



Pegasus Airlines – The Low Cost Network Carrier

JANUARY-SEPTEMBER 2013

Our Business Snapshot



We are the pioneer of the low cost network carrier model in a fast growing aviation market

Background and Key Facts

- Established in 1990 to provide charter services, Pegasus was acquired by Esas Holding in 2005 and started a new chapter in the Turkish aviation market as the only airline operating a low cost network carrier model
- Currently operates out of 4 bases in Turkey (Istanbul Sabiha Gökçen International Airport (“SAW”) being the main hub) and flies to 45 international (including Northern Cyprus) and 31 domestic destinations in 30 countries⁽¹⁾
- Fleet of 45 aircraft (average age of 4.08 years) as of October 2013
 - Recently placed an order for up to 100 Airbus aircraft (57 A320neo, 18 A321neo, option for further 25 aircraft of A320/A321neo)

Figure 1: Business Mix (2012)

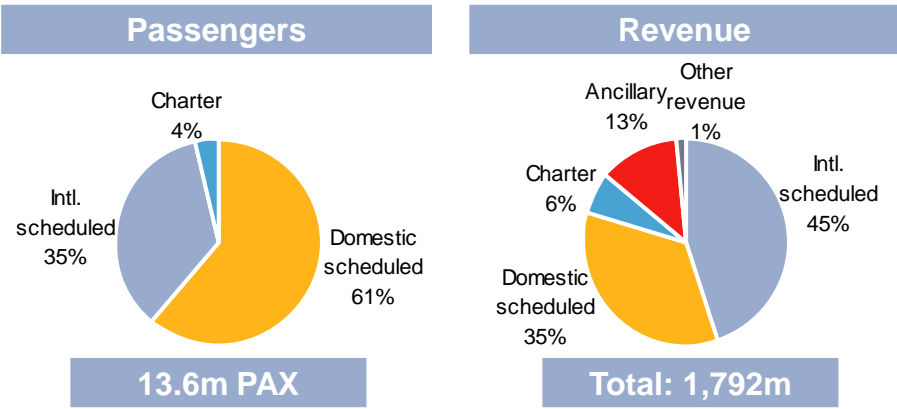
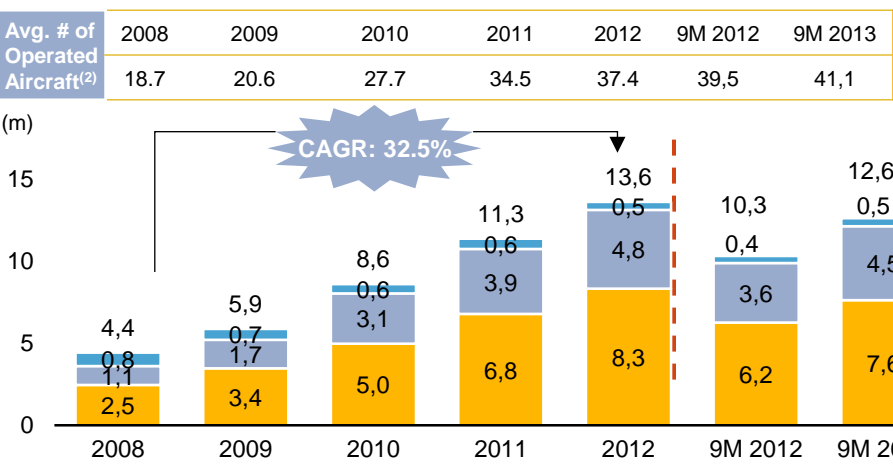


Figure 2: Pegasus Passenger Volume & Aircraft Development



1. As of 31st October 2013. Includes nine new international routes and nine new domestic routes that have been announced and for which ticket sales have started
 2. Operated aircraft defined as the average number of aircraft less number of days in planned overhaul.
 Note: International scheduled includes international split charter.
 Source: Pegasus information.

Our IPO and Recent Performance



We have recently completed our IPO in April 2013 and c.35% of our total shares outstanding trade at Borsa Istanbul

Commentary

- The deal priced at TRY18.40 equating to a market capitalisation at IPO of TRY 1.88bn
- Sold 32.1m shares - 85% primary, 15% secondary, with a 70% international / 30% domestic split
 - Current ownership: c.35% free float / c.65% Esas Holding and family members (after greenshoe)

Figure 3: Key Summary Financials

(TLmn)	2010	2011	2012	Q3 12	Q3 13	9M 12	9M 13
Revenue(*)	978	1469	1792	645	837	1.371	1.819
YoY/QoQ/PoP growth	-	50,18%	22,01%		29,76%		32,70%
EBITDAR	161	198	392	235	264	302	464
Margin %	16,5	13,5	21,9	36,4%	31,5%	22,0%	25,5%

(*) Excluding revenue derived from the AirBerlin Turkey project

Figure 4: Share Price Performance since IPO(rebased 100)

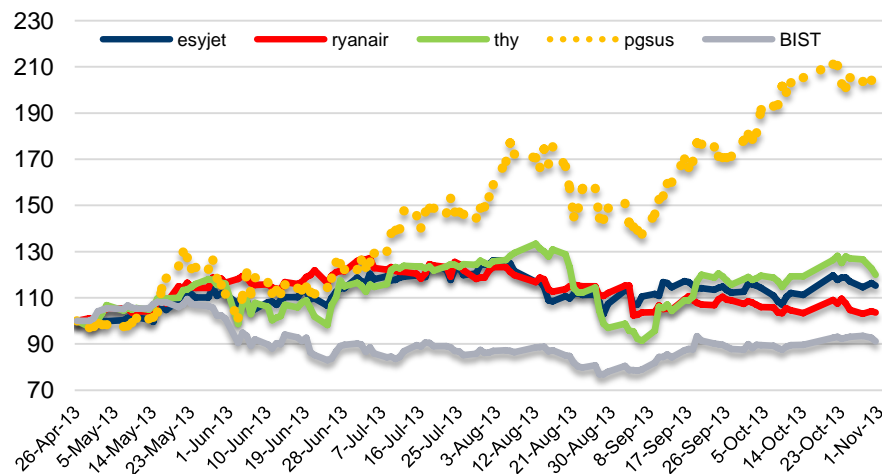
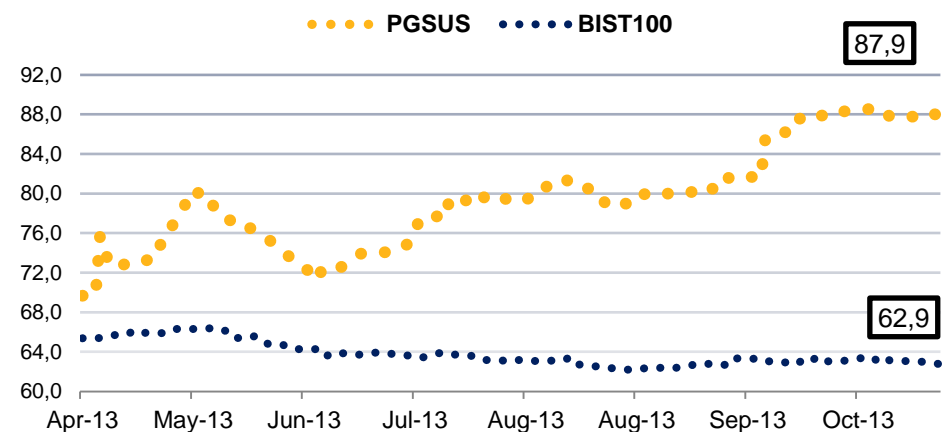


Figure 5: Foreign Ownership %



Our Growing Route Network



We have significantly expanded our route network over the years and we are actively looking for opportunities to continue to do so



Our Mission Statement:

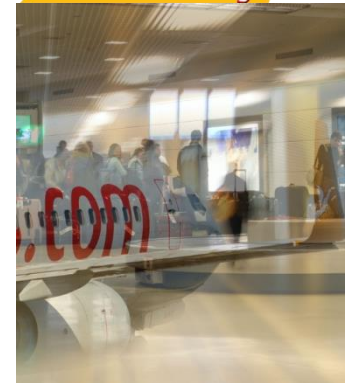
"We aim to combine the network benefits of full-service carriers, and the price benefits of LCCs, to provide inexpensive travel, on-time performance and new planes."

Ali Sabancı - Chairman

Why invest Pegasus



-  1 Large and Fast Growing Home Market in Turkey
-  2 Resilient and Structurally Attractive Turkish Aviation Market
-  3 Successful “Bespoke” LCC Model
-  4 High Quality, Stress Tested Operating Performance
-  5 Clearly Differentiated from Domestic Competition
-  6 Strong Historical Track Record
-  7 Promising Future Growth Opportunities
-  8 Experienced Management Supported by a Seasoned Board of Directors



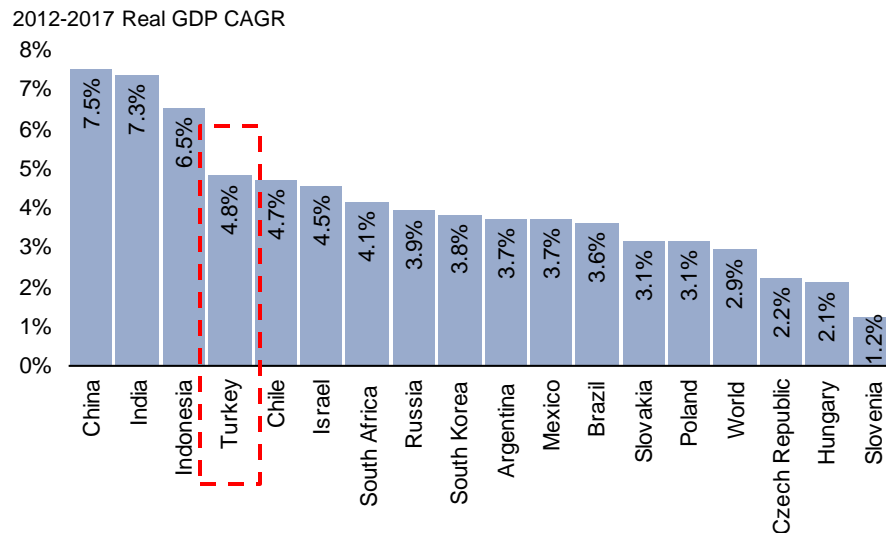
1 Large and Fast Growing Home Market in Turkey



Solid macro picture with healthy growth fundamentals

- Transformation of Turkey into an aspiring economy through structural and financial reforms over the last decade
 - Real GDP has increased significantly since 2001⁽¹⁾ but GDP per capita of \$10.4K⁽²⁾ still has room for growth
- 15th largest economy globally and 7th largest in Europe⁽³⁾
 - Regional hub leveraging unique geographical location
- 3rd largest country in Europe with a young and growing population of ~76m⁽⁴⁾ people – median age of ~30 years⁽⁴⁾
- One of the top tourism destinations globally⁽⁵⁾

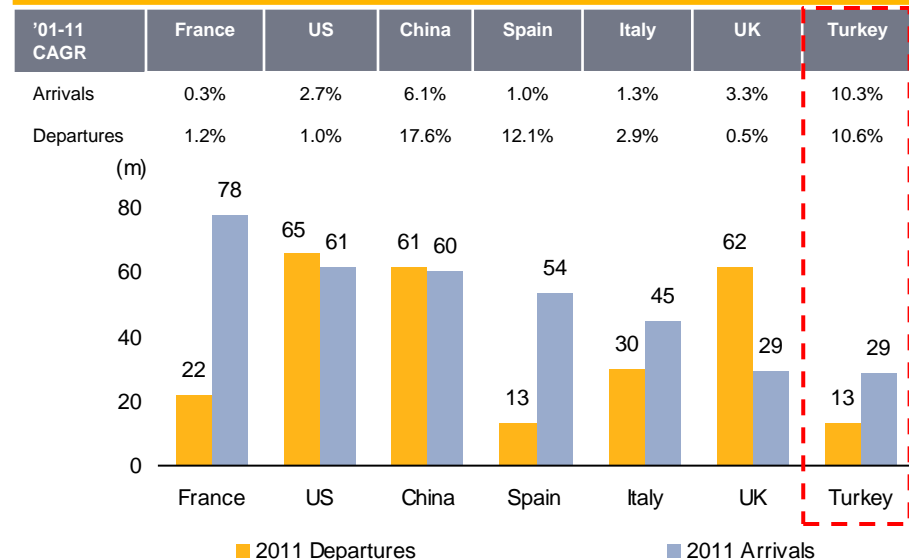
Figure 6: Solid Growth Expectations



Source: EIU, 2013.

Note: In the EIU tourism data presented, arrivals are defined as the number of visitors who travel to a country other than that where they have their normal residence for a period not exceeding 12 months and whose main purpose in visiting is other than an activity remunerated from within the country visited; departures are defined as the number of departures that people make from their country of normal residence to any other country for any purpose other than a remunerated activity within the country visited.

Figure 7: Top Arrival & Departure Destinations Globally⁽⁵⁾



- EIU, 2013.
- Turkish Statistical Institute. Average 2012 TL/\$ exchange rate of 1.8015 used to convert GDP per capita.
- 2011 data by GDP PPP – World Bank.
- TurkStat.
- By arrivals – latest available EIU data. Excludes Hong Kong data.

Resilient and Structurally Attractive Turkish Aviation Market

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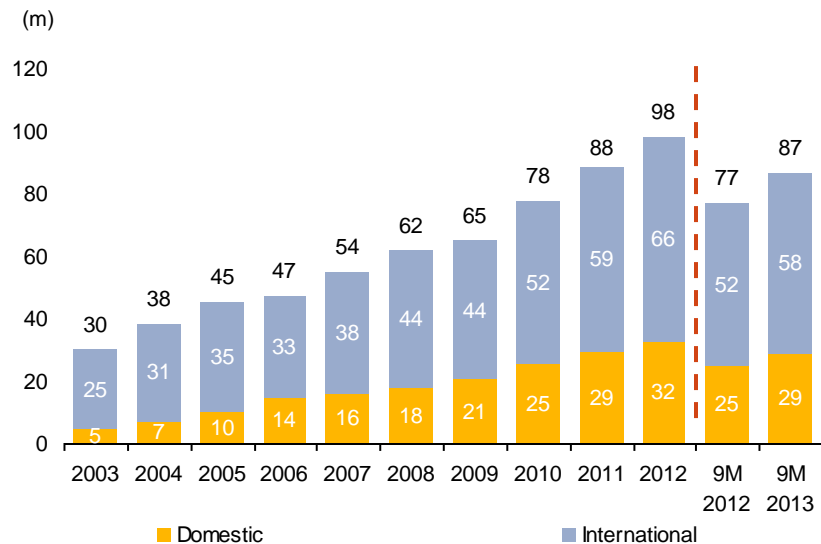


Rapidly growing, but still underpenetrated market

- The Turkish civil aviation market went through a series of changes in the early 2000s which accelerated the growth
- Since 2003, passenger growth has been very strong (14.1% CAGR) and very resilient
 - Even in 2009, when real GDP contracted by 5.1%, passengers in Turkey grew by 5.5%
- Despite strong growth, both the domestic and international markets remain underpenetrated
- Very large mountainous country with few motorways and limited high speed rail

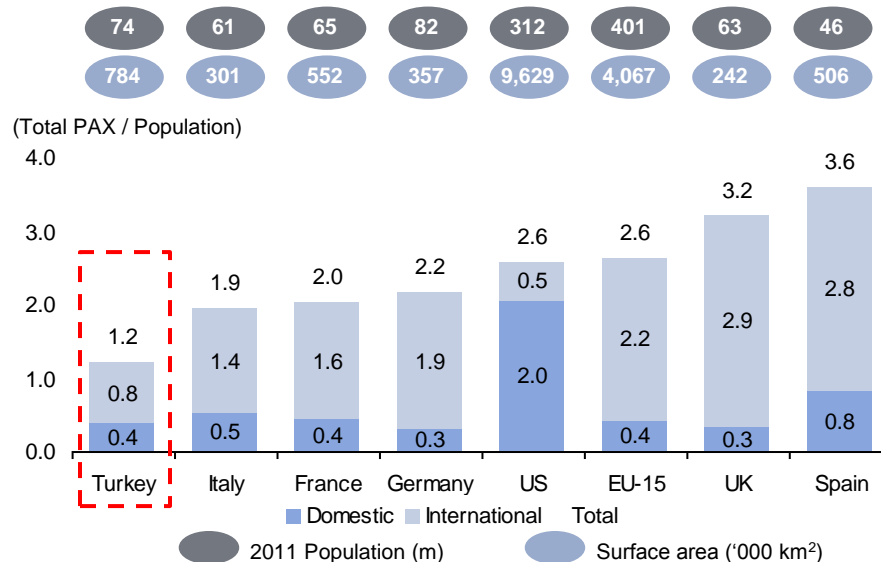
Figure 8: Passenger Volume Growth in Turkey⁽¹⁾

- Passenger growth has been 2.8x real GDP growth between 2003 and 2012



Note:
1. General Directorate of State Airports Authority of Turkey (“DHMI”) data. DHMI double counts the domestic passenger numbers and the displayed numbers have been adjusted for that. Real GDP data from EIU.

Figure 9: Trips per Capita



Note: 2011 data.
PAX: Turkey – DHMI; US – US Bureau of Transportation Statistics; rest – Eurostat.
Population: Turkey, US – World Bank; rest – Eurostat.
Surface Area: United Nations.

3 Successful "Bespoke" LCC Model



Proven and meticulously customised low cost "network" carrier model

We are an LCC and We Stick with the Key Principles...

- Relentless focus on cost control ✓
- Short / medium haul flights ✓
- Highly focused on punctuality ✓
- Dynamic pricing, low / promotional fares ✓
- Unbundled product and service offering, focus on ancillary revenue ✓
- Single cabin class ✓
- High aircraft utilisation ✓
- Modern, fuel efficient fleet ✓
- Large fleet orders to secure good pricing ✓
- Focus on internet as distribution channel ✓

...with a Highly Competitive Cost Base...

Figure 10: CASK (2012)

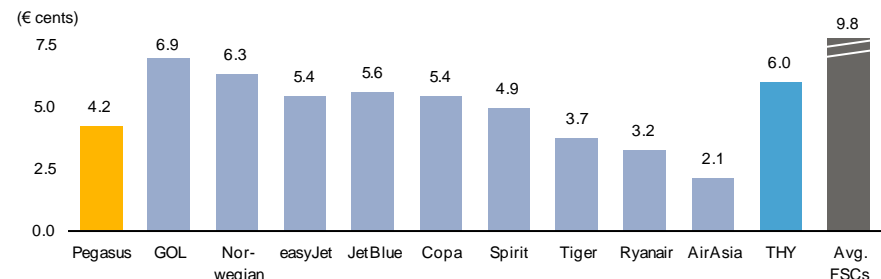
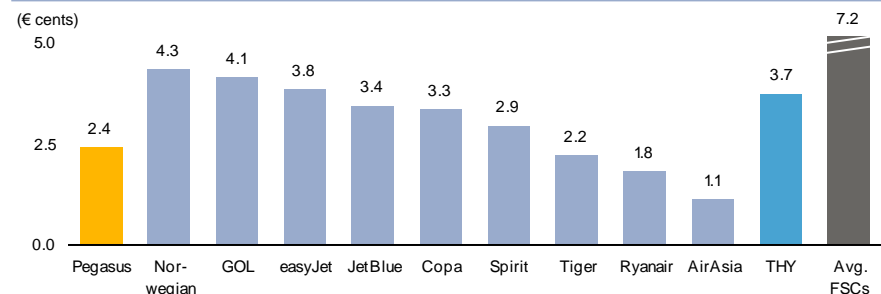


Figure 11: CASK ex-fuel (2012)



Source: Pegasus information, remaining company data per public filings.
 Note: Peers figures calendarised to 2012 December year end; easyJet, Ryanair and Tiger calendarised to 2011 December year end. Average FX rates from FactSet used. FSCs include Aeroflot, AF-KLM, Finnair, Lufthansa, SAS and IAG.

...but We Customised the "Traditional" LCC Model According to the Requirements of Our Markets

- We offer point-to-point structure with network feed primarily through Istanbul SAW hub
 - Increases volume for international routes and decreases seasonality for domestic routes
- We pioneered in Europe the use of several products and applications that are starting to be implemented by other LCCs:
 - Seat selection, use of GDS, code sharing
- We constantly continue to focus on product and process innovation

4 High Quality, Stress Tested Operating Performance

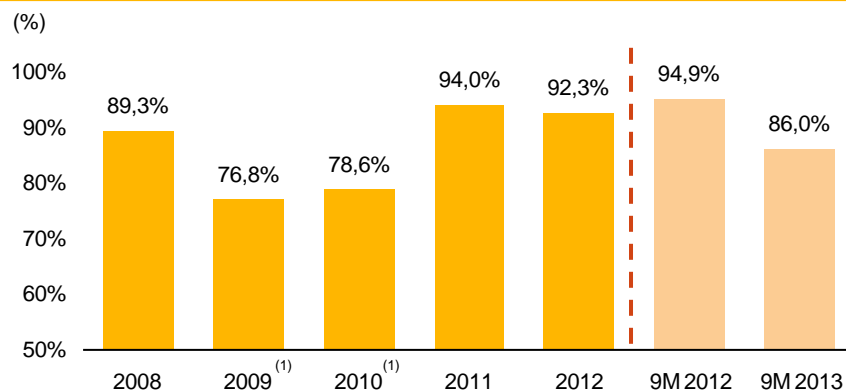


Solid operational KPIs across the board...

Commentary

- Particularly important for the network model
- Continuously deliver strong and improving utilisation performance
- Consistent focus on improvement of asset utilisation
- Robust load factors as a result of hands-on revenue management and meticulous execution of low cost network carrier model
- Increased c.12% turns per day period over period (p-o-p) reached 7.5 as of Sept.13

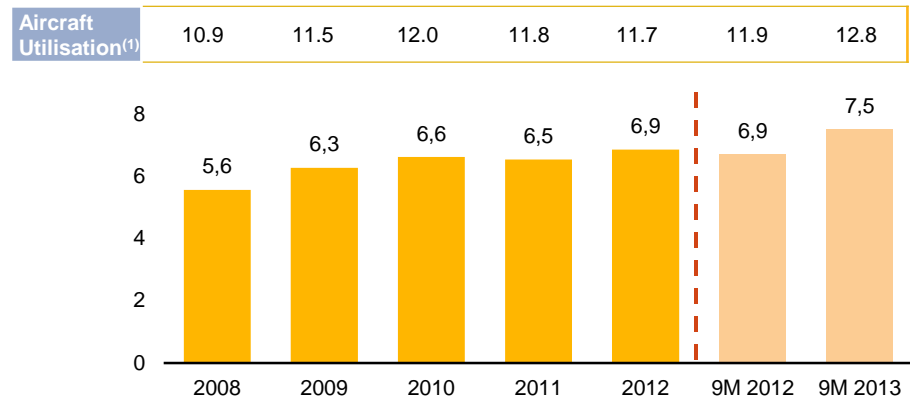
Figure 13: "On-Time" Record



Source: Pegasus information.

1. 2009 and 2010 data impacted by the opening of the new terminal at SAW.

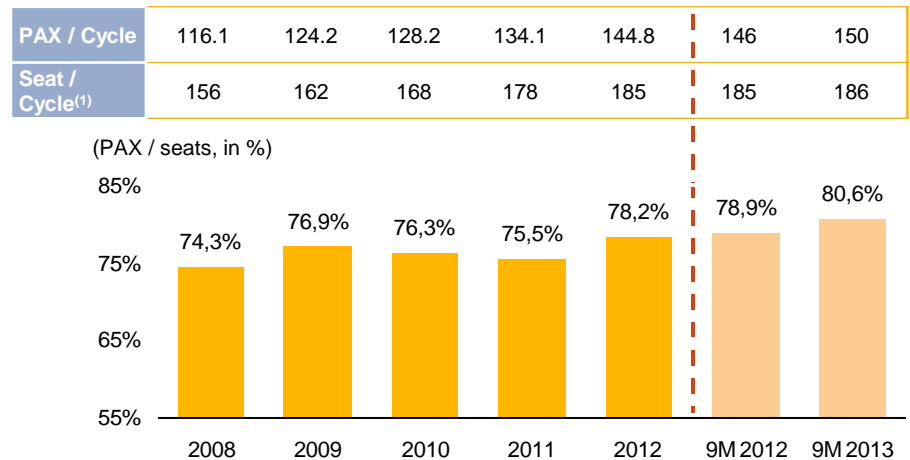
Figure 12: Turns Per Day



Source: Pegasus information.

1. Aircraft utilisation in BH/day and average stage length in km.

Figure 14: Load Factors



Source: Pegasus information.

1. Figures are calculated by dividing total seat capacity by total number of cycles.

High Quality, Stress Tested Operating Performance

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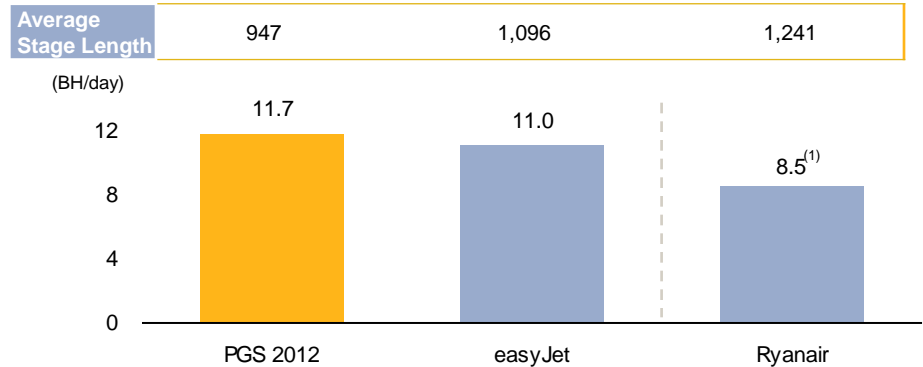


...and our KPIs fare very well against leading European low cost carriers

Commentary

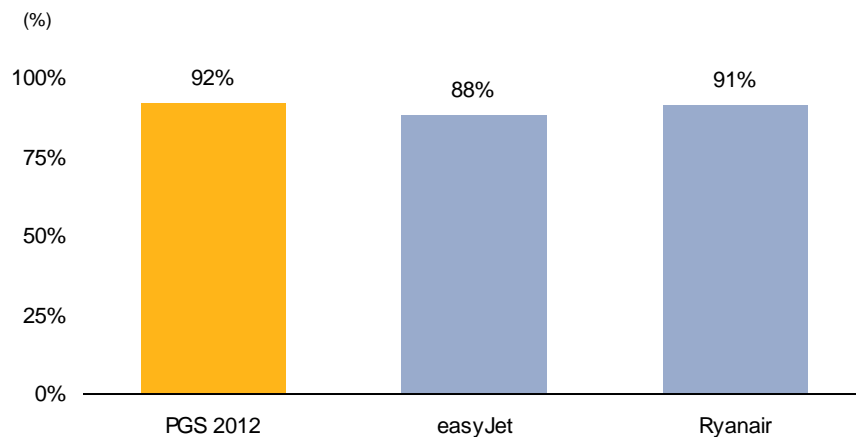
- Strong traffic growth in 9M 22% pax increase
- High aircraft utilisation rates resulted in 12.8 BH for 9 Months ended September 13 and industry leading ratio of 14 BH in Q3
- Good load factor levels with room for improvement
 - We believe +80% levels (close to Ryanair) is achievable within the short/medium term
 - EasyJet figures are impacted by the lower average # of seats per aircraft

Figure 15: Aircraft Utilisation



Source: Pegasus information, easyJet and Ryanair company filings.
 Note: 2012 fiscal year data shown. easyJet year end in September. Ryanair year end in March.
 1. Aircraft utilisation in reported per flight hours. We estimate that a 15-20% increase is a reasonable assumption to translate into block hours.

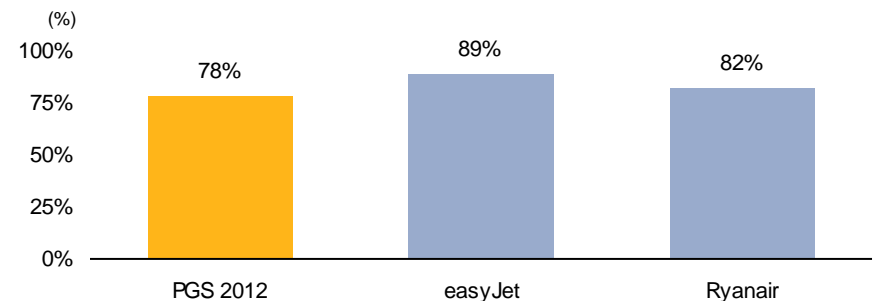
Figure 16: "On-Time" Record



Source: Pegasus information, easyJet and Ryanair company filings.
 Note: 2012 fiscal year data shown. easyJet year end in September. Ryanair year end in March.

Figure 17: Load Factors

ASK 2010-2012 CAGR	16.5%	7.1%	15.3%
Average seat per aircraft	185 ⁽¹⁾	162 ⁽²⁾	189



Source: Pegasus information, easyJet and Ryanair company filings.
 Note: Calendar year 2012 figures shown.
 1. Figure is calculated by dividing total seat capacity by total number of cycles.
 2. Weighted average seats of 157 156-seat A319 aircraft and 56 180-seat A320 aircraft.

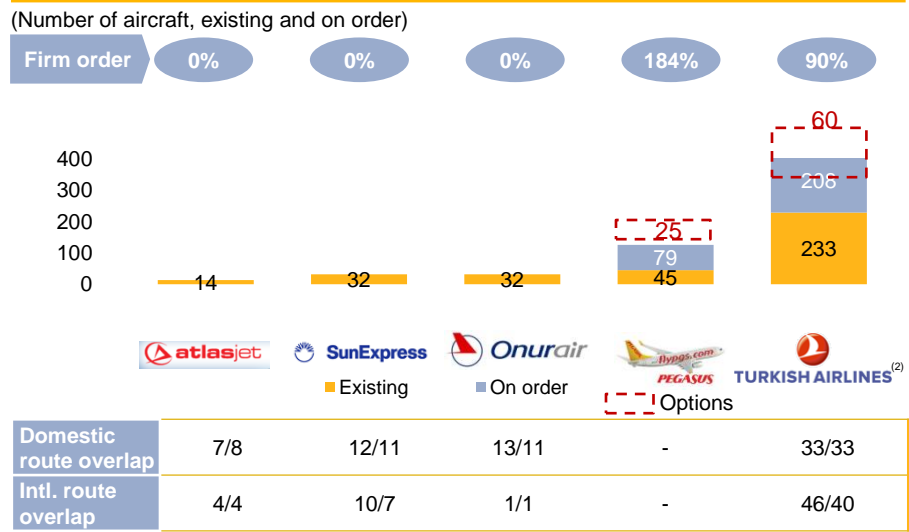
5 Clearly Differentiated from Domestic Competition



We serve 96%⁽¹⁾ of domestic market and we believe we have structural competitive advantages over our domestic competitors

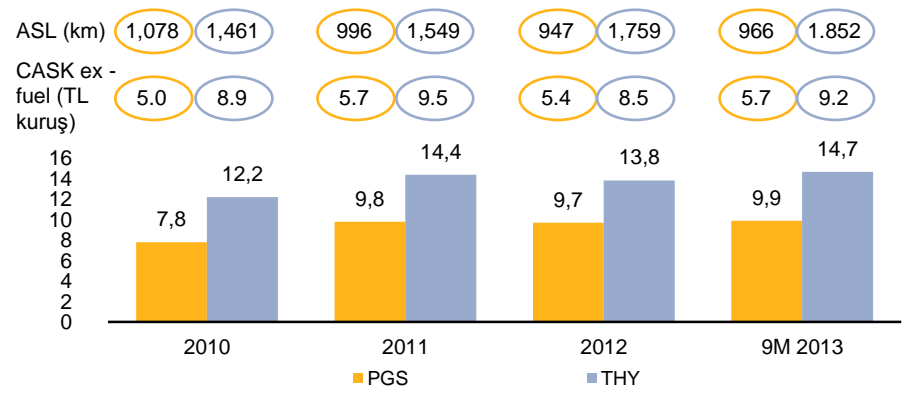
- Comments**
- We are clearly differentiated vs. Turkish Airlines (“THY”)
 - We have a significant cost advantage over THY which enables us to offer attractive low fares
 - We believe our other domestic competitors, such as Atlasjet, Onurair, SunExpress and AnadoluJet (part of THY) lack scale and low cost network carrier business model

Figure 19: Fleet Profiles of Turkish Operators



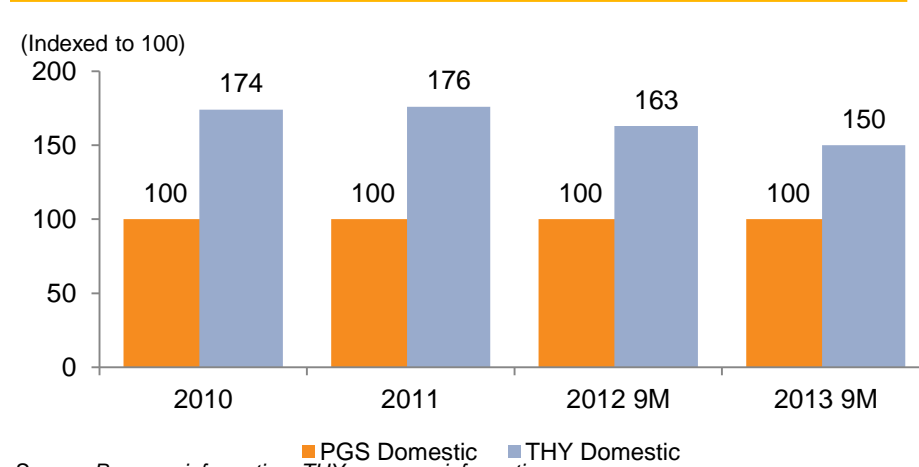
Source: Pegasus information, TOSHID (29 March 2013), company information.
 Note: Overlap figures represent summer and winter season overlaps, respectively.
 1. Pegasus serves all the airports which make up 96% of total passengers in Turkey as of 2012. Includes AnadoluJet. THY fleet as of July 2013.

Figure 18: CASK Comparison with THY



Source: Pegasus information, THY company information.

Figure 20: Indexed Domestic RASK Comparison with THY



Source: Pegasus information, THY company information.

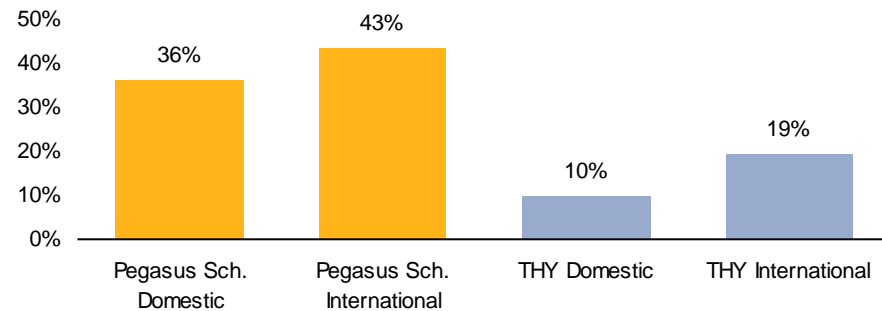
6 Strong Historical Track Record



Our strong performance has led to solid increase in passenger volumes and market share gains, both, domestically and internationally

Figure 21: PAX Growth – Pegasus vs. THY

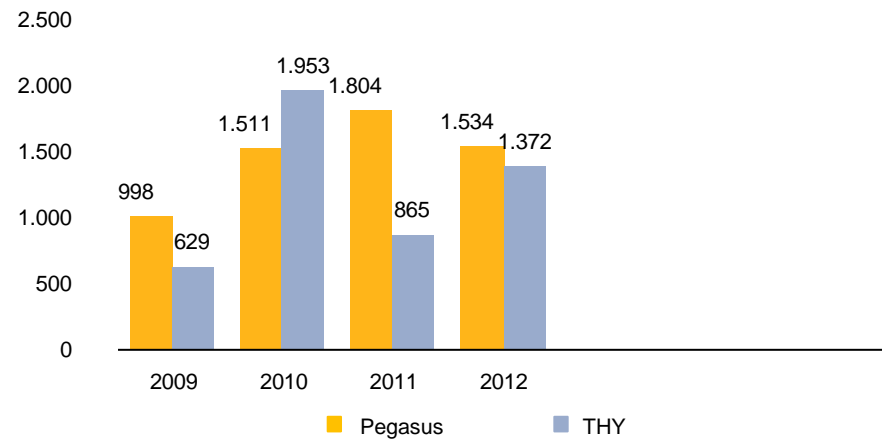
(2008 – 2012 passenger CAGR)



Source: Pegasus information, THY.

Figure 23: Change in Domestic PAX – Pegasus vs. THY

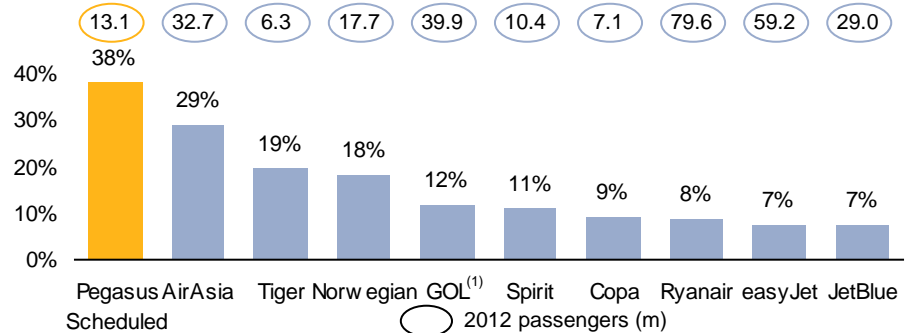
Passengers ('000)



Source: Pegasus information, THY.

Figure 22: PAX Growth – Pegasus vs. International Peers

(2008 – 2012 passenger CAGR)

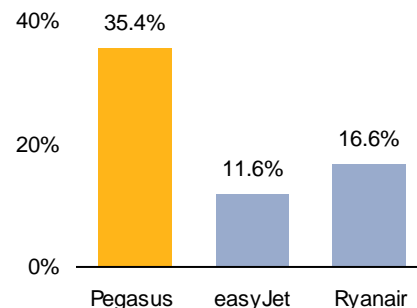


Source: Pegasus information per company data, remaining company data per company websites.

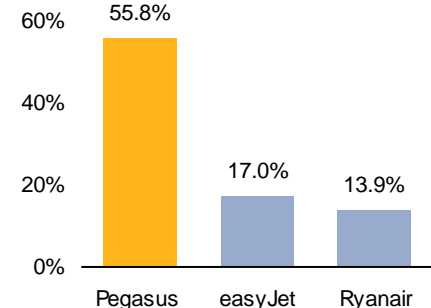
1. Last twelve months' data as of September 2012 for GOL.

Figure 24: Revenue and EBITDAR Growth – Pegasus vs. Key Peers

2010 – 2012 Revenue CAGR⁽¹⁾



2010 – 2012 EBITDAR CAGR⁽²⁾



Source: Pegasus information, easyJet and Ryanair filings.

1. 2012 fiscal year data used. easyJet fiscal year end is in September and Ryanair fiscal year end is in March. 2010 and 2011 easyJet and Ryanair data calendarised to December year end.

2. 2012 fiscal year data used. easyJet fiscal year end is in September and Ryanair fiscal year end is in March.

6 Strong Historical Track Record



Robust topline and EBITDAR performance over the last 3 years and momentum continues in YTD 2013

Figure 25: Revenue Development

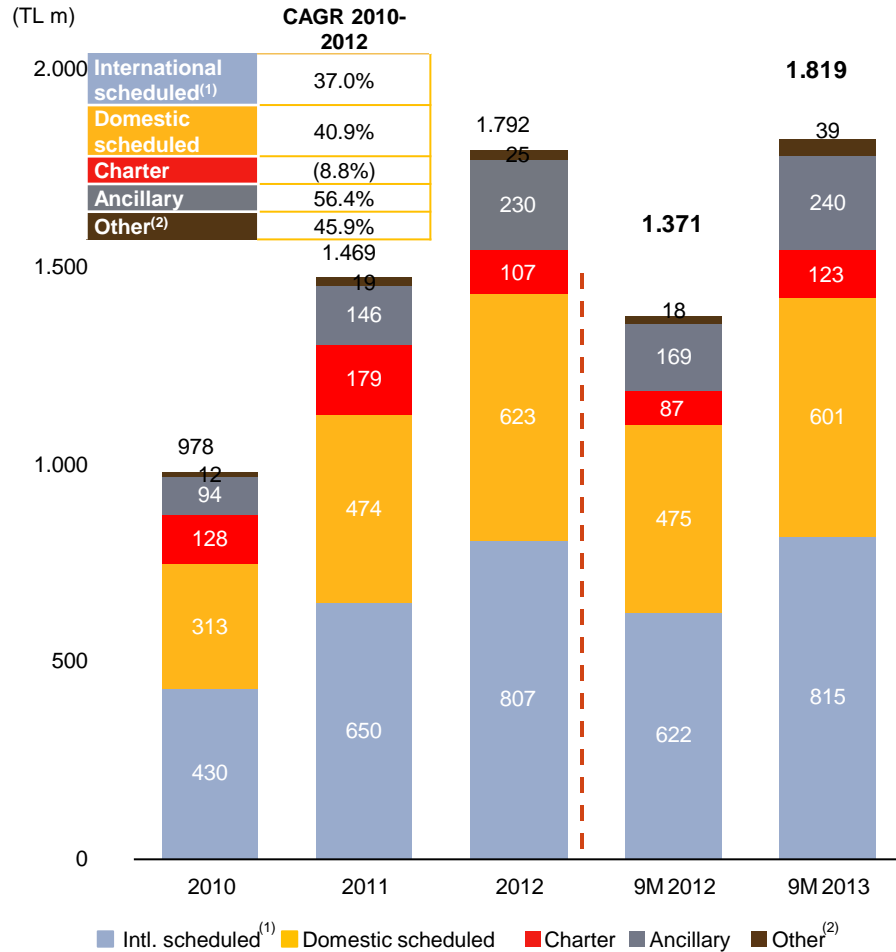
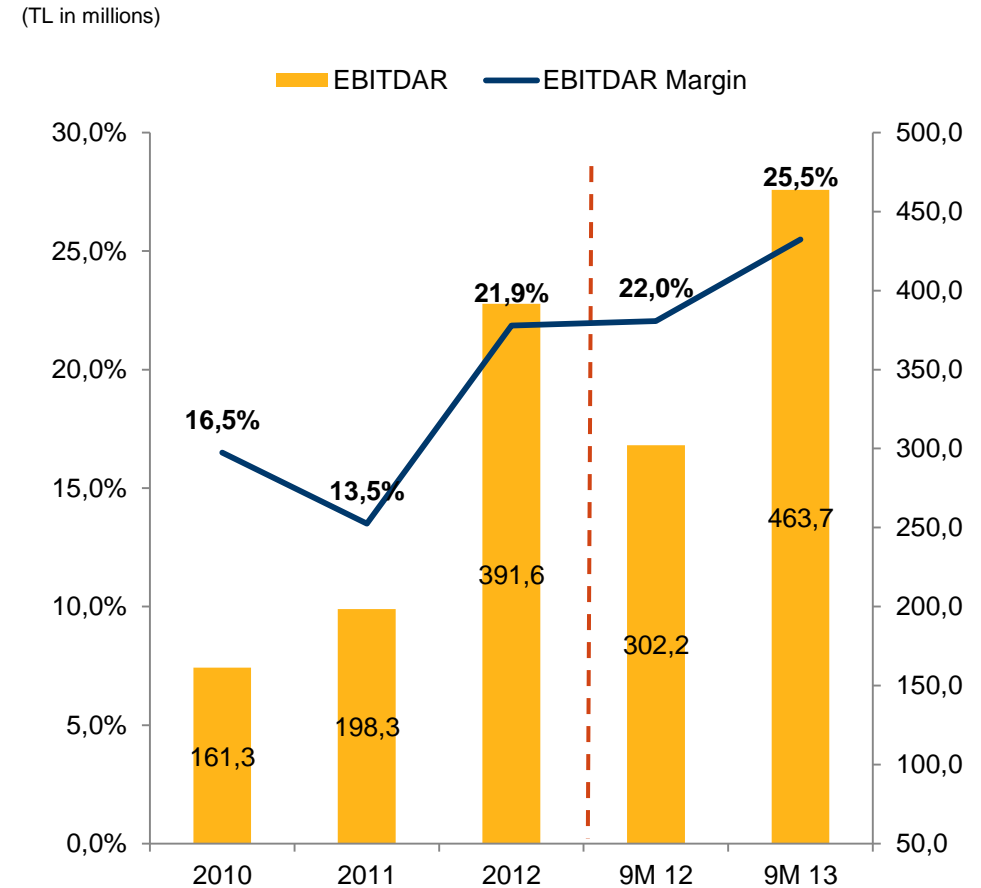


Figure 26: EBITDAR and Margin



Source: Pegasus information.

1. Includes international split charter.

2. Includes cargo services and training revenue.

6 Strong Historical Track Record



Relentless control of costs is in our DNA and we believe in the sustainability of our low cost execution capabilities

Highlights of the Operational Infrastructure

- “Continuous Improvement Team” – aggressive focus on operational cost control
- Strong operational and financial reporting and performance tracking systems and practices
- Integrated IT infrastructure
- Well established risk management systems
- One of the youngest fleets in the LCC sector globally

Figure 28: Flight Data Monitoring System



Source: Pegasus information.

Figure 27: Daily P&L System

EUR	Friday	Saturday	Sunday
Revenue	01.11.13	02.11.13	03.11.13
Grand Total (incl.com.&pass.tax)	2.177.314,80	2.208.519,45	2.399.629,57
Ancillary Revenue	405.518,49	370.462,31	401.045,53
Other Income	41.318,71	39.783,46	41.946,19
Total Revenue	2.624.151,99	2.618.765,22	2.842.621,29
Fuel	983.022,31	983.134,71	1.040.661,09
Handling	179.935,20	181.231,40	196.516,72
Landing	68.687,03	68.915,42	76.106,79
Overflight	159.973,55	181.604,67	179.160,11
Crew Cost	16.586,34	17.802,03	16.974,86
Maintenance	107.720,60	106.150,76	115.647,38
Catering Cost	41.722,71	37.491,17	41.600,80
Passenger Tax	0,00	0,00	0,00
Commission	25.363,92	22.153,07	28.563,74
Other DOC	57.423,98	56.060,59	61.766,28
Total Operating Expenses	1.640.435,65	1.654.543,81	1.756.997,77
Contribution	983.716,35	964.221,41	1.085.623,52
Total G&A & Amort .Expenses	739.998,36	739.998,36	739.998,36
Total Expenses	2.380.434,01	2.394.542,17	2.496.996,13
EBITDAR	586.186,27	566.691,33	688.093,44
EBT	243.717,99	224.223,05	345.625,16
Cont.per BH	1.768,73	1.651,57	1.788,25
Rev.per PAX (excl.tax)	43,07	45,74	46,83
Pax	50.554,00	48.282,00	51.245,00
LF %	84%	83%	84%
Seat	60.504,00	57.876,00	61.023,00
Cyc	323,00	319,00	339,00
Act. Block Hour	556,17	583,82	607,09
EBT Margin	9%	9%	12%
Contribution Margin	37%	37%	38%
Ancillary Revenue Per Pax	8,02	7,67	7,83
Total Revenue Per Seat	43,37	45,25	46,58
Total Cost / Seat	39,34	41,37	40,92

Source: Pegasus information.

6 Strong Historical Track Record



Strongly supported by our Board and “C” level management, our CIT team has been instrumental in increasing cost awareness within the organisation and routinely drives substantial cost savings by breaking the mould of “traditional” practices

Figure 29: How Does CIT Operate?

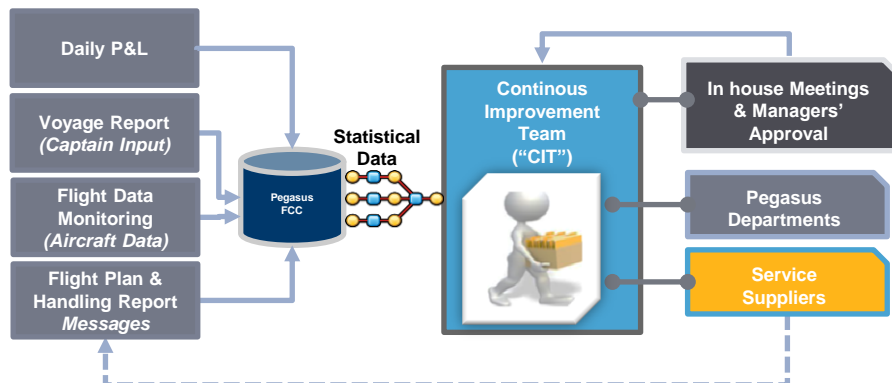
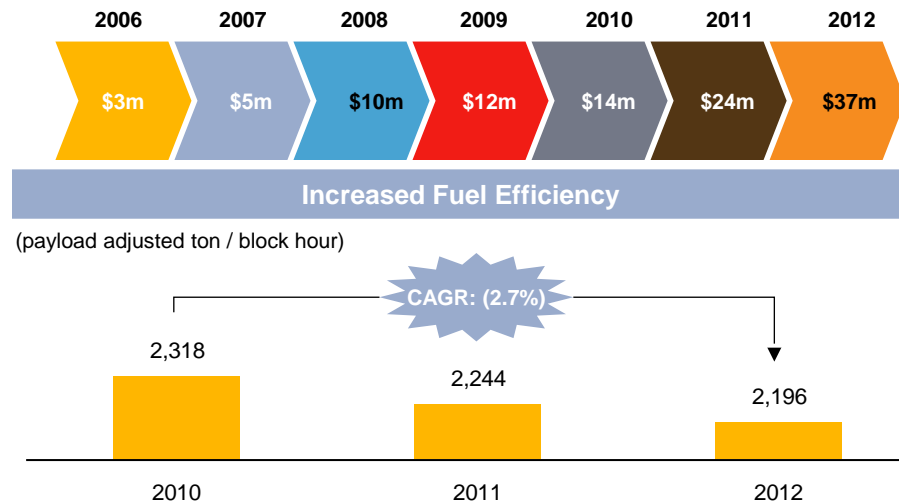


Figure 31: Management Estimates of Achievements of CIT Team



Source: Figures on this page are Pegasus internal estimates and represent the cumulative impact of quantifiable cost saving initiatives.

Figure 30: What are Some of the Specific Project Examples?

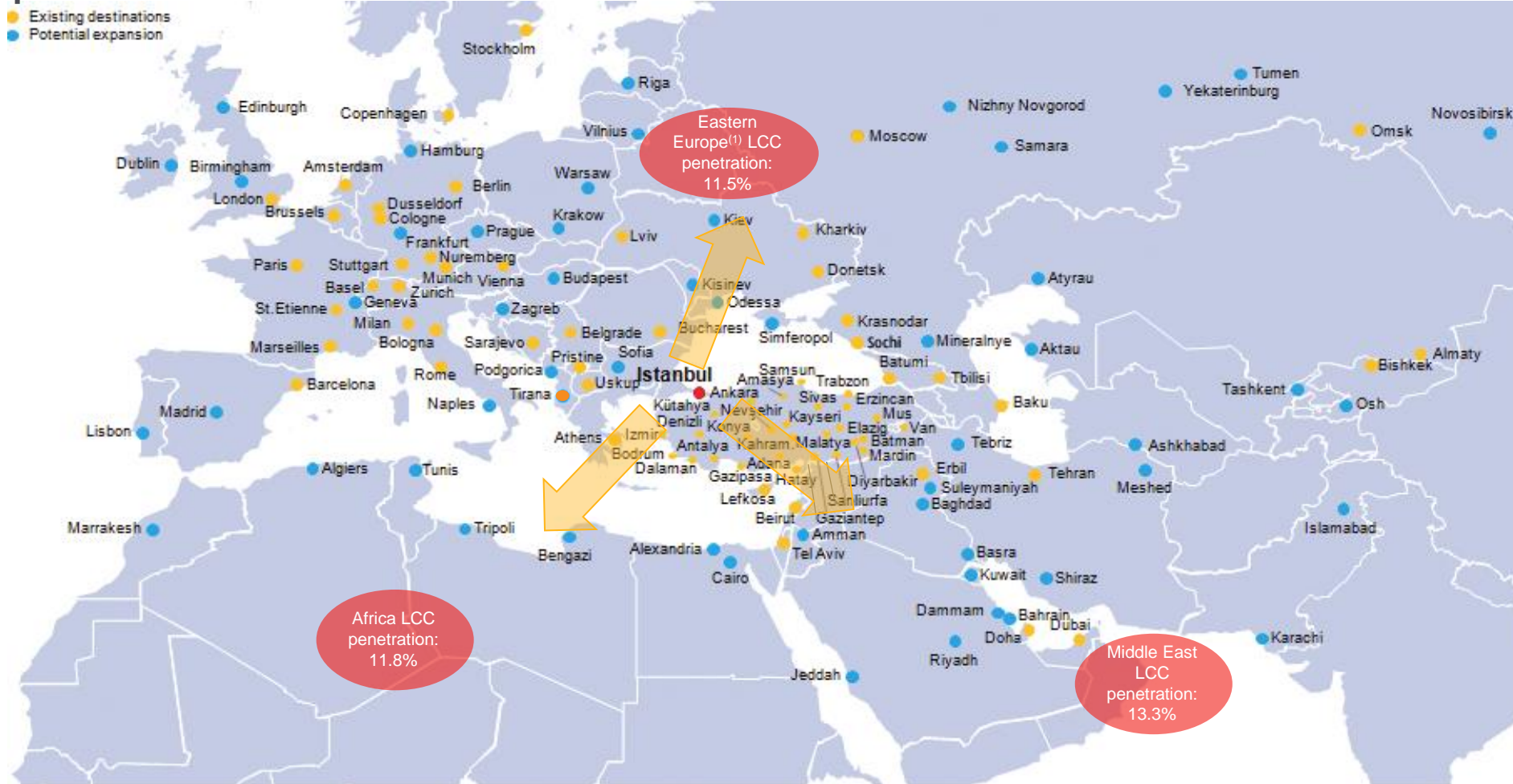
	Selected Initiatives	'12 Financial Impact (\$m)
Flight Procedures	High flight level	\$6.8
	Engine derate-reduced take-off thrust	\$4.3
	APU usage only on the ground	\$4.4
	One alternative airport instead of two	\$1.9
	Hr/cycle minimisation	\$1.7
	Flight planning system change (multi leg tankering, etc.)	\$0.7
	Landing fuel decrease	\$0.7
	Reverse thrust idle	\$0.4
	Other	\$2.4
Weight Reduction	Removal of airstairs	\$0.9
	Oven number decrease in the galley	\$0.3
	Light weight carpet and trolleys	\$0.3
	Hygiene materials in standard units instead of trolley	\$0.2
	Potable water filling and magazines weight	\$0.1
	Other	\$0.6
Technics	Carbon brake (steel brakes are replaced by carbon ones – weight decrease and lower maintenance cost)	\$2.3
	Engine washing	\$1.8
Other	Crew Utilisation	\$3.0 ⁽¹⁾
	MTOW decrease (lower enroute and landing charges)	\$2.4
	Ideal MAC (for lower fuel flow)	\$1.6
	Negotiation for lower price at SAW for electricity (50% reduction)	\$0.5
Total		\$37.3

1. Converted at the 2012 average €/ \$ FX rate of 1.2849.

7 Promising Future Growth Opportunities



Future demand stimulation through growing our route network and increasing frequencies. Internationally, we focus on markets where trips per capita and LCC penetration remain low



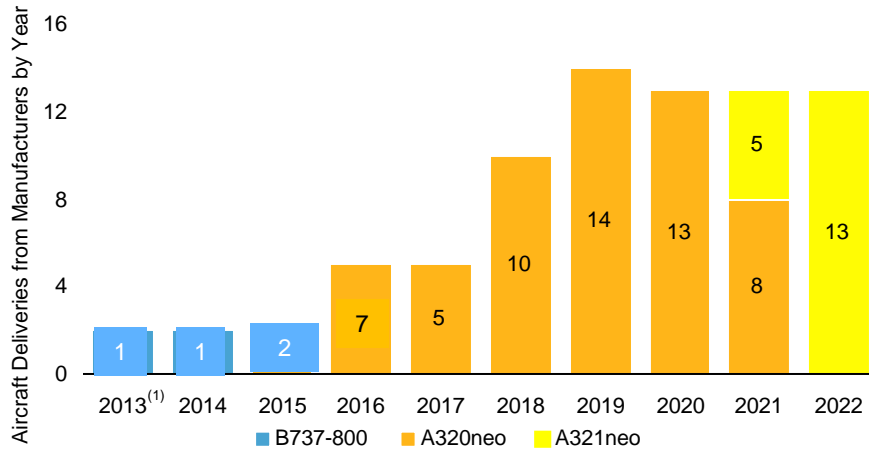
Source: Pegasus information. LCC penetration rates from "CAPA – Centre for Aviation", defined as LCC capacity share (%) of total seats.
Note: Destinations shown do not include seasonal destinations (Zweibrücken, Manchester and Hanover). Baku and Bishkek are codeshare destinations.

7 Promising Future Growth Opportunities



Growth is supported by future “new generation” aircraft deliveries which give us financial and operational flexibility going forward and a state of the art airport base

Figure 32: Fleet Upgrade / Expansion Supports Continued Growth



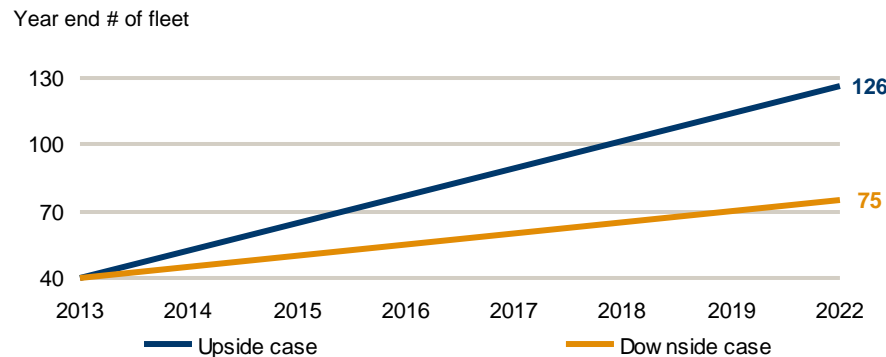
Source: Pegasus information.
1. Includes one new Boeing 737-800NG aircraft delivered after 31 December 2012.

Figure 33: SAW Provides an Excellent Base for Our Growth

- International airport located on the Anatolian side of Istanbul, 35km southeast of central Istanbul
- Large catchment area – covers population of almost 20 million

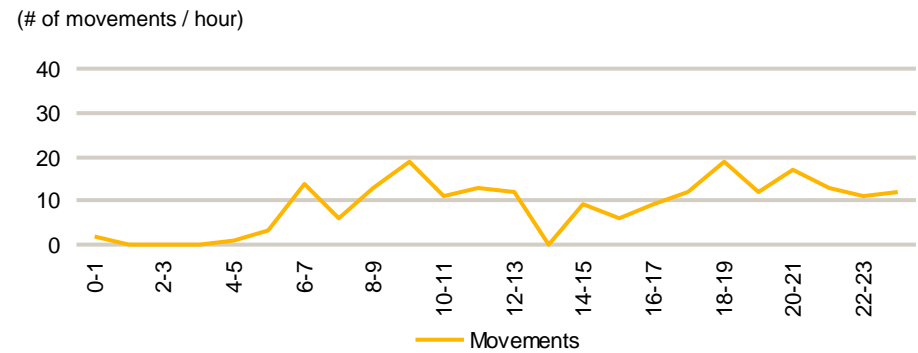


Figure 34: Fleet Development Flexibility



Source: Per Pegasus current plan.

Figure 35: Underutilised Runway Capacity



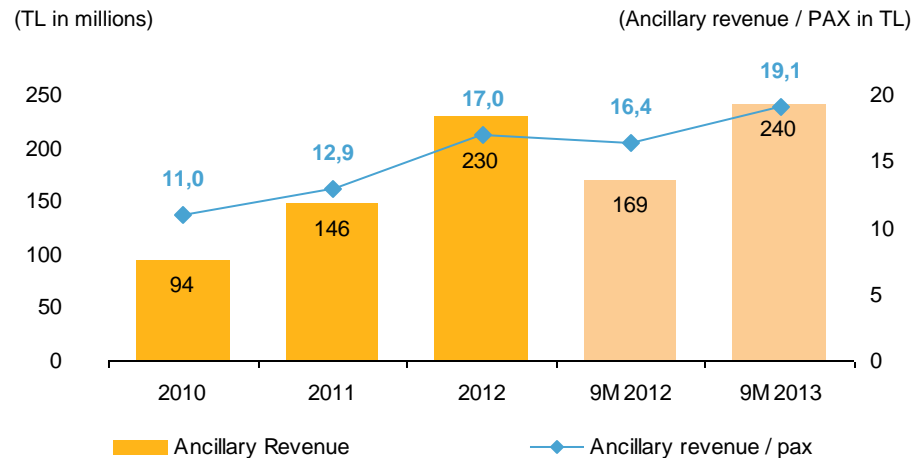
Source: Air Traffic Intelligence.

7 Promising Future Growth Opportunities



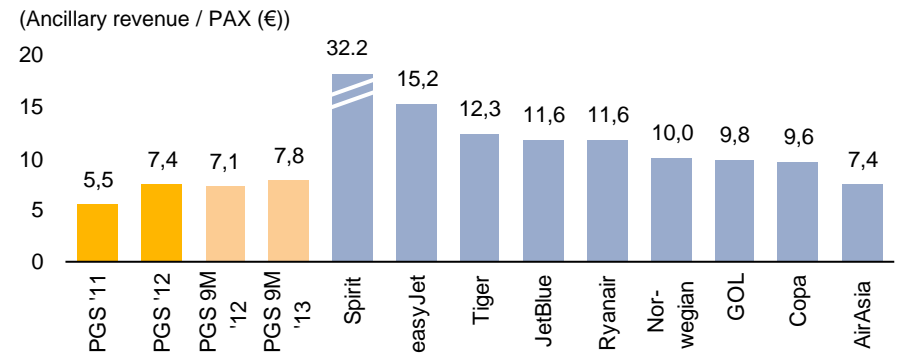
Significant upside potential in ancillary revenues and internet sales channel

Figure 36: Ancillary Revenue Development



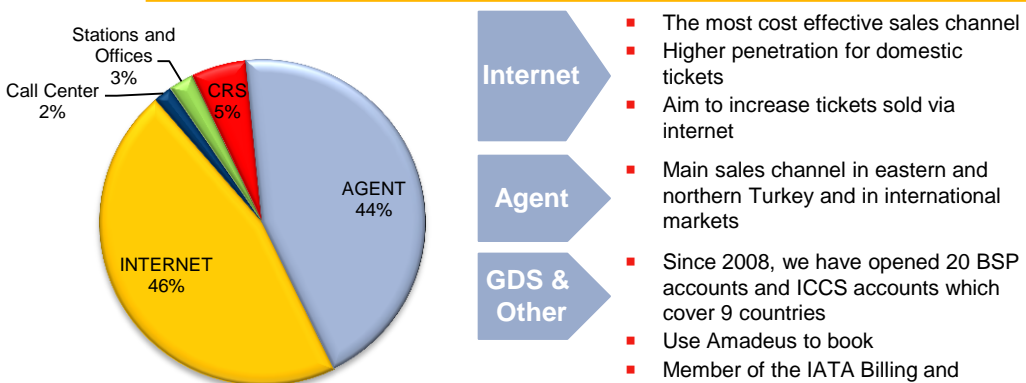
Source: Pegasus information.

Figure 37: Room for Growth in Ancillary Revenue⁽¹⁾



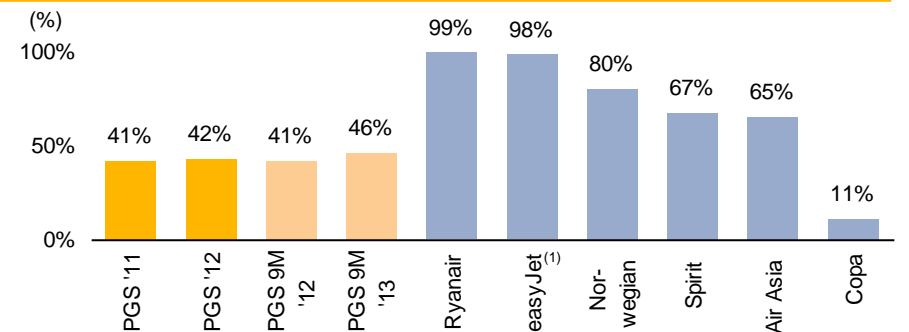
Source: Pegasus information, company information for remaining companies.
 Note: Financials calendarised to 2011 December year end and converted at the respective average 2011 FX rates. Ancillary revenue of Pegasus and other companies may not be comparable as the term is not universally defined. 2011 fiscal year data shown for easyJet (September fiscal year end). PGS 2011, 2012, 9M 2012 and 9M 2013 figures converted at the €/TL FX rates of 2.3349, 2.3061, 2.3098 and 2.4580, respectively.
 1. Data not stage length adjusted.

Figure 38: Sales Breakdown by Channel – 9M 2013



Source: Pegasus information.

Figure 39: Internet Sales as % of Total Sales



Source: Pegasus information, company information for remaining companies.
 Note: Latest disclosed data shown for peers. JetBlue, Tiger and GOL data not disclosed. Pegasus internet sales % for domestic and international each weighted by the proportion of domestic and international revenues to arrive at a combined internet sales %.
 1. Percentage of seats sold online – latest disclosed data as of 2007. In 2007 easyJet entered the GDS distribution channel and stopped disclosing internet sales figures.

Experienced Management Supported by a Seasoned Board of Directors



We have a high profile management team and Board of Directors of experienced airline professionals

Members of the Board



Chairman
Ali Sabancı

- Member of the Board of Directors of ESAS Holding, TUSIAD, ISO, DEIK, TAIK and TABA



Vice Chairman
Çağatay Özdoğru

- Member of BoD of ESAS Holding, Medline, Promed and Medair
- Previously vice president of the CEE, CIS, Middle East & African region at Global One Corporation



Member
Sertaç Haybat

- Former Board member of Sun Express and Executive Management Team of THY



Member
Raymond Douglas Webster

- Former CEO of easyJet and Manager of Strategic Planning at Air New Zealand
- 27 years of experience in the airline industry



Member
Conor McCarthy

- Executive Chairman at Dublin Aerospace, Co-Founder of AirAsia and former Director of Group Operations at Ryanair
- 35 years in the airline industry



Member
Cem Kozlu

- Has held various positions in The Coca-Cola Company since 1996 including the President of Central Europe, Eurasia and Middle East
- CEO of Turkish Airlines from 1988-1991 and Chairman from 1997-2003
- Member of Parliament in the Turkish Grand National Assembly (1991-1995)



Member
Emre Berkin

- Founding CEO of Microsoft Turkey
- 13 year career at Microsoft



Member
Mehmet Sağıroğlu

- More than 35 years experience in the Turkish financial institutions and corporations
- Former head of investment banking and corporate finance at leading Turkish banks including Global Securities, TSKB
- Current chairman of KOTEDER (The Association of Listed Companies' Executives)

Leading Corporate Governance

Board composition and independence

- Minimum 5 and maximum 8 members (currently 8 at Pegasus)
- 1 out of 3 must be independent

Mandatory Board Committees

- Audit, Corporate Governance and Risk Committees has been established in accordance with the CMB's rules

Safety Committee

- Flight safety

Independent Audit

- Pegasus' accounts are audited by an internationally recognised independent auditor

Note: ✓ = Independent member of the Board of Directors.

Outlook & Trends⁽¹⁾



<p>Traffic – Market Growth</p>	<ul style="list-style-type: none"> ▪ We expect continuation of robust PAX growth in the Turkish aviation market <ul style="list-style-type: none"> ▪ We target a total PAX growth of c.15% in 2013 ▪ DHMI forecasts passenger growth of 8.7% CAGR in Turkey between 2011 and 2015 <ul style="list-style-type: none"> ▪ Our PAX numbers have grown c.3.2x the overall market over the last 5 years
<p>Capacity Increase</p>	<ul style="list-style-type: none"> ▪ In total, we expect to add 12-16% of additional ASKs annually to our network over the next three years ▪ In terms of utilisation, we expect a similar performance to 2012 within the short term, but increasing night flights should increase our utilisation rates as we grow our network
<p>Load Factors and Bookings Trend</p>	<ul style="list-style-type: none"> ▪ Current favourable trends in load factors expected to continue for the near term <ul style="list-style-type: none"> ▪ Our short-mid term target is to exceed 80% levels in load factor ▪ YTD our bookings show YoY improvement
<p>Ancillary Revenues</p>	<ul style="list-style-type: none"> ▪ Our target is to grow our ancillary revenues to at least €10-12 per PAX range within the next three years ▪ We believe we have several layers of growth opportunities to accomplish this target
<p>Operating Costs (CASK)</p>	<ul style="list-style-type: none"> ▪ Expected to remain stable for the near term ▪ CIT team actively looking into several initiatives to further bring down costs and increase the estimated cumulative annual savings from the current \$37m level ▪ Going forward, we will keep the same focus on operating costs, maintain a young and fuel efficient fleet and target to bring our CASK further down
<p>Capex and Cash Flow</p>	<ul style="list-style-type: none"> ▪ We expect marginal non-aircraft capex ▪ We target positive cash flow impact from working capital changes
<p>Current Trading (9M 2013)</p>	<ul style="list-style-type: none"> ▪ 21.9% increase in domestic passengers over 9M 2012 ▪ 23.0% increase in international scheduled passengers over 9M 2012 ▪ Load factor of 80.6%, an increase of 1.7 pp over 9M 2012 ▪ Utilisation of 12.8 BH/day, an increase of 7.6% over 9M 2012 (industry leading ratio of 14BH/day Q3 2013) ▪ 7.5 turns per day, with an increase of 11.9% over 9M 2013

1. These trends and targets involve a number of risks and uncertainties and actual results may differ materially..