

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
THREE-MONTH INTERIM PERIOD ENDED
31 MARCH 2020

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 31 March 2020	Prior period (Audited) 31 December 2019	(*) EUR 31 March 2020	(*) EUR 31 December 2019
	Notes				
ASSETS					
Current assets		6.636.452.529	6.088.952.277	919.813.240	915.555.092
Cash and cash equivalents	26	3.309.611.019	4.187.316.581	458.712.546	629.614.859
Trade receivables	6	175.603.230	446.978.360	24.338.632	67.208.727
<i>Trade receivables from third parties</i>	6	<i>175.603.230</i>	<i>446.978.360</i>	<i>24.338.632</i>	<i>67.208.727</i>
Other receivables		823.733.486	88.182.569	114.169.575	13.265.117
<i>Other receivables from related parties</i>	5	<i>390</i>	<i>102.852</i>	<i>54</i>	<i>21.242</i>
<i>Other receivables from third parties</i>		<i>823.733.096</i>	<i>88.079.717</i>	<i>114.169.521</i>	<i>13.243.875</i>
Derivative financial instruments	21	4.496.056	61.239	623.154	9.208
Inventories		81.717.732	75.453.026	11.326.089	11.345.296
Prepaid expenses	7	2.227.396.979	1.276.409.834	308.717.530	191.924.012
Current income tax assets		12.877.924	13.721.092	1.784.882	2.063.136
Other current assets		1.016.103	829.576	140.832	124.737
Non-Current assets		16.086.479.696	14.970.368.921	2.234.616.484	2.249.923.653
Financial assets		197.129.926	150.906.344	27.322.235	22.690.636
Other receivables	6	147.017.306	144.500.892	20.376.619	21.727.512
<i>Other receivables from third parties</i>		<i>147.017.306</i>	<i>144.500.892</i>	<i>20.376.619</i>	<i>21.727.512</i>
Investments accounted by using the equity method	3	62.850.256	57.154.173	8.711.054	8.593.837
Property and equipment	8	1.779.959.989	1.675.901.667	248.288.394	250.935.990
Intangible assets	9	90.371.865	79.791.006	12.525.553	11.997.565
Right of use assets	10	12.842.869.307	11.906.754.965	1.783.465.942	1.790.327.935
Prepaid expenses	7	966.281.047	955.359.874	133.926.687	143.650.178
TOTAL ASSETS		22.722.932.225	21.059.321.198	3.154.429.724	3.165.478.745

(*)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.

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 31 March 2020	Prior period (Audited) 31 December 2019	(*) EUR 31 March 2020	(*) EUR 31 December 2019
	Notes				
LIABILITIES					
Current liabilities		5.992.629.467	4.765.226.708	830.579.275	716.510.797
Short term financial liabilities	22	1.412.120.659	758.293.604	195.720.119	114.018.826
Short term portion of long term financial liabilities	22	1.703.800.692	1.536.570.246	236.147.012	231.042.349
Trade payables	6	895.642.820	789.729.487	124.136.219	118.745.600
<i>Trade payables to related parties</i>	5	6.173.298	1.543.950	855.620	232.152
<i>Trade payables to third parties</i>		889.469.522	788.185.537	123.280.599	118.513.448
Employee benefit obligations		32.075.394	38.411.053	4.445.654	5.775.577
Other payables		55.936.458	33.397.989	7.752.801	5.021.801
<i>Other payables to third parties</i>	6	55.936.458	33.397.989	7.752.801	5.021.801
Passenger flight liabilities		653.971.660	963.908.296	90.640.563	144.935.539
Derivative financial instruments	21	640.982.440	53.134.363	88.840.255	7.989.409
Deferred income	7	183.760.648	129.581.075	25.469.251	19.484.118
Short term provisions		412.496.081	460.143.908	57.172.014	69.188.329
<i>Short term provisions for employee benefits</i>		201.873.766	182.949.999	27.979.732	27.508.796
<i>Other short term provisions</i>		210.622.315	277.193.909	29.192.282	41.679.533
Other current liabilities		1.842.615	2.056.687	255.387	309.249
Non-Current liabilities		11.784.669.450	10.951.925.283	1.633.356.820	1.646.757.480
Long term financial liabilities	22	9.078.405.251	8.460.811.498	1.258.268.226	1.272.187.697
Derivative financial instruments	21	176.330.343	1.505.350	24.439.410	226.348
Deferred income		304.684.154	318.913.475	42.229.266	47.952.587
Long term provisions		1.926.585.129	1.675.179.511	267.024.966	251.883.969
<i>Long term provisions for employee benefits</i>		72.184.502	69.675.789	10.004.782	10.476.617
<i>Other long term provisions</i>		1.854.400.627	1.605.503.722	257.020.184	241.407.352
Deferred tax liabilities		298.664.573	495.515.449	41.394.952	74.506.879
SHAREHOLDERS' EQUITY		4.945.633.308	5.342.169.207	690.493.629	802.210.468
Equity attributable to shareholders' of the parent		4.945.633.308	5.342.169.207	690.493.629	802.210.468
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		(3.904.009)	(3.904.009)	(541.096)	(587.016)
Currency translation differences		3.082.849.912	2.574.427.009	-	(6.884.734)
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		(545.616.951)	(42.163.181)	(75.622.585)	(6.339.756)
Restricted profit reserves		18.542.287	18.542.287	3.638.334	4.399.540
Retained earnings		2.237.280.369	903.911.251	556.988.995	345.593.677
Net (loss) / profit for the period		(401.505.032)	1.333.369.118	(48.603.458)	211.395.318
Non-controlling interest		-	-	-	-
TOTAL LIABILITIES AND EQUITY		22.722.932.225	21.059.321.198	3.154.429.724	3.165.478.745

(*)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 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

Profit or loss	Notes	Current period	Prior period	(*)	(*)
		(Not reviewed) 1 January- 31 March 2020	(Not reviewed) 1 January- 31 March 2019	EUR 1 January - 31 March 2020	EUR 1 January - 31 March 2019
Sales	15	1.878.316.894	1.765.904.482	286.719.207	290.189.146
Cost of sales (-)	15	(1.959.276.549)	(1.734.530.669)	(289.583.813)	(281.246.694)
Gross (loss) / profit		(80.959.655)	31.373.813	(2.864.606)	8.942.452
General administrative expenses (-)	16	(66.086.806)	(78.094.224)	(9.210.679)	(14.843.201)
Marketing expenses (-)	16	(71.198.900)	(64.704.282)	(10.389.608)	(10.558.584)
Other operating income	17	151.341.527	59.748.857	22.571.253	9.549.261
Other operating expenses (-)	17	(120.150.991)	(3.919.913)	(16.697.930)	(383.182)
Operating loss		(187.054.825)	(55.595.749)	(16.591.570)	(7.293.254)
Income from investing activities	18	150.932	459.873	22.980	72.832
Share of investments income accounted for using the equity method	3	4.597.054	3.131.104	683.552	513.822
Operating loss before financial expense		(182.306.839)	(52.004.772)	(15.885.038)	(6.706.600)
Financial income	19	26.300.522	31.221.009	3.851.078	4.897.202
Financial expense (-)	19	(337.789.312)	(216.832.470)	(50.151.590)	(44.440.309)
Loss before tax		(493.795.629)	(237.616.233)	(62.185.550)	(46.249.707)
Tax expense		92.290.597	23.102.549	13.582.092	3.791.183
Current tax expense		-	-	-	-
Deferred tax income		92.290.597	23.102.549	13.582.092	3.791.183
Loss for the period		(401.505.032)	(214.513.684)	(48.603.458)	(42.458.524)
Net loss attributable to:					
Non-controlling interest		-	(660.406)	-	(108.375)
Shareholders' of the parent		(401.505.032)	(213.853.278)	(48.603.458)	(42.350.149)
		(401.505.032)	(214.513.684)	(48.603.458)	(42.458.524)
Loss per share (TL) / (EUR)	20	(3,92)	(2,09)	(0,48)	(0,41)
Other comprehensive income					
Items not to be reclassified to profit or loss					
Actuarial (losses) / gains on defined benefit plans		-	-	57.400	(291.580)
Deferred tax effect		-	-	(11.480)	58.316
Currency translation differences		508.422.903	135.025.552	6.884.734	(625.674)
Items to be reclassified to profit or loss					
Currency translation differences		-	(17.532.173)	-	(108.375)
Cash flow hedge		(645.453.552)	235.596.900	(95.974.754)	37.116.307
Deferred tax effect		141.999.782	(53.411.347)	21.114.446	(8.165.588)
Other comprehensive income		4.969.133	299.678.932	(67.929.654)	27.983.406
Total comprehensive income		(396.535.899)	85.165.248	(116.533.112)	(14.475.118)
Total comprehensive income attributable to:					
Non-controlling interest		-	(3.290.232)	-	(108.375)
Shareholders' of the parent		(396.535.899)	88.455.480	(116.533.112)	(14.366.743)
		(396.535.899)	85.165.248	(116.533.112)	(14.475.118)

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss			Retained earnings				
	Paid in share capital	Share premiums on capital stock	Effects of business acquisition	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
As at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	832.182.941	507.378.625	3.753.058.255	(37.610.607)	3.715.447.648
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(330.438.970)	-	(330.438.970)	-	(330.438.970)
Restated total equity as at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	501.743.971	507.378.625	3.422.619.285	(37.610.607)	3.385.008.678
Transfers	-	-	-	-	-	-	-	-	507.378.625	(507.378.625)	-	-	-
Total comprehensive income	-	-	-	-	135.025.552	(14.902.347)	182.185.553	-	-	(213.853.278)	88.455.480	(3.290.232)	85.165.248
As at 31 March 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.266.843.119	(104.662.896)	(38.974.403)	5.016.306	1.009.122.596	(213.853.278)	3.511.074.765	(40.900.839)	3.470.173.926
As at 1 January 2020	102.299.707	455.687.025	-	(3.904.009)	2.574.427.009	-	(42.163.181)	18.542.287	903.911.251	1.333.369.118	5.342.169.207	-	5.342.169.207
Transfers	-	-	-	-	-	-	-	-	1.333.369.118	(1.333.369.118)	-	-	-
Total comprehensive income	-	-	-	-	508.422.903	-	(503.453.770)	-	-	(401.505.032)	(396.535.899)	-	(396.535.899)
As at 31 March 2020	102.299.707	455.687.025	-	(3.904.009)	3.082.849.912	-	(545.616.951)	18.542.287	2.237.280.369	(401.505.032)	4.945.633.308	-	4.945.633.308

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 CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 1 January- 31 March 2020	Prior period (Not reviewed) 1 January- 31 March 2019	(*) EUR 1 January- 31 March 2020	(*) EUR 1 January- 31 March 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the period		(401.505.032)	(214.513.684)	(48.603.458)	(42.458.524)
Adjustments to reconcile the loss					
Depreciation and amortization	8-9-10	428.247.054	355.711.042	63.677.558	58.373.057
Adjustments related with impairments		(1.594.442)	1.897.453	(220.990)	311.377
<i>Provision for doubtful receivable</i>		<i>(1.594.442)</i>	<i>1.897.453</i>	<i>(220.990)</i>	<i>311.377</i>
Adjustments related with provisions		18.684.324	7.966.181	2.595.357	1.261.656
<i>Provision for employee benefits</i>		<i>18.118.948</i>	<i>7.804.487</i>	<i>2.511.289</i>	<i>1.235.122</i>
<i>Legal provision</i>		<i>565.376</i>	<i>161.694</i>	<i>84.068</i>	<i>26.534</i>
Interest and commission income	19	119.678.768	103.335.406	17.795.457	16.957.594
Gain on equity investments accounted for using the equity method	3	(4.597.054)	(3.131.104)	(683.552)	(513.822)
Current tax expense		(92.290.597)	(23.102.549)	(13.582.092)	(3.791.185)
Other provisions related with investing or financing activities		87.000.857	(6.992.081)	12.625.822	(1.152.027)
Changes in working capital					
Increase in trade receivables		272.275.790	(415.420.744)	36.823.758	(65.754.217)
Increase in other receivables, prepaid expenses, other and financial assets		(929.588.125)	(21.333.178)	(130.678.963)	(3.384.006)
Increase in inventories		(6.264.706)	(3.934.891)	(880.793)	(628.529)
Increase in trade payables		105.913.333	(210.277)	14.890.619	(33.270)
Increase in deferred income, other payables and other current liabilities		(274.526.171)	520.953.093	(38.126.558)	81.981.409
Net cash generated from operating activities		(678.566.001)	301.224.667	(84.367.835)	41.169.513
Payment for the employee benefits provisions		(1.409.671)	(62.277.569)	(209.609)	(10.061.098)
Payment for other provisions		(120.231)	(142.982)	(17.878)	(23.464)
		(680.095.903)	238.804.116	(84.595.322)	31.084.951
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, equipment and intangible assets		281.933	977.983	41.922	154.774
Cash outflows from purchase of property, equipment and intangible assets		(15.031.691)	(30.643.964)	(2.225.306)	(5.028.750)
Changes in cash advances and payables		(684.958.074)	(92.244.431)	(95.982.510)	(14.943.563)
		(699.707.832)	(121.910.412)	(98.165.894)	(19.817.539)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		550.096.960	-	76.243.515	-
Repayment of borrowings		-	(307.226.950)	-	(50.416.698)
Repayment of principal in lease liabilities		(381.343.144)	(311.094.208)	(56.809.874)	(51.387.030)
Interest and commission paid		(106.773.485)	(121.981.592)	(16.034.429)	(19.994.861)
Interest received		22.791.178	24.715.653	3.350.575	3.976.028
		84.771.509	(715.587.097)	6.749.787	(117.822.561)
NET DECREASE IN CASH AND CASH EQUIVALENTS					
BEFORE TRANSLATION EFFECT (A+B+C)		(1.295.032.226)	(598.693.393)	(176.011.429)	(106.555.149)
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS		417.326.664	186.019.764	5.109.116	20.319.494
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(877.705.562)	(412.673.629)	(170.902.313)	(86.235.655)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD	26	4.187.316.581	2.741.044.971	629.614.859	454.718.807
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)	26	3.309.611.019	2.328.371.342	458.712.546	368.483.152

(*)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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The shareholders and their respective holdings in the Company as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
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 31 March 2020 is 6.320 (31 December 2019: 6.164). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 31 March 2020 and delegated authority for publishing it on 11 May 2020. General shareholders’ meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles and the local currency in their registered countries.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations (“TAS/IFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The accompanying consolidated financial statements are presented in accordance with the “Announcement regarding to TAS Taxonomy” which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

The Group has prepared the condensed financial statements and its notes for the interim period ended 31 March 2020 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 financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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

Functional and Presentation Currency

Although there is no prominent currency affecting revenue and cost of sales, the Group's functional currency is determined as Euro for the reasons that, largest scale of scheduled flight revenue which is the Group's primary operation is generated from European flights, Euro is clearly effective on the financial liabilities of the Group and management reports and budget enabling the Company's management to make executive decisions are prepared in Euro.

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 buying 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 and US Dollar to TL in accordance with the relevant provisions of TAS 21 (“The Effects of Changes in Foreign Exchange Rates”) as follows:

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey (“TCMB”) Euro buying rate prevailing at the balance sheet date; 31 March 2020: 1 Euro (€) = TL 7,2150, 1 US Dollar (\$) = TL 6,5160 (31 December 2019: 1 Euro (€) = TL 6,6506, 1 US Dollar (\$) = TL 5,9402).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions and translated from US Dollar to TL using the TCMB US Dollar average buying rates.

Translation gains or losses arising from the translations stated above are presented as foreign currency translation reserve under equity. Share capital amount, representing the nominal share capital of the Company, all other equity items are presented in historic TL terms where all translation gains or losses in relation to these balances are accounted under foreign currency translation reserve.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

Euro Amounts in the Financial Statements

Euro amounts shown in the consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official Euro bid rates announced by the TCMB on 31 March 2020 of TL7,2150 = EUR1, and Euro amounts shown in the consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, Euro bid rates calculated from the official daily bid rates announced by the TCMB.

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 not made any reclassification in the prior period consolidated financial statements in order to maintain consistency with current period condensed consolidated financial statements.

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2020 and 31 December 2019:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2020</u>	<u>31 December 2019</u>	
PHT	Simulator technical support and maintenance	100%	100%	Turkey

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 31 March 2020 and 31 December 2019:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2020</u>	<u>31 December 2019</u>	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	50%	50%	Turkey

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(Amounts are expressed in TL unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

2.2 Significant Accounting Policies and Changes

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2019.

2.3 Changes in Accounting Estimates

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

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at March 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 The new standards, amendments and interpretations(cont'd)

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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

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

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.

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

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

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (cont'd)

TFRS 17 - The new Standard for insurance contracts

The PAO 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. 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.

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 IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the PAO issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2022, 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.

2.5 Events Affecting Operations

The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China and spreading in various jurisdictions, has particularly affected the airline operations in the exposed to the contagion; therefore, operations of 2020 March was below what was estimated.

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NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 March 2020	31 December 2019
Joint ventures		
Hitit Bilgisayar	48.765.444	44.417.911
PUEM	14.084.812	12.736.262
	62.850.256	57.154.173

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

	1 January- 31 March 2020	1 January- 31 March 2019
Hitit Bilgisayar	4.347.530	2.827.249
PUEM	249.524	303.855
Net profit	4.597.054	3.131.104

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

PUEM

	31 March 2020	31 December 2019
Current assets	3.641.331	2.274.519
Non-current assets	26.168.701	25.153.183
Current liabilities	(1.222.071)	(1.084.942)
Non-current liabilities	(76.196)	(560.853)
Net assets of joint venture	28.511.765	25.781.907
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	14.084.812	12.736.262

	1 January- 31 March 2020	1 January- 31 March 2019
Revenue	2.782.145	2.300.039
Depreciation&amortisation expense	(720.265)	(579.622)
Interest income/(expense), net	(77.081)	(140.276)
Profit for the year	505.108	615.092
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	249.524	303.855

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

Hitit Bilgisayar

	31 March 2020	31 December 2019
Current assets	45.315.560	43.964.800
Non-current assets	71.715.811	65.238.423
Current liabilities	(14.689.305)	(15.268.867)
Non-current liabilities	(6.596.202)	(6.883.558)
Net assets of joint venture	95.745.864	87.050.798
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
Group's share in the net assets of the joint venture	48.765.444	44.417.911
	1 January- 31 March 2020	1 January- 31 March 2019
Revenue	26.296.019	19.075.188
Depreciation&amortisation expense	(2.213.848)	(1.346.076)
Interest income/(expense), net	67.677	(150.369)
Profit for the year	8.695.060	5.654.498
Group's weighted average ownership interest	50%	50%
Group's share in the net profit of the joint venture	4.347.530	2.827.249

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. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in normal course of business.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - RELATED PARTY TRANSACTIONS(cont'd)

(i) Balances with Related Parties:

a) Other receivables from related parties

	31 March 2020	31 December 2019
Balances with joint ventures and subsidiaries:		
PUEM	-	102.852
Balances with other related parties:		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş.	390	-
	390	102.852

b) Trade payables to related parties

	31 March 2020	31 December 2019
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	1.908.844	1.397.591
Esas Holding	1.106.006	-
PUEM	973.439	-
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	2.185.009	146.359
	6.173.298	1.543.950

(ii) Significant Transactions with Related Parties:

The significant transactions with Esas Holding consist of the financial guarantee that Esas provides for aircraft acquisitions and their related commissions. The Group records these commissions within finance expense.

The Group also leases their head office building from Esasburda İnşaat Sanayi ve Ticaret A.Ş. ("Esasburda"), another Esas Holding subsidiary, and records the expenses as depreciation and interest under new leases standard.

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

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

a) Other Income

	1 January- 31 March 2020	1 January- 31 March 2019
Transactions with joint ventures and subsidiaries:		
PUEM	320.321	299.789
	320.321	299.789

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

b) Purchases of goods or services

	1 January- 31 March 2020	1 January- 31 March 2019
Transactions with joint ventures and subsidiaries:		
Hitit Bilgisayar	5.623.795	4.734.703
PUEM	2.782.145	2.300.039
Transactions with other related parties:		
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.	234.764	-
Esasburda	695.821	196.816
	9.336.525	7.231.558

c) Rent expenses

	1 January- 31 March 2020	1 January- 31 March 2019
Esasburda(*)	3.835.763	2.114.444
	3.835.763	2.114.444

(*)Rent expenses are recorded as depreciation and interest under new leases standard.

d) Surety commission expenses

	1 January- 31 March 2020	1 January- 31 March 2019
Esas Holding (Note 19)	2.716.708	2.872.484
	2.716.708	2.872.484

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,080% of the 115% of the amount guaranteed.

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 31 March 2020 and 2019 are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Salaries and other short term benefits	18.069.483	13.723.683
Other long term benefits	7.543.970	2.114.002
	25.613.453	15.837.685

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(Amounts are expressed in TL unless otherwise stated.)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term trade receivables

The details of short term trade receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Trade receivables	123.905.070	253.007.254
Credit card receivables	65.198.389	209.689.912
Income accruals	10.101.185	6.486.220
	199.204.644	469.183.386
Less: Allowance for doubtful receivables	(23.601.414)	(22.205.026)
	175.603.230	446.978.360

The average collection period of trade receivables is approximately 26 days (31 December 2019: 19 days).

Short term trade payables

The details of short term trade payables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Trade payables	509.449.216	542.178.273
Accrued direct operational costs	253.487.676	179.066.402
Other accrued expenses	126.532.630	66.940.862
Due to related parties (Note 5)	6.173.298	1.543.950
	895.642.820	789.729.487

The average credit period of trade payables is approximately 34 days (31 December 2019: 30 days).

Short term other receivables

The details of short term other receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Deposits and guarantees given(*)	772.978.074	32.225.590
Receivables from pilots for flight training	48.636.413	53.554.739
Due from related parties (Note 5)	390	102.852
Other receivables	2.118.609	5.180.385
Less: Allowance for doubtful receivables	-	(2.880.997)
	823.733.486	88.182.569

(*)The amount of TL 762.552.474 in deposits and guarantees given, consists of guarantee deposits given to banks related to valuation of derivative contracts(31 December 2019: 19.840.273).

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES (cont'd)

Long term other receivables

The details of long term other receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Receivables from pilot trainings	117.190.365	117.197.274
Deposits given	29.826.941	27.303.618
	147.017.306	144.500.892

NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses as of 31 March 2020 and 31 December 2019 are as follows:

Short term prepaid expenses

	31 March 2020	31 December 2019
Advances on aircraft purchases	1.541.571.323	1.078.133.045
Advances to suppliers	626.906.871	138.064.398
Prepaid insurance expenses	26.785.276	39.969.877
Prepaid advertising expenses	1.473.195	132.959
Other prepaid expenses	30.660.314	20.109.555
	2.227.396.979	1.276.409.834

Long term prepaid expenses

	31 March 2020	31 December 2019
Advances on aircraft purchases	405.734.353	506.767.830
Prepaid maintenance expenses	540.469.335	431.497.058
Other prepaid expenses	20.077.359	17.094.986
	966.281.047	955.359.874

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NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME(cont'd)

Deferred Revenue

Contract Liabilities

The details of passenger flight liabilities as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Flight liability from ticket sales	447.026.964	692.054.775
Passenger airport fees received from customers	133.770.416	209.032.208
Flight liability from flight points	73.174.280	62.821.313
	653.971.660	963.908.296

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	31 March 2020	31 December 2019
Advances received from customers	130.764.850	81.362.753
Other deferred income	52.995.798	48.218.322
	183.760.648	129.581.075

Long term deferred income

	31 March 2020	31 December 2019
Income relating to future periods	304.684.154	318.913.475
	304.684.154	318.913.475

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NOTE 8 - PROPERTY AND EQUIPMENT

31 March 2020	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned Aircraft	Construction in progress	Total
Cost:								
Opening	146.516.118	109.456.942	179.887.996	91.186.916	1.307.799.047	706.740.318	59.903.487	2.601.490.824
Additions	4.632.079	277	520.569	(1.554)	14.932.936	-	424.427	20.508.734
Disposals	-	(144.256)	(245.149)	-	-	-	-	(389.405)
Currency translation differences	12.771.346	9.278.526	15.286.167	7.738.421	112.073.215	34.909.140	5.114.589	197.171.404
Closing	163.919.543	118.591.489	195.449.583	98.923.783	1.434.805.198	741.649.458	65.442.503	2.818.781.557
Accumulated depreciation:								
Opening	(33.888.233)	(32.235.123)	(123.135.870)	(80.374.835)	(263.103.059)	(392.852.037)	-	(925.589.157)
Depreciation for the year	(3.426.165)	(2.191.800)	(3.953.705)	(2.072.011)	(17.611.997)	(8.712.857)	-	(37.968.535)
Disposals	-	98.935	159.469	-	-	-	-	258.404
Currency translation differences	(3.125.415)	(2.888.029)	(10.726.177)	(6.971.863)	(23.610.687)	(28.200.109)	-	(75.522.280)
Closing	(40.439.813)	(37.216.017)	(137.656.283)	(89.418.709)	(304.325.743)	(429.765.003)	-	(1.038.821.568)
Net book value	123.479.730	81.375.472	57.793.300	9.505.074	1.130.479.455	311.884.455	65.442.503	1.779.959.989

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

NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

31 March 2019	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Aircraft	Construction in progress	Total
Cost:								
Opening	107.827.347	100.683.168	151.141.325	79.369.370	1.007.485.389	8.977.788.704	3.713.862	10.428.009.165
Additions	47.644	31.102	771.418	-	102.853.716	-	290.155	103.994.035
Transfers	-	-	-	-	-	(8.414.958.339)	-	(8.414.958.339)
Disposals	-	(1.207.597)	(158.593)	-	-	-	-	(1.366.190)
Currency translation differences	5.426.457	4.845.144	7.320.545	53.984.053	52.494.064	27.151.803	189.878	151.411.944
Closing	113.301.448	104.351.817	159.074.695	133.353.423	1.162.833.169	589.982.168	4.193.895	2.267.090.615
Accumulated depreciation:								
Opening	(21.043.895)	(23.059.619)	(97.346.345)	(65.504.421)	(204.998.522)	(1.767.852.728)	-	(2.179.805.530)
Depreciation for the year	(1.880.465)	(2.410.911)	(3.870.845)	(1.834.435)	(9.016.937)	(9.329.685)	-	(28.343.278)
Disposals	-	757.423	90.657	-	-	-	-	848.080
Transfers	-	-	-	-	-	1.477.530.722	-	1.477.530.722
Currency translation differences	(1.100.391)	(1.190.698)	(4.838.971)	(3.233.277)	(10.222.446)	(20.995.229)	-	(41.581.012)
Closing	(24.024.751)	(25.903.805)	(105.965.504)	(70.572.133)	(224.237.905)	(320.646.920)	-	(771.351.018)
Net book value	89.276.697	78.448.012	53.109.191	62.781.290	938.595.264	269.335.248	4.193.895	1.495.739.597

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NOTE 9 - INTANGIBLE ASSETS

31 March 2020	Brand	Software	Total
Cost:			
Opening	-	177.603.372	177.603.372
Additions	-	9.389.733	9.389.733
Currency translation differences	-	16.240.222	16.240.222
Closing	-	203.233.327	203.233.327
Accumulated amortization:			
Opening	-	(97.812.366)	(97.812.366)
Amortization for the year	-	(6.283.688)	(6.283.688)
Currency translation differences	-	(8.765.408)	(8.765.408)
Closing	-	(112.861.462)	(112.861.462)
Net book value	-	90.371.865	90.371.865
31 March 2019	Brand	Software	Total
Cost:			
Opening	4.249.742	116.056.170	120.305.912
Additions	-	10.787.035	10.787.035
Currency translation differences	1.066.313	5.689.872	6.756.185
Closing	5.316.055	132.533.077	137.849.132
Accumulated amortization:			
Opening	(2.461.308)	(70.984.707)	(73.446.015)
Amortization for the year	(200.318)	(4.061.739)	(4.262.057)
Currency translation differences	(576.426)	(3.554.465)	(4.130.891)
Closing	(3.238.052)	(78.600.911)	(81.838.963)
Net book value	2.078.003	53.932.166	56.010.169

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NOTE 10 – RIGHT OF USE ASSETS

31 March 2020	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	30.958.669	24.646.405	18.000.762.823	2.070.755	18.058.438.652
Additions	-	-	297.231.522	-	297.231.522
Currency translation differences	2.627.293	2.091.606	1.569.606.467	175.733	1.574.501.099
Closing	33.585.962	26.738.011	19.867.600.812	2.246.488	19.930.171.273
Accumulated depreciation:					
TFRS 16 opening effects	(11.686.083)	(6.718.403)	(6.131.858.564)	(1.420.637)	(6.151.683.687)
Depreciation for the period	(4.130.419)	(1.698.452)	(377.807.329)	(358.631)	(383.994.831)
Currency translation differences	(1.292.527)	(693.841)	(549.490.574)	(146.506)	(551.623.448)
Closing	(17.109.029)	(9.110.696)	(7.059.156.467)	(1.925.774)	(7.087.301.966)
Net book value	16.476.933	17.627.315	12.808.444.345	320.714	12.842.869.307
31 March 2019	Field Rental	Building	Aircraft	Other	Total
Cost:					
TFRS 16 opening effects	28.126.554	22.391.742	6.203.373.297	1.881.318	6.255.772.911
Additions	-	-	414.734.457	-	414.734.457
Transfers	-	-	8.414.958.339	-	8.414.958.339
Currency translation differenc	1.287.578	1.025.050	488.673.192	86.121	491.071.941
Closing	29.414.132	23.416.792	15.521.739.285	1.967.439	15.576.537.648
Accumulated depreciation:					
TFRS 16 opening effects	-	-	(3.634.556.531)	-	(3.634.556.531)
Depreciation for the period	(2.662.784)	(1.445.717)	(323.105.707)	(343.515)	(327.557.723)
Transfers	-	-	(1.477.530.722)	-	(1.477.530.722)
Currency translation differenc	(76.044)	(55.305)	(240.177.075)	(6.913)	(240.315.337)
Closing	(2.738.828)	(1.501.022)	(5.675.370.035)	(350.428)	(5.679.960.313)
Net book value	26.675.304	21.915.770	9.846.369.250	1.617.011	9.896.577.335

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 28.194.659 as of 31 March 2020 (31 December 2019: TL 27.096.909). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 8.785.768 (31 December 2019: TL 8.340.623) 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.

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NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Tax Inspection

Company's accounts as well as operations pertaining to year 2010 are inspected and examined in terms of Taxation Laws; and Corporation Tax Inspection Report number 2013-B-228/3, Corporation Tax Withholding Inspection Report number 2013-B-228/5, and Value Added Tax Withholding Tax Inspection Report number 2013-B-228/6 are hereby presented.

Under such Corporation Tax Inspection Report number 2013-B-228/3, it is allegedly stated that deducted amount of TL 1.553.762,38 over the corporation tax return of such lump sum expenses calculated and deducted under scope of the provision of Article 40/1 of Corporation Tax Law over transport proceeds obtained abroad cannot possibly be subjected to any deduction, and further that such portion deducted over the tax return is not related to transport proceeds obtained abroad, while on the other hand it is expressed on the same Report that those minor fixed assets purchased in year 2010, and each to be entered as direct expenses according to Article 313 of Tax Procedures Law are required to be redeemed through amortization, and therefore it is pointed out that TL 76.798,80 as well is to be included in the income of the corporation pertaining to year 2010.

A lawsuit has been filed by the Company, claiming revocation of such determination act with respect to an income difference in the amount of TL 1.630.561,18. Lawsuit filed before Istanbul Tax Court is concluded in favor of the Company. In respect of this judgment, The decision was appealed by the Tax Office and the decision of the first instance court was approved as a result of the appeal. The Tax Office has applied for the correction of the decision and our response to this application has been submitted to the file. In March 2020, the rejection of the decision correction application was decided and the decision was finalized. According to the 2010 Corporate Tax Review Report, there is no tax risk left.

On such Corporation Tax Inspection Report number 2013-B-228/5, it is stated that despite the fact that rental payments of the Company with respect to such aircraft subject matter of financial leasing from the acquisition of the same through financial leasing from companies with legal and principal places of business domiciled abroad, constitute commercial income of the company obtaining the same under scope of business revenues, alleging that such payments are real property capital income under Article 30 of Corporation Tax Law, they are subject to added value tax withholding at the rate of 1% and in the total amount of TL 706.539,70 as per the relevant months of year 2010, and further on the same report, it is stated that such package computer software in the form of commercial commodity, purchased from any company with legal and principal places of business domiciled abroad, is subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right charge within framework of Article 30 of Corporation Tax Law.

Major Taxpayers Tax Office that we are affiliated to, accrued corporation tax withholding in the total amount of TL 719.508 for year 2010 through Tax Fine Notices issued as per the relevant months of year 2010 by basing on the said Tax Inspection Report, and charged tax loss fine in the total amount of TL 1.079.262 on grounds of such tax accrued. Lawsuits have been filed within legal terms granted, before Istanbul Tax Courts as of the respective, with the demand for waiver of the assessments set forth and rescission of any fines accrued. The lawsuits based on the Corporate Tax Law Article 30, claiming that the Company is subject to real property income tax resulting in 1% withholding tax, amounting to TL 706.539,70, for the year 2010 have been concluded in favor of the Company. Such lawsuit filed subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right (royalty) fee is concluded against the Company and such Judgment is brought by the Company to appeal before the Council of State, and In March 2020, it was decided to reject the decision correction application and it was decided that there will be no withholding in aircraft leases. Therefore, there is no tax risk related to the 2010 Corporate Tax Withholding Examination Report.

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

Tax Inspection (cont'd)

Value Added Tax Inspection Report Number 2013-B-228/6, is based on the allegation that corporation tax withholdings arising on such amounts set forth to be accrued under such Corporation Tax Withholding Inspection Report Number 2013-B-228/5, and corporation tax withholdings anticipated under the said report are at the same time subject to value added tax withholding. In addition, in this report, the VAT calculation with the title of responsible for the intangible rights procured from abroad was brought to the agenda.

In the aforesaid process, all of the lawsuits filed with the demand for rescission of such fined value added tax assessments imposed in the name of the Company as per respective monthly periods of year 2010, with the claim that the rate of value added tax required to be calculated over corporation tax withholdings claimed as being payable over such leasing payments with respect to aircraft subject matter of financial leasing with the purpose of acquiring the same from companies with legal domiciles as well as principal places of business abroad being 18% are concluded, and such lawsuits filed in tax courts are concluded in favor of the Company. A part of the judgments were subject to appeal by Major Taxpayers Tax Office before Istanbul Tax Court due to their amounts, but in respect of judgment of İstanbul Regional Administrative Court, the appeals has been rejected and lawsuits were concluded in favor of the Company. The decision was appealed by the Tax Office and the decision of the first instance court was approved as a result of the appeal. The Tax Office has applied for the correction of the decision and our response to this application has been submitted to the file. In March 2020, the decision for the correction of the decision was rejected and the decision to lift the penalty for the corporate tax (withholding tax) corresponding to the payments made against financial leases was finalized. The Court decided to partially reject (for the 9.102,99 part) the decision to disrupt the appeal at the stage of appeal and the VAT amount, which is limited only for this amount, to be reversed at the appeal stage and sent to the local Court for renegotiation.

As can be seen from the explanations above, all the lawsuits filed for the Corporate Tax Review Report, Corporate Tax Withholding Review Report and Value Added Tax Withholding Review Report (excluding VAT lawsuit with the amount of 9.102,99 TL) resulted positively.

NOTE 12 - COMMITMENTS

Purchase Commitments

	31 March 2020	31 December 2019
Commitments to purchase aircraft	61.283.031.073	56.563.789.155
	61.283.031.073	56.563.789.155

As of 31 March 2020, the Group holds firm orders for 70 aircraft. In accordance to with agreement the expected deliveries are 15 aircraft in 2020, 17 aircraft in 2021, 18 aircraft in 2022, 10 aircraft in 2023, 10 aircraft in 2024 . The purchase commitments for these aircraft were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 1.947.305.676 (31 December 2019: TL 1.584.900.875) and TL 1.541.571.323 of this amount is reclassified under short term, TL 405.734.353 of this amount is reclassified under long term prepaid expenses (31 December 2019: TL 1.078.133.045 of this amount is reclassified under short term, TL 506.767.830 of this amount is reclassified under long term prepaid expenses).

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NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”)

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

31 March 2020	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	2.242.188.455	332.989.416	7.216.958	12.556.592	7.802.476
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	2.242.188.455	332.989.416	7.216.958	12.556.592	7.802.476

The CPMs given by the Group are consisted of collaterals given to airports and terminals operators, aircraft leasing companies and service suppliers.

The other CPMs given by the Company constitute 0% of the Company’s equity as of 31 March 2020.

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NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages("CPM") (cont'd)

The details of the CPMs given by the Group as of 31 December 2019 is as follows:

31 December 2019	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
<i>-Collateral</i>	1.664.459.335	269.080.506	6.786.958	13.487.804	7.442.166
<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>	-	-	-	-	-
	1.664.459.335	269.080.506	6.786.958	13.487.804	7.442.166

The CPMs given by the Group are consisted of collaterals given to airports and terminals operators, aircraft leasing companies and service suppliers.

The other CPMs given by the Company constitute 0% of the Company's equity as of 31 December 2019.

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NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years periods 31 March 2020 and 2019 are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Jet fuel expenses	668.859.106	636.640.144
Depreciation and amortisation expenses	428.247.054	355.711.042
Personnel expenses	349.028.258	327.611.447
Handling and station fees	153.846.213	142.866.177
Navigation expenses	131.338.774	118.358.926
Maintenance expenses	105.401.624	84.736.966
Landing expenses	63.013.199	61.885.885
Commission expenses	37.924.691	26.922.646
Passenger service and catering expenses	19.590.056	19.919.762
Advertising expenses	16.361.826	17.787.760
Other expenses	122.951.454	84.888.420
	2.096.562.255	1.877.329.175

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

The Company's shareholding structure as of 31 March 2020 and 31 December 2019 are as follows:

Shareholders:	31 March 2020		31 December 2019	
	(%)	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 2019: 102.299.707 shares). All issued shares are fully paid in cash.

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NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 31 March 2020 and 2019 are as follows:

Sales:

	1 January- 31 March 2020	1 January- 31 March 2019
Scheduled flight and service revenue	1.850.696.939	1.741.318.867
<i>International flight revenue</i>	801.098.838	797.768.914
<i>Domestic flight revenue</i>	391.324.735	378.383.987
<i>Service revenue</i>	658.273.366	565.165.966
Charter flight and service revenue	8.060.791	7.060.385
<i>Charter flight revenue</i>	7.742.038	6.975.284
<i>Service revenue</i>	318.753	85.101
Other revenue	19.559.164	17.525.230
	1.878.316.894	1.765.904.482

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

	1 January- 31 March 2020	1 January- 31 March 2019
Europe	509.064.268	531.540.671
Domestic	391.324.735	378.383.987
Other	292.034.570	266.228.243
	1.192.423.573	1.176.152.901

Cost of sales:

	1 January- 31 March 2020	1 January- 31 March 2019
Jet fuel expenses	668.859.106	636.640.144
Depreciation and amortisation expenses	410.318.110	342.229.211
Personnel expenses	321.560.404	274.426.248
Handling and station fees	153.846.213	142.866.177
Navigation expenses	131.338.774	118.358.926
Maintenance expenses	105.401.624	84.736.966
Landing expenses	63.013.199	61.885.885
Passenger service and catering expenses	19.590.056	19.919.762
Other expenses	85.349.063	53.467.350
	1.959.276.549	1.734.530.669

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 31 March 2020	1 January- 31 March 2019
Marketing expenses	71.198.900	64.704.282
General administrative expenses	66.086.806	78.094.224
	137.285.706	142.798.506

The details of general administrative expenses and marketing expenses for the periods ended 31 March 2020 and 2019 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 31 March 2020	1 January- 31 March 2019
Personnel expenses	20.311.960	40.899.455
IT expenses	16.218.325	10.096.927
Depreciation and amortisation expenses	14.343.155	10.804.158
Legal and notary expenses	2.421.164	1.049.713
Consultancy expenses	2.003.732	2.600.379
Office utility expenses	1.318.465	971.112
Communication expenses	730.933	758.789
Travel expenses	622.363	66.159
Training expenses	563.125	165.156
Other expenses	7.553.584	10.682.376
	66.086.806	78.094.224

Marketing expenses:

	1 January- 31 March 2020	1 January- 31 March 2019
Commission expenses	37.924.691	26.922.646
Advertising expenses	16.361.826	17.787.760
Personnel expenses	7.155.894	12.285.744
Call center expenses	5.077.862	4.151.603
Depreciation and amortisation expenses	3.585.789	2.677.673
Other expenses	1.092.838	878.856
	71.198.900	64.704.282

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods ended 31 March 2020 and 2019 are as follows:

Other operating income:

	1 January- 31 March 2020	1 January- 31 March 2019
Foreign exchange gain from operating activities	148.448.685	58.160.369
Reversal of doubtful provision	1.583.727	-
Reversal of doubtful cash and cash equivalents	688.176	1.588.488
Other	620.939	-
	151.341.527	59.748.857

Other operating expenses:

	1 January- 31 March 2020	1 January- 31 March 2019
Expenses from fair value differences of derivative instruments	117.199.295	-
Doubtful receivable allowance expense	1.396.388	1.897.453
Penalty expense	712.535	1.485.574
Other	842.773	536.886
	120.150.991	3.919.913

NOTE 18 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended 31 March 2020 and 2019 are as follows:

Income from investing activities:

	1 January- 31 March 2020	1 January- 31 March 2019
Other income	150.932	459.873
	150.932	459.873

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the periods ended 31 March 2020 and 2019 are as follows:

Financial income:

	1 January- 31 March 2020	1 January- 31 March 2019
Interest income	21.238.092	24.228.933
Gain on derivative contracts	5.062.430	6.992.076
	26.300.522	31.221.009

Financial expenses:

	1 January- 31 March 2020	1 January- 31 March 2019
Interest expense on leases	108.679.524	93.763.537
Foreign exchange loss	196.872.452	89.268.131
Other commission expenses	23.827.276	25.574.253
Interest expense on bank loans	5.693.352	5.354.065
Surety commission expenses	2.716.708	2.872.484
	337.789.312	216.832.470

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 31 March 2020 and 2019 are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Loss attributable to the shareholders of the parent	(401.505.032)	(213.853.278)
Weighted average number of shares issued in the year	102.299.707	102.299.707
Loss per share	(3,92)	(2,09)

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	31 March 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Short term	4.496.056	640.982.440	61.239	53.134.363
Long term	-	176.330.343	-	1.505.350
	4.496.056	817.312.783	61.239	54.639.713

Explanations related to derivative instruments are disclosed in Note 23.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 31 March 2020 and 31 December 2019 are as follows:

Short term financial liabilities	31 March 2020	31 December 2019
Short term bank borrowings	1.412.120.659	758.293.604
Lease liabilities	1.703.800.692	1.536.570.246
<i>Short term portion of long term operating lease obligations</i>	<i>1.420.632.666</i>	<i>635.282.662</i>
<i>Short term portion of long term financial lease obligations</i>	<i>283.168.026</i>	<i>901.287.584</i>
	3.115.921.351	2.294.863.850
Long term financial liabilities	31 March 2020	31 December 2019
Lease liabilities	9.078.405.251	8.460.811.498
Long term operating lease obligations	865.181.801	1.614.122.499
Long term financial lease obligations	8.213.223.450	6.846.688.999
	9.078.405.251	8.460.811.498

a) **Bank Borrowings**

The effective interest rates, original currency and TL equivalents of the short term bank borrowings as of 31 March 2020 and 31 December 2019 are as follows :

31 March 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	%2,78	US Dollar	145.000.000	944.820.000
Short term bank borrowings	%2,42	Euro	62.492.478	450.883.231
Short term bank borrowings(*)	%0,00	TL	16.417.428	16.417.428
				1.412.120.659

(*) The amount consists of interest-free loan used for monthly social insurance and tax payments.

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NOTE 22 - FINANCIAL INSTRUMENTS(cont'd)

Financial Liabilities (cont'd)

31 December 2019	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	%2,84	US Dollar	125.000.000	742.525.000
Short term bank borrowings(*)	%0,00	TL	15.768.604	15.768.604
				758.293.604

(*) The amount consists of interest-free loan used for monthly social insurance and tax payments.

b) Lease Liabilities

The details of financial and operating lease liabilities as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Less than 1 year	2.178.108.082	1.968.639.836
Between 1 - 5 years	6.170.021.470	5.830.430.461
Over 5 years	4.544.013.678	4.242.706.951
	12.892.143.230	12.041.777.248
Less: Future interest expenses	(2.109.937.287)	(2.044.395.504)
	10.782.205.943	9.997.381.744

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

	31 March 2020	31 December 2019
Less than 1 year	1.703.800.692	1.536.570.246
Between 1 - 5 years	5.730.733.091	5.199.045.253
Over 5 years	3.347.672.160	3.261.766.245
	10.782.205.943	9.997.381.744

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 4,73 years. For the period ended 31 March 2020, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 4.942.099.280, is 1,78% (31 December 2019: 1,72%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 5.840.106.663, is 4,61% (31 December 2019: 4,84%).

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

Financial Risk Factors

Foreign currency risk management

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

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 31 March 2020 and 31 December 2019 are as follows:

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS
(cont'd)**

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 March 2020	TL Total	USD	TL	GBP	Other
1. Trade receivables	209.253.663	4.638.232	167.618.901	494.551	7.566.166
2a. Monetary financial assets	2.709.099.551	370.364.944	180.220.840	10.740.463	32.057.525
2b. Non monetary financial assets	-	-	-	-	-
3. Other	941.151.029	114.887.828	190.987.929	82.037	916.052
4. CURRENT ASSETS	3.859.504.243	489.891.004	538.827.670	11.317.051	40.539.743
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	19.853.798	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	144.737.486	21.415.575	340.669	1.000	4.845.154
8. NON CURRENT ASSETS	144.737.486	41.269.373	340.669	1.000	4.845.154
9. TOTAL ASSETS	4.004.241.729	531.160.377	539.168.339	11.318.051	45.384.897
10. Trade payables	606.229.582	56.812.191	207.641.803	453.759	24.870.886
11. Financial liabilities	1.923.584.324	292.665.270	16.577.426	-	-
12a. Other liabilities, monetary	368.241.724	39.685.501	80.089.087	145.445	28.430.859
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	2.898.055.630	389.162.962	304.308.316	599.204	53.301.745
14. Trade payables	-	-	-	-	-
15. Financial liabilities	3.933.099.765	603.606.471	-	-	-
16a. Other liabilities, monetary	1.854.400.627	284.591.870	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	5.787.500.392	888.198.341	-	-	-
18. TOTAL LIABILITIES	8.685.556.022	1.277.361.303	304.308.316	599.204	53.301.745
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	7.641.504	12.093.962	-	(9.151.000)	-
19.a Off-balance sheet foreign currency derivative assets	78.804.256	12.093.962	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	71.162.752	-	-	9.151.000	-
20. Net foreign currency asset/(liability) position	(4.681.314.293)	(746.200.926)	234.860.023	10.718.847	(7.916.848)
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(4.681.314.293)	(746.200.926)	234.860.023	10.718.847	(7.916.848)

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS
(cont'd)**

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 December 2019	TL Total	USD	TL	GBP	Other
1. Trade receivables	445.328.143	8.654.041	283.132.380	1.504.015	99.093.056
2a. Monetary financial assets	3.671.506.061	597.374.911	49.068.444	6.425.896	23.940.190
2b. Non monetary financial assets	-	-	-	-	-
3. Other	193.948.953	3.574.272	172.714.136	-	2.926
4. CURRENT ASSETS	4.310.783.157	609.603.224	504.914.960	7.929.911	123.036.172
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	14.889.453	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	142.398.435	23.154.357	355.786	1.000	4.493.361
8. NON CURRENT ASSETS	142.398.435	38.043.810	355.786	1.000	4.493.361
9. TOTAL ASSETS	4.453.181.592	647.647.034	505.270.746	7.930.911	127.529.533
10. Trade payables	412.035.767	43.853.367	107.150.780	1.575.470	32.135.574
11. Financial liabilities	1.654.852.242	275.930.716	15.768.604	-	-
12a. Other liabilities, monetary	402.134.668	52.562.088	70.256.665	94.753	18.911.841
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	2.469.022.677	372.346.171	193.176.049	1.670.223	51.047.415
14. Trade payables	-	-	-	-	-
15. Financial liabilities	3.800.045.664	639.716.788	-	-	-
16a. Other liabilities, monetary	1.570.845.470	264.443.196	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	5.370.891.134	904.159.984	-	-	-
18. TOTAL LIABILITIES	7.839.913.811	1.276.506.155	193.176.049	1.670.223	51.047.415
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	810.122	14.455.000	-	(10.937.500)	-
19.a Off-balance sheet foreign currency derivative assets	85.865.591	14.455.000	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	85.055.469	-	-	10.937.500	-
20. Net foreign currency asset/(liability) position	(3.386.732.219)	(628.859.121)	312.094.697	6.260.688	76.482.118
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(3.386.732.219)	(628.859.121)	312.094.697	6.260.688	76.482.118

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity

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

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

Foreign currency sensitivity tables as of 31 March 2020 and 31 December 2019 are as follows:

31 March 2020	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(486.224.523)	486.224.523	-	-
Part of hedged from USD risk	7.880.426	(7.880.426)	-	-
USD net effect	(478.344.097)	478.344.097	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	23.486.002	(23.486.002)	549.125.026	(549.125.026)
Part of hedged from TL risk	-	-	-	-
TL net effect	23.486.002	(23.486.002)	549.125.026	(549.125.026)
Effect of 10% change in GBP rate				
GBP net asset / liability	8.335.511	(8.335.511)	-	-
Part of hedged from GBP risk	(7.116.275)	7.116.275	-	-
GBP net effect	1.219.236	(1.219.236)	-	-

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS
(cont'd)**

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

31 December 2019	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)	(373.554.895)	373.554.895	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(373.554.895)	373.554.895	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	31.209.470	(31.209.470)	393.660.760	(393.660.760)
Part of hedged from TL risk	-	-	-	-
TL net effect	31.209.470	(31.209.470)	393.660.760	(393.660.760)
Effect of 10% change in GBP rate				
GBP net asset / liability	2.710.538	(2.710.538)	-	-
Part of hedged from GBP risk	-	-	-	-
GBP net effect	2.710.538	(2.710.538)	-	-

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

Fair Value of Financial Instruments

31 March 2020	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	3.309.611.019	-	-	-	3.309.611.019	26
Trade receivables	175.603.230	-	-	-	175.603.230	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	175.603.230	-	-	-	175.603.230	6
Other receivables	970.750.792	-	-	-	970.750.792	
- <i>Related party</i>	390	-	-	-	390	5
- <i>Other</i>	970.750.402	-	-	-	970.750.402	
Financial investments	197.129.926	-	-	-	197.129.926	22
Derivative financial assets	-	-	4.496.056	-	4.496.056	21
Financial liabilities						
Bank borrowings	-	-	-	10.490.525.910	10.490.525.910	22
Obligations under leases	-	-	-	10.782.205.943	10.782.205.943	22
Trade payables	-	-	-	895.642.820	895.642.820	6
- <i>Related party</i>	-	-	-	6.173.298	6.173.298	5
- <i>Other</i>	-	-	-	889.469.522	889.469.522	
Derivative financial liabilities	-	816.708.207	604.576	-	817.312.783	21

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

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

Fair Value of Financial Instruments (cont'd)

31 December 2019	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	4.187.316.581	-	-	-	4.187.316.581	26
Trade receivables	446.978.360	-	-	-	446.978.360	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	446.978.360	-	-	-	446.978.360	6
Other receivables	232.683.461	-	-	-	232.683.461	
- <i>Related party</i>	102.852	-	-	-	102.852	5
- <i>Other</i>	232.580.609	-	-	-	232.580.609	
Pre-delivery payment for purchase of aircraft	150.906.344	-	-	-	150.906.344	22
Derivative financial assets	-	-	61.239	-	61.239	21
Financial liabilities						
Bank borrowings	-	-	-	9.219.105.102	9.219.105.102	22
Obligations under financial leases	-	-	-	9.997.381.744	9.997.381.744	22
Trade payables	-	-	-	789.729.487	789.729.487	6
- <i>Related party</i>	-	-	-	1.543.950	1.543.950	5
- <i>Other</i>	-	-	-	788.185.537	788.185.537	
Derivative financial liabilities	-	54.055.360	584.353	-	54.639.713	21

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

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

Fair Value of Financial Instruments (cont'd)

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	31 March 2020	31 December 2019			
Fuel purchase option contracts	(687.876.044)	(42.733.371)	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	(128.832.163)	(11.321.989)	Level 2	Discounted cash flow method	
Currency forward contracts	4.496.056	(584.353)	Level 2	Discounted cash flow method	
Interest rate swap contracts	(604.576)	61.239	Level 2	Discounted cash flow method	
31 March 2020	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)
Fair value increase					
Recognized in equity	(117.510.174)	(527.943.378)	-	-	(645.453.552)
Recognized in profit or loss	-	(117.199.295)	5.080.409	(665.815)	(112.784.701)
Closing	(128.832.163)	(687.876.044)	4.496.056	(604.576)	(812.816.727)
Assets	-	-	4.496.056	-	4.496.056
Liabilities	(128.832.163)	(687.876.044)	-	(604.576)	(817.312.783)
Total net assets and liabilities	(128.832.163)	(687.876.044)	4.496.056	(604.576)	(812.816.727)

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

Fair Value of Financial Instruments (cont'd)

31 December 2019	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	(76.613.424)	(218.102.353)	-	3.134.337	(291.581.440)
Fair value increase / (decrease)					
Recognized in equity	65.291.435	166.650.633	-	-	231.942.068
Recognized in profit or loss	-	8.718.349	(584.353)	(3.073.098)	5.060.898
Closing	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)
Assets	-	-	-	61.239	61.239
Liabilities	(11.321.989)	(42.733.371)	(584.353)	-	(54.639.713)
Total net assets and liabilities	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China and spreading in various jurisdictions, has particularly affected the airline operations in the exposed to the contagion; therefore, operations of 2020 March was below what was estimated. Since the ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Company cannot reasonably estimate the impact on Company's operations.

NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Cash on hand	468.238	348.239
Cash at banks	3.314.216.383	4.192.730.120
- Demand deposits	55.775.162	34.128.875
- Time deposits	3.258.441.221	4.158.601.245
Less: Allowance for impairment under TFRS 9	(5.073.602)	(5.761.778)
	3.309.611.019	4.187.316.581

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NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW (cont'd)

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

31 March 2020	Weighted average interest rates	Total
USD deposits	%1,53	2.408.521.095
EUR deposits	%0,30	583.036.453
TL deposits	%10,19	179.274.097
GBP deposits	%0,14	85.429.818
CHF deposits	%0,10	2.179.758
		3.258.441.221

31 December 2019	Weighted average interest rates	Total
USD deposits	%2,37	3.555.102.439
EUR deposits	%0,54	503.762.854
TL deposits	%0,46	49.355.439
GBP deposits	%11,23	47.329.684
CHF deposits	%0,50	3.050.829
		4.158.601.245

All of the time deposits as of 31 March 2020 and 31 December 2019 have maturities less than 90 days.

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APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

Revenue

	Euro 1 January- 31 March 2020	Euro 1 January- 31 March 2019
Scheduled flight and service revenue	282.636.655	286.063.226
<i>International flight revenue</i>	123.509.443	131.151.912
<i>Domestic flight revenue</i>	59.365.781	62.218.298
<i>Service revenue</i>	99.761.431	92.693.016
Charter flight and service revenue	1.218.449	1.178.244
<i>Charter flight revenue</i>	1.170.237	1.164.193
<i>Service revenue</i>	48.212	14.051
Other revenue	2.864.103	2.947.676
	286.719.207	290.189.146

Expenses by Nature

	Euro 1 January- 31 March 2020	Euro 1 January- 31 March 2019
Jet fuel expenses	99.840.938	104.227.058
Depreciation and amortisation expenses	63.677.557	58.373.058
Personnel expenses	50.478.312	50.854.153
Handling and station fees	22.848.721	23.356.542
Navigation expenses	19.137.397	19.309.032
Maintenance expenses	14.549.295	13.854.082
Landing expenses	9.366.493	10.141.296
Commission expenses	5.482.916	4.995.684
Advertising expenses	2.437.398	2.915.301
Passenger service and catering expenses	2.932.317	3.276.157
Other expenses	18.432.756	15.346.116
	309.184.100	306.648.479