

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  
THREE-MONTHS INTERIM  
PERIOD ENDED 31 MARCH 2013

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

**CONDENSED INTERIM CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION**

(Amounts are expressed in TL unless otherwise stated.)

		<b>Current period (Not Reviewed) 31 March 2013</b>	<b>Prior period (Audited) 31 December 2012</b>
	<b>Notes</b>		
<b>ASSETS</b>			
<b>Current assets</b>		<b>430.617.195</b>	<b>339.329.147</b>
Cash and cash equivalents	4	175.178.200	210.150.238
Financial investments		23.263.077	14.898.232
Trade receivables	5	160.651.300	41.871.360
Other receivables		40.878.304	30.865.636
Inventories		2.228.862	1.882.592
Other current assets		28.417.452	39.661.089
<b>Non-Current assets</b>		<b>1.832.342.477</b>	<b>1.869.681.888</b>
Other receivables		144.454.518	132.838.505
Investments accounted for using the equity method	7	511.471	1.512.211
Property and equipment	8	1.681.814.312	1.730.317.522
Intangible assets	9	4.795.308	5.013.650
Deferred tax assets		766.868	-
<b>Total assets</b>		<b>2.262.959.672</b>	<b>2.209.011.035</b>

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**

(Amounts are expressed in TL unless otherwise stated.)

		<b>Current period (Not Reviewed) 31 March 2013</b>	<b>Prior period (Audited) 31 December 2012</b>
	<b>Notes</b>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>635.353.122</b>	<b>538.075.762</b>
Financial debt	6	183.315.204	185.954.714
Other financial liabilities		-	3.006.145
Trade payables		88.519.165	88.538.575
<i>Other trade payables</i>		85.880.025	85.059.227
<i>Trade payables to related parties</i>		2.639.140	3.479.348
Other payables		14.286.252	9.555.176
Provision for employee benefits		26.053.544	26.210.428
Other current liabilities	12	323.178.957	224.810.724
<b>Non-Current liabilities</b>		<b>1.311.083.516</b>	<b>1.343.583.125</b>
Financial debt	6	1.197.315.719	1.240.919.331
Provision for employee benefits		4.063.688	4.149.445
Deferred tax liabilities		77.923.752	72.180.973
Other non-current liabilities		31.780.357	26.333.376
<b>SHAREHOLDERS' EQUITY</b>		<b>316.523.034</b>	<b>327.352.148</b>
<b>Equity attributable to shareholders' of the parent</b>		<b>315.761.689</b>	<b>327.352.148</b>
Share capital	13	75.000.000	75.000.000
Effects of business acquisition		29.504.957	29.504.957
Currency translation differences		67.431.540	72.735.810
Hedge fund		11.954.584	11.918.586
Retained earnings		138.192.795	11.889.279
Net (loss) / profit for the period		(6.322.187)	126.303.516
<b>Non-controlling interest</b>		<b>761.345</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2.262.959.672</b>	<b>2.209.011.035</b>

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

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January - 31 March 2013	Prior period (Not Reviewed) 1 January - 31 March 2012
	Notes		
Sales revenue (net)	14	386.043.713	278.905.791
Cost of sales (-)	14	(348.673.216)	(335.319.772)
<b>Gross profit</b>		<b>37.370.497</b>	<b>(56.413.981)</b>
Selling and marketing expenses (-)	15	(26.512.682)	(16.200.697)
General administrative expenses (-)	15	(12.678.476)	(11.420.897)
Other operating income and expenses (net)	16	1.866.103	332.640
<b>Operating profit / (loss)</b>		<b>45.442</b>	<b>(83.702.935)</b>
Share of investments' profit / (loss) accounted for using equity method	7	(1.088.911)	650.231
Financial income	17	12.821.278	300.292
Financial expense (-)	18	(11.306.218)	(17.505.834)
<b>Profit / (Loss) before tax</b>		<b>471.591</b>	<b>(100.258.246)</b>
<b>Tax income / (expense)</b>			
Current tax expense		-	-
Deferred tax expense		(6.804.817)	(5.453.929)
<b>Profit / (Loss) for the period</b>		<b>(6.333.226)</b>	<b>(105.712.175)</b>
<b>Other comprehensive income / (loss)</b>			
Items that will or may be reclassified subsequently to profit or loss			
Currency translation differences		(5.304.270)	7.853.368
Hedge fund		35.998	3.621.187
<i>Gains on derivative contracts</i>		<i>14.943.230</i>	<i>8.515.672</i>
<i>Gains included in income statement</i>		<i>(11.918.586)</i>	<i>(3.191.351)</i>
<i>Deferred tax effect</i>		<i>(2.988.646)</i>	<i>(1.703.134)</i>
<b>Total comprehensive profit / (loss)</b>		<b>(11.601.498)</b>	<b>(94.237.620)</b>
<b>Net profit / (loss) attributable to:</b>			
Shareholders' of the parent		(6.322.187)	(105.368.242)
Non-controlling interest		(11.039)	(343.933)
		<b>(6.333.226)</b>	<b>(105.712.175)</b>
Earnings / Loss per share (TL)		(0,08)	(1,40)
<b>Total comprehensive profit / (loss) attributable to:</b>			
Shareholders' of the parent		(11.590.459)	(93.893.687)
Non-controlling interest		(11.039)	(343.933)
		<b>(11.601.498)</b>	<b>(94.237.620)</b>

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 THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

	Share capital	Effects of business acquisition	Currency translation differences	Hedge fund	Retained earnings	Net (loss) / profit for the period	Equity attributable to shareholders' of the parent	Non- controlling interest	Total
<b>As at 1 January 2012</b>	<b>75.000.000</b>	<b>29.504.957</b>	<b>69.180.672</b>	<b>3.191.351</b>	<b>27.212.283</b>	<b>(15.323.004)</b>	<b>188.766.259</b>	<b>(69.184)</b>	<b>188.697.075</b>
Transfer to retained earnings	-	-	-	(3.191.351)	(15.323.004)	18.514.355	-	-	-
Total comprehensive income / (loss)	-	-	7.853.368	6.812.538	-	(108.559.593)	(93.893.687)	(343.933)	(94.237.620)
<b>As at 31 March 2012</b>	<b>75.000.000</b>	<b>29.504.957</b>	<b>77.034.040</b>	<b>6.812.538</b>	<b>11.889.279</b>	<b>(105.368.242)</b>	<b>94.872.572</b>	<b>(413.117)</b>	<b>94.459.455</b>
<b>As at 1 January 2013</b>	<b>75.000.000</b>	<b>29.504.957</b>	<b>72.735.810</b>	<b>11.918.586</b>	<b>11.889.279</b>	<b>126.303.516</b>	<b>327.352.148</b>	<b>-</b>	<b>327.352.148</b>
Business combination and consolidation rate change effect	-	-	-	-	-	-	-	772.384	772.384
Transfer to retained earnings	-	-	-	(11.918.586)	126.303.516	(114.384.930)	-	-	-
Total comprehensive income / (loss)	-	-	(5.304.270)	11.954.584	-	(18.240.773)	(11.590.459)	(11.039)	(11.601.498)
<b>As at 31 March 2013</b>	<b>75.000.000</b>	<b>29.504.957</b>	<b>67.431.540</b>	<b>11.954.584</b>	<b>138.192.795</b>	<b>(6.322.187)</b>	<b>315.761.689</b>	<b>761.345</b>	<b>316.523.034</b>

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January - 31 March 2013	Prior period (Not Reviewed) 1 January - 31 March 2012
	Notes		
<b>Profit / (loss) for the period</b>		<b>(6.322.187)</b>	<b>(105.368.242)</b>
<b>Adjustments to obtain net cash flow generated from operating activities</b>			
Depreciation and amortization	8-9	27.774.789	23.287.005
Provision for retirement pay liability		75.357	(2.275)
Provision for unused vacation liability		206.474	(46.726)
Current tax expense		6.804.817	5.453.929
(Gain) / on equity investments accounted for using the equity method	7	1.088.911	(650.231)
Loss on sales of fixed assets		-	(69.513)
Change in maintenance reserves and redelivery provision		4.561.804	3.060.012
Interest and commission expense	18	6.983.923	10.346.700
Interest income	17	(1.495.285)	(300.292)
Change in fair value of derivative instruments		(8.346.346)	5.082.590
Legal provision	12	47.764	(113.041)
Translation differences		(604.636)	17.299.086
<b>Cash generated from operating activities before changes in working capital</b>		<b>30.775.385</b>	<b>(42.020.998)</b>
Increase in trade receivables		(118.952.289)	(35.144.982)
(Increase) / Decrease in inventories		(346.270)	375.168
(Increase) / Decrease in other receivables and other current assets		(3.146.201)	2.016.814
Increase in trade payables		(19.410)	(720.009)
Increase in other current liabilities		103.274.566	75.960.474
<b>Changes in working capital</b>		<b>(19.189.604)</b>	<b>42.487.465</b>
<b>Cash flows from operating activities</b>		<b>11.585.781</b>	<b>466.467</b>
Retirement pay liabilities paid		(161.114)	(91.182)
<b>Net cash generated from operating activities</b>		<b>11.424.667</b>	<b>375.285</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, equipment and intangible assets (*)	8-9	(1.508.198)	(1.380.960)
Changes in advances on aircraft		(5.838.743)	(7.424.266)
Proceeds from sale of property, equipment and intangible assets		-	285.075
Interest received		1.495.285	300.292
<b>Net cash used in investing activities</b>		<b>(5.851.656)</b>	<b>(8.219.859)</b>
<b>Cash flow from financing activities:</b>			
Repayment of principal in finance lease liabilities		(33.611.607)	(22.880.789)
Interest and commission paid		(7.050.532)	(7.891.401)
Increase in borrowings		2.864.885	119.854.586
Repayment of borrowings		(2.747.795)	(60.966.245)
<b>Net cash (used in) / generated from financing activities</b>		<b>(40.545.049)</b>	<b>28.116.151</b>
Net (decrease) / increase in cash and cash equivalents		(34.972.038)	20.271.577
Cash and cash equivalents at the beginning of the period	4	210.150.238	19.549.364
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>175.178.200</b>	<b>39.820.941</b>

(\*) None of tangible and intangible assets acquisitions for the three months period ended 31 March 2013 was financed through finance leases. (31 March 2012: TL 275.946.055 of tangible and intangible assets acquisitions in total of TL 318.630.229 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 THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 1 - GROUP ORGANIZATION AND ITS OPERATIONS

Pegasus Hava Taşımacılığı A.Ş. (the “Company”, “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 March 31, 2013 are as follows:

	<b>31 March 2013</b>	<b>31 December 2012</b>
Esas Holding A.Ş.	96,50%	96,50%
Sabancı Family Members	3,50%	3,50%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

The Group’s total number of full time employees as of 31 March 2013 is 2.146 (31 December 2012: 2.045). The address of its principal executive office is Aeropark Yenışehir Mah. Osmanlı Bulvarı No: 11 Kurtkoy-Pendik İstanbul.

Subsidiaries of the Company are 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 31 March 2013 and delegated authority for publishing it on 9 May 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 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.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

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

##### 2.1 Basis of Presentation

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

The Capital Markets Board (“CMB”) has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 “Communiqué on Capital Market Financial Reporting Standards”. This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008 and with this Communiqué, the Communiqué Series XI, No: 29 “Communiqué on Capital Market Accounting Standards” has been repealed. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards (“IAS/IFRS”) accepted by the European Union. Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board (“TASB”), IAS/IFRS will be in use. Under these circumstances, Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”), which are the standards published by TASB, not contradicting with IAS/IFRS will be predicated on.

Statutory Decree No: 660, which has been become effective and published in the Official Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the “Institution”) was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations be issued by the Institution and will become effective. In this respect, the respective matter has no effect over the “Basis of The Preparation of Financial Statements” Note disclosed in the accompanying financial statements as of the reporting date.

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 CMB Reporting 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 THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 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 31 March 2013:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>31 March 2013</u>	<u>31 December 2012</u>	
Air Manas	Air transportation	49%	49%	Kyrgyzstan
İzmirliiler Otelcilik Yatırım Turizm ve Ticaret A.Ş.	Hotel-gas station management	59%	59%	Türkiye

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 31 March 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>
IHY İzmir Havayolları A.Ş. ("İzair")	Türkiye	51%	51%	Air transportation
Pegasus Uçuş Eğitim Merkezi A.Ş.	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.

##### 2.4 Summary of Significant Accounting Policies

The condensed consolidated interim financial statements as of 31 March 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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

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

##### 2.5 New and Revised International Financial Reporting Standards

###### 2.5.a Amendments to IFRSs affecting amounts reported in the 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.

###### 2.5.b New and Revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income</i>
Amendments to IAS 1	<i>Clarification of the Requirements for Comparative Information</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

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

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

**2.5.b New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)**

***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 can be applied retrospectively. 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.

***Amendments to IAS 1 Presentation of Financial Statements***  
**(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)**

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

***New and revised Standards on consolidation, joint arrangements, associates and disclosures***

In May 2011, a package of four Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

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

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

**2.5.b New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)**

**New and revised Standards on consolidation, joint arrangements, associates and disclosures (cont'd)**

Key requirements of these four Standards are described below.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. The application of these four standards did not have significant impact on amounts reported in the consolidated financial statements.

**IFRS 13 *Fair Value Measurement***

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The application of the new Standard did not have significant impact on the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

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

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

2.5.b New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

***Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures***

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

***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.

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

- Amendments to IAS 16 *Property, Plant and Equipment*;
- Amendments to IAS 32 *Financial Instruments: Presentation*; and
- Amendments to IAS 34 *Interim Financial Reporting*.

**Amendments to IAS 16**

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the Group's consolidated financial statements.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

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

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

##### 2.5.b New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

##### *Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012 (cont'd)*

##### Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The amendments to IAS 32 did not have a significant effect on the Group's consolidated financial statements.

##### Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the Group's consolidated financial statements.

##### 2.5.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:

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i> <sup>2</sup>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015.

##### **IFRS 9 *Financial Instruments***

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

##### **Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities***

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 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 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013	31 December 2012
Cash on hand	166.068	75.657
Cash at banks	175.012.132	210.074.581
- Demand deposits	78.596.821	24.779.531
- Time deposits	96.415.311	185.295.050
	<b>175.178.200</b>	<b>210.150.238</b>

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

31 March 2013	Effective interest rates	Total
TL deposits	%6,31	54.144.867
USD deposits	%2,00	42.270.444
		<b>96.415.311</b>

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
		<b>185.295.050</b>

All of the time deposits as of 31 March 2013 and 31 December 2012 mature within one month.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 5 – TRADE RECEIVABLES

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

	31 March 2013	31 December 2012
Trade receivables	59.400.803	39.090.468
Credit card receivables	104.107.528	5.678.335
	<b>163.508.331</b>	<b>44.768.803</b>
Less: Allowance for doubtful receivables	(2.857.031)	(2.897.443)
	<b>160.651.300</b>	<b>41.871.360</b>

#### NOTE 6 - FINANCIAL LIABILITIES

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

<b>Short term financial debt</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
Short term bank loans	50.150.507	50.722.463
Short term finance lease obligations	133.164.697	135.232.251
	<b>183.315.204</b>	<b>185.954.714</b>
<b>Long term financial debt</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
Long term finance lease obligations	1.197.315.719	1.240.919.331
	<b>1.197.315.719</b>	<b>1.240.919.331</b>

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

#### 31 March 2013

	Weighted average interest rate (%)	Currency	Original amount	TL amount
Short term bank loans	%5,00	Euro	20.846.415	48.340.753
	%3,50	USD	1.000.583	1.809.754
<b>Total loans</b>				<b>50.150.507</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 6 - FINANCIAL LIABILITIES (cont'd)**

**31 December 2012**

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

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

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

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

	<b>31 March 2013</b>	<b>31 December 2012</b>
Less than 1 year	141.043.550	141.385.690
Between 1 - 5 years	545.191.620	582.282.296
Over 5 years	699.691.440	705.874.234
	<b>1.385.926.610</b>	<b>1.429.542.220</b>
Less: Future interest expenses	(55.446.194)	(53.390.638)
	<b>1.330.480.416</b>	<b>1.376.151.582</b>

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

	<b>31 March 2013</b>	<b>31 December 2012</b>
Less than 1 year	133.164.697	135.232.251
Between 1 - 5 years	515.113.068	552.291.771
Over 5 years	682.202.651	688.627.560
	<b>1.330.480.416</b>	<b>1.376.151.582</b>

The Group purchases certain of its aircraft through finance lease arrangements. The average lease term is 12 years. For the period ended 31 March 2013, the floating interest rate applicable to Euro-denominated lease obligations is 0.71% (31 December 2012: 0.58%) and the floating rate applicable to US Dollar-denominated lease obligations is 0.78% (31 December 2012: 0.82%).

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 March 2013	31 December 2012
<b>Joint ventures</b>		
İzair (*)	-	-
Pegasus Uçuş Eğitim Merkezi A.Ş.	511.471	379.771
<b>Associates</b>		
KPA LLC.(**)	-	69.141
İzmirliler Otelcilik A.Ş.	-	1.132.440
Impairment provision	-	(69.141)
	<b>511.471</b>	<b>1.512.211</b>

(\*) The Group has recognised a liability as of 31 March 2013 and 31 December 2012 in respect of its share in the net deficit position of Izair since it has constructive obligations (Not 12).

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

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

	1 January - 31 March 2013	1 January - 31 March 2012
İzair (*)	(1.236.730)	-
Pegasus Uçuş Eğitim Merkezi A.Ş.	147.819	572.574
İzmirliler Otelcilik A.Ş.	-	77.657
<b>Net (loss) / profit</b>	<b>(1.088.911)</b>	<b>650.231</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>31 March 2013</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components and repairables</b>	<b>Owned and leased aircraft</b>	<b>Total</b>
<b>Cost:</b>							
Opening	<b>1.308.815</b>	<b>4.565.586</b>	<b>21.327.972</b>	<b>12.427.509</b>	<b>21.992.362</b>	<b>1.981.499.673</b>	<b>2.043.121.917</b>
Addition of subsidiary	-	25.979	113.020	2.016.629	-	-	2.155.628
Additions	-	-	778.415	15.256	496.576	-	1.290.247
Currency translation differences	(18.254)	(63.676)	(307.858)	(173.548)	(313.371)	(27.636.680)	(28.513.387)
<b>Closing</b>	<b>1.290.561</b>	<b>4.527.889</b>	<b>21.911.549</b>	<b>14.285.846</b>	<b>22.175.567</b>	<b>1.953.862.993</b>	<b>2.018.054.405</b>
<b>Accumulated depreciation:</b>							
Opening	<b>(896.053)</b>	<b>(1.466.777)</b>	<b>(10.961.339)</b>	<b>(4.722.131)</b>	<b>(14.344.305)</b>	<b>(280.413.790)</b>	<b>(312.804.395)</b>
Addition of subsidiary	-	(16.887)	(66.703)	(1.060.245)	-	-	(1.143.835)
Depreciation for the period	(27.479)	(107.567)	(585.375)	(638.612)	(436.488)	(25.608.042)	(27.403.563)
Currency translation differences	12.865	21.822	160.513	72.338	205.893	4.638.269	5.111.700
<b>Closing</b>	<b>(910.667)</b>	<b>(1.569.409)</b>	<b>(11.452.904)</b>	<b>(6.348.650)</b>	<b>(14.574.900)</b>	<b>(301.383.563)</b>	<b>(336.240.093)</b>
<b>Net book value</b>	<b>379.894</b>	<b>2.958.480</b>	<b>10.458.645</b>	<b>7.937.196</b>	<b>7.600.667</b>	<b>1.652.479.430</b>	<b>1.681.814.312</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

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

<b>31 March 2012</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components and repairables</b>	<b>Owned and leased aircraft</b>	<b>Total</b>
<b>Cost:</b>							
Opening	<b>1.500.241</b>	<b>3.471.523</b>	<b>17.184.579</b>	<b>6.990.104</b>	<b>25.312.410</b>	<b>1.578.680.920</b>	<b>1.633.139.777</b>
Additions	-	808	336.919	5.009	774.531	317.249.268	318.366.536
Disposals	-	(224.735)	(62.288)	-	-	-	(287.023)
Currency translation differences	(47.515)	(111.858)	(519.021)	(221.362)	(795.093)	(47.295.823)	(48.990.673)
<b>Closing</b>	<b>1.452.726</b>	<b>3.135.738</b>	<b>16.940.190</b>	<b>6.773.750</b>	<b>25.291.848</b>	<b>1.848.634.365</b>	<b>1.902.228.617</b>
<b>Accumulated depreciation:</b>							
Opening	<b>(928.238)</b>	<b>(1.212.677)</b>	<b>(9.822.133)</b>	<b>(4.778.477)</b>	<b>(15.659.411)</b>	<b>(188.035.239)</b>	<b>(220.436.175)</b>
Depreciation for the period	(30.096)	(100.067)	(444.189)	(235.496)	(382.476)	(21.778.981)	(22.971.305)
Disposals	-	45.338	26.122	-	-	-	71.461
Currency translation differences	29.143	37.936	307.523	149.337	492.693	6.454.947	7.471.579
<b>Closing</b>	<b>(929.191)</b>	<b>(1.229.469)</b>	<b>(9.932.677)</b>	<b>(4.864.636)</b>	<b>(15.549.193)</b>	<b>(203.359.273)</b>	<b>(235.864.440)</b>
<b>Net book value</b>	<b>523.534</b>	<b>1.906.269</b>	<b>7.007.513</b>	<b>1.909.115</b>	<b>9.742.654</b>	<b>1.645.275.092</b>	<b>1.666.364.177</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 9 - INTANGIBLE ASSETS**

<b>31 March 2013</b>	<b>Software</b>		<b>Total</b>
<b>Cost:</b>			
Opening	10.588.220		10.588.220
Addition of subsidiary	136.630		136.630
Additions	217.951		217.951
Currency translation differences	(150.582)		(150.582)
<b>Closing</b>	<b>10.792.219</b>		<b>10.792.219</b>
<b>Accumulated amortization:</b>			
Opening	(5.574.570)		(5.574.570)
Addition of subsidiary	(133.785)		(133.785)
Amortization for the period	(371.226)		(371.226)
Currency translation differences	82.670		82.670
<b>Closing</b>	<b>(5.996.911)</b>		<b>(5.996.911)</b>
<b>Net book value</b>	<b>4.795.308</b>		<b>4.795.308</b>
<b>31 March 2012</b>			
	<b>Brand</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>			
Opening	1.722.879	9.186.839	10.909.718
Additions	-	263.693	263.693
Currency translation differences	(54.567)	(1.429.681)	(1.484.248)
<b>Closing</b>	<b>1.668.312</b>	<b>8.020.851</b>	<b>9.689.163</b>
<b>Accumulated amortization:</b>			
Opening	(409.183)	(4.868.094)	(5.277.277)
Amortization for the period	(20.678)	(295.022)	(315.700)
Currency translation differences	12.783	181.044	193.827
<b>Closing</b>	<b>(417.078)</b>	<b>(4.982.072)</b>	<b>(5.399.150)</b>
<b>Net book value</b>	<b>1.251.234</b>	<b>3.038.779</b>	<b>4.290.013</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

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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 3.352.152 as of 31 March 2013 (31 December 2012: TL 3.211.251). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 1.032.952 (31 December 2012: TL 995.188) (note 12) 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.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

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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 in court. The assessment of the tax inspector in relation to a liability and penalty did not include the period between 1 February 2012 and 30 November 2012 which is also contingent period.

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.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 11 – COMMITMENTS

##### Purchase commitments

	31 March 2013	31 December 2012
Commitments to purchase aircraft	16.409.427.161	16.291.577.121
	<b>16.409.427.161</b>	<b>16.291.577.121</b>

As of 31 March 2013 the Group holds firm orders for eighty aircraft. The expected deliveries are: (i) one aircraft in 2013, (ii) two aircraft in 2014, (iii) four aircraft in 2015, (iv) five aircraft in 2016, (v) five aircraft in 2017, (vi) ten aircraft in 2018, (vii) fourteen aircraft in 2019, (viii) thirteen aircraft in 2020, (ix) thirteen aircraft in 2021, (x) thirteen 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 96.502.286 TL (31 December 2012: 89.263.443 TL) and the amount is reclassified under long term other receivables.

##### the Company as Lessee

##### Operating leasing agreements:

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 31 March 2013 and 31 December 2012 is as follows:

	31 March 2013	31 December 2012
Less than 1 year	75.054.805	68.153.772
Between 1 - 5 years	276.541.661	247.059.444
Over 5 years	99.389.612	90.856.996
	<b>450.986.078</b>	<b>406.070.212</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 11 – COMMITMENTS (cont'd)**

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

	<b>31 March 2013</b>	<b>31 December 2012</b>
Less than 1 year	138.857	185.143
Between 1 - 5 years	663.428	709.713
	<b>802.285</b>	<b>894.856</b>

<b>GPM given by the Group</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
A. Total amounts of GPM given on the behalf of its own legal entity	160.400.129	143.345.633
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-
D. Total amounts of other GPM given	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
<b>Total</b>	<b>160.400.129</b>	<b>143.345.633</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 12 – OTHER CURRENT LIABILITIES**

**Other current liabilities**

	<b>31 March 2013</b>	<b>31 December 2012</b>
Passenger flight liabilities	204.984.369	125.507.762
Accrued direct operational costs	41.908.023	32.092.227
Passenger airport fees received from customers	39.600.519	25.689.738
Deferred income from sale of subsidiary interest (*)	11.715.938	11.881.653
Advances received from customers	16.231.070	8.091.932
Allowance for the loss from associates and joint ventures (**)	691.084	7.086.037
Commission expense accruals	3.087.418	6.088.344
Redelivery provision – short term	-	3.510.519
Provision for litigation claims	1.032.952	995.188
Other payables and expense accruals	3.927.584	3.867.324
	<b>323.178.957</b>	<b>224.810.724</b>

(\*) Deferred income from sale of subsidiary interest is composed of consideration received from AirBerlin with regard to the sale of İzair shares. The Group management has not recognized the consideration as income.

(\*\*)The net liability of İzair as at 31 March 2013 and 31 December 2012 has been recognized as an allowance for the loss from associates and joint ventures.

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

	<b>31 March 2013</b>	<b>31 December 2012</b>
Flight liability from ticket sales	176.836.366	98.399.265
Flight liability from flight points sold	20.825.882	24.268.079
Flight liability from flight points granted	7.322.121	2.840.418
	<b>204.984.369</b>	<b>125.507.762</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 12 – OTHER CURRENT LIABILITIES (cont'd)

The movement of provision for litigation claims is as follows:

	31 March 2013	31 March 2012
1 January	995.188	1.447.351
Charge for the year	47.764	(113.041)
Payments	(10.000)	-
<b>31 March</b>	<b>1.032.952</b>	<b>1.334.310</b>

#### NOTE 13 - CAPITAL

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

Shareholders:	31 March 2013		31 December 2012	
	(%)	TL	(%)	TL
Esas Holding	96,50%	72.375.570	96,50%	72.375.570
Emine Kamlıřlı	1,17%	874.810	1,17%	874.810
Ali İsmail Sabancı	1,17%	874.810	1,17%	874.810
Kazım K�seoglu	0,58%	437.405	0,58%	437.405
Can K�seoglu	0,58%	437.405	0,58%	437.405
<b>TL historic capital</b>	<b>100%</b>	<b>75.000.000</b>	<b>100%</b>	<b>75.000.000</b>

The Company's share capital consists of 75,000,000 shares of par value TL 1 each.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(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 31 March 2013 ve 2012 are as follows:

**Sales:**

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Scheduled flights	298.275.808	206.869.233
<i>International scheduled flights</i>	<i>155.743.161</i>	<i>102.590.085</i>
<i>Domestic scheduled flights</i>	<i>142.532.647</i>	<i>104.279.148</i>
Charter flights	63.364.925	42.190.711
Ancillary revenue	5.095.030	4.056.695
Other revenue	10.404.001	7.277.961
AirBerlin Turkey operation revenue	8.903.949	18.511.191
	<b>386.043.713</b>	<b>278.905.791</b>

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

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Domestic	142.532.647	104.279.148
Europe	115.817.278	83.462.534
Other	39.925.883	19.127.551
	<b>298.275.808</b>	<b>206.869.233</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 14 - SALES AND COST OF SALES (cont'd)**

The details of the cost of sales are as follows:

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Jet fuel expenses	155.181.234	132.908.045
Personnel expenses	37.415.485	35.221.745
Handling fees	23.605.726	20.806.298
Navigation expenses	23.501.983	18.389.205
Depreciation and amortisation expenses	26.176.796	22.053.390
Operating lease expenses	21.450.715	25.756.417
Maintenance expenses	15.797.200	21.575.380
Landing expenses	9.837.905	7.035.424
Passenger service and catering expenses	4.715.216	3.705.203
Other expenses	19.246.423	15.731.828
AirBerlin Turkey operation cost of sales	11.744.533	32.136.837
	<b>348.673.216</b>	<b>335.319.772</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOT 15 - MARKETING AND SALES EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing and sales expenses and general administrative expenses as of the periods ended 31 March 2013 ve 2012 are as follows:

##### Marketing and sales expenses:

	1 January- 31 March 2013	1 January- 31 March 2012
Advertising expenses	13.878.835	7.679.349
Commission expenses	7.718.090	4.724.036
Personnel expenses	2.125.008	1.567.054
Call center expenses	1.867.876	1.628.136
Depreciation and amortisation expenses	310.675	236.738
Other expenses	612.198	365.384
	<b>26.512.682</b>	<b>16.200.697</b>

##### General administrative expenses:

	1 January- 31 March 2013	1 January- 31 March 2012
Personnel expenses	4.110.619	3.701.438
Rent expenses	1.667.744	1.079.569
Depreciation and amortisation expense	1.287.318	996.877
Travel expenses	979.600	835.184
Consultancy expenses	867.924	691.527
IT expenses	839.067	628.833
Legal and notary expenses	296.861	1.037.528
Communication expenses	366.905	320.742
Office utility expenses	400.815	256.334
Insurance expenses	156.055	169.214
Training expenses	73.864	43.882
Subscription expenses	107.556	113.597
Office repair expenses	60.988	53.507
Other expenses	1.463.160	1.492.665
	<b>12.678.476</b>	<b>11.420.897</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 16 - OTHER OPERATING INCOME / EXPENSES

The details of other operating income/expenses as of the periods ended 31 March 2013 ve 2012 are as follows:

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Income from sale and leaseback transactions	1.507.248	-
Other income/(expense)	358.855	332.640
<b>Other income/(expenses) (net)</b>	<b>1.866.103</b>	<b>332.640</b>

#### NOTE 17 - FINANCIAL INCOME

The details of financial income as of the periods ended 31 March 2013 ve 2012 are as follows:

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Foreign exchange gain (realized and unrealized) on derivative contracts	11.325.993	-
Foreign exchange gain	1.495.285	300.292
	<b>12.821.278</b>	<b>300.292</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 18 - FINANCIAL EXPENSES

The details of financial expenses as of the periods ended 31 March 2013 ve 2012 are as follows:

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Commission expenses	5.105.553	3.915.544
Interest expense on bank loans	620.941	3.390.579
Foreign exchange loss	4.310.583	4.910.709
Interest on obligations under finance leases	1.257.429	3.040.577
Foreign exchange losses (realized and - unrealized) on derivative contracts	-	2.248.425
Other	11.712	-
	<b>11.306.218</b>	<b>17.505.834</b>

#### 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 31 March 2013 and 2012 is as follows:

	<b>31 March 2013</b>	<b>31 March 2012</b>
Net profit / (loss) – attributable to equity holders of the parent	(6.322.187)	(105.368.242)
Weighted average number of shares issued in the period	75.000.000	75.000.000
<b>Loss per share</b>	<b>(0,08)</b>	<b>(1,40)</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### 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

	31 March 2013	31 December 2012
<b>Balances with joint ventures:</b>		
PUEM	191.535	181.718
İzair	8.855	16.358
	<b>200.390</b>	<b>198.076</b>

##### b) Due to related parties

	31 March 2013	31 December 2012
<b>Balances with parent company:</b>		
Esas Holding	-	2.434.041
<b>Balances with joint ventures:</b>		
İzair	2.443.319	825.016
<b>Balances with other related parties:</b>		
RM Arşiv Yönetim Hizmetleri A.Ş.	1.385	3.756
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	194.436	216.535
	<b>2.639.140</b>	<b>3.479.348</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### 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- 31 March 2013	1 January- 31 March 2012
<b>Balances with parent company:</b>		
Esas Holding	-	116.858
<b>Balances with joint ventures:</b>		
PUEM	190.098	35.413
İzair	1.064.038	-
	<b>1.254.136</b>	<b>152.271</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 20 - RELATED PARTY TRANSACTIONS (cont'd)**

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

**(b) Purchases of goods or services**

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
<b>Balances with joint ventures:</b>		
PUEM	1.078.887	927.494
İzair	1.091.086	-
<b>Purchases from other related parties:</b>		
Callpex	1.763.880	1.546.882
RM Arşiv Yönetim Hizmetleri A.Ş.	6.459	5.713
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	247.467	-
Other	47.000	-
	<b>4.234.779</b>	<b>2.480.089</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 20 - RELATED PARTY TRANSACTIONS (cont'd)**

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

**(c) Rent expenses**

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
EAG Turizm ve İnşaat Sanayi Ticaret A.Ş.	201.994	-
Esas Holding	-	134.766
İzmirliler Otelcilik	-	63.720
	<b>201.994</b>	<b>198.486</b>

**(d) Commission expenses**

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Esas Holding	1.967.806	2.607.775
	<b>1.967.806</b>	<b>2.607.775</b>

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

**(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 31 March 2013 and 2012 are as follows:

	<b>1 January- 31 March 2013</b>	<b>1 January- 31 March 2012</b>
Salaries and other short term benefits	539.226	457.165
	<b>539.226</b>	<b>457.165</b>

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

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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 31 March 2013 and 31 December 2012 are as follows:

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

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

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

<b>31 March 2013</b>	<b>TL Total (Functional currency)</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	130.447.108	7.546.536	107.610.946	1.025.109	6.373.741
2a. Monetary financial assets	139.505.954	27.922.186	67.740.160	2.834.796	13.483.971
2b. Non monetary financial assets	-	-	-	-	-
3. Other	28.633.919	10.058.052	9.656.194	99.481	512.740
<b>4. CURRENT ASSETS</b>	<b>298.586.981</b>	<b>45.526.774</b>	<b>185.007.300</b>	<b>3.959.386</b>	<b>20.370.452</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	101.436.424	55.906.451	134.853	19.800	129.240
<b>8. NON CURRENT ASSETS</b>	<b>101.436.424</b>	<b>55.906.451</b>	<b>134.853</b>	<b>19.800</b>	<b>129.240</b>
<b>9. TOTAL ASSETS</b>	<b>400.023.405</b>	<b>101.433.225</b>	<b>185.142.153</b>	<b>3.979.186</b>	<b>20.499.692</b>
10. Trade payables	63.611.218	20.095.486	25.421.034	123.623	1.504.243
11. Financial liabilities	28.140.180	15.558.235	-	-	-
12a. Other liabilities, monetary	71.358.168	3.417.041	65.177.767	-	-
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>163.109.566</b>	<b>39.070.762</b>	<b>90.598.801</b>	<b>123.623</b>	<b>1.504.243</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	212.701.207	117.598.942	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>212.701.207</b>	<b>117.598.942</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>375.810.773</b>	<b>156.669.704</b>	<b>90.598.801</b>	<b>123.623</b>	<b>1.504.243</b>
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	278.642.535	222.919.206	(91.763.650)	(9.280.000)	(3.851.736)
19.a Off-balance sheet foreign currency derivative assets	403.193.968	222.919.206	-	-	-
19b. Off-balance sheet foreigncurrency derivative liabilities	124.551.433	-	91.763.650	9.280.000	3.851.736
20. Net foreign currency asset/(liability) position	302.855.167	167.682.727	2.779.702	(5.424.437)	15.143.713
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(105.857.711)	(121.200.982)	84.752.305	3.736.282	18.353.469

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

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

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

31 December 2012	TL Total (Functional currency)	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
<b>4. CURRENT ASSETS</b>	<b>249.540.859</b>	<b>45.597.827</b>	<b>154.652.611</b>	<b>1.992.804</b>	<b>3.352.732</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	89.263.443	50.074.861	-	-	-
<b>8. NON CURRENT ASSETS</b>	<b>89.263.443</b>	<b>50.074.861</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>338.804.302</b>	<b>95.672.688</b>	<b>154.652.611</b>	<b>1.992.804</b>	<b>3.352.732</b>
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	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>174.102.775</b>	<b>52.369.589</b>	<b>78.254.668</b>	<b>118.916</b>	<b>915.377</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	216.117.348	121.237.153	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>216.117.348</b>	<b>121.237.153</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>390.220.123</b>	<b>173.606.741</b>	<b>78.254.668</b>	<b>118.916</b>	<b>915.377</b>
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	-	-	-
19.b. 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	222.323.328	130.384.544	3.085.443	(3.453.805)	(2.217.424)
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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013**

(Amounts are expressed in TL unless otherwise stated.)

**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 31 March 2013 and 31 December 2012 are as follows:

<b>31 March 2013</b>	<b>Profit/Loss</b>		<b>Shareholders' equity</b>	
	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>
Effect of 10% change in USD rate				
USD net asset / liability	30.328.775	(30.328.775)	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>30.328.775</b>	<b>(30.328.775)</b>	<b>-</b>	<b>-</b>
Effect of 10% change in TL rate				
TL net asset / liability	277.970	(277.970)	30.456.845	(30.456.845)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>277.970</b>	<b>(277.970)</b>	<b>30.456.845</b>	<b>(30.456.845)</b>
<b>31 December 2012</b>				
	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>
Effect of 10% change in USD rate				
USD net asset / liability	23.242.349	(23.242.349)	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>23.242.349</b>	<b>(23.242.349)</b>	<b>-</b>	<b>-</b>
Effect of 10% change in TL rate				
TL net asset / liability	308.544	(308.544)	31.543.356	(31.543.356)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>308.544</b>	<b>(308.544)</b>	<b>31.543.356</b>	<b>(31.543.356)</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS INTERIM PERIOD ENDED 31 MARCH 2013

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 22 – SUBSEQUENT EVENTS

##### Initial public offering

The Company increased its capital from 75 Million TL to 102.272.000 TL with the Board decision dated 21 March 2013. 27.272.000 shares were issued as part of an Initial Public Offering to new investors and additional 8.022.000 shares of Esas Holding were sold. 3.209.000 of 8.022.000 shares which were sold were for the purpose of covering over-allotments.

Accordingly, the company shares started to trade in İstanbul Stock Exchange (“Borsa İstanbul”) on 26 April 2013.

Shareholder structure of the Company changed as follows after offering:

Name of Owner	As of 31 March 2013		After Offering	
	Nominal Amount (TL)	Share	Nominal Amount (TL)	Share
Esas Holding	72.375.570	96,5%	64.353.570	62,9%
Ali Sabancı	874.810	1,2%	874.810	0,9%
Emine Kamyşlı	874.810	1,2%	874.810	0,9%
Kazım Köseoğlu	437.405	0,6%	437.405	0,4%
Can Köseoğlu	437.405	0,6%	437.405	0,4%
Free Float	0	0,0%	35.294.000	34,5%
<b>TOTAL</b>	<b>75.000.000</b>	<b>100,0%</b>	<b>102.272.000</b>	<b>100,0%</b>

##### Capital increase of İzair

Following the completion of the registration of the amendment to the articles of association and the capital increase approved by İzair’s shareholders on March 27, 2013, share capital of İzair was increased to 59.500.000 TL from 37.500.000 TL . The other major shareholder, Air Berlin, did not exercise its pre emptive right in the increase, which was used by the Company. Accordingly the share of the Company increased to 69,12%. The registration process has not been finalized, yet.

##### Pegasus Card agreement

The Company started offering a Pegasus branded credit card in cooperation with HSBC Bank A.Ş. in 2008. The cooperation with HSBC Bank A.Ş. ended in March 2013 and on April 4, 2013, a new cooperation agreement with ING Bank A.Ş. (“ING Türkiye”) was signed.