

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
THREE-MONTH INTERIM PERIOD ENDED
31 MARCH 2017

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2017

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current year (Not Reviewed) 31 March 2017	Prior year (Audited) 31 December 2016
ASSETS			
Current assets		1.605.529.293	1.459.825.834
Cash and cash equivalents	27	244.280.654	692.270.625
Trade receivables	6	462.862.655	212.269.499
<i>Trade receivables from third parties</i>	6	462.862.655	212.269.499
Other receivables		62.255.900	118.760.830
<i>Other receivables from related parties</i>	5	861.049	1.097.807
<i>Other receivables from third parties</i>		61.394.851	117.663.023
Derivative financial instruments	22	1.338.812	1.127.368
Inventories		25.869.872	24.361.722
Prepaid expenses	7	552.114.517	399.994.707
Current income tax assets		4.914.367	3.586.742
Other current assets		4.192.120	7.454.341
SUBTOTAL		1.357.828.897	1.459.825.834
Non-current assets held for sale	20	247.700.396	-
Non-Current assets		4.045.897.747	4.158.192.161
Other receivables		19.396.349	21.031.698
<i>Other receivables from third parties</i>		19.396.349	21.031.698
Investments accounted by using the equity method	3	25.295.545	23.969.467
Property and equipment	8	3.753.508.546	3.848.615.403
Intangible assets	9	22.083.361	20.357.729
Prepaid expenses	7	219.776.552	237.363.891
Deferred tax assets		5.837.394	6.853.973
TOTAL ASSETS		5.651.427.040	5.618.017.995

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 31 MARCH 2017

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current year (Not Reviewed) 31 March 2017	Prior year (Audited) 31 December 2016
LIABILITIES			
Current liabilities		1.395.850.614	1.038.827.055
Short term financial liabilities	23	7.608.666	-
Short term portion of long term financial liabilities	23	491.349.260	338.293.216
Trade payables	6	278.384.594	317.877.743
<i>Trade payables to related parties</i>	5	2.450.160	1.455.390
<i>Trade payables to third parties</i>		275.934.434	316.422.353
Employee benefit obligations		20.324.585	24.600.271
Other payables		62.843.451	32.220.476
<i>Other payables to third parties</i>		62.843.451	32.220.476
Derivative financial instruments	22	10.607.326	-
Deferred income	7	496.115.670	302.378.913
Short term provisions		28.448.322	23.243.506
<i>Short term provisions for employee benefits</i>		13.369.072	12.166.104
<i>Other short term provisions</i>		15.079.250	11.077.402
Other current liabilities		168.740	212.930
Non-Current liabilities		2.813.428.554	3.009.869.595
Long term financial liabilities	23	2.099.415.422	2.338.272.374
Deferred income		6.234.465	6.660.918
Long term provisions		485.609.930	431.155.469
<i>Long term provisions for employee benefits</i>		8.177.742	8.875.253
<i>Other long term provisions</i>		477.432.188	422.280.216
Deferred tax liabilities		222.168.737	233.780.834
SHAREHOLDERS' EQUITY		1.442.147.872	1.569.321.345
Equity attributable to shareholders' of the parent		1.451.502.481	1.575.439.911
Paid-in share capital	14	102.272.000	102.272.000
Share premiums on capital stock		455.687.025	455.687.025
Effects of business acquisition		29.504.957	29.504.957
Other comprehensive income/expense not to be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit plans		(3.305.232)	(3.305.232)
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		725.978.130	638.375.994
Hedge fund		(8.007.036)	291.850
Restricted profit reserves		5.016.306	5.016.306
Retained earnings		347.597.011	481.327.846
Net loss for the year		(203.240.680)	(133.730.835)
Non-controlling interest		(9.354.609)	(6.118.566)
TOTAL LIABILITIES AND EQUITY		5.651.427.040	5.618.017.995

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 ENDED 31 MARCH 2017

(Amounts are expressed in TL unless otherwise stated.)

		Current year (Not Reviewed) 1 January- 31 March 2017	Prior year (Not Reviewed) 1 January- 31 March 2016
Profit or loss	Notes		
Sales	15	885.822.496	691.100.801
Cost of sales (-)	15	(1.030.456.890)	(777.459.640)
Gross loss		(144.634.394)	(86.358.839)
General administrative expenses (-)	16	(41.519.393)	(35.340.971)
Marketing expenses (-)	16	(35.609.758)	(45.233.769)
Other operating income	17	22.255.813	421.861
Other operating expenses (-)	17	(2.550.770)	(39.381.589)
Operating loss		(202.058.502)	(205.893.307)
Income from investing activities	18	645.180	67.065
Expenses from investing activities (-)	18	(8.463.194)	(9.413.269)
Share of investments income accounted for using the equity method	3	1.095.217	1.047.009
Operating loss before financial expense		(208.781.299)	(214.192.502)
Financial income	19	4.722.295	31.679.138
Financial expense (-)	19	(23.100.901)	(9.442.869)
Loss before tax		(227.159.905)	(191.956.233)
Tax income		20.744.229	1.392.299
Current tax expense		-	-
Deferred tax income		20.744.229	1.392.299
Loss for the year		(206.415.676)	(190.563.934)
Net loss attributable to:			
Non-controlling interest		(3.174.996)	(363.646)
Shareholders' of the parent		(203.240.680)	(190.200.288)
		(206.415.676)	(190.563.934)
Loss per share (TL)	21	(1,99)	(1,86)
Other comprehensive income			
Items to be reclassified to profit or loss			
Currency translation differences		87.541.089	17.551.473
Cash flow hedge		(10.373.608)	(851.494)
Deferred tax effect		2.074.722	170.299
Other comprehensive income		79.242.203	16.870.278
Total comprehensive income		(127.173.473)	(173.693.656)
Total comprehensive income attributable to:			
Non-controlling interest		(3.236.043)	(21.144)
Shareholders' of the parent		(123.937.430)	(173.672.512)
		(127.173.473)	(173.693.656)

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 ENDED 31 MARCH 2017

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income items not to be reclassified to profit or loss	Other comprehensive income items to be reclassified to profit or loss		Retained earnings					
	Paid in share capital	Share premiums on capital stock	Effects of business acquisition	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Hedge fund	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Equity attributable to shareholders' of the parent	Non- controlling interest	Shareholders' equity
As at 1 January 2016	102.272.000	455.687.025	29.504.957	(3.172.494)	406.940.383	(22.138.754)	490.332	372.728.116	113.125.704	1.455.437.269	(2.705.640)	1.452.731.629
Transfers	-	-	-	-	-	-	4.525.974	108.599.730	(113.125.704)	-	-	-
Total comprehensive income	-	-	-	-	17.208.972	(681.196)	-	-	(190.200.288)	(173.672.512)	(21.144)	(173.693.656)
As at 31 March 2016	102.272.000	455.687.025	29.504.957	(3.172.494)	424.149.355	(22.819.950)	5.016.306	481.327.846	(190.200.288)	1.281.764.757	(2.726.784)	1.279.037.973
As at 1 January 2017	102.272.000	455.687.025	29.504.957	(3.305.232)	638.375.994	291.850	5.016.306	481.327.846	(133.730.835)	1.575.439.911	(6.118.566)	1.569.321.345
Transfers	-	-	-	-	-	-	-	(133.730.835)	133.730.835	-	-	-
Total comprehensive income	-	-	-	-	87.602.136	(8.298.886)	-	-	(203.240.680)	(123.937.430)	(3.236.043)	(127.173.473)
As at 31 March 2017	102.272.000	455.687.025	29.504.957	(3.305.232)	725.978.130	(8.007.036)	5.016.306	347.597.011	(203.240.680)	1.451.502.481	(9.354.609)	1.442.147.872

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 ENDED 31 MARCH 2017

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current year (Not Reviewed) 1 January- 31 March 2017	Prior year (Not Reviewed) 1 January- 31 March 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(206.415.676)	(190.563.934)
Adjustments to reconcile the (loss)/net profit			
Depreciation and amortization	8-9	82.707.240	49.207.304
Adjustments related with impairments		2.166.728	33.411
<i>Provision for doubtful receivable</i>		<i>2.166.728</i>	<i>33.411</i>
Adjustments related with provisions		48.089.142	31.418.356
<i>Provision for employee benefits</i>		<i>2.748.697</i>	<i>7.300.507</i>
<i>Legal provision</i>		<i>1.158.159</i>	<i>276.063</i>
<i>Change in redelivery provision</i>		<i>44.182.286</i>	<i>23.841.786</i>
Interest and commission income	19	17.434.596	(1.946.593)
Gain on equity investments accounted for using the equity method	3	(1.095.217)	(1.047.009)
Current tax expense		(20.744.229)	(1.392.299)
Other provisions related with investing or financing activities	25	22.274	(38.910.083)
Changes in working capital			
Increase in trade receivables		(252.481.466)	(15.202.924)
Decrease/(increase) in other receivables, prepaid expenses and other current assets		47.131.573	(2.837.202)
Increase in inventories		(1.508.150)	(2.096.462)
(Decrease)/increase in trade payables		(39.493.149)	3.687.823
Increase in deferred income, other payables and other current liabilities		219.561.181	86.488.433
Net cash used in operating activities		(104.625.153)	(83.161.179)
Payment for employee, executive bonus plan and retirement benefits		(2.393.821)	(834.112)
Taxes paid		-	(18.042)
Payment for other provisions		(4.625)	(31.700)
		(107.023.599)	(84.045.033)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, equipment and intangible assets		908.178	94.731
Cash outflows from purchase of property, equipment and intangible assets		(11.324.995)	(4.956.215)
Changes in cash advances and payables		(123.984.687)	(65.675.882)
		(134.401.504)	(70.537.366)
C. CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in borrowings		51.271.865	697.352
Repayment of principal in financial lease liabilities		(240.282.093)	(51.836.089)
Interest and commission paid		(21.948.239)	(9.456.829)
Interest received		5.132.440	11.928.971
		(205.826.027)	(48.666.595)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)			
		(447.251.130)	(203.248.994)
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS			
		(738.841)	7.176.171
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		(447.989.971)	(196.072.823)
E. CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE PERIOD	27	692.270.625	954.974.093
CASH AND CASH EQUIVALENTS			
AT THE END OF THE PERIOD (A+B+C+D+E)	27	244.280.654	758.901.270

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 31 MARCH 2017

(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 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
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 31 March 2017 is 5.165 (31 December 2016: 5.257). 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 31 March 2017 and delegated authority for publishing it on 10 May 2017. 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 condensed financial statements and its notes for the interim period ended 31 March 2017 in accordance with TAS 34 “Interim Financial Reporting”.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2017**

(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

Although there is no prominent currency affecting revenue and cost of sales, the Group's functional currency is determined as Euro for the reasons that, largest scale of scheduled flight revenue which is the Group's primary operation is generated from European flights, 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. The functional currency of the Company and its subsidiaries is Euro except Air Manas. The functional currency of Air Manas is US Dollar.

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 Republic of Turkey ("TCMB") Euro buying rate prevailing at the balance sheet date; 31 March 2017: 1 Euro (€) = TL 3,9083, 1 US Dollar (\$) = TL 3,6386 (31 December 2016: 1 Euro (€) = TL 3,7099, 1 US Dollar (\$) = TL 3,5192).
- 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 year 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 changes in equity, TL 4.790.325 that was previously presented in restricted profit reserves in 31 March 2016 has been reclassified and reported in retained earnings.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2017

(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 31 March 2017 and 31 December 2016:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2017</u>	<u>31 December 2016</u>	
IHY İzmir Havayolları A.Ş. ("İzair") (*)	Air transportation	69%	69%	Turkey
Air Company "Air Manas" LTD ("Air Manas") (**)	Air transportation	49%	49%	Kyrgyzstan
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Simulator technical support and maintenance	100%	100%	Turkey

(*) The Company reached an agreement with Air Berlin plc ("Air Berlin") to buyout Air Berlin's 29.51% stake in subsidiary İzair, represented by a total of 1.755.683.263 Group (A), (B) and (C) shares for a consideration of Euro 1.2 million. The transaction is subject to the completion of the filings with and the approvals to be obtained from the General Directorate of Turkish Civil Aviation and the competent competition authorities. The share transfer envisages the termination of the agreements between the Company and Air Berlin in respect of their shareholding in İzair and the "Air Berlin Turkey Project" details of which have been provided in the Company's Offering Circular dated April 26, 2013 and the increase of the Company's shareholding in İzair to 98.63%.

(**) 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 31 March 2017 and 31 December 2016.

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 31 March 2017 and 31 December 2016:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2017</u>	<u>31 December 2016</u>	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar") (*)	Information system solutions	50%	50%	Turkey

(*) The Group used its call option that is acquired during the share purchase agreement 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, by making the equivalent payment of TL 4.409.850 in 30 May 2016 and consequently participation rate increased to 50%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2017

(Amounts are expressed in TL unless otherwise stated.)

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

2.2 Significant Accounting Policies

Condensed consolidated financial statements for the interim period with respect to the period ending on 31 March 2017 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 31 March 2017 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 2016. 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 2016.

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 2016.

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 consolidated financial statements

None.

(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> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2017

(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:

	31 March 2017	31 December 2016
Joint ventures		
Hitit Bilgisayar	20.203.580	19.395.216
PUEM	5.091.965	4.574.251
	25.295.545	23.969.467

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

	1 January- 31 March 2017	1 January- 31 March 2016
Hitit Bilgisayar	820.768	789.962
PUEM	274.449	257.047
Net profit	1.095.217	1.047.009

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

Pegasus Uçuş Eğitim Merkezi A.Ş.

	31 March 2017	31 December 2016
Current assets	1.009.707	1.055.078
Non-current assets	18.856.641	18.209.286
Current liabilities	(7.130.408)	(7.741.613)
Non-current liabilities	(2.428.318)	(2.263.134)
Net assets of joint venture	10.307.622	9.259.617
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	5.091.965	4.574.251

	1 January- 31 March 2017	1 January- 31 March 2016
Revenue	1.764.043	1.479.101
Profit for the year	555.565	520.338
Group's ownership interest	49,40%	49,40%
Group's share in the net assets of the joint venture	274.449	257.047

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

Hitit Bilgisayar Hizmetleri A.Ş.

	31 March 2017	31 December 2016
Current assets	18.635.532	16.549.837
Non-current assets	26.152.154	25.960.551
Current liabilities	(6.044.117)	(5.390.180)
Non-current liabilities	(121.433)	(114.800)
Net assets of joint venture	38.622.136	37.005.408
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
Group's share in the net assets of the joint venture	20.203.580	19.395.216
	1 January- 31 March 2017	1 April- 31 March 2016
Revenue	9.599.226	7.891.790
Profit for the year	1.641.536	1.974.905
Group's weighted average ownership interest	50%	40%
Group's share in the net assets of the joint venture	820.768	789.962

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 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 Group'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 receivables 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

	31 March 2017	31 December 2016
Balances with joint ventures and subsidiaries:		
PUEM	523.498	999.811
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	325.773	86.218
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	11.778	11.778
	861.049	1.097.807

b) Trade payables to related parties

	31 March 2017	31 December 2016
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	2.285.479	1.277.402
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	164.681	177.988
	2.450.160	1.455.390

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(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 Esasburda İnşaat Sanayi ve Ticaret A.Ş. ("Esasburda"), another Esas Holding subsidiary, and records rent expense.

The Group receives services from Doğan Burda for magazine advertising and printing expenditures.

The Group receives simulator training services from PUEM for their pilots and generates revenues from labor hire and common area use.

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

The Group, generates flight revenue from the ticket sales of Air Berlin Plc & Co Luftverkehrs Kg pursuant to the agreement between the parties.

a) Sale of services

	1 January- 31 March 2017	1 January- 31 March 2016
Balances with joint ventures and subsidiaries:		
PUEM	355.779	221.998
Balances with other related parties:		
Air Berlin Plc&Co Luftverkehrs Kg	851.023	1.019.461
Doğan Burda	-	3.189
	1.206.802	1.244.648

b) Purchases of goods or services

	1 January- 31 March 2017	1 January- 31 March 2016
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	4.771.492	2.448.192
PUEM	1.764.043	1.479.101
Balances with other related parties:		
Esasburda	435.809	409.823
Other	-	2.321
	6.971.344	4.339.437

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

c) Rent expenses

	1 January- 31 March 2017	1 January- 31 March 2016
Esasburda	1.482.649	1.278.933
	1.482.649	1.278.933

d) Surety commission expenses

	1 January- 31 March 2017	1 January- 31 March 2016
Esas Holding (Note 25)	3.384.667	3.133.201
	3.384.667	3.133.201

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,675% of the 115% of the amount guaranteed.

(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 period ended 31 March 2017 and 2016 are as follows:

	1 January- 31 March 2017	1 January- 31 March 2016
Salaries and other short term benefits	2.359.512	5.286.237
Other long term benefits	985.195	3.523.737
	3.344.707	8.809.974

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

The details of short term trade receivables as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Trade receivables	106.785.132	89.631.639
Credit card receivables	363.075.198	129.356.458
Income accruals	4.445.620	2.279.549
	474.305.950	221.267.646
Less: Allowance for doubtful receivables	(11.443.295)	(8.998.147)
	462.862.655	212.269.499

Short term trade payables

The details of short term trade payables as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Trade payables	162.028.199	235.037.980
Accrued direct operational costs	100.456.974	65.407.597
Other accrued expenses	13.449.261	15.976.776
Due to related parties (Note 5)	2.450.160	1.455.390
	278.384.594	317.877.743

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NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses as of 31 March 2017 and 31 December 2016 are as follows:

Short term prepaid expenses

	31 March 2017	31 December 2016
Advances on aircraft purchases	334.144.758	180.317.329
Advances to suppliers	162.714.655	156.973.574
Prepaid aircraft operating lease expenses	39.811.932	42.065.722
Prepaid insurance expenses	8.857.001	14.297.869
Prepaid advertising expenses	777.772	588.452
Other prepaid expenses	5.808.399	5.751.761
	552.114.517	399.994.707

Long term prepaid expenses

	31 March 2017	31 December 2016
Advances on aircraft purchases	207.890.649	224.414.166
Other prepaid expenses	11.885.903	12.949.725
	219.776.552	237.363.891

The details of deferred income as of 31 March 2017 and 31 December 2016 are as follows:

Short term deferred income

	31 March 2017	31 December 2016
Passenger flight liabilities	443.795.727	262.726.328
Advances received from customers	23.502.084	11.190.304
Deferred income from sale of subsidiary (*)	19.746.174	18.743.784
Other deferred income	9.071.685	9.718.497
	496.115.670	302.378.913

(*) The deferred income from sale of subsidiary, was not recognized in the statement of profit or loss as of 31 March 2017 due to ongoing filings and the approvals to be obtained from the General Directorate of Turkish Civil Aviation and the competent competition authorities .

The details of passenger flight liabilities as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Flight liability from ticket sales	319.792.209	177.504.919
Passenger airport fees received from customers	94.150.112	60.671.024
Flight liability from flight points	29.853.406	24.550.385
	443.795.727	262.726.328

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

31 March 2017	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	58.446.618	54.947.225	73.778.851	47.936.130	325.933.190	4.510.753.029	415.109	5.072.210.152
Additions	252.660	-	3.767.343	-	4.730.304	19.623.596	-	28.373.903
Disposals	(79.377)	(711.116)	(868)	-	(739.055)	(396.934.775)	-	(398.465.191)
Transfers	-	-	-	99.315	(19.802.804)	19.802.804	(99.315)	-
Currency translation differences	2.127.184	2.915.037	3.924.233	2.564.336	25.768.971	232.267.217	2.907	269.569.885
Closing	60.747.085	57.151.146	81.469.559	50.599.781	335.890.606	4.385.511.871	318.701	4.971.688.749
Accumulated depreciation:								
Opening	(5.064.340)	(6.463.246)	(42.584.799)	(28.876.246)	(61.786.906)	(1.078.819.212)	-	(1.223.594.749)
Depreciation for the year	(1.047.050)	(1.052.986)	(2.294.179)	(1.879.110)	(8.904.554)	(65.469.806)	-	(80.647.685)
Disposals	26.791	469.299	39	-	126.109	149.234.379	-	149.856.617
Currency translation differences	(256.996)	(324.187)	(2.263.134)	(1.517.339)	(3.231.585)	(56.201.145)	-	(63.794.386)
Closing	(6.341.595)	(7.371.120)	(47.142.073)	(32.272.695)	(73.796.936)	(1.051.255.784)	-	(1.218.180.203)
Net book value	54.405.490	49.780.026	34.327.486	18.327.086	262.093.670	3.334.256.087	318.701	3.753.508.546

(*) The disposals of owned and leased aircraft amounting TL 396.934.775 in cost and TL 149.556.834 in accumulated depreciation are related to the aircraft reclassified to non-current assets held for sale as of balance sheet date (Note 20).

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NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

31 March 2016	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	9.746.987	11.637.132	54.184.095	37.279.765	112.911.844	2.706.657.545	55.291.499	2.987.708.867
Additions	301.983	59.750	1.305.544	17.927	2.471.909	-	222.518	4.379.631
Disposals	(4.269)	(147.520)	-	-	(15.302)	-	-	(167.091)
Transfers	-	-	-	160.000	-	-	(160.000)	-
Currency translation differences	54.301	71.911	502.351	350.873	1.057.591	23.122.485	2.739.235	27.898.747
Closing	10.099.002	11.621.273	55.991.990	37.808.565	116.426.042	2.729.780.030	58.093.252	3.019.820.154
Accumulated depreciation:								
Opening	(2.585.198)	(4.687.833)	(29.952.719)	(18.985.851)	(33.930.943)	(784.258.158)	-	(874.400.702)
Depreciation for the year	(192.796)	(370.205)	(1.893.460)	(1.706.548)	(3.115.010)	(40.751.118)	-	(48.029.137)
Disposals	441	71.919	-	-	-	-	-	72.360
Currency translation differences	(14.705)	(38.820)	(266.042)	(162.499)	(263.482)	(5.283.870)	-	(6.029.418)
Closing	(2.792.258)	(5.024.939)	(32.112.221)	(20.854.898)	(37.309.435)	(830.293.146)	-	(928.386.897)
Net book value	7.306.744	6.596.334	23.879.769	16.953.667	79.116.607	1.899.486.884	58.093.252	2.091.433.257

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NOTE 9 - INTANGIBLE ASSETS

31 March 2017	Brand	Software	Total
Cost:			
Opening	2.385.298	47.464.326	49.849.624
Additions	-	2.574.688	2.574.688
Currency translation differences	370.055	2.517.543	2.887.598
Closing	2.755.353	52.556.557	55.311.910
Accumulated amortization:			
Opening	(1.142.954)	(28.348.941)	(29.491.895)
Amortization for the year	(34.614)	(2.024.941)	(2.059.555)
Currency translation differences	(177.146)	(1.499.953)	(1.677.099)
Closing	(1.354.714)	(31.873.835)	(33.228.549)
Net book value	1.400.639	20.682.722	22.083.361

31 March 2016	Brand	Software	Total
Cost:			
Opening	2.240.209	32.251.720	34.491.929
Additions	-	576.584	576.584
Currency translation differences	21.503	179.598	201.101
Closing	2.261.712	33.007.902	35.269.614
Accumulated amortization:			
Opening	(980.090)	(18.943.166)	(19.923.256)
Amortization for the year	(28.576)	(1.149.591)	(1.178.167)
Currency translation differences	(9.103)	(164.109)	(173.212)
Closing	(1.017.769)	(20.256.866)	(21.274.635)
Net book value	1.243.943	12.751.036	13.994.979

Remaining average useful life of intangible assets as of 31 March 2017 is 2,3 years (31 December 2016: 2,2 years).

NOTE 10 - LEASING TRANSACTIONS

Details related to leasing transactions are disclosed in Note 23.

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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 13.215.798 as of 31 March 2017 (31 December 2016: TL 11.768.340). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 7.526.792 (31 December 2016: TL 6.373.258) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist 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 31 March 2017 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 fines 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

Company's accounts as well as operations pertaining to year 2010 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 76.798,80 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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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2017

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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 opionated 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 opionated that the purchasing prices of such programs are not subject to corporation tax withholding.

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

Tax Audit (cont'd)

Under 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.

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.

Tax and Regulatory Environment in Kyrgyzstan

The Kyrgyz Republic has a number of laws related to various taxes imposed by both republican and local governmental authorities. Legislation related to taxes has not been in force for significant period of time, in contrast to more developed market economies and therefore, implementing regulations are often. The accompanying consolidated financial statements consist of management assumptions that are determined by consulting tax and legislative experts.

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NOTE 12 - COMMITMENTS

Purchase Commitments

	31 March 2017	31 December 2016
Commitments to purchase aircraft	31.112.986.330	30.172.478.983
	31.112.986.330	30.172.478.983

As of 31 March 2017, the Group holds firm orders for 71 aircraft. The expected deliveries are: 8 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 542.035.407 (31 December 2016: TL 404.731.495) and TL 334.144.758 of this amount is reclassified under short term, TL 207.890.649 of this amount is reclassified under long term prepaid expenses (31 December 2016: TL 180.317.329 of this amount is reclassified under short term, TL 224.414.166 of this amount is reclassified under long term prepaid expenses).

The Company as Lessee

Operating Lease Agreements:

Payments recognised as expense:

	1 January- 31 March 2017	1 January- 31 March 2016
Minimum lease payments	145.165.788	102.809.106
	145.165.788	102.809.106

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 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Less than 1 year	558.039.282	546.554.494
Between 1 - 5 years	1.596.449.809	1.619.658.343
Over 5 years	296.257.558	339.147.938
	2.450.746.649	2.505.360.775

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NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages("CPM")

The details of the CPMs given by the Group as of 31 March 2017 is as follows:

31 March 2017	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	682.020.632	173.567.874	7.224.248	12.252.097	9.989.940
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	50.156.745	8.737.000	-	18.366.297	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
-Collateral	6.318.862	1.736.619	-	-	-
-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	-	-	-	-	-
	738.496.239	184.041.493	7.224.248	30.618.394	9.989.940

(*) 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 March 2017.

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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 2016 is as follows:

31 December 2016	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	567.220.217	147.492.033	7.084.248	12.315.097	9.569.306
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	49.113.547	8.737.000	-	18.366.297	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
-Collateral	6.316.380	1.794.834	-	-	-
-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	-	-	-	-	-
	622.650.144	158.023.867	7.084.248	30.681.394	9.569.306

(*) 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 2016.

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NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years ended 31 March 2017 and 2016 are as follows:

	1 January- 31 March 2017	1 January- 31 March 2016
Jet fuel expenses	325.616.408	202.116.746
Personnel expenses	149.904.517	154.042.434
Operating lease expenses	145.165.788	102.809.106
Maintenance expenses	110.869.176	82.113.791
Depreciation and amortisation expenses	82.707.240	49.207.304
Handling and station fees	79.651.913	75.251.874
Navigation expenses	67.656.635	55.663.066
Landing expenses	33.887.362	27.212.426
Commission expenses	18.239.440	16.164.231
Passenger service and catering expenses	10.818.600	10.310.514
Advertising expenses	7.197.806	21.683.951
Other expenses	75.871.156	61.458.937
	1.107.586.041	858.034.380

NOTE 14 - SHAREHOLDERS' EQUITY

The Company's shareholding structure as of 31 March 2017 and 31 December 2016 is as follows:

Shareholders:	31 March 2017		31 December 2016	
	(%)	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 2016: 102.272.000 shares). All issued shares are fully paid in cash.

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NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the years ended 31 March 2017 and 2016 are as follows:

Sales:

	1 January- 31 March 2017	1 January- 31 March 2016
Scheduled flights	577.003.083	499.763.428
<i>International scheduled flights</i>	340.801.686	294.098.054
<i>Domestic scheduled flights</i>	236.201.397	205.665.374
Ancillary revenue	225.553.520	175.833.589
Wetlease revenue	50.051.337	-
Charter flights	8.463.006	2.038.273
Other revenue	24.751.550	13.465.511
	885.822.496	691.100.801

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

	1 January- 31 March 2017	1 January- 31 March 2016
Europe	236.552.781	187.908.391
Domestic	236.201.397	205.665.374
Other	104.248.905	106.189.663
	577.003.083	499.763.428

Cost of sales:

	1 January- 31 March 2017	1 January- 31 March 2016
Jet fuel expenses	325.616.408	202.116.746
Operating lease expenses	145.165.788	102.809.106
Personnel expenses	130.619.881	135.454.474
Maintenance expenses	110.869.176	82.113.791
Handling and station fees	79.651.913	75.251.874
Depreciation and amortisation expenses	74.165.125	44.249.094
Navigation expenses	67.656.635	55.663.066
Landing expenses	33.887.362	27.212.426
Passenger service and catering expenses	10.818.600	10.310.514
Other expenses	52.006.002	42.278.549
	1.030.456.890	777.459.640

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 31 March 2017	1 January- 31 March 2016
Marketing expenses	35.609.758	45.233.769
General administrative expenses	41.519.393	35.340.971
	77.129.151	80.574.740

The details of general administrative expenses and marketing expenses for the years ended 31 March 2017 and 2016 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 31 March 2017	1 January- 31 March 2016
Personnel expenses	14.509.139	15.133.686
IT expenses	7.328.313	5.242.019
Depreciation and amortisation expenses	6.916.399	4.012.887
Rent expenses	4.829.742	3.983.009
Consultancy expenses	2.238.474	1.466.416
Legal and notary expenses	1.120.631	834.223
Office utility expenses	786.254	591.889
Communication expenses	426.438	379.184
Travel expenses	314.182	707.004
Training expenses	130.504	540.318
Other expenses	2.919.317	2.450.336
	41.519.393	35.340.971

Marketing expenses:

	1 January- 31 March 2017	1 January- 31 March 2016
Commission expenses	18.239.440	16.164.231
Advertising expenses	7.197.806	21.683.951
Personnel expenses	4.775.497	3.454.274
Call center expenses	2.476.053	2.578.279
Depreciation and amortisation expenses	1.625.716	945.323
Other expenses	1.295.246	407.711
	35.609.758	45.233.769

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the years ended 31 March 2017 and 2016 are as follows:

Other operating income:

	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange gain from operating activities	21.602.540	-
Other income	653.273	421.861
	22.255.813	421.861

Other operating expenses:

	1 January- 31 March 2017	1 January- 31 March 2016
Doubtful receivable expense	2.166.728	33.411
Foreign exchange loss from operating activities	-	38.628.077
Other expense	384.042	720.101
	2.550.770	39.381.589

NOTE 18 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of income and expenses from investing activities for the years ended 31 March 2017 and 2016 are as follows:

Income from investing activities:

	1 January- 31 March 2017	1 January- 31 March 2016
Other income	645.180	67.065
	645.180	67.065

Expenses from investing activities:

	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange loss from investing activities	8.463.194	9.413.269
	8.463.194	9.413.269

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NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the years ended 31 March 2017 and 2016 are as follows:

Financial income:

	1 January- 31 March 2017	1 January- 31 March 2016
Interest income	4.722.295	11.389.462
Foreign exchange gain	-	17.703.276
Gain on derivative contracts	-	2.586.400
	4.722.295	31.679.138

Financial expenses:

	1 January- 31 March 2017	1 January- 31 March 2016
Interest expense on financial lease	11.701.245	1.505.419
Other commission expenses	7.008.486	4.804.249
Surety commission expenses	3.384.667	3.133.201
Foreign exchange loss	732.536	-
Losses from derivative contracts	211.474	-
Interest expense on bank loans	62.493	-
	23.100.901	9.442.869

NOTE 20 - NON-CURRENT ASSETS HELD FOR SALE

In accordance with TFRS 5, 3 aircraft of which sales contracts were signed and had been grounded as of reporting date have been classified as assets held for sale and are presented separately in the condensed consolidated balance sheet. The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets, accordingly, no impairment loss has been recognized on the classification of these assets as held for sale.

NOTE 21 - 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 31 March 2017 and 2016 are as follows:

	1 January- 31 March 2017	1 January- 31 March 2016
Net loss attributable to the shareholders of the parent	(203.240.680)	(190.200.288)
Weighted average number of shares issued in the year	102.272.000	102.272.000
Loss per share	(1,99)	(1,86)

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NOTE 22 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	31 March 2017		31 December 2016	
	Asset	Liability	Asset	Liability
Short term	1.338.812	10.607.326	1.127.368	-
	1.338.812	10.607.326	1.127.368	-

Explanations related to derivative instruments are disclosed in Note 25.

NOTE 23 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 31 March 2017 and 31 December 2016 are as follows:

Short term financial liabilities	31 March 2017	31 December 2016
Short term bank borrowings	7.608.666	-
Short term portion of long term financial lease obligations	491.349.260	338.293.216
	498.957.926	338.293.216
Long term financial liabilities	31 March 2017	31 December 2016
Long term bank borrowings	43.663.199	-
Long term financial lease obligations	2.055.752.223	2.338.272.374
	2.099.415.422	2.338.272.374

a) Bank Borrowings

The effective interest rates, original currency and TL equivalents of the borrowings as of 31 March 2017 is as follows (31 December 2016: None):

31 March 2017	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	0,00 (*)	TL	7.608.666	7.608.666
Long term bank borrowings	Libor + 0,75	USD	12.000.000	43.663.199
				51.271.865

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

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NOTE 23 - FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

b) Financial Lease Liabilities

The details of financial lease liabilities as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Less than 1 year	543.586.797	389.599.184
Between 1 - 5 years	1.330.024.528	1.549.886.614
Over 5 years	1.057.834.189	1.118.924.055
	2.931.445.514	3.058.409.853
Less: Future interest expenses	(384.344.031)	(381.844.263)
	2.547.101.483	2.676.565.590

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

	31 March 2017	31 December 2016
Less than 1 year	491.349.260	338.293.216
Between 1 - 5 years	1.126.841.238	1.348.471.440
Over 5 years	928.910.985	989.800.934
	2.547.101.483	2.676.565.590

The Group purchases certain of its aircraft and handling equipment through financial lease arrangements. The average lease term is 5,86 years. For the year ended 31 March 2017, the floating interest rate applicable to Euro-denominated lease obligations is 0,61% (31 December 2016: 0,50%) and the floating rate applicable to US Dollar-denominated lease obligations is 5% (31 December 2016: 4,61%).

NOTE 24 - 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 years ended 31 March 2017 and 31 December 2016 are as follows:

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NOTE 24 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 March 2017	TL Total	USD	TL	GBP	Other
1. Trade receivables	349.092.863	21.624.543	217.283.285	3.583.442	36.940.467
2a. Monetary financial assets	200.369.875	41.357.472	23.905.422	2.115.349	16.426.335
2b. Non monetary financial assets	-	-	-	-	-
3. Other	392.448.260	106.364.819	902.944	59.992	4.255.308
4. CURRENT ASSETS	941.910.998	169.346.834	242.091.651	5.758.783	57.622.110
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	226.492.714	61.630.700	645.690	19.800	1.508.124
8. NON CURRENT ASSETS	226.492.714	61.630.700	645.690	19.800	1.508.124
9. TOTAL ASSETS	1.168.403.712	230.977.534	242.737.341	5.778.583	59.130.234
10. Trade payables	146.813.928	22.725.711	53.348.421	161.942	10.044.259
11. Financial liabilities	169.630.026	44.528.489	7.608.666	-	-
12a. Other liabilities, monetary	102.018.144	13.935.694	50.671.126	1.446	634.070
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	418.462.098	81.189.894	111.628.213	163.388	10.678.329
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.038.068.631	285.293.418	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.038.068.631	285.293.418	-	-	-
18. TOTAL LIABILITIES	1.456.530.729	366.483.312	111.628.213	163.388	10.678.329
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	(57.651)	21.218.030	-	(17.105.000)	-
19.a Off-balance sheet foreign currency derivative assets	77.203.924	21.218.030	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	77.261.575	-	-	17.105.000	-
20. Net foreign currency asset/(liability) position	(288.127.017)	(135.505.778)	131.109.128	5.615.195	48.451.905
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(907.067.991)	(303.501.297)	129.560.494	5.535.403	42.688.473

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NOTE 24 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 December 2016	TL Total	USD	TL	GBP	Other
1. Trade receivables	136.119.410	10.462.426	39.600.493	3.176.579	45.980.220
2a. Monetary financial assets	479.857.123	115.814.353	56.509.870	998.995	11.458.822
2b. Non monetary financial assets	-	-	-	-	-
3. Other	289.345.009	75.327.858	20.187.181	59.823	3.805.661
4. CURRENT ASSETS	905.321.542	201.604.637	116.297.544	4.235.397	61.244.703
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	244.691.900	68.925.723	587.209	19.800	1.455.772
8. NON CURRENT ASSETS	244.691.900	68.925.723	587.209	19.800	1.455.772
9. TOTAL ASSETS	1.150.013.442	270.530.360	116.884.753	4.255.197	62.700.475
10. Trade payables	201.568.025	34.159.184	71.634.896	294.638	8.447.617
11. Financial liabilities	134.221.362	38.139.737	-	-	-
12a. Other liabilities, monetary	72.402.420	(1.597.712)	77.729.155	-	295.933
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	408.191.807	70.701.209	149.364.051	294.638	8.743.550
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.125.413.365	319.792.386	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.125.413.365	319.792.386	-	-	-
18. TOTAL LIABILITIES	1.533.605.172	390.493.595	149.364.051	294.638	8.743.550
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(383.591.730)	(119.963.235)	(32.479.298)	3.960.559	53.956.925
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(917.628.639)	(264.216.816)	(53.253.688)	3.880.936	48.695.492

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NOTE 24 - 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 31 March 2017 and 31 December 2016 are as follows:

31 March 2017	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)	(110.431.982)	110.431.982	-	-
Part of hedged from USD risk	7.720.392	(7.720.392)	-	-
USD net effect	(102.711.590)	102.711.590	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	12.956.049	(12.956.049)	145.015.491	(145.015.491)
Part of hedged from TL risk	-	-	-	-
TL net effect	12.956.049	(12.956.049)	145.015.491	(145.015.491)
31 December 2016	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)	(92.983.182)	92.983.182	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(92.983.182)	92.983.182	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(5.325.369)	5.325.369	121.925.547	(121.925.547)
Part of hedged from TL risk	-	-	-	-
TL net effect	(5.325.369)	5.325.369	121.925.547	(121.925.547)

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NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair Value of Financial Instruments

31 March 2017	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	244.280.654	-	-	-	244.280.654	27
Trade receivables	462.862.655	-	-	-	462.862.655	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	462.862.655	-	-	-	462.862.655	6
Other receivables	81.652.249	-	-	-	81.652.249	
- <i>Related party</i>	861.049	-	-	-	861.049	5
- <i>Other</i>	80.791.200	-	-	-	80.791.200	
Pre-delivery payment for purchase of aircraft	542.035.407	-	-	-	542.035.407	7
Derivative financial assets	-	-	1.338.812	-	1.338.812	22
Financial liabilities						
Bank borrowings	-	-	-	51.271.865	51.271.865	23
Obligations under financial leases	-	-	-	2.547.101.483	2.547.101.483	23
Trade payables	-	-	-	278.384.594	278.384.594	6
- <i>Related party</i>	-	-	-	2.450.160	2.450.160	5
- <i>Other</i>	-	-	-	275.934.434	275.934.434	
Passenger airport fees liability	-	-	-	94.150.112	94.150.112	7
Derivative financial liabilities	-	10.008.795	598.531	-	10.607.326	22

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2017**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)

Fair Value of Financial Instruments (cont'd)

31 December 2016	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	692.270.625	-	-	-	692.270.625	27
Trade receivables	212.269.499	-	-	-	212.269.499	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	212.269.499	-	-	-	212.269.499	6
Other receivables	139.792.528	-	-	-	139.792.528	
- <i>Related party</i>	1.097.807	-	-	-	1.097.807	5
- <i>Other</i>	138.694.721	-	-	-	138.694.721	
Pre-delivery payment for purchase of aircraft	404.731.495	-	-	-	404.731.495	7
Derivative financial assets	-	364.813	762.555	-	1.127.368	22
Financial liabilities						
Obligations under financial leases	-	-	-	2.676.565.590	2.676.565.590	23
Trade payables	-	-	-	317.877.743	317.877.743	6
- <i>Related party</i>	-	-	-	1.455.390	1.455.390	5
- <i>Other</i>	-	-	-	316.422.353	316.422.353	
Passenger airport fees liability	-	-	-	60.671.024	60.671.024	7

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

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NOTE 25 - 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	
	31 March 2017	31 December 2016			
Option forward contracts	(3.092.842)	364.813	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	(6.915.953)	-	Level 2	Discounted cash flow method	
Currency forward contracts	(598.531)	-	Level 2	Discounted cash flow method	
Interest rate swap contracts	1.338.812	762.555	Level 2	Discounted cash flow method	
	Fuel purchase forward contracts	Currency forward contracts	Option forward contracts	Interest rate swap contracts	Total
31 March 2017					
Fair value:					
Opening	-	-	364.813	762.555	1.127.368
Fair value increase / (decrease)					
Reflected at equity	(6.915.953)	-	(3.457.655)	-	(10.373.608)
Reflected at profit or loss	-	(598.531)	-	576.257	(22.274)
Closing	(6.915.953)	(598.531)	(3.092.842)	1.338.812	(9.268.514)
Assets	-	-	-	1.338.812	1.338.812
Liabilities	(6.915.953)	(598.531)	(3.092.842)	-	(10.607.326)
Total net assets and liabilities	(6.915.953)	(598.531)	(3.092.842)	1.338.812	(9.268.514)

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**NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING
DISCLOSURES) (cont'd)**

Fair Value of Financial Instruments (cont'd)

31 December 2016	Fuel purchase forward contracts	Currency forward contracts	Chooser forward contracts	Option forward contracts	Interest rate swap contracts	Total
Fair value:						
Opening	(30.014.587)	2.341.144	(148.115.834)	-	(35.113)	(175.824.390)
Fair value increase / (decrease)						
Reflected at equity	30.014.587	(2.341.144)	-	364.813	-	28.038.256
Reflected at profit or loss	-	-	148.115.834	-	797.668	148.913.502
Closing	-	-	-	364.813	762.555	1.127.368
Assets	-	-	-	364.813	762.555	1.127.368
Total net assets and liabilities	-	-	-	364.813	762.555	1.127.368

NOTE 26 - EVENTS AFTER THE REPORTING PERIOD

None.

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 27 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Cash on hand	310.983	417.322
Cash at banks	243.969.671	691.853.303
- Demand deposits	65.829.653	60.841.952
- Time deposits	178.140.018	631.011.351
	244.280.654	692.270.625

The weighted average interest rates of time deposits are as presented below:

31 March 2017	Weighted average interest rates	Total
USD deposits	3,07%	138.053.004
TL deposits	11,43%	19.886.073
EUR deposits	1,15%	12.506.950
GBP deposits	0,50%	5.872.131
CHF deposits	0,20%	1.821.860
		178.140.018

31 December 2016	Weighted average interest rates	Total
USD deposits	3,32%	393.498.961
TL deposits	9,74%	51.897.924
EUR deposits	1,05%	185.614.466
		631.011.351

All of the time deposits as of 31 March 2017 and 31 December 2016 have maturities less than 90 days.