

CONVENIENCE TRANSLATION OF
THE REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

**PEGASUS HAVA TAŞIMACILIĞI
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2021

INDEX	PAGE
CONDENSED CONSOLIDATED BALANCE SHEET	1-2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER	
COMPREHENSIVE INCOME	3-4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7-48
NOTE 1 ORGANISATION AND OPERATIONS OF THE GROUP	7-8
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	9-16
NOTE 3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	17-18
NOTE 4 SEGMENT REPORTING	18
NOTE 5 RELATED PARTY DISCLOSURES.....	19-21
NOTE 6 TRADE RECEIVABLES AND PAYABLES OTHER RECEIVABLES	21-22
NOTE 7 PREPAID EXPENSES AND DEFERRED INCOME.....	23
NOTE 8 PROPERTY AND EQUIPMENT	24-25
NOTE 9 INTANGIBLE ASSETS	26
NOTE 10 RIGHT OF USE ASSETS	26
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	27
NOTE 12 COMMITMENTS.....	27-29
NOTE 13 EXPENSES BY NATURE	30
NOTE 14 SHAREHOLDERS' EQUITY	30
NOTE 15 SALES AND COST OF SALES	31
NOTE 16 GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES.....	32
NOTE 17 OTHER OPERATING INCOME AND EXPENSES	33
NOTE 18 INCOME AND EXPENSES FROM INVESTING ACTIVITIES.....	33
NOTE 19 FINANCIAL INCOME AND EXPENSES	34
NOTE 20 EARNINGS / LOSS PER SHARE	34
NOTE 21 DERIVATIVE FINANCIAL INSTRUMENTS	35
NOTE 22 FINANCIAL INSTRUMENTS	35-39
NOTE 23 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS	39-43
NOTE 24 FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES).....	44-47
NOTE 25 EVENTS AFTER REPORTING PERIOD	47
NOTE 26 INCOME TAX EXPENSE	47
NOTE 27 EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW.....	48
APPENDIX - EURO SELECTED NOTES	49

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 30 September 2021	Prior period (Audited) 31 December 2020	(*) EUR 30 September 2021	(*) EUR 31 December 2020
	Notes				
ASSETS					
Current assets		10.495.095.534	5.519.472.714	1.017.607.552	612.736.899
Cash and cash equivalents	27	6.565.576.472	3.605.570.830	636.600.230	400.267.635
Financial assets	22	186.464.532	160.917.882	18.079.656	17.864.084
Trade receivables	6	351.531.997	197.485.020	34.084.646	21.923.536
<i>Trade receivables from third parties</i>	6	<i>351.531.997</i>	<i>197.485.020</i>	<i>34.084.646</i>	<i>21.923.536</i>
Other receivables		84.490.162	91.118.025	8.192.191	10.115.346
<i>Other receivables from related parties</i>	5	<i>-</i>	<i>227.927</i>	<i>-</i>	<i>25.303</i>
<i>Other receivables from third parties</i>		<i>84.490.162</i>	<i>90.890.098</i>	<i>8.192.191</i>	<i>10.090.043</i>
Derivative financial instruments	21	153.052.303	7.599.668	14.839.996	843.667
Inventories		99.142.706	91.488.340	9.612.906	10.156.456
Prepaid expenses	7	2.749.887.216	1.269.928.689	266.629.871	140.979.439
Current income tax assets		4.339.457	6.629.247	420.755	735.937
Other current assets		180.434.755	88.735.013	17.495.007	9.850.799
SUBTOTAL		10.374.919.600	5.519.472.714	1.005.955.258	612.736.899
Non-current assets held for sale		120.175.934	-	11.652.294	-
Non-Current assets		27.328.038.722	23.551.200.077	2.648.701.796	2.613.471.899
Financial assets	22	1.078.250.053	73.117.656	104.547.443	8.117.059
Other receivables	6	258.998.800	205.188.513	25.112.600	22.778.729
<i>Other receivables from third parties</i>		<i>258.998.800</i>	<i>205.188.513</i>	<i>25.112.600</i>	<i>22.778.729</i>
Derivative financial instruments	21	39.776.009	-	3.856.694	-
Investments accounted by using the equity method	3	92.200.763	77.210.982	8.939.813	8.571.474
Property and equipment	8	1.352.288.814	1.432.548.082	131.117.075	159.030.906
Intangible assets	9	125.930.248	111.125.949	12.210.234	12.336.499
Right of use assets	10	22.462.219.153	19.788.996.107	2.176.911.743	2.195.817.353
Prepaid expenses	7	1.918.374.882	1.863.012.788	186.006.194	206.819.879
TOTAL ASSETS		37.823.134.256	29.070.672.791	3.666.309.348	3.226.208.798

(*)The functional currency of the Company is Euro. However, the presentation currency is determined as Turkish Lira. See Note 2.1 for the conversion of Euro and Turkish Lira amounts.

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 30 September 2021	Prior period (Audited) 31 December 2020	(*) EUR 30 September 2021	(*) EUR 31 December 2020
LIABILITIES					
Current liabilities		9.784.589.786	6.505.674.770	948.716.710	722.218.769
Short term borrowings	22	3.440.783.764	1.741.716.857	333.619.408	193.354.373
Short term portion of long term lease liabilities	22	2.245.594.504	2.154.972.636	217.733.505	239.231.412
Trade payables	6	1.732.014.320	910.641.319	167.936.619	101.093.631
<i>Trade payables to related parties</i>	5	7.737.023	22.159.362	750.184	2.459.992
<i>Trade payables to third parties</i>		1.724.277.297	888.481.957	167.186.435	98.633.639
Employee benefit obligations		49.931.366	30.178.231	4.841.360	3.350.196
Other payables		131.284.994	30.346.928	12.729.432	3.368.888
<i>Other payables to third parties</i>	6	131.284.994	30.346.928	12.729.432	3.368.888
Passenger flight liabilities	7	1.006.319.090	513.935.986	97.572.996	56.989.123
Derivative financial instruments	21	774.399	90.228.333	75.086	10.016.578
Deferred income	7	299.089.194	212.201.390	28.999.776	23.622.049
Short term provisions		878.714.112	821.336.124	85.200.379	91.179.534
<i>Short term provisions for employee benefits</i>		72.600.831	55.106.089	7.039.398	6.117.529
<i>Other short term provisions</i>		806.113.281	766.230.035	78.160.981	85.062.005
Other current liabilities		84.043	116.966	8.149	12.985
Non-Current liabilities		22.785.073.511	17.178.580.383	2.209.247.444	1.907.057.181
Long term borrowings	22	3.483.651.384	805.508.577	337.775.865	89.422.460
Long term lease liabilities	22	16.644.211.437	14.309.895.001	1.613.827.647	1.588.593.901
Derivative financial instruments	21	-	3.838.005	-	426.071
Deferred income	7	358.716.143	316.272.170	34.781.223	35.110.533
Long term provisions		1.584.701.360	1.138.088.518	153.653.111	126.343.378
<i>Long term provisions for employee benefits</i>		102.522.914	99.124.346	9.940.652	11.004.157
<i>Other long term provisions</i>		1.482.178.446	1.038.964.172	143.712.459	115.339.221
Deferred tax liabilities		713.793.187	604.978.112	69.209.598	67.160.838
SHAREHOLDERS' EQUITY		5.253.470.959	5.386.417.638	508.345.194	596.932.848
Paid-in share capital	14	102.299.707	102.299.707	60.544.134	60.544.134
Share premiums on capital stock		455.687.025	455.687.025	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss					
Actuarial losses on defined benefit plans		(2.972.061)	(2.972.061)	(288.172)	(329.939)
Currency translation differences		5.265.886.488	4.609.042.699	-	-
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		144.621.229	(68.365.331)	14.022.517	(7.589.486)
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		270.265.658	2.235.362.715	346.171.428	556.776.109
Net loss for the period		(1.002.777.028)	(1.965.097.057)	(110.241.424)	(210.604.681)
TOTAL LIABILITIES AND EQUITY		37.823.134.256	29.070.672.791	3.666.309.348	3.226.208.798

(*)The functional currency of the Company is Euro. However, the presentation currency is determined as Turkish Lira. See Note 2.1 for the conversion of Euro and Turkish Lira amounts.

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed)	Prior period (Not reviewed)	Current period (Not reviewed)	Prior period (Not reviewed)	(*) EUR	(*) EUR	(*) EUR	(*) EUR
	Notes	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Profit or loss									
Sales	15	7.172.112.568	3.519.440.625	4.537.657.907	1.489.823.963	726.807.368	489.856.797	449.741.412	181.116.942
Cost of sales (-)	15	(6.838.635.276)	(4.193.184.491)	(3.251.619.990)	(1.549.068.177)	(698.413.672)	(559.113.590)	(323.067.734)	(179.385.144)
Gross loss		333.477.292	(673.743.866)	1.286.037.917	(59.244.214)	28.393.696	(69.256.793)	126.673.678	1.731.798
General administrative expenses (-)	16	(241.538.835)	(177.998.854)	(94.861.848)	(61.696.525)	(25.002.503)	(24.045.574)	(9.530.915)	(7.531.202)
Marketing expenses (-)	16	(197.297.982)	(123.776.312)	(111.870.125)	(36.097.805)	(20.093.653)	(16.720.994)	(11.313.397)	(4.160.502)
Other operating income	17	1.996.367	246.998.643	(3.975.372)	41.081.454	(77.864)	32.856.012	(899.222)	3.787.913
Other operating expenses (-)	17	(39.761.116)	(292.956.987)	(29.063.958)	118.637.168	(3.819.461)	(37.080.835)	(2.506.106)	17.250.100
Operating loss		(143.124.274)	(1.021.477.376)	1.046.266.614	2.680.078	(20.599.785)	(114.248.184)	102.424.038	11.078.107
Income from investing activities	18	394.919	702.738	28.338	551.297	42.800	86.181	2.877	63.134
Expenses from investing activities (-)	18	(14.205.114)	-	(395.729)	-	(1.471.018)	-	(11.959)	-
Share of investments income accounted for using the equity method	3	12.310.092	13.925.578	6.252.330	5.603.332	1.274.778	1.842.013	634.733	673.725
Operating loss before financial expense		(144.624.377)	(1.006.849.060)	1.052.151.553	8.834.707	(20.753.225)	(112.319.990)	103.049.689	11.814.966
Financial income	19	100.164.953	199.309.726	44.621.352	270.950.455	10.094.815	26.168.346	4.405.334	19.981.846
Financial expense (-)	19	(1.002.163.256)	(443.111.358)	(469.542.066)	(166.693.905)	(104.123.476)	(58.945.643)	(47.811.021)	(3.682.937)
Loss before tax		(1.046.622.680)	(1.250.650.692)	627.230.839	113.091.257	(114.781.886)	(145.097.287)	59.644.002	28.113.875
Tax expense	26	43.845.652	25.467.488	(34.315.169)	(9.678.326)	4.540.462	3.229.399	(3.717.781)	(1.563.505)
Deferred tax income / (expense)		43.845.652	25.467.488	(34.315.169)	(9.678.326)	4.540.462	3.229.399	(3.717.781)	(1.563.505)
Loss for the period		(1.002.777.028)	(1.225.183.204)	592.915.670	103.412.931	(110.241.424)	(141.867.888)	55.926.221	26.550.370
Loss per share (TL) / (EUR)	20	(9,80)	(11,98)	5,80	1,01	(1,08)	(1,39)	0,55	0,26

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

	Current period (Not reviewed) 1 January- 30 September 2021	Prior period (Not reviewed) 1 January- 30 September 2020	Current period (Not reviewed) 1 July - 30 September 2021	Prior period (Not reviewed) 1 July - 30 September 2020	(*) EUR 1 January- 30 September 2021	(*) EUR 1 January- 30 September 2020	(*) EUR 1 July - 30 September 2021	(*) EUR 1 July - 30 September 2020
Other comprehensive income								
Items not to be reclassified to profit or loss								
Currency translation differences	656.843.789	1.922.709.293	(38.546.067)	1.029.231.378	-	-	-	-
Items to be reclassified to profit or loss								
Cash flow hedge	278.284.979	(223.978.221)	16.322.079	1.778.987	28.183.548	(29.626.833)	1.666.806	2.065.273
Deferred tax effect	(65.298.419)	49.275.208	(4.080.525)	(391.375)	(6.571.544)	6.517.903	(416.701)	(454.360)
Other comprehensive income	869.830.349	1.748.006.280	(26.304.513)	1.030.618.990	21.612.004	(23.108.930)	1.250.105	1.610.913
Total comprehensive income	(132.946.679)	522.823.076	566.611.157	1.134.031.921	(88.629.420)	(164.976.818)	57.176.326	28.161.283

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

(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	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Shareholders' equity
As at 1 January 2020	102.299.707	455.687.025	(3.904.009)	2.574.427.009	(42.163.181)	18.542.287	903.911.251	1.333.369.118	5.342.169.207
Transfers	-	-	-	-	-	1.917.654	1.331.451.464	(1.333.369.118)	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	(1.225.183.204)	(1.225.183.204)
Other comprehensive income / (expense)	-	-	-	1.922.709.293	(174.703.013)	-	-	-	1.748.006.280
As at 30 September 2020	102.299.707	455.687.025	(3.904.009)	4.497.136.302	(216.866.194)	20.459.941	2.235.362.715	(1.225.183.204)	5.864.992.283
As at 1 January 2021	102.299.707	455.687.025	(2.972.061)	4.609.042.699	(68.365.331)	20.459.941	2.235.362.715	(1.965.097.057)	5.386.417.638
Transfers	-	-	-	-	-	-	(1.965.097.057)	1.965.097.057	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	(1.002.777.028)	(1.002.777.028)
Other comprehensive income / (expense)	-	-	-	656.843.789	212.986.560	-	-	-	869.830.349
As at 30 September 2021	102.299.707	455.687.025	(2.972.061)	5.265.886.488	144.621.229	20.459.941	270.265.658	(1.002.777.028)	5.253.470.959

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 1 January- 30 September 2021	Prior period (Not reviewed) 1 January- 30 September 2020	(*) EUR 1 January- 30 September 2021	(*) EUR 1 January- 30 September 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the period		(1.002.777.028)	(1.225.183.204)	(110.241.424)	(141.867.888)
Adjustments to reconcile the loss					
Depreciation and amortization	8-9-10	1.898.481.248	1.452.846.667	196.598.252	192.176.619
Adjustments related with impairments		(722.848)	(4.365.308)	(74.855)	(478.227)
Provision for doubtful receivable		(722.848)	(4.365.308)	(74.855)	(478.227)
Adjustments related with provisions		73.768.731	(62.513.957)	7.246.072	(6.861.453)
Provision for employee benefits		26.380.524	(1.437.779)	2.557.864	(157.512)
Legal provision		(640.637)	(569.202)	(66.342)	(75.291)
Change in redelivery provision		48.028.844	(60.506.976)	4.754.550	(6.628.650)
Interest and commission income	19	748.320.668	380.241.840	78.105.076	51.375.013
Gain on equity investments accounted for using the equity method	3	(12.310.092)	(13.925.578)	(1.274.778)	(1.842.013)
Current tax expense		(43.845.652)	(25.467.488)	(4.540.462)	(3.229.399)
Other provisions related with investing or financing activities		(235.604)	41.317.937	(22.447)	4.770.332
Changes in working capital					
Increase in trade receivables		(116.712.780)	274.455.651	(12.086.255)	28.684.307
Increase in other receivables, prepaid expenses, other and financial assets		(1.073.512.753)	(411.379.190)	(111.150.516)	(92.425.936)
Increase in inventories		5.248.874	(13.222.933)	543.550	(1.869.317)
Increase in trade payables		791.814.685	195.946.169	81.996.798	21.968.859
Increase in deferred income, other payables and other current liabilities		820.863.690	(213.979.795)	96.418.724	(30.697.250)
Net cash generated from operating activities		2.088.381.139	374.770.811	221.517.735	19.703.647
Payment for the employee benefits provisions		(5.487.214)	(111.053.669)	(558.720)	(14.689.680)
Payment for other provisions		(86.428)	(26.734)	(8.950)	(3.536)
		2.082.807.497	263.690.408	220.950.065	5.010.431
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, equipment and intangible assets		394.919	849.998	40.896	112.434
Cash outflows from purchase of property, equipment and intangible assets		(40.642.417)	(50.369.609)	(4.208.747)	(6.662.666)
Changes in cash advances and payables		(1.294.887.231)	(780.065.053)	(134.092.748)	(75.363.798)
		(1.335.134.729)	(829.584.664)	(138.260.599)	(81.914.030)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		4.060.990.286	1.871.433.931	398.281.234	222.154.482
Repayment of borrowings		(104.105.400)	(973.214.587)	(11.585.961)	(128.732.456)
Repayment of principal in lease liabilities		(1.623.103.925)	(1.298.698.584)	(168.081.405)	(171.786.017)
Interest and commission paid		(580.397.993)	(332.462.935)	(61.553.403)	(40.194.085)
Interest received		97.257.638	62.690.501	10.071.567	8.292.418
		1.850.640.606	(670.251.674)	167.132.032	(110.265.658)
NET DECREASE IN CASH AND CASH EQUIVALENTS					
BEFORE TRANSLATION EFFECT (A+B+C)		2.598.313.374	(1.236.145.930)	249.821.498	(187.169.257)
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS		361.692.268	1.087.517.048	(13.488.903)	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		2.960.005.642	(148.628.882)	236.332.595	(187.169.257)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD	27	3.605.570.830	4.187.316.581	400.267.635	629.614.859
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)	27	6.565.576.472	4.038.687.699	636.600.230	442.445.602

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Pegasus Hava Taşımacılığı A.Ş. (the “Company” or “Pegasus”) and its subsidiaries (together “the Group”) is a low cost airline. The Group operates under a low cost business model and employs low cost airline business practices which focus on providing affordable, reliable and simple service.

The shareholders and their respective holdings in the Company as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Esas Holding A.Ş. (“Esas Holding”)	62,91%	62,91%
Publicly held	34,53%	34,53%
Sabancı Family Members	2,56%	2,56%
Total	100,00%	100,00%

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

The Group’s total number of full time employees as of 30 September 2021 is 5.897 (31 December 2020: 6.130). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 30 September 2021 and delegated authority for publishing it on 9 November 2021. General shareholders’ meeting has the authority to modify the financial statements.

COVID-19 Effects and Impairment Analysis

The COVID-19 pandemic has had a significant impact on Pegasus and the aviation industry generally. As a result of COVID-19, governments have imposed an unprecedented level of travel restrictions across the Company’s markets and consumer confidence and willingness to travel have decreased significantly. On March 30, 2020, in response to COVID-19-related restrictions imposed by the Turkish General Directorate of Civil Aviation and foreign authorities, the whole Pegasus fleet was grounded, and the Group did not operate any commercial flights in April and May 2020. During June 2020, the Group restarted domestic flights and international flights to allowed countries. However, revenue and profitability of the Group decreased compared to pre-COVID period due to above explained effects.

Since March 2020, the Group took measures to decrease fixed costs, to maintain cash position and to stabilize current ratio. With an effort to optimize the payroll costs (which constituted approximately 80% of total cash fixed costs, which are comprised of personnel expenses overhead expenses, training expenses, marketing expenses, insurance expenses and other fixed expenses) through unpaid vacation offered to the employees and participation in the government’s furlough scheme (which ended as of 30 June 2021). The Group also negotiates permanent discounts and deferrals in contracts with suppliers, in order to support cash flow management. Savings have been maintained at fixed costs through transition to remote working structure and with this structure, it’s expected that these savings can be maintained permanently in the future as well. Maintenance activity has been optimized based on revised flight schedules. With an aim to both control costs and cash flow management, general expenditure budget have been reviewed and as a result non-urgent and non-critical projects have been postponed. During this period, alongside these measures, the Group drew down new borrowings from commercial banks. The Group’s average monthly operational cash burn was €10.8 million for the eighteen months ending September 30, 2021, that is, the period in 2020 and 2021 affected by the COVID-19 pandemic. The Group calculates monthly operational cash burn by deducting all operating expenses except depreciation and amortization expenses, net interest expenses and lease payments from revenues for the relevant period.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

COVID-19 Effects and Impairment Analysis

With the restarting of operations in June 2020 and in parallel with the strategy of solely operating flights that generate a positive contribution (i.e., revenues netted off against operational expenses excluding fixed costs), the Group's cash burn decelerated throughout the third quarter of 2020. The swift pick-up in domestic demand also supported the recovery trend. However, in the fourth quarter of 2020, the effect of seasonality, the payment of deferred liabilities and the government's decision to re-impose curfews and lockdowns starting from the end of November 2020, weighed negatively on the Group's operations and led to an increase in cash burn. The base case scenario that is modelled by the management was initially approved by the Board of Directors in December 2020 but subsequently was updated in May 2021 as a result of changing expectations due to uncertainties brought by COVID-19. Based on this revised base case scenario, management assumes a gradual ramp-up in passenger demand with a stronger recovery in traffic in the second half of 2021. Based on these assumptions, management expects generating positive cash flow from operations (after deducting interest and lease payments) in the second half of 2021.

Management uses the following main parameters over the course of its planning process: production (in terms of block hours), load factors and yield (revenue per passenger). In the base case scenario, management assumes that the average domestic production capacity and international production capacity reach slightly above the pre-COVID-19 level in the next 12 months, i.e. until the end of September 30, 2022, due to addition of new aircraft, addition of international routes to the flight network and first time whole year contribution of the newly added routes during 2019, 2020 and 2021. In addition to this base case scenario, management has also modelled a more conservative scenario assuming decline relative to the assumptions, to assess the liquidity position over a period of 12 months from September 30, 2021. The capacity at this scenario has been assumed to be the realized production level of first nine months in 2021 as compared to its pre-COVID-19 levels for the remainder of 2021 and the first nine months in 2022. The first nine months include the total lockdown between April 30th and May 17th and was the period when COVID-19 cases peaked, however management has still decided to use this period's performance as a reference to make a stress test. Consequently, the realized average domestic production capacity of 89% and average international production capacity of 60% of pre-COVID-19 levels have been for the over a period of 12 months from September 30, 2021 in this conservative scenario. Though the main concern was around decrease in the production due to COVID-19, in order to test vulnerability, management also slightly decreased expected yields and load factors compared to the revised base case scenario. Even in this situation, management expects to generate the required cash flow from its operations to continue its activities over this 12-month period from September 30, 2021 until September 30th, 2022. While management believes the foregoing analysis provides a reasonable basis for this expectation, there is a risk that the referenced scenarios will not be achieved due to external factors, including a slower recovery from the COVID-19 pandemic.

The extent to which the Group's results of operations and financial condition will ultimately be impacted by, and any unforeseen costs will result from, the COVID-19 pandemic will depend on the duration of the pandemic and future developments, which are highly uncertain and cannot be accurately predicted. These developments include, among other things, further "waves" of COVID-19 or the spread of new COVID-19 variants, new information that may emerge concerning the severity of the outbreak and health implications, actions by government authorities to contain COVID-19 outbreaks or mitigate its impact and changes in consumer behavior resulting from the outbreak and such government actions.

On the other hand, as of June 30, 2021, the Group evaluated whether there is any risk of impairment on aircraft, tangible fixed assets, and intangible assets due to the effects of the COVID-19 outbreak, and in the light of the analysis made, it is concluded that there is not any impairment risk regarding the determination of the value-in-use of the assets. In the impairment tests, the Group used business plans revised by Board of directors in May 2021 and used some estimates such as number of passengers, passenger load factor, fuel prices and discount rates. The Group management will continue to make these analyses regularly.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

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.

The accompanying condensed consolidated 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 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 30 September 2021 in accordance with TAS 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2020.

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 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.

The consolidated financial statements have been prepared on a going concern basis, with the assumption that the Group will benefit from its assets and fulfill its liabilities in the subsequent year and in the natural process of its business operations.

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.

If the legal records are kept in a currency other than the functional currency, the financial statements are initially translated into the functional currency and then translated to the Group's presentation currency, Turkish Lira (“TL”). For the companies in Turkey that book legal records in TL, currency translation from TL to the functional currency Euro is made under the framework described below:

- Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange rate.
- Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.
- Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.
- The capital is followed according to historical costs.

The translation differences resulting from the above mentioned conversions are recorded under other operating income / expenses in the statement of profit or loss.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Functional and Presentation Currency

Presentation currency of the Group's financial statements is TL. Financial Statements have been translated from Euro 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 rate prevailing at the balance sheet date; 30 September 2021
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions.

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.

Euro Amounts in the Financial Statements

Euro amounts shown in the consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official Euro rates announced by the TCMB as at the balance sheet date and Euro amounts shown in the condensed consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, Euro rates calculated from the official daily rates announced by the TCMB.

Comparative Information and Reclassification of Prior Period Financial Statements

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 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 financial position, TL 20.470.400 that was previously presented in passenger flight liabilities has been reclassified and reported in deferred income.
- Debt instruments amounting to TL 160.917.882 was by mistake presented within non current financial investments as at 31 December 2020. At these interim condensed financial statements, such financial instruments are reclassified to current assets.
- In the statement of cash flows, TL 322.862.865 that was previously presented within cash flows from operating activities has been reclassified to investing activities which is related to amounts paid for engine replacements.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2021 and 31 December 2020:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2021</u>	<u>31 December 2020</u>	
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Simulator technical support and maintenance	100%	100%	Turkey

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 30 September 2021 and 31 December 2020:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Ownership type</u>	<u>Country of registration and operation</u>
		<u>30 September 2021</u>	<u>31 December 2020</u>		
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Joint venture	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	50%	50%	Affiliate	Turkey

2.2 Changes in Accounting Estimates

Changes in accounting estimates should be applied prospectively. If it related to a given period in which the change is effective it only impacts the current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period. Significant errors identified by the Group in the accounting estimates are applied retrospectively and prior period financial statements are restated. The Group has not made any changes in accounting estimates in the current year.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at September 30, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) **The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:**

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

Amendments provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR), amending the following:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Amendments have been effective 1 January 2021. Group's financial instruments that are dependent on IBOR are mainly bank borrowings, bonds, lease obligations and derivatives. It is expected that the conversion of IBOR with alternative nearly risk-free rate will be complete by the end of 31 December 2021 and this conversion is not expected to significantly impact the Group's financial statements. However, the Group plans to use the facilitating practices in the further periods.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows :

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

The Group early adapted the amendment at its interim consolidated financial statements but adaption did not significantly impact the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to “the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

2.3 The new standards, amendments and interpretations

ii) Standards issued but not yet effective and not early adopted

The Group will wait until the final amendment to assess the impacts of the changes.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

ii) Standards issued but not yet effective and not early adopted

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

The related amendment is not expected to have an impact on the Group's financial position and performance.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

ii) Standards issued but not yet effective and not early adopted

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 15, 2021, the PAO issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the Board issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Overall, the Company / the Group expects no significant impact on its balance sheet and equity.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

ii) Standards issued but not yet effective and not early adopted

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Group is in the process of assessing the impact of the improvements on financial position or performance of the Group.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. Overall, the Group expects no significant impact on its balance sheet and equity.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 September 2021	31 December 2020
Joint ventures		
Hitit Bilgisayar	70.931.029	58.812.540
PUEM	21.269.734	18.398.442
	92.200.763	77.210.982

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

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Hitit Bilgisayar	12.118.488	13.506.351	6.326.139	5.442.953
PUEM	191.604	419.227	(73.809)	160.379
Net profit	12.310.092	13.925.578	6.252.330	5.603.332

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

PUEM

	30 September 2021	31 December 2020
Current assets	11.590.220	10.538.605
Non-current assets	32.493.897	29.586.485
Current liabilities	(849.827)	(2.681.177)
Non-current liabilities	(178.148)	(200.104)
Net assets of joint venture	43.056.142	37.243.809
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	21.269.734	18.398.442

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

PUEM

	1 January- 30 September 2021	1 January- 30 September 2020
Revenue	6.977.572	8.883.753
Depreciation&amortisation expense	(3.169.797)	(2.452.285)
Interest income/(expense), net	548.240	(287.525)
Profit for the year	387.861	848.638
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	191.604	419.227

Hitit Bilgisayar

	30 September 2021	31 December 2020
Current assets	82.720.017	78.284.911
Non-current assets	127.345.837	86.917.669
Current liabilities	(45.085.036)	(41.905.233)
Non-current liabilities	(24.903.785)	(7.457.291)
Net assets of joint venture	140.077.033	115.840.056
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	70.931.029	58.812.540

	1 January- 30 September 2021	1 January- 30 September 2020
Revenue	81.637.059	69.097.939
Depreciation&amortisation expense	(8.048.977)	(7.076.289)
Interest income/(expense), net	197.942	255.401
Profit for the year	17.212.288	27.012.702
Group's weighted average ownership interest	50%	50%
Group's share in the net profit of the joint venture	12.118.488	13.506.351

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.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders (which will be referred to as “other related parties” below). 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 not secured and interest free.

(i) Balances with Related Parties:

a) Other receivables from related parties

	30 September 2021	31 December 2020
Balances with joint ventures and subsidiaries:		
PUEM	-	227.595
Balances with other related parties:		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş.	-	332
	-	227.927

b) Trade payables to related parties

	30 September 2021	31 December 2020
Balances with parent company:		
Esas Holding	-	8.498.505
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	2.757.103	4.517.471
PUEM	4.780.733	7.800.677
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	159.938	1.300.124
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş.	39.249	-
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	-	42.585
	7.737.023	22.159.362

(ii) Significant Transactions with Related Parties:

Various transactions with Esas Holding consist of commissions paid. The Group records these commissions within finance expense.

The Group also leases their head office building from Esasburda , another Esas Holding subsidiary, and records the expenses as depreciation and interest under leases standard.

The Group receives simulator training services from PUEM for their pilots and generates revenue 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 receives health services from Alarm Sağlık.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

a) Other Income from Related Parties

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Transactions with joint ventures and subsidiaries:				
PUEM	1.098.708	1.471.529	432.418	826.621
	1.098.708	1.471.529	432.418	826.621

b) Purchases of goods or services

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Transactions with joint ventures and subsidiaries:				
Hitit Bilgisayar	21.399.067	15.659.375	7.111.553	5.745.978
PUEM	6.977.572	8.883.753	2.318.477	5.936.874
Transactions with other related parties:				
Alarm Sağlık	328.532	659.993	72.847	174.152
Esasburda	2.234.400	2.626.442	958.083	1.195.989
Other	-	32.713	-	-
	30.939.571	27.862.276	10.460.960	13.052.993

c) Rent expenses

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Esasburda(*)	6.751.439	7.677.241	1.100.524	1.737.475
	6.751.439	7.677.241	1.100.524	1.737.475

(*)Rent expenses are recorded as depreciation and interest under TFRS 16 leases standard. Amounts presented above represent issued invoices.

d) Commission expenses

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Esas Holding	6.593.931	8.797.267	2.087.266	3.225.600
	6.593.931	8.797.267	2.087.266	3.225.600

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

(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 30 September 2021 and 2020 are as follows:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Salaries and other short term benefits	16.922.276	20.848.889	12.714.208	2.283.354
Other long term benefits	-	7.623.062	-	28.829
	16.922.276	28.471.951	12.714.208	2.312.183

NOTE 6 – TRADE AND OTHER RECEIVABLES AND PAYABLES

Short term trade receivables

The details of short term trade receivables as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Trade receivables	287.237.501	202.685.663
Credit card receivables	88.330.737	24.900.433
Income accruals	5.683.638	1.208.598
	381.251.876	228.794.694
Less: Allowance for impairment	(29.719.879)	(31.309.674)
	351.531.997	197.485.020

The average collection period of trade receivables is approximately 26 days (31 December 2020: 39 days).

Short term trade payables

The details of short term trade payables as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Trade payables	828.966.576	606.442.333
Accrued direct operational costs	895.310.725	282.039.624
Other accrued expenses	7.737.019	22.159.362
	1.732.014.320	910.641.319

The average credit period of trade payables is approximately 52 days (31 December 2020: 49 days).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 6 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short term other receivables

The details of short term other receivables as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Deposits and guarantees given	25.472.387	31.762.390
Receivables from pilots for flight training	58.455.815	54.457.337
Due from related parties (Note 5)	-	227.927
Other receivables	561.960	4.670.371
	84.490.162	91.118.025

Long term other receivables

The details of long term other receivables as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Receivables from pilot trainings	117.262.212	117.180.175
Deposits given	141.736.588	88.008.338
	258.998.800	205.188.513

Short term other payables

	30 September 2021	31 December 2020
Taxes payables	23.689.072	26.485.120
Deposits received(*)	107.595.922	3.861.808
	131.284.994	30.346.928

(*)The amount of TL 93.483.214 in deposits and gurantees received, consists of guarantee deposits received to banks related to valuation of derivative contracts.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

The details of prepaid expenses as of 30 September 2021 and 31 December 2020 are as follows:

Short term prepaid expenses

	30 September 2021	31 December 2020
Advances on aircraft purchases	2.369.586.974	841.904.079
Advances to suppliers	267.917.419	271.147.552
Prepaid insurance expenses	94.678.552	130.892.966
Prepaid advertising expenses	311.076	61.461
Other prepaid expenses	17.393.195	25.922.631
	2.749.887.216	1.269.928.689

Long term prepaid expenses

	30 September 2021	31 December 2020
Advances on aircraft purchases	610.451.894	1.033.436.154
Prepaid maintenance expenses	1.282.747.088	811.729.181
Other prepaid expenses	25.175.900	17.847.453
	1.918.374.882	1.863.012.788

Deferred Revenue

Contract Liabilities

The details of passenger flight liabilities as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Flight liability from ticket sales	692.564.274	323.546.489
Passenger airport fees received from customers	222.880.846	105.883.089
Flight liability from flight points	90.873.970	84.506.408
	1.006.319.090	513.935.986

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	30 September 2021	31 December 2020
Advances received from customers	170.891.151	122.080.709
Other deferred income	128.198.043	90.120.681
	299.089.194	212.201.390

Long term deferred income

	30 September 2021	31 December 2020
Income relating to deferred periods	358.716.143	316.272.170
	358.716.143	316.272.170

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2021	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned Aircraft	Construction in progress	Total
Cost:								
Opening	199.371.895	147.738.586	253.951.573	123.508.047	1.389.163.637	314.514.689	59.664.324	2.487.912.751
Additions	1.906.608	239.677	2.118.745	-	28.420.973	-	-	32.686.003
Disposals	-	(497.498)	-	-	(49.895.951)	(337.166.204)	-	(387.559.653)
Transfers	-	-	-	-	28.534.339	-	(28.534.339)	-
Currency translation differences	29.026.538	21.395.611	36.951.717	17.901.188	201.817.425	22.651.515	6.507.059	336.251.053
Closing	230.305.041	168.876.376	293.022.035	141.409.235	1.598.040.423	-	37.637.044	2.469.290.154
Accumulated depreciation:								
Opening	(64.009.454)	(55.084.453)	(187.652.689)	(117.796.753)	(430.897.989)	(199.923.331)	-	(1.055.364.669)
Depreciation for the year	(14.680.359)	(9.395.467)	(15.661.973)	(2.410.213)	(87.138.121)	(10.322.124)	-	(139.608.257)
Disposals	-	475.061	-	-	-	224.644.039	-	225.119.100
Currency translation differences	(10.276.055)	(8.590.676)	(28.263.605)	(17.237.338)	(68.381.256)	(14.398.584)	-	(147.147.514)
Closing	(88.965.868)	(72.595.535)	(231.578.267)	(137.444.304)	(586.417.366)	-	-	(1.117.001.340)
Net book value	141.339.173	96.280.841	61.443.768	3.964.931	1.011.623.057	-	37.637.044	1.352.288.814

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2020	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Aircraft	Construction in progress	Total
Cost:								
Opening	146.516.118	109.456.942	179.887.996	91.186.916	1.307.799.047	706.740.318	59.903.487	2.601.490.824
Additions	455.747	312	8.709.618	-	56.531.378	-	2.870.435	68.567.490
Disposals	-	(162.161)	(275.576)	-	-	-	-	(437.737)
Transfers	-	-	-	-	50.881.303	-	(56.388.157)	(5.506.854)
Currency translation differences	54.675.125	40.741.632	68.761.800	33.969.203	509.464.914	163.228.103	11.214.550	882.055.327
Closing	201.646.990	150.036.725	257.083.838	125.156.119	1.924.676.642	869.968.421	17.600.315	3.546.169.050
Accumulated depreciation:								
Opening	(33.888.233)	(32.235.123)	(123.135.870)	(80.374.835)	(263.103.059)	(392.852.037)	-	(925.589.157)
Depreciation for the year	(11.390.562)	(7.467.585)	(13.414.088)	(6.428.345)	(66.147.107)	(29.339.413)	-	(134.187.100)
Disposals	-	111.215	179.262	-	-	-	-	290.477
Currency translation differences	(14.986.816)	(13.534.206)	(48.616.138)	(31.274.850)	(111.732.386)	(42.895.623)	-	(263.040.019)
Closing	(60.265.611)	(53.125.699)	(184.986.834)	(118.078.030)	(440.982.552)	(465.087.073)	-	(1.322.525.799)
Net book value	141.381.379	96.911.026	72.097.004	7.078.089	1.483.694.090	404.881.348	17.600.315	2.223.643.251

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 9 - INTANGIBLE ASSETS

Software	30 September 2021	30 September 2020
Cost:		
Opening	278.616.682	177.603.372
Additions	29.318.026	22.930.101
Currency translation differences	41.753.533	71.451.554
Closing	349.688.241	271.985.027
Accumulated amortization:		
Opening	(167.490.733)	(97.812.366)
Amortization for the year	(30.537.313)	(21.938.932)
Currency translation differences	(25.729.947)	(41.638.783)
Closing	(223.757.993)	(161.390.081)
Net book value	125.930.248	110.594.946

NOTE 10 – RIGHT OF USE ASSETS

30 September 2021	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	41.931.946	33.382.305	29.611.398.064	2.804.728	29.689.517.043
Additions	30.418.459	-	1.577.411.663	-	1.607.830.122
Disposals	-	-	(1.278.284.608)	-	(1.278.284.608)
Currency translation differences	8.146.658	4.838.412	4.312.206.153	406.516	4.325.597.739
Closing	80.497.063	38.220.717	34.222.731.272	3.211.244	34.344.660.296
Accumulated depreciation:					
Opening	(41.417.507)	(15.924.537)	(9.840.374.164)	(2.804.728)	(9.900.520.936)
Depreciation for the period	(19.453.089)	(7.316.327)	(1.701.566.262)	-	(1.728.335.678)
Disposals	-	-	1.216.225.239	-	1.216.225.239
Currency translation differences	(7.326.230)	(2.805.751)	(1.459.271.271)	(406.516)	(1.469.809.768)
Closing	(68.196.826)	(26.046.615)	(11.784.986.458)	(3.211.244)	(11.882.441.143)
Net book value	12.300.237	12.174.102	22.437.744.814	-	22.462.219.153
30 September 2020	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	30.958.669	24.646.405	18.000.762.823	2.070.755	18.058.438.652
Additions	-	-	2.646.651.496	-	2.646.651.496
Disposals	-	-	(162.650.141)	-	(162.650.141)
Transfers	-	-	5.506.854	-	5.506.854
Currency translation differences	11.532.810	9.181.348	7.222.078.153	771.399	7.243.563.710
Closing	42.491.479	33.827.753	27.712.349.185	2.842.154	27.791.510.571
Accumulated depreciation:					
Opening	(11.686.083)	(6.718.403)	(6.131.858.564)	(1.420.637)	(6.151.683.687)
Depreciation for the period	(16.818.949)	(5.727.789)	(1.273.432.577)	(741.320)	(1.296.720.635)
Disposals	-	-	162.650.141	-	162.650.141
Currency translation differences	(7.841.988)	(3.690.840)	(2.516.348.442)	(680.197)	(2.528.561.467)
Closing	(36.347.020)	(16.137.032)	(9.758.989.442)	(2.842.154)	(9.814.315.648)
Net book value	6.144.459	17.690.721	17.953.359.743	-	17.977.194.923

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

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 42.123.353 as of 30 September 2021 (31 December 2020: TL 38.124.393). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 9.031.684 (31 December 2020: TL 9.785.749) 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.

Tax Inspection

The Group's VAT transactions regarding loyalty card practices in year 2018 have been examined in 2020. The company have been notified with an acceptance report stating "no subject to be examined have been found" in May 2021. However the judgement commission has objected this verdict and TRY1.7 million tax assesment has been applied to the company. Against this tax assesment the Group has filed a tax suit, the verdict of which has not been notified yet.

NOTE 12 - COMMITMENTS

Purchase Commitments

	30 September 2021	31 December 2020
Commitments to purchase aircraft	69.372.043.301	59.718.587.974
	69.372.043.301	59.718.587.974

As of 30 September 2021, the Group holds firm orders for 53 aircraft. In accordance to with agreement the expected deliveries are 3 aircraft in 2021, 20 aircraft in 2022, 17 aircraft in 2023, 10 aircraft in 2024, 3 aircraft in 2025. 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 2.980.038.868 (31 December 2020: TL 1.875.340.233) and TL 2.369.586.974 of this amount is reclassified under short term, TL 610.451.894 of this amount is reclassified under long term prepaid expenses (31 December 2020: TL 841.904.079 of this amount is reclassified under short term, TL 1.033.436.154 of this amount is reclassified under long term prepaid expenses).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 30 September 2021 is as follows:

30 September 2021	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.325.303.038	114.669.217	27.611.993	13.715.998	12.756.463
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	1.325.303.038	114.669.217	27.611.993	13.715.998	12.756.463

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 (in the scope of item D) given by the Company constitute 0% of the Company’s equity as of 30 September 2021.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 31 December 2020 is as follows:

31 December 2020	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.308.894.933	141.376.684	27.464.393	13.452.807	10.270.071
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	1.308.894.933	141.376.684	27.464.393	13.452.807	10.270.071

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 (in the scope of item D) given by the Company constitute 0% of the Company’s equity as of 30 September 2020.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years periods 30 September 2021 and 2020 are as follows:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Depreciation and amortisation expenses	1.898.481.248	1.452.846.667	659.851.593	543.647.691
Jet fuel expenses	1.986.457.645	1.139.107.012	1.110.605.455	438.188.500
Personnel expenses	1.003.456.612	712.075.468	502.431.865	224.384.907
Handling and station fees	580.198.952	294.038.468	304.426.793	128.993.532
Navigation expenses	500.121.643	254.897.716	260.754.168	116.077.320
Maintenance expenses	394.145.512	147.004.782	173.885.581	25.786.648
Landing expenses	230.845.950	111.972.647	127.963.138	46.700.836
Passenger service and catering expenses	52.504.653	30.231.274	31.650.083	9.902.948
Advertising expenses	31.893.068	25.932.373	14.108.020	6.510.026
Commission expenses	103.482.440	52.544.219	73.245.986	12.970.409
Other expenses	495.884.370	274.309.031	199.429.281	93.699.690
	7.277.472.093	4.494.959.657	3.458.351.963	1.646.862.507

NOTE 14 - SHAREHOLDERS' EQUITY, PROFIT RESERVES AND OTHER EQUITY ITEMS

The Company's shareholding structure as of 30 September 2021 and 31 December 2020 are as follows:

Shareholders:	30 September 2021		31 December 2020	
	(%)	TL	(%)	TL
Esas Holding	62,91	64.353.570	62,91	64.353.570
Publicly held	34,53	35.321.707	34,53	35.321.707
Emine Kamışlı	0,85	874.810	0,85	874.810
Ali İsmail Sabancı	0,85	874.810	0,85	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	100,00	102.299.707	100,00	102.299.707

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2020: 102.299.707 shares). All issued shares are fully paid in cash.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 30 September 2021 and 2020 are as follows:

Sales:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Scheduled flight and service revenue	7.040.536.954	3.427.859.941	4.470.923.816	1.451.093.590
<i>International flight revenue</i>	3.224.485.668	1.334.188.847	2.325.719.041	517.646.127
<i>Domestic flight revenue</i>	1.732.559.165	942.480.574	978.963.791	480.200.665
<i>Service revenue</i>	2.083.492.121	1.151.190.520	1.166.240.984	453.246.798
Charter flight and service revenue	74.548.132	33.951.259	53.780.521	24.129.471
<i>Charter flight revenue</i>	74.548.132	33.632.299	53.780.521	24.129.471
<i>Service revenue</i>	-	318.960	-	-
Other revenue	57.027.482	57.629.425	12.953.570	14.600.902
	7.172.112.568	3.519.440.625	4.537.657.907	1.489.823.963

The Group disaggregates revenues in to revenues from scheduled flights, revenues from chartered flights and other revenues, in accordance with TFRS 15 “Revenue from contracts with customers”. Besides, the Group presents service revenue within the flight revenues separately as additional information, although service revenue is not a distinct component, because such information is frequently disclosed in sector and Chief Operating Decision Maker is monitoring such information.

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

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Europe	2.378.092.136	977.180.698	1.814.092.464	453.948.414
Domestic	1.732.559.165	942.480.574	978.963.791	480.200.665
Other	846.393.532	357.008.149	511.626.577	63.697.713
	4.957.044.833	2.276.669.421	3.304.682.832	997.846.792

Cost of sales:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Depreciation and amortisation expenses	1.825.795.919	1.392.205.581	634.780.388	521.111.685
Jet fuel expenses	1.986.457.645	1.139.107.012	1.110.605.455	438.188.500
Personnel expenses	909.985.934	653.420.516	463.281.733	204.007.921
Handling and station fees	580.198.952	294.038.468	304.426.793	128.993.532
Navigation expenses	500.121.643	254.897.716	260.754.168	116.077.320
Maintenance expenses	394.145.512	147.004.782	173.885.581	25.786.648
Landing expenses	230.845.950	111.972.647	127.963.138	46.700.836
Insurance expenses	118.645.199	29.446.994	43.174.010	10.101.365
Passenger service and catering expenses	52.504.653	30.231.274	31.650.083	9.902.948
Other expenses	239.933.869	140.859.501	101.098.641	48.197.422
	6.838.635.276	4.193.184.491	3.251.619.990	1.549.068.177

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Marketing expenses	197.297.982	123.776.312	111.870.125	36.097.805
General administrative expenses	241.538.835	177.998.854	94.861.848	61.696.525
	438.836.817	301.775.166	206.731.973	97.794.330

The details of general administrative expenses and marketing expenses for the periods ended 30 September 2021 and 2020 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Depreciation and amortisation expenses	58.148.263	48.512.869	20.056.964	18.028.805
Personnel expenses	71.423.752	44.221.990	30.017.775	15.415.619
IT expenses	61.373.120	46.494.342	24.736.626	16.633.402
Consultancy expenses	13.182.783	7.147.216	4.391.735	3.072.218
Communication expenses	4.218.882	2.701.060	956.967	1.463.640
Legal and notary expenses	8.934.222	4.547.652	5.136.600	1.493.062
Office utility expenses	3.366.738	3.659.428	773.237	1.254.756
Travel expenses	1.292.697	732.380	813.598	109.847
Training expenses	529.655	1.016.583	68.905	331.415
Other expenses	19.068.723	18.965.334	7.909.441	3.893.761
	241.538.835	177.998.854	94.861.848	61.696.525

Marketing expenses:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Commission expenses	103.482.440	52.544.219	73.245.986	12.970.409
Advertising expenses	31.893.068	25.932.373	14.108.020	6.510.026
Call center expenses	19.246.511	16.084.709	7.062.931	6.254.135
Personnel expenses	22.046.926	14.432.962	9.132.357	4.961.367
Depreciation and amortisation expenses	14.537.066	12.128.217	5.014.241	4.507.201
Other expenses	6.091.971	2.653.832	3.306.590	894.667
	197.297.982	123.776.312	111.870.125	36.097.805

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods ended 30 September 2021 and 2020 are as follows:

Other operating income:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Foreign exchange gain from operating activities	-	160.302.092	-	29.007.305
Indemnity income	-	74.657.919	-	-
Reversal of doubtful cash and cash equivalents	760.393	41.696	2.561.862	4.177.023
Reversal of trade receivable impairment	1.222.649	-	(6.539.993)	-
Reversal of doubtful provision	-	11.375.534	-	7.849.578
Other	13.325	621.402	2.759	47.548
	1.996.367	246.998.643	(3.975.372)	41.081.454

Other operating expenses:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Expenses from fair value differences of derivative instruments	-	280.058.038	-	(124.911.909)
Foreign exchange loss from operating activities	30.280.871	-	24.154.474	-
Doubtful receivable allowance expense	765.995	5.331.677	765.995	3.070.857
Financial investments allowance expense	-	-	-	-
Penalty expense	2.221.373	712.535	873.081	-
Other	6.492.877	6.854.737	3.270.408	3.203.884
	39.761.116	292.956.987	29.063.958	(118.637.168)

NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended 30 September 2021 and 2020 are as follows:

Income from investing activities:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Other income	394.919	702.738	28.338	551.297
	394.919	702.738	28.338	551.297

Expense from investing activities:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Financial investments allowance expense	14.205.114	-	395.729	-
	14.205.114	-	395.729	-

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the periods ended 30 September 2021 and 2020 are as follows:

Financial income:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Foreign exchange gain	-	134.272.960	-	250.599.642
Interest income	98.570.357	62.869.518	43.035.823	22.709.770
Gain on derivative contracts	1.594.596	2.167.248	1.585.529	(2.358.957)
	100.164.953	199.309.726	44.621.352	270.950.455

Financial expenses:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Interest expense on leases	391.739.169	333.061.894	131.118.741	119.267.739
Interest expense on bank loans	185.988.327	50.161.814	65.846.898	25.301.212
Other commission expenses	111.678.902	59.887.650	53.424.652	22.124.954
Interest expense on issued debt instruments	157.484.627	-	84.976.787	-
Foreign exchange loss	155.272.231	-	134.174.988	-
	1.002.163.256	443.111.358	469.542.066	166.693.905

NOTE 20 - EARNINGS / LOSS PER SHARE

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 30 September 2021 and 2020 are as follows:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Net Loss	(1.002.777.028)	(1.225.183.204)	592.915.670	103.412.931
Weighted average number of shares issued in the year	102.299.707	102.299.707	102.299.707	102.272.000
Loss per share	(9,80)	(11,98)	5,80	1,01

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Short term	153.052.303	774.399	7.599.668	90.228.333
Long term	39.776.009	-	-	3.838.005
	192.828.312	774.399	7.599.668	94.066.338

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments measured at amortized cost

Short term

	30 September 2021	31 December 2020
Financial investments measured at amortized cost	186.810.855	161.762.085
Less: Allowance for impairment under TFRS 9	(346.323)	(844.203)
	186.464.532	160.917.882

Long term

	30 September 2021	31 December 2020
Financial investments measured at amortized cost	1.093.720.069	73.884.679
Less: Allowance for impairment under TFRS 9	(15.470.016)	(767.023)
	1.078.250.053	73.117.656

Company issuing security

	30 September 2021	31 December 2020
TC Hazine Müsteşarlığı	749.753.997	43.697.761
Türkiye Vakıflar Bankası	240.650.105	81.079.624
Türkiye İhracat Kredi Bankası	137.631.860	-
Türkiye İş Bankası	45.526.662	-
Yapı ve Kredi Bankası	91.151.961	73.117.656
Garanti Bankası	-	36.140.497
Eurobond (*)	1.264.714.585	234.035.538

(*) The Group's fixed income securities are accounted over their amortized costs using the effective interest rate. The securities in question are denominated in Euros and US Dollars and must pay fixed interest every year, every six and three months, respectively.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments measured at amortized cost

Financial investments measured at amortized cost have an active market and market prices (according to dirty prices) are as follows:

Company issuing security	30 September 2021	31 December 2020
TC Hazine Müsteşarlığı	755.218.464	44.935.824
Türkiye Vakıflar Bankası	243.592.972	81.630.645
Türkiye İhracat Kredi Bankası	141.360.264	-
Türkiye İş Bankası	45.917.298	-
Yapı ve Kredi Bankası	91.244.442	73.324.791
Garanti Bankası	-	36.647.909
	1.277.333.440	236.539.169

The coupon interest rates and call dates of the financial investments in Euro and US Dollars that are measured by their amortized costs and continues as of the reporting date are as follows.

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
Türkiye Vakıflar Bankası	XS1508914691	5,500	USD	44.559.202	27.10.2021
Yapı ve Kredi Bankası	XS1571399754	5,750	USD	91.151.961	24.02.2022
TC Hazine Müsteşarlığı	XS0993155398	4,350	EUR	50.753.369	12.11.2021
T.C Hazine Müsteşarlığı	US900123CF53	5,750	USD	699.000.628	22.03.2024
Türkiye Vakıflar Bankası	XS1970705528	8,125	USD	196.090.904	27.03.2024
Türkiye İhracat Kredi Bankası	XS191720911	8,250	USD	137.631.860	24.01.2024
Türkiye İş Bankası	XS1578203462	6,125	USD	45.526.662	25.04.2024
				1.264.714.585	

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 30 September 2021 and 31 December 2020 are as follows:

Short term financial liabilities	30 September 2021	31 December 2020
Short term bank borrowings	3.063.231.162	1.741.716.857
Issued debt instruments (*)	387.858.754	-
Discount and commissions of bonds issued	(10.306.152)	-
Lease liabilities	2.245.594.504	2.154.972.636
<i>Short term portion of long term operating lease obligations</i>	<i>312.985.532</i>	<i>679.665.846</i>
<i>Short term portion of long term financial lease obligations</i>	<i>1.932.608.972</i>	<i>1.475.306.790</i>
	5.686.378.268	3.896.689.493

(*)The Group has domestic bonds issued to the qualified investors without public offering amounting to TL 260.000.000 with 365-day maturity, 3-month coupon payments with floating interest of 300 bps over the benchmark (TLREF Index, BIST overnight interest rate) and principal payment at maturity date of 11 February 2022.

Long term financial liabilities	30 September 2021	31 December 2020
Long term bank borrowings	202.806.254	805.508.577
Issued debt instruments (**)	3.316.237.514	-
Discount and commissions of bonds issued	(35.392.384)	-
Lease liabilities	16.644.211.437	14.309.895.001
<i>Long term operating lease obligations</i>	<i>1.817.670.382</i>	<i>1.667.930.667</i>
<i>Long term financial lease obligations</i>	<i>14.826.541.055</i>	<i>12.641.964.334</i>
	20.127.862.821	15.115.403.578

(**) The Group issued bonds to qualified investors abroad on 29 April 2021, which are issued under the "Rule 144A" and/or "Regulation S" format, have a nominal value of US\$ 375,000,000, at % 9,25 interest rate and the maturity is 5 years with an early payment option as of the third and fourth years. The bonds are traded on the Irish Stock Exchange (Euronext Dublin). There are some financial covenants in the Terms and Conditions of the notes. The covenants of the notes are; negative pledge, limitation in indebtedness, publication of financial information, limitations on transactions with affiliates, minimum liquidity, merger, consolidation and sale of substantially all assets, limitation on asset sales, limitation on restricted payments. As of 30 September 2021, the Group complied with such covenants and restrictions.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short and long term bank borrowings as of 30 September 2021 and 31 December 2020 are as follows :

30 September 2021	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	4,69%	Euro	248.311.781	2.560.963.553
Short term bank borrowings	16,45%	TL	475.494.695	475.494.695
Short term bank borrowings	6,50%	US Dollar	3.027.480	26.772.914
				3.063.231.162

31 December 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	4,62%	Euro	138.400.000	1.246.695.357
Short term bank borrowings	15,54%	TL	473.000.000	473.000.000
Short term bank borrowings	6,50%	US Dollar	3.000.000	22.021.500
				1.741.716.857

30 September 2021	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	4,69%	Euro	14.000.000	144.389.009
Long term bank borrowings	16,45%	TL	58.417.245	58.417.245
				202.806.254

31 December 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	4,62%	Euro	69.440.000	625.508.577
Long term bank borrowings	15,54%	TL	180.000.000	180.000.000
				805.508.577

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Lease Liabilities

The details of lease liabilities as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Less than 1 year	2.823.612.903	2.682.166.703
Between 1 - 5 years	10.712.978.341	9.002.019.440
Over 5 years	8.539.221.676	7.848.676.463
	22.075.812.920	19.532.862.606
Less: Future interest expenses	(3.186.006.979)	(3.067.994.969)
	18.889.805.941	16.464.867.637

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

	30 September 2021	31 December 2020
Less than 1 year	2.245.594.504	2.154.972.636
Between 1 - 5 years	8.801.390.194	7.185.705.564
Over 5 years	7.842.821.243	7.124.189.437
	18.889.805.941	16.464.867.637

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 5,78 years. For the period ended 30 September 2021, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 11.914.937.258, is 1,10% (31 December 2020: 1,17%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 2.527.837.616, is 3,08% (31 December 2020: 2,97%).

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

Financial Risk Factors

Foreign currency risk management

The Group has significant transactions in non-Euro currencies including, but not limited to, Turkish Lira revenues, non-Euro borrowings and US Dollar fuel purchases. These non-Euro denominated transactions expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 30 September 2021 and 31 December 2020 are as follows:

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors

Foreign currency risk management

30 September 2021	TL Total	USD	TL	GBP	Other
1. Trade receivables	302.413.499	12.764.844	132.711.646	606.033	49.589.019
2a. Monetary financial assets	2.851.735.378	232.898.022	497.556.024	8.154.145	197.319.850
2b. Non monetary financial assets	-	-	-	-	-
3. Other	260.927.945	457.495	254.606.494	89.563	1.207.271
4. CURRENT ASSETS	3.415.076.822	246.120.361	884.874.164	8.849.741	248.116.140
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.078.250.056	121.928.472	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	169.357.595	18.382.861	223.170	1.000	6.557.341
8. NON CURRENT ASSETS	1.247.607.651	140.311.333	223.170	1.000	6.557.341
9. TOTAL ASSETS	4.662.684.473	386.431.694	885.097.334	8.850.741	254.673.481
10. Trade payables	991.042.069	85.571.572	206.630.909	225.915	24.981.092
11. Financial liabilities	2.317.844.078	178.460.365	739.665.528	-	-
12a. Other liabilities, monetary	1.002.565.140	102.980.586	83.988.861	202.005	5.478.305
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	4.311.451.287	367.012.523	1.030.285.298	427.920	30.459.397
14. Trade payables	-	-	-	-	-
15. Financial liabilities	8.334.507.435	935.859.938	58.417.245	-	-
16a. Other liabilities, monetary	1.482.178.449	167.604.678	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	9.816.685.884	1.103.464.616	58.417.245	-	-
18. TOTAL LIABILITIES	14.128.137.171	1.470.477.139	1.088.702.543	427.920	30.459.397
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	(9.465.452.698)	(1.084.045.445)	(203.605.209)	8.422.821	224.214.084
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(9.465.452.698)	(1.084.045.445)	(203.605.209)	8.422.821	224.214.084

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors

Foreign currency risk management

31 December 2020	TL Total	USD	TL	GBP	Other
1. Trade receivables	212.376.311	12.065.543	101.470.363	334.373	19.013.891
2a. Monetary financial assets	2.054.167.015	246.117.870	149.798.906	5.888.115	39.189.646
2b. Non monetary financial assets	-	-	-	-	-
3. Other	188.137.472	13.107	185.943.989	89.563	1.206.676
4. CURRENT ASSETS	2.454.680.798	258.196.520	437.213.258	6.312.051	59.410.213
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	144.331.708	19.662.381	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	149.009.259	19.500.573	341.073	1.000	5.514.286
8. NON CURRENT ASSETS	293.340.967	39.162.954	341.073	1.000	5.514.286
9. TOTAL ASSETS	2.748.021.765	297.359.474	437.554.331	6.313.051	64.924.499
10. Trade payables	563.378.666	7.151.551	497.346.897	186.316	11.683.120
11. Financial liabilities	1.416.899.835	128.587.948	473.000.000	-	-
12a. Other liabilities, monetary	917.402.135	106.365.614	127.431.455	85.662	8.342.085
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	2.897.680.636	242.105.113	1.097.778.352	271.978	20.025.205
14. Trade payables	-	-	-	-	-
15. Financial liabilities	4.461.206.972	583.230.975	180.000.000	-	-
16a. Other liabilities, monetary	1.038.964.136	141.538.606	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	5.500.171.108	724.769.581	180.000.000	-	-
18. TOTAL LIABILITIES	8.397.851.744	966.874.694	1.277.778.352	271.978	20.025.205
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	(5.649.829.980)	(669.515.221)	(840.224.021)	6.041.073	44.899.294
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(5.649.829.980)	(669.515.221)	(840.224.021)	6.041.073	44.899.294

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors

Foreign currency risk management

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily with respect to the US Dollar and Turkish Lira.

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar, and TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Foreign currency sensitivity tables as of 30 September 2021 and 31 December 2020 are as follows:

30 September 2021	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)	(958.653.909)	958.653.909	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(958.653.909)	958.653.909	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(20.360.521)	20.360.521	510.884.973	(510.884.973)
Part of hedged from TL risk	-	-	-	-
TL net effect	(20.360.521)	20.360.521	510.884.973	(510.884.973)
Effect of 10% change in GBP rate				
GBP net asset / liability	10.047.752	(10.047.752)	-	-
Part of hedged from GBP risk	-	-	-	-
GBP net effect	10.047.752	(10.047.752)	-	-

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors

Foreign currency risk management

Foreign currency sensitivity

31 December 2020	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)	(491.457.648)	491.457.648	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(491.457.648)	491.457.648	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(84.022.402)	84.022.402	538.433.239	(538.433.239)
Part of hedged from TL risk	-	-	-	-
TL net effect	(84.022.402)	84.022.402	538.433.239	(538.433.239)
Effect of 10% change in GBP rate				
GBP net asset / liability	4.868.624	(4.868.624)	-	-
Part of hedged from GBP risk	(8.505.547)	8.505.547	-	-
GBP net effect	(3.636.923)	3.636.923	-	-

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments

30 September 2021	Derivative instruments		Carrying amount (*)	Note
	Financial assets and liabilities at amortized cost	which are recognized at fair value in shareholders' equity		
Financial assets				
Cash and cash equivalents	6.565.576.472	-	-	6.565.576.472 27
Trade receivables	351.531.997	-	-	351.531.997 6
- Other	351.531.997	-	-	351.531.997 6
Other receivables	343.488.962	-	-	343.488.962
- Other	343.488.962	-	-	343.488.962
Financial investments(**)	1.264.714.585	-	-	1.264.714.585 22
Derivative financial assets	-	192.828.312	-	192.828.312 21
Financial liabilities				
Bank borrowings	25.814.241.089	-	-	25.814.241.089 22
Trade payables	1.732.014.320	-	-	1.732.014.320 6
- Related party	7.737.023	-	-	7.737.023 5
- Other	1.724.277.297	-	-	1.724.277.297
Derivative financial liabilities	-	-	774.399	774.399 21

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

(**) As of 30 September 2021 market prices of financial investments amounting to TL. 1.277.333.440

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments

31 December 2020	Financial assets and liabilities at amortized cost	Derivative instruments which are recognized at shareholders' equity	Derivative instruments which are recognized at fair value in profit/loss	Carrying amount (*)	Note
Financial assets					
Cash and cash equivalents	3.605.570.830	-	-	3.605.570.830	27
Trade receivables	197.485.020	-	-	197.485.020	6
Other receivables	296.306.538	-	-	296.306.538	
- <i>Related party</i>	227.927	-	-	227.927	5
- <i>Other</i>	296.078.611	-	-	296.078.611	
Financial investments(**)	234.035.538	-	-	234.035.538	22
Derivative financial assets	-	7.599.668	-	7.599.668	21
Financial liabilities					
Bank borrowings	19.012.093.071	-	-	19.012.093.071	22
Trade payables	910.641.319	-	-	910.641.319	6
- <i>Related party</i>	22.159.362	-	-	22.159.362	5
- <i>Other</i>	888.481.957	-	-	888.481.957	
Derivative financial liabilities	-	93.056.335	1.010.003	94.066.338	21

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

(**)As of 31 December 2020 market prices of financial investments amounting to TL 236.539.169.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	30 September 2021	31 December 2020			
Fuel purchase option contracts	173.301.861	(93.056.335)	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	19.526.451	7.599.668	Level 2	Discounted cash flow method	
Currency forward contracts	(446.986)	-	Level 2	Discounted cash flow method	
Interest rate swap contracts	(327.413)	(1.010.003)	Level 2	Discounted cash flow method	
	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
30 September 2021					
Fair value:					
Opening	7.599.668	(93.056.335)	-	(1.010.003)	(86.466.670)
Fair value increase					
Recognized in equity	11.926.783	266.358.196	-	-	278.284.979
Recognized in profit or loss	-	-	(446.986)	682.590	235.604
Closing	19.526.451	173.301.861	(446.986)	(327.413)	192.053.913
Assets	19.526.451	173.301.861	-	-	192.828.312
Liabilities	-	-	(446.986)	(327.413)	(774.399)
Total net assets and liabilities	19.526.451	173.301.861	(446.986)	(327.413)	192.053.913

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments

31 December 2020	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)
Fair value increase / (decrease)					
Recognized in equity	18.921.657	(50.322.964)	-	-	(31.401.307)
Recognized in profit or loss	-	-	584.353	(1.071.242)	(486.889)
Closing	7.599.668	(93.056.335)	-	(1.010.003)	(86.466.670)
Assets	7.599.668	-	-	-	7.599.668
Liabilities	-	(93.056.335)	-	(1.010.003)	(94.066.338)
Total net assets and liabilities	7.599.668	(93.056.335)	-	(1.010.003)	(86.466.670)

As of 30 September 2021, the Group has fuel purchase forward contracts subject to hedge accounting on the purpose of covering 28% (2020: 54%) of the expected total fuel consumption for the upcoming one-year period. The maturities of these contracts last until September 2023. Weighted average tonne price of these contracts is US Dollars 691,1 (2020: US Dollars 517,8). As of 30 September 2021, the excessive amount over the effective rate is not material. During June 30, 2020 the Group discontinued a portion of the fuel hedge because the due to COVID-19 fuel purchase expectations has been reduced. As result, the Group discontinued a portion of such hedge relationship and immediately reclassified the accumulated gain or loss on the hedging instrument that has been recognised in other comprehensive income to other operating expenses account, which amounted to TL 52.495.939.

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

The Group reached an agreement with Airbus S.A.S. to amend the Airbus Order, initially executed in 2012 and later expanded by exercise of an option in 2017 to cover a total of 100 new aircraft, thereby placing a firm order for additional six Airbus 321neo aircraft. The delivery of the said additional six aircraft is expected to take place starting from 2024, which will amend the current Airbus Order delivery plan reaching out to 2025.

NOT 26 – INCOME TAX ENPENSE

The Group is subject to corporate tax applicable in Turkey.

The corporate tax rate in Turkey will be applied as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period with the regulation dated April 22, 2021.

The corporate tax rate, which was applied as 22% in 2020, will be applied again as 20% after the taxation period in 2022. When calculating deferred tax on temporary differences, the company takes into account tax rates as applicable on the date the temporary differences utilized. Tax expense components as of September 30, 2021 and 2020 are presented below:

	1 January- 30 September 2021	1 January- 30 September 2020
Income tax expense		
- Deferred tax expense	43.845.652	25.467.488
Total tax income / (expense)	43.845.652	25.467.488

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020**

(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 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Cash on hand	890.086	644.756
Cash at banks	6.565.732.539	3.606.732.620
- Demand deposits	2.099.595.524	55.355.224
- Time deposits	4.466.137.015	3.551.377.396
Less: Allowance for impairment under TFRS 9	(1.046.153)	(1.806.546)
	6.565.576.472	3.605.570.830

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

30 September 2021	Weighted average interest rates	Total
USD deposits	1,21 %	1.917.621.971
EUR deposits	0,35 %	2.097.051.768
TL deposits	18,52 %	355.504.889
GBP deposits	0,05 %	95.958.387
		4.466.137.015

31 December 2020	Weighted average interest rates	Total
USD deposits	1,55 %	1.795.008.276
EUR deposits	1,2 %	1.541.353.532
TL deposits	18,76 %	147.679.943
GBP deposits	0,14 %	57.804.150
CHF deposits	0,02 %	9.531.495
		3.551.377.396

All of the time deposits as of 30 September 2021 and 31 December 2020 have maturities less than 90 days.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

Revenue

	Euro 1 January- 30 September 2021	Euro 1 January- 30 September 2020	Euro 1 July - 30 September 2021	Euro 1 July - 30 September 2020
Scheduled flight and service revenue	713.139.390	477.097.370	442.995.468	176.459.891
<i>International flight revenue</i>	324.885.621	189.890.781	230.310.418	63.407.192
<i>Domestic flight revenue</i>	175.959.467	127.148.660	97.042.962	58.366.815
<i>Service revenue</i>	212.294.302	160.057.929	115.642.088	54.685.884
Charter flight and service revenue	7.438.704	4.261.913	5.343.264	2.813.747
<i>Charter flight revenue</i>	7.438.689	4.213.676	5.343.249	2.813.722
<i>Service revenue</i>	15	48.237	15	25
Other revenue	6.229.274	8.497.514	1.402.680	1.843.304
	726.807.368	489.856.797	449.741.412	181.116.942

Expenses by Nature

	Euro 1 January- 30 September 2021	Euro 1 January- 30 September 2020	Euro 1 July - 30 September 2021	Euro 1 July - 30 September 2020
Jet fuel expenses	201.907.952	154.538.632	110.283.627	50.526.525
Depreciation and amortisation expenses	196.598.252	192.176.619	65.728.303	64.542.022
Personnel expenses	100.260.692	93.526.595	49.521.419	25.089.482
Handling and station fees	58.922.390	39.163.360	30.269.400	14.846.325
Navigation expenses	50.649.384	32.990.985	25.834.392	12.970.644
Maintenance expenses	40.276.099	19.437.675	17.225.441	2.788.519
Landing expenses	23.372.640	15.016.593	12.713.937	5.345.363
Commission expenses	10.452.928	7.077.033	7.364.168	1.408.240
Advertising expenses	3.344.463	3.673.074	1.508.585	804.179
Passenger service and catering expenses	5.304.737	4.181.756	3.112.673	1.153.032
Other expenses	52.420.291	38.097.836	20.350.101	11.602.517
	743.509.828	599.880.158	343.912.046	191.076.848