



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

NOVEMBER 8, 2023

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PEGASUS HAVA TAŞIMACILIĞI ANONİM ŞİRKETİ
INTERIM ACTIVITY REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD JANUARY 1 – SEPTEMBER 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 – September 30, 2023
Commercial Title : Pegasus Hava Taşımacılığı A.Ş.
Trade Registration : Istanbul Trade Registry / 261186
Central Registry No. : 0-7230-0470-8500017
Headquarters : Aeropark, Yenışehir 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 September 30, 2023, respectively, is shown in the table below.

<i>Shareholder</i>	<i>January 1, 2023</i>		<i>September 30, 2023</i>	
	<i>Number of Shares</i>	<i>Shareholding Ratio</i>	<i>Number of Shares</i>	<i>Shareholding Ratio</i>
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 September 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 September 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 105 aircraft with 4.91 average aircraft age as of September 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 September 30, 2023, we offered scheduled passenger services on 36 domestic destinations in Türkiye and 93 international destinations to European (including North Cyprus), CIS, Middle Eastern and African destinations, serving a flight network covering 129 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 September 30, 2023, our CASK, non-fuel was recorded as €2,25, while revenue recorded from ancillary services constituted 29% of total revenue for the period. As of September 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 September 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 Tevfik NANE	Chairperson of the Board	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.
Hüseyin Çağatay ÖZDOĞRU ⁽²⁾	Board Member	2006	-
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.

⁽²⁾ Appointed to succeed Stephen Mark GRIFFITHS upon his resignation dated August 28, 2023 to serve for the remainder of his term of office subject to the approval of the shareholders at the next General Assembly Meeting.

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 September 30, 2023, is provided in the following chart.

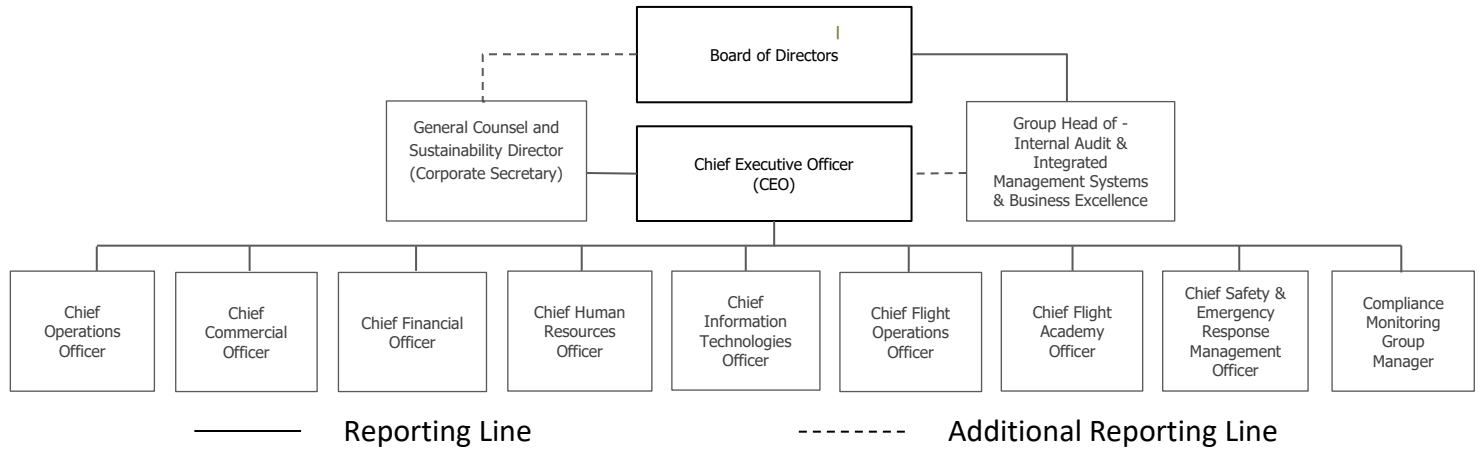
Name / SURNAME	Duty	Serves Since ⁽¹⁾	Serves in Position Since ⁽²⁾
Güliz ÖZTÜRK	Chief Executive Officer	2005	2022
M. Barbaros KUBATOĞLU	Chief Financial Officer	2007	2018
Onur DEDEKÖYLÜ	Chief Commercial Officer	2010	2022
Ergün DEMİRCİ	Chief Operations Officer	2013	2022
Gençer KARATEPE	Chief Flight Operations 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
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(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 September 30, 2023, was 7.430. 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 September 30, 2023, is shown below:

AIRCRAFT TYPE	RANGE (KM)	NUMBER OF AIRCRAFT			SEAT CAPACITY			AVERAGE FLEET AGE
		30.09.2023	30.09.2022	Growth (%)	30.09.2023	30.09.2022	Growth (%)	30.09.2023
B737-800	4.163	16	20	-20%	3.024	3.780	-20%	9,63
A320CEO	4.074	9	8	13%	1.632	1.452	12%	10,62
A320NEO	4.740	46	46	0%	8.556	8.556	0%	4,71
A321NEO	4.237	34	21	62%	8.126	5.019	62%	1,44
TOTAL		105	95	11%	21.338	18.807	13%	4,91

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. 9 aircraft joined Pegasus fleet as of January 1, 2023 until September 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	2026	2027	2028	2029
A320neo	5	9	6	0	0	0	0	0	0	0	0
A321neo	2	5	1	17	14	17	11	8	11	11	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 September 30, 2023. As of September 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 Istanbul on April 26, 2013, at the initial public offer price of ₺18.40. As of September 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 ISTANBUL (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 ISTANBUL / BIST PARTICIPATION ALL SHARES / BIST SUSTAINABILITY PARTICIPATION / BIST PARTICIPATION 50 / BIST 30 / BIST SUSTAINABILITY 25
BIST Ticker	: PGSUS
Bloomberg Ticker	: PGSUS.TI
Reuters Ticker	: PGSUS.IS

Pegasus shares closed the nine-month period ending September 30, 2023 at a price of ₺824.20/share with year-to-date increase of 72%.

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 – September 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. – Sept. 2023	Jan. – Sept. 2022	Y-O-Y Change %
Number of passengers (<i>million</i>)	23,80	19,85	19,9
Cycles	140.204	124.256	12,8
Number of seats (<i>million</i>)	28,12	23,92	17,5
Load factor (%)	84,6	83,0	1,6
ASK ⁽¹⁾ (<i>million</i>)	43.610	35.191	23,9
Passengers per cycle	170	160	6,2
Avg. daily aircraft utilization (<i>hours</i>) ⁽²⁾	12,8	12,4	2,9
Domestic			
Number of passengers (<i>million</i>)	8,81	8,16	7,9
Cycle	50.521	49.882	1,3
Number of seats (<i>million</i>)	10,01	9,58	4,5
Load factor (%)	88,0	85,2	3,3
ASK ⁽¹⁾ (<i>million</i>)	7.316	7.020	4,2
Passengers per cycle	174	164	6,5
International			
Number of passengers (<i>million</i>)	14,62	11,13	31,3
Cycle	87.643	71.261	23,0
Number of seats (<i>million</i>)	17,74	13,79	28,7
Load factor (%)	82,4	80,7	1,7
ASK ⁽¹⁾ (<i>million</i>)	35.684	27.121	31,6
Passengers per cycle	167	156	6,8
Charter			
Number of passengers (<i>million</i>)	0,37	0,56	-33,5
Cycle	2.040	3.113	-34,5
Number of seats (<i>million</i>)	0,37	0,56	-33,1
ASK ⁽¹⁾ (<i>million</i>)	610	1.051	-41,9

⁽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).

Summary Balance Sheet ('000 TL)	30.09.2023	31.12.2022	Change (%)
Current assets	46.532.024	20.717.301	125%
Non-current assets	115.126.718	75.085.745	53%
Total assets	161.658.742	95.803.046	69%
Current liabilities	36.903.872	20.759.664	78%
Non-current liabilities	89.274.737	56.998.639	57%
Shareholders' equity	35.480.133	18.044.743	97%
Summary P&L ('000 TL)			
Sales	51.974.989	30.255.091	72%
Gross (loss) / profit	14.912.853	8.157.606	83%
(Loss) /profit from operations	12.250.744	6.892.289	78%

Operating (loss) / profit before financial income/(expense)	13.125.467	7.255.372	81%
(Loss) / profit before tax	9.344.299	3.075.500	204%
(Loss) / profit for the period	9.046.140	2.947.672	207%
(Loss) / profit per share	88,43	28,81	207%

Changes in Financial Position ('000 TL)	30.09.2023	31.12.2022	Change (%)
Cash and cash equivalents	22.372.652	10.558.267	112%
Financial Investments	12.014.246	6.538.414	84%
Financial liabilities	97.071.932	60.999.941	59%
Net debt position ⁽¹⁾	62.685.034	43.903.260	43%

⁽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 September 30, 2023, the outstanding balance of the total loans borrowed for the financing of 76 aircraft acquired by way of financial lease is 75.373.463.374₺.

Furthermore, as of September 30, 2023, together with our subsidiary, we had drawn ₺5.002.473.320 on cash loans and ₺1.675.968.534 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

Mr. Stephen Mark GRIFFITHS has resigned from his position as member of the Board of Directors effective as of August 28, 2023. Effective as of the same date, our Board of Directors resolved on the appointment of Mr. Hüseyin Çağatay ÖZDOĞRU (who previously served as member & vice-chairperson of the Board of Directors between December 2006-September 2022) to replace Mr. GRIFFITHS for the remainder of his term of office, subject to the approval of our shareholders at the next General Assembly meeting.

International credit rating agency Fitch Ratings Limited ("Fitch") affirmed its rating for the Company's long term credit rating (IDR) as BB- and revised its outlook from negative to stable and affirmed its rating BB- for the foreign-currency senior unsecured bonds issued by the Company to investors outside of Türkiye and indicated in our Material Event Disclosure dated 19.04.2021.

International credit rating agency S&P Global Ratings Limited ("S&P") affirmed its rating for the Company's long term credit rating as B+ and revised its outlook from negative to stable. S&P also affirmed its rating B+ for the foreign-currency senior unsecured bonds issued by the Company to investors outside of Türkiye and indicated in our Material Event Disclosure dated 19.04.2021.

The 5th coupon payment for the bonds issued by our company on April 30, 2021, with USD 375 million nominal value, 5-year tenure, and subject to semi-annual floating rate coupon payments, was made on October 26, 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!

