



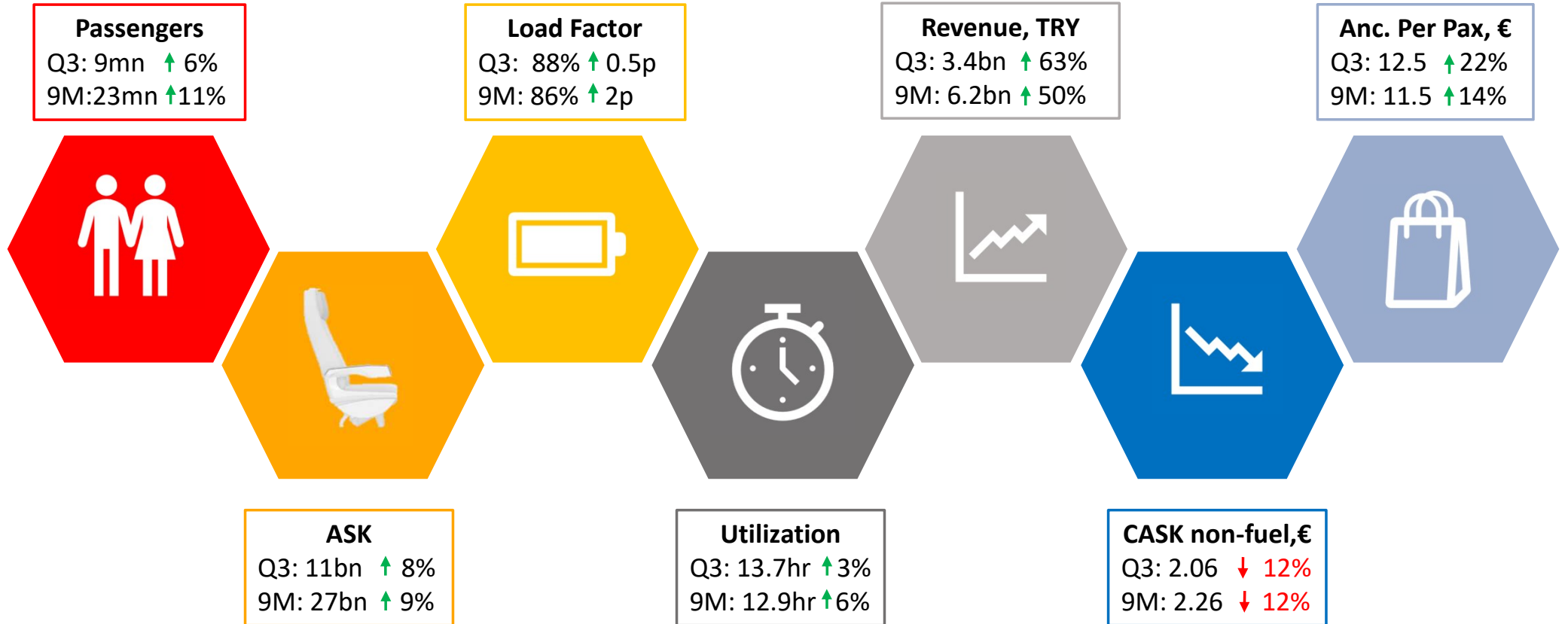
2018 Q3 RESULTS PRESENTATION

November, 9th 2018

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

KEY HIGHLIGHTS- Q3/9M 2018

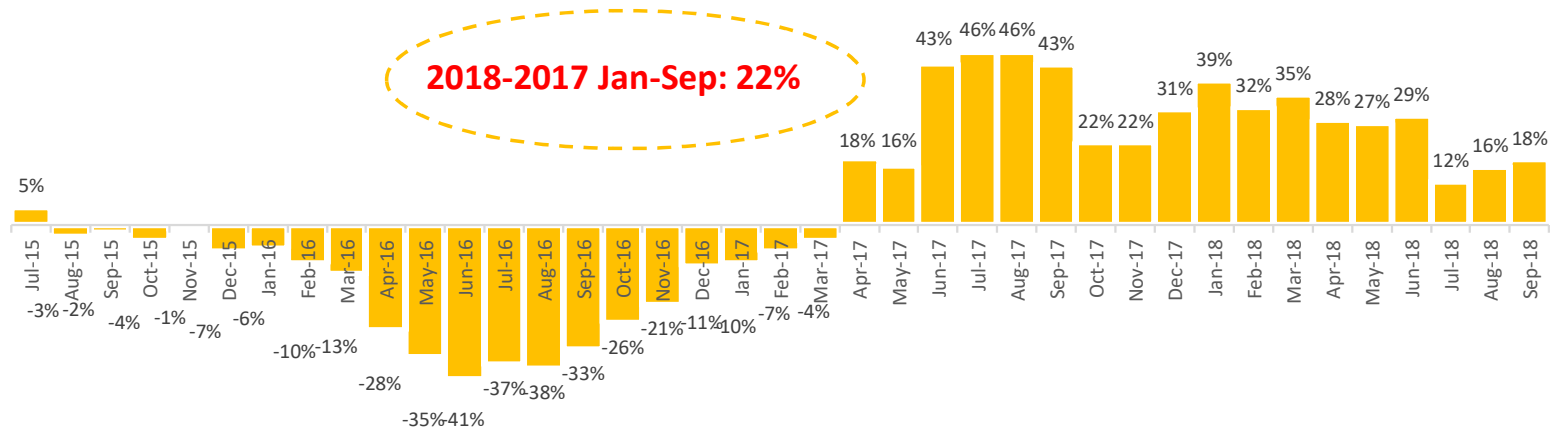
Improvement at all key metrics



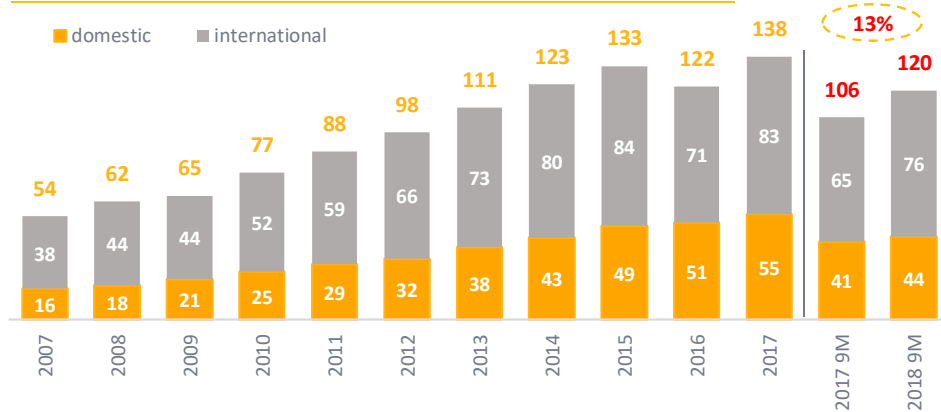
OPERATING ENVIRONMENT

Tourist arrivals jumped 22% during January-September 2018 period.

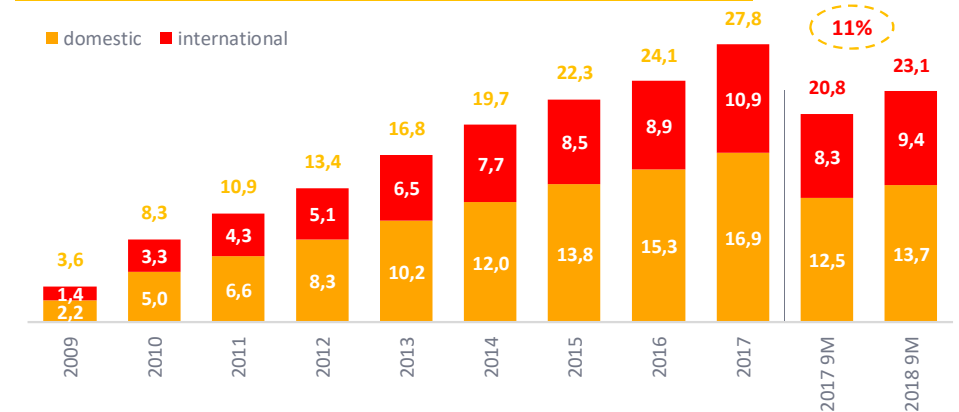
FOREIGN VISITORS



PASSENGERS, Turkey (mn)



PASSENGERS, PGS (mn)



Source : General Directorate of State Airports Authority, Ministry of Tourism and Culture

flypgs.com

ROUTE NETWORK

5 new international destinations y-t-d: Dammam, Muscat, Jeddah, Rotterdam, Sharjah



FLEET DEVELOPMENT

10 new aircraft joined our fleet in 2018; 18 to come in 2019

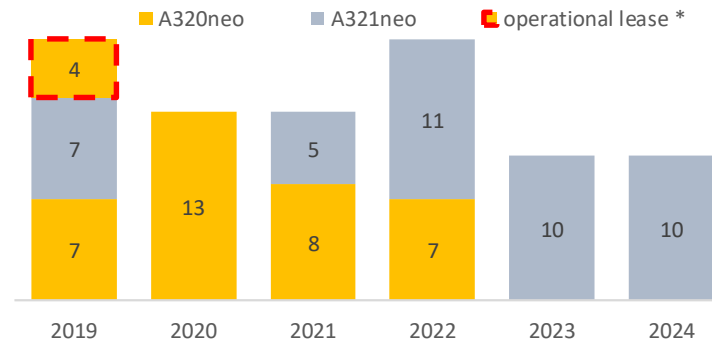
FLEET (as of November 9, 2018)

	Owned	Financial Lease	Operational Lease	Total
Boeing 737-800	3	16	29	48
Boeing 737-400	1	-	-	1
Airbus A320ceo	-	-	12	12
Airbus A320neo	-	22	-	22
Airbus A321neo	-	-	-	-
Total	4	38	41	83

FLEET INFORMATION (as of November 9, 2018)

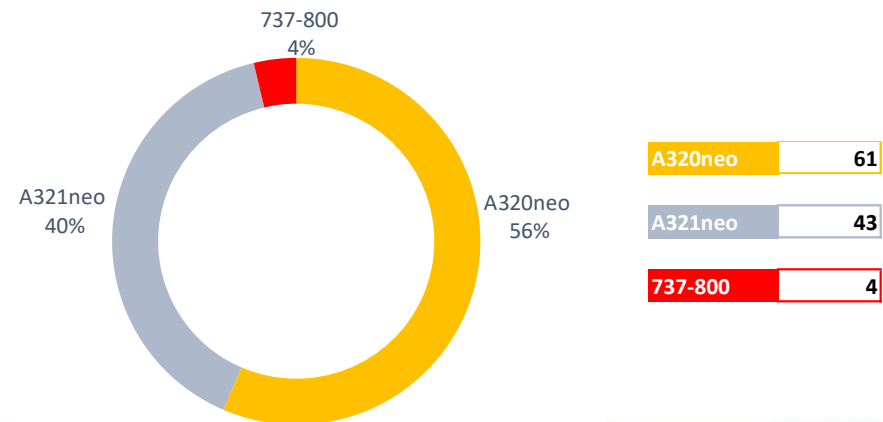
- ✈ The youngest fleet in Turkey and one of the youngest among LCCs: **5.7 years**.
- ✈ Fleet to reach **81 aircraft** by 2018YE. **7 A320neo** and **3 737-800s** have been delivered as of August 1st; **2 737-800** will phase out in 2018 4Q.
- ✈ **18 new A/C** will be added to fleet in 2019; **4** of which will be operationally leased.

ORDER BOOK (as of November 9, 2018)



* 4 A320neo will be operationally leased

FLEET (as of 2024YE)

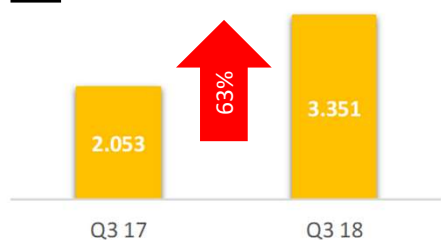


SUMMARY 2018 Q3 & 9M FINANCIAL HIGHLIGHTS

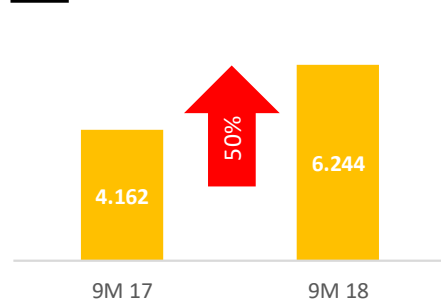
Strong growth at operational lines

REVENUES, TRYmn

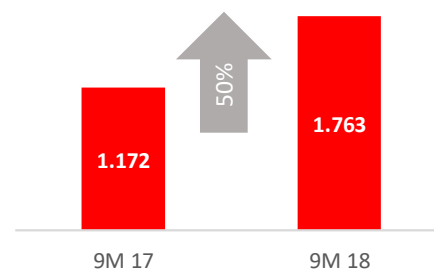
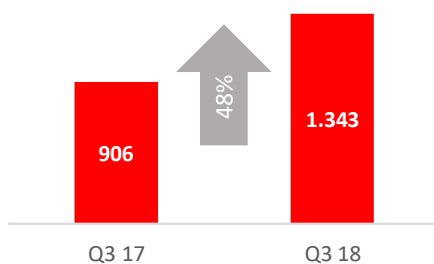
Q3



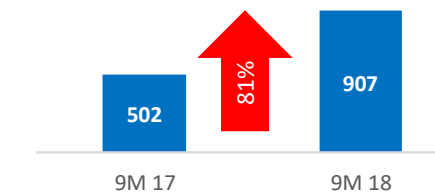
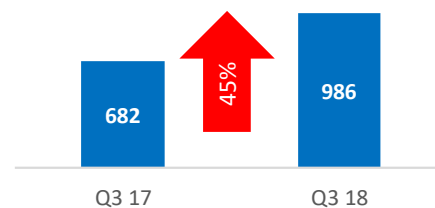
9M



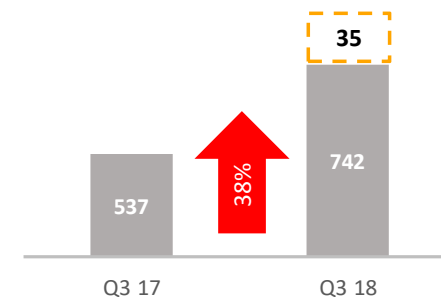
EBITDAR, TRYmn



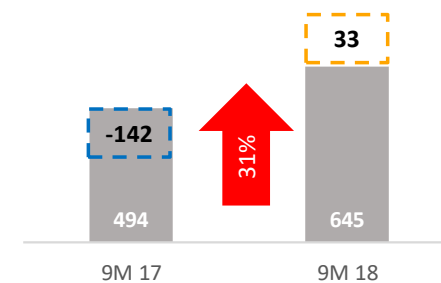
EBIT, TRYmn



NET INCOME, TRYmn



TRY35mn one-off expense related to tax amnesty



TRY33mn **net** one-off expense related to tax amnesty and A/C sale

TRY142mn one-off income related to A/C and asset sale

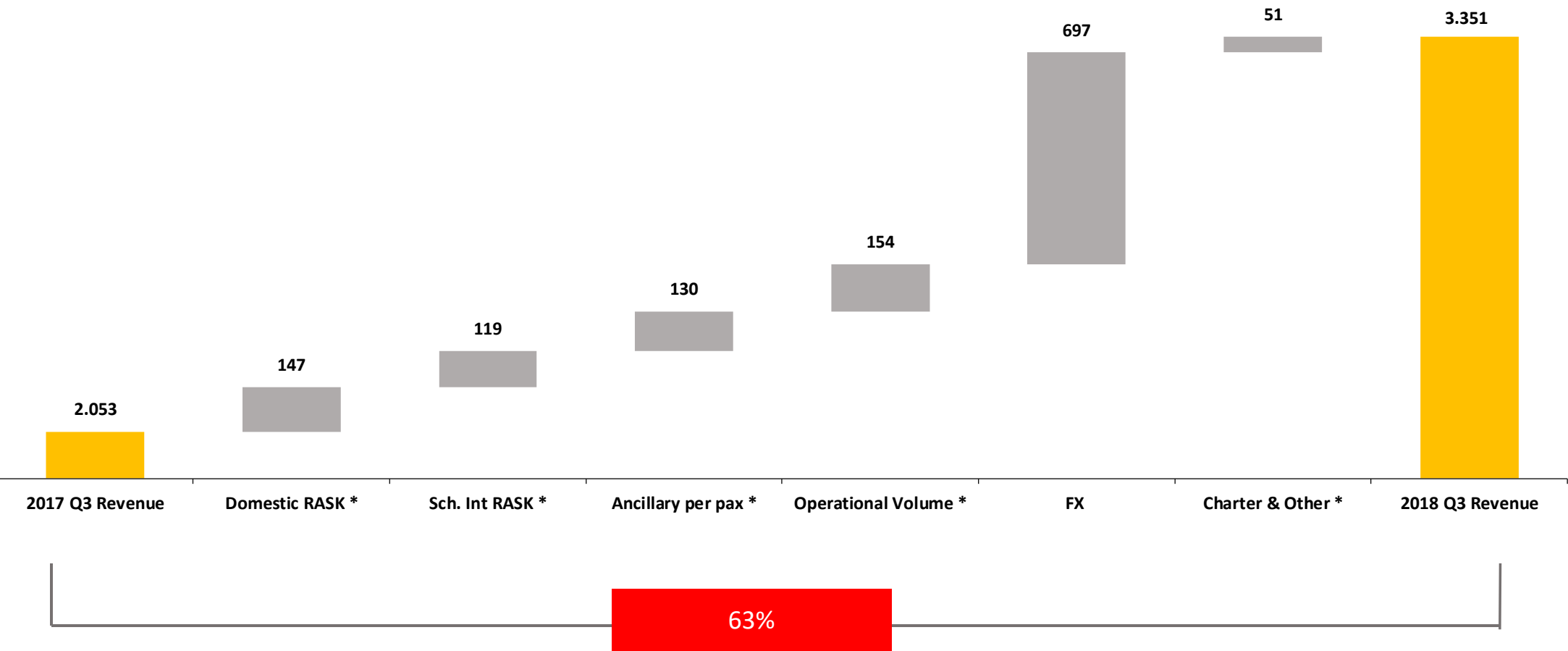
✈ Net Income would have increased 93% YoY in 9M 2018 adjusted with one-offs



REVENUE DEVELOPMENT 2018 Q3

FX based revenues made the highest contribution to top-line growth

(TRYmn)



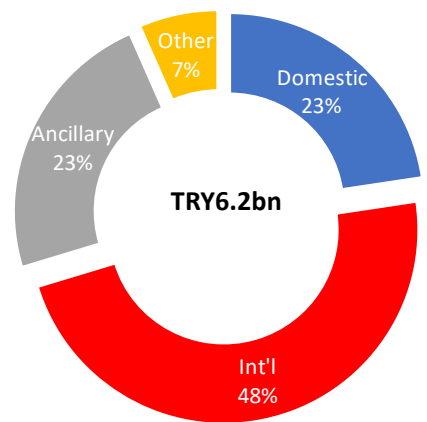
* FX impact excluded

REVENUE BREAKDOWN

Ancillary and international revenues' share increases in expense of domestic flight revenues

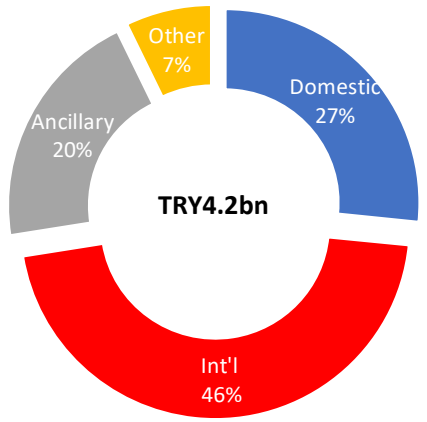
SEGMENT BREAKDOWN

2018 9M



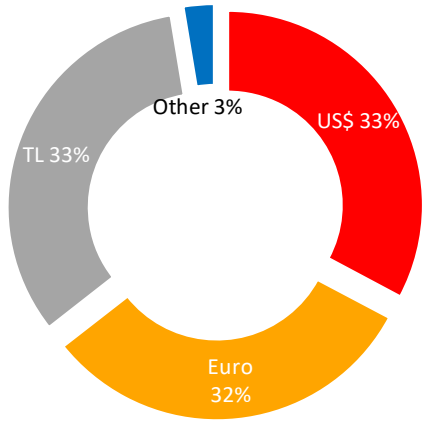
Ancillary 3ppt
International 2ppt
Domestic -4ppt

2017 9M



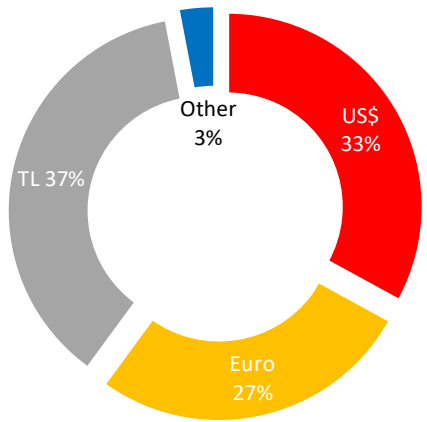
CURRENCY BREAKDOWN

2018 9M



€ 5ppt
\$ flat
TRY -4ppt

2017 9M

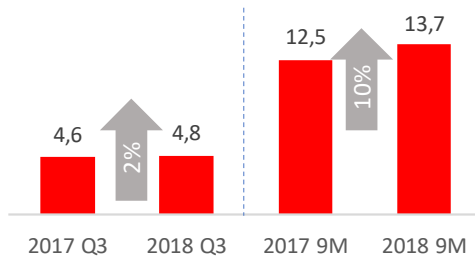


SCHEDULED FLIGHT REVENUES

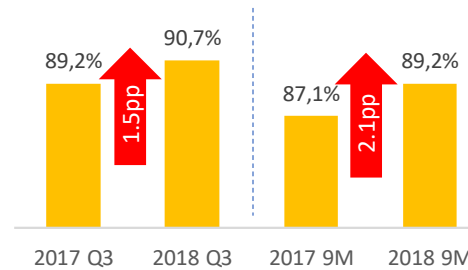
Passenger yields improved both at domestic and international lines

DOMESTIC FLIGHTS

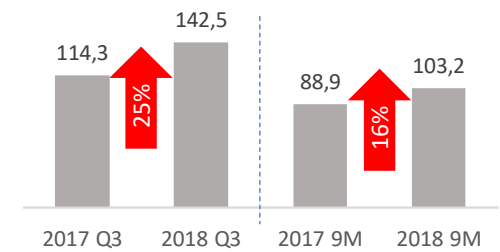
Passengers, mn



Load Factor

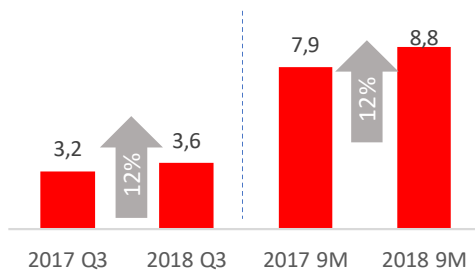


Yield, TRY

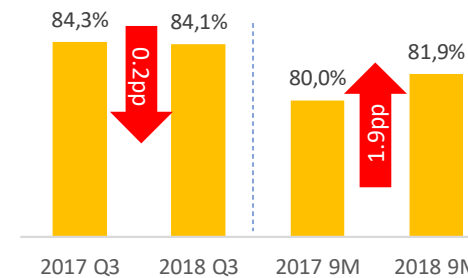


INT'L FLIGHTS*

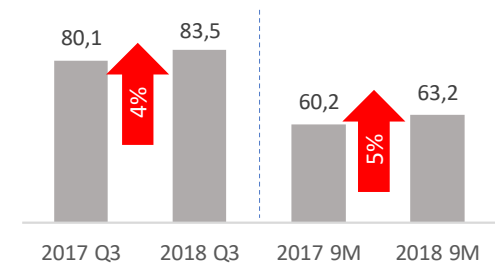
Passengers, mn



Load Factor **



Yield, €



* excludes charter traffic

** higher seats allocated to int'l traffic is the reason for lower LF in Q3 2018



Genel (Public)

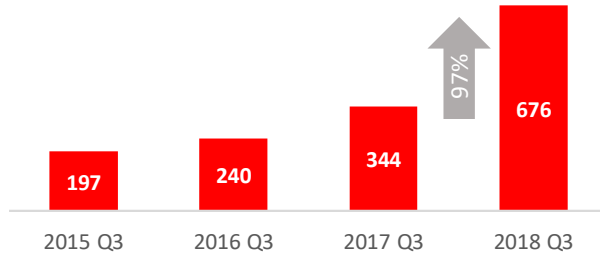
flypgs.com

ANCILLARY REVENUE

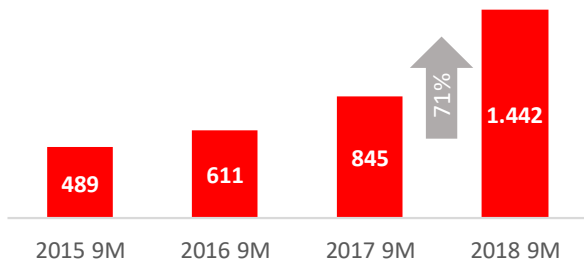
Historic record ancillary per pax was achieved in 2018 Q3

Ancillary Revenues, TRY

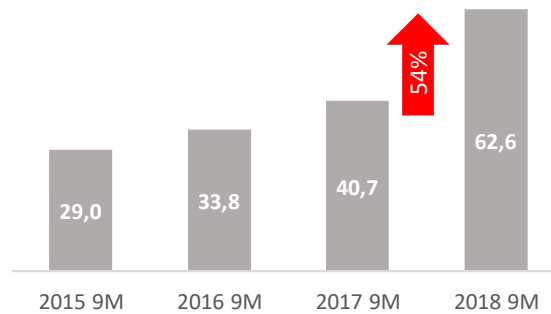
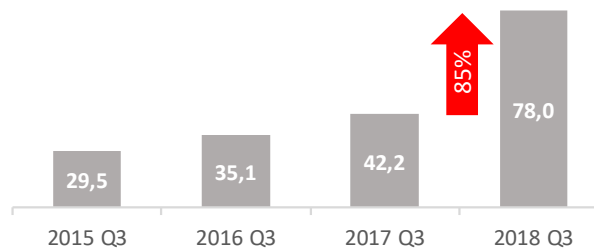
Q3



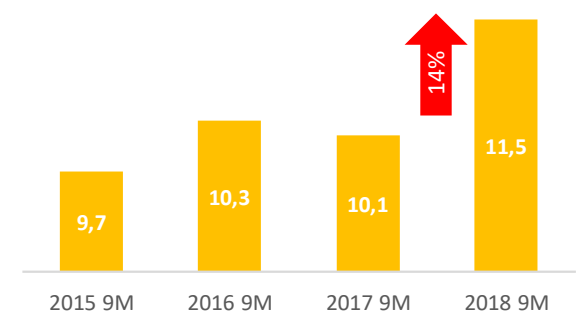
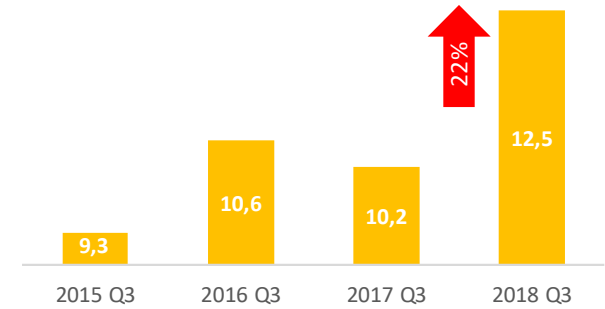
9M



Per Pax, TRY



Per Pax, €



COST BREAKDOWN

Lowest ever CASK non-fuel was attained in Q3 2018

SEGMENT BREAKDOWN

Cost Items	CASK-€c		Change	CASK-€c		Change
	2018 Q3	2017 Q3	2018 - 2017 Q3	2018 9M	2017 9M	2018 - 2017 9M
Jet fuel expenses	1,36	1,06	28%	1,30	1,11	17%
Personnel expenses	0,39	0,52	-24%	0,43	0,53	-20%
Operating lease expenses	0,30	0,35	-14%	0,34	0,43	-21%
Maintenance expenses	0,22	0,25	-15%	0,28	0,32	-14%
Depreciation and amortization expenses	0,24	0,21	15%	0,25	0,25	1%
Handling fees	0,28	0,29	-4%	0,28	0,29	-5%
Navigation expenses	0,24	0,25	-4%	0,24	0,25	-4%
Landing expenses	0,13	0,13	2%	0,12	0,12	-2%
Commision expenses	0,06	0,07	-11%	0,07	0,07	-7%
Passenger service and catering expenses	0,04	0,04	-14%	0,04	0,04	-9%
Advertising expenses	0,02	0,03	-39%	0,03	0,03	-11%
Other	0,15	0,19	-23%	0,20	0,23	-14%
CASK-€c	3,42	3,39	1%	3,57	3,69	-3%
Non-Fuel CASK-€c	2,06	2,33	-12%	2,26	2,58	-12%



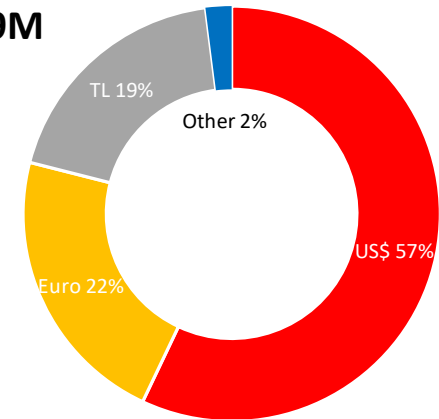
CASK was also lower by 3% YoY in 9M, despite oil headwinds



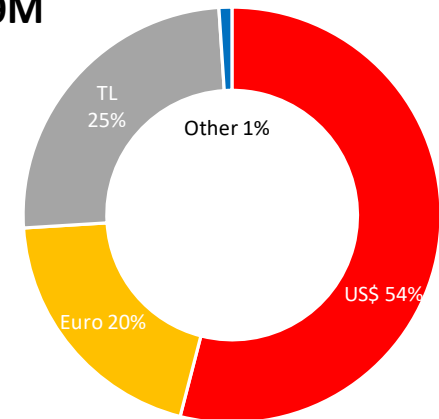
Depreciation and fuel oil costs were the only inflating items in 9M

CURRENCY BREAKDOWN

2018 9M



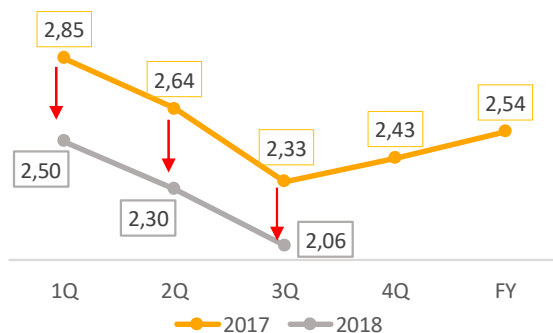
2017 9M



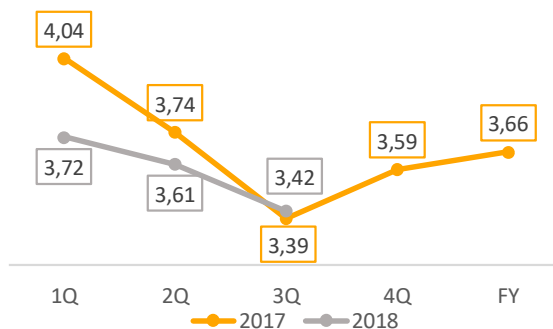
CASK

Continuous improvement in non-fuel CASK

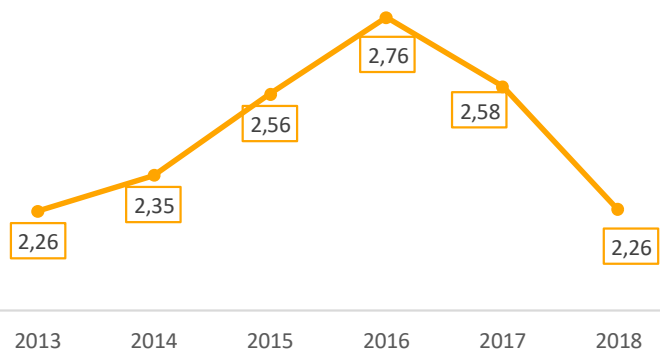
CASK, Non-fuel, €c



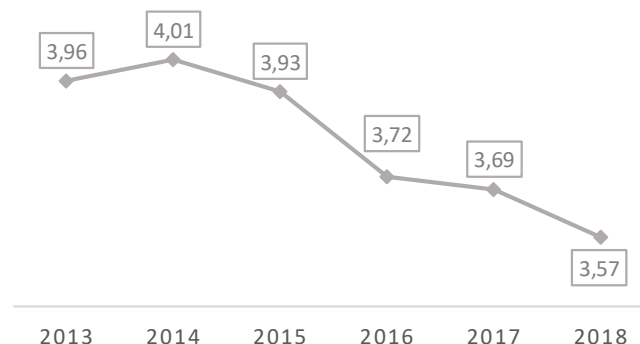
CASK, €c



9M



9M

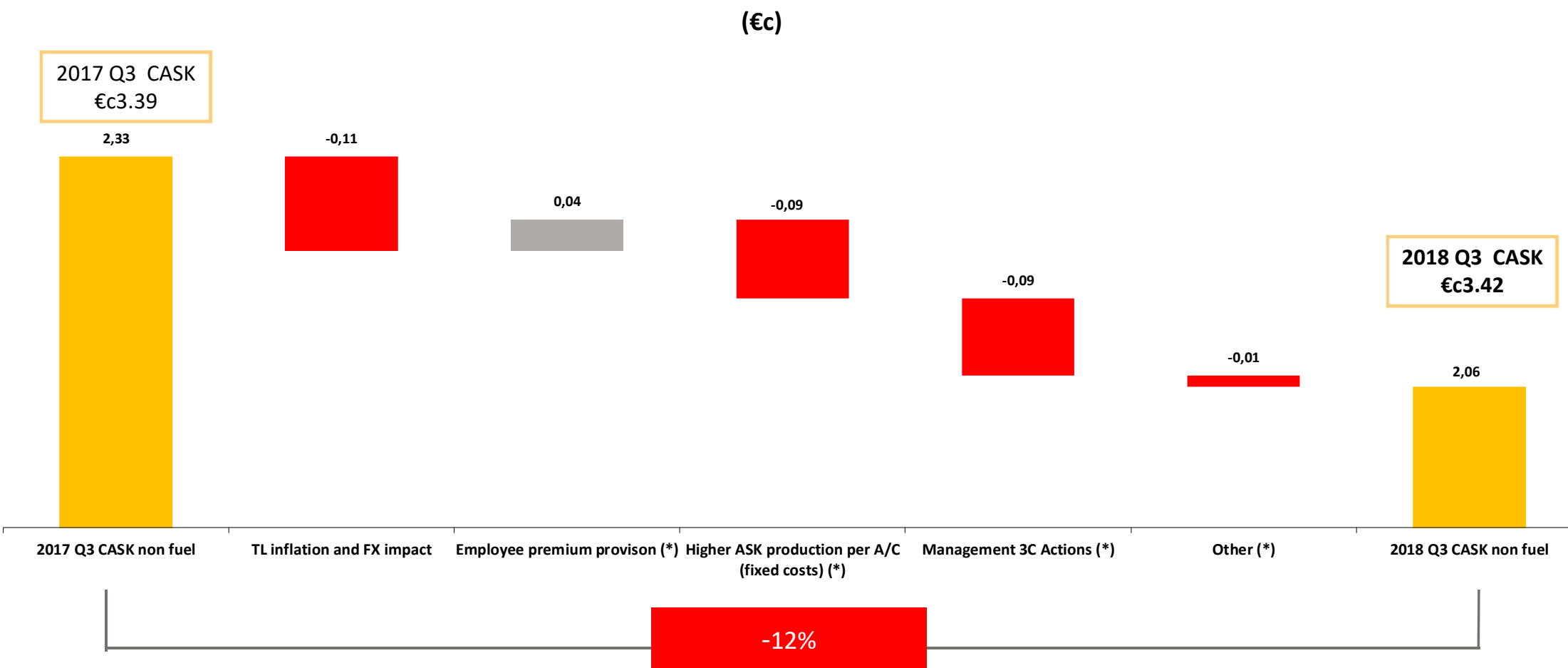


- ✈ Increase in average daily A/C utilization to 13.7 hours in 2018 Q3 from 13.3 hours in 2017 Q3.
- ✈ Optimizing the fleet through the sale of B737-800 and rising the share of A320 NEOs which;
 - provide fuel efficiency
 - accelerate transition process
- ✈ TL denominated costs
- ✈ Management 3C Actions
- ✈ TRY517mn higher jet fuel expenses led to 1% YoY increase at CASK in Q318



CASK non-fuel - 2018 Q3

TL costs and higher utilization coupled with management 3C actions led to 12% lower CASK non-fuel



* FX impact excluded

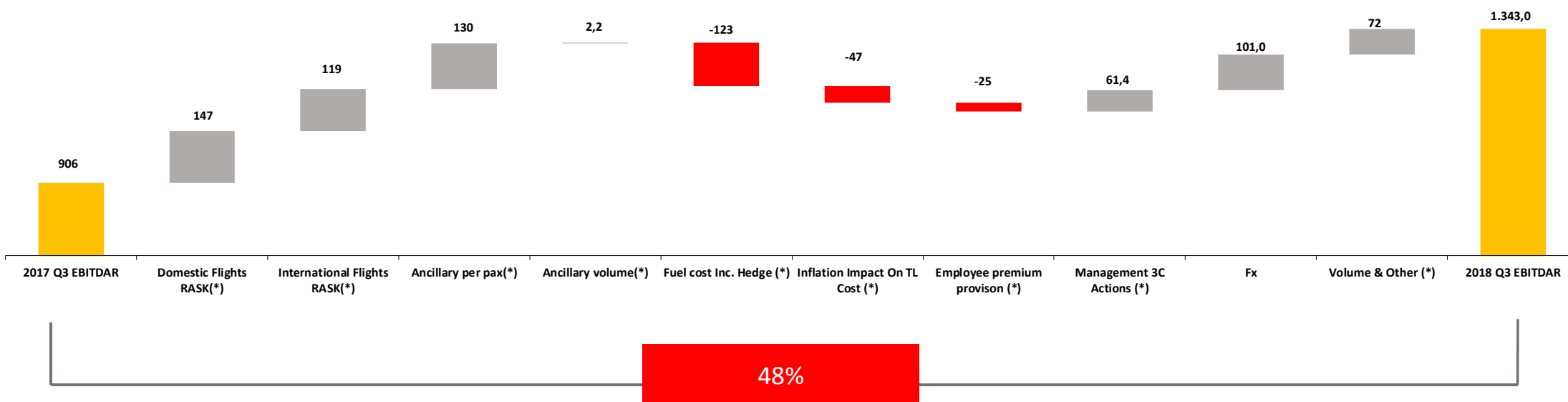
EBITDAR- 2018 Q3

Scheduled flights RASK and ancillary contributed EBITDAR positively; while fuel led to margin contraction

(TRYmn)

2017 Q3 EBITDAR
margin: 44.1%

2018 Q3 EBITDAR
margin: 40.1%



(*) FX impact excluded

LIQUIDITY

Healthy balance sheet with cash per A/C of €6mn

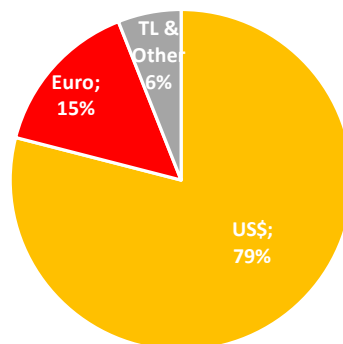
TRY, mn	September 30, 2018	Dec 31, 2017
CASH	3,437	1,988
OTHER ASSETS	1,743	713
PRE DELIVERY PAYMENT	643	594
FIXED ASSETS	9,682	4,793
TOTAL ASSETS	15,505	8,088

LIABILITIES	3,659	1,995
FINANCIAL DEBT	7,317	3,608
SHAREHOLDERS' EQUITY	4,529	2,485
TOTAL LIA. & SH. EQUITY	15,505	8,088

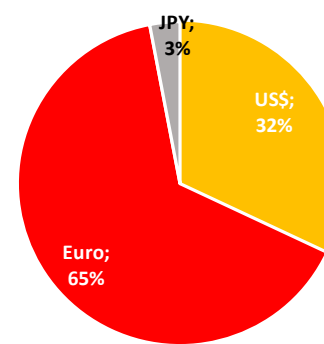
Adj Net Debt*/EBITDAR	4.2	4.1
CASH PER A/C, TRYmn	41.4	26.2
CASH PER A/C, €mn **	5.96	5.79

- Cash from Operations : TRY996mn
- Cash used for Investments : -TRY285mn
- Cash used for Financing : -TRY677mn

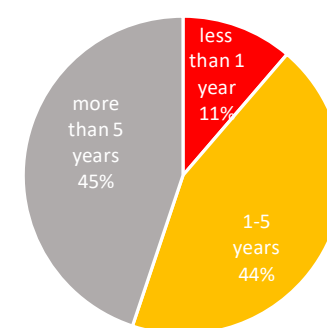
CASH CURRENCY



FIN LEASE CURRENCY



FIN. LEASE MATURITY



* Cash + PDP/2 - Financial Debt - Operational Lease Expenses (trailing 12m) *7

** Sept. 30, 2018 €/TRY: 6.9505
Dec 31, 2017 €/TRY: 4.5155



HEDGING, RISK MANAGEMENT & SENSITIVITY

Non-discretionary portion was raised to 50%; tenor was raised to 24 months

HEDGE VOLUME AND PRICE

	2018FY	2019FY	2020FY
Fuel Required (*), metric tonnes	793K	838K	885K
Fuel Hedged, metric tonnes	340K	273K	133K
Hedge Ratio	42,8%	32,5%	15%
Hedged Price Range, \$/mt **	531-628	638-746	642-775
Brent Equivalent, \$/bbl ***	56-66	67-79	68-82

* Based on company projections

** Price ranges are calculated by using market data of November 8 2018

*** Jet Fuel Price/9.5

RISK MANAGEMENT POLICY

- ✈ Currency Risk Hedge Program to weather exchange rate fluctuations.
- ✈ International ticket revenues collected in TRY are converted to US\$ daily in spot market.
- ✈ Up to 25% of domestic ticket revenues are also converted to US\$ depending on currency position.

HEDGE STRATEGY

- ✈ Non-discretionary portion is limited with 50% at any annual budgeting period, which is executed regardless of the price levels utilizing layered hedging strategy.
- ✈ Discretionary portion is up to 20% of any annual budgeting period pursuant to the approval of Hedge Committee.
- ✈ Hedging tenor for non-discretionary portion is extended from 12 to 24 months.
- ✈ **Instruments:** Vanilla Call Options, Zero Cost Collars and Swaps

SENSITIVITY ANALYSIS

2018 9M P&L	+TRY0.1 > *	+TRY0.1 > *	+\$10 >
TRYmn	EUR/TRY	USD/TRY	Jet Fuel
Revenue	36.1	44.5	-
OPEX	21.9	65.9	26.7
EBIT	14.2	-21.4	-26.7
EBITDAR	21	-10.8	-26.7

* eg: If EUR/TL increases to 6.5 from 6.4 or vice versa



APPENDIX



APPENDIX- SUMMARY P&L

(TRY mn)	2018 Q3	2017 Q3	2018 9M	2017 9M
Net sales	3,351	2,053	6,244	4,162
Cost of sales (-)	2,220	1,278	4,970	3,399
Gross profit	1,132	775	1,275	763
General administrative expenses (-)	73	45	182	128
Marketing expenses (-)	72	48	184	133
EBIT	986	682	907	502
Depreciation and amortization (+)	163	85	372	248
Operating lease expenses (+)	193	138	484	422
EBITDAR	1.343	906	1,763	1,172
EBITDAR Margin	40.1%	44.1%	28.2%	28.2%
EBITDA	1,150	768	1,279	750
EBITDA Margin	34.3%	37.4%	20.5%	18.0%

APPENDIX- OPERATIONAL & FINANCIAL HIGHLIGHTS

	2018 Q3	2017 Q3	YoY	2018 9M	2017 9M	YoY
TOTAL REVENUE (TRYmn)	3.351	2.053	63%	6.244	4.162	50%
ANCILLARY REVENUE (TRYmn)	676	344	97%	1.442	845	71%
EBITDAR (TRYmn)	1.343	906	48%	1.763	1.172	50%
EBITDAR Margin	40,1%	44,1%	-4pp	28,2%	28,2%	0pp
PAX (mn)	8,7	8,1	7%	23,1	20,8	11%
LOAD FACTOR	87,8%	87,3%	0,5pp	86,3%	84,3%	2,0pp
SEATS (mn)	9,9	9,3	6%	26,7	24,7	8%
AVERAGE STAGE LENGTH	1.069	1.047	2%	1.007	1.006	0%
RASK, (€)	5,44	5,10	7%	4,29	4,18	3%
CASK, (€)	3,42	3,39	1%	3,57	3,69	-3%
Non-fuel CASK, (€)	2,06	2,33	-12%	2,26	2,58	-12%
ANCILLARY PER PAX (€)	12,5	10,2	22%	11,5	10,1	14%
AVERAGE FLEET	82	77	7%	78	79	-2%



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We didn't start aviation in Turkey but
we transformed it!



Thank you