

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
NINE-MONTH INTERIM
PERIOD ENDED 30 SEPTEMBER 2013

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 30 SEPTEMBER 2013**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 30 September 2013	(Revised) Prior period (Audited) 31 December 2012
	Notes		
ASSETS			
Current assets		1.277.254.128	339.329.147
Cash and cash equivalents	4	958.801.229	210.150.238
Trade receivables	5	215.334.660	43.985.353
Other receivables		37.190.645	34.588.337
Derivative financial instruments		14.531.621	14.898.232
Inventories		2.285.324	1.882.592
Prepaid expenses		46.491.693	33.606.729
Other current assets		2.618.956	217.666
Non-Current assets		2.122.910.413	1.869.681.888
Other receivables		64.071.031	43.412.916
Investments accounted for using the equity method	7	1.103.859	1.512.211
Property and equipment	8	1.925.558.181	1.730.317.522
Intangible assets	9	10.436.084	5.013.650
Prepaid expenses		111.287.141	89.425.589
Deferred tax assets		10.454.117	-
TOTAL ASSETS		3.400.164.541	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
FINANCIAL POSITION AS OF 30 SEPTEMBER 2013**

(Amounts are expressed in TL unless otherwise stated.)

		(Revised)	
		Prior period	
		(Audited)	
		31 December	
	Notes	2012	
		2013	
		(Not Reviewed)	
		30 September	
LIABILITIES			
Current liabilities		733.327.029	538.075.762
Short term financial liabilities	6	11.666.431	50.722.463
Short term portion of long term financial liabilities	6	158.289.676	135.232.251
Trade payables		219.976.038	129.649.974
<i>Other trade payables to third parties</i>		<i>218.646.941</i>	<i>126.170.626</i>
<i>Trade payables to related parties</i>	20	<i>1.329.097</i>	<i>3.479.348</i>
Employee benefit obligations		6.968.997	4.916.097
Other payables		12.420.923	6.827.091
Derivative financial instruments		3.078.148	3.006.145
Deferred income	12	281.579.174	171.171.085
Short term provisions		38.241.737	28.550.186
<i>Short term provisions for employee benefits</i>		<i>26.916.668</i>	<i>24.044.479</i>
<i>Other short term provisions</i>		<i>11.325.069</i>	<i>4.505.707</i>
Other current liabilities		1.105.905	8.000.470
Non-Current liabilities		1.537.386.086	1.343.583.125
Long term financial liabilities	6	1.325.570.014	1.240.919.331
Deferred income		6.741.131	1.546.783
Long term provisions		50.665.169	28.936.038
<i>Long term provisions for employee benefits</i>		<i>5.283.318</i>	<i>4.149.445</i>
<i>Other long term provisions</i>		<i>45.381.851</i>	<i>24.786.593</i>
Deferred tax liabilities		154.409.772	72.180.973
SHAREHOLDERS' EQUITY		1.129.451.426	327.352.148
Equity attributable to shareholders' of the parent		1.127.766.030	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		456.871.366	-
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		227.607.734	72.735.810
Hedge fund		11.625.296	11.918.586
Retained earnings		138.192.795	11.889.279
Net profit for the period		161.691.882	126.303.516
Non-controlling interest		1.685.396	-
TOTAL LIABILITIES AND EQUITY		3.400.164.541	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 AS OF 30 SEPTEMBER 2013

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed)	Current period (Not Reviewed)	Prior period (Not Reviewed)	Prior period (Not Reviewed)
		1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
	Notes				
Sales (net)	14	1.828.002.780	836.683.998	1.469.380.589	670.125.596
Cost of sales (-)	14	(1.384.722.186)	(574.223.184)	(1.224.343.876)	(440.903.045)
Gross profit		443.280.594	262.460.814	245.036.713	229.222.551
General administrative expenses (-)	15	(49.876.609)	(17.009.782)	(38.306.310)	(13.377.356)
Marketing expenses (-)	15	(77.220.951)	(24.235.944)	(61.095.546)	(19.726.690)
Other operating income	16	6.217.904	2.864.062	14.549.131	(35.634.125)
Other operating expenses (-)	16	(36.784.691)	(39.444.689)	(466.213)	25.255
Operating profit		285.616.247	184.634.461	159.717.775	160.509.635
Income from investing activities	17	105.091	26.038	125.966	-
Expenses from investing activities	17	(1.981.568)	(3.460.971)	(6.004.268)	(3.189.063)
Share of investments' (loss) / profit accounted for using equity method	7	(647.979)	201.287	1.370.039	(1.441.020)
Operating profit before financial expense		283.091.791	181.400.815	155.209.512	155.879.552
Financial income	18	32.760.603	14.289.507	13.673.908	6.063.541
Financial expense (-)	18	(89.826.429)	(38.199.876)	(51.856.614)	33.089.619
Profit before tax		226.025.965	157.490.446	117.026.806	195.032.712
Tax income / (expense)					
Current tax expense		-	-	-	-
Deferred tax expense		(66.605.554)	(42.211.305)	(28.875.056)	(36.737.061)
Profit for the period		159.420.411	115.279.141	88.151.750	158.295.651
Net profit / (loss) attributable to:					
Shareholders' of the parent		161.691.882	114.677.608	88.151.750	157.863.290
Non-controlling interest		(2.271.471)	601.533	-	432.361
		159.420.411	115.279.141	88.151.750	158.295.651
Earnings per share (TL)	19	1,77	1,12	1,18	2,10
Other comprehensive income / (loss)					
Items to be reclassified to profit or loss					
Currency translation differences		152.924.845	100.637.139	(2.398.524)	9.062.570
Cash flow hedge		(293.290)	15.438.016	11.989.698	25.537.943
Loss on derivative contracts		2.613.034	19.297.520	15.784.960	31.922.429
Deferred tax effect		(2.906.324)	(3.859.504)	(3.795.262)	(6.384.486)
Other comprehensive income		152.631.555	116.075.155	9.591.174	34.600.513
Total comprehensive profit		312.051.966	231.354.296	97.742.924	192.896.164
Total comprehensive profit / (loss) attributable to:					
Shareholders' of the parent		316.270.516	230.616.674	97.742.924	192.290.092
Non-controlling interest		(4.218.550)	737.622	-	606.072
		312.051.966	231.354.296	97.742.924	192.896.164

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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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	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
Effect of acquisition of additional shares in a subsidiary	-	-	-	-	-	-	-	-	69.184	69.184
Transfer to retained earnings	-	-	-	-	-	(15.323.004)	15.323.004	-	-	-
Total comprehensive loss	-	-	-	(2.398.524)	11.989.698	-	88.151.750	97.742.924	-	97.742.924
As at 30 September 2012	75.000.000	29.504.957	-	66.782.148	15.181.049	11.889.279	88.151.750	286.509.183	-	286.509.183
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	-	-	-	-	-	-	-	-	6.040.713	6.040.713
Increase in share capital of the Company	27.272.000	-	-	-	-	-	-	27.272.000	-	27.272.000
Increase according to the share-based transactions (*)	-	-	456.871.366	-	-	-	-	456.871.366	-	456.871.366
Dividend payment out of group by subsidiaries	-	-	-	-	-	-	-	-	(136.767)	(136.767)
Transfer to retained earnings	-	-	-	-	-	126.303.516	(126.303.516)	-	-	-
Total comprehensive income / (loss)	-	-	-	154.871.924	(293.290)	-	161.691.882	316.270.516	(4.218.550)	312.051.966
As at 30 September 2013	102.272.000	29.504.957	456.871.366	227.607.734	11.625.296	138.192.795	161.691.882	1.127.766.030	1.685.396	1.129.451.426

(*) The surplus of sales price over nominal value amounted to TL 456.871.366 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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2013**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January - 30 September 2013	Prior period (Not Reviewed) 1 January - 30 September 2012
	Notes		
Profit for the period		161.691.882	88.151.750
Adjustments to obtain net cash flow generated from operating activities			
Depreciation and amortization	8-9	88.336.261	76.858.110
Provision for employee benefits		23.425.692	18.435.071
Current tax expense		66.605.554	28.875.056
Interest and commission (income)/expense		(6.272.751)	26.289.782
Loss / (gain) on equity investments accounted for using the equity method	7	647.979	(1.370.039)
Gain on sales of fixed assets		(102.958)	(125.966)
Change in maintenance reserves and redelivery provision		12.442.496	7.749.948
Other provisions related with investing or financing activities		145.324	9.398.404
Provision for impairment of fixed assets	8	11.545.649	-
Legal provision		(124.857)	(416.707)
Provision for penalty and compensation		7.133.013	-
Translation differences		41.129.030	17.852.963
Cash generated from operating activities		406.602.314	271.698.372
Increase in trade receivables		(170.992.485)	(80.745.739)
(Increase) / Decrease in inventories		(402.732)	336.887
(Increase) / Decrease in other receivables and other current assets		(36.660.353)	2.684.865
Increase in trade payables		90.326.064	88.648.981
Increase in deferre income, other payables and other current liabilities		116.354.604	37.058.119
Changes in working capital		(1.374.902)	47.983.113
Cash flows from operating activities		405.227.412	319.681.485
Payment for income sharing plan and retirement pay liabilities		(19.419.630)	(318.690)
Net cash generated from operating activities		385.807.782	319.362.795
Cash flows from investing activities:			
Cash outflows from purchase of property, equipment and intangible assets (*)	8-9	(13.336.733)	(14.472.816)
Changes in advances on aircraft		(6.875.421)	(16.593.802)
Proceeds from sale of property, equipment and intangible assets		381.952	487.535
Net cash used in investing activities		(19.830.202)	(30.579.083)
Cash flow from financing activities:			
Net cash inflows related with the sale of shares and other equity instruments		484.143.366	-
Repayment of principal in finance lease liabilities		(105.517.611)	(84.370.518)
Interest and commission paid		(22.129.110)	(28.934.607)
Interest received		26.196.443	1.437.338
Dividend payment out of group		(136.767)	-
Increase in borrowings		2.864.885	258.641.515
Repayment of borrowings		(2.747.795)	(364.593.335)
Net cash (used in) / generated from financing activities		382.673.411	(217.819.607)
Net increase in cash and cash equivalents		748.650.991	70.964.105
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	958.801.229	90.513.469

(*) None of tangible and intangible assets acquisitions for the nine-month period ended 30 September 2013 was financed through finance leases. (30 September 2012: TL 402.560.217 of tangible and intangible assets acquisitions in total of TL 467.546.217 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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 30, 2013 are as follows:

	30 September 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 demand collection between the dates of 18-19 April 2013.

The Group’s total number of full time employees as of 30 September 2013 is 3.005 (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 İzmirliiler Otelcilik Yatırım Turizm ve Ticaret A.Ş.

Approval of Financial Statements

Board of Directors has approved the consolidated financial statements as of 30 September 2013 and delegated authority for publishing it on 11 November 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 September 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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 2013:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>30 September 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 27 March 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 2 May 2013 and all the capital increase has been performed by Pegasus, the percentage of the shares and votes held 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 affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 30 September 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 Uçuş 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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 İzmirliler 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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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:

<i>Amendments to IAS 32</i>	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
<i>IFRS 9</i>	<i>Financial Instruments²</i>
<i>Amendments to IFRS 9 and IFRS 7</i>	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures²</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 NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 2013 and 31 December 2012 are as follows:

	30 September 2013	31 December 2012
Cash on hand	132.084	75.657
Cash at banks	958.669.145	210.074.581
- Demand deposits	92.123.751	24.779.531
- Time deposits	866.545.394	185.295.050
	958.801.229	210.150.238

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

30 September 2013	Effective interest rates	Total
TL deposits	9,24%	751.168.691
USD deposits	2,61%	99.435.986
EUR deposits	2,60%	15.940.717
		866.545.394

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 September 2013 and 31 December 2012 mature within 45 days.

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NOTE 5 - TRADE RECEIVABLES

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

	30 September 2013	31 December 2012
Trade receivables	51.106.573	39.090.468
Credit card receivables	163.123.051	5.678.335
Income accruals	4.491.238	2.113.993
	218.720.862	46.882.796
Less: Allowance for doubtful receivables	(3.386.202)	(2.897.443)
	215.334.660	43.985.353

NOTE 6 - FINANCIAL LIABILITIES

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

Short term financial liabilities	30 September 2013	31 December 2012
Short term bank borrowings	11.666.431	50.722.463
Short term portion of long term finance lease obligations	158.289.676	135.232.251
	169.956.107	185.954.714
Long term financial liabilities	30 September 2013	31 December 2012
Long term finance lease obligations	1.325.570.014	1.240.919.331
	1.325.570.014	1.240.919.331

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

30 September 2013

	Weighted average interest rate (%)	Currency	Original amount	TL amount
Short term bank loans	0,00 (*)	TL	11.666.431	11.666.431
Total loans				11.666.431

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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 monthly social security premiums and tax payments.

The bank borrowings as of 31 December 2012 bear interest at fixed rates.

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

	30 September 2013	31 December 2012
Less than 1 year	166.718.256	141.385.690
Between 1 - 5 years	674.631.553	582.282.296
Over 5 years	689.936.605	705.874.234
	1.531.286.414	1.429.542.220
Less: Future interest expenses	(47.426.724)	(53.390.638)
	1.483.859.690	1.376.151.582

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

	30 September 2013	31 December 2012
Less than 1 year	158.289.676	135.232.251
Between 1 - 5 years	647.066.083	552.291.771
Over 5 years	678.503.931	688.627.560
	1.483.859.690	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 September 2013, the floating interest rate applicable to Euro-denominated lease obligations is 0,61% (31 December 2012: 0,58%) and the floating rate applicable to US Dollar-denominated lease obligations is 0,54% (31 December 2012: 0,82%).

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**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

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

	30 September 2013	31 December 2012
Joint ventures		
Pegasus Uçuş Eğitim Merkezi A.Ş.	1.103.859	379.771
İzair (*)	-	-
Associates		
İzmirliiler Otelcilik A.Ş.	-	1.132.440
KPA LLC.(**)	-	69.141
Impairment provision	-	(69.141)
	1.103.859	1.512.211

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

	1 January - 30 September 2013	1 January - 30 September 2012
İzair (*)	(1.236.730)	810.446
Pegasus Uçuş Eğitim Merkezi A.Ş.	588.751	(112.786)
İzmirliiler Otelcilik A.Ş.	-	672.379
Net (loss) / profit	(647.979)	1.370.039

(*) The Group has recognised a liability as of 30 September 2013 and 31 December 2012 in respect of its share in the net deficit position of Izair since it has constructive obligations.

(**) The Group management has reviewed the carrying value of KPA LLC and decided to provide an impairment provision.

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**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 September 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	39.551	963.841	6.165.305	871.073	1.849.706	-	9.889.476
Disposals	(39.183)	-	-	-	(319.969)	-	(359.152)
Impairment provision (*)	-	-	-	-	-	(11.545.649)	(11.545.649)
Currency translation differences	251.777	895.821	4.529.574	2.382.142	4.316.294	334.252.213	346.627.821
Closing	1.744.127	6.524.393	33.245.609	18.675.913	30.113.700	2.304.206.237	2.394.509.979
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	(87.253)	(534.336)	(2.219.229)	(1.572.473)	(1.402.601)	(81.037.963)	(86.853.855)
Disposals	953	-	-	-	79.205	-	80.158
Currency translation differences	(188.215)	(320.698)	(2.257.913)	(1.250.275)	(2.990.276)	(57.102.099)	(64.109.476)
Closing	(1.314.661)	(2.388.477)	(16.334.866)	(9.485.719)	(20.874.223)	(418.553.852)	(468.951.798)
Net book value	429.466	4.135.916	16.910.743	9.190.194	9.239.477	1.885.652.385	1.925.558.181

(*) Pegasus Hava Taşımacılığı A.Ş., has taken the decision to sell its owned Boeing 737-400 type aircraft to its subsidiary Air Manas and the contract regarding the sale of the respective aircraft was mutually signed on 26 September 2013. The negative amount of difference between selling value and the book value generated from the sales transaction, has been recorded as impairment provision.

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NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

30 September 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
Disposal of subsidiary	(151.723)	(72.031)	(1.090.311)	(1.031.265)	(2.397.791)	-	(4.743.121)
Additions	10.878	1.298.083	4.593.973	4.730.843	1.948.634	453.053.866	465.636.277
Disposals	-	(348.313)	-	-	(179.505)	-	(527.818)
Currency translation differences	(74.623)	(184.990)	(853.130)	(313.886)	(1.262.661)	(86.658.255)	(89.347.545)
Closing	1.284.773	4.164.272	19.835.111	10.375.796	23.421.087	1.945.076.531	2.004.157.570
Accumulated depreciation:							
Opening	(928.238)	(1.212.677)	(9.822.133)	(4.778.477)	(15.659.411)	(188.035.239)	(220.436.175)
Disposal of subsidiary	123.062	33.966	695.547	996.447	2.073.677	-	3.922.699
Depreciation for the period	(89.179)	(346.256)	(1.559.503)	(627.130)	(1.687.032)	(71.679.069)	(75.988.169)
Disposals	-	166.249	-	-	-	-	166.249
Currency translation differences	44.277	64.644	500.002	207.263	746.441	10.167.487	11.730.114
Closing	(850.078)	(1.294.074)	(10.186.087)	(4.201.897)	(14.526.325)	(249.546.821)	(280.605.282)
Net book value	434.695	2.870.198	9.649.024	6.173.899	8.894.762	1.695.529.710	1.723.552.288

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NOTE 9 - INTANGIBLE ASSETS

30 September 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	-	3.447.257	3.447.257
Currency translation differences	302.798	2.488.552	2.791.350
Closing	1.937.623	18.218.676	20.156.299
Accumulated amortization:			
Opening	-	(5.574.570)	(5.574.570)
Addition of subsidiary	(490.447)	(836.746)	(1.327.193)
Amortization for the period	(44.100)	(1.438.306)	(1.482.406)
Currency translation differences	(91.856)	(1.244.190)	(1.336.046)
Closing	(626.403)	(9.093.812)	(9.720.215)
Net book value	1.311.220	9.124.864	10.436.084
30 September 2012	Brand	Software	Total
Cost:			
Opening	1.722.879	9.186.839	10.909.718
Disposal of subsidiary	(1.722.879)	(1.640.693)	(3.363.572)
Additions	-	1.890.405	1.890.405
Currency translation differences	-	(417.209)	(417.209)
Closing	-	9.019.342	9.019.342
Accumulated amortization:			
Opening	(409.183)	(4.868.094)	(5.277.277)
Disposal of subsidiary	409.183	369.192	778.375
Amortization for the period	-	(869.941)	(869.941)
Currency translation differences	-	251.963	251.963
Closing	-	(5.116.880)	(5.116.880)
Net book value	-	3.902.462	3.902.462

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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 2.086.301 as of 30 September 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 870.331 (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 which these lawsuits include a limited number of commercial claims for contractual payments or indemnity related to termination of contracts.

The İstanbul Atatürk Airport customs office has fined the Group a total of TL 931.212 in relation to a breach of temporary import regime regulations. The Group refused to pay and has filed a challenge with the administrative court citing the new law passed amending the temporary import regime and the relief the new law provides under these circumstances. The Group has provided a letter of credit for the amount of the fine. The customs authority has entered a motion to liquidate the letter of credit but the administrative court ruled against the customs authority and the case is 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 the General Assembly decisions to increase to increase İzair share capital from TL 15.500.000 to TL 52.500.000 at 30 April 2010, to decrease İzair share capital from TL 52.500.000 to TL 2.000.000 at 23 May 2011 and from TL 2.000.000 to TL 24.500.000 at 29 June 2011. 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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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 incourt. 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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NOTE 10 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Tax penalty (cont'd)

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 portion in the 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.

The Major Taxpayers Tax Office that we are affiliated to the Company notified by basing on such Tax Inspection Report that Corporation Tax Return for Year 2010 is required to be corrected and 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.

Under decrees of the 4th Department of the Supreme Court of State, dated 28.02.2007, numbers E:2006/2738 E., K:2007/610 and dated 31.03.2005, 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 our 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 719.508,00 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 1.079.262,00 on grounds of such tax accrued.

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

Tax penalty (cont'd)

A lawsuit has been filed before Istanbul Taxation Courts with the legal time granted, for waiver of such accruals specified under the said Tax Inspection Reports and release of the fines charged. As alleged on the said Report, any financial leasing payments made to business entities with legal and principal place of business domiciled abroad are in the character of commercial income obtained by such companies, and according to Article 30 of Corporation Tax Law, such types of commercial income obtained in Turkey by those companies with legal and principal places of business domiciled abroad are not subject to corporation tax withholding. As a matter of fact, on such Judgment Number E:2008/1169 K:2009/438 Dated 17.02.2009 made by Istanbul 6th Taxation Court , it is expressed that rental amounts payable in relation to the aircraft leased are in commercial income character in terms of the companies at such countries, which are to be subjected to further taxation at their own countries, and thus making any deduction over the charges payable to the companies at the said countries would give rise to double taxation, and upon accepting the action, it is decided that the tax accrual so made is not lawful.

Whereas yet another issue for criticism on the said Report is with respect to failing to have been made any corporation tax withholding over such package computer software purchased by the Company in year 2010 from a business entity with legal and principal places of business domiciled abroad, and 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 therefor, including the period on the accompanied consolidated financial statements not inspected.

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.

Based on the legal justifications of the action filed against the Corporation Tax Withholding Inspection Report, a lawsuit is filed by the Company before Istanbul Taxation Courts within the legal time granted, claiming revocation of value added tax in the total amount of TL 82.378,38 set forth to be accrued as per the relevant months of year 2010 on such Value Added Tax Withholding Report Number 2013-B-228/6, as well as fine for loss of tax in the total amount of TL 123.568,00 charged in connection with the foregoing amount.

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.

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NOTE 11 - COMMITMENTS

Purchase commitments

	30 September 2013	31 December 2012
Commitments to purchase aircraft	17.204.706.548	16.291.577.121
	17.204.706.548	16.291.577.121

As of 30 September 2013 the Group holds firm orders for 79 aircrafts. The expected deliveries are: 1 aircraft in 2013, 1 aircraft in 2014, 2 aircrafts in 2015, 7 aircrafts in 2016, 5 aircrafts in 2017, 10 aircrafts in 2018, 14 aircrafts in 2019, 13 aircrafts in 2020, 13 aircrafts in 2021, 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 109.820.967 (31 December 2012: TL 89.263.443) and the amount is reclassified under long term other receivables.

The Company as Lessee

Operating lease agreements:

Payments recognised as expense:

	30 September 2013	30 September 2012
Minimum lease payments	69.975.908	66.683.959
	69.975.908	66.683.959

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 September 2013 and 31 December 2012 is as follows:

	30 September 2013	31 December 2012
Less than 1 year	120.843.553	68.153.772
Between 1 - 5 years	421.742.634	247.059.444
Over 5 years	105.181.659	90.856.996
	647.767.846	406.070.212

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NOTE 11 - COMMITMENTS (cont'd)

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

	30 September 2013	31 December 2012
Less than 1 year	185.143	185.143
Between 1 - 5 years	570.856	709.713
	755.999	894.856

GPM given by the Group	30 September 2013	31 December 2012
A. Total amounts of GPM given on the behalf of its own legal entity	223.940.987	143.345.633
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	20.171.000	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	7.478.736	-
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	244.111.987	143.345.633

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - DEFERRED INCOME

The details of deferred income are as of 30 September 2013 and 31 December 2012 is as follows:

	30 September 2013	31 December 2012
Passenger flight liabilities	240.208.269	151.197.500
Advances received from customers	27.154.974	8.091.932
Deferred income from sale of subsidiary	13.885.931	11.881.653
Other deferred income	330.000	-
	281.579.174	171.171.085

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

	30 September 2013	31 December 2012
Flight liability from ticket sales	172.952.965	98.399.265
Passenger airport fees received from customers	41.438.999	25.689.738
Flight liability from flight points	25.816.305	27.108.497
	240.208.269	151.197.500

NOTE 13 - CAPITAL

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

Shareholders:	30 September 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.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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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 September 2013 ve 2012 are as follows:

Sales:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Scheduled flights	1.416.616.948	652.957.702	1.097.015.000	523.781.411
<i>International scheduled flights</i>	<i>815.237.495</i>	<i>404.521.603</i>	<i>622.376.101</i>	<i>322.212.314</i>
<i>Domestic scheduled flights</i>	<i>601.379.453</i>	<i>248.436.099</i>	<i>474.638.899</i>	<i>201.569.097</i>
Ancillary revenue	240.492.981	96.910.849	169.130.238	67.319.202
Charter flights	122.655.566	71.444.826	86.713.178	48.724.748
Other revenue	39.333.336	15.370.621	18.175.895	4.971.858
AirBerlin Turkey operation revenue	8.903.949	-	98.346.278	25.328.377
	1.828.002.780	836.683.998	1.469.380.589	670.125.596

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

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Domestic	601.379.453	248.436.099	474.638.899	201.569.097
Europe	647.334.450	325.254.909	536.709.635	283.735.188
Other	167.903.045	79.266.694	85.666.466	38.477.126
	1.416.616.948	652.957.702	1.097.015.000	523.781.411

Cost of sales:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Jet fuel expenses	634.212.827	270.075.430	535.754.577	214.051.495
Personnel expenses	165.498.319	62.925.737	124.274.029	43.032.553
Handling fees	111.410.320	53.408.399	87.727.489	37.820.724
Navigation expenses	105.396.864	46.222.300	79.052.575	33.189.511
Depreciation and amortisation expenses	82.531.171	29.492.259	73.173.835	25.056.458
Operating lease expenses	69.975.908	26.524.625	66.683.959	20.904.509
Maintenance expenses	68.313.241	28.271.953	56.989.936	16.415.167
Landing expenses	44.396.602	19.476.812	30.461.370	12.641.727
Passenger service and catering expenses	18.726.080	7.821.157	15.252.810	6.137.924
Other expenses	72.516.321	30.004.512	44.304.783	15.071.512
AirBerlin Turkey operation cost of sales	11.744.533	-	110.668.513	16.581.465
	1.384.722.186	574.223.184	1.224.343.876	440.903.045

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 15 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing expenses and general administrative expenses as of the periods ended 30 September 2013 ve 2012 are as follows (there are no research & development expenses in the periods ended in respective dates):

Marketing expenses:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Advertising expenses	35.420.651	9.652.453	30.026.530	8.070.823
Commission expenses	25.226.366	8.638.717	18.661.962	7.106.031
Personnel expenses	7.580.766	2.770.011	5.364.883	1.936.697
Call center expenses	6.110.860	2.223.345	5.125.584	1.843.447
Depreciation and amortisation expenses	1.109.830	426.644	712.651	258.574
Other expenses	1.772.478	524.774	1.203.936	511.118
	77.220.951	24.235.944	61.095.546	19.726.690

General administrative expenses:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Personnel expenses	20.713.682	7.181.323	15.874.330	5.392.236
Rent expenses	5.526.826	1.972.046	3.232.785	1.154.697
Depreciation and amortisation expense	4.695.260	1.817.439	2.971.624	1.061.134
Travel expenses	3.298.733	1.215.864	3.099.554	1.317.482
IT expenses	2.876.198	1.022.156	2.535.042	704.580
Consultancy expenses	2.521.054	814.623	2.644.207	1.080.481
Office utility expenses	1.310.215	423.220	751.787	311.899
Communication expenses	1.274.769	419.237	1.098.599	393.009
Legal and notary expenses	923.438	332.900	1.534.998	308.231
Insurance expenses	508.296	167.082	516.427	166.353
Training expenses	466.926	189.941	314.801	139.610
Subscription expenses	384.455	153.337	456.158	285.150
Office repair expenses	284.901	122.022	190.264	88.402
Other expenses	5.091.856	1.178.592	3.085.734	974.092
	49.876.609	17.009.782	38.306.310	13.377.356

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(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 September 2013 ve 2012 are as follows:

Other operating income:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange gain from operating activities	-	-	13.071.901	(35.931.977)
Income from sale and leaseback transactions	4.642.461	2.620.826	-	-
Rent income	293.458	82.091	-	-
Discount cancellation income	-	-	456.695	34.832
Other income	1.281.985	161.145	1.020.535	263.020
	6.217.904	2.864.062	14.549.131	(35.634.125)

Other operating expenses:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange loss from operating activities	16.773.803	20.753.776	-	-
Provision expense for impairment of fixed assets	11.545.649	11.545.649	-	-
Penalty and compensation expenses	7.171.690	6.865.744	434.971	185.983
Receivable discount expense	94.176	(69.453)	-	-
Other expense	1.199.373	348.973	31.242	(211.238)
	36.784.691	39.444.689	466.213	(25.255)

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(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 September 2013 ve 2012 are as follows:

Income from investing activities:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Other income	105.091	26.038	125.966	-
	105.091	26.038	125.966	-

Expenses from investing activities:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange loss from investing activities	1.981.568	3.460.971	6.004.268	3.189.063
	1.981.568	3.460.971	6.004.268	3.189.063

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2013

(Amounts are expressed in TL unless otherwise stated.)

NOTE 18 - FINANCIAL INCOME / EXPENSES

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

Financial income:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Interest income	29.386.795	18.865.773	1.437.338	720.429
Foreign exchange gain (realized and unrealized) on derivative contracts	3.373.808	(4.576.266)	12.236.570	5.343.112
	32.760.603	14.289.507	13.673.908	6.063.541

Financial expenses:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange loss	66.712.385	29.485.184	24.129.494	(40.249.321)
Commission expenses	15.565.917	5.158.031	13.273.977	4.549.393
Interest on obligations under finance leases	3.741.690	1.241.831	7.223.351	1.662.381
Interest expense on bank loans	1.853.593	361.986	7.229.792	947.928
Other interest expenses	1.952.844	1.952.844	-	-
	89.826.429	38.199.876	51.856.614	(33.089.619)

NOTE 19 - 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 September 2013 and 2012 is as follows:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Net profit / (loss) – attributable to equity holders of the parent	161.691.882	114.677.608	88.151.750	157.863.290
Weighted average number of shares issued in the period	91.142.618	102.272.000	75.000.000	75.000.000
Gain per share	1,77	1,12	1,18	2,10

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2013

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NOTE 20 - 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 September 2013	31 December 2012
Balances with joint ventures:		
PUEM	62.000	181.718
İzair	-	16.358
	62.000	198.076

b) **Due to related parties**

	30 September 2013	31 December 2012
Balances with parent company:		
Esas Holding	1.257.630	2.434.041
Balances with joint ventures:		
İzair	-	825.016
Balances with other related parties:		
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	69.520	216.535
RM Arşiv Yönetim Hizmetleri A.Ş.	1.947	3.756
	1.329.097	3.479.348

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NOTE 20 - 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 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Balances with parent company:				
Esas Holding	-	-	116.858	-
Balances with joint ventures:				
İzair	1.064.038	-	779.429	779.429
PUEM	629.707	238.235	178.765	102.198
	1.693.745	238.235	1.075.052	881.627

(b) Purchases of goods or services

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Balances with joint ventures:				
PUEM	3.635.745	1.197.341	2.279.098	386.606
İzair	1.091.086	-	201.469	201.469
Purchases from other related parties:				
Callpex	5.723.336	2.079.664	4.829.266	1.730.165
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	652.667	231.948	20.933	20.933
RM Arşiv Yönetim Hizmetleri A.Ş.	17.851	5.665	20.340	10.975
Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş.	47.000	-	-	-
Other	34.879	-	-	-
	11.202.564	3.514.618	7.351.106	2.350.148

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NOTE 20 - RELATED PARTY TRANSACTIONS (cont'd)

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

(c) Rent expenses

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	647.035	233.069	155.733	155.733
Esas Holding	-	-	269.824	-
İzmirliiler Otelcilik	-	-	141.816	78.096
	647.035	233.069	567.373	233.829

(d) Commission expenses

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Esas Holding	9.160.471	3.185.694	7.580.946	2.983.752
	9.160.471	3.185.694	7.580.946	2.983.752

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.

(iii) 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 September 2013 and 2012 are as follows:

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Salaries and other short term benefits	3.217.292	752.809	1.645.204	521.749
	3.217.292	752.809	1.645.204	521.749

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**NOTE 21 - 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 September 2013 and 31 December 2012 are as follows:

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NOTE 21 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

30 September 2013	TL Total	USD	TL	GBP	Other
1. Trade receivables	167.360.989	6.959.482	134.915.235	2.360.373	10.578.617
2a. Monetary financial assets	912.535.351	67.453.155	763.243.049	1.125.502	8.402.642
2b. Non monetary financial assets	-	-	-	-	-
3. Other	16.050.730	6.850.193	1.988.294	19.362	64.527
4. CURRENT ASSETS	1.095.947.070	81.262.830	900.146.578	3.505.237	19.045.786
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	123.356.052	60.461.438	155.139	19.800	145.579
8. NON CURRENT ASSETS	123.356.052	60.461.438	155.139	19.800	145.579
9. TOTAL ASSETS	1.219.303.122	141.724.268	900.301.717	3.525.037	19.191.365
10. Trade payables	108.898.486	25.788.957	36.571.311	126.743	19.453.273
11. Financial liabilities	40.606.750	14.226.880	11.666.431	-	-
12a. Other liabilities, monetary	37.539.095	3.167.375	28.226.497	111.464	2.505.427
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	187.044.331	43.183.212	76.464.239	238.207	21.958.700
14. Trade payables	-	-	-	-	-
15. Financial liabilities	225.126.240	110.670.652	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	225.126.240	110.670.652	-	-	-
18. TOTAL LIABILITIES	412.170.571	153.853.864	76.464.239	238.207	21.958.700
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	409.121.838	244.308.534	(33.700.000)	(15.446.997)	(3.692.965)
19.a Off-balance sheet foreign currency derivative assets	496.972.420	244.308.534	-	-	-
19b. Off-balance sheet foreigncurrency derivative liabilities	87.850.582	-	33.700.000	15.446.997	3.692.965
20. Net foreign currency asset/(liability) position	807.132.551	(12.129.596)	823.837.478	3.286.830	(2.767.335)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	667.725.769	(79.441.227)	821.694.045	3.247.668	(2.977.441)

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NOTE 21 - 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	52.369.589	78.254.668	118.916	915.377
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	78.254.668	118.916	915.377
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)	76.397.943	1.873.888	2.437.355
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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NOTE 21 - 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 September 2013 and 31 December 2012 are as follows:

30 September 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	(2.467.402)	2.467.402	-	-
Part of hedged from USD risk	49.697.242	(49.697.242)	-	-
USD net effect	47.229.840	(47.229.840)	-	-
Effect of 10% change in TL rate				
TL net asset / liability	82.383.748	(82.383.748)	111.782.613	(111.782.613)
Part of hedged from TL risk	(3.370.000)	3.370.000	-	-
TL net effect	79.013.748	(79.013.748)	111.782.613	(111.782.613)
31 December 2012				
	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
FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2013**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - SUBSEQUENT EVENTS

Aircraft lease agreement

The board of directors of company resolved for the lease of 4 Boeing 737-800NG aircrafts from Jackson Square Aviation LLC 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 23 - 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.
- 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.

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

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 23 - 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, 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
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 23 - 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
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 23 - 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