Updated: May 12, 2016

To the Pegasus Investment Community:

Consolidated highlights on our main commercial targets, revenue and yield trends and expectations, fleet structure, cost base and other main risks and challenges we face in our operations are revised based on our consolidated financial results for the first quarter of 2016 and are provided below. The information is based on information that has been previously shared with the public through our financial report for the three month period ending March 31, 2016 and investor presentations, webcasts and other means of investor communication (for detailed information visit our Investor Relations Website at http://www.pegasusinvestorrelations.com/en/default.aspx).

A. Targets

- Overall growth in our low-cost network operations out of SAW.
- Relentless focus on cost control.
- Aim: Continuing to provide affordable, on-time travel with a young fleet.

B. Revenue and Yield(1)

- Total passengers carried by the end of Q1 2016 increased by 18,6 % year over year and .

  13-15% annual growth expected in total passengers carried by the end of 2016
- ASK increased by %23 in Q1 2016. By the end of 2016 18-20% annual growth expected in ASK
- Utilization levels parallel to 2015 results
- 19-21% EBITDAR margin expectation on average for 2016.
- Flat domestic load factor and TRY yields in domestic operations and downside trend due geopolictics, capacity increase and competition in international load factor and Euro yields are expected , compared to 2015.
- EUR 10 -11 ancillary revenue per passenger is targeted for the year 2016.
- Accumulated losses are eliminated as of the end of 2014 and the effective tax rate is expected to be 17-18% in 2016 (down from nominal 20% through various incentives).
- Following the switch to U.S. Dollar as base currency used for pricing in international ticket sales originating from Turkey, U.S. Dollar's share in our income increased by 12 pp in 2015. International ticket sales originating in Turkey constitute circa 13% of our total revenue.

C.Fleet and Fleet Financing

- Fleet mix comprises 42% financial lease (owned) and 58% operating lease as of March 31, 2016 and we expect to continue to actively manage the fleet composition to maintain a balanced portfolio of owned aircraft and aircraft under operating leases (while aircraft ownership provides advantages in terms of tax benefits, operating flexibility and maintenance efficiencies, reflecting favorably on EBITDAR figures, operational lease aircraft provide us with additional flexibility to manage our balance sheet structure and mitigate the residual value risk relating to aircraft ownership).
- 58 Boeing 737-800, 1 Boeing 737-400 and 10 Airbus A320 aircraft in consolidated fleet as of March 31, 2016. Year-end consolidated fleet size expected to reach 80.

D. CASK

- 2-3% decrease in total CASK expected for 2016 due to the positive impact of lower fuel price.
- Major capital expenditure and cash flow items for 2016 are expected as app. USD 35 million worth of PDP payments for aircraft under our firm Airbus Order and purchase of five aircraft spare engines.
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- It is expected that the additional costs incurred for operational issues due to capacity constraints at Sabiha Gökçen Airport (SAW) discussed below continues parallel to overall growth in SAW, and it is further expected that additional measures planned by the Company, including the allocation of an additional spare aircraft and additional flight crew employment, will have a further negative effect.

E. Risks and Challenges

- We see the airport infrastructure constraint in Istanbul and particularly at SAW a major risk in 2016 and onwards until the completion of the second runway at SAW and the third airport in Istanbul, as the capacity level at SAW is rapidly reaching its saturation level and the existing runway is scheduled to be partially shut down between March 28, 2016 and October 28, 2016 (between 22:30 and 23:59 UTC, four days a week), and in the absence of measures that can be implemented in the shorter term to increase capacity at SAW.
- SAW is owned by the Undersecretariat of Civil Defense while air traffic control at SAW is assumed by DHMI. These entities entered into a protocol for the construction of a second runway at SAW, for which a tender was organized in 2014 and constructions have started in 2015. In light of information received from relevant persons and bodies, we expect construction of the second runway to be completed in 2018 and by 2020 the full two-runway operations will be available .
- In addition to the congestion at SAW, our on-time performance is hampered by the less-than-desired service performance for handling on the RAMP, an issue we aim to address by directly undertaking the RAMP handling operations at SAW. The preliminary regulatory approval for self-handling operations to officially commence preparations was obtained in March 2015 and the “Group B International Work Permit” allowing us to provide ground handling services on the ramp for its operations at SAW was received on August 18, 2015. The Company fully take on apron ground handling operations at SAW in June 2016. As part of ongoing preparations approximately 1000 family members joined Pegasus. The Company expects that the hirings result in an increase in existing employee costs in contrast to savings in ground handling services and station fees subject to seasonality and operational needs.
- Fuel costs constitute our largest operating expense and while our functional currency is Euro we incur a significant part of our cost of sales in non-Euro currencies, exposing us to risks with respect to fuel price and currency fluctuations like other European airlines operating with Euro as their functional currency. Since 2011, we have been implementing an active hedging policy to manage and mitigate our exposure to these risks.
- We have two different types of hedging contracts reflected on our financial results. The first type consists of swap contracts where we commit to purchase fuel or USD at a given time and at a certain strike rate. To the extent they are fuel swaps these are subject to IAS39 "Financial Instruments: Recognition and Measurement" (a.k.a. Hedge Accounting) and until their due dates arrive these transactions are recognized as unrealized, thus being accounted in the shareholders' equity and they are then reflected in the profit & loss statement (P&L) as they become due. The second instrument we use is the chooser forward option contracts where the counterparties have the option to sell us fuel or USD at the strike rates, on their due date. These contracts are not subject to hedge accounting and they directly go into the P&L based on marked-to-market rates.

(1) ***The trends and targets indicated in this document are prepared based on the assumption of the following averages for 2016 (Jet Fuel: 368 US$/bbl, Euro/TL:3,25 and US$/TL: 3,04) and involve a number of risks and uncertainties, and thus actual results may differ significantly from expectations as a result of such risks, uncertainties and other factors.***

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