

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
NINE-MONTH INTERIM PERIOD ENDED
30 SEPTEMBER 2015

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2015**

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not Reviewed) 30 September 2015	Prior period (Audited) 31 December 2014
ASSETS			
Current assets		2.142.361.918	1.508.849.889
Cash and cash equivalents	26	1.357.877.049	856.890.769
Trade receivables	6	356.298.490	233.180.223
<i>Trade receivables from related parties</i>		-	-
<i>Trade receivables from third parties</i>	6	356.298.490	233.180.223
Other receivables		258.237.639	289.309.942
<i>Other receivables from related parties</i>	5	288.890	301.172
<i>Other receivables from third parties</i>		257.948.749	289.008.770
Derivative financial instruments	21	3.778.753	6.576.885
Inventories		11.992.673	7.663.964
Prepaid expenses		152.266.019	106.102.556
Current income tax assets		-	6.934.519
Other current assets		1.911.295	2.191.031
Non-Current assets		2.501.111.393	2.025.868.636
Other receivables		29.255.653	41.943.524
<i>Other receivables from related parties</i>		-	-
<i>Other receivables from third parties</i>		29.255.653	41.943.524
Investment accounted by using the equity method	3	24.688.658	2.458.775
Property and equipment	8	2.304.333.559	1.931.512.646
Intangible assets	9	14.955.092	11.471.044
Prepaid expenses		117.482.003	25.081.645
Deferred tax assets		10.396.428	13.401.002
TOTAL ASSETS		4.643.473.311	3.534.718.525

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 SEPTEMBER 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not Reviewed) 30 September 2015	Prior period (Audited) 31 December 2014
LIABILITIES			
Current liabilities		1.191.297.726	862.779.698
Short term financial liabilities	22	22.070.051	4.504.480
Short term portion of long term financial liabilities	22	216.168.570	162.765.963
Trade payables	6	350.068.998	196.386.561
<i>Trade payables to related parties</i>	5	3.617.789	85.569
<i>Trade payables to third parties</i>		346.451.209	196.300.992
Employee benefit obligations		12.820.367	8.641.269
Other payables		37.896.110	13.236.652
<i>Other payables to related parties</i>		-	-
<i>Other payables to third parties</i>		37.896.110	13.236.652
Derivative financial instruments	21	182.059.835	182.607.585
Deferred income	7	288.970.457	264.344.800
Current income tax liabilities		42.274.732	-
Short term provisions		33.510.638	30.061.681
<i>Short term provisions for employee benefits</i>		30.678.789	27.240.263
<i>Other short term provisions</i>		2.831.849	2.821.418
Other current liabilities		5.457.968	230.707
Non-Current liabilities		1.782.615.125	1.510.778.611
Long term financial liabilities	22	1.347.930.480	1.186.991.297
Derivative financial instruments	21	13.215.723	62.316.092
Deferred income		9.025.273	7.725.108
Long term provisions		219.507.736	125.104.840
<i>Long term provisions for employee benefits</i>		7.196.853	6.192.649
<i>Other long term provisions</i>		212.310.883	118.912.191
Deferred tax liabilities		192.935.913	128.641.274
SHAREHOLDERS' EQUITY		1.669.560.460	1.161.160.216
Equity attributable to shareholders' of the parent		1.667.538.175	1.161.283.251
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		535.402.156	258.696.079
Hedge fund		(23.245.818)	(58.095.258)
Restricted profit reserves		9.806.631	-
Retained earnings		363.411.817	229.876.620
Net profit for the period		194.699.407	143.341.828
Non-controlling interest		2.022.285	(123.035)
TOTAL LIABILITIES AND EQUITY		4.643.473.311	3.534.718.525

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 SEPTEMBER 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period	Current period	Prior period	Prior period
		(Not Reviewed)	(Not Reviewed)	(Not Reviewed)	(Not Reviewed)
		1 January -	1 July -	1 January -	1 July -
Profit or loss		30 September 2015	30 September 2015	30 September 2014	30 September 2014
Sales	15	2.737.023.153	1.319.981.020	2.410.126.354	1.104.750.351
Cost of sales (-)	15	(2.271.113.762)	(881.619.192)	(1.987.125.620)	(768.184.885)
Gross profit		465.909.391	438.361.828	423.000.734	336.565.466
General administrative expenses (-)	16	(73.839.242)	(26.771.506)	(61.375.523)	(20.114.197)
Marketing expenses (-)	16	(118.583.113)	(35.711.116)	(103.107.355)	(25.869.330)
Other operating income	17	8.523.683	(47.566.373)	48.555.052	38.467.073
Other operating expenses (-)	17	(1.671.064)	(2.421)	(1.894.119)	(194.335)
Operating income		280.339.655	328.310.412	305.178.789	328.854.677
Income from investing activities	18	20.527.015	8.529.623	5.918.267	5.979.665
Share of investments income accounted for using the equity method	3	3.038.799	1.238.079	898.771	109.580
Operating income before financial expense		303.905.469	338.078.114	311.995.827	334.943.922
Financial income	19	92.056.125	56.538.635	73.534.275	1.623.883
Financial expense (-)	19	(125.393.278)	(96.808.467)	(78.391.977)	(24.144.636)
Income before tax		270.568.316	297.808.282	307.138.125	312.423.169
Tax expense		(72.717.438)	(57.806.107)	(73.000.627)	(60.363.428)
Current tax expense		(45.764.729)	(45.764.729)	(10.897.444)	(10.897.444)
Deferred tax expense		(26.952.709)	(12.041.378)	(62.103.183)	(49.465.984)
Income for the period		197.850.878	240.002.175	234.137.498	252.059.741
Net income attributable to:					
Shareholders' of the parent		194.699.407	233.693.094	235.157.369	250.552.297
Non-controlling interest		3.151.471	6.309.081	(1.019.871)	1.507.444
		197.850.878	240.002.175	234.137.498	252.059.741
Gain per share (TL)	20	1,90	2,29	2,30	2,45
Other comprehensive income/(loss)					
Items to be reclassified to profit or loss					
Currency translation differences		275.699.926	210.568.996	(9.450.594)	2.133.530
Cash flow hedge		34.849.440	5.298.834	(30.916.367)	(30.834.602)
Gain/(loss) on derivative contracts		43.561.801	6.623.545	(38.645.457)	(38.543.251)
Taxes related to other comprehensive (loss)/income items to be reclassified to profit or loss					
Deferred tax effect		(8.712.361)	(1.324.711)	7.729.090	7.708.649
Other comprehensive income/(loss)		310.549.366	215.867.830	(40.366.961)	(28.701.072)
Total comprehensive income		508.400.244	455.870.005	193.770.537	223.358.669
Total comprehensive income attributable to:					
Shareholders' of the parent		506.254.924	449.665.537	194.376.424	221.753.357
Non-controlling interest		2.145.320	6.204.468	(605.887)	1.605.312
		508.400.244	455.870.005	193.770.537	223.358.669

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 SEPTEMBER 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 for the period			
As at 1 January 2014	102.272.000	29.504.957	455.687.025	308.022.092	20.321.546	-	138.192.795	91.683.825	1.145.684.240	542.845	1.146.227.085
Transfers	-	-	-	-	-	-	91.683.825	(91.683.825)	-	-	-
Total comprehensive income / (loss)	-	-	-	(9.864.578)	(30.916.367)	-	-	235.157.369	194.376.424	(605.887)	193.770.537
As at 30 September 2014	102.272.000	29.504.957	455.687.025	298.157.514	(10.594.821)	-	229.876.620	235.157.369	1.340.060.664	(63.042)	1.339.997.622
As at 1 January 2015	102.272.000	29.504.957	455.687.025	258.696.079	(58.095.258)	-	229.876.620	143.341.828	1.161.283.251	(123.035)	1.161.160.216
Transfers	-	-	-	-	-	9.806.631	133.535.197	(143.341.828)	-	-	-
Total comprehensive income	-	-	-	276.706.077	34.849.440	-	-	194.699.407	506.254.924	2.145.320	508.400.244
As at 30 September 2015	102.272.000	29.504.957	455.687.025	535.402.156	(23.245.818)	9.806.631	363.411.817	194.699.407	1.667.538.175	2.022.285	1.669.560.460

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 SEPTEMBER 2015

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not Reviewed) 1 January - 30 September 2015	Prior period (Not Reviewed) 1 January - 30 September 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		197.850.878	234.137.498
Adjustments to reconcile the net income			
Depreciation and amortization	8-9	130.492.153	125.229.321
Provision for employee benefits		23.383.919	30.553.737
Current tax expense		72.717.438	73.000.627
Interest and commission income	19	(3.531.893)	(15.076.387)
Gain on equity investments accounted for using the equity method	3	(3.038.799)	(898.771)
Change in maintenance reserves and redelivery provision		51.629.602	35.477.355
Change in derivative financial instruments		(3.288.186)	196.032
Legal provision		851.990	(154.375)
Changes in working capital			
Increase in trade receivables		(122.732.415)	(124.925.105)
Increase in inventories		(4.328.709)	(1.453.065)
Decrease in other receivables and other current assets		25.812.616	10.775.427
Increase in trade payables		153.682.437	72.582.631
Increase in deferred income, other payables and other current liabilities		93.561.091	77.262.775
Net cash generated from operating activities		613.062.122	516.707.700
Payment for employee, executive bonus plan and retirement benefits		(20.067.349)	(22.255.718)
		592.994.773	494.451.982
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash outflows from purchase of property, equipment and intangible assets (*)		(48.519.353)	(42.574.843)
Changes in advances on aircraft		(81.501.930)	18.719.578
Proceeds from sale of property, equipment and intangible assets		65.432	2.121.580
Payment for purchase of subsidiary		(11.499.750)	-
		(141.455.601)	(21.733.685)
C. CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of principal in finance lease liabilities		(138.961.634)	(131.239.878)
Interest and commission paid		(27.197.372)	(26.849.898)
Interest received		28.874.270	38.944.501
Net increase in borrowings		17.565.571	10.427.441
		(119.719.165)	(108.717.834)
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)			
		331.820.007	364.000.463
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS			
		169.166.273	(5.910.750)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		500.986.280	358.089.713
E. CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE PERIOD	26	856.890.769	877.401.671
CASH AND CASH EQUIVALENTS			
AT THE END OF THE period (A+B+C+D+E)	26	1.357.877.049	1.235.491.384

(*) TL 52.476.341 of tangible and intangible assets acquisitions in total of TL 100.995.694 was financed through finance leases for the period ended 30 September 2015 (30 September 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 SEPTEMBER 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 September 2015 and 31 December 2014 are as follows:

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

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

The Group’s total number of full time employees as of 30 September 2015 is 4.631 (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 September 2015 and delegated authority for publishing it on 9 November 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/TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 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)

Statement of Compliance with TAS (cont'd)

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

The Group's functional currency is determined to be Euro for the reasons that, largest scale of scheduled flight revenue which is the Group's primary operation is generated from European flights, although there is no prominent currency affecting revenue and cost of sales, in terms of significant effect over both groups Euro is more effective compared to other currencies, Euro is clearly effective on the financial liabilities of the Group and management reports and budget, enabling the Company's Management to make executive decisions are prepared in Euro. 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 September 2015: 1 Euro (€) = TL 3,4212, 1 US Dollar (\$) = TL 3,0433 (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 period 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 9.688.564 that was previously presented in other expenses under cost of sales has been reported by netting off scheduled flights revenue within the 30 September 2014 period.
- In the statement of profit or loss, TL 2.607.472 that was previously presented in jet fuel expenses under cost of sales has been reclassified and reported in gain on derivative contracts under financial income within the 30 September 2014 period.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 September 2015 and 31 December 2014:

Name of the company	Principal activity	Participation rate		Country of registration and operation
		30 September 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 September 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 September 2015 and 31 December 2014:

Name of the company	Principal activity	Participation rate		Country of registration and operation
		30 September 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 September 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 September 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 SEPTEMBER 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> ¹
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> ¹
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> ¹

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

¹ Effective for annual periods beginning on or after 31 December 2015.

² 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 and third quarters of the year compared to the first and fourth quarters. 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 September 2015 compared to last year-end.

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 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 September 2015	31 December 2014
Joint ventures		
PUEM	3.495.767	2.458.775
Hitit Bilgisayar (*)	21.192.891	-
	24.688.658	2.458.775

(*) 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 September 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 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
PUEM	443.867	55.590	898.771	109.580
Hitit Bilgisayar (*)	2.594.932	1.182.489	-	-
Net profit	3.038.799	1.238.079	898.771	109.580

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

The summarized financial information of the investment accounted by using the equity method is as follows:

Pegasus Uçuş Eğitim Merkezi A.Ş.

	30 September 2015	31 December 2014
Current assets	1.498.808	1.275.485
Non-current assets	17.796.102	15.091.235
Current liabilities	(7.303.750)	(4.918.632)
Non-current liabilities	(4.914.708)	(6.470.810)
Net assets of joint venture	7.076.452	4.977.278
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	3.495.767	2.458.775

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NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Pegasus Uçuş Eğitim Merkezi A.Ş. (cont'd)

	1 January - 30 September 2015	1 January - 30 September 2014
Revenue	4.306.770	4.648.393
Net Income	898.516	1.819.374
Group's ownership interest	49,40%	49,40%
Group's share in the net assets of the joint venture	443.867	898.771

Hitit Bilgisayar Hizmetleri A.Ş.

	30 September 2015
Current assets	11.548.084
Non-current assets	15.441.666
Current liabilities	(2.533.946)
Non-current liabilities	(183.792)
Net assets of joint venture	24.272.012

	1 April- 30 September 2015
Revenue	14.943.328
Net Income	6.487.330
Group's ownership interest	49,40%
Group's share in the net assets of the joint venture (*)	2.594.932

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

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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 September 2015	31 December 2014
Balances with other related parties:		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	288.890	265.501
PUEM	-	35.671
	288.890	301.172

b) Trade payables to related parties

	30 September 2015	31 December 2014
Balances with parent company:		
Esas Holding	1.292.395	-
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar (*)	495.789	-
PUEM	267.741	-
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	1.561.864	85.569
	3.617.789	85.569

(*) 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 informations system solutions for transportation industry.

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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 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Balances with joint ventures and subsidiaries:				
PUEM	424.699	152.006	125.420	38.811
Balances with other related parties:				
Doğan Burda	606.850	156.850	654.724	231.106
	1.031.549	308.856	780.144	269.917

b) Purchases of goods or services

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Balances with joint ventures and subsidiaries:				
PUEM	4.146.659	1.345.644	4.410.114	1.050.935
Hitit Bilgisayar (*)	3.637.769	1.915.392	-	-
Balances with other related parties:				
Callpex	5.964.725	2.220.025	5.874.651	2.029.996
Esasburda	217.351	77.781	364.706	(96.355)
RM Arşiv (**)	-	-	19.476	2.991
Other	22.897	19.087	28.109	-
	13.989.401	5.577.929	10.697.056	2.987.567

(*) 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 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Esasburda	3.068.689	1.141.470	2.288.811	945.009
	3.068.689	2.282.940	2.288.811	945.009

d) Surety commission expenses

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Esas Holding (Note 19)	9.086.361	3.216.633	10.012.687	3.260.504
	9.086.361	3.216.633	10.012.687	3.260.504

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.

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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 September 2015 and 2014 are as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Salaries and other short term benefits	5.356.905	1.788.277	4.579.253	1.370.329
Other long term benefits	1.496.387	-	1.176.268	-
	6.853.292	1.788.277	5.755.521	1.370.329

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

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

	30 September 2015	31 December 2014
Trade receivables	81.139.547	47.705.241
Credit card receivables	269.979.975	185.703.124
Income accruals	7.518.801	1.633.595
	358.638.323	235.041.960
Less: Allowance for doubtful receivables	(2.339.833)	(1.861.737)
	356.298.490	233.180.223

Short term trade payables

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

	30 September 2015	31 December 2014
Trade payables	211.792.595	150.396.070
Accrued direct operational costs	117.832.933	32.902.644
Other accrued expenses	16.825.681	13.002.278
Due to related parties (Note 5)	3.617.789	85.569
	350.068.998	196.386.561

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

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NOTE 7 - DEFERRED INCOME

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

Short term deferred income

	30 September 2015	31 December 2014
Passenger flight liabilities	254.305.984	242.062.449
Deferred income from sale of subsidiary (*)	17.285.165	14.251.217
Advances received from customers	15.158.954	6.141.846
Other deferred income	2.220.354	1.889.288
	288.970.457	264.344.800

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

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

	30 September 2015	31 December 2014
Flight liability from ticket sales	177.608.912	175.992.993
Passenger airport fees received from customers	49.937.237	49.951.667
Flight liability from flight points	26.759.835	16.117.789
	254.305.984	242.062.449

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2015	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned and leased aircraft	Construction in process	Total
Cost:								
Opening	7.016.010	7.310.207	40.779.927	28.184.960	67.289.792	2.392.480.349	1.529.477	2.544.590.722
Additions	1.726.771	3.367.070	4.584.610	1.421.826	33.215.782	-	52.805.263	97.121.322
Disposals	(2.063)	(32.676)	(247.508)	-	(8.474)	-	-	(290.721)
Transfers	-	-	57.085	330.740	-	-	(387.825)	-
Currency translation differences	1.792.179	2.094.493	9.312.916	5.903.320	19.538.096	518.315.341	12.028	556.968.373
Closing	10.532.897	12.739.094	54.487.030	35.840.846	120.035.196	2.910.795.690	53.958.943	3.198.389.696
Accumulated depreciation:								
Opening	(1.900.821)	(3.757.948)	(21.909.947)	(12.388.565)	(22.916.369)	(550.204.426)	-	(613.078.076)
Depreciation for the period	(412.916)	(925.818)	(3.731.310)	(3.461.882)	(7.527.088)	(111.459.914)	-	(127.518.928)
Disposals	30	22.467	200.873	-	1.919	-	-	225.289
Currency translation differences	(496.489)	(955.243)	(5.213.252)	(3.181.996)	(6.026.041)	(137.811.401)	-	(153.684.422)
Closing	(2.810.196)	(5.616.542)	(30.653.636)	(19.032.443)	(36.467.579)	(799.475.741)	-	(894.056.137)
Net book value	7.722.701	7.122.552	23.833.394	16.808.403	83.567.617	2.111.319.949	53.958.943	2.304.333.559

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NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

30 September 2014	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned and leased aircraft	Construction in process	Total
Cost:								
Opening	2.105.975	7.030.047	36.769.477	21.349.674	43.249.268	2.558.906.229	2.975.003	2.672.385.673
Additions	5.198.222	609.256	4.280.891	6.674.188	22.915.869	272.827	-	39.951.253
Disposals	(2.416)	(25.365)	-	(222.888)	-	(1.880.990)	-	(2.131.659)
Transfers	-	-	-	2.975.003	-	-	(2.975.003)	-
Currency translation differences	(56.245)	(101.177)	(613.007)	(415.251)	(726.017)	(109.285.374)	-	(111.197.071)
Closing	7.245.536	7.512.761	40.437.361	30.360.726	65.439.120	2.448.012.692	-	2.599.008.196
Accumulated depreciation:								
Opening	(1.489.102)	(2.787.977)	(18.403.732)	(10.771.253)	(22.032.241)	(496.273.425)	-	(551.757.730)
Depreciation for the period	(317.168)	(860.357)	(3.337.215)	(2.433.137)	(4.152.587)	(111.690.548)	-	(122.791.012)
Disposals	205	585	-	9.289	-	-	-	10.079
Currency translation differences	15.677	47.369	325.689	174.789	379.186	79.847.690	-	80.790.400
Closing	(1.790.388)	(3.600.380)	(21.415.258)	(13.020.312)	(25.805.642)	(528.116.283)	-	(593.748.263)
Net book value	5.455.148	3.912.381	19.022.103	17.340.414	39.633.478	1.919.896.409	-	2.005.259.933

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NOTE 9 - INTANGIBLE ASSETS

30 September 2015	Brand	Software	Total
Cost:			
Opening	1.988.594	23.204.104	25.192.698
Additions	-	3.874.372	3.874.372
Currency translation differences	423.353	5.546.412	5.969.765
Closing	2.411.947	32.624.888	35.036.835
Accumulated amortization:			
Opening	(770.579)	(12.951.075)	(13.721.654)
Amortization for the period	(78.176)	(2.895.049)	(2.973.225)
Currency translation differences	(176.321)	(3.210.543)	(3.386.864)
Closing	(1.025.076)	(19.056.667)	(20.081.743)
Net book value	1.386.871	13.568.221	14.955.092
30 September 2014			
	Brand	Software	Total
Cost:			
Opening	2.070.233	20.505.267	22.575.500
Additions	-	2.623.590	2.623.590
Currency translation differences	(31.796)	(337.802)	(369.598)
Closing	2.038.437	22.791.055	24.829.492
Accumulated amortization:			
Opening	(689.428)	(10.438.330)	(11.127.758)
Amortization for the period	(77.473)	(2.360.836)	(2.438.309)
Currency translation differences	2.488	189.425	191.913
Closing	(764.413)	(12.609.741)	(13.374.154)
Net book value	1.274.024	10.181.314	11.455.338

Remaining average useful life of intangible assets as of 30 September 2015 is 2,8 years (31 December 2014: 3 years).

NOTE 10 - LEASING TRANSACTIONS

Details related to leasing transactions are disclosed in Note 22.

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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 6.366.302 as of 30 September 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 2.048.881 (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 September 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), 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.

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

Tax Audit (cont'd)

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.

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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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.

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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

	30 September 2015	31 December 2014
Commitments to purchase aircraft	27.698.822.098	21.585.233.161
	27.698.822.098	21.585.233.161

As of 30 September 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 201.630.516 (31 December 2014: TL 87.683.757) and TL 92.849.933 of this amount is reclassified under short term, TL 108.780.583 of 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:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Minimum lease payments	232.920.929	90.006.851	136.836.715	49.330.313
	232.920.929	90.006.851	136.836.715	49.330.313

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 2015 and 31 December 2014 are as follows:

	30 September 2015	31 December 2014
Less than 1 year	395.388.205	225.002.237
Between 1 - 5 years	1.268.387.450	798.480.355
Over 5 years	386.421.747	179.730.639
	2.050.197.402	1.203.213.231

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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 September 2015 is as follows:

30 September 2015	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on the behalf of its own legal entity					
-Collateral	411.217.902	118.603.821	8.332.099	12.070.141	9.694.975
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on the behalf of subsidiaries that are included in full consolidation					
-Collateral	27.987.184	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	10.156.893	3.337.460	-	-	-
-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	-	-	-	-	-
	449.361.979	126.939.281	8.332.099	24.846.912	9.694.975

(*) 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 30 September 2015.

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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:

31 December 2014	TL TOTAL	USD	EUR	TL	Other
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	-	-	-	-	-
	310.857.084	109.377.884	8.096.773	28.470.609	5.911.532

(*) 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.

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NOTE 13 - EXPENSES BY NATURE

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

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Jet fuel expenses	856.217.891	334.002.169	889.604.672	356.001.226
Personnel expenses	326.354.841	120.254.527	271.595.174	98.120.351
Operating lease expenses	232.920.929	90.006.851	136.836.715	49.330.313
Handling and station fees	200.184.106	82.701.447	162.606.098	62.041.436
Maintenance expenses	192.051.067	67.230.842	120.785.242	46.503.737
Navigation expenses	181.934.933	74.717.089	154.760.603	62.055.705
Depreciation and amortisation expense	130.492.153	47.179.241	125.229.321	41.726.867
Landing expenses	76.256.144	32.826.215	62.516.028	24.792.032
Advertising expenses	53.128.997	11.234.358	52.453.743	8.932.181
Commission expenses	45.754.301	17.495.371	32.278.864	10.639.926
Passenger service and catering expenses	30.433.783	12.531.929	25.897.203	11.346.321
Other expenses	137.806.972	53.921.775	117.044.835	42.678.317
	2.463.536.117	944.101.814	2.151.608.498	814.168.412

NOTE 14 - SHAREHOLDERS' EQUITY

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

	30 September 2015		31 December 2014	
Shareholders:	(%)	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 Kamyşlı	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
TL historic capital	100,0	102.272.000	100,0	102.272.000

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.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 September 2015 and 2014 are as follows:

Sales:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Scheduled flights	2.111.668.438	1.050.138.544	1.834.831.569	857.309.044
<i>International scheduled flights</i>	<i>1.304.256.583</i>	<i>665.209.700</i>	<i>1.111.686.599</i>	<i>551.159.747</i>
<i>Domestic scheduled flights</i>	<i>807.411.855</i>	<i>384.928.844</i>	<i>723.144.970</i>	<i>306.149.297</i>
Ancillary revenue	488.966.386	196.845.339	394.248.184	149.909.046
Charter flights	94.029.773	58.895.981	137.416.202	81.271.160
Other revenue	42.358.556	14.101.156	43.630.399	16.261.101
	2.737.023.153	1.319.981.020	2.410.126.354	1.104.750.351

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

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Domestic	807.411.855	384.928.844	723.144.970	306.149.297
Europe	1.017.065.489	512.376.401	928.206.240	464.141.852
Other	287.191.094	152.833.299	183.480.359	87.017.895
	2.111.668.438	1.050.138.544	1.834.831.569	857.309.044

Cost of sales:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Jet fuel expenses	856.217.891	334.002.169	889.604.672	356.001.226
Personnel expenses	287.443.691	106.751.513	235.616.279	86.292.920
Operating lease expenses	232.920.929	90.006.851	136.836.715	49.330.313
Handling and station fees	200.184.106	82.701.447	162.606.098	62.041.436
Maintenance expenses	192.051.067	67.230.842	120.785.242	46.503.737
Navigation expenses	181.934.933	74.717.089	154.760.603	62.055.705
Depreciation and amortisation expenses	118.755.282	42.822.038	116.188.630	38.579.536
Landing expenses	76.256.144	32.826.215	62.516.028	24.792.032
Passenger service and catering expenses	30.433.783	12.531.929	25.897.203	11.346.321
Other expenses	94.915.936	38.029.099	82.314.150	31.241.659
	2.271.113.762	881.619.192	1.987.125.620	768.184.885

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Marketing expenses	118.583.113	35.711.116	103.107.355	25.869.330
General administrative expenses	73.839.242	26.771.506	61.375.523	20.114.197
	192.422.355	62.482.622	164.482.878	45.983.527

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

General administrative expenses:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Personnel expenses	30.139.386	10.617.383	27.074.250	8.574.718
Depreciation and amortisation expenses	9.500.908	3.524.804	7.312.271	2.545.162
Rent expenses	8.779.944	3.299.661	7.451.296	2.524.041
IT expenses	7.090.899	2.687.796	4.727.304	2.003.320
Legal and notary expenses	3.858.045	1.622.057	1.800.649	682.307
Consultancy expenses	3.364.275	1.256.870	3.835.036	986.833
Travel expenses	2.389.943	1.069.248	2.086.059	614.912
Office utility expenses	1.058.149	379.466	1.184.582	407.131
Other expenses	7.657.693	2.314.221	5.904.076	1.775.773
	73.839.242	26.771.506	61.375.523	20.114.197

Marketing expenses:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Advertising expenses	53.128.997	11.234.358	52.453.743	8.932.181
Commission expenses	45.754.301	17.495.371	32.278.864	10.639.926
Personnel expenses	8.771.764	2.885.631	8.904.645	3.252.713
Call center expenses	6.271.838	2.373.909	6.127.849	2.152.972
Depreciation and amortisation expenses	2.235.963	832.399	1.728.420	602.169
Other expenses	2.420.250	889.448	1.613.834	289.369
	118.583.113	35.711.116	103.107.355	25.869.330

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

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

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

Other operating income:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Foreign exchange gain/(loss)				
from operating activities	6.978.972	(47.702.040)	46.126.182	37.678.740
Discount cancellation income	138.795	31.235	438.964	190.799
Rent income	-	-	135.957	45.319
Income from sale and leaseback transactions	-	-	88.611	-
Other income	1.405.916	104.432	1.765.338	552.215
	8.523.683	(47.566.373)	48.555.052	38.467.073

Other operating expenses:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Other expense	1.671.064	2.421	1.894.119	194.335
	1.671.064	2.421	1.894.119	194.335

NOTE 18 - INCOME FROM INVESTING ACTIVITIES

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

Income from investing activities:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Foreign exchange gain				
from investing activities	20.496.785	8.520.196	5.828.970	5.900.844
Other income	30.230	9.427	89.297	78.821
	20.527.015	8.529.623	5.918.267	5.979.665

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NOTE 19 - FINANCIAL INCOME AND EXPENSES

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

Financial income:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Foreign exchange gain	61.339.653	43.608.396	-	-
Interest income	30.716.472	12.930.239	41.797.654	10.532.233
Gain on derivative contracts	-	-	31.736.621	(8.908.350)
	92.056.125	56.538.635	73.534.275	1.623.883

Financial expenses:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Losses from derivative contracts	98.208.699	86.635.446	-	-
Other commission expenses	12.031.386	4.879.389	8.637.440	3.265.504
Surety commission expenses	9.086.361	3.216.633	10.012.687	3.260.504
Interest expense on finance lease	6.066.832	2.076.999	8.071.140	2.272.034
Foreign exchange loss	-	-	51.670.710	15.346.594
	125.393.278	96.808.467	78.391.977	24.144.636

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 September 2015 and 2014 are as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Net income attributable to shareholders of the parent	194.699.407	233.693.094	235.157.369	250.552.297
Weighted average number of shares issued in the period	102.272.000	102.272.000	102.272.000	102.272.000
Gain per share	1,90	2,29	2,30	2,45

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2015		31 December 2014	
	Asset	Liability	Asset	Liability
Short term	3.778.753	182.059.835	6.576.885	182.607.585
Long term	-	13.215.723	-	62.316.092
	3.778.753	195.275.558	6.576.885	244.923.677

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

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

Short term financial liabilities	30 September 2015	31 December 2014
Short term bank borrowings	22.070.051	4.504.480
Short term portion of long term finance lease obligations	216.168.570	162.765.963
	238.238.621	167.270.443
Long term financial liabilities	30 September 2015	31 December 2014
Long term finance lease obligations	1.347.930.480	1.186.991.297
	1.347.930.480	1.186.991.297

a) Bank Borrowings

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

30 September 2015	Weighted average interest rate (%)	Currency	Original amount	TL amount
Short term bank borrowings	0,00 (*)	TL	22.070.051	22.070.051
Total loans				22.070.051
31 December 2014	Weighted average interest rate (%)	Currency	Original amount	TL amount
Short term bank borrowings	0,00 (*)	TL	4.504.480	4.504.480
Total loans				4.504.480

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

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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 September 2015 and 31 December 2014 are as follows:

	30 September 2015	31 December 2014
Less than 1 year	224.239.893	168.520.791
Between 1 - 5 years	890.489.210	683.783.642
Over 5 years	489.393.927	528.461.762
	1.604.123.030	1.380.766.195
Less: Future interest expenses	(40.023.980)	(31.008.935)
	1.564.099.050	1.349.757.260

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

	30 September 2015	31 December 2014
Less than 1 year	216.168.570	162.765.963
Between 1 - 5 years	862.709.133	663.881.114
Over 5 years	485.221.347	523.110.183
	1.564.099.050	1.349.757.260

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 September 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 September 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)

30 September 2015	TL Total	USD	TL	GBP	Other
1. Trade receivables	264.979.890	452.108	175.121.448	3.447.413	72.586.865
2a. Monetary financial assets	1.264.009.764	267.209.827	387.738.979	8.610.914	23.367.055
2b. Non monetary financial assets	-	-	-	-	-
3. Other	327.766.778	106.997.644	296.594	17.115	1.765.338
4. CURRENT ASSETS	1.856.756.432	374.659.579	563.157.021	12.075.442	97.719.258
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	124.008.598	40.591.170	169.824	19.800	216.371
8. NON CURRENT ASSETS	124.008.598	40.591.170	169.824	19.800	216.371
9. TOTAL ASSETS	1.980.765.030	415.250.749	563.326.845	12.095.242	97.935.629
10. Trade payables	173.518.801	33.970.998	61.547.806	272.467	7.330.739
11. Financial liabilities	66.956.891	14.749.397	22.070.051	-	-
12a. Other liabilities, monetary	61.833.743	10.892.562	27.245.578	119.184	889.286
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	302.309.435	59.612.957	110.863.435	391.651	8.220.025
14. Trade payables	-	-	-	-	-
15. Financial liabilities	246.203.865	80.900.294	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	246.203.865	80.900.294	-	-	-
18. TOTAL LIABILITIES	548.513.300	140.513.251	110.863.435	391.651	8.220.025
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	19.984.609	15.100.647	-	(1.600.000)	(18.593.750)
19.a Off-balance sheet foreign currency derivative assets	45.955.799	15.100.647	-	-	-
19b. Off-balance sheet foreigncurrency derivative liabilities	25.971.190	-	-	1.600.000	18.593.750
20. Net foreign currency asset/(liability) position	1.432.251.730	274.737.498	452.463.410	11.703.591	89.715.604
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	980.476.354	127.148.684	451.996.992	11.666.676	87.733.895

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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
4. CURRENT ASSETS	1.170.181.273	357.110.301	276.172.982	9.619.280	31.313.321
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
8. NON CURRENT ASSETS	35.439.526	15.060.186	189.478	44.800	165.877
9. TOTAL ASSETS	1.205.620.799	372.170.487	276.362.460	9.664.080	31.479.198
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	2.606.125	18.473.657	192.401	129.436
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	181.750.555	48.257.549	60.766.757	737.168	6.428.436
14. Trade payables	-	-	-	-	-
15. Financial liabilities	213.300.183	91.983.347	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	213.300.183	91.983.347	-	-	-
18. TOTAL LIABILITIES	395.050.738	140.240.896	60.766.757	737.168	6.428.436
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 foreigncurrency derivative liabilities	9.280.620	-	-	1.800.000	2.807.640
20. Net foreign currency asset/(liability) position	810.570.061	231.929.591	215.595.703	8.926.912	25.050.762
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	503.257.911	100.045.741	215.366.377	8.847.246	24.079.885

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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 September 2015 and 31 December 2014 are as follows:

30 September 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	38.695.159	(38.695.159)	-	-
Part of hedged from USD risk	4.595.580	(4.595.580)	-	-
USD net effect	43.290.739	(43.290.739)	-	-
Effect of 10% change in TL rate				
TL net asset / liability	45.199.699	(45.199.699)	169.280.628	(169.280.628)
Part of hedged from TL risk	-	-	-	-
TL net effect	45.199.699	(45.199.699)	169.280.628	(169.280.628)
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	23.199.607	(23.199.607)	-	-
Part of hedged from USD risk	8.917.038	(8.917.038)	-	-
USD net effect	32.116.645	(32.116.645)	-	-
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	-	-	-	-
TL net effect	21.536.638	(21.536.638)	121.925.547	(121.925.547)

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

Fair Value of Financial Instruments

30 September 2015	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
Financial assets						
Cash and cash equivalents	1.357.877.049	-	-	-	1.357.877.049	26
Trade receivables	356.298.490	-	-	-	356.298.490	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	356.298.490	-	-	-	356.298.490	6
Other receivables	287.493.292	-	-	-	287.493.292	
- <i>Related party</i>	288.890	-	-	-	288.890	5
- <i>Other</i>	287.204.402	-	-	-	287.204.402	
Pre-delivery payment for purchase of aircraft	201.630.516	-	-	-	201.630.516	
Derivative financial assets	-	-	3.778.753	-	3.778.753	21
Financial liabilities						
Bank borrowings	-	-	-	22.070.051	22.070.051	22
Obligations under financial leases	-	-	-	1.564.099.050	1.564.099.050	22
Trade payables	-	-	-	350.068.998	350.068.998	6
- <i>Related party</i>	-	-	-	3.617.789	3.617.789	5
- <i>Other</i>	-	-	-	346.451.209	346.451.209	
Passenger airport fees liability	-	-	-	49.937.237	49.937.237	7
Derivative financial liabilities	-	29.057.272	166.218.286	-	195.275.558	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
Financial assets						
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
Financial liabilities						
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 September 2015	31 December 2014		
Fuel purchase forward contracts	(29.057.272)	(72.619.073)	Level 2	Discounted cash flow method
Currency forward contracts	3.778.753	5.925.404	Level 2	Discounted cash flow method
Chooser forward contracts	(164.522.334)	(172.304.604)	Level 2	Discounted cash flow method
Interest rate swap contracts	(1.695.952)	651.481	Level 2	Discounted cash flow method

NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

None.

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NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

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

	30 September 2015	31 December 2014
Cash on hand	153.260	168.239
Cash at banks	1.357.723.789	856.722.530
- Demand deposits	70.188.782	33.765.213
- Time deposits	1.287.535.007	822.957.317
	1.357.877.049	856.890.769

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

30 September 2015	Effective interest rates	Total
USD deposits	2,29%	787.913.604
TL deposits	13,51%	383.638.954
EUR deposits	1,36%	74.242.811
GBP deposits	1,00%	36.427.109
CHF deposits	0,20%	5.312.529
		1.287.535.007

31 December 2014	Effective interest rates	Total
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
		822.957.317

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