

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

**PEGASUS HAVA TAŐIMACILIĐI  
ANONİM ŐİRKETİ AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
THREE MONTH INTERIM PERIOD ENDED  
31 MARCH 2023

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(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 2023

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 31 March 2023	Prior period (Audited) 31 December 2022	(*) EUR 31 March 2023	(*) EUR 31 December 2022
	Notes				
<b>ASSETS</b>					
<b>Current assets</b>		<b>25.525.503.895</b>	<b>20.717.301.827</b>	<b>1.227.063.801</b>	<b>1.039.247.843</b>
Cash and cash equivalents	27	10.850.065.409	10.558.266.871	521.585.100	529.637.313
Financial assets	22	5.252.730.990	2.261.353.238	252.509.650	113.436.899
Trade receivables	6	1.091.811.324	1.175.047.670	52.485.630	58.944.247
<i>Trade receivables from third parties</i>		<i>1.091.811.324</i>	<i>1.175.047.670</i>	<i>52.485.630</i>	<i>58.944.247</i>
Other receivables	6	145.222.872	187.841.639	6.981.164	9.422.753
<i>Other receivables from related parties</i>	5	<i>328.278</i>	<i>603.250</i>	<i>15.781</i>	<i>30.261</i>
<i>Other receivables from third parties</i>		<i>144.894.594</i>	<i>187.238.389</i>	<i>6.965.383</i>	<i>9.392.492</i>
Derivative financial instruments	21	10.758.805	267.091.000	517.198	13.398.161
Inventories		525.131.021	501.705.715	25.244.135	25.167.205
Prepaid expenses	7	7.463.366.121	5.614.389.822	358.779.456	281.636.217
Current income tax assets		11.129.581	8.816.150	535.022	442.247
Other current assets		175.287.772	142.789.722	8.426.446	7.162.801
<b>Non-Current assets</b>		<b>77.099.206.325</b>	<b>75.085.744.611</b>	<b>3.706.318.078</b>	<b>3.766.546.965</b>
Financial assets	22	1.527.713.172	4.277.060.923	73.440.334	214.551.411
Other receivables	6	584.570.130	686.474.209	28.101.496	34.435.799
<i>Other receivables from third parties</i>		<i>584.570.130</i>	<i>686.474.209</i>	<i>28.101.496</i>	<i>34.435.799</i>
Derivative financial instruments	21	3.476.613	86.308.409	167.128	4.329.513
Investments accounted by using the equity method	3	385.585.108	365.909.936	18.535.874	18.355.243
Property and equipment	8	3.688.785.324	3.514.594.995	177.327.207	176.303.241
Intangible assets	9	315.977.825	286.951.642	15.189.708	14.394.436
Right of use assets	10	63.819.218.156	58.751.535.645	3.067.921.900	2.947.169.820
Prepaid expenses	7	6.773.879.997	7.116.908.852	325.634.431	357.007.502
<b>TOTAL ASSETS</b>		<b>102.624.710.220</b>	<b>95.803.046.438</b>	<b>4.933.381.879</b>	<b>4.805.794.808</b>

(\*)The functional currency of the Group 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 FINANCIAL POSITION  
AS OF 31 MARCH 2023

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 31 March 2023	Prior period (Audited) 31 December 2022	(*) EUR 31 March 2023	(*) EUR 31 December 2022
<b>LIABILITIES</b>					
<b>Current liabilities</b>		<b>23.718.552.133</b>	<b>20.759.664.303</b>	<b>1.140.199.889</b>	<b>1.041.372.884</b>
Short term borrowings	22	1.575.480.597	2.119.867.677	75.736.613	106.339.519
Short term portion of long term borrowings	22	2.548.844.056	1.096.867.696	122.528.209	55.022.483
Short term portion of long term lease liabilities	22	7.124.184.137	6.669.837.262	342.474.276	334.580.924
Trade payables	6	3.547.650.149	3.930.557.016	170.542.885	197.169.638
<i>Trade payables to related parties</i>	5	15.632.945	9.595.784	751.508	481.356
<i>Trade payables to third parties</i>		3.532.017.204	3.920.961.232	169.791.377	196.688.282
Employee benefit obligations		480.261.869	219.603.277	23.087.182	11.016.021
Other payables	6	203.343.128	476.784.279	9.775.125	23.917.064
<i>Other payables to third parties</i>		203.343.128	476.784.279	9.775.125	23.917.064
Passenger flight liabilities	7	6.208.654.656	4.314.917.421	298.462.879	216.450.417
Deferred income	7	775.059.161	708.853.304	37.258.698	35.558.408
Short term provisions		1.255.074.380	1.222.376.371	60.334.022	61.318.410
<i>Short term provisions for employee benefits</i>		683.945.984	676.745.918	32.878.699	33.947.796
<i>Other short term provisions</i>		571.128.396	545.630.453	27.455.323	27.370.614
<b>Non-Current liabilities</b>		<b>60.880.409.863</b>	<b>56.998.638.816</b>	<b>2.926.647.303</b>	<b>2.859.238.761</b>
Long term borrowings	22	6.766.545.676	6.459.025.794	325.281.855	324.005.929
Long term lease liabilities	22	48.600.930.419	44.654.342.098	2.336.347.312	2.240.008.332
Deferred income	7	1.274.695.004	1.233.022.744	61.277.227	61.852.467
Long term provisions		3.552.871.538	3.927.476.098	170.793.888	197.015.089
<i>Long term provisions for employee benefits</i>		610.756.750	574.013.046	29.360.341	28.794.378
<i>Other long term provisions</i>		2.942.114.788	3.353.463.052	141.433.547	168.220.711
Deferred tax liabilities		685.367.226	724.772.082	32.947.021	36.356.944
<b>SHAREHOLDERS' EQUITY</b>		<b>18.025.748.224</b>	<b>18.044.743.319</b>	<b>866.534.687</b>	<b>905.183.163</b>
<b>Equity attributable to shareholders' of the parent</b>		<b>18.025.748.224</b>	<b>18.044.743.319</b>	<b>866.534.687</b>	<b>905.183.163</b>
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		(120.745.665)	(74.584.475)	(5.804.494)	(3.741.402)
Currency translation differences		12.722.133.290	11.667.935.448	-	-
Other comprehensive income/expense to be reclassified to profit or loss					
Currency translation differences		17.617.756	165.445.988	7.882.370	8.071.040
Hedge fund		11.388.338	282.719.523	547.461	14.182.139
Gain on financial assets measured at fair value		17.094.958	26.847.705	821.790	1.346.769
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		5.397.932.457	(1.702.212.691)	626.643.772	195.884.759
Net income/(loss) for the period		(598.119.583)	7.100.145.148	(22.237.057)	430.759.013
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>102.624.710.220</b>	<b>95.803.046.438</b>	<b>4.933.381.879</b>	<b>4.805.794.808</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2023**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January- 31 March 2023	Prior period (Not Reviewed) 1 January- 31 March 2022	(*) EUR 1 January- 31 March 2023	(*) EUR 1 January- 31 March 2022
<b>Profit or loss</b>	<b>Notes</b>				
Sales	15	8.793.440.699	4.063.999.678	442.402.540	269.825.928
Cost of sales (-)	15	(8.550.724.970)	(4.408.529.990)	(423.281.007)	(281.134.106)
<b>Gross profit/(loss)</b>		<b>242.715.729</b>	<b>(344.530.312)</b>	<b>19.121.533</b>	<b>(11.308.178)</b>
General administrative expenses (-)	16	(296.236.333)	(166.562.035)	(14.684.593)	(10.841.153)
Marketing expenses (-)	16	(217.842.800)	(122.892.642)	(10.637.277)	(7.744.017)
Other operating income	17	35.944.167	2.305.950	1.776.938	141.523
Other operating expenses (-)	17	(38.420.372)	(37.202.176)	(1.872.203)	(2.381.682)
<b>Operating gain/(loss)</b>		<b>(273.839.609)</b>	<b>(668.881.215)</b>	<b>(6.295.602)</b>	<b>(32.133.507)</b>
Income from investing activities	18	147.809.735	162.188.066	7.139.935	10.253.842
Expenses from investing activities (-)	18	-	(32.601.813)	-	(2.141.528)
Share of investments income accounted for using the equity method	3	10.039.957	4.591.736	496.336	293.950
<b>Operating gain/(loss) before financial expense</b>		<b>(115.989.917)</b>	<b>(534.703.226)</b>	<b>1.340.669</b>	<b>(23.727.243)</b>
Financial income	19	516.175.096	54.101.483	25.561.966	3.423.825
Financial expense (-)	19	(1.007.907.516)	(665.252.739)	(49.614.415)	(43.022.769)
<b>Profit/(Loss) before tax</b>		<b>(607.722.337)</b>	<b>(1.145.854.482)</b>	<b>(22.711.780)</b>	<b>(63.326.187)</b>
<b>Tax income/(expense)</b>	<b>0</b>	<b>9.602.754</b>	<b>46.236.107</b>	<b>474.723</b>	<b>2.959.911</b>
Deferred tax income/(expense)		9.602.754	46.236.107	474.723	2.959.911
<b>Profit/(Loss) for the period</b>		<b>(598.119.583)</b>	<b>(1.099.618.375)</b>	<b>(22.237.057)</b>	<b>(60.366.276)</b>
Income/(loss) per share (TL) / (EUR)	20	(5,85)	(10,75)	(0,22)	(0,59)
<b>Other comprehensive income</b>					
<b>Items not to be reclassified to profit or loss</b>					
Actuarial (losses) / gains on defined benefit plans		(57.701.488)	-	(2.578.865)	-
Deferred tax effect		11.540.298	-	515.773	-
Currency translation differences		1.054.197.842	852.503.049	-	80.013
<b>Items to be reclassified to profit or loss</b>					
Currency translation differences		(147.828.232)	23.303.194	(188.670)	735.477
Gain on financial assets measured at fair value		(12.190.934)	-	(656.224)	-
Cash flow hedge		(339.163.991)	961.041.944	(17.043.348)	57.817.596
Deferred tax effect		70.270.993	(221.039.661)	3.539.915	(13.298.048)
<b>Other comprehensive income</b>		<b>579.124.488</b>	<b>1.615.808.526</b>	<b>(16.411.419)</b>	<b>45.335.038</b>
<b>Total comprehensive income</b>		<b>(18.995.095)</b>	<b>516.190.151</b>	<b>(38.648.476)</b>	<b>(15.031.238)</b>

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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 2023**

(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	Currency translation differences	Hedge reserve	Gain on financial assets measured at fair value	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	
<b>As at 1 January 2022</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(11.780.564)</b>	<b>7.812.992.040</b>	<b>66.452.418</b>	<b>125.948.205</b>	<b>-</b>	<b>20.459.941</b>	<b>270.265.658</b>	<b>(1.972.478.349)</b>	<b>6.869.846.081</b>
Transfers	-	-	-	-	-	-	-	-	(1.972.478.349)	1.972.478.349	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	(1.099.618.375)	(1.099.618.375)
Other comprehensive income / (expense)	-	-	-	852.503.049	23.303.194	740.002.283	-	-	-	-	1.615.808.526
<b>As at 31 December 2022</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(11.780.564)</b>	<b>8.665.495.089</b>	<b>89.755.612</b>	<b>865.950.488</b>	<b>-</b>	<b>20.459.941</b>	<b>(1.702.212.691)</b>	<b>(1.099.618.375)</b>	<b>7.386.036.232</b>
<b>As at 1 January 2023</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(74.584.475)</b>	<b>11.667.935.448</b>	<b>165.445.988</b>	<b>282.719.523</b>	<b>26.847.705</b>	<b>20.459.941</b>	<b>(1.702.212.691)</b>	<b>7.100.145.148</b>	<b>18.044.743.319</b>
Transfers	-	-	-	-	-	-	-	-	7.100.145.148	(7.100.145.148)	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	(598.119.583)	(598.119.583)
Other comprehensive income / (expense)	-	-	(46.161.190)	1.054.197.842	(147.828.232)	(271.331.185)	(9.752.747)	-	-	-	579.124.488
<b>As at 31 March 2023</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(120.745.665)</b>	<b>12.722.133.290</b>	<b>17.617.756</b>	<b>11.388.338</b>	<b>17.094.958</b>	<b>20.459.941</b>	<b>5.397.932.457</b>	<b>(598.119.583)</b>	<b>18.025.748.224</b>

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2023

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January- 31 March 2023	Prior period (Not Reviewed) 1 January- 31 March 2022	(*) EUR 1 January- 31 March 2023	(*) EUR 1 January- 31 March 2022
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Income/(loss) for the period</b>		<b>(598.119.583)</b>	<b>(1.099.618.375)</b>	<b>(22.237.057)</b>	<b>(60.366.276)</b>
<b>Adjustments to reconcile the income/(loss)</b>					
Depreciation and amortization	8-9-10	1.475.564.359	976.082.676	72.946.148	62.486.156
Adjustments related with impairments		28.888.041	3.412.110	1.439.106	218.434
<i>Provision for doubtful receivable</i>		<i>35.929.715</i>	<i>(1.601.574)</i>	<i>1.776.225</i>	<i>(102.528)</i>
Adjustments related with financial investment impairments		<i>(7.041.674)</i>	<i>5.013.684</i>	<i>(337.119)</i>	<i>320.962</i>
Adjustments related with provisions		(89.414.244)	115.032.053	(4.895.972)	7.164.106
<i>Provision for employee benefits</i>		<i>11.974.716</i>	<i>73.994.235</i>	<i>575.649</i>	<i>4.537.130</i>
<i>Legal provision</i>		<i>2.907.868</i>	<i>2.740.882</i>	<i>143.754</i>	<i>175.464</i>
<i>Change in redelivery provision</i>		<i>(104.296.828)</i>	<i>38.296.936</i>	<i>(5.615.375)</i>	<i>2.451.512</i>
Interest and commission income		794.900.576	399.489.104	39.196.094	26.092.915
Adjustments related with fair value expense (income)		12.190.937	-	586.044	-
<i>Adjustments related with fair value expense (income) of financial assets</i>		<i>12.190.937</i>	<i>-</i>	<i>586.044</i>	<i>-</i>
Gain on equity investments accounted for using the equity method	3	(10.039.957)	(4.591.736)	(496.336)	(293.950)
Current tax expense		(9.602.754)	(46.236.107)	(474.723)	(2.959.911)
Adjustments for (income)/expense caused by sale or changes in share of joint ventures		-	(116.249.447)	-	(7.420.674)
Other provisions related with investing or financing activities		(442.183.758)	141.923.082	(21.859.763)	9.085.529
<b>Changes in working capital</b>					
Increase in trade receivables		94.716.044	(247.678.705)	4.682.392	(15.855.717)
Increase in other receivables, prepaid expenses and other assets		(21.436.544)	(70.779.094)	(712.760)	(4.294.056)
Increase in inventories		(1.556.150)	(21.420.779)	(76.930)	(1.371.300)
Increase in trade payables		(538.609.483)	(159.150.096)	(26.626.753)	(10.188.356)
Increase in deferred income, other payables and other current liabilities		1.529.667.062	1.765.429.064	78.074.518	123.147.961
<b>Net cash generated from operating activities</b>		<b>2.224.964.546</b>	<b>1.635.643.750</b>	<b>119.544.008</b>	<b>125.444.861</b>
Payment for the employee benefits provisions		(44.854.807)	(4.128.965)	(2.164.025)	(256.772)
Payment for other provisions		(312.956)	(119.992)	(15.471)	(7.682)
		<b>2.179.796.783</b>	<b>1.631.394.793</b>	<b>117.364.512</b>	<b>125.180.407</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash inflows caused by share sales of joint ventures		-	13.050.963	-	838.056
Net cash changes from acquisition and sale of debt instruments of other entities		26.829.274	(159.887.834)	1.355.563	(9.840.316)
Net cash changes from purchase and sale of property, equipment and intangible assets		(90.006.146)	(14.655.872)	(4.449.553)	(769.525)
Interest received from financial investment		152.149.572	60.547.064	7.622.424	3.617.975
Changes in cash advances and payables		(867.601.632)	(689.479.295)	(42.890.842)	(44.138.588)
Other cash changes		(147.189.075)	(311.889.200)	(7.075.683)	(19.124.217)
		<b>(925.818.007)</b>	<b>(1.102.314.174)</b>	<b>(45.438.091)</b>	<b>(69.416.615)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in borrowings		2.250.888.380	815.508.680	111.650.000	51.753.198
Repayment of borrowings		(1.573.581.095)	(1.386.870.000)	(78.650.000)	(89.583.148)
Repayment of principal in lease liabilities		(1.694.798.427)	(808.592.226)	(83.784.227)	(56.860.397)
Interest and commission paid		(607.924.929)	(293.247.178)	(30.596.730)	(19.715.001)
Interest received		65.708.884	98.878.747	3.248.391	6.329.948
		<b>(1.559.707.187)</b>	<b>(1.574.321.977)</b>	<b>(78.132.566)</b>	<b>(108.075.400)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>					
<b>BEFORE TRANSLATION EFFECT (A+B+C)</b>		<b>(305.728.411)</b>	<b>(1.045.241.358)</b>	<b>(6.206.145)</b>	<b>(52.311.608)</b>
<b>D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS</b>		<b>597.526.949</b>	<b>1.016.229.847</b>	<b>(1.846.068)</b>	<b>3.147.261</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>291.798.538</b>	<b>(29.011.511)</b>	<b>(8.052.213)</b>	<b>(49.164.347)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>10.558.266.871</b>	<b>6.976.779.772</b>	<b>529.637.313</b>	<b>475.183.028</b>
<b>CASH AND CASH EQUIVALENTS</b>					
<b>AT THE END OF THE PERIOD (A+B+C+D+E)</b>		<b>10.850.065.409</b>	<b>6.947.768.261</b>	<b>521.585.100</b>	<b>426.018.681</b>

(\*)The functional currency of the Group 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 2023**

(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 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Esas Holding A.Ş. (“Esas Holding”)	56,65%	56,65%
Publicly held	41,53%	41,53%
Sabancı Family Members	1,82%	1,82%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

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 2023 is 6.968 (31 December 2022: 6.765). 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 consolidated financial statements as of 31 March 2023 and delegated authority for publishing it on 10 May 2023. General shareholders’ meeting has the authority to modify the financial statements.

**COVID-19 Effects**

The Covid-19 pandemic, that had worldwide negative effects, had a significant impact on the aviation industry in which the Group operates. The Group has taken several measures during 2020, 2021 and the first quarter of 2022, in order to maintain the cash position and the current ratio. Negative effects of the Covid-19 pandemic continued in the first quarter of 2022. Starting from the second quarter of 2022, recovering back to the pre-Covid-19 operational figures has been observed and impact of Covid-19 has completely disappeared.

**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 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/TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2023**

(Amounts are expressed in TL unless otherwise stated.)

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

**Statement of Compliance with TAS**

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.

**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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2023**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

**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.

**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:

- In the statement of changes in equity as of March 31, 2022, TL 22.956.441 of the foreign currency translation differences account to be reclassified to profit or loss has been reclassified to foreign currency translation differences that will not be reclassified to profit or loss.

**Basis of Consolidation**

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2023 and 31 December 2022:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2023</u>	<u>31 December 2022</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 31 March 2023 and 31 December 2022:

<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>31 March 2023</u>	<u>31 December 2022</u>		
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training Information	49%	49%	Joint venture	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	system solutions	36,82%	36,82%	Joint venture	Turkey

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2023**

(Amounts are expressed in TL unless otherwise stated.)

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

**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 changes in the current period accounting estimates for the useful lives of tangible assets and right of use assets, which is evaluated at the end of each period.

**2.3 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the condensed consolidated financial statements as of March 31, 2023 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, 2023 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, 2023 are as follows:**

**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 Group is in the process of assessing the impact of the amendments on 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 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts are expressed in TL unless otherwise stated.)

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**i) The new standards, amendments and interpretations which are effective as at January 1, 2023 are as follows:**

**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). liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and 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 Group is in the process of assessing the impact of the amendments 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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

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

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. This change has no impact on the financial position and performance of the Group.

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

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

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback**

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(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:

	<b>31 March 2023</b>	<b>31 December 2022</b>
<b>Joint ventures</b>		
Hitit Bilgisayar	348.186.452	327.481.600
PUEM	37.398.656	38.428.336
	<b>385.585.108</b>	<b>365.909.936</b>

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

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Hitit Bilgisayar	12.666.796	4.003.664
PUEM	(2.626.839)	588.072
<b>Net profit</b>	<b>10.039.957</b>	<b>4.591.736</b>

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

**PUEM**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Current assets	73.860.434	23.544.164
Non-current assets	3.519.992	64.944.400
Current liabilities	(1.254.828)	(3.373.631)
Non-current liabilities	(419.816)	(7.324.780)
<b>Net assets of joint venture</b>	<b>75.705.782</b>	<b>77.790.153</b>
Group's ownership interest in the joint venture	49,40%	49,40%
<b>Group's share in the net assets of the joint venture</b>	<b>37.398.656</b>	<b>38.428.336</b>

<b>PUEM</b>	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Revenue	-	5.108.621
Depreciation&amortisation expense	(509.865)	(1.760.579)
Interest income/(expense), net	400.045	77.983
Profit for the year	(5.317.489)	1.190.429
Group's ownership interest	49,40%	49,40%
<b>Group's share in the net profit of the joint venture</b>	<b>(2.626.839)</b>	<b>588.072</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**Hitit Bilgisayar**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Current assets	438.076.697	460.418.880
Non-current assets	616.430.943	572.104.574
Current liabilities	(65.461.055)	(103.706.250)
Non-current liabilities	(49.724.096)	(45.579.500)
<b>Net assets of joint venture</b>	<b>939.322.489</b>	<b>883.237.704</b>
Group's ownership interest in the joint venture	36,82%	36,82%
Goodwill	2.327.912	2.273.477
<b>Group's share in the net assets of the joint venture</b>	<b>348.186.452</b>	<b>327.481.600</b>
	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Revenue	119.589.769	52.532.336
Depreciation&amortisation expense	(17.952.957)	(10.412.559)
Interest income/(expense), net	4.140.944	2.848.195
Profit for the year	34.401.944	9.279.491
Group's weighted average ownership interest	36,82%	43,15%
<b>Group's share in the net profit of the joint venture</b>	<b>12.666.796</b>	<b>4.003.664</b>

**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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 - RELATED PARTY TRANSACTIONS**

**(i) Balances with Related Parties:**

**a) Other receivables from related parties**

	<b>31 March 2023</b>	<b>31 December 2022</b>
<b>Balances with joint ventures:</b>		
PUEM	328.278	603.250
	<b>328.278</b>	<b>603.250</b>

**b) Trade payables to related parties**

	<b>31 March 2023</b>	<b>31 December 2022</b>
<b>Balances with joint ventures:</b>		
Hitit Bilgisayar	15.187.842	8.828.375
<b>Balances with other related parties:</b>		
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	445.103	706.969
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	-	60.440
	<b>15.632.945</b>	<b>9.595.784</b>

**(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.

**a) Other income from related parties**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
<b>Transactions with joint ventures:</b>		
PUEM	990.153	564.571
	<b>990.153</b>	<b>564.571</b>



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 - RELATED PARTY TRANSACTIONS**

**(ii) Significant Transactions with Related Parties:**

**b) Purchases of goods or services**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
<b>Transactions with joint ventures:</b>		
Hitit Bilgisayar	35.333.109	12.675.221
PUEM	-	5.108.621
<b>Transactions with other related parties:</b>		
Alarm Sağlık	111.463	35.565
Esasburda	2.001.859	1.245.947
	<b>37.446.431</b>	<b>19.065.354</b>

**c) Rent expenses**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Esasburda(*)	5.075.655	3.271.191
	<b>5.075.655</b>	<b>3.271.191</b>

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

**d) Commission expenses**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Esas Holding	4.432.454	4.093.167
	<b>4.432.454</b>	<b>4.093.167</b>

**(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 2023 and 31 March 2022 are as follows:

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Salaries and other short term benefits	10.955.934	5.606.851
	<b>10.955.934</b>	<b>5.606.851</b>

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**NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES**

**Short term trade receivables**

The details of short term trade receivables as of 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Trade receivables	773.427.079	863.921.651
Credit card receivables	376.178.040	348.232.690
Income accruals	28.894.457	11.208.507
	<b>1.178.499.576</b>	<b>1.223.362.848</b>
Less: Allowance for impairment	(86.688.252)	(48.315.178)
	<b>1.091.811.324</b>	<b>1.175.047.670</b>

The average collection period of trade receivables is approximately 22 days (31 December 2022: 19 days).

**Short term trade payables**

The details of short term trade payables as of 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Trade payables	1.136.508.489	2.218.777.564
Accrued direct operational costs	2.395.508.715	1.702.183.668
Other accrued expenses (Note 5)	15.632.945	9.595.784
	<b>3.547.650.149</b>	<b>3.930.557.016</b>

The average credit period of trade payables is approximately 43 days (31 December 2022: 33 days).

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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 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Deposits and guarantees given(*)	75.304.179	23.340.153
Receivables from pilots for flight training	46.528.691	47.775.128
Receivables from pilots tax office	18.406.023	113.873.497
Other receivables	4.983.979	2.852.861
	<b>145.222.872</b>	<b>187.841.639</b>

(\*) The amount of TL 29.439.859 in deposits given, consists of guarantees given to the banks regarding the valuation of derivative transactions.

**Long term other receivables**

The details of long term other receivables as of 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Receivables from pilot trainings	145.782.713	169.825.358
Deposits given	438.787.417	516.648.851
	<b>584.570.130</b>	<b>686.474.209</b>

**Short term other payables**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Taxes payables	126.281.895	268.261.332
Deposits received	77.061.233	208.522.947
	<b>203.343.128</b>	<b>476.784.279</b>

**NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES**

The details of prepaid expenses as of 31 March 2023 and 31 December 2022 are as follows:

**Short term prepaid expenses**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Advances on aircraft purchases	5.392.959.806	3.582.029.083
Advances to suppliers	1.792.523.681	1.680.841.293
Prepaid insurance expenses	161.323.827	245.762.328
Other prepaid expenses	116.558.807	105.757.118
	<b>7.463.366.121</b>	<b>5.614.389.822</b>

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**NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES**

**Long term prepaid expenses**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Advances on aircraft purchases	1.225.494.743	2.656.767.113
Prepaid maintenance expenses	5.448.784.889	4.369.136.241
Other prepaid expenses	99.600.365	91.005.498
	<b>6.773.879.997</b>	<b>7.116.908.852</b>

**Deferred Revenue**

**Contract Liabilities**

The details of passenger flight liabilities as of 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Flight liability from ticket sales	4.706.325.235	3.113.826.918
Passenger airport fees received from customers (*)	1.131.141.539	878.789.793
Flight liability from flight points	371.187.882	322.300.710
	<b>6.208.654.656</b>	<b>4.314.917.421</b>

(\*) 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**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Advances received from customers	375.377.210	293.980.382
Other deferred income	399.681.951	414.872.922
	<b>775.059.161</b>	<b>708.853.304</b>

**Long term deferred income**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Income relating to deferred periods	1.274.695.004	1.233.022.744
	<b>1.274.695.004</b>	<b>1.233.022.744</b>

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**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>31 March 2023</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>							
Opening	<b>455.640.098</b>	<b>349.627.476</b>	<b>632.787.660</b>	<b>274.988.427</b>	<b>4.224.535.938</b>	<b>232.154.809</b>	<b>6.169.734.408</b>
Additions	7.214.629	24.718	19.917.435	891.435	327.092.356	61.948.240	417.088.813
Disposals	-	-	(98.145)	-	-	-	(98.145)
Transfers (*)	163.682.370	-	-	-	(314.675.620)	(163.682.370)	(314.675.620)
Currency translation differences	24.840.425	15.210.055	28.089.642	11.987.730	184.435.908	7.042.230	271.605.990
<b>Closing</b>	<b>651.377.522</b>	<b>364.862.249</b>	<b>680.696.592</b>	<b>287.867.592</b>	<b>4.421.388.582</b>	<b>137.462.909</b>	<b>6.543.655.446</b>
<b>Accumulated depreciation:</b>							
Opening	<b>(222.188.743)</b>	<b>(147.055.884)</b>	<b>(497.562.637)</b>	<b>(269.887.379)</b>	<b>(1.518.444.770)</b>	-	<b>(2.655.139.413)</b>
Depreciation for the year	(12.385.616)	(6.789.456)	(10.570.745)	(934.616)	(51.227.516)	-	(81.907.949)
Disposals	-	-	2.468	-	1.578	-	4.046
Currency translation differences	(10.017.004)	(6.589.814)	(21.944.642)	(11.767.051)	(67.508.295)	-	(117.826.806)
<b>Closing</b>	<b>(244.591.363)</b>	<b>(160.435.154)</b>	<b>(530.075.556)</b>	<b>(282.589.046)</b>	<b>(1.637.179.003)</b>	-	<b>(2.854.870.122)</b>
<b>Net book value</b>	<b>406.786.159</b>	<b>204.427.095</b>	<b>150.621.036</b>	<b>5.278.546</b>	<b>2.784.209.579</b>	<b>137.462.909</b>	<b>3.688.785.324</b>

(\*) Transfers in components represent transfers to delivery maintenance provisions and aircraft.

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**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>31 March 2022</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Owned Aircraft</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Opening	<b>328.051.474</b>	<b>240.358.784</b>	<b>420.770.320</b>	<b>201.310.205</b>	<b>2.300.278.226</b>	-	<b>62.237.743</b>	<b>3.553.006.752</b>
Additions	2.382.813	4.139.411	2.611.290	-	4.146.298	-	4.835.854	18.115.666
Currency translation difference	36.441.878	26.805.854	46.722.037	22.298.332	255.129.158	-	7.106.760	394.504.019
<b>Closing</b>	<b>366.876.165</b>	<b>271.304.049</b>	<b>470.103.647</b>	<b>223.608.537</b>	<b>2.559.553.682</b>	-	<b>74.180.357</b>	<b>3.965.626.437</b>
<b>Accumulated depreciation:</b>								
Opening	<b>(134.047.329)</b>	<b>(107.894.471)</b>	<b>(337.140.263)</b>	<b>(196.327.306)</b>	<b>(922.746.496)</b>	-	-	<b>(1.698.155.865)</b>
Depreciation for the year	(7.853.284)	(4.819.167)	(7.978.362)	(645.983)	(47.563.400)	-	-	(68.860.196)
Currency translation difference	(15.193.687)	(12.163.240)	(37.694.991)	(21.774.839)	(104.303.281)	-	-	(191.130.038)
<b>Closing</b>	<b>(157.094.300)</b>	<b>(124.876.878)</b>	<b>(382.813.616)</b>	<b>(218.748.128)</b>	<b>(1.074.613.177)</b>	-	-	<b>(1.958.146.099)</b>
<b>Net book value</b>	<b>209.781.865</b>	<b>146.427.171</b>	<b>87.290.031</b>	<b>4.860.409</b>	<b>1.484.940.505</b>	-	<b>74.180.357</b>	<b>2.007.480.338</b>

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**NOTE 9 - INTANGIBLE ASSETS**

<b>Software</b>	<b>31 March 2023</b>	<b>31 March 2022</b>
<b>Cost:</b>		
Opening	<b>839.518.220</b>	<b>518.723.852</b>
Additions	47.913.305	14.734.194
Currency translation differences	37.879.895	58.105.757
<b>Closing</b>	<b>925.311.420</b>	<b>591.563.803</b>
<b>Accumulated amortization:</b>		
Opening	<b>(552.566.578)</b>	<b>(334.778.125)</b>
Amortization for the year	(31.826.438)	(17.544.607)
Currency translation differences	(24.940.579)	(37.854.569)
<b>Closing</b>	<b>(609.333.595)</b>	<b>(390.177.301)</b>
<b>Net book value</b>	<b>315.977.825</b>	<b>201.386.502</b>

**NOTE 10 – RIGHT OF USE ASSETS**

<b>31 March 2023</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
Opening	283.893.559	148.455.626	82.964.106.462	6.206.993	83.402.662.640
Additions	-	-	3.804.419.035	-	3.804.419.035
Disposals	-	-	(913.335.336)	-	(913.335.336)
Currency translation differences	12.349.823	6.458.057	3.691.104.875	270.014	3.710.182.769
<b>Closing</b>	<b>296.243.382</b>	<b>154.913.683</b>	<b>89.546.295.036</b>	<b>6.477.007</b>	<b>90.003.929.108</b>
<b>Accumulated depreciation:</b>					
Opening	(163.725.209)	(74.916.774)	(24.406.278.019)	(6.206.993)	(24.651.126.995)
Depreciation for the period	(17.788.288)	(5.352.365)	(1.338.689.319)	-	(1.361.829.972)
Disposals	-	-	913.335.336	-	913.335.336
Currency translation differences	(7.627.046)	(3.410.871)	(1.073.781.390)	(270.014)	(1.085.089.321)
<b>Closing</b>	<b>(189.140.543)</b>	<b>(83.680.010)</b>	<b>(25.905.413.392)</b>	<b>(6.477.007)</b>	<b>(26.184.710.952)</b>
<b>Net book value</b>	<b>107.102.839</b>	<b>71.233.673</b>	<b>63.640.881.644</b>	<b>-</b>	<b>63.819.218.156</b>
<b>31 March 2022</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
Opening	138.769.727	93.447.393	49.776.169.379	4.571.527	50.012.958.026
Additions	-	-	1.857.854.547	-	1.857.854.547
Currency translation differences	15.370.971	10.350.796	5.595.144.692	506.370	5.621.372.829
<b>Closing</b>	<b>154.140.698</b>	<b>103.798.189</b>	<b>57.229.168.618</b>	<b>5.077.897</b>	<b>57.492.185.402</b>
<b>Accumulated depreciation:</b>					
Opening	(89.200.663)	(39.421.550)	(17.184.460.525)	(4.571.527)	(17.317.654.265)
Depreciation for the period	4.509.695	(14.326.285)	(879.861.283)	-	(889.677.873)
Currency translation differences	(9.681.831)	(4.997.386)	(1.925.887.991)	(506.370)	(1.941.073.578)
<b>Closing</b>	<b>(94.372.799)</b>	<b>(58.745.221)</b>	<b>(19.990.209.799)</b>	<b>(5.077.897)</b>	<b>(20.148.405.716)</b>
<b>Net book value</b>	<b>59.767.899</b>	<b>45.052.968</b>	<b>37.238.958.819</b>	<b>-</b>	<b>37.343.779.686</b>

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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 80.557.823 as of 31 March 2023 (31 December 2022: TL 76.324.018). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 20.587.265 (31 December 2022: TL 17.992.364) 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 assessment 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 June 29, 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 September 28, 2022 and this petition answered within one month. Following the rejection of the opposite party's appeal, this time an appeal was made, and the defendant's appeal was served in April 2023. This petition was also answered by the Company within the time limit. The said lawsuit continues as of December 31, 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.

Passenger Service Fee

T&T Havalimanı İşletmeciliği İnşaat Sanayi ve Ticaret Şirketi Limited filed three lawsuits against the Company before North Cyprus Lefkoşa Court of First Instance with claims of Euro 765.689, Euro 988.985 and Euro 475.031, respectively. All three lawsuits act on same claims whereby the plaintiff, as the operator of the Ercan Airport under North Cyprus Airports Services and Charges Law, claims Euro 15 passenger service fee for each Turkish Army Staff member traveling on the Company flights for the period between March 2013 and August 2020. Turkish Army Staff departing from North Cyprus are subject to an exemption from this fee under the law. The plaintiff's argument is based on the assumption that the Company has not carried any Turkish Army Staff members in this period of time. The Court of First Instance merged the first two lawsuits and rendered a judgment against the Company for a total principal payment obligation of Euro 1.679.114,2. The Company argues the legal prohibition to produce the documentation on traveling Army personnel requested by the airport operator, and further suggests that the additional controls sought by the airport operator is the responsibility of the airport operator. A judgment has not been rendered on the third lawsuit. The Company filed objection against the judgments rendered by the Court of First Instance. Considering that the claims do not rely on specific evidence and is judged on unreasonable assumptions, further taking into account the ongoing legal process, no contingency has been set aside for these lawsuits.

**NOTE 12 - COMMITMENTS**

**Purchase Commitments**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Commitments to purchase aircraft	131.201.669.503	136.528.186.673
	<b>131.201.669.503</b>	<b>136.528.186.673</b>



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**NOTE 12 - COMMITMENTS**

**Purchase Commitments**

As of 31 March 2023, the Group holds firm orders for 44 aircraft. In accordance to with agreement the expected deliveries are 11 aircraft in 2023, 22 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 6.618.454.549 (31 December 2022: TL 6.238.796.196) and TL 5.392.959.806 TL of this amount is reclassified under short term, TL 1.225.494.743 of this amount is reclassified under long term prepaid expenses (31 December 2022: TL 3.582.029.083 of this amount is reclassified under short term, TL 2.656.767.113 of this amount is reclassified under long term prepaid expenses).

**Collaterals-Pledges-Mortgages(“CPM”)**

The details of the CPMs given by the Group as of 31 March 2023 is as follows:

<b>31 March 2023</b>	<b>TL TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.395.106.196	54.251.629	10.460.023	103.531.243	35.282.820
-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	-	-	-	-	-
	<b>1.395.106.196</b>	<b>54.251.629</b>	<b>10.460.023</b>	<b>103.531.243</b>	<b>35.282.820</b>

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

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**NOTE 12 - COMMITMENTS**

**Collaterals-Pledges-Mortgages(“CPM”)**

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 March 2022.

The details of the CPMs given by the Group as of 31 December 2022 is as follows:

<b>31 December 2022</b>	<b>TL TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.801.907.497	74.312.141	9.477.775	191.406.235	32.052.059
-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	-	-	-	-	-
	<b>1.801.907.497</b>	<b>74.312.141</b>	<b>9.477.775</b>	<b>191.406.235</b>	<b>32.052.059</b>

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 2022.

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**NOTE 13 - EXPENSES BY NATURE**

The details of expenses by nature for the years periods 31 March 2023 and 31 December 2022 are as follows:

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Jet fuel expenses	3.292.797.693	1.567.306.496
Depreciation and amortisation expenses	1.475.564.359	976.082.676
Personnel expenses	1.354.828.650	647.050.232
Handling and station fees	713.705.890	376.244.304
Navigation expenses	568.720.774	320.025.735
Maintenance expenses	346.469.287	265.271.226
Landing expenses	325.850.344	153.390.255
Passenger service and catering expenses	111.411.069	34.713.800
Commission expenses	104.791.721	52.734.381
Operating lease expenses	73.728.020	-
Advertising expenses	48.961.289	22.391.243
Other expenses	647.975.007	282.774.319
	<b>9.064.804.103</b>	<b>4.697.984.667</b>

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

The Company's shareholding structure as of 31 March 2023 and 31 December 2022 are as follows:

<b>Shareholders:</b>	<b>31 March 2023</b>		<b>31 December 2022</b>	
	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>TL</b>
Esas Holding	56,65	57.959.838	56,65	57.959.838
Publicly held	41,53	42.482.689	41,53	42.482.689
Emine Kamışlı	0,61	619.060	0,61	619.060
Ali İsmail Sabancı	0,61	619.060	0,61	619.060
Kazım Köseoğlu	0,30	309.530	0,30	309.530
Can Köseoğlu	0,30	309.530	0,30	309.530
<b>TL historic capital</b>	<b>100,00</b>	<b>102.299.707</b>	<b>100,00</b>	<b>102.299.707</b>

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2022: 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 2023 and 31 December 2022 are as follows:

**Sales:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Scheduled flight and service revenue	8.674.786.817	3.978.518.311
<i>International flight revenue</i>	4.410.450.218	1.918.569.599
<i>Domestic flight revenue</i>	1.136.589.269	634.412.861
<i>Service revenue</i>	3.127.747.330	1.425.535.851
Charter flight and service revenue	73.661.179	66.030.096
<i>Charter flight revenue</i>	73.661.179	66.030.096
Other revenue	44.992.703	19.451.271
	<b>8.793.440.699</b>	<b>4.063.999.678</b>

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:

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Europe	2.901.829.864	1.294.052.484
Domestic	1.136.589.269	634.412.861
Other	1.508.620.354	624.517.115
	<b>5.547.039.487</b>	<b>2.552.982.460</b>

**Cost of sales:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Jet fuel expenses	3.292.797.693	1.567.306.496
Depreciation and amortisation expenses	1.413.057.503	937.241.267
Personnel expenses	1.224.187.885	540.987.107
Handling and station fees	713.705.890	376.244.304
Navigation expenses	568.720.774	320.025.735
Maintenance expenses	346.469.287	265.271.226
Landing expenses	325.850.344	153.390.255
Passenger service and catering expenses	111.411.069	34.713.800
Insurance expenses	97.417.895	62.506.855
Operating lease expenses	73.728.020	-
Other expenses	383.378.610	150.842.945
	<b>8.550.724.970</b>	<b>4.408.529.990</b>

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**NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Marketing expenses	217.842.800	122.892.642
General administrative expenses	296.236.333	166.562.035
	<b>514.079.133</b>	<b>289.454.677</b>

The details of general administrative expenses and marketing expenses for the periods ended 31 March 2023 and 31 March 2022 are as follows (there are no research & development expenses in the periods ended in respective dates):

**General administrative expenses:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Personnel expenses	104.873.753	78.068.836
Depreciation and amortisation expenses	50.005.485	31.073.127
IT expenses	58.779.521	35.251.288
Consultancy expenses	6.657.824	4.232.565
Communication expenses	7.401.679	748.092
Legal and notary expenses	9.763.295	2.544.674
Office utility expenses	5.596.883	2.253.278
Travel expenses	3.697.083	996.463
Training expenses	995.281	475.651
Other expenses	48.465.529	10.918.061
	<b>296.236.333</b>	<b>166.562.035</b>

**Marketing expenses:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Commission expenses	104.791.721	52.734.381
Advertising expenses	48.961.289	22.391.243
Call center expenses	20.542.654	10.038.621
Personnel expenses	25.767.012	27.994.289
Depreciation and amortisation expenses	12.501.371	7.768.282
Other expenses	5.278.753	1.965.826
	<b>217.842.800</b>	<b>122.892.642</b>

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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 2023 and 31 March 2022 are as follows:

**Other operating income:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Foreign exchange gain from operating activities	29.174.873	-
Reversal of trade receivable impairment	6.769.294	-
Other	-	2.305.950
	<b>35.944.167</b>	<b>2.305.950</b>

**Other operating expenses:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Foreign exchange loss from operating activities	-	24.411.816
Penalty expense	1.745.117	651.502
Cash and cash equivalents allowance expense	541.191	748.230
Financial investments allowance expense	-	6.001.783
Doubtful receivable allowance expense	4.381.717	2.186.586
Donations (*)	8.000.000	-
Other	23.752.347	3.202.259
	<b>38.420.372</b>	<b>37.202.176</b>

(\*) Includes donations made to the relevant institutions regarding the earthquake disaster that occurred on February 6, 2023.

**NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES**

The details of income from investing activities for the periods ended 31 March 2023 and 31 March 2022 are as follows:

**Income from investing activities:**

	<b>31 March 2023</b>	<b>31 March 2022</b>
Gain from eurobond sales (*)	1.752.459	-
Interest income from eurobond	84.439.946	45.463.867
Interest income from currency protected instruments	54.002.754	-
Foreign exchange gain from investing activities	-	116.249.447
Income from sale of fixed assets	7.041.674	-
Other income	572.902	474.752
	<b>147.809.735</b>	<b>162.188.066</b>

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**NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES**

**Expense from investing activities:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Financial investments allowance expense	-	5.013.684
Loss from aircraft sale	-	27.588.129
	<b>-</b>	<b>32.601.813</b>

(\*) Represents losses arising from the sale of financial investments accounted for at amortized cost.

**NOTE 19 - FINANCIAL INCOME AND EXPENSES**

The details of financial income and expenses for the periods ended 31 March 2023 and 31 March 2022 are as follows:

**Financial income:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Foreign exchange gain	441.610.856	-
Interest income	74.564.240	54.101.483
	<b>516.175.096</b>	<b>54.101.483</b>

**Financial expenses:**

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Interest expense on leases	635.445.955	230.174.617
Interest expense on bank loans	66.583.534	54.652.073
Other commission expenses	143.940.241	84.544.294
Interest expense on issued debt instruments	161.937.786	129.683.470
Foreign exchange loss	-	142.040.253
Losses from derivative contracts	-	24.158.032
	<b>1.007.907.516</b>	<b>665.252.739</b>

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**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 2023 and 31 March 2022 are as follows:

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Net profit/(loss)	(598.119.583)	(1.099.618.375)
Weighted average number of shares issued in the year	102.299.707	102.299.707
<b>Loss per share</b>	<b>(5,85)</b>	<b>(10,75)</b>

**NOTE 21 - DERIVATIVE INSTRUMENTS**

**Fair Value of Derivative Instruments**

	<b>31 March 2023</b>		<b>31 December 2022</b>	
	<b>Asset</b>	<b>Liability</b>	<b>Asset</b>	<b>Liability</b>
Short term	10.758.805	-	267.091.000	-
Long term	3.476.613	-	86.308.409	-
	<b>14.235.418</b>	<b>-</b>	<b>353.399.409</b>	<b>-</b>

Explanations related to derivative instruments are disclosed in Note 24.

**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Assets**

**Short term**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Financial investments measured at amortized cost	3.326.804.147	504.461.690
Financial assets recognized at fair value through profit or loss	1.198.692.681	1.171.307.715
Time Deposit (*)	754.360.192	595.321.449
Less: Allowance for impairment under TFRS 9	(27.126.030)	(9.737.616)
	<b>5.252.730.990</b>	<b>2.261.353.238</b>

(\*) This amount represents currency protected time deposit with maturities between six months and one year and interest rates in the range of 13,5-17%.

**Long term**

	<b>31 March 2023</b>	<b>31 December 2022</b>
Financial investments measured at amortized cost	1.537.105.755	4.311.901.672
Less: Allowance for impairment under TFRS 9	(9.392.583)	(34.840.749)
	<b>1.527.713.172</b>	<b>4.277.060.923</b>



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**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Assets**

**Financial investments measured at amortized cost**

<b>Company issuing security</b>	<b>31 March 2023</b>	<b>31 December 2022</b>
T.C Hazine Müsteşarlığı	3.152.467.160	3.120.197.275
Türkiye İş Bankası	494.056.009	476.045.583
Türkiye İhracat Kredi Bankası	928.575.334	929.384.975
Vakıfbank	288.811.399	290.735.529
<b>Eurobond (*)</b>	<b>4.863.909.902</b>	<b>4.816.363.362</b>

(\*) 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.

**Financial investments at fair value through profit or loss**

<b>Company issuing security</b>	<b>31 March 2023</b>	<b>31 December 2022</b>
T.C Hazine Müsteşarlığı	906.892.909	912.151.942
Türkiye İhracat Kredi Bankası	291.799.772	220.957.643
Yapi ve Kredi Bankası	-	38.198.130
<b>Eurobond (*)</b>	<b>1.198.692.681</b>	<b>1.171.307.715</b>

(\*) Fair value income or expense reflected related bond in financial assets. The securities in question are denominated in Euros and US Dollars and must pay fixed interest every year and every six months, respectively.

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

<b>Company issuing security</b>	<b>31 March 2023</b>	<b>31 December 2022</b>
T.C Hazine Müsteşarlığı	3.203.798.890	3.141.846.828
Türkiye İş Bankası	492.370.048	480.856.725
Türkiye İhracat Kredi Bankası	974.696.264	951.904.479
Vakıfbank	307.239.123	298.671.131
	<b>4.978.104.325</b>	<b>4.873.279.163</b>

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.

<b>Company issuing security</b>	<b>ISIN Code</b>	<b>Coupon Interest Rate (%)</b>	<b>FX Type</b>	<b>Carrying Amount</b>	<b>Call Date</b>
T.C Hazine Müsteşarlığı	US900123CF53	5,75%	USD	1.825.501.717	22.03.2024
T.C Hazine Müsteşarlığı	US900123AW05	7,38%	USD	1.110.524.679	5.02.2025
T.C Hazine Müsteşarlığı	XS1057340009	4,13%	EUR	216.440.765	11.04.2023
Türkiye İş Bankası	XS1578203462	6,13%	USD	494.056.009	25.04.2024
Türkiye İhracat Kredi Bankası	XS1814962582	6,13%	USD	43.654.092	3.05.2024
Türkiye İhracat Kredi Bankası	XS1917720911	8,25%	USD	884.921.241	24.01.2024
Vakıfbank	XS1970705528	8,13%	USD	288.811.399	27.03.2024
				<b>4.863.909.902</b>	

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**NOTE 22 - FINANCIAL INSTRUMENTS****Financial Assets****Financial investments measured at amortized cost**

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

ISIN Code	Company issuing security	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
XS1496463297	Türkiye İhracat Kredi Banl	%5,38	USD	117.363.523	24.10.2023
XS1917720911	Türkiye İhracat Kredi Banl	%8,22	USD	163.620.206	24.01.2024
US900123CF53	T.C Hazine Müsteşarlığı	%5,80	USD	346.800.849	22.03.2024
XS2523929474	T.C Hazine Müsteşarlığı	%9,46	USD	560.092.059	13.11.2025
XS2395576437	Türkiye İhracat Kredi Banl	%9,27	USD	10.816.044	31.01.2026
				<b>1.198.692.681</b>	

**Financial Liabilities**

The details of financial liabilities as of 31 March 2023 and 31 December 2022 are as follows:

<b>Short term financial liabilities</b>	<b>31 March 2023</b>	<b>31 December 2022</b>
Short term bank borrowings	1.575.480.597	2.119.867.677
	<b>1.575.480.597</b>	<b>2.119.867.677</b>
<b>Short term portion of long term financial liabilities</b>	<b>31 March 2023</b>	<b>31 December 2022</b>
Short term portion of long term bank borrowings	1.927.807.583	504.717.325
Principal and interest of bonds issued	643.907.426	614.486.515
Discount and commissions of bonds issued	(22.870.953)	(22.336.144)
Lease liabilities	7.124.184.137	6.669.837.262
<i>Short term portion of long term operating lease obligations</i>	608.052.859	502.189.408
<i>Short term portion of long term financial lease obligations</i>	6.516.131.278	6.167.647.854
	<b>9.673.028.193</b>	<b>7.766.704.958</b>
<b>Long term financial liabilities</b>	<b>31 March 2023</b>	<b>31 December 2022</b>
Issued debt instruments (*)	6.814.230.022	6.511.102.655
Discount and commissions of bonds issued	(47.684.346)	(52.076.861)
Lease liabilities	48.600.930.419	44.654.342.098
<i>Long term operating lease obligations</i>	3.572.711.000	3.554.654.889
<i>Long term financial lease obligations</i>	45.028.219.419	41.099.687.209
	<b>55.367.476.095</b>	<b>51.113.367.892</b>

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**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Liabilities**

**Bank Borrowings**

The effective interest rates, original currency and TL equivalents of the short and long term bank borrowings as of 31 March 2023 and 31 December 2022 are as follows :

<b>31 March 2023</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	6,80%	Euro	74.996.853	1.575.480.597
				<b>1.575.480.597</b>

<b>31 December 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	5,73%	Euro	106.145.268	2.119.867.677
				<b>2.119.867.677</b>

<b>31 March 2023</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term portion of long term bank borrowings	19,56%	TL	33.466.797	33.466.801
Short term portion of long term bank borrowings	7,46%	Euro	91.064.882	1.894.340.782
				<b>1.927.807.583</b>

<b>31 December 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term portion of long term bank borrowings	19,56%	Euro	46.742.248	46.742.255
Short term portion of long term bank borrowings	2,94%	TL	22.973.532	457.975.070
				<b>504.717.325</b>

**Lease Liabilities**

The details of financial and operating lease liabilities as of 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Less than 1 year	9.291.426.962	8.913.916.797
Between 1 - 5 years	34.982.663.818	32.570.254.924
Over 5 years	27.619.677.201	24.943.631.599
	71.893.767.981	66.427.803.320
Less: Future interest expenses	(16.168.653.425)	(15.103.623.960)
	<b>55.725.114.556</b>	<b>51.324.179.360</b>

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**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Liabilities**

Lease Liabilities

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

	<b>31 March 2023</b>	<b>31 December 2022</b>
Less than 1 year	7.124.184.137	6.669.837.262
Between 1 - 5 years	24.561.627.523	23.134.858.035
Over 5 years	24.039.302.896	21.519.484.063
	<b>55.725.114.556</b>	<b>51.324.179.360</b>

The Group acquire certain of its handling equipment and aircraft through lease arrangements. The average lease term is 6,35 years. For the period ended 31 March 2023, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 34.119.108.624 TL, is 2,38% (31 December 2022: 2,36%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 8.526.381.603, is 4,81% (31 December 2022: 5,38%).

**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.

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

**Financial Risk Factors**

*Foreign currency risk management*

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 31 March 2023 and 31 December 2022 are as follows:

<b>31 March 2023</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	759.561.169	10.829.977	361.892.929	1.568.546	153.308.755
2a. Monetary financial assets	11.261.309.564	477.088.326	1.607.410.429	3.533.308	436.200.116
2b. Non monetary financial assets	-	-	-	-	-
3. Other	302.420.408	1.628.969	265.555.424	189.398	1.208.030
<b>4. CURRENT ASSETS</b>	<b>12.323.291.141</b>	<b>489.547.272</b>	<b>2.234.858.782</b>	<b>5.291.252</b>	<b>590.716.901</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.529.621.862	79.892.503	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	164.211.620	7.681.724	625.655	1.000	16.488.083
<b>8. NON CURRENT ASSETS</b>	<b>1.693.833.482</b>	<b>87.574.227</b>	<b>625.655</b>	<b>1.000</b>	<b>16.488.083</b>
<b>9. TOTAL ASSETS</b>	<b>14.017.124.623</b>	<b>577.121.499</b>	<b>2.235.484.437</b>	<b>5.292.252</b>	<b>607.204.984</b>
10. Trade payables	1.826.956.758	47.442.996	869.391.770	289.206	42.397.773
11. Financial liabilities	3.289.711.264	169.695.205	40.726.869	-	-
12a. Other liabilities, monetary	2.037.828.529	36.757.675	1.258.917.904	2.497.150	16.229.673
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>7.154.496.551</b>	<b>253.895.876</b>	<b>2.169.036.543</b>	<b>2.786.356</b>	<b>58.627.446</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	23.687.749.700	1.236.020.942	22.892.744	-	-
16a. Other liabilities, monetary	2.942.114.796	153.667.335	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>26.629.864.496</b>	<b>1.389.688.277</b>	<b>22.892.744</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>33.784.361.047</b>	<b>1.643.584.153</b>	<b>2.191.929.287</b>	<b>2.786.356</b>	<b>58.627.446</b>
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	(19.767.236.424)	(1.066.462.654)	43.555.150	2.505.896	548.577.538
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(19.767.236.424)	(1.066.462.654)	43.555.150	2.505.896	548.577.538

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

**Financial Risk Factors**

*Foreign currency risk management*

<b>31 December 2022</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	904.659.934	11.359.231	405.626.090	2.338.427	234.046.183
2a. Monetary financial assets	8.011.021.953	347.310.899	1.141.562.050	2.173.085	326.465.577
2b. Non monetary financial assets	-	-	-	-	-
3. Other	324.326.814	1.209.583	296.242.473	188.853	1.220.042
<b>4. CURRENT ASSETS</b>	<b>9.240.008.701</b>	<b>359.879.713</b>	<b>1.843.430.613</b>	<b>4.700.365</b>	<b>561.731.802</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	4.277.060.941	228.740.631	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	283.639.643	12.018.294	42.403.538	1.000	16.491.949
<b>8. NON CURRENT ASSETS</b>	<b>4.560.700.584</b>	<b>240.758.925</b>	<b>42.403.538</b>	<b>1.000</b>	<b>16.491.949</b>
<b>9. TOTAL ASSETS</b>	<b>13.800.709.285</b>	<b>600.638.638</b>	<b>1.885.834.151</b>	<b>4.701.365</b>	<b>578.223.751</b>
10. Trade payables	2.444.807.016	91.154.711	636.182.811	777.787	86.694.265
11. Financial liabilities	3.120.881.560	164.041.779	53.579.164	-	-
12a. Other liabilities, monetary	1.908.977.901	33.040.880	1.259.393.554	88.892	29.776.951
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>7.474.666.477</b>	<b>288.237.370</b>	<b>1.949.155.529</b>	<b>866.679</b>	<b>116.471.216</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	20.635.392.471	1.102.266.949	24.874.379	-	-
16a. Other liabilities, monetary	3.353.463.049	179.345.879	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>23.988.855.520</b>	<b>1.281.612.828</b>	<b>24.874.379</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>31.463.521.997</b>	<b>1.569.850.198</b>	<b>1.974.029.908</b>	<b>866.679</b>	<b>116.471.216</b>
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	(17.662.812.712)	(969.211.560)	(88.195.757)	3.834.686	461.752.535
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(17.662.812.712)	(969.211.560)	(88.195.757)	3.834.686	461.752.535

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**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 31 March 2023 and 31 December 2022 are as follows:

<b>31 March 2023</b>	<b>Profit/(Loss)</b>		<b>Shareholders' equity</b>	
	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>
Effect of 10% change in USD rate				
USD net asset / (liability)	(2.041.849.397)	2.041.849.397	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(2.041.849.397)</b>	<b>2.041.849.397</b>	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	4.355.515	(4.355.515)	1.801.435.989	(1.801.435.989)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>4.355.515</b>	<b>(4.355.515)</b>	<b>1.801.435.989</b>	<b>(1.801.435.989)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	5.912.486	(5.912.486)	-	-
Part of hedged from GBP risk	-	-	-	-
<b>GBP net effect</b>	<b>5.912.486</b>	<b>(5.912.486)</b>	-	-
<b>31 December 2022</b>				
	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>	<b>If foreign currency appreciated 10%</b>	<b>If foreign currency depreciated 10%</b>
Effect of 10% change in USD rate				
USD net asset / (liability)	(1.812.260.851)	1.812.260.851	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(1.812.260.851)</b>	<b>1.812.260.851</b>	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(8.819.576)	8.819.576	1.776.202.380	(1.776.202.380)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>(8.819.576)</b>	<b>8.819.576</b>	<b>1.776.202.380</b>	<b>(1.776.202.380)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	8.623.902	(8.623.902)	-	-
Part of hedged from GBP risk	-	-	-	-
<b>GBP net effect</b>	<b>8.623.902</b>	<b>(8.623.902)</b>	-	-

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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**

<b>31 March 2023</b>	<b>Financial assets and liabilities at amortized cost</b>	<b>Derivative instruments which are recognized at fair value in shareholders' equity</b>	<b>Derivative instruments which are recognized at fair value in profit/loss</b>	<b>Carrying amount</b>	<b>Note</b>
<b>Financial assets</b>					
Cash and cash equivalents	10.850.065.409	-	-	10.850.065.409	27
Trade receivables	1.091.811.324	-	-	1.091.811.324	6
- <i>Other</i>	1.091.811.324	-	-	1.091.811.324	6
Other receivables	729.793.002	-	-	729.793.002	
- <i>Related party</i>	328.278	-	-	328.278	5
- <i>Other</i>	729.464.724	-	-	729.464.724	
Financial investments	4.978.104.325	1.198.692.681	-	6.780.444.162	31
Derivative financial assets	-	14.235.418	-	14.235.418	21
<b>Financial liabilities</b>					
Bank borrowings	3.503.288.180	-	-	3.503.288.180	22
Issued debt instruments	7.437.596.075	-	-	7.387.582.149	
Trade payables	3.547.650.149	-	-	3.547.650.149	6
- <i>Related party</i>	15.632.945	-	-	15.632.945	5
- <i>Other</i>	3.532.017.204	-	-	3.532.017.204	
Other payables	203.343.128	-	-	203.343.128	



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

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

**Fair Value of Financial Instruments**

<b>31 December 2022</b>	<b>Financial assets and liabilities at amortized cost</b>	<b>Derivative instruments which are recognized at fair value in shareholders' equity</b>	<b>Derivative instruments which are recognized at fair value in profit/loss</b>	<b>Carrying amount</b>	<b>Note</b>
<b>Financial assets</b>					
Cash and cash equivalents	10.558.266.871	-	-	10.558.266.871	27
Trade receivables	1.175.047.670	-	-	1.175.047.670	6
- <i>Other</i>	1.175.047.670	-	-	1.175.047.670	6
Other receivables	874.315.848	-	-	874.315.848	
- <i>Related party</i>	603.250	-	-	603.250	5
- <i>Other</i>	873.712.598	-	-	873.712.598	
Financial investments	4.873.279.163	1.171.307.715	-	6.538.414.161	31
Derivative financial assets	-	353.399.409	-	353.399.409	21
<b>Financial liabilities</b>					
Bank borrowings	2.624.585.002	-	-	2.624.585.002	22
Obligations under financial leases	7.269.758.941	-	-	7.051.176.165	
Trade payables	3.930.557.016	-	-	3.930.557.016	6
- <i>Related party</i>	9.595.784	-	-	9.595.784	5
- <i>Other</i>	3.920.961.232	-	-	3.920.961.232	
Other payables	476.784.279	-	-	476.784.279	

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**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
	31 March 2023	31 December 2022		
Fuel purchase option contracts	14.235.418	353.399.409	Level 2	Discounted cash flow method
		<b>Fuel purchase option contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>31 March 2023</b>				
<b>Fair value:</b>				
Opening		353.399.409	-	353.399.409
Fair value increase				-
Recognized in equity		(339.163.991)	-	(339.163.991)
<b>Closing</b>		<b>14.235.418</b>	<b>-</b>	<b>14.235.418</b>
Assets		14.235.418	-	14.235.418
<b>Total net assets and liabilities</b>		<b>14.235.418</b>	<b>-</b>	<b>14.235.418</b>

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

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

**Fair Value of Financial Instruments**

<b>31 December 2022</b>	<b>Fuel purchase option contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>Fair value:</b>			
Opening	163.569.088	(211.337)	163.357.751
Fair value increase / (decrease)			
Recognized in equity	189.830.321	-	189.830.321
Recognized in profit or loss	-	211.337	211.337
<b>Closing</b>	<b>353.399.409</b>	<b>-</b>	<b>353.399.409</b>
Assets	353.399.409	-	353.399.409
<b>Total net assets and liabilities</b>	<b>353.399.409</b>	<b>-</b>	<b>353.399.409</b>

The Group has forward fuel purchase option contracts, which are subject to hedge accounting, at a rate of 42.7% and 22.6% 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 March 2025. The total nominal value of these contracts is USD 394,8 million, and the weighted average price is in the range of USD 64-84. The ineffective portion of the hedge is not material as of 31 March 2023. 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 242.036.424 (31 March 2022: TL 985.022.763 derivative expenses are charged to finance expenses).

**NOTE 25 - EVENTS AFTER BALANCE SHEET DATE**

Not available.

**NOTE 26 – INCOME TAX EXPENSE**

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% from the taxation period of 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 March 31, 2023 and March 31, 2022 are presented below:

	<b>1 January- 31 March 2023</b>	<b>1 January- 31 March 2022</b>
Tax income/(expense)		
- Deferred tax income/(expense)	9.602.754	46.236.107
<b>Total tax income/(expense)</b>	<b>9.602.754</b>	<b>46.236.107</b>

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**NOTE 27 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW**

The details of cash and cash equivalents as of 31 March 2023 and 31 December 2022 are as follows:

	<b>31 March 2023</b>	<b>31 December 2022</b>
Cash on hand	1.571.102	1.774.148
Cash at banks	10.853.478.948	10.560.936.173
- Demand deposits	834.272.984	509.428.327
- Time deposits	10.019.205.964	10.051.507.846
Less: Allowance for impairment under TFRS 9	(4.984.641)	(4.443.450)
	<b>10.850.065.409</b>	<b>10.558.266.871</b>

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

<b>31 March 2023</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	4,23 %	4.807.008.708
EUR deposits	1,77 %	4.513.796.091
TL deposits	22,83 %	658.036.480
GBP deposits	0,55 %	40.364.685
		<b>10.019.205.964</b>

  

<b>31 December 2022</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	2,87 %	4.976.475.456
EUR deposits	1,00 %	4.503.344.518
TL deposits	18,37 %	533.403.104
GBP deposits	1,24 %	38.284.768
		<b>10.051.507.846</b>

All of the time deposits as of 31 March 2023 and 31 December 2022 have maturities less than 90 days.

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

### APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

#### Revenue

	Euro 1 January- 31 March 2023	Euro 1 January- 31 March 2022
Scheduled flight and service revenue	436.401.780	264.317.165
<i>International flight revenue</i>	223.302.449	129.260.393
<i>Domestic flight revenue</i>	56.662.768	41.974.241
<i>Service revenue</i>	156.436.563	93.082.531
Charter flight and service revenue	3.627.739	4.122.511
<i>Charter flight revenue</i>	3.627.739	4.122.511
Other revenue	2.373.021	1.386.252
	<b>442.402.540</b>	<b>269.825.928</b>

#### Expenses by Nature

	Euro 1 January- 31 March 2023	Euro 1 January- 31 March 2022
Jet fuel expenses	162.770.439	100.098.385
Depreciation and amortisation expenses	72.946.148	62.486.156
Personnel expenses	65.803.341	40.345.545
Handling and station fees	35.100.661	23.909.489
Navigation expenses	27.916.796	20.058.140
Maintenance expenses	18.830.193	16.980.155
Landing expenses	16.039.760	9.760.183
Commission expenses	5.089.983	3.333.568
Advertising expenses	2.404.717	1.417.506
Passenger service and catering expenses	5.359.532	2.205.432
Operating lease expenses	3.658.476	-
Other expenses	32.682.831	19.124.717
	<b>448.602.877</b>	<b>299.719.276</b>