

CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

**PEGASUS HAVA TAŐIMACILIĐI
ANONİM ŐİRKETİ AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
SIX-MONTH INTERIM
PERIOD ENDED 30 JUNE 2013

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

**To the Board of Directors of
Pegasus Hava Tařımacılıđı Anonim Őirketi
İstanbul**

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Pegasus Hava Tařımacılıđı A.Ő. (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended. Group Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the independent auditing standards published by the Capital Markets Board. A review of consolidated 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 is substantially less in scope than an audit conducted in accordance with auditing standards published by the Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Turkish Accounting Standards issued by the POA.

İstanbul, 19 August 2013

DRT BAđIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŐAVİRLİK A.Ő.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Selçuk Ürkmez
Partner

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
BALANCE SHEET AS OF 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 30 June 2013	(revised) Prior period (Audited) 31 December 2012
	Notes		
ASSETS			
Current assets		1.127.953.260	339.329.147
Cash and cash equivalents	4	858.145.363	210.150.238
Trade receivables	5	178.554.427	43.985.353
Other receivables		50.910.998	34.588.337
Derivative financial instruments		3.280.527	14.898.232
Inventories		2.355.113	1.882.592
Prepaid expenses		33.950.192	33.606.729
Other current assets		756.640	217.666
Non-Current assets		1.976.445.134	1.869.681.888
Other receivables		58.705.278	43.412.916
Investments accounted for using the equity method	7	822.949	1.512.211
Property and equipment	8	1.798.380.817	1.730.317.522
Intangible assets	9	9.462.167	5.013.650
Prepaid expenses		97.158.263	89.425.589
Deferred tax assets		11.915.660	-
TOTAL ASSETS		3.104.398.394	2.209.011.035

The accompanying notes form an integral part of these condensed consolidated financial statements.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
BALANCE SHEET AS OF 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 30 June 2013	(revised) Prior period (Audited) 31 December 2012
	Notes		
LIABILITIES			
Current liabilities		803.794.034	538.075.762
Short term financial liabilities	6	53.048.192	50.722.463
Short term portion of long term financial liabilities	6	145.397.292	135.232.251
Trade payables		188.848.940	129.649.974
<i>Other trade payables to third parties</i>		<i>187.289.434</i>	<i>126.170.626</i>
<i>Trade payables to related parties</i>	21	<i>1.559.506</i>	<i>3.479.348</i>
Employee benefit obligations		10.789.991	4.916.097
Other payables		18.542.747	6.827.091
Derivative financial instruments		4.765.900	3.006.145
Deferred income	12	356.974.914	171.171.085
Short term provisions		24.699.736	28.550.186
<i>Short term provisions for employee benefits</i>		<i>22.431.140</i>	<i>24.044.479</i>
<i>Other short term provisions</i>		<i>2.268.596</i>	<i>4.505.707</i>
Other current liabilities		726.322	8.000.470
Non-Current liabilities		1.401.707.992	1.343.583.125
Long term financial liabilities	6	1.255.958.142	1.240.919.331
Deferred income		7.220.736	1.546.783
Long term provisions		41.090.964	28.936.038
<i>Long term provisions for employee benefits</i>		<i>3.999.961</i>	<i>4.149.445</i>
<i>Other long term provisions</i>		<i>37.091.003</i>	<i>24.786.593</i>
Deferred tax liabilities		97.438.150	72.180.973
SHAREHOLDERS' EQUITY		898.896.368	327.352.148
Equity attributable to shareholders' of the parent		897.811.803	327.352.148
Paid-in share capital	13	102.272.000	75.000.000
Effects of business acquisition		29.504.957	29.504.957
Share premium on capital stock		457.533.813	-
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		127.106.684	72.735.810
Hedge fund (loss)/gain		(3.812.720)	11.918.586
Retained earnings		138.192.795	11.889.279
Net profit for the period		47.014.274	126.303.516
Non-controlling interest		1.084.565	-
TOTAL LIABILITIES AND EQUITY		3.104.398.394	2.209.011.035

The accompanying notes form an integral part of these condensed consolidated financial statements.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 1 January - 30 June 2013	Current period (Not Reviewed) 1 April - 30 June 2013	Prior period (Reviewed) 1 January - 30 June 2012	Prior period (Not Reviewed) 1 April - 30 June 2012
	Notes				
Sales (net)	14	991.318.782	605.275.069	799.254.993	520.349.202
Cost of sales (-)	14	(810.499.002)	(461.825.786)	(783.440.831)	(448.121.059)
Gross profit		180.819.780	143.449.283	15.814.162	72.228.143
General administrative expenses (-)	15	(32.866.827)	(20.188.351)	(24.928.954)	(13.508.057)
Marketing expenses (-)	15	(52.985.007)	(26.472.325)	(41.368.856)	(25.168.159)
Other operating income	16	7.333.815	(15.655.791)	50.183.256	49.865.928
Other operating expenses (-)	16	(1.319.975)	(681.803)	(491.468)	(140.805)
Operating profit/(loss)		100.981.786	80.451.013	(791.860)	83.277.050
Income from investing activities	17	1.558.456	(961.385)	125.966	125.966
Expenses from investing activities	17	-	-	(2.815.205)	3.451.651
Share of investments' (loss) / profit accounted for using equity method	7	(849.266)	239.645	2.811.059	2.019.806
Operating profit / (loss) before financial expense		101.690.976	79.729.273	(670.040)	88.874.473
Financial income	18	18.471.096	5.565.300	7.610.367	9.651.795
Financial expense (-)	19	(51.626.553)	(17.230.645)	(84.946.233)	(76.273.928)
Profit / (Loss) before tax		68.535.519	68.063.928	(78.005.906)	22.252.340
Tax income / (expense)					
Current tax expense		-	-	-	-
Deferred tax (expense) / income		(24.394.249)	(17.589.432)	7.862.005	13.315.934
Profit / (Loss) for the period		44.141.270	50.474.496	(70.143.901)	35.568.274
Net profit / (loss) attributable to:					
Shareholders' of the parent		47.014.274	53.336.461	(69.711.540)	35.656.702
Non-controlling interest		(2.873.004)	(2.861.965)	(432.361)	(88.428)
		44.141.270	50.474.496	(70.143.901)	35.568.274
Earnings / loss per share (TL)	20	0,55	0,56	(0,93)	0,48
Other comprehensive income / (loss)					
Items to be reclassified to profit or loss					
Currency translation differences		52.287.706	57.591.976	(11.461.094)	(19.314.462)
Cash flow hedge		(15.731.306)	(15.767.304)	(13.548.245)	(17.169.432)
Loss on derivative contracts		(16.684.486)	(19.709.130)	(16.137.469)	(21.461.790)
Deferred tax effect		953.180	3.941.826	2.589.224	4.292.358
Other comprehensive income / (loss)		36.556.400	41.824.672	(25.009.339)	(36.483.894)
Total comprehensive profit / (loss)		80.697.670	92.299.168	(95.153.240)	(915.620)
Total comprehensive profit / (loss) attributable to:					
Shareholders' of the parent		85.653.842	97.244.301	(94.547.168)	(653.481)
Non-controlling interest		(4.956.172)	(4.945.133)	(606.072)	(262.139)
		80.697.670	92.299.168	(95.153.240)	(915.620)

The accompanying notes form an integral part of these condensed consolidated financial statements.

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income/(loss) items to be reclassified to profit or loss		Retained earnings				
	Paid in share capital	Effects of business acquisition	Share premium on capital stock	Currency translation differences	Hedge fund (loss)/gain	Retained earnings	Net (loss) / profit for the period	Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
As at 1 January 2012	75.000.000	29.504.957	-	69.180.672	3.191.351	27.212.283	(15.323.004)	188.766.259	(69.184)	188.697.075
Izair capital increase	-	-	-	-	-	-	-	-	31.055	31.055
Effect of acquisition of additional shares in a subsidiary	-	-	-	-	-	-	-	-	257.675	257.675
Transfer to retained earnings	-	-	-	-	-	(15.323.004)	15.323.004	-	-	-
Total comprehensive loss	-	-	-	(11.287.383)	(13.548.245)	-	(69.711.540)	(94.547.168)	(606.072)	(95.153.240)
As at 30 June 2012	75.000.000	29.504.957	-	57.893.289	(10.356.894)	11.889.279	(69.711.540)	94.219.091	(386.526)	93.832.565
As at 1 January 2013	75.000.000	29.504.957	-	72.735.810	11.918.586	11.889.279	126.303.516	327.352.148	-	327.352.148
Business combination and consolidation rate change effect	-	-	-	-	-	-	-	-	6.040.737	6.040.737
Increase in share capital of the Company	27.272.000	-	-	-	-	-	-	27.272.000	-	27.272.000
Increase according to the share-based transactions (*)	-	-	457.533.813	-	-	-	-	457.533.813	-	457.533.813
Transfer to retained earnings	-	-	-	-	-	126.303.516	(126.303.516)	-	-	-
Total comprehensive income / (loss)	-	-	-	54.370.874	(15.731.306)	-	47.014.274	85.653.842	(4.956.172)	80.697.670
As at 30 June 2013	102.272.000	29.504.957	457.533.813	127.106.684	(3.812.720)	138.192.795	47.014.274	897.811.803	1.084.565	898.896.368

(*)The surplus of sales price over nominal value amounted to 457.533.813 TL during the initial public offering on 18-19 April 2013 was accounted as share premium.

The accompanying notes form an integral part of these condensed consolidated financial statements.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

		Current period	Prior period
		(Reviewed)	(Reviewed)
		1 January -	1 January -
	Notes	30 June 2013	30 June 2012
Profit / (loss) for the period		47.014.274	(69.711.540)
Adjustments to obtain net cash flow generated from operating activities			
Depreciation and amortization	8-9	56.599.919	50.481.944
Provision for employee benefits		17.582.227	12.757.421
Current tax expense / (income)		24.394.249	(7.862.005)
Interest expense		3.878.330	19.850.509
Loss / (gain) on equity investments accounted for using the equity method	7	849.266	(2.811.059)
Gain on sales of fixed assets		(78.517)	(125.966)
Change in maintenance reserves and redelivery provision		7.604.049	1.458.953
Other provisions related with investing or financing activities		(2.353.845)	5.342.221
Legal provision		37.764	(298.734)
Translation differences		13.630.691	20.293.917
Cash generated from operating activities		169.158.407	29.375.661
Increase in trade receivables		(134.501.417)	(76.057.011)
Increase in inventories		(472.521)	(369.470)
(Increase) / decrease in other receivables and other current assets		(30.440.508)	34.253.035
Increase in trade payables		59.198.966	35.911.032
Increase in deferre income, other payables and other current liabilities		201.793.184	128.270.354
Changes in working capital		95.577.704	122.007.940
Cash flows from operating activities		264.736.111	151.383.601
Retirement pay liabilities and employee bonus paid		(19.345.050)	(314.134)
Net cash generated from operating activities		245.391.061	151.069.467
Cash flows from investing activities:			
Cash outflows from purchase of property, equipment and intangible assets (*)	8-9	(8.861.763)	(6.896.366)
Changes in advances on aircraft		1.505.631	9.099.831
Proceeds from sale of property, equipment and intangible assets		282.658	346.014
Net cash (used in) / generated from investing activities		(7.073.474)	2.549.479
Cash flow from financing activities:			
Net cash inflows related with the sale of shares and other equity instruments		484.805.813	-
Repayment of principal in finance lease liabilities		(68.109.332)	(50.867.316)
Interest and commission paid		(13.734.244)	(20.778.424)
Interest received		6.598.211	716.909
Increase in borrowings		2.864.885	164.724.050
Repayment of borrowings		(2.747.795)	(240.536.909)
Net cash (used in) / generated from financing activities		409.677.538	(146.741.690)
Net increase in cash and cash equivalents		647.995.125	6.877.256
Cash and cash equivalents at the beginning of the period	4	210.150.238	19.549.364
Cash and cash equivalents at the end of the period	4	858.145.363	26.426.620

(*) None of tangible and intangible assets acquisitions for the six month period ended 30 June 2013 was financed through finance leases. (30 June 2012: TL 402.560.217 of tangible and intangible assets acquisitions in total of TL 464.406.758 was financed through finance leases).

The accompanying notes form an integral part of these condensed consolidated financial statements.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - GROUP ORGANIZATION AND ITS OPERATIONS

Pegasus Hava Taşımacılığı A.Ş. (the “Company” or “Pegasus”) and its subsidiaries (together “the Group”) is a low cost airline. The Group operates under a low cost business model and employs low cost airline business practices which focus on providing affordable, reliable and simple service.

The shareholders and their respective holdings in the Company as of June 30, 2013 are as follows:

	30 June 2013	31 December 2012
Esas Holding A.Ş. (“Esas Holding”)	62,92%	96,50%
Publicly held	34,51%	-
Sabancı Family Members	2,57%	3,50%
Total	100,00%	100,00%

Shares of the company has been started to be traded in İstanbul Stock Exchange since 26 April 2013, after the book building between the dates of 18-19 April 2013.

The Group’s total number of full time employees as of 30 June 2013 is 2.813 (31 December 2012: 2.045). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11 Kurtkoy-Pendik İstanbul.

Subsidiaries of the Company are İHY İzmir Havayolları A.Ş., Air Manas and İzmirliler Otelcilik Yatırım Turizm ve Ticaret A.Ş.

Approval of Financial Statements

Board of Directors has approved the consolidated financial statements as of 30 June 2013 and delegated authority for publishing it on 19 August 2013. General shareholders’ meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

The condensed consolidated interim financial statements as of 30 June 2013 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles and the local currency in their registered countries.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies (cont'd)

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations ("TAS/TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Also, the financial statements and its notes are presented in accordance with the format requirements as announced by the CMB's statement on 7 June 2013.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards.

Functional and Presentation Currency

The Euro is the functional currency of the entities that comprise the Group as it is the currency in which the operations are primarily transacted. Presentation currency of the Group's financial statements is Turkish Lira ("TL"). Financial Statements have been translated from Euro to TL in accordance with the relevant provisions of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") as follows;

- Assets and liabilities are translated using the Central Bank of the Turkish Republic ("TCMB") Euro buying rate prevailing at the balance sheet date.
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions.

Translation gains / (losses) arising from the translations from Euro to TL stated above are presented as foreign currency translation reserve under equity. Share capital amount is presented in TL, representing the nominal share capital of the Company. All other equity items excluding the currency translation reserve are presented in historic TL terms where all translation gains / (losses) in relation to these balances are accounted under foreign currency translation reserve.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Subsidiaries and Associates

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 June 2013:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>30 June 2013</u>	<u>31 December 2012</u>	
IHY İzmir Havayolları A.Ş. ("İzair") (*)	Air transportation	69%	51%	Türkiye
Air Manas	Air transportation	49%	49%	Kyrgyzstan
İzmirliiler Otelcilik Yatırım Turizm ve Ticaret A.Ş. ("İzmirliiler Otelcilik")	Hotel-gas station administration	59%	59%	Türkiye

(*) Following of the completion of the registration of the amendment to the articles of association and the capital increase approved by İzair's shareholders on March 27,2013, in which Air Berlin decided not to exercise its pre-emption rights; in consequence of all other shareholders had not exercised their pre-emption rights until the expiration date May 2,2013 and all the capital increase has been performed by Pegasus, the percentage of the shares and votes helded in İzair has increased up to 69,12%. The Group, in this context has fully consolidated İzair financial statements as a subsidiary.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 30 June 2013:

<u>Name of the Company</u>	<u>Country of Registration and Operations</u>	<u>Ownership Share</u>	<u>Voting Power</u>	<u>Principal Activity</u>
Pegasus Uçus Eğitim Merkezi A.Ş. ("PUEM")	Türkiye	49%	49%	Simulator training

2.2 Significant Accounting Policies

The same accounting policies have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2012.

2.3 Significant Accounting Assumptions

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2012.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised International Financial Reporting Standards

(a) Amendments to IFRSs affecting amounts reported in the financial statements

The following amendments to IFRSs have been applied in the current year but have not affected the amounts reported in these consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IFRS 10 Consolidated financial statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

The Group has evaluated the control power over İzmirli Otelcilik Yatırım Turizm ve Ticaret A.Ş. based on IFRS 10, and reclassified it as subsidiary and included in consolidation by line by line method starting from January 1, 2013. Since the transaction has no material impact, prior period financial statements have not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised International Financial Reporting Standards (cont'd)

(a) Amendments to IFRSs affecting amounts reported in the financial statements (cont'd)

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

(b) **New and revised IFRSs applied with no material effect on the consolidated financial statements**

<i>Amendments to IFRS 7</i>	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
<i>IFRS 11</i>	<i>Joint Arrangements</i>
<i>IFRS 12</i>	<i>Disclosure of Interests in Other Entities</i>
<i>IFRS 13</i>	<i>Fair Value Measurement</i>
<i>IAS 27 (as revised in 2011)</i>	<i>Separate Financial Statements</i>
<i>IAS 28 (as revised in 2011)</i>	<i>Investments in Associates and Joint Ventures</i>
<i>IFRIC 20</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

- Amendments to IAS 1 *Presentation of Financial Statements*
- Amendments to IAS 16 *Property, Plant and Equipment*
- Amendments to IAS 32 *Financial Instruments: Presentation*
- Amendments to IAS 34 *Interim Financial Reporting*

(c) **New and revised IFRSs in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
IFRS 9	<i>Financial Instruments²</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures¹</i>

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 3 – SEGMENTAL INFORMATION

The Group is managed as a single business unit that provides low fares airline-related services, including scheduled services, charter services, ancillary services and other services. The Group's Chief Operating Decision Maker is the Board of Directors. The resource allocation decisions are made based on the entire network and the deployment of the entire aircraft fleet. The objective in making resource allocation decisions is to maximise consolidated financial results, rather than results on individual routes within the network. All other assets and liabilities have been allocated to the Company's single reportable segment.

NOTE 4 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013	31 December 2012
Cash on hand	207.335	75.657
Cash at banks	857.938.028	210.074.581
- Demand deposits	90.122.780	24.779.531
- Time deposits	767.815.248	185.295.050
	858.145.363	210.150.238

The effective interest rates of TL, USD and Euro denominated time deposits are as presented below.

30 June 2013	Effective interest rates	Total
TL deposits	6,16%	739.576.586
USD deposits	1,86%	15.167.425
EUR deposits	1,40%	13.071.237
		767.815.248

31 December 2012	Effective interest rates	Total
TL deposits	7,68%	140.210.693
USD deposits	3,96%	31.914.189
Euro deposits	1,80%	13.170.168
		185.295.050

All of the time deposits as of 30 June 2013 and 31 December 2012 mature within 45 days.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 – TRADE RECEIVABLES

The details of short term trade receivables as of 30 June 2013 and 31 December 2012 are as follows.

	30 June 2013	31 December 2012
Trade receivables	54.459.091	39.090.468
Credit card receivables	124.638.953	5.678.335
Income accruals	2.553.420	2.113.993
	181.651.464	46.882.796
Less: Allowance for doubtful receivables	(3.097.037)	(2.897.443)
	178.554.427	43.985.353

NOTE 6 - FINANCIAL LIABILITIES

The details of financial liabilities as of 30 June 2013 and 31 December 2012 are as follows.

Short term financial liabilities	30 June 2013	31 December 2012
Short term bank borrowings	53.048.192	50.722.463
Short term portion of long term finance lease obligations	145.397.292	135.232.251
	198.445.484	185.954.714

Long term financial liabilities	30 June 2013	31 December 2012
Long term finance lease obligations	1.255.958.142	1.240.919.331
	1.255.958.142	1.240.919.331

The effective interest rates, original currency and TL equivalents of the borrowings as of 30 June 2013 and 31 December 2012 are as follows:

30 June 2013

	Weighted average interest rate (%)	Currency	Original amount	TL amount
Short term bank loans	4,99	Euro	21.103.629	53.048.192
Total loans				53.048.192

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 6 - FINANCIAL LIABILITIES (cont'd)

31 December 2012

	Weighted average interest rate (%)	Currency	Original amount	TL amount
Short term bank loans	5,00	Euro	20.400.000	47.974.680
	0,00 (*)	TL	2.747.783	2.747.783
Total loans				50.722.463

(*) Amount consists of non-interest bearing loans for social security premiums.

The bank borrowings as of 30 June 2013 and 31 December 2012 bear interest at fixed rates.

The details of financial lease liabilities as of 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013	31 December 2012
Less than 1 year	152.222.771	141.385.690
Between 1 - 5 years	541.646.416	582.282.296
Over 5 years	751.621.583	705.874.234
	1.445.490.770	1.429.542.220
Less: Future interest expenses	(44.135.336)	(53.390.638)
	1.401.355.434	1.376.151.582

Present value of minimum lease payments of financial lease liabilities are as follows;

	30 June 2013	31 December 2012
Less than 1 year	145.397.292	135.232.251
Between 1 - 5 years	518.683.054	552.291.771
Over 5 years	737.275.088	688.627.560
	1.401.355.434	1.376.151.582

The Group purchases certain of its aircraft through finance lease arrangements. The average lease term is 12 years. For the period ended 30 June 2013, the floating interest rate applicable to Euro-denominated lease obligations is 0,54% (31 December 2012: 0,58%) and the floating rate applicable to US Dollar-denominated lease obligations is 0,62% (31 December 2012: 0,82%).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2013	31 December 2012
Joint ventures		
Pegasus Uçuş Eğitim Merkezi A.Ş.	822.949	379.771
İzair (*)	-	-
Associates		
İzmirliiler Otelcilik A.Ş.	-	1.132.440
KPA LLC.(**)	-	69.141
Impairment provision	-	(69.141)
	822.949	1.512.211

Total (loss)/profit from investments accounted for using the equity method is as follows:

	1 January - 30 June 2013	1 January - 30 June 2012
İzair (*)	(1.236.730)	2.521.713
Pegasus Uçuş Eğitim Merkezi A.Ş.	387.464	224.004
İzmirliiler Otelcilik A.Ş.	-	65.342
Net (loss) / profit	(849.266)	2.811.059

(*) The Group has recognised a liability as of 31 December 2012 in respect of its share in the net deficit position of Izair since it has constructive obligations.

(**) The Group management has not consolidated the financials statements of KPA LLC that have no material effect on Group's net income, financial position and related results. The Group's Management provided an impairment provision according to decision in the prior period.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT

30 June 2013	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components and repairables	Owned and leased aircraft	Total
Cost:							
Opening	1.308.815	4.565.586	21.327.972	12.427.509	21.992.362	1.981.499.673	2.043.121.917
Addition of subsidiary	183.167	99.145	1.222.758	2.995.189	2.275.307	-	6.775.566
Additions	805	701.628	4.451.706	164.897	862.749	-	6.181.785
Disposals	(38.444)	-	-	-	(226.934)	-	(265.378)
Currency translation differences	102.351	361.494	1.821.192	947.949	1.743.411	136.498.260	141.474.657
Closing	1.556.694	5.727.853	28.823.628	16.535.544	26.646.895	2.117.997.933	2.197.288.547
Accumulated depreciation:							
Opening	(896.053)	(1.466.777)	(10.961.339)	(4.722.131)	(14.344.305)	(280.413.790)	(312.804.395)
Addition of subsidiary	(144.093)	(66.666)	(896.385)	(1.940.840)	(2.216.246)	-	(5.264.230)
Depreciation for the period	(56.699)	(328.562)	(1.360.574)	(1.073.538)	(894.151)	(52.031.426)	(55.744.950)
Disposals	935	-	-	-	60.302	-	61.237
Currency translation differences	(77.068)	(124.181)	(903.237)	(461.440)	(1.223.227)	(22.366.239)	(25.155.392)
Closing	(1.172.978)	(1.986.186)	(14.121.535)	(8.197.949)	(18.617.627)	(354.811.455)	(398.907.730)
Net book value	383.716	3.741.667	14.702.093	8.337.595	8.029.268	1.763.186.478	1.798.380.817

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT(cont'd)

30 June 2012	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components and repairables	Owned and leased aircraft	Total
Cost:							
Opening	1.500.241	3.471.523	17.184.579	6.990.104	25.312.410	1.578.680.920	1.633.139.777
Additions	-	1.041.035	984.684	4.968	3.881.461	457.510.392	463.422.540
Disposals	-	(352.355)	(61.783)	-	-	-	(414.138)
Currency translation differences	(104.117)	(256.665)	(1.213.700)	(485.241)	(1.845.408)	(120.018.465)	(123.923.596)
Closing	1.396.124	3.903.538	16.893.780	6.509.831	27.348.463	1.916.172.847	1.972.224.583
Accumulated depreciation:							
Opening	(928.238)	(1.212.677)	(9.822.133)	(4.778.477)	(15.659.411)	(188.035.239)	(220.436.175)
Depreciation for the period	(69.912)	(194.987)	(1.080.010)	(430.788)	(1.491.853)	(46.585.901)	(49.853.451)
Disposals	-	168.179	25.911	-	-	-	194.090
Currency translation differences	66.019	84.767	705.752	341.474	1.120.856	14.114.535	16.433.403
Closing	(932.131)	(1.154.718)	(10.170.480)	(4.867.791)	(16.030.408)	(220.506.605)	(253.662.133)
Net book value	463.993	2.748.820	6.723.300	1.642.040	11.318.055	1.695.666.242	1.718.562.450

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 9 - INTANGIBLE ASSETS

30 June 2013	Brand	Software	Total
Cost:			
Opening	-	10.588.220	10.588.220
Addition of subsidiary	1.634.825	1.694.647	3.329.472
Additions	-	2.679.978	2.679.978
Currency translation differences	137.334	1.017.924	1.155.258
Closing	1.772.159	15.980.769	17.752.928
Accumulated amortization:			
Opening	-	(5.574.570)	(5.574.570)
Addition of subsidiary	(490.447)	(836.746)	(1.327.193)
Amortization for the period	(21.136)	(833.833)	(854.969)
Currency translation differences	(42.217)	(491.812)	(534.029)
Closing	(553.800)	(7.736.961)	(8.290.761)
Net book value	1.218.359	8.243.808	9.462.167
30 June 2012			
	Brand	Software	Total
Cost:			
Opening	1.722.879	9.186.839	10.909.718
Additions	-	984.218	984.218
Currency translation differences	(119.567)	(785.744)	(905.311)
Closing	1.603.312	9.385.313	10.988.625
Accumulated amortization:			
Opening	(409.183)	(4.868.094)	(5.277.277)
Amortization for the period	(41.020)	(587.473)	(628.493)
Currency translation differences	29.334	379.506	408.840
Closing	(420.869)	(5.076.061)	(5.496.930)
Net book value	1.182.443	4.309.252	5.491.695

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 10 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, which total TL 3.018.886 as of 30 June 2013 (31 December 2012: TL 3.211.251). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 1.055.512 (31 December 2012: TL 995.188) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist primarily of customer complaints and claims by the Group's former employees, in addition to a limited number of commercial claims for contractual payments or indemnity related to termination of contracts.

The İstanbul Atatürk Airport customs authority has fined the Group a total of TL 931.212 in relation to a claimed breach of temporary import regime regulations. The Group refused to pay, provided a letter of guarantee for the amount of the fine and challenged the fine before tax courts citing a relief brought by an amendment to the temporary import regime. The presiding court rejected the claims of the Group against which an appeal is filed and is pending review before the Court of Appeals. In the meantime, the customs authority filed a motion to liquidate the letter of guarantee, a decision which was also challenged by the Group and was first suspended and later cancelled by the presiding court. The cancellation decision was subsequently appealed by the customs authority and is currently under Court of Appeal review. The Group management believes that cash outflow is not probable and has not provided any provision for this fine.

In addition, a series of lawsuits have been filed by certain of the non-controlling interest shareholders of İzair in relation to İzair General Assembly decisions to increase to increase the company's share capital from TL 15.500.000 to TL 52.500.000 on 30 April 2010, to decrease İzair share capital from TL 52.500.000 to TL 2.000.000 on 23 May 2011 and from TL 2.000.000 to TL 24.500.000 on 29 June 2011. The first lawsuit is pending review of the court of first instance while claims for the cancellation of the last two of the aforementioned General Assembly decisions were dismissed by the relevant courts and are currently under the review of the Court of Appeals, following the appeals filed by the plaintiffs. The Group management believes that cash outflow is not probable and has not provided any provision for these lawsuits.

Tax penalty

The Inspection Officers of Ministry of Finance has audited the accounts and transactions of the Company for 2009, 2010, 2011 and until January 2012. As a result of this inspection, the tax inspector has challenged the VAT tax remitted on behalf of the non-resident aircraft lessor company that is party the Company's finance lease structure. The VAT rates applied by the Group were based the rates promulgated by Cabinet Decrees which are as follows:

- VAT rate in Financial Leasing for Period of 1August 2002 – 30 December 2007 is 1% (as promulgated by Cabinet Decree 2002/4480)
- VAT rate in Financial Leasing for Period of 31 December 2007-31 July 2008 is 18% (as promulgated by Cabinet Decree 2007/13033)
- VAT rate in Financial Leasing for Period after 1August 2008 is 1% (as promulgated by Cabinet Decree2008/13902)

The tax inspector has asserted that the VAT rate should have been 18% for all periods resulting a liability of TL 30.872.430 and an additional tax penalty amount of TL 46.308.645 for the audited periods. The tax inspector has challenged the applicability of the Cabinet Degree to the Group's transactions.

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 10 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Tax penalty (cont'd)

In order to mitigate any risk associated with future periods, the Group has begun to apply the 18% VAT rate from December 2012 and had filed the monthly VAT Tax Return “with objection” with the Tax Authorities based on the 18% rate. The application 18% VAT on behalf of the non-resident aircraft lessors are deductible from the Group’s VAT liability, hence does not create any additional cash outflow. This allows the Group to avoid any future penalties in the very unlikely event, that the Company does not prevail in court. The assessment of the tax inspector in relation to a liability and penalty did not include the period between 1 February 2012 and 30 November 2012 which is also contingent period.

During this process, on the official web site of the Directorate General of Revenues (www.gib.gov.tr), the Directorate of Major Taxpayers’ Tax Office has issued an individual circular order, which has been given to a taxpayer dated 21.05.2013 and number 64597866-130 [28-2013]-74. The aforesaid individual circular order comprises an opinion that, with reference to the aircraft leasing transactions executed via financial leasing abroad, the ratio of the value added tax to be calculated over the financial leasing prices shall be 1%, pursuant to the decree nr.2007/13033 annex nr.1 15th row of the list. The opinion, which has been made public by this individual circular order is without any doubt quite an open view and according to this individual circular order, based on the official view of the Revenues Administration, the ratio of the value added tax to be calculated for the aircraft leasing transactions executed from abroad is 1%.

On the other hand, a general communiqué of the Tax Law Procedure (Row nr.425) has been issued in the Official Gazette number 28600 dated 27.03.2013. According to the declarations made by this communiqué, by assessing the reports, Tax Inspection Reports Assessment Commissions of the Ministry of Finance shall apply the conformity criterion to the individual circular orders given by the Directorate General of Revenues. While assessing the reports in accordance with the conformity criterion to individual circular orders, the Reports Assessment Commissions shall take the criticized matters and the related individual circular orders given by the Directorate General of Revenues into the account and shall not be limited only to the report given and the individual circular order issued in the taxpayer’s name (if any). According to this, the Reports Assessment Commissions shall inspect all the tax inspection reports (even if the individual circular order has not been given to the taxpayer subject to the inspection) and make their assessments for the conformity criterion to the given individual circular orders and also the conformity criterion to the above mentioned individual circular order, thereto.

Management believes that the Group acted in full compliance with the Cabinet Decrees of Republic of Turkey and is intends to vigorously defend its position. Accordingly the Group has obtained opinions from legal advisers and tax experts. The Group also evaluated the private rulings issued by the Revenue Administration of Republic of Turkey which confirms the rates promulgated by Cabinet Decrees. Based on the opinions of the tax experts and the evaluation of the rulings, the Group has not provided for any provision in the accompanying consolidated financial statements.

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 11 – COMMITMENTS

Purchase commitments

	30 June 2013	31 December 2012
Commitments to purchase aircraft	16.292.711.094	16.291.577.121
	16.292.711.094	16.291.577.121

As of 30 June 2013 the Group holds firm orders for 79 aircrafts. The expected deliveries are: (i) 2 aircrafts in 2014, (ii) 4 aircrafts in 2015, (iii) 5 aircrafts in 2016, (iv) 5 aircrafts in 2017, (v) 10 aircrafts in 2018, (vi) 14 aircrafts in 2019, (vii) 13 aircrafts in 2020, (viii) 13 aircrafts in 2021, (ix) 13 aircrafts in 2022. The purchase commitments for these aircrafts were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 95.130.258 TL (31 December 2012: 89.263.443 TL) and the amount is reclassified under long term other receivables.

The Company as Lessee

Operating lease agreements:

Payments recognised as expense:

	30 June 2013	30 June 2012
Minimum lease payments	43.451.283	45.779.450
	43.451.283	45.779.450

Operating leases have remaining lease terms of between 1 to 8 years. The Company does not have the option to purchase the leased aircraft at the expiration of the lease period.

The non-cancellable operating lease liabilities as of 30 June 2013 and 31 December 2012 is as follows:

	30 June 2013	31 December 2012
Less than 1 year	103.275.019	68.153.772
Between 1 - 5 years	356.804.106	247.059.444
Over 5 years	101.032.039	90.856.996
	561.111.164	406.070.212

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NOTE 11 – COMMITMENTS (cont'd)

The non-cancellable lease agreements of İzmirliiler Otelcilik due its obligation in relation to leased land of the General Directorate of State Airports Authority is as follows:

	30 June 2013	31 December 2012
Less than 1 year	185.143	185.143
Between 1 - 5 years	617.142	709.713
	802.285	894.856

GPM given by the Group	30 June 2013	31 December 2012
A. Total amounts of GPM given on the behalf of its own legal entity	192.634.774	143.345.633
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-
D. Total amounts of other GPM given	-	-
i. Total amount of GPM given on behalf of the parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
Total	192.634.774	143.345.633

The other GPMs given by the Company constitute 0% of the Company's equity as of 30 June 2013 (31 December 2012: 0%).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 – DEFERRED INCOME

Deferred income

	30 June 2013	31 December 2012
Passenger flight liabilities	321.988.209	151.197.500
Advances received from customers	22.121.565	8.091.932
Deferred income from sale of subsidiary	12.700.140	11.881.653
Other deferred income	165.000	-
	356.974.914	171.171.085

The details of the passenger flight liabilities are as presented below;

	30 June 2013	31 December 2012
Flight liability from ticket sales	247.158.127	98.399.265
Liability from passenger airport fees received	49.318.024	25.689.738
Flight liability from flight points	25.512.058	27.108.497
	321.988.209	151.197.500

NOTE 13 - CAPITAL

The Company's shareholding structure as of 30 June 2013 and 31 December 2012 is as follows:

Shareholders:	30 June 2013		31 December 2012	
	(%)	TL	(%)	TL
Esas Holding	62,92	64.353.570	96,50	72.375.570
Publicly held	34,51	35.294.000	-	-
Emine Kamyşlı	0,86	874.810	1,17	874.810
Ali İsmail Sabancı	0,86	874.810	1,17	874.810
Kazım Köseoğlu	0,43	437.405	0,58	437.405
Can Köseoğlu	0,43	437.405	0,58	437.405
TL historic capital	100,00	102.272.000	100,00	75.000.000

The Company's share capital consists of 102.272.000 shares of par value TL 1 each. (31 December 2012: 75.000.000).

At the end of all periods presented the Company has an accumulated loss in its statutory records and has no available funds for distribution.

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 14 - SALES AND COST OF SALES

The details of sales and cost of sales as of the periods ended 30 June 2013 ve 2012 are as follows:

Sales:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Scheduled flights	763.659.246	465.383.438	573.233.589	366.364.356
<i>International scheduled flights</i>	<i>410.715.892</i>	<i>254.972.731</i>	<i>300.163.787</i>	<i>197.573.702</i>
<i>Domestic scheduled flights</i>	<i>352.943.354</i>	<i>210.410.707</i>	<i>273.069.802</i>	<i>168.790.654</i>
Ancillary revenue	143.582.132	80.217.207	101.811.036	59.620.325
Charter flights	51.210.740	46.115.710	37.988.430	33.931.735
Other revenue	23.962.715	13.558.714	13.204.037	5.926.076
AirBerlin Turkey operation revenue	8.903.949	-	73.017.901	54.506.710
	991.318.782	605.275.069	799.254.993	520.349.202

Geographical details of revenue from the scheduled flights are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Domestic	352.943.354	210.410.707	273.069.802	168.790.654
Europe	322.079.541	206.262.263	252.974.447	169.511.913
Other	88.636.351	48.710.468	47.189.340	28.061.789
	763.659.246	465.383.438	573.233.589	366.364.356

Cost of sales:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Jet fuel expenses	364.137.397	208.956.163	321.703.082	188.795.037
Personnel expenses	102.572.582	65.157.097	81.241.476	46.019.731
Navigation expenses	59.174.564	35.672.581	45.863.064	27.473.859
Handling fees	58.001.921	34.396.195	49.906.765	29.100.467
Depreciation and amortisation expenses	53.038.912	26.862.116	48.117.377	26.063.987
Operating lease expenses	43.451.283	22.000.568	45.779.450	20.023.033
Maintenance expenses	40.041.288	24.244.088	40.574.769	18.999.389
Landing expenses	24.919.790	15.081.885	17.819.643	10.784.219
Passenger service and catering expenses	10.904.923	6.189.707	9.114.886	5.409.683
Other expenses	42.511.809	23.265.386	39.483.501	23.751.673
AirBerlin Turkey operation cost of sales	11.744.533	-	83.836.818	51.699.981
	810.499.002	461.825.786	783.440.831	448.121.059

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOT 15 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing expenses and general administrative expenses as of the periods ended 30 June 2013 ve 2012 are as follows:

Marketing expenses:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Advertising expenses	25.768.198	11.889.363	21.955.707	14.276.358
Commission expenses	16.587.649	8.869.559	11.555.931	6.831.895
Personnel expenses	4.810.755	2.685.747	3.428.186	1.861.132
Call center expenses	3.887.515	2.019.639	3.282.137	1.654.001
Depreciation and amortisation expenses	683.186	372.511	454.077	217.339
Other expenses	1.247.704	635.506	692.818	327.434
	52.985.007	26.472.325	41.368.856	25.168.159

General administrative expenses:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Personnel expenses	13.532.359	9.421.740	10.482.094	6.780.656
Rent expenses	3.554.780	1.887.036	2.078.088	998.519
Depreciation and amortisation expense	2.877.821	1.590.503	1.910.490	913.613
Travel expenses	2.082.869	1.103.269	1.782.072	946.888
IT expenses	1.854.042	1.014.975	1.830.462	1.201.629
Consultancy expenses	1.706.431	838.507	1.563.726	872.199
Office utility expenses	886.995	486.180	439.888	183.554
Communication expenses	855.532	488.627	705.590	384.848
Legal and notary expenses	590.538	293.677	1.226.767	189.239
Insurance expenses	341.214	185.159	350.074	180.860
Training expenses	276.985	203.121	175.191	131.309
Subscription expenses	231.118	123.562	171.008	57.411
Office repair expenses	162.879	101.891	101.862	48.355
Other expenses	3.913.264	2.450.104	2.111.642	618.977
	32.866.827	20.188.351	24.928.954	13.508.057

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 16 - OTHER OPERATING INCOME / EXPENSES

The details of other operating income/expenses as of the periods ended 30 June 2013 ve 2012 are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange gain from operating activities	3.979.973	(16.454.794)	49.003.878	49.152.769
Income from sale and leaseback transactions	2.021.635	514.387	-	-
Rent income	211.367	147.694	-	-
Discount cancellation income	-	-	421.863	328.571
Other income	1.120.840	136.922	757.515	384.588
	7.333.815	(15.655.791)	50.183.256	49.865.928

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Penalty expenses	305.946	293.816	248.988	122.183
Receivable discount expense	163.629	214.192	-	-
Other expense	850.400	173.795	242.480	18.622
	1.319.975	681.803	491.468	140.805

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 17 – INCOME / EXPENSES FROM INVESTING ACTIVITIES

The details of other operating income/expenses as of the periods ended 30 June 2013 ve 2012 are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange gain from investing activities	1.479.403	(1.040.438)	-	-
Other income	79.053	79.053	125.966	125.966
	1.558.456	(961.385)	125.966	125.966

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange loss from investing activities	-	-	2.815.205	(3.451.651)
	-	-	2.815.205	(3.451.651)

NOTE 18 - FINANCIAL INCOME

The details of financial income as of the periods ended 30 June 2013 ve 2012 are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Interest income	10.521.022	9.063.731	716.909	509.909
Foreign exchange gain (realized and unrealized) on derivative contracts	7.950.074	(3.498.431)	6.893.458	9.141.886
	18.471.096	5.565.300	7.610.367	9.651.795

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 19 - FINANCIAL EXPENSES

The details of financial expenses as of the periods ended 30 June 2013 ve 2012 are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange loss	37.227.201	9.826.098	64.378.815	66.053.202
Commission expenses	10.407.886	5.302.333	8.724.584	4.809.040
Interest on obligations under finance leases	2.499.859	1.231.454	5.560.970	2.518.764
Interest expense on bank loans	1.491.607	870.760	6.281.864	2.892.922
	51.626.553	17.230.645	84.946.233	76.273.928

NOTE 20- EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 30 June 2013 and 2012 is as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Net profit / (loss) – attributable to equity holders of the parent	47.014.274	53.336.461	(69.711.540)	35.656.702
Weighted average number of shares issued in the period	85.454.267	95.908.533	75.000.000	75.000.000
Gain / (loss) per share	0,55	0,56	(0,93)	0,48

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 21 - RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivable and payables resulting from operating activities are generally settled in normal course of business.

(i) **Balances with related parties**

a) **Due from related parties**

	30 June 2013	31 December 2012
Balances with joint ventures:		
PUEM	-	181.718
İzair	-	16.358
	-	198.076

b) **Due to related parties**

	30 June 2013	31 December 2012
Balances with parent company:		
Esas Holding	1.388.860	2.434.041
Balances with joint ventures:		
PUEM	101.318	-
İzair	-	825.016
Balances with other related parties:		
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	66.325	216.535
RM Arşiv Yönetim Hizmetleri A.Ş.	3.003	3.756
	1.559.506	3.479.348

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 21 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant transactions with related parties:

The significant transactions with Esas Holding consist of the financial guarantee Esas provides for aircraft acquisitions and their related commissions. The Group records these commissions within finance expense.

The Group also leases its head office building from Esas Holding A.Ş. and EAG Turizm ve İnşaat Sanayi Ticaret A.Ş., another Esas Holding subsidiary, and records rent expense as disclosed below.

The Group has significant transactions with Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. ("Callpex") that provide call center services to Pegasus. The Company's chairman is a shareholder in Callpex.

The Group provides maintenance services to İzair. The Group also receives simulator training services from PUEM for its pilots.

(a) Sale of services

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Balances with parent company:				
Esas Holding	-	-	116.858	-
Balances with joint ventures:				
İzair	1.064.038	-	-	-
PUEM	391.472	201.374	76.567	41.154
	1.455.510	201.374	193.425	41.154

(b) Purchases of goods or services

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Balances with joint ventures:				
PUEM	2.438.404	1.359.517	1.892.492	964.998
İzair	1.091.086	-	-	-
Purchases from other related parties:				
Callpex	3.643.672	1.879.792	3.099.101	1.552.219
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	420.719	173.252	-	-
RM Arşiv Yönetim Hizmetleri A.Ş.	12.186	5.727	9.365	3.652
Mars Sinema Turizm ve Sportif	-	-	-	-
Tesisler İşletmeciliği A.Ş.	47.000	-	-	-
Other	34.879	34.879	-	-
	7.687.946	3.453.167	5.000.958	2.520.869

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 21 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant transactions with related parties(cont'd)

(c) Rent expenses

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	413.966	211.972	-	-
Esas Holding	-	-	269.824	135.058
İzmirliiler Otelcilik	-	-	63.720	-
	413.966	211.972	333.544	135.058

(d) Commission expenses

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Esas Holding	5.974.777	4.006.971	4.597.194	1.989.419
	5.974.777	4.006.971	4.597.194	1.989.419

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0.575% of the 115% of the amount guaranteed.

(ii) Compensation of key management personnel:

Key management personnel include General Manager and Assistant General Managers. The remuneration of directors and other members of key management during the period ended 30 June 2013 and 2012 are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Salaries and other short term benefits	2.464.483	1.925.257	1.123.455	666.290
	2.464.483	1.925.257	1.123.455	666.290

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 22 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL
INSTRUMENTS**

Foreign currency risk management

The Group has significant transactions in non-euro currencies including, but not limited to, Turkish Lira revenues, non-euro borrowings and US dollars fuel purchases. These non-euro denominated transactions expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Foreign currency position of the Group for the periods ended 30 June 2013 and 31 December 2012 are as follows:

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

30 June 2013	TL Total	USD	TL	GBP	Other
1. Trade receivables	158.031.819	7.862.018	132.234.538	785.573	8.363.368
2a. Monetary financial assets	802.897.515	22.675.922	748.545.269	1.641.432	5.897.549
2b. Non monetary financial assets	-	-	-	-	-
3. Other	3.944.570	1.228.796	1.452.321	19.988	68.514
4. CURRENT ASSETS	964.873.904	31.766.736	882.232.128	2.446.993	14.329.431
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	101.918.550	52.768.076	154.977	19.800	137.582
8. NON CURRENT ASSETS	101.918.550	52.768.076	154.977	19.800	137.582
9. TOTAL ASSETS	1.066.792.454	84.534.812	882.387.105	2.466.793	14.467.013
10. Trade payables	101.402.947	20.373.874	43.340.949	140.237	18.435.583
11. Financial liabilities	27.946.818	14.519.336	-	-	-
12a. Other liabilities, monetary	86.547.947	6.761.018	72.156.087	185.801	834.004
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	215.897.712	41.654.228	115.497.036	326.038	19.269.587
14. Trade payables	-	-	-	-	-
15. Financial liabilities	219.333.120	113.951.122	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	219.333.120	113.951.122	-	-	-
18. TOTAL LIABILITIES	435.230.832	155.605.350	115.497.036	326.038	19.269.587
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	400.995.483	254.938.670	(59.920.000)	(8.265.122)	(5.580.273)
19.a Off-balance sheet foreign currency derivative assets	490.705.952	254.938.670	-	-	-
19b. Off-balance sheet foreigncurrency derivative liabilities	89.710.469	-	59.920.000	8.265.122	5.580.273
20. Net foreign currency asset/(liability) position	631.561.622	(71.070.538)	766.890.069	2.140.755	(4.802.574)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	525.698.502	(125.067.410)	765.282.771	2.100.967	(5.008.670)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

31 December 2012	TL Total	USD	TL	GBP	Other
1. Trade receivables	14.278.573	830.515	9.369.706	578.822	751.248
2a. Monetary financial assets	186.086.901	19.037.271	143.250.547	1.287.167	2.213.427
2b. Non monetary financial assets	-	-	-	-	-
3. Other	49.175.385	25.730.041	2.032.358	126.815	388.057
4. CURRENT ASSETS	249.540.859	45.597.827	154.652.611	1.992.804	3.352.732
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	89.263.443	50.074.861	-	-	-
8. NON CURRENT ASSETS	89.263.443	50.074.861	-	-	-
9. TOTAL ASSETS	338.804.302	95.672.688	154.652.611	1.992.804	3.352.732
10. Trade payables	69.513.224	18.918.991	34.543.853	66.675	447.748
11. Financial liabilities	28.674.389	14.544.264	2.747.783	-	-
12a. Other liabilities, monetary	75.915.162	18.906.333	40.963.033	52.242	467.630
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	174.102.775	52.369.588	78.254.669	118.917	915.378
14. Trade payables	-	-	-	-	-
15. Financial liabilities	216.117.348	121.237.153	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	216.117.348	121.237.153	-	-	-
18. TOTAL LIABILITIES	390.220.123	173.606.741	78.254.669	118.917	915.378
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	273.739.149	208.318.597	(73.312.500)	(5.327.693)	(4.654.779)
19.a Off-balance sheet foreign currency derivative assets	371.348.731	208.318.597	-	-	-
19b. Off-balance sheet foreigncurrency derivative liabilities	97.609.582	-	73.312.500	5.327.693	4.654.779
20. Net foreign currency asset/(liability) position	(51.415.821)	(77.934.053)	76.397.942	1.873.887	2.437.354
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(189.854.648)	(153.738.955)	74.365.584	1.747.073	2.049.297

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily with respect to the US Dollar and Turkish Lira.

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollars, and TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Foreign currency sensitivity tables as of 30 June 2013 and 31 December 2012 are as follows:

30 June 2013	Profit/Loss		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / liability	(13.679.657)	13.679.657	-	-
Part of hedged from USD risk	49.070.595	(49.070.595)	-	-
USD net effect	35.390.938	(35.390.938)	-	-
Effect of 10% change in TL rate				
TL net asset / liability	76.689.007	(76.689.007)	90.270.909	(90.270.909)
Part of hedged from TL risk	(5.992.000)	5.992.000	-	-
TL net effect	70.697.007	(70.697.007)	90.270.909	(90.270.909)
31 December 2012	Profit/Loss		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / liability	(13.892.524)	13.892.524	-	-
Part of hedged from USD risk	37.134.873	(37.134.873)	-	-
USD net effect	23.242.349	(23.242.349)	-	-
Effect of 10% change in TL rate				
TL net asset / liability	7.639.794	(7.639.794)	31.543.356	(31.543.356)
Part of hedged from TL risk	(7.331.250)	7.331.250	-	-
TL net effect	308.544	(308.544)	31.543.356	(31.543.356)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 23 – SUBSEQUENT EVENTS

Aircraft engine purchase agreement

The board of directors of company resolved to choose CFMI's "Leap" type engine from among the options available for the 100 A320neo/A321neo aircraft order (75 firm order and 25 being subject to option) which was announced on 18 December 2012 and to fully authorize the Chairman of the Board of Directors and the Company General Manager for the execution of the Engine Purchase Agreement and maintenance agreement for the engines covering a period of up to 20 years as of the date of delivery for each engine with CFMI. As a result of the engine choice the delivery of these A320neo/A321neo aircraft will commence in 2016.

Aircraft lease agreement

The board of directors of company resolved for the lease of 4 A320-200 aircraft from Avolon Aerospace Leasing Limited for a lease term of 8 years and fully authorized the Chairman of the Board of Directors and the Company General Manager for the execution of the definitive lease agreement in this respect.

NOTE 24 - OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE

Rearrangement of the prior year financial statements

The Company has rearranged the prior year consolidated financial statements in accordance with the format of the financial statements and disclosures announced by Capital Markets Board of Turkey on 7 June 2013, in order to ensure comparability due to the changes of presentation and reclassification of items in the financial statements. These reclassifications have no effect over the prior period's equity and net profit/(loss) accounts. The Company has only detailed the reclassifications over 31 December 2012 consolidated balance sheet since 30 June 2012 financials had not been published previously as a result of the initial public offering with 31 December 2012 financials.

- Under the current assets, the trade receivables reclassification (2.113.993 TL) consists of other income accruals that was previously classified under other current assets.
- Under the current assets, the other receivables reclassification (3.722.701 TL) consists of other receivables that was previously classified under other current assets.
- Under the current assets, the derivative financial instruments reclassification (14.898.232 TL) consists of the fair value of derivative asset that was previously shown as financial investments.
- Under the current assets, the prepaid expenses reclassifications (33.606.729 TL) consist of given advances to suppliers (16.789.339 TL), prepaid aircraft operating lease expense (6.679.399 TL), prepaid insurance expense (6.258.255 TL), prepaid advertising expense (2.053.827 TL), prepaid taxes and funds (466.241 TL) and other prepaid expenses (1.359.668 TL) that were previously classified under other current assets.
- Under the non-current assets, the prepaid expenses reclassifications (89.425.589 TL) consist of advances on aircraft purchases (89.263.443 TL) and other prepaid expenses (162.146 TL) that were previously classified under non-current other receivables.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 24 - OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR
NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE
AND UNDERSTANDABLE (cont'd)**

Rearrangement of the prior year financial statements (cont'd)

- Under the current liabilities, short term portion of long term financial liabilities reclassification (135.232.251 TL) consists of short term portion of long term finance lease obligations that was previously classified under short term financial liabilities.
- Under the current liabilities, other trade payables reclassifications (41.111.399 TL) consist of accrued direct operational costs (32.092.227 TL), commission expense accruals (6.088.344 TL) and other expense accruals (2.930.828 TL) that were previously classified under other current liabilities.
- Under the current liabilities, employee benefit obligation reclassifications (4.916.097 TL) consist of social security premiums payable (2.728.085 TL) that was previously classified under other current liabilities, payables to personnel (2.165.949 TL) that was classified under provision for employee benefits and other payables (22.063 TL) that was classified under other current liabilities.
- Under the current liabilities, the derivative financial instruments reclassification (3.006.145 TL) consists of the fair value of derivative instruments that was previously shown as other financial liabilities.
- Under the current liabilities, the deferred income reclassifications (171.171.085 TL) consist of the passenger flight liabilities (125.507.762 TL), liabilities from passenger airport fees received (25.689.738 TL), deferred income from sale of subsidiary interest (11.881.653 TL) and advances received from customers (8.091.932 TL) that were previously classified under other current payables and liabilities.
- Under the current liabilities, the other short term provisions reclassifications (4.505.707 TL) consist of redelivery provision (3.510.519 TL) and provision for litigation claims (995.188 TL) that were previously classified under other current payables and liabilities.
- Under the non-current liabilities, the deferred income classifications (1.546.783 TL) consist of income relating to future periods (407.403 TL) and other non-current liabilities (1.139.380 TL) that were previously classified under other non-current liabilities.
- Under the non-current liabilities, the other long term provisions reclassification (24.786.593) consists of redelivery provision that was previously classified under other non-current liabilities.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 24 - OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE (cont'd)

Rearrangement of the prior year financial statements (cont'd)

ASSETS	Previously reported 31 December 2012	Reclassifications	Rearranged 31 December 2012
Current assets	339.329.147		339.329.147
Cash and cash equivalents	210.150.238	-	210.150.238
Financial investments	14.898.232	(14.898.232)	-
Trade receivables	41.871.360	2.113.993	43.985.353
Other receivables	30.865.636	3.722.701	34.588.337
Derivative financial instruments	-	14.898.232	14.898.232
Inventories	1.882.592	-	1.882.592
Prepaid expenses	-	33.606.729	33.606.729
Other current assets	39.661.089	(39.443.423)	217.666
Non-Current assets	1.869.681.888	-	1.869.681.888
Other receivables	132.838.505	(89.425.589)	43.412.916
Investments accounted for using the equity method	1.512.211	-	1.512.211
Property and equipment	1.730.317.522	-	1.730.317.522
Intangible assets	5.013.650	-	5.013.650
Prepaid expenses	-	89.425.589	89.425.589
TOTAL ASSETS	2.209.011.035	-	2.209.011.035

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 24 - OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE (cont'd)

Rearrangement of the prior year financial statements (cont'd)

LIABILITIES	Previously reported 31 December 2012	Reclassifications	Rearranged 31 December 2012
Current liabilities	538.075.762	-	538.075.762
Short term financial liabilities	185.954.714	(135.232.251)	50.722.463
Short term portion of long term financial liabilities	-	135.232.251	135.232.251
Other financial liabilities	3.006.145	(3.006.145)	-
Trade payables	88.538.575	41.111.399	129.649.974
<i>Other trade payables</i>	85.059.227	41.111.399	126.170.626
<i>Trade payables to related parties</i>	3.479.348	-	3.479.348
Employee benefit obligations	-	4.916.097	4.916.097
Other payables	9.555.176	(2.728.085)	6.827.091
Derivative financial instruments	-	3.006.145	3.006.145
Deferred income	-	171.171.085	171.171.085
Short term provisions	26.210.428	2.339.758	28.550.186
<i>Short term provisions for employee benefits</i>	26.210.428	(2.165.949)	24.044.479
<i>Other short term provisions</i>	-	4.505.707	4.505.707
Other current liabilities	224.810.724	(216.810.254)	8.000.470
Non-Current liabilities	1.343.583.125	-	1.343.583.125
Financial liabilities	1.240.919.331	-	1.240.919.331
Deferred income	-	1.546.783	1.546.783
Long term provisions	4.149.445	24.786.593	28.936.038
<i>Long term provisions for employee benefits</i>	4.149.445	-	4.149.445
<i>Other long term provisions</i>	-	24.786.593	24.786.593
Deferred tax liabilities	72.180.973	-	72.180.973
Other non-current liabilities	26.333.376	(26.333.376)	-
SHAREHOLDERS' EQUITY	327.352.148	-	327.352.148
Equity attributable to shareholders' of the parent	327.352.148	-	327.352.148
Paid-in share capital	75.000.000	-	75.000.000
Effects of business acquisition	29.504.957	-	29.504.957
Premiums on capital stock	-	-	-
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences	72.735.810	-	72.735.810
Hedge fund	11.918.586	-	11.918.586
Retained earnings	11.889.279	-	11.889.279
Net profit for the period	126.303.516	-	126.303.516
Non-controlling interest	-	-	-
TOTAL LIABILITIES AND EQUITY	2.209.011.035	-	2.209.011.035