



PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
INTERIM ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN JANUARY 1 – JUNE 30 2023

AUGUST 14, 2023

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(Convenience translation of a report and condensed consolidated financial statements originally issued in Turkish)

Review Report On Compliance Of Interim Operating Report

To the Board of Directors of Pegasus Hava Taşımacılığı Anonim Şirketi

We have been engaged to perform a review on the compliance of the financial information included in the accompanying interim operating report of Pegasus Hava Taşımacılığı Anonim Şirketi (the Company) and its subsidiaries ("the Group") as of 30 June 2023, with the interim condensed consolidated financial statements, which we reviewed. Interim operating report is the responsibility of the Group management. Our responsibility as the auditors is to express a conclusion regarding if the financial information included in the accompanying interim operating report is consistent with the interim condensed consolidated financial statements and explanatory notes, which we reviewed as the subject of the review report dated 14 August 2023.

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial information included in the accompanying interim operating report is not consistent, in all material respects, with the information disclosed in the interim condensed consolidated financial statements and explanatory notes, which we reviewed.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Sinem Arı Öz, SMMM
Partner

14 August 2023
İstanbul, Turkey

PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
INTERIM ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – JUNE 30, 2023

This Report is prepared in accordance with the Regulation on the Determination of the Minimum Content of Company Annual Reports published by the Turkish Ministry of Commerce, the Corporate Governance Communiqué No. II-17.1 and the Corporate Governance Principles published by the Turkish Capital Markets Board and other applicable provisions of Turkish law.

As used in this Report, the following terms shall have the meanings indicated below:

- “Board” or “Board of Directors” refers to the Pegasus Airlines Board of Directors.
- “Company” or “Pegasus Airlines” refers to Pegasus Hava Taşımacılığı A.Ş., more fully described in Section 1/A of this Report.
- “Esas Holding” or “Esas” refers to Esas Holding A.Ş.
- “Hitit CS” refers to Hitit Bilgisayar Hizmetleri A.Ş.
- “PFTC” refers to Pegasus Uçuş Eğitim Merkezi A.Ş.
- “PAT” refers to Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.
- “Principles” refers to the Corporate Governance Principles published by the Turkish Capital Markets Board.
- “Report” refers to this Annual Report of the Pegasus Airlines Board of Directors.

1- GENERAL INFORMATION

A- GENERAL INFORMATION ON PEGASUS AIRLINES

Reporting Period : January 1, 2023 – June 30, 2023
Commercial Title : Pegasus Hava Taşımacılığı A.Ş.
Trade Registration : Istanbul Trade Registry / 261186
Central Registry No. : 0-7230-0470-8500017
Headquarters : Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı, No: 11/A
Kurtköy 34912 Pendik / Istanbul
Contact Information : Telephone. +90 216 560 7000
Corporate Website. www.flypgs.com
Investor Relations Website.
<http://www.pegasusinvestorrelations.com>

B- VISION, MISSION, AND STRATEGIC TARGETS OF PEGASUS AIRLINES

We operate in line with the strategic targets determined by our Board of Directors in accordance with our aim of being: “To be a leading low-cost carrier across the industry, providing safe and easy travel with low fares” and our motto: “Everybody has the right to fly.”

Our strategic targets are underpinned by our key corporate values: Innovation, People Orientation, Competitiveness, Result Orientation, and Effectiveness & Efficiency.

Our annual budget is approved by our Board of Directors before each fiscal year. Our operational and financial results are monitored by the Board of Directors on a regular basis, against budgeted targets. The Board of Directors reviews our strategic targets and the Company’s progress in terms of strategic key performance indicators on a regular basis.

C- CAPITAL, SHAREHOLDING AND ORGANIZATION STRUCTURE OF PEGASUS AIRLINES

Our issued capital is ₺102,299,707 and our authorized capital ceiling is ₺500,000,000. Information on our capital and shareholding structure as of January 1, 2023, and June 30, 2023, respectively, is shown in the table below.

Shareholder	January 1, 2023		June 30, 2023	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Esas Holding	57,959,838	56.66%	57,959,838	56.66%
Publicly Traded	42,482,689	41.53%	42,482,689	41.53%
Emine KAMIŞLI	619,060	0.61%	619,060	0.61%
Ali İsmail SABANCI	619,060	0.61%	619,060	0.61%
Kazım KÖSEOĞLU	309,530	0.30%	309,530	0.30%
Can KÖSEOĞLU	309,530	0.30%	309,530	0.30%
Total	102,299,707	100.00%	102,299,707	100.00%

As of June 30, 2023, Esas Holding is the controlling shareholder of Pegasus Airlines. Established in 2000, Esas Holding is the largest family-owned investment firm in Türkiye and is backed by the first- and second-generation family members of Şevket SABANCI, one of the five founding members of H. Ö. Sabancı Holding A.Ş., a leading Turkish conglomerate. With offices in Istanbul and London, Esas invests in various asset classes globally including private equity, real estate, venture capital and public markets.

Our Company's management organization chart as of June 30, 2023, is provided in Section 1/F of this Report.

D- INFORMATION ON BUSINESS ACTIVITIES

We are the leading low-cost airline in Türkiye. We operated charter flights since 1990. Following our acquisition by Esas at the beginning of 2005, we changed our business model, introducing a low-cost network carrier model for the first time and focused on providing affordable and on-time air travel service with a young fleet.

As a result of the successful implementation of this low-cost strategy, we experienced rapid expansion of our operations both in domestic and international routes. Between 2009 and 2019, our cumulative average annual passenger growth reached 18%, significantly outpacing the 9% annual average growth recorded by the Turkish market. We operate a growing young and modern fleet of 101 aircraft with 4.72 average aircraft age as of June 30, 2023.

We provide high-frequency services on short- and medium-haul, point-to-point, and transit routes on its domestic and international network primarily from our main hub in Istanbul Sabiha Gökçen International Airport. As of June 30, 2023, we offered scheduled passenger services on 37 domestic destinations in Türkiye and 92 international destinations to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 130 destinations in 49 different countries.

Our business model is based on a strong focus on efficient operations and cost control, and revenue generation through various services ancillary to the core air passenger services. As of June 30, 2023, our CASK, non-fuel was recorded as €2,33, while revenue recorded from ancillary services constituted 33% of total revenue for the period. As of June 30, 2023, we continued to derive revenue from other services, primarily consisting of cargo services and a relatively low volume of charter and split charter flights for tour operators, which represented 2% of total revenue for the period.

E- INFORMATION ON PRIVILEGED SHARES

We do not have any privileged shares. Therefore, there are no voting privileges attached to Pegasus Airlines shares or any preference in respect of the nomination of Board members or the allocation of any distribution or payment to be made from Company profits.

F- INFORMATION ON THE MANAGEMENT BODY, SENIOR MANAGEMENT AND PEGASUS AIRLINES EMPLOYEES

a)- Management Body: Our management body is the Board of Directors. Within the framework of Article 10 of our Articles of Association, the Board of Directors must be composed of at least five members. As of June 30, 2023, the Board of Directors consisted of eight members.

The identity, duty and term of office of each Board member are indicated below.

Name / SURNAME	Duty	Serves Since ⁽¹⁾	Committee Duties
Mehmet Tefik NANE	Chairperson of the Board ⁽²⁾	2022	Member, Technology Comm.
Ali İsmail SABANCI	Board Member	2005	-
Mehmet Cem KOZLU	Non-Executive Board Member	2013	Member, Corp. Gov. Comm.
Hatice Zeynep Bodur OKYAY	Non-Executive Board Member	2016	Member, Risk Comm.
Stephen Mark GRIFFITHS	Non-Executive Board Member	2016	Member, Corp. Gov. Comm.
Agah UĞUR	Independent Board Member	2019	Chair, Audit Comm. Member, Risk Comm.
David Alexander Florenz VISMANS	Independent Board Member	2022	Chair, Risk Comm. Member, Technology Comm.
Ayşegül İLDENİZ	Independent Board Member	2022	Chair, Corp. Gov. Comm. Member, Audit Comm., Technology Comm.

⁽¹⁾ Board appointments are made annually at the discretion of our shareholders and our current Board members were appointed for a term of one year at the Annual General Assembly Meeting dated March 30, 2023.

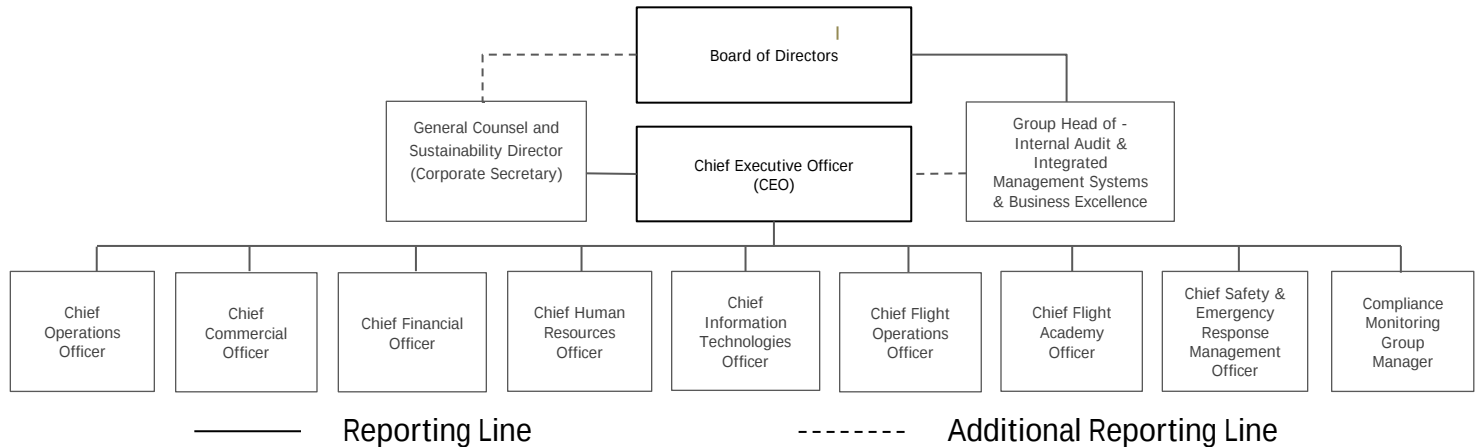
b)- Senior Management: Our senior management comprises the General Manager (CEO) and department heads directly reporting to the CEO. Information on Pegasus senior management and their duties as of June 30, 2023, is provided in the following chart.

Name / SURNAME	Duty	Serves Since ⁽¹⁾	Serves in Position Since ⁽²⁾
Güliz ÖZTÜRK	Chief Executive Officer	2005	2022
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Onur DEDEKÖYLÜ	Chief Commercial Officer	2010	2022
Ergün DEMİRCİ	Chief Operations Officer	2013	2022
Gençer KARATEPE	Chief Flight Operations Officer	2018	2020
Dilara OĞUR	Chief Human Resources Officer	2015	2015
Barış FINDIK	Chief Information Technologies Officer	2017	2017
Murat TÜNAY	Chief Safety Management & Emergency Response Management Officer	2011	2020
Yavuz Selim ÖZMEN	Chief Flight Academy Officer	2016	2020
Ali UZUN	General Counsel and Sustainability Director	2013	2022
Sinan Onur ÖZTUNA	Compliance Monitoring Group Manager	2016	2020
Tayfun BORA	Airline Security Group Manager	2003	2020
Özgür DİNÇER	Group Head of – Internal Audit & Integrated Management Systems and Business Excellence	2017	2017

⁽¹⁾ Indicates service in Pegasus Airlines Group Companies.

⁽²⁾ Indicates service in the stated duty.

Our management organization chart is shown below:



c)- Number of Employees: The total number of our full-time employees, including the employees of our consolidated subsidiary defined in Section 1/H of this Report, as of June 30, 2023, was 7.336. This number includes the members of our senior management listed above. There are no employees under a collective bargaining agreement.

G- INFORMATION ON INVESTMENTS MADE BY PEGASUS AIRLINES IN THE RELEVANT ACCOUNTING PERIOD

Information relating to our fleet as of June 30, 2023, is shown below:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		30.06.2023	30.06.2022	Growth (%)	30.06.2023	30.06.2022	Growth (%)	30.06.2023
B737-800	4.163	16	23	-30%	3.024	4.347	-30%	9,38
A320CEO	4.074	8	10	-20%	1.452	1.812	-20%	10,07
A320NEO	4.740	46	46	0%	8.556	8.556	0%	4,46
A321NEO	4.237	31	16	94%	7.409	3.824	94%	1,31
TOTAL		101	95	6%	20.441	18.539	10%	4,72

In July 2012, we placed an order with Airbus for 57 firm order A320neo and 18 firm order A321neo aircraft, totaling 75, and an additional 25 optional aircraft, thereby constituting a purchase order for 100 new aircraft. This was the largest single aircraft order in Turkish civil aviation history at the time. In December 2017, we exercised our option for 25 additional aircraft and converted these option aircrafts to firm orders in A321neo configuration. In October 2021, we placed an order with Airbus for 6 additional A321neo aircraft, in June 2022, we placed an order with Airbus for 8 additional A321neo aircraft and in July 2023, we placed an order with Airbus for 36 additional A321neo aircraft. The 2012 Airbus Order, as amended, comprised a total of 42 A320neo and 108 A321neo aircraft as of August 14, 2023. Pegasus is the first customer of CFM-Leap series engine used on A320neo aircraft. 6 aircraft joined Pegasus fleet as of January 1, 2023 until June 30, 2023.

The delivery schedule for the A320neo/A321neo aircraft under our Airbus order is as follows:

Aircraft Type	2019	2020	2021	2022	2023	2024	2025
A320neo	5	9	6	0	0	0	0
A321neo	2	5	1	17	15	21	11

H- INFORMATION ON DIRECT AND INDIRECT INVESTMENTS BY PEGASUS AIRLINES IN OTHER VENTURES

The table below lists information relating to our direct subsidiaries and joint ventures as of June 30, 2023. As of June 30, 2023, we did not have any indirect subsidiaries or joint ventures. We were not subject to any cross-shareholding for the same period.

Affiliate	Nationality / Area of Activity	Issued Share Capital	Nominal Shareholding	Share %	Affiliation with Pegasus
PAT	Türkiye / Simulated flight training	₺100,000	₺100,000	100.00%	Subsidiary
PFTC	Türkiye / Simulated flight training	₺200,000	₺98,800	49.40%	Joint Venture
Hitit CS	Türkiye / Information Technologies Solutions	₺127,500,00	₺46,939,893	36.82%	Joint Venture

2-FINANCIAL STATUS

A- PEGASUS SHARE

Pegasus shares started trading on Borsa İstanbul on April 26, 2013, at the initial public offer price of ₺18.40. As of June 30, 2023, the indices including Pegasus Airlines shares and information on Pegasus Airlines shares are as follows:

Issuer	: PEGASUS HAVA TAŞIMACILIĞI A.Ş.
Trade Platforms	: BORSA İSTANBUL (BIST)
Market Segment	: STAR MARKET
Indices	: BIST CORPORATE GOVERNANCE / BIST STARS / BIST ALL SHARES / BIST SUSTAINABILITY / BIST PARTICIPATION 30 / BIST TRANSPORTATION / BIST SERVICES / BIST 100 / BIST PARTICIPATION 100 / BIST 50 / BIST İSTANBUL / BIST PARTICIPATION ALL SHARES / BIST SUSTAINABILITY PARTICIPATION / BIST PARTICIPATION 50 / BIST 30
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Pegasus shares closed the six-month period ending June 30, 2023 at a price of ₺617.00/share with year-to-date increase of 29%.

B- SALES AND PROFITABILITY IN THE REPORTING PERIOD, REVENUE GENERATION, DEBT/EQUITY RATIO AND OTHER ASPECTS THAT PROVIDE INFORMATION ON THE COMPANY'S OPERATIONAL RESULTS COMPARED AGAINST PREVIOUS YEARS

Operational and financial results of Pegasus for the period between January 1 –June 30, 2023 compared against the same period in 2022 and the year-over-year changes for the relevant line items are set out in the following charts:

Overall Traffic Results	Jan. – Jun. 2023	Jan. – Jun. 2022	Y-O-Y Change %
Number of passengers (million)	14,13	11,37	24,3
Cycles	85.599	74.815	14,4
Number of seats (million)	17,09	14,29	19,7

Load factor (%)	82,7	79,6	3,1
ASK ⁽¹⁾ (million)	26.157	20.351	28,5
Passengers per cycle	165	152	8,6
Avg. daily aircraft utilization (hours) ⁽²⁾	12,0	11,4	5,1

Domestic

Number of passengers (million)	5,35	4,96	8,0
Cycle	32.178	32.069	0,3
Number of seats (million)	6,31	6,10	3,5
Load factor (%)	84,8	81,3	4,3
ASK ⁽¹⁾ (million)	4.649	4.543	2,3
Passengers per cycle	166	155	7,6

International

Number of passengers (million)	8,60	6,17	39,4
Cycle	52.419	41.336	26,8
Number of seats (million)	10,60	7,95	33,5
Load factor (%)	81,1	77,6	3,5
ASK ⁽¹⁾ (million)	21.243	15.336	38,5
Passengers per cycle	164	149	9,9

Charter

Number of passengers (million)	0,18	0,24	-27,1
Cycle	1.002	1.410	-28,9
Number of seats (million)	0,18	0,24	-27,1
ASK ⁽¹⁾ (million)	265	473	-43,9

⁽¹⁾ Refers to available seat kilometers and is equal to the number of seats available for passengers during a specified period multiplied by the number of kilometers that those seats are flown.

⁽²⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time).

⁽²⁾ Refers to the hours from an aircraft's take-off to landing (including taxi time).

Summary Balance Sheet ('000 TL)	30.06.2023	31.12.2022	Change (%)
Current assets	38.791.939	20.717.301	87%
Non-current assets	107.535.739	75.085.745	43%
Total assets	146.327.678	95.803.046	53%
Current liabilities	36.562.442	20.759.664	76%
Non-current liabilities	82.941.950	56.998.639	46%
Shareholders' equity	26.823.286	18.044.743	49%
Summary P&L ('000 TL)	30.06.2023	30.06.2022	Change (%)
Sales	23.902.449	12.415.000	93%
Gross (loss) / profit	4.149.077	414.009	902%
(Loss) /profit from operations	2.354.291	(348.328)	-776%
Operating (loss) / profit before financial income/(expense)	2.961.723	(115.088)	-2673%
(Loss) / profit before tax	1.376.897	(1.980.244)	-170%
(Loss) / profit for the period	1.326.900	(1.890.121)	-170%
(Loss) / profit per share	12,97	(18,48)	-170%
Changes in Financial Position ('000 TL)	30.06.2023	31.12.2022	Change (%)
Cash and cash equivalents	15.917.050	10.558.267	51%
Financial Investments	11.010.909	6.538.414	68%
Financial liabilities	91.012.484	60.999.941	49%
Net debt position ⁽¹⁾	64.084.525	43.903.260	46%

⁽¹⁾ Net debt position = Financial liabilities - Cash and cash equivalents – Financial Investments

C- FINANCING SOURCES AND CAPITAL MARKETS INSTRUMENTS ISSUED BY PEGASUS

We finance approximately 85% of the purchase price for the Boeing and Airbus aircraft acquired by way of financial lease through loans obtained from various banks. As of June 30, 2023, the outstanding balance of the total loans borrowed for the financing of 79 aircraft acquired by way of financial lease is ₺70.465.377.921.

Furthermore, as of June 30, 2023, together with our subsidiary, we had drawn ₺4.702.570.680 on cash loans and ₺1.704.541.170 on non-cash loans under credit lines with various Turkish and foreign banks. These credit lines are open credit facilities that can be generally used for terms ranging from 12 to 24 months.

We issued debts in capital markets as a separate source of financing. Within the issuance limit of US\$750,000,000, approved by the Capital Markets Board by its decision dated April 1, 2021, and numbered 17/524, we concluded a first tranche issue of Eurobonds with a nominal value of US\$375,000,000 on April 30, 2021. The bonds carrying the ISIN XS2337336445 and US705567AA31 were issued for a term of 1,826 days and variable rate interest coupon payment in six-month arrears and will mature on April 30, 2026.

3- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY

A- INFORMATION ON THE RISK MANAGEMENT POLICY ADOPTED BY PEGASUS AIRLINES WITH RESPECT TO FORSEEABLE RISKS

Our Board of Directors is responsible for protecting the long-term benefits of our Company through a rational and prudent risk management approach by performing optimum balance between risk, growth and returns.

The Committee on the Early Detection of Risks (Risk Committee) assists the Board with respect to the determination in advance, management and mitigation of the risks that may endanger the existence, development, and the future of Pegasus Airlines.

When performing its risk detection and management duties, the Committee cooperates with other Board Committees and the Company management. In this respect, the Committee works in cooperation with the Audit Committee with respect to risks inherent to financial reporting and internal control mechanisms, with the Corporate Governance Committee with respect to human resources related risks involving the Board and the senior management.

The main risks to which the Company is exposed, the relevant departments responsible for the scrutiny and management of these risks and the measurement tools and tolerance limits applicable to these risks are determined by the Risk Committee. Risk areas thus defined are regularly reviewed, re-evaluated and the mitigating actions implemented by Company management in response to these risks are periodically submitted for the review and evaluation of the Committee. The risk evaluation analysis reviewed by the Committee and recommendations by the Committee are communicated to the Board once every two months.

4- OTHER MATTERS

A- MATERIAL EVENTS TAKING PLACE AFTER PERIOD END THAT MAY AFFECT THE RIGHTS AND BENEFITS OF THE SHAREHOLDERS, CREDITORS AND OTHER RELATED PERSONS AND ENTITIES

For obtaining a new rating on our compliance with the Corporate Governance Principles published by the Capital Markets Board, a new agreement is concluded with Kobirate

Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., effective for one year as of June 2, 2023.

In accordance with Principle No. 4.2.8 annexed to the Capital Markets Board Corporate Governance Communiqué No. II-17.1, "Directors & Officers Liability Insurance" policy has been issued on behalf of our Company, with total liability limit exceeding 25% of the company capital.

In line with our fleet planning strategy targeting a young fleet with low fuel consumption, low unit cost performance and low carbon emissions, we reached an agreement with Airbus S.A.S. to amend the Airbus Order, initially executed in 2012 and later amended in 2017, 2021 and 2022 to cover a total of 114 new aircraft, by placing a firm order for additional 36 Airbus 321neo aircraft. The delivery of the 36 Airbus A321neo aircraft, which is in addition to the previously disclosed Airbus Order contracted for future deliveries, is expected to take place until the end of 2029.

The Company's "Corporate Governance Rating Report" for the new term has been prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., an entity authorized by the Capital Markets Board to conduct compliance rating with respect to the applicable corporate governance principles. Our previous Compliance rating of 97.10 (9.71/10.0) announced on August 12, 2022 has been revised as 97.50 (9.75/10.0) effective as of August 11, 2023.

B- OTHER MATTERS AND ADDITIONAL INFORMATION THAT ARE NOT INCLUDED IN THE FINANCIAL STATEMENTS THAT MAY STILL BE HELPFUL FOR INTERESTED PARTIES

The following annexes have been incorporated into this Report by reference:

- Annex-1: Pegasus Corporate Governance Compliance Statement (URF)
- Annex-2: Pegasus Corporate Governance Information Document (KYBF)

The above annexes are accessible through the following link:

<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1710-pegasus-hava-tasimaciligi-a-s>

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

