

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 INTERIM PERIOD ENDED
30 SEPTEMBER 2022

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 30 September 2022	Prior period (Audited) 31 December 2021	(*) EUR 30 September 2022	(*) EUR 31 December 2021
	Notes				
ASSETS					
Current assets		21.288.315.894	12.687.114.838	1.187.751.958	864.109.491
Cash and cash equivalents	27	11.674.436.195	6.976.779.772	651.358.920	475.183.028
Financial assets	22	723.343.161	565.472.751	40.357.925	38.513.908
Trade receivables	6	1.714.607.442	337.172.794	95.664.136	22.964.576
<i>Trade receivables from third parties</i>		<i>1.714.607.442</i>	<i>337.172.794</i>	<i>95.664.136</i>	<i>22.964.576</i>
Other receivables	6	195.229.155	127.250.026	10.892.539	8.666.900
<i>Other receivables from third parties</i>		<i>195.229.155</i>	<i>127.250.026</i>	<i>10.892.539</i>	<i>8.666.900</i>
Derivative financial instruments	21	209.719.937	118.364.973	11.701.032	8.061.746
Inventories		483.298.156	141.338.089	26.964.948	9.626.427
Prepaid expenses	7	5.949.816.712	4.044.857.895	331.961.743	275.492.112
Current income tax assets		5.668.051	5.030.039	316.241	342.592
Other current assets		30.955.661	62.757.524	1.727.128	4.274.366
SUBTOTAL		20.987.074.470	12.379.023.863	1.170.944.612	843.125.655
Non-current assets held for sale		301.241.424	308.090.975	16.807.346	20.983.836
Non-Current assets		61.836.583.617	40.275.936.529	3.449.053.995	2.742.130.261
Financial assets	22	4.656.831.365	2.173.986.740	259.821.425	148.068.541
Other receivables	6	626.160.542	385.733.767	34.935.756	26.272.026
<i>Other receivables from third parties</i>		<i>626.160.542</i>	<i>385.733.767</i>	<i>34.935.756</i>	<i>26.272.026</i>
Derivative financial instruments	21	67.769.376	45.204.115	3.781.098	3.078.817
Investments accounted by using the equity method	3	347.764.964	165.913.947	19.403.062	11.300.269
Property and equipment	8	2.404.717.782	1.854.850.887	134.167.400	126.331.736
Intangible assets	9	232.306.305	183.945.727	12.961.207	12.528.400
Right of use assets	10	49.006.109.820	32.695.303.761	2.733.196.048	2.225.819.988
Prepaid expenses	7	4.494.923.463	2.770.997.585	250.787.999	188.730.484
TOTAL ASSETS		83.124.899.511	52.963.051.367	4.636.805.953	3.606.239.752

(*)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 2022

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 30 September 2022	Prior period (Audited) 31 December 2021	(*) EUR 30 September 2022	(*) EUR 31 December 2021
	Notes				
LIABILITIES					
Current liabilities		20.735.949.666	12.679.117.885	1.156.933.453	863.564.829
Short term borrowings	22	2.695.872.567	3.413.628.246	150.412.458	232.499.557
Short term portion of long term borrowings	22	660.530.196	477.144.842	36.853.363	32.497.963
Short term portion of long term lease liabilities	22	6.587.539.997	3.876.778.287	367.542.626	264.044.345
Trade payables	6	3.627.856.993	1.890.418.358	202.411.232	128.765.746
<i>Trade payables to related parties</i>	5	10.427.753	8.656.890	581.802	589.614
<i>Trade payables to third parties</i>		3.617.429.240	1.881.761.468	201.829.430	128.165.306
Employee benefit obligations		244.188.257	46.371.989	13.624.144	3.158.360
Other payables		301.187.690	166.192.097	16.804.348	11.308.388
<i>Other payables to related parties</i>	6	-	158.955	-	10.826
<i>Other payables to third parties</i>	6	301.187.690	166.033.142	16.804.348	11.308.388
Passenger flight liabilities	7	4.384.221.505	1.470.909.753	244.611.537	100.182.516
Derivative financial instruments	21	-	211.337	-	14.394
Deferred income	7	734.114.784	299.944.356	40.958.913	20.428.976
Short term provisions		1.500.167.951	1.037.352.947	83.699.783	70.653.300
<i>Short term provisions for employee benefits</i>		625.420.636	323.182.559	34.894.474	22.011.712
<i>Other short term provisions</i>		874.747.315	714.170.388	48.805.309	48.641.588
Other current liabilities		269.726	165.673	15.049	11.284
Non-Current liabilities		50.726.191.684	33.414.087.401	2.830.197.268	2.275.807.428
Long term borrowings	22	6.581.408.754	4.859.623.576	367.200.542	330.985.171
Long term lease liabilities	22	37.907.540.141	24.038.791.581	2.114.998.446	1.637.263.343
Deferred income	7	691.602.429	412.770.929	38.586.995	28.113.506
Long term provisions		4.261.025.614	3.171.423.448	237.737.994	216.003.177
<i>Long term provisions for employee benefits</i>		102.998.931	66.886.363	5.746.682	4.555.578
<i>Other long term provisions</i>		4.158.026.683	3.104.537.085	231.991.312	211.447.599
Deferred tax liabilities		1.284.614.746	931.477.867	71.673.291	63.442.231
SHAREHOLDERS' EQUITY		11.662.758.161	6.869.846.081	649.675.232	466.867.495
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		(40.550.953)	(11.780.564)	(2.262.484)	(802.365)
Currency translation differences		9.665.736.474	7.879.444.458	8.290.072	4.526.022
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		213.666.769	125.948.205	11.921.240	8.578.234
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		(1.702.212.691)	270.265.658	195.884.759	346.171.428
Net loss for the period		2.947.671.889	(1.972.478.349)	177.160.800	(150.286.669)
TOTAL LIABILITIES AND EQUITY		83.124.899.511	52.963.051.367	4.636.805.953	3.606.239.752

(*)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 ENDED 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period	Prior period	Current period	Prior period	(*)	(*)	(*)	(*)
		(Not reviewed)	(Not reviewed)	(Not reviewed)	(Not reviewed)	EUR	EUR	EUR	EUR
Profit or loss		1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Sales	15	30.255.091.277	7.172.112.568	17.840.091.248	4.537.657.907	1.774.250.019	726.807.368	1.000.175.776	449.741.412
Cost of sales (-)	15	(22.097.485.147)	(6.838.635.276)	(10.087.540.655)	(3.251.619.990)	(1.287.310.010)	(698.413.672)	(555.342.837)	(323.067.734)
Gross profit/(loss)		8.157.606.130	333.477.292	7.752.550.593	1.286.037.917	486.940.009	28.393.696	444.832.939	126.673.678
General administrative expenses (-)	16	(715.537.631)	(241.538.835)	(396.639.503)	(94.861.848)	(42.576.587)	(25.002.503)	(22.467.465)	(9.530.915)
Marketing expenses (-)	16	(635.982.013)	(197.297.982)	(326.332.867)	(111.870.125)	(37.039.311)	(20.093.653)	(18.298.449)	(11.313.397)
Other operating income	17	171.129.156	1.996.367	247.495.310	(3.975.372)	10.166.567	(77.864)	15.195.641	(899.222)
Other operating expenses (-)	17	(84.926.637)	(39.761.116)	(36.456.392)	(29.063.958)	(5.061.069)	(3.819.461)	(2.453.225)	(2.506.106)
Operating gain/(loss)		6.892.289.005	(143.124.274)	7.240.617.141	1.046.266.614	412.429.609	(20.599.785)	416.809.441	102.424.038
Income from investing activities	18	363.414.455	17.138.347	129.223.980	11.040.204	21.461.484	1.690.260	7.203.571	1.091.477
Expenses from investing activities (-)	18	(9.844.277)	(14.205.114)	(5.894.077)	(395.729)	(584.877)	(1.471.018)	(341.197)	(11.959)
Share of investments income accounted for using the equity method	3	9.512.803	12.310.092	6.512.752	6.252.330	565.183	1.274.778	380.116	634.733
Operating gain/(loss) before financial expense		7.255.371.986	(127.880.949)	7.370.459.796	1.063.163.419	433.871.399	(19.105.765)	424.051.931	104.138.289
Financial income	19	202.354.069	83.421.525	95.579.228	33.609.486	11.703.201	8.447.355	5.207.862	3.316.734
Financial expense (-)	19	(4.382.226.084)	(1.002.163.256)	(2.410.294.871)	(469.542.066)	(260.819.158)	(104.123.476)	(138.186.619)	(47.811.021)
Profit/(Loss) before tax		3.075.499.971	(1.046.622.680)	5.055.744.153	627.230.839	184.755.442	(114.781.886)	291.073.174	59.644.002
Tax income/(expense)	26	(127.828.082)	43.845.652	(217.950.990)	(34.315.169)	(7.594.642)	4.540.462	(13.154.125)	(3.717.781)
Deferred tax income/(expense)		(127.828.082)	43.845.652	(217.950.990)	(34.315.169)	(7.594.642)	4.540.462	(13.154.125)	(3.717.781)
Profit/(Loss) for the period		2.947.671.889	(1.002.777.028)	4.837.793.163	592.915.670	177.160.800	(110.241.424)	277.919.049	55.926.221
Loss per share (TL) / (EUR)	20	28,81	(9,80)	47,29	5,80	1,73	(1,08)	2,72	0,55

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 ENDED 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

	Current period (Not reviewed) 1 January- 30 September 2022	Prior period (Not reviewed) 1 January- 30 September 2021	Current period (Not reviewed) 1 July - 30 September 2022	Prior period (Not reviewed) 1 July - 30 September 2021	(*) EUR 1 January- 30 September 2022	(*) EUR 1 January- 30 September 2021	(*) EUR 1 July - 30 September 2022	(*) EUR 1 July - 30 September 2021
Other comprehensive income								
Items not to be reclassified to profit or loss								
Actuarial (losses) / gains on defined benefit plans	(35.962.986)	-	(13.902.728)	-	(1.825.149)	-	(728.701)	-
Deferred tax effect	7.192.597	-	2.780.546	-	365.030	-	145.740	-
Currency translation differences	1.786.292.016	656.843.789	323.169.632	(38.546.067)	3.764.050	-	3.764.050	-
Items to be reclassified to profit or loss								
Cash flow hedge	113.920.225	278.284.979	(832.239.125)	16.322.079	4.341.567	28.183.548	(47.850.943)	2.065.273
Deferred tax effect	(26.201.661)	(65.298.419)	191.415.000	(4.080.525)	(998.561)	(6.571.544)	11.005.717	(454.360)
Other comprehensive income	1.845.240.191	869.830.349	(328.776.675)	(26.304.513)	5.646.937	21.612.004	(33.664.137)	1.610.913
Total comprehensive income	4.792.912.080	(132.946.679)	4.509.016.488	566.611.157	182.807.737	(88.629.420)	244.254.912	57.537.134

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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 2022**

(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		Shareholders' equity
	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	
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 June 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
As at 1 January 2022	102.299.707	455.687.025	(11.780.564)	7.879.444.458	125.948.205	20.459.941	270.265.658	(1.972.478.349)	6.869.846.081
Transfers	-	-	-	-	-	-	(1.972.478.349)	1.972.478.349	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	2.947.671.889	2.947.671.889
Other comprehensive income / (expense)	-	-	(28.770.389)	1.786.292.016	87.718.564	-	-	-	1.845.240.191
As at 30 September 2022	102.299.707	455.687.025	(40.550.953)	9.665.736.474	213.666.769	20.459.941	(1.702.212.691)	2.947.671.889	11.662.758.161

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 1 January- 30 September 2022	Prior period (Reviewed) 1 January- 30 September 2021	(*) EUR 1 January- 30 September 2022	(*) EUR 1 January- 30 September 2021
	Notes				
A. CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the period		2.947.671.889	(1.002.777.028)	177.160.800	(110.241.424)
Adjustments to reconcile the loss					
Depreciation and amortization	8-9-10	3.327.846.987	1.898.481.248	197.717.073	196.598.252
Adjustments related with impairments		37.197.876	(722.848)	2.210.034	(74.855)
<i>Provision for doubtful receivable</i>		<i>27.353.599</i>	<i>(722.848)</i>	<i>1.625.157</i>	<i>(74.855)</i>
Adjustments related with financial investment impairments		9.844.277	-	584.877	-
Adjustments related with provisions		187.788.462	73.768.731	9.247.509	7.246.072
<i>Provision for employee benefits</i>		<i>527.562.259</i>	<i>26.380.524</i>	<i>29.434.602</i>	<i>2.557.864</i>
<i>Legal provision</i>		<i>5.898.788</i>	<i>(640.637)</i>	<i>350.464</i>	<i>(66.342)</i>
<i>Change in redelivery provision</i>		<i>(345.672.585)</i>	<i>48.028.844</i>	<i>(20.537.557)</i>	<i>4.754.550</i>
Interest and commission income		1.453.743.090	748.320.668	87.606.341	78.105.076
Adjustments related with fair value expense (income)		(32.964.571)	-	(1.850.402)	-
<i>Adjustments related with fair value expense (income) of financial assets</i>		<i>(32.964.571)</i>	<i>-</i>	<i>(1.850.402)</i>	<i>-</i>
Gain on equity investments accounted for using the equity method	3	(9.512.803)	(12.310.092)	(565.183)	(1.274.778)
Current tax expense		127.828.082	(43.845.652)	7.594.642	(4.540.462)
Adjustments for (income)/expense caused by sale or changes in share of joint ventures		(80.626.933)	-	(5.190.558)	-
Other provisions related with investing or financing activities		2.446.784.923	155.036.627	145.397.385	16.056.853
Changes in working capital					
Increase in trade receivables		(1.250.985.973)	(116.712.780)	(74.324.717)	(12.086.255)
Increase in other receivables, prepaid expenses and other assets		(631.535.686)	(101.027.931)	(37.545.903)	(17.954.682)
Increase in inventories		(291.830.867)	5.248.874	(17.338.521)	543.550
Increase in trade payables		1.239.553.594	791.814.685	73.645.486	81.996.798
Increase in deferred income, other payables and other current liabilities		2.606.907.413	820.863.690	176.934.390	96.418.724
Net cash generated from operating activities		12.077.865.483	3.216.138.192	740.698.376	330.792.869
Payment for the employee benefits provisions		(225.174.585)	(5.487.214)	(13.378.277)	(558.720)
Payment for other provisions		(168.169)	(86.428)	(9.991)	(8.950)
		11.852.522.729	3.210.564.550	727.310.108	330.225.199
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Cash inflows caused by share sales of joint ventures		35.622.514	-	2.230.116	-
Net cash changes from acquisition and sale of debt instruments of other entities		(1.232.325.692)	(972.484.822)	(71.542.690)	(93.195.834)
Net cash changes from purchase and sale of property, equipment and intangible assets		588.219.881	(40.247.498)	36.923.982	(4.167.851)
Interest received from financial investment		186.659.012	16.743.428	11.024.815	1.647.460
Changes in cash advances and payables		(2.813.889.983)	(1.294.887.231)	(167.181.392)	(134.092.748)
Other cash changes		(220.803.352)	-	(4.500.000)	-
		(3.456.517.620)	(2.290.876.123)	(193.045.169)	(229.808.973)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		1.885.514.180	4.060.990.286	110.214.805	398.281.234
Repayment of borrowings		(3.660.692.170)	(104.105.400)	(217.000.638)	(11.585.961)
Repayment of principal in lease liabilities		(2.830.002.488)	(1.623.103.925)	(194.378.421)	(168.081.405)
Interest and commission paid		(1.434.042.426)	(580.397.993)	(85.971.394)	(61.553.403)
Interest received		180.135.949	80.514.210	10.702.401	8.424.107
		(5.859.086.955)	1.833.897.178	(376.433.247)	165.484.572
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)					
		2.536.918.154	2.753.585.605	157.831.692	265.900.798
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS					
		2.160.738.269	206.420.037	18.344.200	(29.568.203)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)					
		4.697.656.423	2.960.005.642	176.175.892	236.332.595
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD	27	6.976.779.772	3.605.570.830	475.183.028	400.267.635
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)	27	11.674.436.195	6.565.576.472	651.358.920	636.600.230

(*)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.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
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 2022 is 6.499 (31 December 2021: 5.837). 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 2022 and delegated authority for publishing it on 09 Nov 2022. 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 in general. At the end of the first quarter of 2020, COVID-19-related restrictions were imposed by several countries, which is followed by cancellation of all international flights on March 27, 2020 and cancellation of all domestic flights on March 28, 2020. During June 2020, the Group restarted domestic flights and international flights to allowed countries however, the COVID-19 pandemic has continued to affect the Group’s operations sometimes more and sometimes less since the first quarter of 2020. The Group took measures to decrease fixed costs, to maintain cash position and to stabilize current ratio such as offering unpaid vacation to the employees, negotiating permanent discounts and deferrals in contracts with suppliers, postponing non-urgent and non-critical projects.

In 2021, despite the periodically inscreasing restrictions because of variants, with the easing of flight restrictions as a result of the high levels of vaccination in many countries where the Company flies and in Turkey, the monthly cash burn amount decreased significantly

With the decreasing effects of new variants at the beginning of 2022, the flights reached pre-pandemic levels. Based on these assumptions, management expects generating positive cash flow from operations (after deducting interest and lease payments) in the following 12 months.

Further “waves” of COVID-19, 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 have continued to affect the operations and financial situations of the Company.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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 Turkish Financial Reporting Standards and interpretations (“TAS/IFRS”) 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 2022 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 2021.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. The accompanying condensed consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards.

The condensed 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2022**

(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

Although there is no prominent currency affecting revenue and cost of sales, the Group's functional currency is determined as Euro because; significant portion of scheduled flight revenues, which represents the Group's primary operations, is generated from European flights, Euro represents a significant component of 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 financial income / expenses in the statement of profit or loss.

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,
- 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 condensed 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.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Comparative Information and Reclassification of Prior Period Financial Statements

Condensed consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current period condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has made several reclassifications in the prior period condensed consolidated financial statements in order to maintain consistency with current year condensed 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:

- Currency translation differences amounting to TL 66.452.418, which were shown under investments accounted for using the equity method in the statement of financial position dated 31 December 2021, were presented by classifying them into equity.
- Amounting to TL 158.955 which were shown under trade receivables in the statement of financial position dated 31 December 2021, were presented by classifying them into other receivables.
- Interest received from financial investment amounting to TL 16.743.428 which were shown under financial income in the statement of profit or loss and other comprehensive income for the period ended 30 September 2021, were presented by classifying them into income from financial investments.
- Amounting to TL 972.484.822 which were shown under cash flows from operating activities and amounting to TL 16.743.428 which were shown under cash flows from financing activities in the statement of cash flows for the period ended 30 September 2021, were presented by classifying them into cash flows from investment activities.

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2022 and 31 December 2021:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2022</u>	<u>31 December 2021</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 joint ventures as of 30 September 2022 and 31 December 2021:

<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 2022</u>	<u>31 December 2021</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	36,82%	50%	Joint venture	Turkey

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2022**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.2 Changes in Accounting Estimates

Changes in accounting estimates are applied prospectively. If it is 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 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 condensed consolidated financial statements as of September 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations 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, 2022 are as follows:

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 must be applied prospectively. The amendments are not applicable for the Group and did not have an impact on the 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 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. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

i) **The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:**

Annual Improvements – 2018–2020 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- 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.

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 condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the condensed 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. The Group will wait until the final amendment to assess the impacts of the changes.

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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2022**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

TFRS 17 - The new Standard for insurance contracts

The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

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

On January 15, 2021, the POA 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, 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. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier 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 1 - Disclosure of Accounting Policies

In August 2021, the POA 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. 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2022**

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

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 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. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Implementation of the TAS 29 Standard

One of the characteristics of the hyperinflationary economy in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies is that cumulative inflation rate over three years has approached, or exceeded, 100%. In the following periods, it is expected that as per TAS 29 the Turkish economy would be defined as hyperinflationary economy and TAS 29 would be implemented. Financial statements would be expressed in terms of the measuring unit current at the end of the reporting period with the application of TAS 29. Non-monetary items which are not already expressed in terms of the measuring unit current at the end of the reporting period and components of owners' equity in the statement of financial position, and all items in the statement of profit or loss and other comprehensive income would be restated by applying a general price index. In addition, gains or losses arising from net monetary position would be recognized in profit or loss and other comprehensive income. The Group is in the process of assessing the impact of TAS 29 on financial position or performance of the Group.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2022**

(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 2022	31 December 2021
Joint ventures		
Hitit Bilgisayar	308.854.506	136.723.880
PUEM	38.910.458	29.190.067
	347.764.964	165.913.947

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

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Hitit Bilgisayar	6.435.327	12.118.488	4.314.053	6.326.139
PUEM	3.077.476	191.604	2.198.699	(73.809)
Net profit	9.512.803	12.310.092	6.512.752	6.252.330

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

PUEM

	30 September 2022	31 December 2021
Current assets	22.847.477	16.030.965
Non-current assets	62.016.628	55.382.386
Current liabilities	(2.364.993)	(4.090.101)
Non-current liabilities	(3.733.002)	(8.234.045)
Net assets of joint venture	78.766.110	59.089.205
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	38.910.458	29.190.067

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

PUEM	1 January- 30 September 2022	1 January- 30 September 2021
Revenue	13.893.277	6.977.572
Depreciation&amortisation expense	(5.706.161)	(3.169.797)
Interest income/(expense), net	777.825	548.240
Profit for the year	6.229.709	387.861
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	3.077.476	191.604

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Hitit Bilgisayar

	30 September 2022	31 December 2021
Current assets	384.627.444	120.839.196
Non-current assets	600.278.229	251.746.872
Current liabilities	(113.269.957)	(74.616.023)
Non-current liabilities	(38.923.391)	(27.678.086)
Net assets of joint venture	832.712.325	270.291.959
Group's ownership interest in the joint venture	36,82%	50,00%
Goodwill	2.249.828	1.577.900
Group's share in the net assets of the joint venture	308.854.506	136.723.880
	1 January- 30 September 2022	1 January- 30 September 2021
Revenue	206.707.267	81.637.059
Depreciation&amortisation expense	(37.749.026)	(8.048.977)
Interest income/(expense), net	19.311.878	197.942
Profit for the year	16.605.485	17.212.288
Group's weighted average ownership interest	39,67%	50,00%
Group's share in the net profit of the joint venture	6.435.327	12.118.488

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.

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.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

(i) Balances with Related Parties:

a) Trade payables to related parties

	30 September 2022	31 December 2021
Balances with parent company:		
Esas Holding	-	1.624.341
Balances with joint ventures:		
Hitit Bilgisayar	8.622.750	2.090.952
PUEM	1.232.592	4.685.846
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	572.411	218.403
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	-	37.348
	10.427.753	8.656.890

b) Other payables to related parties

	30 September 2022	31 December 2021
Balances with joint ventures:		
Hitit Bilgisayar	-	158.955
	-	158.955

(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 leases their head office building from Esasburda , another Esas Holding subsidiary, and records the expenses as depreciation and interest under leases standard. Also, the Group records the dues, electricity, water and heating expenses for the head office building.

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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2022

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

(ii) Significant Transactions with Related Parties:

a) Other Income from Related Parties

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - September 2022	1 July - September 2021
Transactions with joint ventures:				
PUEM	2.240.177	1.098.708	906.263	432.418
	2.240.177	1.098.708	906.263	432.418

b) Purchases of goods or services

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - September 2022	1 July - September 2021
Transactions with joint ventures:				
Hitit Bilgisayar	45.172.628	21.399.067	18.999.381	7.111.553
PUEM	13.893.277	6.977.572	4.470.371	2.318.477
Transactions with other related parties:				
Alarm Sağlık	411.611	328.532	205.963	72.847
Esasburda	5.107.263	2.234.400	2.014.123	958.083
	64.592.386	30.939.571	25.697.445	10.460.960

c) Rent expenses

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - September 2022	1 July - September 2021
Esasburda(*)	9.818.309	6.751.439	3.275.926	1.100.524
	9.818.309	6.751.439	3.275.926	1.100.524

(*)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 2022	1 January- 30 September 2021	1 July - September 2022	1 July - September 2021
Esas Holding	11.677.177	6.593.931	3.277.750	2.087.266
	11.677.177	6.593.931	3.277.750	2.087.266

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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 2022 and 30 September 2021 are as follows:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - September 2022	1 July - September 2021
Salaries and other short term benefits	49.970.294	16.922.276	7.862.604	12.714.208
Other long term benefits	56.100.313	-	46.405.440	-
	106.070.607	16.922.276	54.268.044	12.714.208

NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term trade receivables

The details of short term trade receivables as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Trade receivables	1.337.279.440	289.850.432
Credit card receivables	368.296.607	65.814.557
Income accruals	66.865.525	6.416.992
	1.772.441.572	362.081.981
Less: Allowance for impairment	(57.834.130)	(24.909.187)
	1.714.607.442	337.172.794

The average collection period of trade receivables is approximately 28 days (31 December 2021: 23 days).

Short term trade payables

The details of short term trade payables as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Trade payables	1.217.837.176	1.181.488.569
Accrued direct operational costs	2.399.592.064	700.272.899
Other accrued expenses	10.427.753	8.656.890
	3.627.856.993	1.890.418.358

The average credit period of trade payables is approximately 34 days (31 December 2021: 49 days).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term other receivables

The details of short term other receivables as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Deposits and guarantees given	37.211.896	17.229.058
Receivables from pilots for flight training	40.103.704	53.476.379
Receivables from pilots tax office	116.029.648	51.746.298
Other receivables	1.883.907	4.798.291
	195.229.155	127.250.026

Long term other receivables

The details of long term other receivables as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Receivables from pilot trainings	121.175.157	149.069.151
Deposits given	504.985.385	236.664.616
	626.160.542	385.733.767

Short term other payables

	30 September 2022	31 December 2021
Taxes payables	155.895.463	67.818.781
Other payables to related parties	-	158.955
Deposits received(*)	145.292.227	98.214.361
	301.187.690	166.192.097

(*) The amount of TL 105.400.625 in deposits and guarantees received, consists of guarantee deposits received to banks related to valuation of derivative contracts.

NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

The details of prepaid expenses as of 30 September 2022 and 31 December 2021 are as follows:

Short term prepaid expenses

	30 September 2022	31 December 2021
Advances on aircraft purchases	4.918.907.378	3.586.371.450
Advances to suppliers	1.012.756.072	222.716.713
Prepaid insurance expenses	9.130.652	189.354.290
Other prepaid expenses	9.022.610	46.415.442
	5.949.816.712	4.044.857.895

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

Long term prepaid expenses

	30 September 2022	31 December 2021
Advances on aircraft purchases	864.582.063	749.257.695
Prepaid maintenance expenses	3.597.370.627	2.000.317.720
Other prepaid expenses	32.970.773	21.422.170
	4.494.923.463	2.770.997.585

Deferred Revenue

Contract Liabilities

The details of passenger flight liabilities as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Flight liability from ticket sales	3.329.029.383	1.043.452.046
Passenger airport fees received from customers (*)	809.531.085	337.439.091
Flight liability from flight points	245.661.037	90.018.616
	4.384.221.505	1.470.909.753

(*) Passenger airport fees received from customers is included in the ticket price, but it is not recognized as revenue when the flight carried out. The amount represents the costs to be paid to airport operators and authorities in cash.

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	30 September 2022	31 December 2021
Advances received from customers	554.255.495	185.274.130
Other deferred income	179.859.289	114.670.226
	734.114.784	299.944.356

Long term deferred income

	30 September 2022	31 December 2021
Income relating to deferred periods	691.602.429	412.770.929
	691.602.429	412.770.929

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2022	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Construction in progress	Total
Cost:							
Opening	328.051.474	240.358.784	420.770.320	201.310.205	2.300.278.226	62.237.743	3.553.006.752
Additions	4.557.381	40.970.125	34.989.913	-	695.678.956	-	776.196.375
Disposals	-	(29.126.956)	(138.490)	-	-	-	(29.265.446)
Transfers	-	-	-	-	(368.184.969)	-	(368.184.969)
Currency translation differences	72.708.133	53.823.897	95.139.603	44.436.243	529.192.014	2.099.659	797.399.549
Closing	405.316.988	306.025.850	550.761.346	245.746.448	3.156.964.227	64.337.402	4.729.152.261
Accumulated depreciation:							
Opening	(134.047.329)	(107.894.471)	(337.140.263)	(196.327.306)	(922.746.496)	-	(1.698.155.865)
Depreciation for the year	(25.414.036)	(15.654.528)	(25.515.808)	(2.087.490)	(188.598.562)	-	(257.270.424)
Disposals	-	21.059.560	89.055	-	2.828	-	21.151.443
Currency translation differences	(31.237.554)	(23.465.483)	(76.068.134)	(43.471.756)	(215.916.706)	-	(390.159.633)
Closing	(190.698.919)	(125.954.922)	(438.635.150)	(241.886.552)	(1.327.258.936)	-	(2.324.434.479)
Net book value	214.618.069	180.070.928	112.126.196	3.859.896	1.829.705.291	64.337.402	2.404.717.782

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 9 - INTANGIBLE ASSETS

Software	30 September 2022	30 September 2021
Cost:		
Opening	518.723.852	278.616.682
Additions	66.856.480	29.318.026
Currency translation differences	118.837.577	41.753.533
Closing	704.417.909	349.688.241
Accumulated amortization:		
Opening	(334.778.125)	(167.490.733)
Amortization for the year	(59.571.767)	(30.537.313)
Currency translation differences	(77.761.712)	(25.729.947)
Closing	(472.111.604)	(223.757.993)
Net book value	232.306.305	125.930.248

NOTE 10 – RIGHT OF USE ASSETS

30 September 2022	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	138.769.727	93.447.393	49.776.169.379	4.571.527	50.012.958.026
Additions	-	-	12.787.910.705	-	12.787.910.705
Disposals	-	-	(2.957.784.527)	-	(2.957.784.527)
Transfers(*)	-	-	(607.498.242)	-	(607.498.242)
Currency translation differences	30.631.359	20.627.126	11.624.840.464	1.009.097	11.677.108.046
Closing	169.401.086	114.074.519	70.623.637.779	5.580.624	70.912.694.008
Accumulated depreciation:					
Opening	(89.200.663)	(39.421.550)	(17.184.460.525)	(4.571.527)	(17.317.654.265)
Depreciation for the period	(25.092.192)	(10.760.491)	(2.975.152.113)	-	(3.011.004.796)
Disposals	-	-	2.036.075.537	-	2.036.075.537
Transfers(*)	-	-	306.256.818	-	306.256.818
Currency translation differences	(21.317.441)	(9.399.750)	(3.888.531.194)	(1.009.097)	(3.920.257.482)
Closing	(135.610.296)	(59.581.791)	(21.705.811.477)	(5.580.624)	(21.906.584.188)
Net book value	33.790.790	54.492.728	48.917.826.302	-	49.006.109.820

(*) Transfers represent transfers to non-current assets held for sale.

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

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NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 71.348.786 as of 30 September 2022 (31 December 2021: TL 57.218.382). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 18.398.200 (31 December 2021: TL 12.667.596) 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 a report stating "no subject to be examined have been found" in May 2021. However the judgement commission has objected this verdict and TL 1.780.660,72 million tax assesment has been declared to the Company. Against the assessment, the Company filed a tax lawsuit on September 6, 2021, the petition of the counter party was received on October 25, 2021 and the petition was answered on November 23, 2021. The 7th Tax Court of Istanbul decided to accept our case and reject all assessments on 29.06.2022, and the defendant Revenue Administration objected to the decision in August and submitted the petition of appeal to the Tax Court. The petition of appeal was notified to us on 28.09.2022 and this petition will be answered within one month. The said lawsuit continues as of September 30, 2022. The Company has not recorded any provision in the financial statements in line with the opinions received from its lawyers regarding the aforementioned case.

NOTE 12 - COMMITMENTS

Purchase Commitments

	30 September 2022	31 December 2021
Commitments to purchase aircraft	145.950.602.287	108.963.183.467
	145.950.602.287	108.963.183.467

As of 30 September 2022, the Group holds firm orders for 51 aircraft. In accordance to with agreement the expected deliveries are 6 aircraft in 2022, 18 aircraft in 2023, 16 aircraft in 2024, 11 aircraft in 2025. The purchase commitments for these aircraft were calculated based on their list prices and actual buying prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 5.783.489.441 (31 December 2021: TL 4.335.629.145) and TL 4.918.907.378 TL of this amount is reclassified under short term, TL 864.582.063 of this amount is reclassified under long term prepaid expenses (31 December 2021: TL 3.586.371.450 of this amount is reclassified under short term, TL 749.257.695 of this amount is reclassified under long term prepaid expenses).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 30 September 2022 is as follows:

30 September 2022	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.862.485.230	77.345.897	9.227.775	241.376.183	24.524.781
- <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>	-	-	-	-	-
	1.862.485.230	77.345.897	9.227.775	241.376.183	24.524.781

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 2022.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 31 December 2021 is as follows:

31 December 2021	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.810.636.579	98.827.560	22.126.993	187.865.048	15.361.722
- <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>	-	-	-	-	-
	1.810.636.579	98.827.560	22.126.993	187.865.048	15.361.722

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 31 December 2021.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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 2022 and 30 September 2021 are as follows:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Jet fuel expenses	10.586.406.806	1.986.457.645	5.234.638.878	1.110.605.455
Depreciation and amortisation expenses	3.327.846.987	1.898.481.248	1.168.606.810	659.851.593
Personnel expenses	2.888.579.941	1.003.456.612	1.467.575.997	502.431.865
Handling and station fees	1.732.716.080	580.198.952	800.123.276	304.426.793
Navigation expenses	1.423.266.278	500.121.643	639.459.229	260.754.168
Maintenance expenses	1.098.359.110	394.145.512	450.560.901	173.885.581
Landing expenses	707.009.709	230.845.950	325.455.677	127.963.138
Passenger service and catering expenses	176.012.511	52.504.653	90.289.880	31.650.083
Advertising expenses	99.377.313	31.893.068	32.607.396	14.108.020
Commission expenses	311.605.625	103.482.440	178.014.380	73.245.986
Other expenses	1.097.824.431	495.884.370	423.180.601	199.429.281
	23.449.004.791	7.277.472.093	10.810.513.025	3.458.351.963

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

The Company's shareholding structure as of 30 September 2022 and 31 December 2021 are as follows:

Shareholders:	30 September 2022		31 December 2021	
	(%)	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 2021: 102.299.707 shares). All issued shares are fully paid in cash.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

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NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 30 September 2022 and 30 September 2021 are as follows:

Sales:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Scheduled flight and service revenue	29.199.866.148	7.040.536.954	17.231.070.529	4.470.923.816
<i>International flight revenue</i>	17.948.389.334	3.224.485.668	11.399.317.086	2.325.719.041
<i>Domestic flight revenue</i>	3.891.018.176	1.732.559.165	2.009.144.403	978.963.791
<i>Service revenue</i>	7.360.458.638	2.083.492.121	3.822.609.040	1.166.240.984
Charter flight and service revenue	930.809.048	74.548.132	546.465.987	53.780.521
<i>Charter flight revenue</i>	930.809.048	74.548.132	546.465.987	53.780.521
Other revenue	124.416.081	57.027.482	62.554.732	12.953.570
	30.255.091.277	7.172.112.568	17.840.091.248	4.537.657.907

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 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Europe	12.725.032.580	2.378.092.136	8.099.293.702	1.814.092.464
Domestic	3.891.018.176	1.732.559.165	2.009.144.403	978.963.791
Other	5.223.356.754	846.393.532	3.300.023.384	511.626.577
	21.839.407.510	4.957.044.833	13.408.461.489	3.304.682.832

Cost of sales:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Jet fuel expenses	10.586.406.806	1.986.457.645	5.234.638.878	1.110.605.455
Depreciation and amortisation expenses	3.199.603.374	1.825.795.919	1.121.449.423	634.780.388
Personnel expenses	2.411.476.617	909.985.934	1.142.508.873	463.281.733
Handling and station fees	1.732.716.080	580.198.952	800.123.276	304.426.793
Navigation expenses	1.423.266.278	500.121.643	639.459.229	260.754.168
Maintenance expenses	1.098.359.110	394.145.512	450.560.901	173.885.581
Landing expenses	707.009.709	230.845.950	325.455.677	127.963.138
Insurance expenses	166.578.645	118.645.199	45.544.565	43.174.010
Passenger service and catering expenses	176.012.511	52.504.653	90.289.880	31.650.083
Other expenses	596.056.017	239.933.869	237.509.953	101.098.641
	22.097.485.147	6.838.635.276	10.087.540.655	3.251.619.990

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Marketing expenses	635.982.013	197.297.982	326.332.867	111.870.125
General administrative expenses	715.537.631	241.538.835	396.639.503	94.861.848
	1.351.519.644	438.836.817	722.972.370	206.731.973

The details of general administrative expenses and marketing expenses for the periods ended 30 September 2022 and 30 September 2021 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Personnel expenses	367.860.978	71.423.752	254.603.265	30.017.775
Depreciation and amortisation expenses	102.594.890	58.148.263	37.725.909	20.056.964
IT expenses	135.572.445	61.373.120	53.829.087	24.736.626
Consultancy expenses	22.922.501	13.182.783	8.989.298	4.391.735
Communication expenses	11.252.354	4.218.882	7.847.723	956.967
Legal and notary expenses	26.221.780	8.934.222	16.228.216	5.136.600
Office utility expenses	8.041.124	3.366.738	3.215.913	773.237
Travel expenses	7.717.850	1.292.697	3.387.633	813.598
Training expenses	3.254.064	529.655	1.301.108	68.905
Other expenses	30.099.645	19.068.723	9.511.351	7.909.441
	715.537.631	241.538.835	396.639.503	94.861.848

Marketing expenses:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Commission expenses	311.605.625	103.482.440	178.014.380	73.245.986
Advertising expenses	99.377.313	31.893.068	32.607.396	14.108.020
Call center expenses	29.270.745	19.246.511	10.134.347	7.062.931
Personnel expenses	109.242.346	22.046.926	70.463.859	9.132.357
Depreciation and amortisation expenses	25.648.723	14.537.066	9.431.478	5.014.241
Other expenses	60.837.261	6.091.971	25.681.407	3.306.590
	635.982.013	197.297.982	326.332.867	111.870.125

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods ended 30 September 2022 and 30 September 2021 are as follows:

Other operating income:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Foreign exchange gain from operating activities	171.060.128	-	247.459.618	-
Reversal of doubtful cash and cash equivalents	-	760.393	-	2.561.862
Reversal of trade receivable impairment	-	1.222.649	-	(6.539.993)
Other	69.028	13.325	35.692	2.759
	171.129.156	1.996.367	247.495.310	(3.975.372)

Other operating expenses:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Foreign exchange loss from operating activities	-	30.280.871	-	24.154.474
Penalty expense	7.632.472	2.221.373	3.433.832	873.081
Cash and cash equivalents allowance expense	288.832	-	518.538	-
Financial investments allowance expense	18.242.609	-	6.502.266	-
Doubtful receivable allowance expense	41.732.907	765.995	3.750.371	765.995
Other	17.029.817	6.492.877	22.251.385	3.270.408
	84.926.637	39.761.116	36.456.392	29.063.958

NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended 30 September 2022 and 30 September 2021 are as follows:

Income from investing activities:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Interest income from eurobond	105.807.939	16.743.428	49.111.788	11.011.866
Interest income from currency protected instruments	92.973.072	-	47.817.002	-
Income from sale of aircraft	30.631.126	-	29.489.962	-
Foreign exchange gain from investing activities	116.249.447	-	-	-
Other income	17.752.871	394.919	2.805.228	28.338
	363.414.455	17.138.347	129.223.980	11.040.204

Expense from investing activities:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Financial investments allowance expense	9.844.277	14.205.114	5.894.077	-
	9.844.277	14.205.114	5.894.077	-

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NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the periods ended 30 September 2022 and 30 September 2021 are as follows:

Financial income:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Interest income	202.354.069	81.826.929	95.579.228	32.023.957
Gain on derivative contracts	-	1.594.596	-	1.585.529
	202.354.069	83.421.525	95.579.228	33.609.486

Financial expenses:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Interest expense on leases	791.535.806	391.739.169	287.355.314	131.118.741
Interest expense on bank loans	238.864.328	185.988.327	102.380.588	65.846.898
Other commission expenses	387.246.051	111.678.902	171.386.961	53.424.652
Interest expense on issued debt instruments	437.231.985	157.484.627	172.418.010	84.976.787
Foreign exchange loss	2.495.380.256	155.272.231	1.669.284.000	134.174.988
Losses from derivative contracts	31.967.658	-	7.469.998	-
	4.382.226.084	1.002.163.256	2.410.294.871	469.542.066

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 2022 and 30 September 2021 are as follows:

	1 January- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2022	1 July - 30 September 2021
Net Loss	2.947.671.889	(1.002.777.028)	4.837.793.163	592.915.670
Weighted average number of shares issued in the year	102.299.707	102.299.707	102.299.707	102.299.707
Loss per share	28,81	(9,80)	47,29	5,80

NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2022		31 December 2021	
	Asset	Liability	Asset	Liability
Short term	209.719.937	-	118.364.973	211.337
Long term	67.769.376	-	45.204.115	-
	277.489.313	-	163.569.088	211.337

Explanations related to derivative instruments are disclosed in Note 24.

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments measured at amortized cost

Short term

	30 September 2022	31 December 2021
Financial investments measured at amortized cost	189.317.953	279.362.583
Financial assets recognized at fair value through profit or loss (*)	534.897.072	-
Time Deposit (*)	-	286.304.850
Less: Allowance for impairment under TFRS 9	(871.864)	(194.682)
	723.343.161	565.472.751

(*) This amount represents currency protected deposit with maturities between six months and one year.

Long term

	30 September 2022	31 December 2021
Financial investments measured at amortized cost	4.691.220.538	2.199.397.758
Less: Allowance for impairment under TFRS 9	(34.389.173)	(25.411.018)
	4.656.831.365	2.173.986.740

Company issuing security

	30 September 2022	31 December 2021
T.C Hazine Müsteşarlığı	2.773.348.527	1.198.582.434
Vakıfbank	497.062.028	348.610.689
Türkiye İhracat Kredi Bankası	1.105.843.679	631.267.713
Türkiye İş Bankası	469.023.220	134.446.904
Yapı ve Kredi Bankası	-	140.246.901
Eurobond (*)	4.845.277.454	2.453.154.641

(*)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 and every six months, respectively.

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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 2022	31 December 2021
T.C Hazine Müsteşarlığı	2.902.351.795	1.213.815.405
Vakıfbank	504.799.701	354.037.447
Türkiye İhracat Kredi Bankası	1.135.987.187	648.211.245
Türkiye İş Bankası	475.854.849	135.186.572
Yapı ve Kredi Bankası	-	140.613.106
	5.018.993.532	2.491.863.775

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
T.C Hazine Müsteşarlığı	US900123CF53	5,75%	USD	1.728.488.568	22.03.2024
Vakıfbank	XS1970705528	8,13%	USD	497.062.028	27.03.2024
Türkiye İhracat Kredi Bankası	XS1917720911	8,25%	USD	876.700.792	24.01.2024
Türkiye İş Bankası	XS1578203462	6,13%	USD	469.023.220	25.04.2024
Türkiye İhracat Kredi Bankası	XS1057340009	4,13%	EUR	188.446.089	11.04.2023
Türkiye İhracat Kredi Bankası	XS1814962582	6,13%	USD	40.696.795	3.05.2024
T.C Hazine Müsteşarlığı	US900123AW05	7,38%	USD	1.044.859.962	5.02.2025
				4.845.277.454	

Financial Liabilities

The details of financial liabilities as of 30 September 2022 and 31 December 2021 are as follows:

Short term financial liabilities	30 September 2022	31 December 2021
Short term bank borrowings	2.695.872.567	3.147.206.682
Issued debt instruments	-	266.421.564
	2.695.872.567	3.413.628.246

Short term portion of long term financial liabilities	30 September 2022	31 December 2021
Short term portion of long term bank borrowings	60.246.654	66.013.613
Principal and interest of bonds issued	622.387.340	426.482.555
Discount and commissions of bonds issued	(22.103.798)	(15.351.326)
Lease liabilities	6.587.539.997	3.876.778.287
<i>Short term portion of long term operating lease obligations</i>	<i>1.102.237.721</i>	<i>723.958.894</i>
<i>Short term portion of long term financial lease obligations</i>	<i>5.485.302.276</i>	<i>3.152.819.393</i>
	7.248.070.193	4.353.923.129

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Long term financial liabilities	30 September 2022	31 December 2021
Long term bank borrowings	4.077.835	383.672.738
Issued debt instruments	6.634.437.444	4.526.411.444
Discount and commissions of bonds issued	(57.106.525)	(50.460.606)
Lease liabilities	37.907.540.141	24.038.791.581
<i>Long term operating lease obligations</i>	2.997.741.229	2.908.737.579
<i>Long term financial lease obligations</i>	34.909.798.912	21.130.054.002
	44.488.948.895	28.898.415.157

Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short and long term bank borrowings as of 30 September 2022 and 31 December 2021 are as follows :

30 September 2022	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	4,57%	Euro	129.009.323	2.312.259.907
Short term bank borrowings	39,00%	TL	198.574.660	198.574.660
Short term bank borrowings	-	US Dollar	10.000.000	185.038.000
				2.695.872.567

31 December 2021	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	4,31%	Euro	193.777.101	2.845.093.526
Short term bank borrowings	19,09%	TL	172.338.156	172.338.156
Short term bank borrowings	-	US Dollar	10.000.000	129.775.000
				3.147.206.682

30 September 2022	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term portion of long term bank borrowings	19,56%	TL	60.246.654	60.246.654
				60.246.654

31 December 2021	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term portion of long term bank borrowings	2,68%	Euro	400.000	5.872.920
Short term portion of long term bank borrowings	19,56%	TL	60.140.693	60.140.693
				66.013.613

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Bank Borrowings

30 September 2022	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	19,56%	TL	4.077.835	4.077.835
				4.077.835

31 December 2021	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	4,31%	Euro	23.000.000	337.692.909
Long term bank borrowings	19,09%	TL	45.979.829	45.979.829
				383.672.738

Lease Liabilities

The details of financial and operating lease liabilities as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Less than 1 year	8.611.212.131	4.871.677.830
Between 1 - 5 years	27.125.190.311	16.911.453.184
Over 5 years	20.890.431.264	12.768.471.319
	56.626.833.706	34.551.602.333
Less: Future interest expenses	(12.131.753.568)	(6.636.032.465)
	44.495.080.138	27.915.569.868

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

	30 September 2022	31 December 2021
Less than 1 year	6.587.539.997	3.876.778.287
Between 1 - 5 years	19.598.169.165	12.819.737.024
Over 5 years	18.309.370.976	11.219.054.557
	44.495.080.138	27.915.569.868

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 6,02 years. For the period ended 30 September 2022, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 28.755.336.144 TL, is 2,16% (31 December 2021: 1,11%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 4.635.301.308, is 5,38% (31 December 2021: 3,80%).

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

Financial Risk Factors

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, fuel price and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency, fuel price and interest rate risk.

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 2022 and 31 December 2021 are as follows:

30 September 2022	TL Total	USD	TL	GBP	Other
1. Trade receivables	1.374.638.081	11.064.634	404.274.698	5.087.554	663.877.072
2a. Monetary financial assets	5.565.874.364	201.885.763	1.386.625.554	3.603.640	371.524.030
2b. Non monetary financial assets	-	-	-	-	-
3. Other	220.863.669	646.095	203.748.316	189.563	1.368.975
4. CURRENT ASSETS	7.161.376.114	213.596.492	1.994.648.568	8.880.757	1.036.770.077
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	4.656.831.362	251.668.920	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	260.192.657	13.391.932	364.593	1.000	12.006.433
8. NON CURRENT ASSETS	4.917.024.019	265.060.852	364.593	1.000	12.006.433
9. TOTAL ASSETS	12.078.400.133	478.657.344	1.995.013.161	8.881.757	1.048.776.510
10. Trade payables	2.008.437.474	66.057.295	424.202.982	88.573	360.152.101
11. Financial liabilities	3.987.065.828	201.122.542	265.534.535	-	-
12a. Other liabilities, monetary	2.567.017.029	69.396.055	1.074.090.393	326.604	202.303.997
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	8.562.520.331	336.575.892	1.763.827.910	415.177	562.456.098
14. Trade payables	-	-	-	-	-
15. Financial liabilities	17.626.416.520	950.918.091	30.818.348	-	-
16a. Other liabilities, monetary	4.158.026.683	224.712.042	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	21.784.443.203	1.175.630.133	30.818.348	-	-
18. TOTAL LIABILITIES	30.346.963.534	1.512.206.025	1.794.646.258	415.177	562.456.098
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	(18.268.563.401)	(1.033.548.681)	200.366.903	8.466.580	486.320.412
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(18.268.563.401)	(1.033.548.681)	200.366.903	8.466.580	486.320.412

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

Financial Risk Factors

Foreign currency risk management

31 December 2021	TL Total	USD	TL	GBP	Other
1. Trade receivables	292.663.386	7.687.220	122.353.628	509.199	61.661.810
2a. Monetary financial assets	3.521.733.470	178.611.695	436.449.104	21.366.747	394.437.259
2b. Non monetary financial assets	-	-	-	-	-
3. Other	135.230.733	(516.490)	139.171.648	89.563	1.198.691
4. CURRENT ASSETS	3.949.627.589	185.782.425	697.974.380	21.965.509	457.297.760
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.887.681.883	145.458.053	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	226.305.007	16.671.473	368.184	1.000	9.565.329
8. NON CURRENT ASSETS	2.113.986.890	162.129.526	368.184	1.000	9.565.329
9. TOTAL ASSETS	6.063.614.479	347.911.951	698.342.564	21.966.509	466.863.089
10. Trade payables	1.215.466.119	68.081.621	264.274.418	565.921	57.785.445
11. Financial liabilities	2.720.180.221	175.798.151	438.759.720	-	-
12a. Other liabilities, monetary	956.265.071	56.124.453	224.292.553	88.407	2.074.462
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	4.891.911.411	300.004.225	927.326.691	654.328	59.859.907
14. Trade payables	-	-	-	-	-
15. Financial liabilities	12.602.526.105	967.562.803	45.979.829	-	-
16a. Other liabilities, monetary	3.104.537.091	239.224.588	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	15.707.063.196	1.206.787.391	45.979.829	-	-
18. TOTAL LIABILITIES	20.598.974.607	1.506.791.616	973.306.520	654.328	59.859.907
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	(14.535.360.128)	(1.158.879.665)	(274.963.956)	21.312.181	407.003.182
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(14.535.360.128)	(1.158.879.665)	(274.963.956)	21.312.181	407.003.182

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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 2022 and 31 December 2021 are as follows:

30 September 2022	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)	(1.912.457.808)	1.912.457.808	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(1.912.457.808)	1.912.457.808	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	20.036.690	(20.036.690)	1.144.909.139	(1.144.909.139)
Part of hedged from TL risk	-	-	-	-
TL net effect	20.036.690	(20.036.690)	1.144.909.139	(1.144.909.139)
Effect of 10% change in GBP rate				
GBP net asset / liability	16.932.737	(16.932.737)	-	-
Part of hedged from GBP risk	-	-	-	-
GBP net effect	16.932.737	(16.932.737)	-	-
31 December 2021				
Effect of 10% change in USD rate				
USD net asset / (liability)	(1.503.936.085)	1.503.936.085	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(1.503.936.085)	1.503.936.085	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(27.496.396)	27.496.396	667.744.546	(667.744.546)
Part of hedged from TL risk	-	-	-	-
TL net effect	(27.496.396)	27.496.396	667.744.546	(667.744.546)
Effect of 10% change in GBP rate				
GBP net asset / liability	37.196.149	(37.196.149)	-	-
Part of hedged from GBP risk	-	-	-	-
GBP net effect	37.196.149	(37.196.149)	-	-

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

Group Management believes that the carrying values of financial instruments approximates their fair values, except for financial investments, lease liabilities and issued debt instruments. The fair value of financial investments and issued bonds is determined by considering the market value (level 1).

Fair Value of Financial Instruments

30 September 2022	Derivative instruments			Carrying amount	Note
	Financial assets and liabilities at amortized cost	which are recognized at fair value in shareholders' equity	Derivative instruments which are recognized at fair value in profit/loss		
Financial assets					
Cash and cash equivalents	11.674.436.195	-	-	11.674.436.195	27
Trade receivables	1.714.607.442	-	-	1.714.607.442	6
- <i>Other</i>	1.714.607.442	-	-	1.714.607.442	6
Other receivables	821.389.697	-	-	821.389.697	
- <i>Other</i>	821.389.697	-	-	821.389.697	
Financial investments	5.553.890.604	-	-	5.380.174.526	22
Derivative financial assets	-	277.489.313	-	277.489.313	21
Financial liabilities					
Bank borrowings	2.760.197.056	-	-	2.760.197.056	22
Issued debt instruments	7.196.843.323	-	-	7.177.614.461	
Trade payables	3.627.856.993	-	-	3.627.856.993	6
- <i>Related party</i>	10.427.753	-	-	10.427.753	5
- <i>Other</i>	3.617.429.240	-	-	3.617.429.240	

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

Fair Value of Financial Instruments

31 December 2021	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	6.976.779.772	-	-	6.976.779.772	27
Trade receivables	337.172.794	-	-	337.172.794	6
- <i>Other</i>	337.172.794	-	-	337.172.794	6
Other receivables	512.983.793	-	-	512.983.793	
- <i>Other</i>	512.983.793	-	-	512.983.793	
Financial investments	2.778.168.625	-	-	2.739.459.491	22
Derivative financial assets	-	163.569.088	-	163.569.088	21
Financial liabilities					
Bank borrowings	3.596.893.033	-	-	3.596.893.033	22
Obligations under financial leases	5.125.102.531	-	-	5.153.503.631	
Trade payables	1.890.418.358	-	-	1.890.418.358	6
- <i>Related party</i>	8.656.890	-	-	8.656.890	5
- <i>Other</i>	1.881.761.468	-	-	1.881.761.468	
Derivative financial liabilities	-	-	211.337	211.337	21

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(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 2022	31 December 2021			
Fuel purchase option contracts	277.489.313	163.569.088	Level 2	Discounted cash flow method	
Interest rate swap contracts	-	(211.337)	Level 2	Discounted cash flow method	
30 September 2022	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	-	163.569.088	-	(211.337)	163.357.751
Fair value increase					-
Recognized in equity	-	113.920.225	-	-	113.920.225
Recognized in profit or loss	-	-	-	211.337	211.337
Closing	-	277.489.313	-	-	277.489.313
Assets	-	277.489.313	-	-	277.489.313
Total net assets and liabilities	-	277.489.313	-	-	277.489.313

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair Value of Financial Instruments

31 December 2021	Fuel purchase forward contracts	Fuel purchase option contracts	Interest rate swap contracts	Total
Fair value:				
Opening	7.599.668	(93.056.335)	(1.010.003)	(86.466.670)
Fair value increase / (decrease)				
Recognized in equity	(7.599.668)	256.625.423	-	249.025.755
Recognized in profit or loss	-	-	798.666	798.666
Closing	-	163.569.088	(211.337)	163.357.751
Assets	-	163.569.088	-	163.569.088
Liabilities	-	-	(211.337)	(211.337)
Total net assets and liabilities	-	163.569.088	(211.337)	163.357.751

The Group has forward fuel purchase option contracts, which are subject to hedge accounting, at a rate of 36.3% and 10.6% of the total fuel consumption estimated to occur in a period shorter than 1 year and more than 1 year, respectively. In line with its hedging policy, the Group can conclude contracts with maturities up to 24 months. As of the balance sheet period, the contracts last until September 2024. The total nominal value of these contracts is USD 273.5 million, and the weighted average price is in the range of USD 68-90. The ineffective portion of the hedge is not material as of 30 September 2022. In the current period, the income that is reclassified from hedging gain/(losses) fund under shareholders' equity to fuel expenses in the profit and loss statement is TL 871.954.462 (31 December 2021: TL 262.675.853 derivative expenses are charged to finance expenses).

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

Not available.

NOTE 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 will be applied 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, 2022 and September 30, 2021 are presented below:

	1 January- 30 September 2022	1 January- 30 September 2021
Tax income/(expense)		
- Deferred tax income/(expense)	(127.828.082)	43.845.652
Total tax income/(expense)	(127.828.082)	43.845.652

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 27 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Cash on hand	2.063.739	1.052.353
Cash at banks	11.674.149.758	6.977.215.889
- Demand deposits	6.531.783.348	2.750.408.971
- Time deposits	5.142.366.410	4.226.806.918
Less: Allowance for impairment under TFRS 9	(1.777.302)	(1.488.470)
	11.674.436.195	6.976.779.772

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

30 September 2022	Weighted average interest rates	Total
USD deposits	2,39 %	1.945.080.585
EUR deposits	1,90 %	1.773.346.213
TL deposits	17,67 %	1.359.126.648
GBP deposits	0,83 %	64.812.964
		5.142.366.410

31 December 2021	Weighted average interest rates	Total
USD deposits	0,61 %	1.896.385.109
EUR deposits	0,47 %	1.525.329.038
TL deposits	30,88 %	434.134.710
GBP deposits	0,01 %	370.958.061
		4.226.806.918

All of the time deposits as of 30 September 2022 and 31 December 2021 have maturities less than 90 days.

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 28 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED

Aircrafts	30 September 2022
Cost:	
Opening	568.617.501
Transfers	607.498.242
Disposals	(568.617.501)
Closing	607.498.242
Accumulated depreciation:	
Opening	(260.526.526)
Transfers	(306.256.818)
Disposals	260.526.526
Closing	(306.256.818)
Net book value	301.241.424

1 Boeing 737-800 type aircraft was reclassified to assets held for sale in accordance with TFRS-5 “Assets Held for Sale and Discontinued Operations”.

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 2022	Euro 1 January- 30 September 2021	Euro 1 July - 30 September 2022	Euro 1 July - 30 September 2021
Scheduled flight and service revenue	1.713.731.975	713.139.390	966.238.640	442.995.468
<i>International flight revenue</i>	<i>1.050.471.670</i>	<i>324.885.621</i>	<i>640.237.927</i>	<i>230.310.418</i>
<i>Domestic flight revenue</i>	<i>229.104.146</i>	<i>175.959.467</i>	<i>112.177.572</i>	<i>97.042.962</i>
<i>Service revenue</i>	<i>434.156.159</i>	<i>212.294.302</i>	<i>213.823.141</i>	<i>115.642.088</i>
Charter flight and service revenue	52.977.403	7.438.704	30.321.731	5.343.264
<i>Charter flight revenue</i>	<i>52.977.403</i>	<i>7.438.689</i>	<i>30.321.731</i>	<i>5.343.249</i>
Other revenue	7.540.641	6.229.274	3.615.405	1.402.680
	1.774.250.019	726.807.368	1.000.175.776	449.741.412

Expenses by Nature

	Euro 1 January- 30 September 2022	Euro 1 January- 30 September 2021	Euro 1 July - 30 September 2022	Euro 1 July - 30 September 2021
Jet fuel expenses	613.825.491	201.907.952	289.900.685	110.283.627
Depreciation and amortisation expenses	197.717.073	196.598.252	64.517.915	65.728.303
Personnel expenses	165.983.657	100.260.692	80.225.228	49.521.419
Handling and station fees	100.951.795	58.922.390	44.223.741	30.269.400
Navigation expenses	82.046.543	50.649.384	34.976.091	25.834.392
Maintenance expenses	62.204.736	40.276.099	22.393.232	17.225.441
Landing expenses	41.221.618	23.372.640	17.984.467	12.713.937
Commission expenses	18.087.358	10.452.928	10.050.520	7.364.168
Advertising expenses	5.881.851	3.344.463	1.815.345	1.508.585
Passenger service and catering expenses	10.191.659	5.304.737	4.979.861	3.112.673
Other expenses	68.814.127	52.420.291	25.041.666	20.350.101
	1.366.925.908	743.509.828	596.108.751	343.912.046