

CONVENIENCE TRANSLATION OF  
THE 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 2015 TOGETHER WITH  
THE INDEPENDENT AUDITOR'S  
LIMITED REVIEW REPORT

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

**To the Board of Directors of Pegasus Hava Tařımacılıđı A.ř.**

### *Introduction*

We have reviewed the accompanying condensed consolidated balance sheet of Pegasus Hava Tařımacılıđı A.ř. and its subsidiaries (together will be referred as the “Group”) as of 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. 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 Independent Auditing Standards 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 consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

**DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜřAVİRLİK A.ř.**  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Gökhan Alpman  
Partner

İstanbul, 12 August 2015

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET  
AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Reviewed) 30 June 2015	Prior year (Audited) 31 December 2014
<b>ASSETS</b>			
<b>Current assets</b>		<b>1.752.350.962</b>	<b>1.508.849.889</b>
Cash and cash equivalents	26	1.097.609.415	856.890.769
Trade receivables	6	389.497.253	233.180.223
<i>Trade receivables from related parties</i>		-	-
<i>Trade receivables from third parties</i>	6	389.497.253	233.180.223
Other receivables		210.216.854	289.309.942
<i>Other receivables from related parties</i>	5	355.697	301.172
<i>Other receivables from third parties</i>		209.861.157	289.008.770
Derivative financial instruments	21	3.771.761	6.576.885
Inventories		9.858.520	7.663.964
Prepaid expenses		37.307.102	106.102.556
Current income tax assets		2.279.966	6.934.519
Other current assets		1.810.091	2.191.031
<b>Non-Current assets</b>		<b>2.235.535.429</b>	<b>2.025.868.636</b>
Other receivables		25.891.949	41.943.524
<i>Other receivables from related parties</i>		-	-
<i>Other receivables from third parties</i>		25.891.949	41.943.524
Investment accounted by using the equity method	3	20.626.498	2.458.775
Property and equipment	8	2.055.122.098	1.931.512.646
Intangible assets	9	11.540.013	11.471.044
Prepaid expenses		112.674.435	25.081.645
Deferred tax assets		9.680.436	13.401.002
<b>TOTAL ASSETS</b>		<b>3.987.886.391</b>	<b>3.534.718.525</b>

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 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Reviewed) 30 June 2015	Prior year (Audited) 31 December 2014
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>1.176.879.376</b>	<b>862.779.698</b>
Short term financial liabilities	22	5.374.206	4.504.480
Short term portion of long term financial liabilities	22	188.607.002	162.765.963
Trade payables	6	267.083.737	196.386.561
<i>Trade payables to related parties</i>	5	1.375.146	85.569
<i>Trade payables to third parties</i>		265.708.591	196.300.992
Employee benefit obligations		10.505.765	8.641.269
Other payables		28.376.086	13.236.652
<i>Other payables to related parties</i>		-	-
<i>Other payables to third parties</i>		28.376.086	13.236.652
Derivative financial instruments	21	115.013.541	182.607.585
Deferred income	7	525.307.045	264.344.800
Short term provisions		32.268.353	30.061.681
<i>Short term provisions for employee benefits</i>		29.476.209	27.240.263
<i>Other short term provisions</i>		2.792.144	2.821.418
Other current liabilities		4.343.641	230.707
<b>Non-Current liabilities</b>		<b>1.597.316.560</b>	<b>1.510.778.611</b>
Long term financial liabilities	22	1.225.352.120	1.186.991.297
Derivative financial instruments	21	29.476.745	62.316.092
Deferred income		10.565.314	7.725.108
Long term provisions		176.848.427	125.104.840
<i>Long term provisions for employee benefits</i>		5.103.848	6.192.649
<i>Other long term provisions</i>		171.744.579	118.912.191
Deferred tax liability		155.073.954	128.641.274
<b>SHAREHOLDERS' EQUITY</b>		<b>1.213.690.455</b>	<b>1.161.160.216</b>
<b>Equity attributable to shareholders' of the parent</b>		<b>1.217.872.638</b>	<b>1.161.283.251</b>
Paid-in share capital	14	102.272.000	102.272.000
Effects of business acquisition		29.504.957	29.504.957
Share premiums on capital stock		455.687.025	455.687.025
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		324.728.547	258.696.079
Hedge fund		(28.544.652)	(58.095.258)
Restricted profit reserves		9.806.631	-
Retained earnings		363.411.817	229.876.620
Net (loss) / profit for the period / year		(38.993.687)	143.341.828
<b>Non-controlling interest</b>		<b>(4.182.183)</b>	<b>(123.035)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.987.886.391</b>	<b>3.534.718.525</b>

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period	Current period	Prior period	Prior period
		(Reviewed)	(Not Reviewed)	(Reviewed)	(Not Reviewed)
Profit or loss		1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Sales	15	1.417.042.133	833.895.804	1.305.376.003	794.552.706
Cost of sales (-)	15	(1.389.494.570)	(770.985.350)	(1.218.940.735)	(657.236.815)
<b>Gross profit</b>		<b>27.547.563</b>	<b>62.910.454</b>	<b>86.435.268</b>	<b>137.315.891</b>
General administrative expenses (-)	16	(47.067.736)	(24.867.549)	(41.261.326)	(22.682.965)
Marketing expenses (-)	16	(82.871.997)	(47.599.229)	(77.238.025)	(33.412.443)
Other operating income	17	56.090.056	(26.986.063)	10.087.979	22.433.304
Other operating expenses (-)	17	(1.668.643)	(512.242)	(1.699.784)	(1.231.841)
<b>Operating (loss)/profit</b>		<b>(47.970.757)</b>	<b>(37.054.629)</b>	<b>(23.675.888)</b>	<b>102.421.946</b>
Income from investing activities	18	11.997.392	3.232.906	10.476	10.476
Expenses from investing activities (-)	18	-	-	(71.874)	(1.877.334)
Share of investments profit/(loss) accounted for using the equity method	3	1.800.720	1.625.150	789.191	(177.558)
<b>Operating (loss)/profit before financial (expense)/income</b>		<b>(34.172.645)</b>	<b>(32.196.573)</b>	<b>(22.948.095)</b>	<b>100.377.530</b>
Financial income	19	35.517.490	43.799.344	71.910.392	18.786.923
Financial expense (-)	19	(28.584.811)	7.636.750	(54.247.341)	(10.084.638)
<b>(Loss)/profit before tax</b>		<b>(27.239.966)</b>	<b>19.239.521</b>	<b>(5.285.044)</b>	<b>109.079.815</b>
<b>Tax expense</b>		<b>(14.911.331)</b>	<b>19.254.693</b>	<b>(12.637.199)</b>	<b>(22.477.463)</b>
Current tax expense		-	-	-	-
Deferred tax expense		(14.911.331)	19.254.693	(12.637.199)	(22.477.463)
<b>(Loss)/profit for the period</b>		<b>(42.151.297)</b>	<b>38.494.214</b>	<b>(17.922.243)</b>	<b>86.602.352</b>
<b>Net (loss)/income attributable to:</b>					
Shareholders' of the parent		(38.993.687)	35.292.631	(15.394.928)	87.157.869
Non-controlling interest		(3.157.610)	3.201.583	(2.527.315)	(555.517)
		<b>(42.151.297)</b>	<b>38.494.214</b>	<b>(17.922.243)</b>	<b>86.602.352</b>
(Loss)/Earnings per share (TL)	20	(0,38)	0,35	(0,15)	0,85
<b>Other comprehensive income/(loss)</b>					
<b>Items to be reclassified to profit or loss</b>					
Currency translation differences		65.130.930	65.327.966	(11.584.124)	(42.829.243)
Cash flow hedge		29.550.606	(1.236.341)	(81.765)	2.592.389
Gain/(loss) on derivative contracts		36.938.256	(1.545.430)	(102.206)	3.240.487
Taxes related to other comprehensive income/(loss) items to be reclassified to profit or loss					
Deferred tax effect		(7.387.650)	309.089	20.441	(648.098)
<b>Other comprehensive income/(loss)</b>		<b>94.681.536</b>	<b>64.091.625</b>	<b>(11.665.889)</b>	<b>(40.236.854)</b>
<b>Total comprehensive income/(loss)</b>		<b>52.530.239</b>	<b>102.585.839</b>	<b>(29.588.132)</b>	<b>46.365.498</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Shareholders' of the parent		56.589.387	99.363.567	(27.376.933)	46.792.237
Non-controlling interest		(4.059.148)	3.222.272	(2.211.199)	(426.739)
		<b>52.530.239</b>	<b>102.585.839</b>	<b>(29.588.132)</b>	<b>46.365.498</b>

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

(Convenience Translation of The 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 PERIOD 1 JANUARY - 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

	Other comprehensive income/(loss) items to be reclassified to profit or loss					Retained earnings			Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
	Paid in share capital	Effects of business acquisition	Share premiums on capital stock	Currency translation differences	Hedge fund	Restricted profit reserves	Retained earnings	Net profit/(loss) for the period			
<b>As at 1 January 2014</b>	<b>102.272.000</b>	<b>29.504.957</b>	<b>455.687.025</b>	<b>308.022.092</b>	<b>20.321.546</b>	-	<b>138.192.795</b>	<b>91.683.825</b>	<b>1.145.684.240</b>	<b>542.845</b>	<b>1.146.227.085</b>
Transfers	-	-	-	-	-	-	91.683.825	(91.683.825)	-	-	-
Total comprehensive loss	-	-	-	(11.900.240)	(81.765)	-	-	(15.394.928)	(27.376.933)	(2.211.199)	(29.588.132)
<b>As at 30 June 2014</b>	<b>102.272.000</b>	<b>29.504.957</b>	<b>455.687.025</b>	<b>296.121.852</b>	<b>20.239.781</b>	-	<b>229.876.620</b>	<b>(15.394.928)</b>	<b>1.118.307.307</b>	<b>(1.668.354)</b>	<b>1.116.638.953</b>
<b>As at 1 January 2015</b>	<b>102.272.000</b>	<b>29.504.957</b>	<b>455.687.025</b>	<b>258.696.079</b>	<b>(58.095.258)</b>	-	<b>229.876.620</b>	<b>143.341.828</b>	<b>1.161.283.251</b>	<b>(123.035)</b>	<b>1.161.160.216</b>
Transfers	-	-	-	-	-	9.806.631	133.535.197	(143.341.828)	-	-	-
Total comprehensive income / (loss)	-	-	-	66.032.468	29.550.606	-	-	(38.993.687)	56.589.387	(4.059.148)	52.530.239
<b>As at 30 June 2015</b>	<b>102.272.000</b>	<b>29.504.957</b>	<b>455.687.025</b>	<b>324.728.547</b>	<b>(28.544.652)</b>	<b>9.806.631</b>	<b>363.411.817</b>	<b>(38.993.687)</b>	<b>1.217.872.638</b>	<b>(4.182.183)</b>	<b>1.213.690.455</b>

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 PERIOD 1 JANUARY - 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Reviewed) 1 January - 30 June 2015	Prior period (Reviewed) 1 January - 30 June 2014
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period		(42.151.297)	(17.922.243)
<b>Adjustments to reconcile the net loss</b>			
Depreciation and amortization	8-9	83.312.912	83.502.454
Provision for employee benefits		20.814.617	21.279.809
Provision for doubtful receivable	17	322.916	33.882
Current tax expense		14.911.331	12.637.199
Interest and commission (income)/expense	19	(774.675)	(13.342.196)
Gain on equity investments accounted for using the equity method	3	(1.800.720)	(789.191)
Change in maintenance reserves and redelivery provision		33.862.351	21.588.556
Change in derivative financial instruments		(60.690.005)	(26.889.489)
Legal provision		651.684	(255.124)
<b>Changes in working capital</b>			
Increase in trade receivables		(156.625.596)	(145.313.348)
Increase in inventories		(2.194.556)	(902.706)
Decrease in other receivables, prepaid expenses and other current assets		97.101.203	6.550.166
Increase in trade payables		70.697.176	59.489.557
Increase in deferred income, other payables and other current liabilities		293.920.446	265.958.708
<b>Net cash generated from operating activities</b>		<b>351.357.787</b>	<b>265.626.034</b>
Payment for employee, executive bonus plan and retirement benefits		(20.034.163)	(22.255.757)
Payment for litigation provisions		(717.705)	(21.932)
Penalty and compensation paid		(18.544)	-
		<b>330.587.375</b>	<b>243.348.345</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash outflows from purchase of property, equipment and intangible assets (*)		(39.990.078)	(29.927.230)
Changes in pre-delivery payment on aircraft purchases		(5.064.300)	18.936.123
Proceeds from sale of property, equipment and intangible assets		22.554	2.153.277
Payment for purchase of joint venture		(11.499.750)	-
		<b>(56.531.574)</b>	<b>(8.837.830)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of principal in finance lease liabilities		(89.540.123)	(88.247.886)
Interest and commission paid		(17.034.771)	(18.027.053)
Interest received		17.782.262	28.948.972
Net increase in borrowings		869.726	7.082.354
		<b>(87.922.906)</b>	<b>(70.243.613)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)</b>			
		<b>186.132.895</b>	<b>164.266.902</b>
<b>D. CURRENCY TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS</b>			
		54.585.751	(15.599.179)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>240.718.646</b>	<b>148.667.723</b>
<b>E. CASH AND CASH EQUIVALENTS</b>			
<b>AT THE BEGINNING OF THE PERIOD</b>	26	856.890.769	877.401.671
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	26	<b>1.097.609.415</b>	<b>1.026.069.394</b>

(\*) TL 49.647.383 of tangible and intangible assets acquisitions in total of TL 89.637.461 was financed through finance leases for the period ended 30 June 2015 (30 June 2014: None of tangible and intangible assets acquisitions 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 AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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 30 June 2015 and 31 December 2014 are as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Esas Holding A.Ş. (“Esas Holding”)	62,92%	62,92%
Publicly held	34,51%	34,51%
Sabancı Family Members	2,57%	2,57%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

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 2015 is 3.890 (31 December 2014: 3.608). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

### Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 30 June 2015 and delegated authority for publishing it on 12 August 2015. General shareholders’ meeting has the authority to modify the financial statements.

### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### Statement of Compliance with TAS

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.

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/IFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2015**

(Amounts are expressed in TL unless otherwise stated.)

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

**2.1 Basis of Presentation (cont'd)**

**Statement of Compliance with TAS (cont'd)**

The Group has prepared the financial statements and its notes for the interim period ended 30 June 2015 in accordance with TAS 34 “Interim Financial Reporting”.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. The accompanying condensed 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**

Euro is the functional currency of the entities excluding Air Manas that comprise the Group as it is the currency in which the operations are primarily transacted. US Dollar is the functional currency of Air Manas. Presentation currency of the Group’s financial statements is Turkish Lira (“TL”). Financial Statements have been translated from Euro and US Dollar to TL in accordance with the relevant provisions of TAS 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; 30 June 2015: 1 Euro (€) = TL 2,9822, 1 US Dollar (\$) = TL 2,6863 (31 December 2014: 1 Euro (€) = TL 2,8207, 1 US Dollar (\$) = TL 2,3189)
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions and translated from US Dollar to TL using the TCMB US Dollar average buying rates.

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

**Comparative Information and Reclassification of Prior Period Financial Statements**

Condensed consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current year condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has made several reclassifications in the prior period consolidated financial statements in order to maintain consistency with current period consolidated financial statements. There is no effect of these reclassifications in the prior period equity and statement of profit or loss. The nature, amount and reasons for each of the reclassifications are described below:

- In the statement of profit or loss, TL 5.802.080 that was previously presented in other expenses under cost of sales have been reported by netting off scheduled flights revenue within the 30 June 2014 period.

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(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)

###### Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 June 2015 and 31 December 2014:

Name of the company	Principal activity	Participation rate		Country of registration and operation
		30 June 2015	31 December 2014	
IHY İzmir Havayolları A.Ş. ("İzair")	Air transportation	69%	69%	Turkey
Air Company "Air Manas" LTD ("Air Manas") (*)	Air transportation	49%	49%	Kyrgyzstan

(\*) In accordance with its rights arising from Air Manas Articles of Association, the Company has the right to control Air Manas operations with 49% shareholding rate and therefore, Air Manas was included in line by line consolidation as a subsidiary as of 30 June 2015 and 31 December 2014.

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 30 June 2015 and 31 December 2014:

Name of the company	Principal activity	Participation rate		Country of registration and operation
		30 June 2015	31 December 2014	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar") (*)	Information system solutions	40%	-	Turkey

(\*) The Group purchased shares representing 40% capital of Hitit Bilgisayar Hizmetleri A.Ş.'s that provides information system solutions for transportation industry on 26 March 2015.

##### 2.2 Significant Accounting Policies

Condensed consolidated financial statements for the interim period with respect to the period ending on 30 June 2015 are prepared in accordance with TAS 34 standard pertaining to the preparation of TAS's interim period condensed financial statements. Further, condensed consolidated financial statements with respect to the period ending on 30 June 2015 are prepared upon applying such accounting policies that are consistent with the accounting policies applied during preparation of the consolidated financial statements corresponding to the year ending on 31 December 2014. Therefore, such interim period condensed consolidated financial statements have to be assessed together with the consolidated financial statements corresponding to the year ending on 31 December 2014.

##### 2.3 Changes in Accounting Estimates

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 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

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

2.4 Application of New and Revised Turkish Accounting Standards (TAS)

(a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

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

Amendments to TAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TMS 37, TMS 39</i> <sup>1</sup>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 30 June 2014.

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

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

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to TAS 16, TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36, TAS 40	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations</i> <sup>1</sup>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1</i> <sup>2</sup>
Amendments to TAS 1	<i>Disclosure Initiative</i> <sup>2</sup>
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> <sup>2</sup>
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>
TFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

The Group evaluate the effects of these standards on the condensed consolidated financial statements.

2.5 Seasonality on Operations

Due to seasonality of air passenger transportation, Company expected to incur higher sales revenue in the second half of the year compared to the first half. As a result of higher sales with the effect of summer season and growth of the Company, cash and cash equivalents, trade receivables & payables and passenger flight liabilities under deferred income increased as of 30 June 2015 compared to last year-end.

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of investments accounted for using the equity method are as follows:

	30 June 2015	31 December 2014
<b>Joint ventures</b>		
PUEM	3.004.646	2.458.775
Hitit Bilgisayar (*)	17.621.852	-
	<b>20.626.498</b>	<b>2.458.775</b>

(\*) The Group acquired 40% shares of Hitit Bilgisayar Hizmetleri A.Ş. which provides information system solutions for transportation industry with a purchase price of US Dollar 4.500.000 on 26 March 2015. The Group accounted for Hitit Bilgisayar at its acquisition cost and disclosed it under investments accounted for using the equity method in the financial statements as of 30 June 2015. As part of the share purchase agreement, the Group are granted by the selling shareholders with a call option for additional Group (B) registered shares representing a further 10% of the share of Hitit Bilgisayar for a total consideration of US Dollar 1.500.000, such call option becoming exercisable on 4 April 2016. Subject to the same terms and conditions, the selling shareholders have been granted a put option for the same 10% additional stake constituting the subject matter of the call option. Therefore, the stated call option amount has been accounted under investments accounted for using equity method and other current liabilities. Based on IFRS 3 “Business Combinations” paragraphs 45-49, in the measurement period one year from the acquisition date, the Group would be able to make changes in accounted amounts if any and would comply with disclosure requirements like fair value of the investment and if any, recognition of goodwill.

Total profit from investments accounted for using the equity method is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
PUEM	388.277	212.707	789.191	(177.558)
Hitit Bilgisayar (*)	1.412.443	1.412.443	-	-
<b>Net profit / (loss)</b>	<b>1.800.720</b>	<b>1.625.150</b>	<b>789.191</b>	<b>(177.558)</b>

(\*) The amount is related to the period between the purchase date of Hitit Bilgisayar and 30 June 2015.

#### NOTE 4 - SEGMENT REPORTING

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.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 5 - 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) Other receivables from related parties

	30 June 2015	31 December 2014
<b>Balances with other related parties:</b>		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	355.697	265.501
PUEM	-	35.671
	<b>355.697</b>	<b>301.172</b>

##### b) Trade payables to related parties

	30 June 2015	31 December 2014
<b>Balances with joint ventures and subsidiaries:</b>		
Hitit Bilgisayar (*)	1.024.300	-
PUEM	346.646	-
<b>Balances with other related parties:</b>		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	4.200	85.569
	<b>1.375.146</b>	<b>85.569</b>

(\*) The Group purchased shares representing 40% capital of Hitit Bilgisayar Hizmetleri A.Ş.'s that provides information system solutions for transportation industry on 26 March 2015.

#### (ii) Significant Transactions with Related Parties:

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

The Group also leases their head office building from Esas Holding A.Ş. and Esasburda, another Esas Holding subsidiary, and records rent expense as disclosed below.

The Group generates advertising revenue by renting ad space via Doğan Burda.

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 receives simulator training services from PUEM for their pilots.

The Group receives software and software support services from Hitit Bilgisayar that provides information system solutions for transportation industry.

**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 5 - RELATED PARTY TRANSACTIONS (cont'd)**

**(ii) Significant Transactions with Related Parties (cont'd):**

**a) Sale of services**

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<b>Balances with joint ventures and subsidiaries:</b>				
PUEM	272.693	141.680	86.609	(9.217)
<b>Balances with other related parties:</b>				
Doğan Burda	450.000	225.000	423.618	219.918
	<b>722.693</b>	<b>366.680</b>	<b>510.227</b>	<b>210.701</b>

**b) Purchases of goods or services**

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<b>Balances with joint ventures and subsidiaries:</b>				
PUEM	2.801.015	1.311.670	3.359.179	1.592.690
Hitit Bilgisayar (*)	1.722.377	1.722.377	-	-
<b>Balances with other related parties:</b>				
Callpex	3.744.700	1.907.021	3.844.655	1.976.031
Esasburda	139.570	93.781	461.061	269.450
RM Arşiv (**)	-	-	16.485	7.245
Other	3.810	1.270	28.109	2.640
	<b>8.411.472</b>	<b>5.036.119</b>	<b>7.709.489</b>	<b>3.848.056</b>

(\*) The Group purchased shares representing 40% capital of Hitit Bilgisayar Hizmetleri A.Ş.'s that provides information system solutions for transportation industry on 26 March 2015.

(\*\*) Due to disposal of shares of the Company's shareholders, RM Arşiv was delisted from related parties list as of 19 August 2014.

**c) Rent expenses**

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Esasburda	1.927.219	1.087.105	1.343.802	632.188
	<b>1.927.219</b>	<b>1.087.105</b>	<b>1.343.802</b>	<b>632.188</b>

**d) Surety commission expenses**

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Esas Holding (Note 15)	5.869.728	2.959.079	6.752.183	3.276.380
	<b>5.869.728</b>	<b>2.959.079</b>	<b>6.752.183</b>	<b>3.276.380</b>

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.

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

##### (iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the year ended 30 June 2015 and 2014 are as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Salaries and other short term benefits	3.568.628	1.685.100	3.208.924	1.999.534
Other long term benefits	1.496.387	-	1.176.268	1.176.268
	<b>5.065.015</b>	<b>1.685.100</b>	<b>4.385.192</b>	<b>3.175.802</b>

#### NOTE 6 - TRADE RECEIVABLES AND PAYABLES

##### Short term trade receivables

The details of short term trade receivables as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
Trade receivables	101.179.215	47.705.241
Credit card receivables	284.091.616	185.703.124
Income accruals	6.194.753	1.633.595
	<b>391.465.584</b>	<b>235.041.960</b>
Less: Allowance for doubtful receivables	(1.968.331)	(1.861.737)
	<b>389.497.253</b>	<b>233.180.223</b>

##### Short term trade payables

The details of short term trade payables as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
Trade payables	160.048.292	150.396.070
Accrued direct operational costs	87.890.616	32.902.644
Other accrued expenses	17.769.683	13.002.278
Due to related parties (Note 5)	1.375.146	85.569
	<b>267.083.737</b>	<b>196.386.561</b>



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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 7 - DEFERRED INCOME

The details of deferred income as of 30 June 2015 and 31 December 2014 are as follows:

##### Short term deferred income

	<b>30 June 2015</b>	<b>31 December 2014</b>
Passenger flight liabilities	483.237.445	242.062.449
Advances received from customers	24.324.774	6.141.846
Deferred income from sale of subsidiary (*)	15.067.175	14.251.217
Other deferred income	2.677.651	1.889.288
	<b>525.307.045</b>	<b>264.344.800</b>

(\*) The deferred income from sale of subsidiary, was not recognized in the statement of profit or loss as of 30 June 2015 due to on-going negotiations and process over the sale.

The details of passenger flight liabilities as of 30 June 2015 and 31 December 2014 are as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Flight liability from ticket sales	386.688.104	175.992.993
Passenger airport fees received from customers	73.861.488	49.951.667
Flight liability from flight points	22.687.853	16.117.789
	<b>483.237.445</b>	<b>242.062.449</b>

**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2015**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>30 June 2015</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Owned and leased aircraft</b>	<b>Construction in process</b>	<b>Total</b>
<b>Cost:</b>								
Opening	<b>7.016.010</b>	<b>7.310.207</b>	<b>40.779.927</b>	<b>28.184.960</b>	<b>67.289.792</b>	<b>2.392.480.349</b>	<b>1.529.477</b>	<b>2.544.590.722</b>
Additions	1.367.131	3.076.350	2.402.949	1.207.135	29.228.396	-	51.064.885	88.346.846
Disposals	-	-	(215.697)	-	-	-	-	(215.697)
Currency translation differences	502.279	567.389	2.437.422	1.676.866	5.119.357	146.088.457	2.300.552	158.692.322
<b>Closing</b>	<b>8.885.420</b>	<b>10.953.946</b>	<b>45.404.601</b>	<b>31.068.961</b>	<b>101.637.545</b>	<b>2.538.568.806</b>	<b>54.894.914</b>	<b>2.791.414.193</b>
<b>Accumulated depreciation:</b>								
Opening	<b>(1.900.821)</b>	<b>(3.757.948)</b>	<b>(21.909.947)</b>	<b>(12.388.565)</b>	<b>(22.916.369)</b>	<b>(550.204.426)</b>	-	<b>(613.078.076)</b>
Depreciation for the period	(245.392)	(531.154)	(2.359.768)	(2.215.011)	(4.674.460)	(71.431.703)	-	(81.457.488)
Disposals	-	-	193.143	-	-	-	-	193.143
Currency translation differences	(147.352)	(252.098)	(1.344.036)	(806.698)	(1.485.523)	(37.913.967)	-	(41.949.674)
<b>Closing</b>	<b>(2.293.565)</b>	<b>(4.541.200)</b>	<b>(25.420.608)</b>	<b>(15.410.274)</b>	<b>(29.076.352)</b>	<b>(659.550.096)</b>	-	<b>(736.292.095)</b>
<b>Net book value</b>	<b>6.591.855</b>	<b>6.412.746</b>	<b>19.983.993</b>	<b>15.658.687</b>	<b>72.561.193</b>	<b>1.879.018.710</b>	<b>54.894.914</b>	<b>2.055.122.098</b>

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**NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)**

<b>30 June 2014</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Owned and leased aircraft</b>	<b>Construction in process</b>	<b>Total</b>
<b>Cost:</b>								
Opening	<b>2.105.975</b>	<b>7.030.047</b>	<b>36.769.477</b>	<b>21.349.674</b>	<b>43.249.268</b>	<b>2.558.906.229</b>	<b>2.975.003</b>	<b>2.672.385.673</b>
Additions	86.794	554.787	3.259.373	740.521	18.229.267	275.983	5.007.414	28.154.139
Disposals	(1.025)	(25.405)	-	(225.467)	-	(1.911.568)	-	(2.163.465)
Currency translation differences	(16.754)	(115.527)	(634.277)	(305.227)	(1.079.086)	(109.640.853)	(167.514)	(111.959.238)
<b>Closing</b>	<b>2.174.990</b>	<b>7.443.902</b>	<b>39.394.573</b>	<b>21.559.501</b>	<b>60.399.449</b>	<b>2.447.629.791</b>	<b>7.814.903</b>	<b>2.586.417.109</b>
<b>Accumulated depreciation:</b>								
Opening	<b>(1.489.102)</b>	<b>(2.787.977)</b>	<b>(18.403.732)</b>	<b>(10.771.253)</b>	<b>(22.032.241)</b>	<b>(496.273.425)</b>	-	<b>(551.757.730)</b>
Depreciation for the period	(93.248)	(537.617)	(2.223.113)	(1.531.428)	(2.605.081)	(74.892.362)	-	(81.882.849)
Disposals	205	586	-	9.397	-	-	-	10.188
Currency translation differences	25.370	55.292	333.403	178.184	397.719	80.340.989	-	81.330.957
<b>Closing</b>	<b>(1.556.775)</b>	<b>(3.269.716)</b>	<b>(20.293.442)</b>	<b>(12.115.100)</b>	<b>(24.239.603)</b>	<b>(490.824.798)</b>	-	<b>(552.299.434)</b>
<b>Net book value</b>	<b>618.215</b>	<b>4.174.186</b>	<b>19.101.131</b>	<b>9.444.401</b>	<b>36.159.846</b>	<b>1.956.804.993</b>	<b>7.814.903</b>	<b>2.034.117.675</b>

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 9 - INTANGIBLE ASSETS

30 June 2015	Brand	Software	Total
<b>Cost:</b>			
Opening	1.988.594	23.204.104	25.192.698
Additions	-	1.290.615	1.290.615
Currency translation differences	113.858	1.386.574	1.500.432
<b>Closing</b>	<b>2.102.452</b>	<b>25.881.293</b>	<b>27.983.745</b>
<b>Accumulated amortization:</b>			
Opening	(770.579)	(12.951.075)	(13.721.654)
Amortization for the period	(50.378)	(1.805.046)	(1.855.424)
Currency translation differences	(46.303)	(820.351)	(866.654)
<b>Closing</b>	<b>(867.260)</b>	<b>(15.576.472)</b>	<b>(16.443.732)</b>
<b>Net book value</b>	<b>1.235.192</b>	<b>10.304.821</b>	<b>11.540.013</b>
<b>30 June 2014</b>			
	<b>Brand</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>			
Opening	2.070.233	20.505.267	22.575.500
Additions	-	1.773.091	1.773.091
Currency translation differences	49.844	(343.285)	(293.441)
<b>Closing</b>	<b>2.120.077</b>	<b>21.935.073</b>	<b>24.055.150</b>
<b>Accumulated amortization:</b>			
Opening	(689.428)	(10.438.330)	(11.127.758)
Amortization for the period	(53.475)	(1.566.130)	(1.619.605)
Currency translation differences	(25.626)	194.581	168.955
<b>Closing</b>	<b>(768.529)</b>	<b>(11.809.879)</b>	<b>(12.578.408)</b>
<b>Net book value</b>	<b>1.351.548</b>	<b>10.125.194</b>	<b>11.476.742</b>

NOTE 10 - LEASING TRANSACTIONS

Details related to leasing transactions are disclosed in Note 22.

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

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#### NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 6.373.412 as of 30 June 2015 (31 December 2014: TL 5.824.082). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 2.021.062 (31 December 2014: TL 2.087.083) 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 guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

##### Contingent Liabilities

In addition to the above, in June 2008, the İstanbul Atatürk Airport Customs Directorate imposed a monetary fine against the Group in the amount of TL 545.366 on the grounds that the Group had violated temporary import regime regulations. The monetary fine was challenged before the relevant tax court which ruled against the Group in April 2009, in response to which the Group filed an appeal and refused to make payment, citing amendments in the temporary import regime legislation and providing a letter of credit for the amount of the fine and the accrued interest totaling TL 931.212. In January 2011 the Customs Directorate requested the liquidation of the letter of credit in a motion that was challenged by the Group, which resulted, first, in an injunction decision in February 2011, and later, in the cancellation of the liquidation request in September 2011. The Customs Directorate later appealed the cancellation decision of the tax court. As of 30 June 2015 the appellate review of both lawsuits have been finalized in the Group's favor, whereby the court decision turning down the Group's request for the cancellation of the monetary fined has been overturned and the court decision cancelling the liquidation of the letter of credit by the administration has been upheld. The Group management believes that significant cash outflow is not probable and has not provided any provision for this fine.

##### Tax Audit

The Inspection Officers of Ministry of Finance audited the accounts and transactions of the Company for 2009, 2010, 2011 and until January 2012 on the subject of VAT. As a result of this inspection, the tax inspector challenged the VAT tax remitted on behalf of the non-resident aircraft lessor company that is party to the Company's finance lease structure. In accordance with the legislative changes made by the Cabinet Decree on 01 August 2008, rate of VAT applied by the Company is 1%.

The tax inspector 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 challenged the applicability of the Cabinet Decree to the Group's transactions.

During this process;

On the official web site of the Directorate General of Revenues ([www.gib.gov.tr](http://www.gib.gov.tr)), the Directorate of Major Taxpayers' Tax Office has issued individual circular orders, which have been given to a taxpayer dated 21 May 2013 and number 64597866-130 [28-2013]- 74, dated 8 July 2013 and number 64597866-130[28-2013]-93. Directorate General of Revenues also published Value Added Tax General Implementation Circular on Official Gazette Number 28983 dated 26 April 2014.

In Value Added Tax General Implementation Circular and in other individual circular order mentioned above, it is indicated that such vehicle deliveries of which purchases are exempted from VAT pursuant to Article (13/a) of Law Number 3065, services with respect to such taxpayers whose operations are either fully or partially involved with leasing and/or operating such vehicles in diverse manners are subject to VAT at the rate of (1%), and in the event such vehicles are subject to financial leasing, vat at the rate of (1%) is applicable.

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(Amounts are expressed in TL unless otherwise stated.)

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**NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

Tax Audit (cont'd)

As a result of the Tax Inspection made, upon our due request with respect to the accrued value added tax and tax loss penalties, such reconciliation negotiations realized on 13 November 2004 before Central Reconciliation Commission Chairmanship have not been concluded with reconciliation. This status is declared to the general public by our Special Status Announcement dated 13 November 2014. In parallel to the foregoing, the Company filed an action against the subject matter tax accrual and imposition of tax depletion penalty within the legal term of 15 days granted to that effect.

Based on the explanations of both communiqués of Directorate General of Revenues and Ministry of Finance General Circulars, it is concluded that the opinion in respect of value added tax applicable to aircraft leasing operations made via financial leasing from abroad is to be at the rate of 1% is definite and conclusive, so the Company management is in the opinion that the VAT application with respect to financial leasing of aircraft is fully compatible with the resolutions adopted by the Assembly of Ministers of the Republic of Turkey and in the opinion that the filed lawsuits will be concluded in favor of the Company.

On grounds of the foregoing, the Company has not put aside and reserved any provision, in parallel to the relevant opinions of its legal advisors as well as experts on taxation matters, taking into consideration several specific communiqués and the explanations under such Value Added Tax General Implementation Circular provided by the Revenues Administration to different taxpayers in relation with the subject matter, confirming the VAT rates applied at the different periods referred to hereinbefore, including the periods not reviewed and inquired on the attached consolidated financial statements.

Company's accounts as well as operations pertaining to year are inspected and examined in terms of Taxation Laws; and Corporation Tax Inspection Report number 2013-B-228/3, Corporation Tax Withholding Inspection Report number 2013-B-228/5, and Value Added Tax Withholding Tax Inspection Report number 2013-B-228/6 are hereby presented.

Under such Corporation Tax Inspection Report number 2013-B-228/3, it is allegedly stated that deducted amount of TL 1.553.762,38 over the corporation tax return of such lump sum expenses calculated and deducted under scope of the provision of Article 40/1 of Corporation Tax Law over transport proceeds obtained abroad cannot possibly be subjected to any deduction, and further that such portion deducted over the tax return is not related to transport proceeds obtained abroad, while on the other hand it is expressed on the same Report that those minor fixed assets purchased in year 2010, and each to be entered as direct expenses according to Article 313 of Tax Procedures Law are required to be redeemed through amortization , and therefore it is pointed out that TL 76.798,60 as well is to be included in the income of the corporation pertaining to year 2010.

A lawsuit has been filed by the Company, claiming revocation of such determination act with respect to an income difference in the amount of TL 1.630.561,18. Lawsuit filed before Istanbul Tax Court is concluded in favor of the Company. In respect of this judgment, Major Taxpayers Tax Office has appealed in upper court council of state and appeal process has not been concluded yet.

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(Amounts are expressed in TL unless otherwise stated.)

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**NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

Tax Audit (cont'd)

Under decrees of the 4th Department of the Supreme Court of State, dated 28 February 2007, numbers E:2006/2738 E., K:2007/610 and dated 31 March 2005, numbers E:2004/1293, K:2005/529, it is contained judgments reading that the lump sum income amount could possibly be subjected to deduction over the tax return, and further, since the minor fixed assets claimed on the Report and direct costs of which are taken into consideration as expense remain below those limits specified pursuant to the Law, it is opinionated that the matters alleged on the Tax Inspection Report are as to the revocation of the administrative transaction as a consequence of the action filed. Therefore, no provision has been provided and set aside in parallel to the opinions of Company's legal advisors and taxation specialists, including the period not inspected and reviewed on the attached consolidated financial statements.

On such Corporation Tax Inspection Report number 2013-B-228/5, it is stated that despite the fact that rental payments of the Company with respect to such aircraft subject matter of financial leasing from the acquisition of the same through financial leasing from companies with legal and principal places of business domiciled abroad, constitute commercial income of the company obtaining the same under scope of business revenues, alleging that such payments are real property capital income under Article 30 of Corporation Tax Law, they are subject to added value tax withholding at the rate of 1% and in the total amount of TL 706.539,70 as per the relevant months of year 2010, and further on the same Report, it is stated that such package computer software in the form of commercial commodity, purchased from any company with legal and principal places of business domiciled abroad, is subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right charge within framework of Article 30 of Corporation Tax Law.

Major Taxpayers Tax Office that we are affiliated to, accrued corporation tax withholding in the total amount of TL 719.508 for year 2010 through Tax Fine Notices issued as per the relevant months of year 2010 by basing on the said Tax Inspection Report, and charged tax loss fine in the total amount of TL 1.079.262 on grounds of such tax accrued.

Lawsuits have been filed within legal terms granted, before Istanbul Tax Courts as of the respective months of year 2010, with the demand for waiver of the assessments set forth under the subject matter tax inspection reports and rescission of any fines accrued. Actions with respect to the claim that any financial leasing payments made for abroad are subject to corporation tax withholding is concluded in favor of the Company as a result of the Judgment adopted by Tax Courts, which Judgments are brought to appeal by the Tax Administration, and the trial process is still ongoing.

Such lawsuit filed on grounds of the argument that any package computer software of commodity nature, purchased from any company domiciled abroad is subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right (royalty) fee under scope of Article 30 of Corporation Tax Law, is concluded against the Company and such Judgment is brought by the Company to appeal before the Council of State, and the trial process is still ongoing.

According to the specific communiqués issued by the Revenues Department on various dates, since such package computer software purchased from companies with legal and principal places of business domiciled abroad are submitted to the market in readily available form, not comprising of those programs prepared specific to the company, these are commercial commodities, and accordingly, it is opinionated that the purchasing prices of such programs are not subject to corporation tax withholding.

Under its such capacity and in parallel to the relevant opinions of Company's legal advisors and taxation specialists, no provision has been provided therefore, including the periods on the accompanied consolidated financial statements not inspected.

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

##### Tax Audit (cont'd)

Value Added Tax Inspection Report Number 2013-B-228/6, is based on the allegation that corporation tax withholdings arising on grounds of such amounts set forth to be accrued under such Corporation Tax Withholding Inspection Report Number 2013-B-228/5, and corporation tax withholdings anticipated under the said Report are at the same time subject to value added tax withholding.

In the aforesaid process, all of the lawsuits filed with the demand for rescission of such fined value added tax assessments imposed in the name of the Company as per respective monthly periods of year 2010, with the claim that the rate of value added tax required to be calculated over corporation tax withholdings claimed as being payable over such leasing payments with respect to aircraft subject matter of financial leasing with the purpose of acquiring the same from companies with legal domiciles as well as principal places of business abroad being 18% are concluded, and such lawsuits filed in tax courts are concluded in favor of the Company. A part of the judgments were subject to appeal by Major Taxpayers Tax Office before Istanbul Tax Court due to their amounts, but in respect of judgment of İstanbul Regional Administrative Court, the appeals has been rejected and lawsuits were concluded in favor of the Company. A part of these lawsuits were brought to appeal before the Council of State due to their amounts, and the trial process is still ongoing.

It is believed that as a result of the said action filed, the principal taxes anticipated to be accrued, including any fines charged thereon, are to be released. Therefore, in parallel to the opinions of the Company's legal advisors as well as taxation specialists, no provision has been provided on the accompanied consolidated financial statements, including the period not inspected.

#### NOTE 12 - COMMITMENTS

##### **Purchase Commitments**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Commitments to purchase aircraft	24.469.367.567	21.585.233.161
	<b>24.469.367.567</b>	<b>21.585.233.161</b>

As of 30 June 2015, the Group holds firm orders for 75 aircraft. The expected deliveries are: 7 aircraft in 2016, 5 aircraft in 2017, 10 aircraft in 2018, 14 aircraft in 2019, 13 aircraft in 2020, 13 aircraft in 2021, 13 aircraft in 2022. The purchase commitments for these aircraft 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 101.646.851 (31 December 2014: TL 87.683.757) and this amount is reclassified under long term prepaid expenses (31 December 2014: TL 63.915.029 of this amount is reclassified under short term, TL 23.768.728 of this amount is reclassified under long term prepaid expenses).



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**NOTE 12 - COMMITMENTS (cont'd)**

**The Company as Lessee**

Operating Lease Agreements:

Payments recognised as expense:

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Minimum lease payments	142.914.078	78.429.999	87.506.402	46.232.489
	<b>142.914.078</b>	<b>78.429.999</b>	<b>87.506.402</b>	<b>46.232.489</b>

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 2015 and 31 December 2014 are as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Less than 1 year	338.670.848	225.002.237
Between 1 - 5 years	1.166.191.092	798.480.355
Over 5 years	304.843.323	179.730.639
	<b>1.809.705.263</b>	<b>1.203.213.231</b>

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**NOTE 12 - COMMITMENTS (cont'd)**

**Collaterals-Pledges-Mortgages(“CPM”)**

The details of the CPMs given by the Group as of 30 June 2015 is as follows:

<b>30 June 2015</b>	<b>TL TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on the behalf of its own legal entity					
-Collateral	361.384.863	118.284.837	8.428.849	10.052.097	8.447.695
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on the behalf of subsidiaries that are included in full consolidation					
-Collateral	26.202.898	4.998.000	-	12.776.771	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
-Collateral	9.550.360	3.555.210	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	<b>397.138.121</b>	<b>126.838.047</b>	<b>8.428.849</b>	<b>22.828.868</b>	<b>8.447.695</b>

(\*) Consisted of given CPMs to third parties in order to guarantee PUEM's, joint venture company accounted for equity method, liabilities for routine trade operations.

The other CPMs given by the Company constitute 0% of the Company's equity as of 30 June 2015.

**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 12 - COMMITMENTS (cont'd)**

**Collaterals-Pledges-Mortgages(“CPM”) (cont'd)**

The details of the CPMs given by the Group as of 31 December 2014 is as follows:

<b>31 December 2014</b>	<b>TL TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on the behalf of its own legal entity					
-Collateral	278.165.765	103.203.384	8.096.773	10.097.338	5.911.532
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on the behalf of subsidiaries that are included in full consolidation					
-Collateral	24.363.133	4.998.000	-	12.773.271	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
-Collateral	8.328.186	1.176.500	-	5.600.000	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	<b>310.857.084</b>	<b>109.377.884</b>	<b>8.096.773</b>	<b>28.470.609</b>	<b>5.911.532</b>

(\*) Consisted of given CPMs to third parties in order to guarantee PUEM's, joint venture company accounted for equity method, liabilities for routine trade operations.

The CPMs given by the Group are consisted of collaterals given to airports and terminals operators, aircraft leasing companies and service suppliers.

The other CPMs given by the Company constitute 0% of the Company's equity as of 31 December 2014.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature as of the periods ended 30 June 2015 and 2014 are as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Jet fuel expenses	522.215.722	294.924.514	533.603.446	292.928.089
Personnel expenses	206.100.314	108.562.487	173.474.823	92.218.233
Operating lease expenses	142.914.078	78.429.999	87.506.402	46.232.489
Maintenance expenses	124.820.225	67.697.328	74.281.505	41.867.272
Handling and station fees	117.482.659	66.069.593	100.564.662	56.608.818
Navigation expenses	107.217.844	63.133.402	92.704.898	52.239.108
Depreciation and amortisation expense	83.312.912	43.530.961	83.502.454	41.185.612
Landing expenses	43.429.929	25.745.368	37.723.996	21.741.802
Advertising expenses	41.894.639	24.452.663	43.521.562	16.116.848
Commission expenses	28.258.930	16.277.695	21.638.938	11.134.883
Passenger service and catering expenses	17.901.854	10.357.213	14.550.882	8.259.081
Other expenses	83.885.197	44.270.905	74.366.518	32.799.988
	<b>1.519.434.303</b>	<b>843.452.128</b>	<b>1.337.440.086</b>	<b>713.332.223</b>

### NOTE 14 - SHAREHOLDERS' EQUITY

The Company's shareholding structure as of 30 June 2015 and 31 December 2014 is as follows:

Shareholders:	30 June 2015		31 December 2014	
	(%)	TL	(%)	TL
Esas Holding	62,92	64.353.570	62,92	64.353.570
Publicly held	34,51	35.294.000	34,51	35.294.000
Emine Kamışlı	0,86	874.810	0,86	874.810
Ali İsmail Sabancı	0,86	874.810	0,86	874.810
Kazım Köseoğlu	0,43	437.405	0,43	437.405
Can Köseoğlu	0,43	437.405	0,43	437.405
<b>TL historic capital</b>	<b>100,0</b>	<b>102.272.000</b>	<b>100,0</b>	<b>102.272.000</b>

The Company's share capital consists of 102.272.000 shares of par value TL 1 each (31 December 2014: 102.272.000 shares). All issued shares are fully paid in cash.

**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES**

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**NOTE 15 - SALES AND COST OF SALES**

The details of sales and cost of sales as of the periods ended 30 June 2015 and 2014 are as follows:

**Sales:**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Scheduled flights	1.061.529.894	624.579.044	977.522.525	596.668.041
<i>International scheduled flights</i>	<i>639.046.883</i>	<i>379.678.463</i>	<i>560.526.852</i>	<i>347.189.910</i>
<i>Domestic scheduled flights</i>	<i>422.483.011</i>	<i>244.900.581</i>	<i>416.995.673</i>	<i>249.478.131</i>
Ancillary revenue	292.121.047	164.835.654	244.339.138	133.164.237
Charter flights	35.133.792	29.690.671	56.145.042	49.438.300
Other revenue	28.257.400	14.790.435	27.369.298	15.282.128
	<b>1.417.042.133</b>	<b>833.895.804</b>	<b>1.305.376.003</b>	<b>794.552.706</b>

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

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Domestic	422.483.011	244.900.581	416.995.673	249.478.131
Europe	504.689.088	304.980.954	464.064.388	282.731.033
Other	134.357.795	74.697.509	96.462.464	64.458.877
	<b>1.061.529.894</b>	<b>624.579.044</b>	<b>977.522.525</b>	<b>596.668.041</b>

**Cost of sales:**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Jet fuel expenses	522.215.722	294.924.514	533.603.446	292.928.089
Personnel expenses	180.692.178	95.000.182	149.323.359	78.342.928
Operating lease expenses	142.914.078	78.429.999	87.506.402	46.232.489
Maintenance expenses	124.820.225	67.697.328	74.281.505	41.867.272
Handling and station fees	117.482.659	66.069.593	100.564.662	56.608.818
Navigation expenses	107.217.844	63.133.402	92.704.898	52.239.108
Depreciation and amortisation expenses	75.933.244	39.504.006	77.609.094	38.259.384
Landing expenses	43.429.929	25.745.368	37.723.996	21.741.802
Passenger service and catering expenses	17.901.854	10.357.213	14.550.882	8.259.081
Other expenses	56.886.837	30.123.745	51.072.491	20.757.844
	<b>1.389.494.570</b>	<b>770.985.350</b>	<b>1.218.940.735</b>	<b>657.236.815</b>

**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Marketing expenses	82.871.997	47.599.229	77.238.025	33.412.443
General administrative expenses	47.067.736	24.867.549	41.261.326	22.682.965
	<b>129.939.733</b>	<b>72.466.778</b>	<b>118.499.351</b>	<b>56.095.408</b>

The details of general administrative expenses and marketing expenses as of the periods ended 30 June 2015 and 2014 are as follows (there are no research & development expenses in the periods ended in respective dates):

**General administrative expenses:**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Personnel expenses	19.522.003	10.334.380	18.499.532	11.182.619
Depreciation and amortisation expenses	5.976.104	3.278.180	4.767.109	2.366.149
Rent expenses	5.480.283	2.851.589	4.927.255	2.478.791
IT expenses	4.403.103	2.630.130	2.723.984	1.601.643
Legal and notary expenses	2.235.988	983.547	1.118.342	600.452
Consultancy expenses	2.107.405	1.036.107	2.848.203	975.275
Travel expenses	1.320.695	710.310	1.471.147	724.939
Office utility expenses	678.683	326.028	777.451	398.678
Other expenses	5.343.472	2.717.278	4.128.303	2.354.419
	<b>47.067.736</b>	<b>24.867.549</b>	<b>41.261.326</b>	<b>22.682.965</b>

**Marketing expenses:**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Advertising expenses	41.894.639	24.452.663	43.521.562	16.116.848
Commission expenses	28.258.930	16.277.695	21.638.938	11.134.883
Personnel expenses	5.886.133	3.227.925	5.651.932	2.692.686
Call center expenses	3.897.929	2.018.098	3.974.877	2.023.272
Depreciation and amortisation expenses	1.403.564	748.775	1.126.251	560.079
Other expenses	1.530.802	874.073	1.324.465	884.675
	<b>82.871.997</b>	<b>47.599.229</b>	<b>77.238.025</b>	<b>33.412.443</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses as of the periods ended 30 June 2015 and 2014 are as follows:

#### Other operating income:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Foreign exchange gain/(loss) from operating activities	54.681.012	(27.563.137)	8.447.442	21.614.684
Discount cancellation income	107.560	29.400	248.165	189.113
Rent income	-	-	150.319	105.000
Income from sale and leaseback transactions	-	-	88.611	-
Other income	1.301.484	547.674	1.153.442	524.507
	<b>56.090.056</b>	<b>(26.986.063)</b>	<b>10.087.979</b>	<b>22.433.304</b>

#### Other operating expenses:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Doubtful receivable expense	322.916	31.992	33.882	17.341
Other expense	1.345.727	480.250	1.665.902	1.214.500
	<b>1.668.643</b>	<b>512.242</b>	<b>1.699.784</b>	<b>1.231.841</b>

### NOTE 18 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of income and expenses from investing activities as of the periods ended 30 June 2015 and 2014 are as follows:

#### Income from investing activities:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Foreign exchange gain from investing activities	11.976.589	3.232.274	-	-
Other income	20.803	632	10.476	10.476
	<b>11.997.392</b>	<b>3.232.906</b>	<b>10.476</b>	<b>10.476</b>

#### Expenses from investing activities:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Foreign exchange loss from investing activities	-	-	71.874	1.877.334
	-	-	<b>71.874</b>	<b>1.877.334</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses as of the periods ended 30 June 2015 and 2014 are as follows:

#### Financial income:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Interest income	17.786.233	9.648.740	31.265.421	10.108.353
Foreign exchange gain	17.731.257	34.150.604	-	-
Gain on derivative contracts	-	-	40.644.971	8.678.570
	<b>35.517.490</b>	<b>43.799.344</b>	<b>71.910.392</b>	<b>18.786.923</b>

#### Financial expenses:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Losses from derivative contracts	11.573.253	(16.660.144)	-	-
Other commission expenses	7.151.667	4.008.555	5.371.936	3.346.981
Surety commission expenses	5.869.728	2.959.079	6.752.183	3.276.380
Interest expense on finance lease	3.989.833	2.055.430	5.799.106	2.792.020
Interest expense on bank loans	330	330	-	-
Foreign exchange loss	-	-	36.324.116	669.257
	<b>28.584.811</b>	<b>(7.636.750)</b>	<b>54.247.341</b>	<b>10.084.638</b>

### NOTE 20 – EARNINGS / LOSS PER SHARE

Earnings/(loss) 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 2015 and 2014 are as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Net (loss)/income attributable to the shareholders of the parent	(38.993.687)	35.292.631	(15.394.928)	87.157.869
Weighted average number of shares issued in the period	102.272.000	102.272.000	102.272.000	102.272.000
<b>(Loss)/gain per share</b>	<b>(0,38)</b>	<b>0,35</b>	<b>(0,15)</b>	<b>0,85</b>

Shares of the Company has been started to be traded in İstanbul Stock Exchange (“ISE”) since 26 April 2013, after the demand collection between the dates of 18-19 April 2013.



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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 21 - DERIVATIVE INSTRUMENTS**

**Fair Value of Derivative Instruments**

	30 June 2015		31 December 2014	
	Asset	Liability	Asset	Liability
Short term	3.771.761	115.013.541	6.576.885	182.607.585
Long term	-	29.476.745	-	62.316.092
	<b>3.771.761</b>	<b>144.490.286</b>	<b>6.576.885</b>	<b>244.923.677</b>

Explanations related to derivative instruments are disclosed in Note 24.

**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Liabilities**

The details of financial liabilities as of 30 June 2015 and 31 December 2014 are as follows:

<b>Short term financial liabilities</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Short term bank borrowings	5.374.206	4.504.480
Short term portion of long term finance lease obligations	188.607.002	162.765.963
	<b>193.981.208</b>	<b>167.270.443</b>
<b>Long term financial liabilities</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Long term finance lease obligations	1.225.352.120	1.186.991.297
	<b>1.225.352.120</b>	<b>1.186.991.297</b>

a) Bank Borrowings

The effective interest rates, original currency and TL equivalents of the borrowings as of 30 June 2015 and 31 December 2014 are as follows:

<b>30 June 2015</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL amount</b>
Short term bank borrowings	0,00 (*)	TL	5.374.206	5.374.206
<b>Total loans</b>				<b>5.374.206</b>
<b>31 December 2014</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL amount</b>
Short term bank borrowings	0,00 (*)	TL	4.504.480	4.504.480
<b>Total loans</b>				<b>4.504.480</b>

(\*) Amount consists of non-interest bearing loans for monthly social security premiums and tax payments.

## PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

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#### NOTE 22 - FINANCIAL INSTRUMENTS (cont'd)

##### Financial Liabilities (cont'd)

##### b) Financial Lease Liabilities

The details of financial lease liabilities as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
Less than 1 year	195.515.469	168.520.791
Between 1 - 5 years	781.071.313	683.783.642
Over 5 years	473.899.135	528.461.762
	1.450.485.917	1.380.766.195
Less: Future interest expenses	(36.526.795)	(31.008.935)
	<b>1.413.959.122</b>	<b>1.349.757.260</b>

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

	30 June 2015	31 December 2014
Less than 1 year	188.607.002	162.765.963
Between 1 - 5 years	755.913.096	663.881.114
Over 5 years	469.439.024	523.110.183
	<b>1.413.959.122</b>	<b>1.349.757.260</b>

The Group purchases certain of its aircraft and handling equipment through finance lease arrangements. The average lease term is 7 years. For the period ended 30 June 2015, the floating interest rate applicable to Euro-denominated lease obligations is 0,31% (31 December 2014: 0,34%) and the floating rate applicable to US Dollar-denominated lease obligations is 1,69% (31 December 2014: 1,25%).

#### NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Financial Risk Factors

##### *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 dollar 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.

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the periods ended 30 June 2015 and 31 December 2014 are as follows:

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Factors (cont'd)**

**Foreign currency risk management (cont'd)**

<b>30 June 2015</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	287.782.057	8.588.096	178.095.466	4.971.977	65.682.377
2a. Monetary financial assets	996.407.022	320.491.100	87.440.397	5.922.747	23.094.249
2b. Non monetary financial assets	-	-	-	-	-
3. Other	160.260.618	59.072.629	(12.503)	19.608	1.503.760
<b>4. CURRENT ASSETS</b>	<b>1.444.449.697</b>	<b>388.151.825</b>	<b>265.523.360</b>	<b>10.914.332</b>	<b>90.280.386</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	115.274.429	42.709.077	164.992	44.800	191.418
<b>8. NON CURRENT ASSETS</b>	<b>115.274.429</b>	<b>42.709.077</b>	<b>164.992</b>	<b>44.800</b>	<b>191.418</b>
<b>9. TOTAL ASSETS</b>	<b>1.559.724.126</b>	<b>430.860.902</b>	<b>265.688.352</b>	<b>10.959.132</b>	<b>90.471.804</b>
10. Trade payables	134.846.239	24.800.466	62.046.127	222.122	5.243.398
11. Financial liabilities	44.938.699	14.728.248	5.374.206	-	-
12a. Other liabilities, monetary	61.955.028	9.786.910	34.776.119	409.156	(834.378)
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>241.739.966</b>	<b>49.315.624</b>	<b>102.196.452</b>	<b>631.278</b>	<b>4.409.020</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	227.222.184	84.585.558	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>227.222.184</b>	<b>84.585.558</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>468.962.150</b>	<b>133.901.182</b>	<b>102.196.452</b>	<b>631.278</b>	<b>4.409.020</b>
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	29.043.069	31.578.122	-	(5.700.000)	(31.785.960)
19.a Off-balance sheet foreign currency derivative assets	84.828.309	31.578.122	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	55.785.240	-	-	5.700.000	31.785.960
20. Net foreign currency asset / liability position	1.090.761.976	296.959.720	163.491.900	10.327.854	86.062.784
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	815.226.929	195.178.014	163.339.411	10.263.446	84.367.606

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Factors (cont'd)**

**Foreign currency risk management (cont'd)**

31 December 2014	TL Total	USD	TL	GBP	Other
1. Trade receivables	168.289.021	6.572.925	122.923.989	2.768.338	20.167.856
2a. Monetary financial assets	730.019.628	233.713.712	153.209.145	6.816.076	10.340.465
2b. Non monetary financial assets	-	-	-	-	-
3. Other	271.872.624	116.823.664	39.848	34.866	805.000
<b>4. CURRENT ASSETS</b>	<b>1.170.181.273</b>	<b>357.110.301</b>	<b>276.172.982</b>	<b>9.619.280</b>	<b>31.313.321</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	35.439.526	15.060.186	189.478	44.800	165.877
<b>8. NON CURRENT ASSETS</b>	<b>35.439.526</b>	<b>15.060.186</b>	<b>189.478</b>	<b>44.800</b>	<b>165.877</b>
<b>9. TOTAL ASSETS</b>	<b>1.205.620.799</b>	<b>372.170.487</b>	<b>276.362.460</b>	<b>9.664.080</b>	<b>31.479.198</b>
10. Trade payables	117.845.568	30.962.487	37.788.620	544.767	6.299.000
11. Financial liabilities	38.566.656	14.688.937	4.504.480	-	-
12a. Other liabilities, monetary	25.338.331	4.568.480	18.473.657	192.401	(4.421.068)
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>181.750.555</b>	<b>50.219.904</b>	<b>60.766.757</b>	<b>737.168</b>	<b>1.877.932</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	213.300.183	91.983.347	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>213.300.183</b>	<b>91.983.347</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>395.050.738</b>	<b>142.203.251</b>	<b>60.766.757</b>	<b>737.168</b>	<b>1.877.932</b>
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	79.889.762	38.453.742	-	(1.800.000)	(2.807.640)
19.a Off-balance sheet foreign currency derivative assets	89.170.382	38.453.742	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	9.280.620	-	-	1.800.000	2.807.640
20. Net foreign currency asset / liability position	810.570.061	229.967.236	215.595.703	8.926.912	29.601.266
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	503.257.911	98.083.386	215.366.377	8.847.246	28.630.389

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Factors (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 Dollar, 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 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 2015 and 31 December 2014 are as follows:

30 June 2015	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	52.430.670	(52.430.670)	-	-
Part of hedged from USD risk	8.482.831	(8.482.831)	-	-
<b>USD net effect</b>	<b>60.913.501</b>	<b>(60.913.501)</b>	-	-
Effect of 10% change in TL rate				
TL net asset / liability	16.333.941	(16.333.941)	124.223.511	(124.223.511)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>16.333.941</b>	<b>(16.333.941)</b>	<b>124.223.511</b>	<b>(124.223.511)</b>
31 December 2014	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	22.744.556	(22.744.556)	-	-
Part of hedged from USD risk	8.917.038	(8.917.038)	-	-
<b>USD net effect</b>	<b>31.661.594</b>	<b>(31.661.594)</b>	-	-
Effect of 10% change in TL rate				
TL net asset / liability	21.536.638	(21.536.638)	121.925.547	(121.925.547)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>21.536.638</b>	<b>(21.536.638)</b>	<b>121.925.547</b>	<b>(121.925.547)</b>

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**NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

**Fair Value of Financial Instruments**

<b>30 June 2015</b>	<b>Loans and receivables</b>	<b>Derivative instruments which are reflected at fair value in shareholders' equity</b>	<b>Derivative instruments which are reflected fair value in profit / (loss)</b>	<b>Financial liabilities at amortized cost</b>	<b>Carrying amount (*)</b>	<b>Note</b>
<b>Financial assets</b>						
Cash and cash equivalents	1.097.609.415	-	-	-	1.097.609.415	26
Trade receivables	389.497.253	-	-	-	389.497.253	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	389.497.253	-	-	-	389.497.253	6
Other receivables	236.108.803	-	-	-	236.108.803	
- <i>Related party</i>	355.697	-	-	-	355.697	5
- <i>Other</i>	235.753.106	-	-	-	235.753.106	
Pre-delivery payment for purchase of aircraft	101.646.851	-	-	-	101.646.851	
Derivative financial assets	-	-	3.771.761	-	3.771.761	21
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	5.374.206	5.374.206	22
Obligations under financial leases	-	-	-	1.413.959.122	1.413.959.122	22
Trade payables	-	-	-	267.083.737	267.083.737	6
- <i>Related party</i>	-	-	-	1.375.146	1.375.146	5
- <i>Other</i>	-	-	-	265.708.591	265.708.591	
Passenger airport fees liability	-	-	-	73.861.488	73.861.488	7
Derivative financial liabilities	-	35.680.815	108.809.471	-	144.490.286	21

(\*) The Group's management believes that carrying amount of financial instruments approximates their fairvalue.

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NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)

Fair Value of Financial Instruments (cont'd)

31 December 2014	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value in profit / (loss)	Financial liabilities at amortized cost	Carrying amount (*)	Note
<b>Financial assets</b>						
Cash and cash equivalents	856.890.769	-	-	-	856.890.769	26
Trade receivables	233.180.223	-	-	-	233.180.223	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	233.180.223	-	-	-	233.180.223	6
Other receivables	331.253.466	-	-	-	331.253.466	
- <i>Related party</i>	301.172	-	-	-	301.172	5
- <i>Other</i>	330.952.294	-	-	-	330.952.294	
Pre-delivery payment for purchase of aircraft	87.683.757	-	-	-	87.683.757	
Derivative financial assets	-	-	6.576.885	-	6.576.885	21
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	4.504.480	4.504.480	22
Obligations under financial leases	-	-	-	1.349.757.260	1.349.757.260	22
Trade payables	-	-	-	196.386.561	196.386.561	6
- <i>Related party</i>	-	-	-	85.569	85.569	5
- <i>Other</i>	-	-	-	196.300.992	196.300.992	
Passenger airport fees liability	-	-	-	49.951.667	49.951.667	7
Derivative financial liabilities	-	72.619.073	172.304.604	-	244.923.677	21

(\*) The Group's management believes that carrying amount of financial instruments approximates their fairvalue.

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#### NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)

##### Fair Value of Financial Instruments (cont'd)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices:
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of financial assets and liabilities are determined by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique
	30 June 2015	31 December 2014		
Fuel purchase forward contracts	(35.680.815)	(72.619.073)	Level 2	Discounted cash flow method
Currency forward contracts	3.695.402	5.925.404	Level 2	Discounted cash flow method
Chooser forward contracts	(108.809.471)	(172.304.604)	Level 2	Discounted cash flow method
Interest rate swap contracts	76.359	651.481	Level 2	Discounted cash flow method

#### NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

A new agreement was signed on 10 July 2015 between the Company and Kobirate Uluslararası Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. to be valid for one year within the context of taking a grade of Capital Market Boards Corporate Governance Principles Compliance Rating, the relevant practices have been initiated.



**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2015**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW**

The details of cash and cash equivalents as of 30 June 2015 and 31 December 2014 are as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Cash on hand	169.468	168.239
Cash at banks	1.097.439.947	856.722.530
- Demand deposits	78.800.885	33.765.213
- Time deposits	1.018.639.062	822.957.317
	<b>1.097.609.415</b>	<b>856.890.769</b>

The effective interest rates of time deposits are as presented below:

<b>30 June 2015</b>	<b>Effective interest rates</b>	<b>Total</b>
USD deposits	1,99%	851.634.938
TL deposits	13,27%	77.536.796
EUR deposits	0,72%	68.151.698
GBP deposits	1,00%	19.368.371
CHF deposits	0,80%	1.947.259
		<b>1.018.639.062</b>

<b>31 December 2014</b>	<b>Effective interest rates</b>	<b>Total</b>
USD deposits	2,53%	536.192.839
TL deposits	10,92%	145.735.671
EUR deposits	1,60%	117.107.634
GBP deposits	0,88%	21.581.428
CHF deposits	0,70%	2.339.745
		<b>822.957.317</b>

All of the time deposits as of 30 June 2015 and 31 December 2014 have maturities less than 90 days.