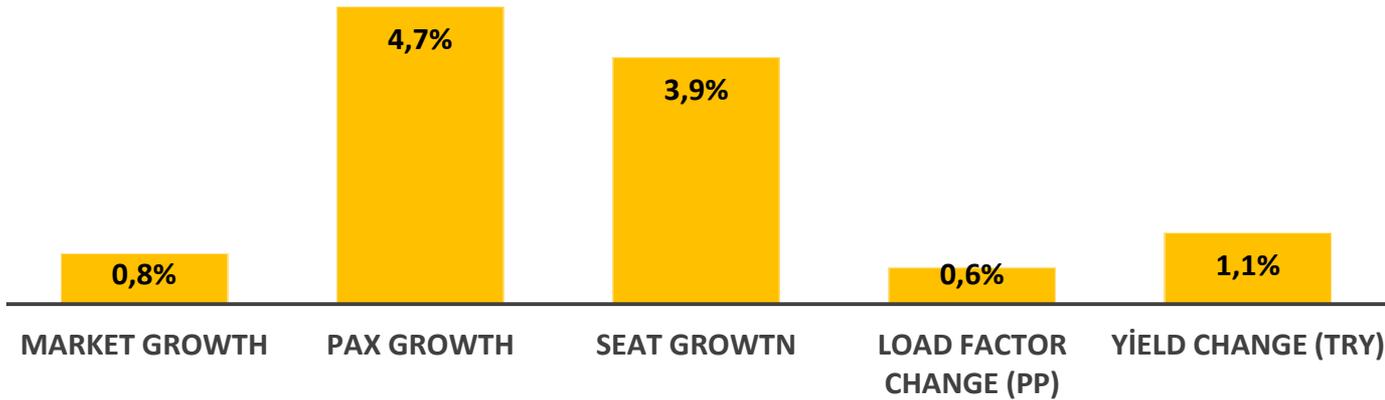
- ➔ Pegasus reported a total revenue of TL 1.371 n in the Q3 2016
- ➔ Ancillary revenue and volume impact made a positive contribution to the topline.

(\*) Excluding FX impact

# Q3 2016 GROWTH AND YIELD UPDATE



## DOMESTIC

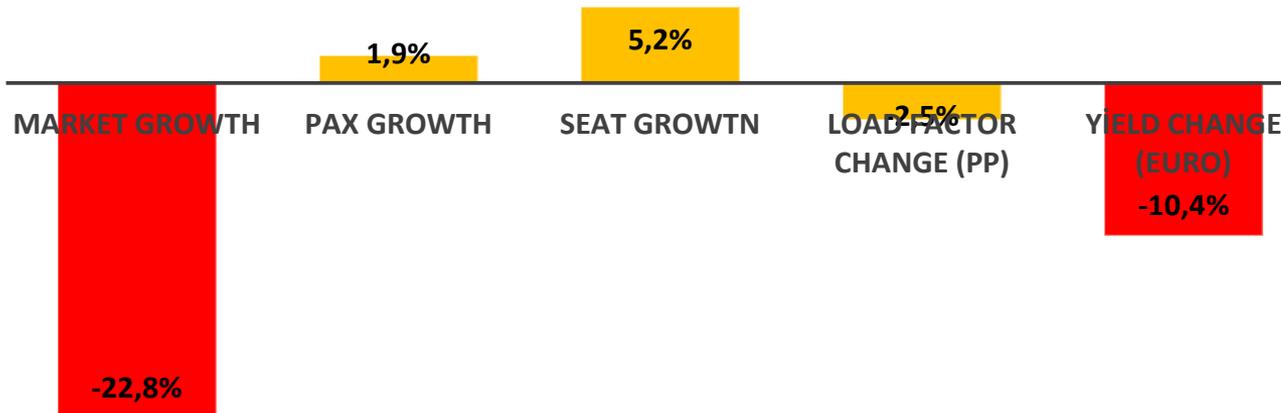


## DOMESTIC YIELD<sup>(2)</sup>

2015 Q3 96,8TL

2016 Q3 97,9 TL

## SCHEDULED INTERNATIONAL<sup>(2)</sup>



## INTERNATIONAL YIELD<sup>(2)</sup>

2015 Q3 86,0 €

2016 Q3 77,1 €

(1) Source : DHMI

(2) Charter and ancillary excluded

# FLEET DEVELOPMENT



## FLEET EXPANSION (UNDER CONTRACT)

Year End	2016	2017	2018	2019	2020
Owned	4	4	4	4	4
Financial Lease	33	41	51	65	78
Operational Lease	45	42	40	32	24
<b>Total</b>	<b>82</b>	<b>87</b>	<b>95</b>	<b>101</b>	<b>106</b>

## PEGASUS TODAY

- Fleet of 77 aircraft with average age of 5.5 as of Sept 2016. The youngest fleet in Turkey.
- World's First CFM LEAP-1A-powered A320neo delivered to Pegasus
- #2 Airline in domestic market with a market share of 29.4 %
- Operates 102 routes to 40 countries
- Financing agreement of the first 6 aircraft which will be delivered in 2016 has completed. Negotiations are proceeding for the remaining 3 aircraft.

## FLEET OVERVIEW

Sept '16	Owned	Fin.Lease	Op.Lease	Total
Boeing 737-800	3	24	33	60
Boeing 737-400	1	0	0	1
Airbus A320 CEO	0	0	12	12
Airbus A320 NEO	0	4	0	4
<b>Total</b>	<b>4</b>	<b>28</b>	<b>45</b>	<b>77</b>

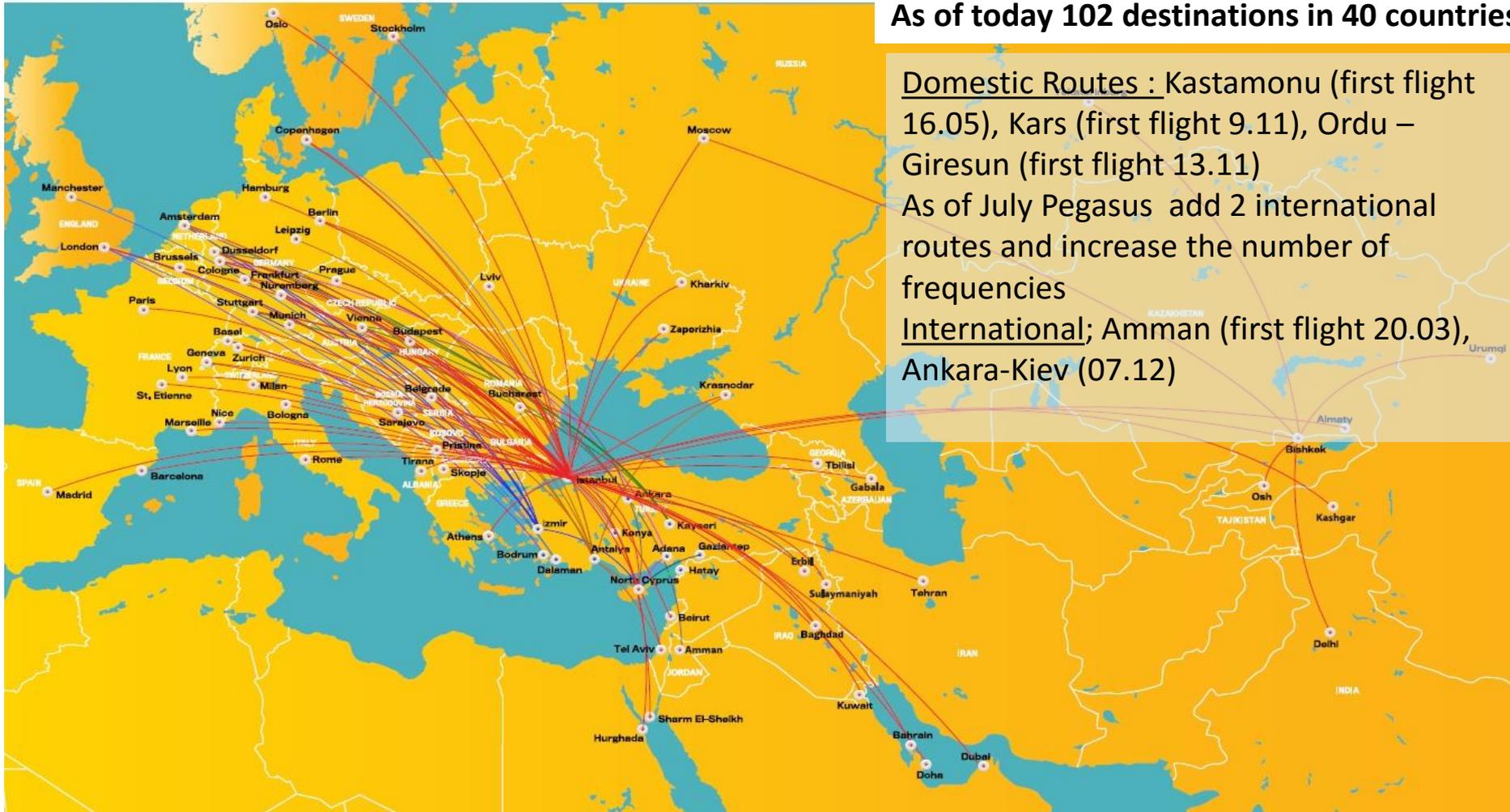
## Order Book as of September 2016



# 2016 NETWORK AND FREQUENCY DEVELOPMENT



Hava Yolları Tarifeli Dış Hat Uçuşlar... Pegasus Airlines Scheduled International Flights



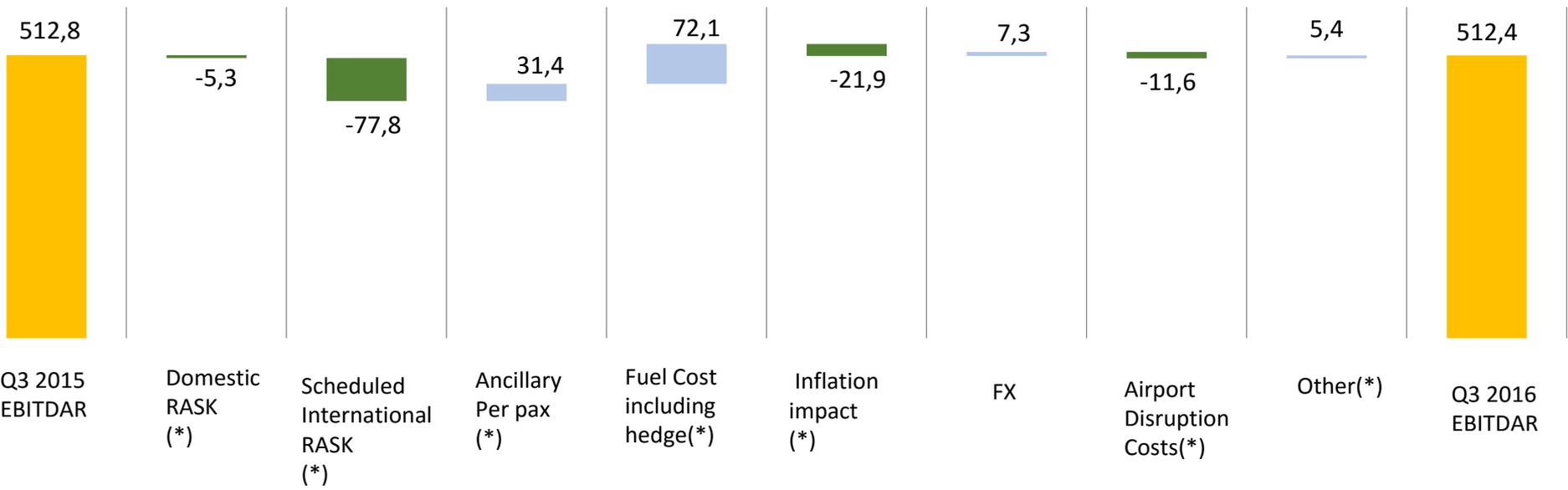
As of today 102 destinations in 40 countries

Domestic Routes : Kastamonu (first flight 16.05), Kars (first flight 9.11), Ordu – Giresun (first flight 13.11)

As of July Pegasus add 2 international routes and increase the number of frequencies

International; Amman (first flight 20.03), Ankara-Kiev (07.12)

# Q3 2016 EBITDAR ANALYSIS (TLmn)



## COMMENTS

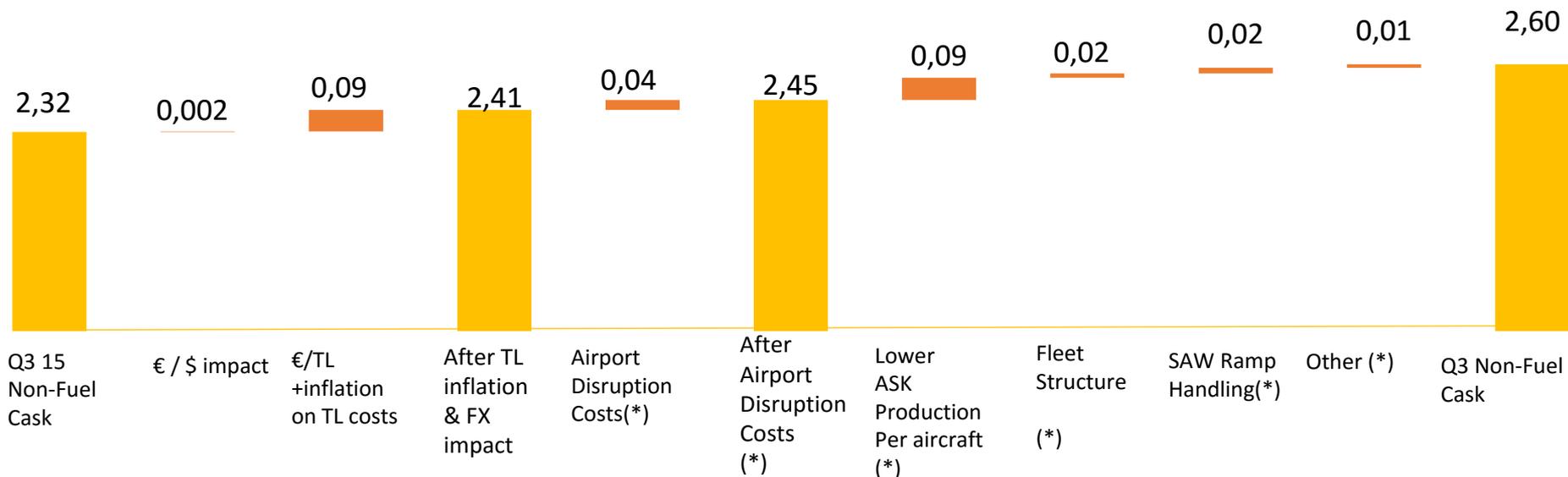
- ➔ Despite geopolitics and security concerns EBITDAR remained unchanged
- ➔ Fuel costs and ancillary per pax made positive contribution
- ➔ The impact of structural changes (Sabiha Gokcen airport ramp handling and adding more operational lease aircraft) continued in the third quarter 2016

(\*) FX excluded

# Q3 2016 NON FUEL CASK PERFORMANCE (€c)



## Q3 2016 NON FUEL CASK (€c) DEVELOPMENT



## COMMENTS

- ➔ Total Cask remain flat supported by the fuel price in Q3 2016 ( 3.61€ -Q3 2015 - 3.62€ Q3 2016)
- ➔ The increase in the non-fuel CASK items mainly driven by the;
  - ➔ Capacity cut (limitation of average traffic movement) at Sabiha Gökçen (SAW) air space
  - ➔ Shrinking international passenger traffic to Turkey and lower ASK production due to our pending frequency and new route applications to Turkish Civil Aviation;
- ➔ With the new aircraft to be included in our fleet in the forthcoming period, the portion of financial lease aircraft will increase.

(\*) constant currency

# 30 September 2016 BALANCE SHEET



TLmn	30 SEPTEMBER 16	31 DECEMBER 15
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CASH 657 955

OTHER ASSESTS 699 672

PRE DELIVERY PAYMENTS 459 269

FIXED ASSESTS 2.898 2.202

TOTAL 4.713 4.098

TLmn	30 SEPTEMBER 16	31 DECEMBER 15
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LIABILITIES 1.287 1.230

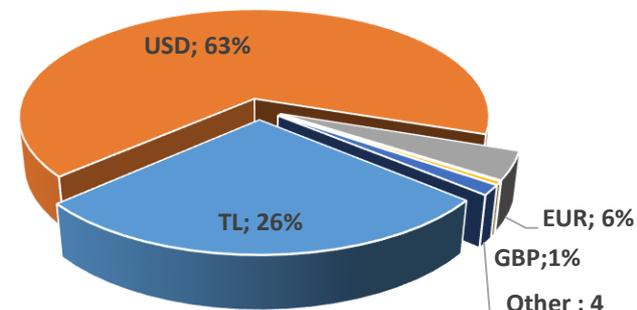
FINANCIAL DEBT 1.818 1.415

SHAREHOLDERS EQUITY 1.608 1.453

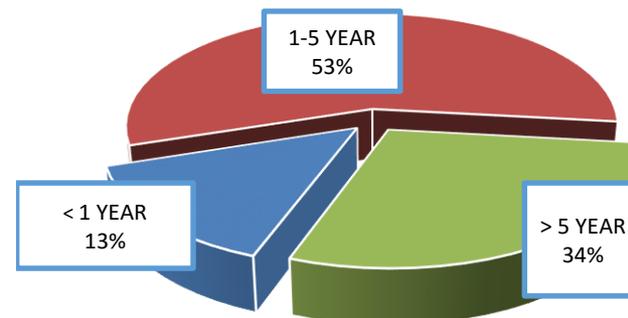
TOTAL 4.713 4.098

CASH PER AIRCRAFT	8.5	14,3
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## CASH BREAKDOWN (30/09/16)



## FINANCIAL LEASE MATURITY BREAKDOWN (30/09/16)

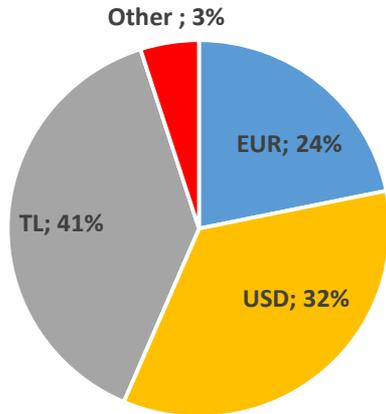


## FOREIGN CURRENCY EXPOSURE

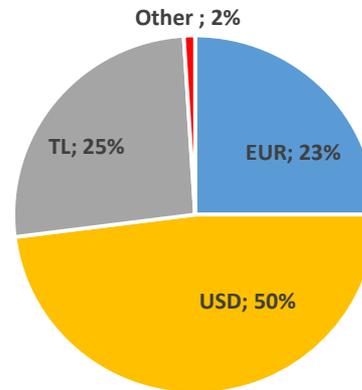


## INCOME STATEMENT

### REVENUE BREAKDOWN



### EBIT BREAKDOWN



### NET CASH FLOW POSITION –EBIT 3Q 2016

TRY mn	
EUR	83,5
USD	(76,1)
TL	302,6
OTHER	31,1

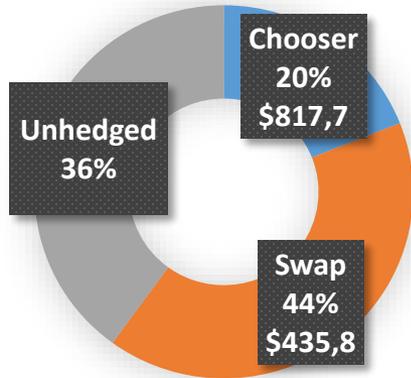
## COMMENTS

- Increase in the USD revenue portion mainly driven by changing the international fares originating from Turkey to Europe into USD
- Strategy is to increase more US dollar priced destinations in order to balance our US dollar shortage

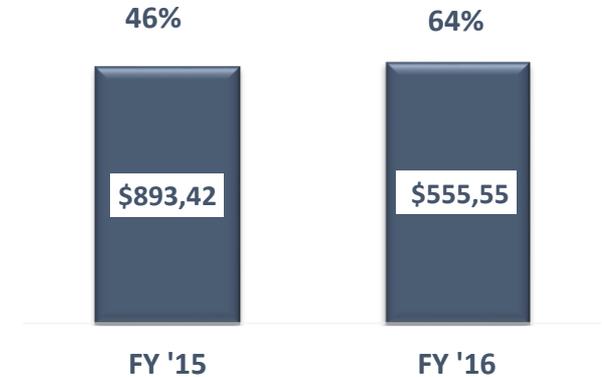
# HEDGE & SENSITIVITY



## 2016 FUEL HEDGING PROPORTION <sup>(1)</sup>



## HEDGE VOLUME & PER TON COST



## SENSITIVITY TABLE

- A \$10 (per metric ton) price movement of jet fuel would impact Q3 '16 opex by 15.3 TRYmn
- A one kuruş movement in the US Dollar/TRY and EUR/TRY FX rate would impact Q3'16 EBIT by 0,1 TRYmn and -1,7 TRYmn respectively.

2016 Q3 P&L would be	+0,01 >	+0,01 >	+10\$ >
TRYmn	EUR/TL	USD/TL	Jet Fuel
Revenue	2,1	3,2	
Operational expenses (OPEX)	2,0	4,8	15,3
EBIT	0,1	-1,7	-15,3
EBITDAR	0,6	-0,6	-15,3

(1) Open chooser contracts are accounted in finance expense line under P&L and settled swap contracts are accounted under fuel cost



## 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



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

## 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 and spare engines
- ✂ Wet lease operations
- ✂ Acceleration of spare engine discount
- ✂ Dynamic Pricing of Ancillary Products

## Capacity

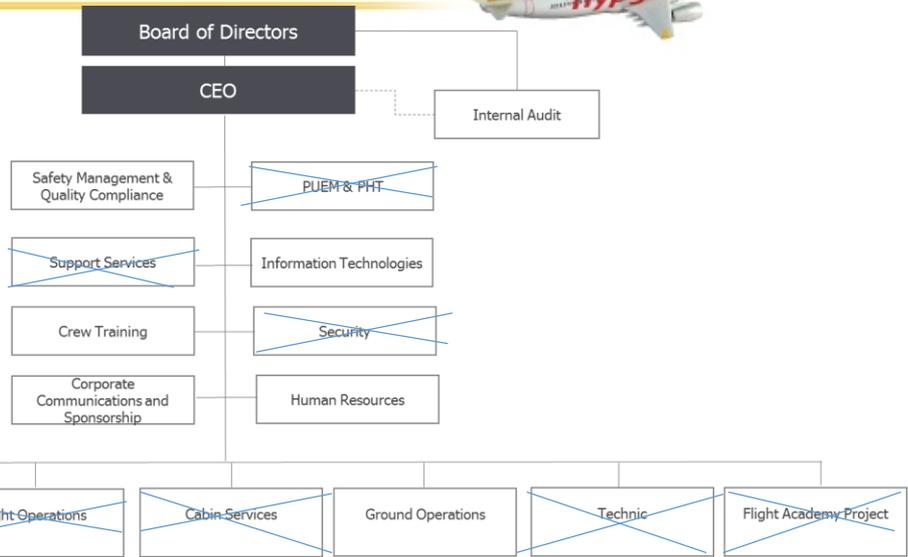
- ✂ Sabiha Gokcen Airport speed taxi way construction is expected to be completed in 2017 summer season which will create additional capacity
- ✂ Deferral of the aircraft

# MANAGEMENT ACTION PLAN – MAP 3C



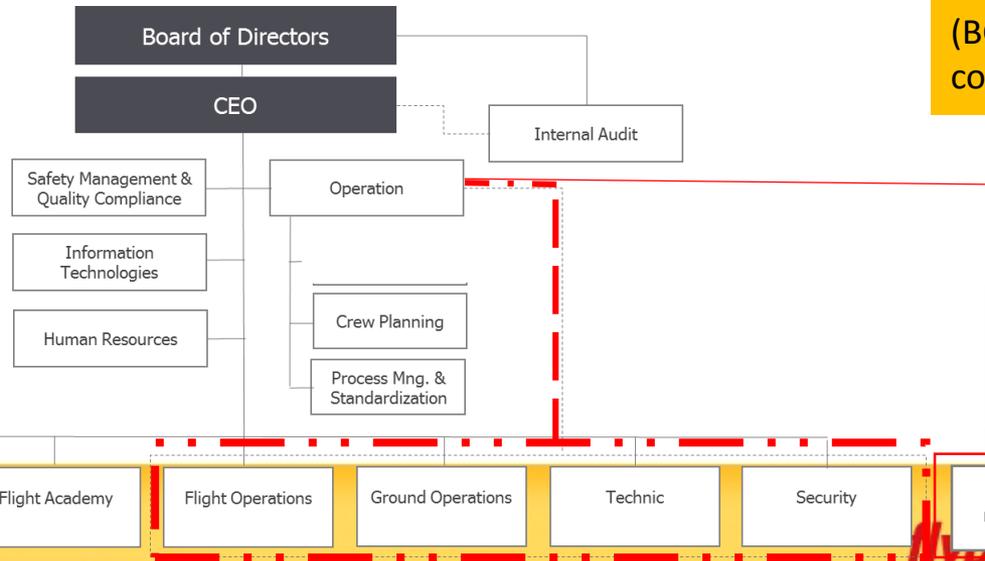
Organisational Structure before MAP

CEO reproting: 17



Organisational Structure after MAP

CEO reproting: 9



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



PROJECTS	Impact Area	Progress (2016 Sep)
Boston Consulting Group	RASK	In progress
WetLease	RASK	In progress 2016 impact TRY mn 24 2017 impact TRY mn 34
Digital Marketing	RASK	In progress
CRM and Pegasus Plus	RASK	In progress
Dynamic Ancillary & Bundle Upgrade	RASK	In progress

# MANAGEMENT ACTION PLAN – MAP 3C



## What we have done so far ?

PROJECTS	Impact Area	Progress (2016 Sep)
TURQuality	CASK	In progress – will have an impact on 2017
Marketing Budget optimization	CASK	2016 Impact TRYmn 5.5 2017 impact – yoy 40% optimisation
HR Initiatives	CASK	2016 impact – 461 employee
Revisiting the technic contracts	CASK	TRYmn 2 - 2016 impact TRYmn 9 - 2017 impact
Fuel Saving optimization studies	CASK	TRYmn 7.2 - 2016 impact TRYmn 12 -2017 impact
Other optimization studies	CASK	TRY 6.500 - 2016 impact TRY 4.400 -2017 impact

# 2016 OUTLOOK AND GUIDANCE CHANGE



## 2016 FY Target announced in the Q2 results announcements

### Traffic & Market Growth

#### Old Target

Pax Growth

%13-15

#### Capacity Increase

ASK(available seat km)

%18-20

Utilization

~ 12.6

#### Load Factor

Domestic

Flat Loads

International

Downside trend

#### Unit Revenue (YIELD)

Domestic ( ₺)

Flat TL Yields

International(€)

Downside trend

#### Ancillary Per Pax

10€-11€

#### CASK (€c)

Cost per ASK

%2-3 contraction  
Supported by the f  
fuel

#### EBITDAR %

%19-21

Rising geopolitics risks, recent terrorist attacks and increasing security concerns have impacted the demand and traffic to Turkey

Sabiha Gokcen airport average traffic movement limitation

lower ASK production due to our pending frequency and new route applications to Turkish Civil Aviation;

% 5-7

%9-11

~ 12.0

2015 levels

4-6 contraction yoy

2TRY-3TRY Contraction

9€-10€ contraction

10€-11€

%1-2 contraction  
in CASK

11%-13%