

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  
NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2019

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 30 SEPTEMBER 2019**

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not reviewed) 30 September 2019	Prior period (Audited) 31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>		<b>6.510.102.134</b>	<b>4.412.080.391</b>
Cash and cash equivalents	26	3.925.269.721	2.741.044.971
Trade receivables	6	738.350.474	235.514.142
<i>Trade receivables from third parties</i>		<i>738.350.474</i>	<i>235.514.142</i>
Other receivables		210.563.613	479.758.270
<i>Other receivables from related parties</i>	5	-	<i>1.580.011</i>
<i>Other receivables from third parties</i>		<i>210.563.613</i>	<i>478.178.259</i>
Derivative financial instruments	21	1.655.560	3.134.337
Inventories		86.217.762	58.182.322
Prepaid expenses	7	1.499.950.838	847.933.762
Current income tax assets		-	5.954.024
Other current assets		2.459.384	40.558.563
<b>SUBTOTAL</b>		<b>6.464.467.352</b>	<b>4.412.080.391</b>
Non-current assets held for sale		45.634.782	-
<b>Non-Current assets</b>		<b>13.253.846.965</b>	<b>9.252.807.145</b>
Financial assets		146.508.950	-
Other receivables		63.086.732	72.613.409
<i>Other receivables from third parties</i>		<i>63.086.732</i>	<i>72.613.409</i>
Investments accounted by using the equity method	3	51.304.526	39.797.114
Property and equipment	8	9.729.571.731	8.248.203.635
Intangible assets	9	62.952.783	46.859.897
Right of use assets	10	2.638.359.036	-
Prepaid expenses	7	562.063.207	845.333.090
<b>TOTAL ASSETS</b>		<b>19.763.949.099</b>	<b>13.664.887.536</b>

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not reviewed) 30 September 2019	Prior period (Audited) 31 December 2018
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>4.758.143.708</b>	<b>3.554.371.119</b>
Short term financial liabilities	22	754.308.091	797.815.861
Short term portion of long term financial liabilities	22	1.454.420.310	659.409.925
Trade payables	6	942.184.744	583.526.242
<i>Trade payables to related parties</i>	5	423.354	1.158.564
<i>Trade payables to third parties</i>		941.761.390	582.367.678
Employee benefit obligations		71.354.799	25.641.632
Other payables		43.268.064	24.170.136
<i>Other payables to third parties</i>		43.268.064	24.170.136
Passenger flight liabilities	7	900.776.601	677.753.986
Derivative financial instruments	21	146.191.756	189.722.017
Deferred income		171.836.480	62.772.691
Current income tax liabilities		68.447.957	-
Short term provisions		200.430.954	508.251.575
<i>Short term provisions for employee benefits</i>		154.081.584	79.419.630
<i>Other short term provisions</i>		46.349.370	428.831.945
Other current liabilities		3.183.175	25.307.054
<b>SUBTOTAL</b>		<b>4.756.402.931</b>	<b>3.554.371.119</b>
Liabilities included in disposal groups classified as held for sale		1.740.777	-
<b>Non-Current liabilities</b>		<b>10.243.941.391</b>	<b>6.395.068.769</b>
Long term financial liabilities	22	7.985.443.730	5.064.858.596
Derivative financial instruments	21	52.991.832	104.993.760
Deferred income		202.967.877	121.994.007
Long term provisions		1.545.847.984	624.090.226
<i>Long term provisions for employee benefits</i>		21.914.307	25.019.690
<i>Other long term provisions</i>		1.523.933.677	599.070.536
Deferred tax liabilities		456.689.968	479.132.180
<b>SHAREHOLDERS' EQUITY</b>		<b>4.761.864.000</b>	<b>3.715.447.648</b>
<b>Equity attributable to shareholders' of the parent</b>		<b>4.801.083.720</b>	<b>3.753.058.255</b>
Paid-in share capital	14	102.299.707	102.299.707
Share premiums on capital stock		455.687.025	455.687.025
Effects of business acquisition		31.729.006	31.729.006
Other comprehensive income/expense not to be reclassified to profit or loss			
Actuarial losses on defined benefit plans		(2.132.417)	(2.132.417)
Currency translation differences		2.144.441.520	2.131.817.567
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		(105.672.040)	(89.760.549)
Hedge fund		(149.470.907)	(221.159.956)
Restricted profit reserves		18.542.287	5.016.306
Retained earnings		995.111.922	832.182.941
Net profit for the period		1.310.547.617	507.378.625
<b>Non-controlling interest</b>		<b>(39.219.720)</b>	<b>(37.610.607)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>19.763.949.099</b>	<b>13.664.887.536</b>

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

Profit or loss	Notes	Current period	Prior period	Current period	Prior period
		(Not Reviewed)	(Not Reviewed)	(Not Reviewed)	(Not Reviewed)
		1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Sales	15	8.513.496.028	6.243.781.039	4.117.149.653	3.351.381.307
Cost of sales (-)	15	(6.155.155.315)	(4.970.600.145)	(2.335.692.427)	(2.219.703.840)
<b>Gross profit</b>		<b>2.358.340.713</b>	<b>1.273.180.894</b>	<b>1.781.457.226</b>	<b>1.131.677.467</b>
General administrative expenses (-)	16	(186.421.410)	(182.470.214)	(63.478.931)	(72.966.039)
Marketing expenses (-)	16	(236.475.405)	(183.655.623)	(80.417.490)	(72.285.778)
Other operating income	17	251.043	903.382	149.767	254.642
Other operating expenses (-)	17	(56.610.679)	(126.260.954)	(108.001.705)	(224.471.870)
<b>Operating profit</b>		<b>1.879.084.262</b>	<b>781.697.485</b>	<b>1.529.708.867</b>	<b>762.208.422</b>
Income from investing activities	18	843.625	28.330.672	11.695	4.737.770
Share of investments income accounted for using the equity method	3	11.274.528	8.900.835	4.896.748	5.614.584
<b>Operating profit before financial expense</b>		<b>1.891.202.415</b>	<b>818.928.992</b>	<b>1.534.617.310</b>	<b>772.560.776</b>
Financial income	19	71.627.713	90.404.988	27.418.477	47.194.611
Financial expense (-)	19	(544.917.029)	(173.562.367)	(251.710.331)	(3.843.551)
<b>Profit before tax</b>		<b>1.417.913.099</b>	<b>735.771.613</b>	<b>1.310.325.456</b>	<b>815.911.836</b>
<b>Tax income expense</b>		<b>(106.166.685)</b>	<b>(92.377.060)</b>	<b>(107.709.487)</b>	<b>(72.782.472)</b>
Current tax expense		(77.612.692)	(18.358.293)	(77.612.692)	(18.358.293)
Deferred tax expense		(28.553.993)	(74.018.767)	(30.096.795)	(54.424.179)
<b>Profits for the period</b>		<b>1.311.746.414</b>	<b>643.394.553</b>	<b>1.202.615.969</b>	<b>743.129.364</b>
<b>Net profit / (loss) attributable to:</b>					
Non-controlling interest		1.198.797	(1.773.310)	2.586.897	723.925
Shareholders' of the parent		1.310.547.617	645.167.863	1.200.029.072	742.405.439
		<b>1.311.746.414</b>	<b>643.394.553</b>	<b>1.202.615.969</b>	<b>743.129.364</b>
Profit per share (TL)	20	12,81	6,31	11,73	7,26
<b>Other comprehensive income</b>					
<b>Items not to be reclassified to profit or loss</b>					
Currency translation differences		12.623.953	1.415.770.099	(328.210.202)	1.086.108.472
<b>Items to be reclassified to profit or loss</b>					
Currency translation differences		(18.719.401)	(79.703.939)	4.805.611	(51.066.752)
Cash flow hedge		92.706.134	94.859.644	(88.966.367)	44.083.654
Deferred tax effect		(21.017.085)	(11.373.693)	20.169.250	391.057
<b>Other comprehensive income</b>		<b>65.593.601</b>	<b>1.419.552.111</b>	<b>(392.201.708)</b>	<b>1.079.516.431</b>
<b>Total comprehensive income</b>		<b>1.377.340.015</b>	<b>2.062.946.664</b>	<b>810.414.261</b>	<b>1.822.645.795</b>
<b>Total comprehensive income attributable to:</b>					
Non-controlling interest		(1.609.113)	(12.913.514)	3.307.739	(6.341.211)
Shareholders' of the parent		1.378.949.128	2.075.860.178	807.106.522	1.828.987.006
		<b>1.377.340.015</b>	<b>2.062.946.664</b>	<b>810.414.261</b>	<b>1.822.645.795</b>

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

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss			Retained earnings				
	Paid in share capital	Share premiums on capital stock	Effects of business acquisition	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
<b>As at 1 January 2018</b>	<b>102.272.000</b>	<b>455.687.025</b>	<b>29.504.957</b>	<b>(3.305.232)</b>	<b>1.079.050.983</b>	<b>(43.927.223)</b>	<b>23.761.279</b>	<b>5.016.306</b>	<b>355.561.802</b>	<b>502.247.817</b>	<b>2.505.869.714</b>	<b>(21.231.508)</b>	<b>2.484.638.206</b>
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(18.756.002)	-	(18.756.002)	-	(18.756.002)
<b>Restated total equity as at 1 January 2018</b>	<b>102.272.000</b>	<b>455.687.025</b>	<b>29.504.957</b>	<b>(3.305.232)</b>	<b>1.079.050.983</b>	<b>(43.927.223)</b>	<b>23.761.279</b>	<b>5.016.306</b>	<b>336.805.800</b>	<b>502.247.817</b>	<b>2.487.113.712</b>	<b>(21.231.508)</b>	<b>2.465.882.204</b>
Transfers	-	-	-	-	-	-	-	-	502.247.817	(502.247.817)	-	-	-
Total comprehensive income	-	-	-	-	1.426.910.303	(79.703.939)	83.485.951	-	-	645.167.863	2.075.860.178	(12.913.514)	2.062.946.664
<b>As at 30 September 2018</b>	<b>102.272.000</b>	<b>455.687.025</b>	<b>29.504.957</b>	<b>(3.305.232)</b>	<b>2.505.961.286</b>	<b>(123.631.162)</b>	<b>107.247.230</b>	<b>5.016.306</b>	<b>839.053.617</b>	<b>645.167.863</b>	<b>4.562.973.890</b>	<b>(34.145.022)</b>	<b>4.528.828.868</b>
<b>As at 1 January 2019</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>31.729.006</b>	<b>(2.132.417)</b>	<b>2.131.817.567</b>	<b>(89.760.549)</b>	<b>(221.159.956)</b>	<b>5.016.306</b>	<b>832.182.941</b>	<b>507.378.625</b>	<b>3.753.058.255</b>	<b>(37.610.607)</b>	<b>3.715.447.648</b>
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(330.923.663)	-	(330.923.663)	-	(330.923.663)
<b>Restated total equity as at 1 January 2019</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>31.729.006</b>	<b>(2.132.417)</b>	<b>2.131.817.567</b>	<b>(89.760.549)</b>	<b>(221.159.956)</b>	<b>5.016.306</b>	<b>501.259.278</b>	<b>507.378.625</b>	<b>3.422.134.592</b>	<b>(37.610.607)</b>	<b>3.384.523.985</b>
Transfers	-	-	-	-	-	-	-	13.525.981	493.852.644	(507.378.625)	-	-	-
Total comprehensive income	-	-	-	-	12.623.953	(15.911.491)	71.689.049	-	-	1.310.547.617	1.378.949.128	(1.609.113)	1.377.340.015
<b>As at 30 September 2019</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>31.729.006</b>	<b>(2.132.417)</b>	<b>2.144.441.520</b>	<b>(105.672.040)</b>	<b>(149.470.907)</b>	<b>18.542.287</b>	<b>995.111.922</b>	<b>1.310.547.617</b>	<b>4.801.083.720</b>	<b>(39.219.720)</b>	<b>4.761.864.000</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts are expressed in TL unless otherwise stated.)

		<b>Current period (Not Reviewed) 1 January- 30 September 2019</b>	<b>Prior period (Not Reviewed) 1 January- 30 September 2018</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the period</b>		<b>1.311.746.414</b>	<b>643.394.553</b>
<b>Adjustments to reconcile the profit</b>			
Depreciation and amortization	8-9-10	1.137.406.690	371.594.567
Adjustments related with impairments		3.137.363	191.896
<i>Provision for doubtful receivable</i>		<i>3.137.363</i>	<i>191.896</i>
Adjustments related with provisions		(233.641.104)	269.610.474
<i>Provision for employee benefits</i>		<i>135.877.577</i>	<i>66.685.402</i>
<i>Legal provision</i>		<i>(722.465)</i>	<i>823.197</i>
<i>Change in redelivery provision</i>		<i>(368.796.216)</i>	<i>147.337.059</i>
<i>Provision for tax restructuring expenses</i>		<i>-</i>	<i>54.764.816</i>
Interest and commission income	19	342.672.010	84.154.211
Gain on equity investments accounted for using the equity method	3	(11.274.528)	(8.900.835)
Current tax expense		106.166.685	92.377.060
Other provisions related with investing or financing activities		(1.347.278)	(25.887.104)
<b>Changes in working capital</b>			
Increase in trade receivables		(506.754.584)	(423.577.222)
Increase in other receivables, prepaid expenses, other and financial assets		(238.643.212)	(631.106.204)
Increase in inventories		(28.035.440)	(25.604.851)
Increase in trade payables		358.658.502	418.942.519
Increase in deferred income, other payables and other current liabilities		449.456.226	263.397.370
<b>Net cash generated from operating activities</b>		<b>2.689.547.744</b>	<b>1.028.586.434</b>
Payment for the employee benefits provisions		(64.816.656)	(32.288.151)
Payment for other provisions		(213.113)	(28.535)
		<b>2.624.517.975</b>	<b>996.269.748</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of aircraft		-	88.849.440
Proceeds from sale of property, equipment and intangible assets		1.430.236	18.820.502
Cash outflows from purchase of property, equipment and intangible assets		126.647.337	(200.458.942)
Changes in cash advances and payables		(161.939.582)	(192.260.251)
		<b>(33.862.009)</b>	<b>(285.049.251)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in borrowings		426.168.500	423.727.650
Repayment of borrowings		(403.192.450)	(661.693.250)
Repayment of principal in lease liabilities		(1.250.159.498)	(360.376.626)
Interest and commission paid		(318.725.432)	(162.971.550)
Interest received		67.348.700	84.733.376
		<b>(1.478.560.180)</b>	<b>(676.580.400)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)</b>		<b>1.112.095.786</b>	<b>34.640.097</b>
<b>D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>72.128.964</b>	<b>1.413.909.171</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
<b>AT THE BEGINNING OF THE PERIOD</b>	26	2.741.044.971	1.988.110.247
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE END OF THE PERIOD (A+B+C+D+E)</b>	26	<b>3.925.269.721</b>	<b>3.436.659.515</b>

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

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The shareholders and their respective holdings in the Company as of 30 September 2019 and 31 December 2018 are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Esas Holding A.Ş. (“Esas Holding”)	62,91%	62,91%
Publicly held	34,53%	34,53%
Sabancı Family Members	2,56%	2,56%
<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 30 September 2019 is 6.033 (31 December 2018: 5.621). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

#### Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 30 September 2019 and delegated authority for publishing it on 11 November 2019.

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

#### 2.1 Basis of Presentation

##### Statement of Compliance with TAS

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

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

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations (“TAS/IFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The accompanying consolidated financial statements are presented in accordance with the “Announcement regarding to TAS Taxonomy” which was published on 7 June 2019 by POA and the format and mandatory information recommended by CMB.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation (cont'd)**

**Statement of Compliance with TAS (cont'd)**

The Group has prepared the condensed financial statements and its notes for the interim period ended 30 September 2019 in accordance with TAS 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore, these financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2018.

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

**Functional and Presentation Currency**

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

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

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

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

Presentation currency of the Group’s financial statements is TL. Financial Statements have been translated from Euro and US Dollar to TL in accordance with the relevant provisions of TAS 21 (“The Effects of Changes in Foreign Exchange Rates”) as follows:

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey (“TCMB”) Euro buying rate prevailing at the balance sheet date; 30 September 2019: 1 Euro (€) = TL 6,1836, 1 US Dollar (\$) = TL 5,6591 (31 December 2018: 1 Euro (€) = TL 6,0280, 1 US Dollar (\$) = TL 5,2609).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions and translated from US Dollar to TL using the TCMB US Dollar average buying rates.

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

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

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

##### 2.1 Basis of Presentation (cont'd)

###### 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 order to comply with the Financial Statements Samples and Term Guidelines which has published on 7 June 2019, the Group has added the "Contract Liabilities" account in interim condensed consolidated financial statements and amounting to TL 677.753.986 previously presented in "Deferred income" is reclassified under to "Contract liabilities" as of September 30, 2019.

###### Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2019 and 31 December 2018:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2019</u>	<u>31 December 2018</u>	
Air Manas (*)	Air transportation	49%	49%	Kyrgyzstan
PHT	Simulator technical support and maintenance	100%	100%	Turkey

(\*) In accordance with its rights arising from Air Manas Articles of Association, the Company has the right to control Air Manas operations with 49% shareholding rate and therefore, Air Manas was included in line by line consolidation as a subsidiary as of 30 September 2019 and 31 December 2018. Pursuant to the resolution of our Board of Directors dated September 12, 2019, the Company executed an agreement with AviaTrade Corp. LP operating in the United Kingdom for the sale of our entire 49% participation interest in our subsidiary Air Manas (Note 25).

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 30 September 2019 and 31 December 2018:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2019</u>	<u>31 December 2018</u>	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	50%	50%	Turkey

##### 2.2 Significant Accounting Policies and Changes

The accounting policies, presentation and methods of computation are consistent with those of the financial year ended 31 December 2018 and corresponding interim reporting period, except for the adoption of new accounting policies for transactions occurred during the six months beginning 1 January 2019.

The Group adopted TFRS 16 Leases for the first time for the period beginning on 1 January 2019.

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(Amounts are expressed in TL unless otherwise stated.)

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

**2.2 Significant Accounting Policies and Changes (cont'd)**

**a) New standards and interpretations applied**

**(i) TFRS 16 Leases**

Set out below are the new accounting policies of the Group upon adoption of TFRS 16:

**Right of use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

**2.2 Significant Accounting Policies and Changes (cont'd)**

**a) New standards and interpretations applied (cont'd)**

**(i) TFRS 16 Leases (cont'd)**

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**b) First transition to TFRS 16 Leases standard:**

The Group adopted the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying TFRS 16 as at January 1, 2019, to retained earnings and not restate prior years.

The Group applied this standard in the operational aircraft rental agreements, service buildings in the terminals that are used for aviation and ticket sales activities, lands, parking and filling areas, sheds used for storing luggage and cargo of the passengers it carried, office and warehouse rental agreements which it has previously defined as leasing by applying TAS 17 Leases.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

2.2 Significant Accounting Policies and Changes (cont'd)

b) First transition to TFRS 16 Leases standard (cont'd):

Impacts of transition to TFRS 16 are as follows:

	<b>1 January 2019</b>
Operational lease commitments	3.333.435.370
- Short term and low value leases (-)	(1.185.154)
Total lease liability	3.332.250.216
<b>Lease liability discounted with alternative borrowing rate (equivalent of TL)</b>	<b>2.880.011.717</b>
- Short term lease liability	426.266.369
- Other short term provisions	145.042.883
- Long term lease liability	1.547.227.328
- Other long term provisions	761.475.137

The details of the right of use assets according to asset types are as follows:

	<b>30 September 2019</b>	<b>1 January 2019</b>
Aircraft	2.598.482.078	2.416.063.542
Field Rental	19.119.519	28.126.554
Building	19.818.104	22.391.742
Other	939.335	1.881.318
<b>Net book value</b>	<b>2.638.359.036</b>	<b>2.468.463.156</b>

The impact of adoption of TFRS 16 on retained earnings as of 1 January 2019 is stated as below:

	<b>1 January 2019</b>
<b>Assets</b>	
Right of use assets	<b>2.468.463.156</b>
<b>Liabilities</b>	
Lease liabilities	(1.983.768.435)
Redelivery provisions	(897.743.433)
Deferred tax liabilities	82.609.742
<b>Total Liabilities</b>	<b>(2.798.902.126)</b>
<b>Equity</b>	<b>(330.438.970)</b>

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

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

**2.2 Significant Accounting Policies and Changes (cont'd)**

**b) First transition to TFRS 16 Leases standard (cont'd):**

	<b>30 September 2019</b>	<b>TFRS 16 Effects</b>	<b>30 September 2019 (excluding effects)</b>
<b>Profit or loss</b>			
Sales	8.513.496.028	-	8.513.496.028
Cost of sales (-)	(6.155.155.315)	224.558.984	(6.379.714.299)
<b>Gross profit</b>	<b>2.358.340.713</b>	<b>224.558.984</b>	<b>2.133.781.729</b>
General administrative expenses (-)	(186.421.410)	-	(186.421.410)
Marketing expenses (-)	(236.475.405)	-	(236.475.405)
Other operating income	251.043	-	251.043
Other operating expenses (-)	(56.610.679)	-	(56.610.679)
<b>Operating profit</b>	<b>1.879.084.262</b>	<b>224.558.984</b>	<b>1.654.525.278</b>
Income from investing activities	843.625	-	843.625
Share of investments income accounted for using the equity method	11.274.528	-	11.274.528
<b>Operating profit before financial expense</b>	<b>1.891.202.415</b>	<b>224.558.984</b>	<b>1.666.643.431</b>
Financial income	71.627.713	-	71.627.713
Financial expense (-)	(544.917.029)	(189.484.655)	(355.432.374)
<b>Profit before tax</b>	<b>1.417.913.099</b>	<b>35.074.329</b>	<b>1.382.838.770</b>
<b>Tax income expense</b>	<b>(106.166.685)</b>	<b>8.466.952</b>	<b>(114.633.637)</b>
Current tax expense	(77.612.692)	-	(77.612.692)
Deferred tax expense	(28.553.993)	8.466.952	(37.020.945)
<b>Profits for the period</b>	<b>1.311.746.414</b>	<b>43.541.281</b>	<b>1.268.205.133</b>
<b>Net profit / (loss) attributable to:</b>			
Non-controlling interest	1.198.797	-	1.198.797
Shareholders' of the parent	1.310.547.617	43.541.281	1.267.006.336
	<b>1.311.746.414</b>	<b>43.541.281</b>	<b>1.268.205.133</b>
Profit per share (TL)	12,81	0,43	12,38
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss</b>			
Currency translation differences	12.623.953	-	12.623.953
<b>Items to be reclassified to profit or loss</b>			
Currency translation differences	(18.719.401)	-	(18.719.401)
Cash flow hedge	92.706.134	-	92.706.134
Deferred tax effect	(21.017.085)	-	(21.017.085)
<b>Other comprehensive income</b>	<b>65.593.601</b>	<b>-</b>	<b>65.593.601</b>
<b>Total comprehensive income</b>	<b>1.377.340.015</b>	<b>43.541.281</b>	<b>1.333.798.734</b>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interest	(1.609.113)	-	(1.609.113)
Shareholders' of the parent	1.378.949.128	43.541.281	1.335.407.847
	<b>1.377.340.015</b>	<b>43.541.281</b>	<b>1.333.798.734</b>

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

**2.3 Changes in Accounting Estimates**

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2018.

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

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at September 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:**

**TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

The Group has applied this standard with a modified retrospective approach and disclosed the impact on its financial position and performance in Note 2.2.

TMS 28 (Amendments)	Investments in Associates and Joint Ventures
TFRYK 23	Uncertainties Regarding Income Tax Applications
2015–2017 Period Annual Improvements	TFRS 3 Business Combinations, TFRS 11 Joint
Agreements TMS 12 Income Tax, TMS 23 Borrowing Costs	
TMS 19 (Amendments)	Amendments to the Plan, Downsizing or Fulfillment
TFRS 9 (Amendments)	Negative Compensation Early Payment Features

**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 interim consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

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

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

**ii) Standards issued but not yet effective and not early adopted (cont'd)**

**TFRS 17 - The new Standard for insurance contracts**

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**Definition of a Business (Amendments to TFRS 3)**

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

The amendments:

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

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

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

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

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

The 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

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

#### 2.5 Seasonality on Operations

Due to seasonality of air passenger transportation, Company expected to incur higher sales revenue in the second and third quarter compared to the first and fourth quarter. As a result of higher sales with the effect of summer season and growth of the Company, trade receivables and passenger flight liabilities under deferred income increased as of 30 September 2019 compared to last year-end.

### NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 September 2019	31 December 2018
<b>Joint ventures</b>		
Hitit Bilgisayar	39.750.771	29.695.050
PUEM	11.553.755	10.102.064
	<b>51.304.526</b>	<b>39.797.114</b>

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

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Hitit Bilgisayar	10.055.722	7.555.774	4.187.376	4.979.960
PUEM	1.218.806	1.345.061	709.372	634.624
<b>Net profit</b>	<b>11.274.528</b>	<b>8.900.835</b>	<b>4.896.748</b>	<b>5.614.584</b>

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

#### PUEM

	30 September 2019	31 December 2018
Current assets	465.811	310.426
Non-current assets	24.188.906	23.292.609
Current liabilities	(689.286)	(2.648.532)
Non-current liabilities	(577.260)	(504.980)
<b>Net assets of joint venture</b>	<b>23.388.171</b>	<b>20.449.523</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>11.553.755</b>	<b>10.102.064</b>

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

PUEM (cont'd)

	1 January- 30 September 2019	1 January- 30 September 2018
Revenue	7.432.768	6.758.905
Depreciation&amortisation expense	(1.851.340)	(1.472.077)
Interest income/(expense), net	(325.079)	(859.896)
Profit for the year	2.467.219	2.722.796
Group's ownership interest	49,40%	49,40%
<b>Group's share in the net profit of the joint venture</b>	<b>1.218.806</b>	<b>1.345.061</b>

Hitit Bilgisayar

	30 September 2019	31 December 2018
Current assets	36.451.295	28.644.555
Non-current assets	56.593.566	39.786.447
Current liabilities	(11.432.155)	(10.063.146)
Non-current liabilities	(3.896.189)	(762.780)
<b>Net assets of joint venture</b>	<b>77.716.517</b>	<b>57.605.076</b>
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
<b>Group's share in the net assets of the joint venture</b>	<b>39.750.771</b>	<b>29.695.050</b>

	1 January- 30 September 2019	1 January- 30 September 2018
Revenue	68.790.090	42.280.346
Depreciation&amortisation expense	(4.643.580)	(2.976.834)
Interest income/(expense), net	475.909	224.263
Profit for the year	20.111.444	15.111.548
Group's weighted average ownership interest	50%	50%
<b>Group's share in the net profit of the joint venture</b>	<b>10.055.722</b>	<b>7.555.774</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 4 - SEGMENT REPORTING

The Group is managed as a single business unit that provides low fares airline-related services, including scheduled services, charter services, ancillary services and other services. The Group's Chief Operating Decision Maker is the Board of Directors. The resource allocation decisions are based on the entire network and the deployment of the entire aircraft fleet. The objective in making resource allocation decisions is to maximise consolidated financial results, rather than results on individual routes within the network. All other assets and liabilities have been allocated to the Group's single reportable segment.

### NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in normal course of business.

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

##### a) Other receivables from related parties

	30 September 2019	31 December 2018
<b>Balances with joint ventures and subsidiaries:</b>		
PUEM	-	1.580.011
	-	<b>1.580.011</b>

##### b) Trade payables to related parties

	30 September 2019	31 December 2018
<b>Balances with joint ventures and subsidiaries:</b>		
Hitit Bilgisayar	11.769	1.012.372
PUEM	246.393	-
<b>Balances with other related parties:</b>		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	165.192	146.192
	<b>423.354</b>	<b>1.158.564</b>

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

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

The Group also leases their head office building from Esasburda İnşaat Sanayi ve Ticaret A.Ş. ("Esasburda"), another Esas Holding subsidiary, and records rent expense.

The Group receives 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.

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**NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)**

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

**a) Sale of services**

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
<b>Transactions with joint ventures and subsidiaries:</b>				
PUEM	1.379.217	1.635.238	776.220	680.149
	<b>1.379.217</b>	<b>1.635.238</b>	<b>776.220</b>	<b>680.149</b>

**b) Purchases of goods or services**

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
<b>Transactions with joint ventures and subsidiaries:</b>				
Hitit Bilgisayar	13.734.417	9.712.860	3.438.734	2.992.948
PUEM	7.432.768	6.758.905	2.754.690	2.217.844
<b>Transactions with other related parties:</b>				
Esasburda	2.202.258	1.519.384	961.928	521.196
Other	35.912	27.527	4.712	3.039
	<b>23.405.355</b>	<b>18.018.676</b>	<b>7.160.064</b>	<b>5.735.027</b>

**c) Rent expenses**

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Esasburda	6.344.943	5.631.517	2.115.249	2.102.169
	<b>6.344.943</b>	<b>5.631.517</b>	<b>2.115.249</b>	<b>2.102.169</b>

**d) Surety commission expenses**

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Esas Holding (Note 19)	8.800.380	6.837.344	2.920.650	2.532.801
	<b>8.800.380</b>	<b>6.837.344</b>	<b>2.920.650</b>	<b>2.532.801</b>

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

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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#### NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

##### (iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Salaries and other short term benefits	18.401.579	9.965.933	2.203.566	3.413.505
Other long term benefits	2.114.002	810.479	-	-
	<b>20.515.581</b>	<b>10.776.412</b>	<b>2.203.566</b>	<b>3.413.505</b>

#### NOTE 6 - TRADE RECEIVABLES AND PAYABLES

##### Short term trade receivables

The details of short term trade receivables as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Trade receivables	278.814.632	183.818.051
Credit card receivables	465.884.066	60.138.676
Income accruals	7.517.322	2.163.918
	<b>752.216.020</b>	<b>246.120.645</b>
Less: Allowance for doubtful receivables	(13.865.546)	(10.606.503)
	<b>738.350.474</b>	<b>235.514.142</b>

The average collection period of trade receivables is approximately 19 days (31 December 2018: 20 days).

##### Short term trade payables

The details of short term trade payables as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Trade payables	544.790.710	404.564.278
Accrued direct operational costs	367.882.427	125.651.810
Other accrued expenses	29.088.253	52.151.590
Due to related parties (Note 5)	423.354	1.158.564
	<b>942.184.744</b>	<b>583.526.242</b>

The average credit period of trade payables is approximately 33 days (31 December 2018: 25 days).

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**NOTE 7 - PREPAID EXPENSES AND PASSENGER FLIGHT LIABILITIES**

The details of prepaid expenses as of 30 September 2019 and 31 December 2018 are as follows:

**Short term prepaid expenses**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Advances on aircraft purchases	1.071.283.523	404.326.349
Advances to suppliers	359.476.523	344.837.476
Prepaid aircraft operating lease expenses	-	46.506.839
Prepaid insurance expenses	50.399.586	26.967.518
Prepaid advertising expenses	223.463	450.732
Other prepaid expenses	18.567.743	24.844.848
	<b>1.499.950.838</b>	<b>847.933.762</b>

**Long term prepaid expenses**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Advances on aircraft purchases	229.763.396	663.541.132
Other prepaid expenses	332.299.811	181.791.958
	<b>562.063.207</b>	<b>845.333.090</b>

The details of contract liabilities as of 30 September 2019 and 31 December 2018 are as follows:

**Passenger flight liabilities:**

The details of passenger flight liabilities as of 30 September 2019 and 31 December 2018 are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Flight liability from ticket sales	630.895.633	496.132.705
Passenger airport fees received from customers	196.246.126	138.844.563
Flight liability from flight points	73.634.842	42.776.718
	<b>900.776.601</b>	<b>677.753.986</b>

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**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>30 September 2019</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 and leased aircraft</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Opening	107.827.347	100.683.168	151.141.325	79.369.370	1.007.485.389	8.977.788.704	3.713.862	10.428.009.165
Additions	36.977.726	79.985	9.137.435	3.920.281	93.435.252	1.680.682.259	1.430.307	1.825.663.245
Disposals	-	(1.378.467)	(567.198)	-	-	-	-	(1.945.665)
Transfers	-	-	-	-	-	(63.261.187)	-	(63.261.187)
Currency translation differences	(8.643.511)	1.134.423	3.391.451	1.494.190	19.456.788	249.353.633	63.154	266.250.128
<b>Closing</b>	<b>136.161.562</b>	<b>100.519.109</b>	<b>163.103.013</b>	<b>84.783.841</b>	<b>1.120.377.429</b>	<b>10.844.563.409</b>	<b>5.207.323</b>	<b>12.454.715.686</b>
<b>Accumulated depreciation:</b>								
Opening	(21.043.895)	(23.059.619)	(97.346.345)	(65.504.421)	(204.998.522)	(1.767.852.728)	-	(2.179.805.530)
Depreciation for the year	(7.661.915)	(6.096.758)	(11.761.037)	(5.987.308)	(38.725.550)	(435.996.601)	-	(506.229.169)
Disposals	-	895.282	463.772	-	-	-	-	1.359.054
Transfers	-	-	-	-	-	27.975.497	-	27.975.497
Currency translation differences	281.009	52.656	(2.106.636)	(1.302.681)	(4.405.917)	(60.962.238)	-	(68.443.807)
<b>Closing</b>	<b>(28.424.801)</b>	<b>(28.208.439)</b>	<b>(110.750.246)</b>	<b>(72.794.410)</b>	<b>(248.129.989)</b>	<b>(2.236.836.070)</b>	<b>-</b>	<b>(2.725.143.955)</b>
<b>Net book value</b>	<b>107.736.761</b>	<b>72.310.670</b>	<b>52.352.767</b>	<b>11.989.431</b>	<b>872.247.440</b>	<b>8.607.727.339</b>	<b>5.207.323</b>	<b>9.729.571.731</b>

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**NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)**

<b>30 September 2018</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 and leased aircraft</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Opening	72.526.512	75.261.821	101.564.014	58.525.763	499.675.611	5.106.452.248	3.510.816	5.917.516.785
Additions	2.955.646	592.671	4.062.462	41.809	155.641.369	2.113.574.873	-	2.276.868.830
Disposals	-	(1.801.183)	(858.915)	-	(12.547.457)	(144.286.346)	(1.735.361)	(161.229.262)
Transfers	-	-	1.183.019	1.069.125	-	-	(2.252.144)	-
Currency translation differences	40.051.579	40.313.004	55.957.922	31.874.532	308.055.867	3.201.879.844	821.669	3.678.954.417
<b>Closing</b>	<b>115.533.737</b>	<b>114.366.313</b>	<b>161.908.502</b>	<b>91.511.229</b>	<b>950.825.390</b>	<b>10.277.620.619</b>	<b>344.980</b>	<b>11.712.110.770</b>
<b>Accumulated depreciation:</b>								
Opening	(10.771.676)	(12.180.327)	(62.382.916)	(43.069.275)	(111.270.901)	(1.015.320.632)	-	(1.254.995.727)
Depreciation for the year	(4.724.078)	(5.584.250)	(10.150.419)	(5.547.667)	(39.938.344)	(297.246.501)	-	(363.191.259)
Disposals	-	1.032.945	716.472	-	632.856	77.772.358	-	80.154.631
Currency translation differences	(7.108.188)	(7.816.533)	(36.180.033)	(24.723.934)	(70.565.710)	(518.353.389)	-	(664.747.787)
<b>Closing</b>	<b>(22.603.942)</b>	<b>(24.548.165)</b>	<b>(107.996.896)</b>	<b>(73.340.876)</b>	<b>(221.142.099)</b>	<b>(1.753.148.164)</b>	<b>-</b>	<b>(2.202.780.142)</b>
<b>Net book value</b>	<b>92.929.795</b>	<b>89.818.148</b>	<b>53.911.606</b>	<b>18.170.353</b>	<b>729.683.291</b>	<b>8.524.472.455</b>	<b>344.980</b>	<b>9.509.330.628</b>



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NOTE 9 - INTANGIBLE ASSETS

<b>30 September 2019</b>	<b>Brand</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>			
Opening	<b>4.249.742</b>	<b>116.056.170</b>	<b>120.305.912</b>
Additions	-	29.941.775	29.941.775
Disposals	(4.249.742)	-	(4.249.742)
Currency translation differences	-	2.627.884	2.627.884
<b>Closing</b>	<b>-</b>	<b>148.625.829</b>	<b>148.625.829</b>
<b>Accumulated amortization:</b>			
Opening	<b>(2.461.308)</b>	<b>(70.984.707)</b>	<b>(73.446.015)</b>
Amortization for the year	-	(13.164.624)	(13.164.624)
Disposals	2.461.308	-	2.461.308
Currency translation differences	-	(1.523.715)	(1.523.715)
<b>Closing</b>	<b>-</b>	<b>(85.673.046)</b>	<b>(85.673.046)</b>
<b>Net book value</b>	<b>-</b>	<b>62.952.783</b>	<b>62.952.783</b>
<b>30 September 2018</b>			
	<b>Brand</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>			
Opening	<b>3.183.429</b>	<b>66.414.193</b>	<b>69.597.622</b>
Additions	-	15.757.835	15.757.835
Currency translation differences	1.716.675	40.066.488	41.783.163
<b>Closing</b>	<b>4.900.104</b>	<b>122.238.516</b>	<b>127.138.620</b>
<b>Accumulated amortization:</b>			
Opening	<b>(1.684.564)</b>	<b>(43.424.572)</b>	<b>(45.109.136)</b>
Amortization for the year	(144.837)	(8.258.471)	(8.403.308)
Currency translation differences	(947.328)	(25.654.848)	(26.602.176)
<b>Closing</b>	<b>(2.776.729)</b>	<b>(77.337.891)</b>	<b>(80.114.620)</b>
<b>Net book value</b>	<b>2.123.375</b>	<b>44.900.625</b>	<b>47.024.000</b>

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**NOTE 10 – RIGHT OF USE ASSETS**

<b>30 September 2019</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
TFRS 16 opening effects	28.126.554	22.391.742	6.049.119.922	1.881.318	6.101.519.536
Additions	-	-	703.855.633	-	703.855.633
Disposals	-	-	(840.465.218)	-	(840.465.218)
Currency translation differences	658.221	524.012	172.935.593	44.027	174.161.853
<b>Closing</b>	<b>28.784.775</b>	<b>22.915.754</b>	<b>6.085.445.930</b>	<b>1.925.345</b>	<b>6.139.071.804</b>
<b>Accumulated depreciation:</b>					
TFRS 16 opening effects	-	-	(3.633.056.380)	-	(3.633.056.380)
Depreciation for the period	(9.891.483)	(3.170.154)	(603.942.172)	(1.009.088)	(618.012.897)
Disposals	-	-	840.465.218	-	840.465.218
Currency translation differences	226.227	72.504	(90.430.518)	23.078	(90.108.709)
<b>Closing</b>	<b>(9.665.256)</b>	<b>(3.097.650)</b>	<b>(3.486.963.852)</b>	<b>(986.010)</b>	<b>(3.500.712.768)</b>
<b>Net book value</b>	<b>19.119.519</b>	<b>19.818.104</b>	<b>2.598.482.078</b>	<b>939.335</b>	<b>2.638.359.036</b>

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

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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 26.411.169 as of 30 September 2019 (31 December 2018: TL 26.092.242). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 8.737.996 (31 December 2018: TL 9.673.544) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

##### Contingent Liabilities

In addition to the above, in June 2008, the İstanbul Atatürk Airport Customs Directorate imposed a monetary fine against the Group in the amount of TL 545.366 on the grounds that the Group had violated temporary import regime regulations. The monetary fine was challenged before the relevant tax court which ruled against the Group in April 2009, in response to which the Group filed an appeal and refused to make payment, citing amendments in the temporary import regime legislation and providing a letter of credit for the amount of the fine and the accrued interest totaling TL 931.212. In January 2011 the Customs Directorate requested the liquidation of the letter of credit in a motion that was challenged by the Group, which resulted, first, in an injunction decision in February 2011, and later, in the cancellation of the liquidation request in September 2011. The Customs Directorate later appealed the cancellation decision of the tax court. As of 30 September 2019 the appellate review of both lawsuits have been finalized in the Group's favor, whereby the court decision turning down the Group's request for the cancellation of the monetary fines has been overturned and the court decision cancelling the liquidation of the letter of credit by the administration has been upheld. The Group management believes that significant cash outflow is not probable and has not provided any provision for this fine.

##### Tax Inspection

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

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

A lawsuit has been filed by the Company, claiming revocation of such determination act with respect to an income difference in the amount of TL 1.630.561,18. Lawsuit filed before Istanbul Tax Court is concluded in favor of the Company. In respect of this judgment, The decision was appealed by the Tax Office and the decision of the first instance court was approved as a result of the appeal. The Tax Office has applied for the correction of the decision and our response to this application has been submitted to the file. The decision is pending.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

Tax Inspection (cont'd)

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

Major Taxpayers Tax Office that we are affiliated to, accrued corporation tax withholding in the total amount of TL 719.508 for year 2010 through Tax Fine Notices issued as per the relevant months of year 2010 by basing on the said Tax Inspection Report, and charged tax loss fine in the total amount of TL 1.079.262 on grounds of such tax accrued. Lawsuits have been filed within legal terms granted, before Istanbul Tax Courts as of the respective, with the demand for waiver of the assessments set forth and rescission of any fines accrued. The lawsuits based on the Corporate Tax Law Article 30, claiming that the Company is subject to real property income tax resulting in 1% withholding tax, amounting to TL 706.539,70, for the year 2010 have been concluded in favor of the Company. Such lawsuit filed subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right (royalty) fee is concluded against the Company and such Judgment is brought by the Company to appeal before the Council of State, and the trial process is still ongoing. Under such capacity and in parallel to the relevant opinions of Company's legal advisors and taxation specialists, no provision has been provided therefore, including the periods on the accompanied consolidated financial statements not inspected.

Value Added Tax Inspection Report Number 2013-B-228/6, is based on the allegation that corporation tax withholdings arising on such amounts set forth to be accrued under such Corporation Tax Withholding Inspection Report Number 2013-B-228/5, and corporation tax withholdings anticipated under the said report are at the same time subject to value added tax withholding.

In the aforesaid process, all of the lawsuits filed with the demand for rescission of such fined value added tax assessments imposed in the name of the Company as per respective monthly periods of year 2010, with the claim that the rate of value added tax required to be calculated over corporation tax withholdings claimed as being payable over such leasing payments with respect to aircraft subject matter of financial leasing with the purpose of acquiring the same from companies with legal domiciles as well as principal places of business abroad being 18% are concluded, and such lawsuits filed in tax courts are concluded in favor of the Company. A part of the judgments were subject to appeal by Major Taxpayers Tax Office before Istanbul Tax Court due to their amounts, but in respect of judgment of İstanbul Regional Administrative Court, the appeals has been rejected and lawsuits were concluded in favor of the Company. The decision was appealed by the Tax Office and the decision of the first instance court was approved as a result of the appeal. The Tax Office has applied for the correction of the decision and our response to this application has been submitted to the file. The decision is pending.

It is believed that as a result of the said action filed, the principal taxes anticipated to be accrued, including any fines charged thereon, are to be released. Therefore, in parallel to the opinions of the Company's legal advisors as well as taxation specialists, no provision has been provided on the accompanied consolidated financial statements, including the period not inspected.

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

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

##### Tax and Regulatory Environment in Kyrgyzstan

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

#### NOTE 12 - COMMITMENTS

##### **Purchase Commitments**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Commitments to purchase aircraft	54.752.572.856	54.525.144.416
Other purchase commitments	26.970.863	7.750.884
	<b>54.779.543.719</b>	<b>54.532.895.300</b>

As of 30 September 2019, the Group holds firm orders for 72 aircraft. In accordance to with agreement the expected deliveries are 1 aircraft in 2019, 20 aircraft in 2020, 19 aircraft in 2021, 12 aircraft in 2022, 10 aircraft in 2023, 10 aircraft in 2024 . The purchase commitments for these aircraft were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 1. 1.301.046.919 (31 December 2018: TL 1.067.867.481) and TL 1.071.283.523 of this amount is reclassified under short term, TL 229.763.396 of this amount is reclassified under long term prepaid expenses (31 December 2018: TL 404.326.349 of this amount is reclassified under short term, TL 663.541.132 of this amount is reclassified under long term prepaid expenses).

##### **The Company as Lessee**

##### Operating Lease Agreements:

Payments recognised as expense:

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>
Minimum lease payments	-	484.339.084
	-	<b>484.339.084</b>

The non-cancellable operating lease liabilities as of 30 September 2019 is none because of transition to TFRS 16 (31 December 2018:TL 2.986.350.463)

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

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**NOTE 12 - COMMITMENTS (cont'd)**

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

The details of the CPMs given by the Group as of 30 September 2019 is as follows:

<b>30 September 2019</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	1.407.914.150	237.170.167	7.577.523	11.645.215	7.242.872
-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>1.407.914.150</b>	<b>237.170.167</b>	<b>7.577.523</b>	<b>11.645.215</b>	<b>7.242.872</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 given by the Company constitute 0% of the Company’s equity as of 30 September 2019.

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**NOTE 12 - COMMITMENTS (cont'd)**

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

The details of the CPMs given by the Group as of 31 December 2018 is as follows:

<b>31 December 2018</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					
- <i>Collateral</i>	1.627.549.630	295.367.519	6.974.381	12.131.918	19.477.163
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	<b>1.627.549.630</b>	<b>295.367.519</b>	<b>6.974.381</b>	<b>12.131.918</b>	<b>19.477.163</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 given by the Company constitute 0% of the Company's equity as of 31 December 2018.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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#### NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Jet fuel expenses	2.373.192.781	1.978.883.371	922.239.991	945.339.404
Depreciation and amortisation expenses	1.137.406.690	371.594.567	395.157.165	163.101.069
Personnel expenses	1.055.237.871	641.780.469	423.036.157	272.574.151
Handling and station fees	535.639.907	422.713.229	213.791.201	199.559.973
Navigation expenses	440.363.853	374.046.584	169.353.513	180.340.484
Maintenance expenses	223.505.375	393.335.847	44.508.221	137.708.640
Landing expenses	242.816.940	186.811.660	97.387.656	90.597.722
Commission expenses	113.572.958	107.191.594	44.541.474	46.818.373
Advertising expenses	72.270.598	39.174.458	20.096.702	11.962.712
Passenger service and catering expenses	71.936.218	57.182.449	29.832.056	25.750.655
Operating lease expenses	-	484.339.084	-	193.491.213
Other expenses	312.108.939	279.672.670	119.644.712	97.711.261
	<b>6.578.052.130</b>	<b>5.336.725.982</b>	<b>2.479.588.848</b>	<b>2.364.955.657</b>

#### NOTE 14 - SHAREHOLDERS' EQUITY

The Company's shareholding structure as of 30 September 2019 and 31 December 2018 is as follows:

Shareholders:	30 September 2019		31 December 2018	
	(%)	TL	(%)	TL
Esas Holding	62,91	64.353.570	62,91	64.353.570
Publicly held	34,53	35.321.707	34,53	35.321.707
Emine Kamyşlı	0,85	874.810	0,85	874.810
Ali İsmail Sabancı	0,85	874.810	0,85	874.810
Kazım Köseoğlu	0,43	437.405	0,43	437.405
Can Köseoğlu	0,43	437.405	0,43	437.405
<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 2018: 102.299.707 shares). All issued shares are fully paid in cash.



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

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**NOTE 15 - SALES AND COST OF SALES**

The details of sales and cost of sales for the years ended 30 September 2019 and 2018 are as follows:

**Sales:**

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 June - 30 September 2019</b>	<b>1 June - 30 September 2018</b>
Scheduled flight and service revenue	8.201.543.500	5.832.415.610	3.919.654.243	3.092.067.981
<i>International flight revenue</i>	4.402.096.281	2.979.286.104	2.272.870.503	1.739.675.959
<i>Domestic flight revenue</i>	1.629.133.300	1.411.454.749	736.538.709	676.771.982
<i>Service revenue</i>	2.170.313.919	1.441.674.757	910.245.031	675.620.040
Charter flight and service revenue	264.243.997	321.130.970	178.842.119	215.999.982
<i>Charter flight revenue</i>	264.070.388	320.478.370	178.828.517	215.999.684
<i>Service revenue</i>	173.609	652.600	13.602	298
Other revenue	47.708.531	90.234.459	18.653.291	43.313.344
	<b>8.513.496.028</b>	<b>6.243.781.039</b>	<b>4.117.149.653</b>	<b>3.351.381.307</b>

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

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 June - 30 September 2019</b>	<b>1 June - 30 September 2018</b>
Europe	3.103.426.595	2.163.580.547	1.623.875.210	1.259.367.049
Domestic	1.629.133.300	1.411.454.749	736.538.709	676.771.982
Other	1.298.669.686	815.705.557	648.995.293	480.308.910
	<b>6.031.229.581</b>	<b>4.390.740.853</b>	<b>3.009.409.212</b>	<b>2.416.447.941</b>

**Cost of sales:**

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 June - 30 September 2019</b>	<b>1 June - 30 September 2018</b>
Jet fuel expenses	2.373.192.781	1.978.883.371	922.239.991	945.339.404
Depreciation and amortisation expenses	1.092.431.173	336.356.538	379.663.240	148.995.882
Personnel expenses	949.050.125	568.162.794	397.371.552	249.932.881
Handling and station fees	535.639.907	422.713.229	213.791.201	199.559.973
Navigation expenses	440.363.853	374.046.584	169.353.513	180.340.484
Landing expenses	242.816.940	186.811.660	97.387.656	90.597.722
Maintenance expenses	223.505.375	393.335.847	44.508.221	137.708.640
Passenger service and catering expenses	71.936.218	57.182.449	29.832.056	25.750.655
Operating lease expenses	-	484.339.084	-	193.491.213
Other expenses	226.218.943	168.768.589	81.544.997	47.986.986
	<b>6.155.155.315</b>	<b>4.970.600.145</b>	<b>2.335.692.427</b>	<b>2.219.703.840</b>

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

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 June - 30 September 2019</b>	<b>1 June - 30 September 2018</b>
Marketing expenses	236.475.405	183.655.623	80.417.490	72.285.778
General administrative expenses	186.421.410	182.470.214	63.478.931	72.966.039
	<b>422.896.815</b>	<b>366.125.837</b>	<b>143.896.421</b>	<b>145.251.817</b>

The details of general administrative expenses and marketing expenses for the years ended 30 September 2019 and 2018 are as follows (there are no research & development expenses in the periods ended in respective dates):

**General administrative expenses:**

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 June - 30 September 2019</b>	<b>1 June - 30 September 2018</b>
Personnel expenses	81.979.025	56.171.866	20.059.660	16.675.385
Depreciation and amortisation expenses	36.040.875	28.494.026	12.415.449	11.385.630
IT expenses	35.182.199	30.452.599	13.044.851	10.372.357
Consultancy expenses	7.690.210	8.139.434	2.820.782	1.731.570
Legal and notary expenses	3.670.234	4.758.352	1.270.232	1.923.465
Travel expenses	3.136.835	5.073.769	851.241	3.616.371
Office utility expenses	2.846.009	2.186.777	976.898	743.539
Communication expenses	2.106.131	1.702.282	600.160	669.541
Training expenses	1.078.464	1.100.457	414.347	169.864
Rent expenses	-	13.068.272	-	3.140.880
Other expenses	12.691.428	31.322.380	11.025.311	22.537.437
	<b>186.421.410</b>	<b>182.470.214</b>	<b>63.478.931</b>	<b>72.966.039</b>

**Marketing expenses:**

	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 June - 30 September 2019</b>	<b>1 June - 30 September 2018</b>
Commission expenses	113.572.958	107.191.594	44.541.474	46.818.373
Advertising expenses	72.270.598	39.174.458	20.096.702	11.962.712
Personnel expenses	24.208.721	17.445.809	5.604.945	5.965.885
Call center expenses	12.552.261	9.631.939	4.416.415	3.503.829
Depreciation and amortisation expenses	8.934.642	6.744.003	3.078.476	2.719.557
Other expenses	4.936.225	3.467.820	2.679.478	1.315.422
	<b>236.475.405</b>	<b>183.655.623</b>	<b>80.417.490</b>	<b>72.285.778</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the years ended 30 September 2019 and 2018 are as follows:

#### Other operating income:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Other income	251.043	903.382	149.767	254.642
	<b>251.043</b>	<b>903.382</b>	<b>149.767</b>	<b>254.642</b>

#### Other operating expenses:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Foreign exchange loss				
from operating activities	44.237.321	67.104.978	102.336.786	187.949.304
Cash and cash equivalents allowance expense	4.588.306	-	3.626.666	-
Doubtful receivable allowance expense	3.137.363	191.896	54.041	126.217
Penalty expense	1.485.574	1.858.220	-	-
Tax restructuring expense (Note 11)	-	54.764.816	-	34.976.771
Other expense	3.162.115	2.341.044	1.984.212	1.419.578
	<b>56.610.679</b>	<b>126.260.954</b>	<b>108.001.705</b>	<b>224.471.870</b>

### NOTE 18 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the years ended 30 September 2019 and 2018 are as follows:

#### Income from investing activities:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Income from sale of aircraft	-	22.335.452	-	-
Other income	843.625	5.995.220	11.695	4.737.770
	<b>843.625</b>	<b>28.330.672</b>	<b>11.695</b>	<b>4.737.770</b>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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### NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the years ended 30 September 2019 and 2018 are as follows:

#### Financial income:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Interest income	67.662.245	85.050.077	25.954.178	44.820.217
Gain on derivative contracts	3.965.468	5.354.911	1.464.299	2.374.394
	<b>71.627.713</b>	<b>90.404.988</b>	<b>27.418.477</b>	<b>47.194.611</b>

#### Financial expenses:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Interest expense on leases	290.402.066	92.239.751	103.298.776	48.282.825
Foreign exchange loss	134.582.774	4.358.079	103.035.157	(76.598.182)
Other commission expenses	94.171.839	60.576.176	35.815.535	26.626.499
Interest expense on bank loans	16.959.970	9.551.017	6.640.213	2.999.608
Surety commission expenses	8.800.380	6.837.344	2.920.650	2.532.801
	<b>544.917.029</b>	<b>173.562.367</b>	<b>251.710.331</b>	<b>3.843.551</b>

### NOTE 20 - EARNINGS / LOSS PER SHARE

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018	1 June - 30 September 2019	1 June - 30 September 2018
Profit attributable to the shareholders of the parent	1.310.547.617	645.167.863	1.200.029.072	742.405.439
Weighted average number of shares issued in the year	102.299.707	102.272.000	102.299.707	102.272.000
<b>Profit / (loss) per share</b>	<b>12,81</b>	<b>6,31</b>	<b>11,73</b>	<b>7,26</b>

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2019		31 December 2018	
	Asset	Liability	Asset	Liability
Short term	1.655.560	146.191.756	3.134.337	189.722.017
Long term	-	52.991.832	-	104.993.760
	<b>1.655.560</b>	<b>199.183.588</b>	<b>3.134.337</b>	<b>294.715.777</b>

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 30 September 2019 and 31 December 2018 are as follows:

Short term financial liabilities	30 September 2019	31 December 2018
Short term bank borrowings	754.308.091	797.815.861
Lease liabilities	1.454.420.310	659.409.925
<i>Short term portion of long term operating lease obligations</i>	621.730.683	-
<i>Short term portion of long term financial lease obligations</i>	832.689.627	659.409.925
	<b>2.208.728.401</b>	<b>1.457.225.786</b>

Long term financial liabilities	30 September 2019	31 December 2018
Lease liabilities	7.985.443.730	5.064.858.596
Long term operating lease obligations	1.684.510.385	-
Long term financial lease obligations	6.300.933.345	5.064.858.596
	<b>7.985.443.730</b>	<b>5.064.858.596</b>

a) Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short term bank borrowings as of 30 September 2019 and 31 December 2018 are as follows :

30 September 2019	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	%3,23	US Dollar	125.000.000	707.387.500
Short term bank borrowings	%0,00	TL	46.920.591	46.920.591
				<b>754.308.091</b>

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NOTE 22 - FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

b) Bank Borrowings (cont'd)

<b>31 December 2018</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	3,29%	US Dollar	149.500.000	786.504.550
Short term bank borrowings	0,00%	TL	11.311.311	11.311.311
				<b>797.815.861</b>

c) Financial and Operating Lease Liabilities

The details of financial and operating lease liabilities as of 30 September 2019 and 2018 are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Less than 1 year	1.752.281.358	814.748.155
Between 1 - 5 years	5.609.332.171	3.038.571.214
Over 5 years	3.919.482.531	2.774.021.245
	11.281.096.060	6.627.340.614
Less: Future interest expenses	(1.841.232.020)	(903.072.093)
	<b>9.439.864.040</b>	<b>5.724.268.521</b>

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
Less than 1 year	1.454.420.310	659.409.925
Between 1 - 5 years	4.973.850.428	2.567.916.804
Over 5 years	3.011.593.302	2.496.941.792
	<b>9.439.864.040</b>	<b>5.724.268.521</b>

The Group purchases certain of its handling equipment and aircraft through financial and operating lease arrangements. The average lease term is 4,65 years. For the period ended 30 September 2019, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL3.962.875.151, is 1,76% (31 December 2018: 1,93%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 5.476.988.889, is 4,84% (31 December 2018: 5,11%).

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

**Financial Risk Factors**

*Foreign currency risk management*

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

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the period ended 30 September 2019 and 31 December 2018 are as follows:

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

**Financial Risk Factors (cont'd)**

**Foreign currency risk management (cont'd)**

<b>30 September 2019</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	729.525.711	13.000.093	540.225.532	1.694.083	103.959.678
2a. Monetary financial assets	3.089.522.033	483.865.359	125.615.769	25.499.963	48.472.218
2b. Non monetary financial assets	-	-	-	-	-
3. Other	369.383.759	48.891.046	84.957.229	-	7.747.212
<b>4. CURRENT ASSETS</b>	<b>4.188.431.503</b>	<b>545.756.498</b>	<b>750.798.530</b>	<b>27.194.046</b>	<b>160.179.108</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	61.614.932	10.074.841	327.016	1.000	4.266.435
<b>8. NON CURRENT ASSETS</b>	<b>61.614.932</b>	<b>10.074.841</b>	<b>327.016</b>	<b>1.000</b>	<b>4.266.435</b>
<b>9. TOTAL ASSETS</b>	<b>4.250.046.435</b>	<b>555.831.339</b>	<b>751.125.546</b>	<b>27.195.046</b>	<b>164.445.543</b>
10. Trade payables	467.013.795	57.629.583	114.706.343	461.804	22.966.941
11. Financial liabilities	1.539.397.390	272.021.592	-	-	-
12a. Other liabilities, monetary	231.214.810	23.152.448	80.307.865	174.234	18.674.227
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>2.237.625.995</b>	<b>352.803.623</b>	<b>195.014.208</b>	<b>636.038</b>	<b>41.641.168</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.870.852.500	507.298.422	-	-	-
16a. Other liabilities, monetary	1.499.074.754	264.896.318	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>4.369.927.254</b>	<b>772.194.740</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>6.607.553.249</b>	<b>1.124.998.363</b>	<b>195.014.208</b>	<b>636.038</b>	<b>41.641.168</b>
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	1.475.981	3.551.536	-	(2.680.000)	-
19.a Off-balance sheet foreign currency derivative assets	20.098.497	3.551.536	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	18.622.516	-	-	2.680.000	-
20. Net foreign currency asset/(liability) position	(2.357.506.814)	(569.167.024)	556.111.338	26.559.008	122.804.375
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(2.357.506.814)	(569.167.024)	556.111.338	26.559.008	122.804.375



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2019**

(Amounts are expressed in TL unless otherwise stated.)

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

**Financial Risk Factors (cont'd)**

**Foreign currency risk management (cont'd)**

<b>31 December 2018</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	203.609.379	6.214.073	104.613.930	1.001.390	59.641.785
2a. Monetary financial assets	2.275.444.728	408.574.864	87.220.749	3.558.802	15.076.479
2b. Non monetary financial assets	-	-	-	-	-
3. Other	747.506.237	133.909.710	36.206.482	-	6.814.162
<b>4. CURRENT ASSETS</b>	<b>3.226.560.344</b>	<b>548.698.647</b>	<b>228.041.161</b>	<b>4.560.192</b>	<b>81.532.426</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	71.519.443	12.951.365	305.815	1.000	3.071.139
<b>8. NON CURRENT ASSETS</b>	<b>71.519.443</b>	<b>12.951.365</b>	<b>305.815</b>	<b>1.000</b>	<b>3.071.139</b>
<b>9. TOTAL ASSETS</b>	<b>3.298.079.787</b>	<b>561.650.012</b>	<b>228.346.976</b>	<b>4.561.192</b>	<b>84.603.565</b>
10. Trade payables	334.471.293	45.345.308	82.165.847	448.588	10.763.949
11. Financial liabilities	997.519.160	187.459.912	11.311.309	-	-
12a. Other liabilities, monetary	529.196.380	88.002.009	63.498.647	38.323	2.473.006
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>1.861.186.833</b>	<b>320.807.229</b>	<b>156.975.803</b>	<b>486.911</b>	<b>13.236.955</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.653.110.816	314.225.858	-	-	-
16a. Other liabilities, monetary	599.070.536	113.872.253	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>2.252.181.352</b>	<b>428.098.111</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>4.113.368.185</b>	<b>748.905.340</b>	<b>156.975.803</b>	<b>486.911</b>	<b>13.236.955</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	202.940.539	6.291.201	71.371.173	4.074.281	71.366.610
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(815.288.398)	(187.255.328)	71.371.173	4.074.281	71.366.610

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity

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

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

Foreign currency sensitivity tables as of 30 September 2019 and 31 December 2018 are as follows:

30 September 2019	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(322.097.310)	322.097.310	-	-
Part of hedged from USD risk	2.009.850	(2.009.850)	-	-
<b>USD net effect</b>	<b>(320.087.460)</b>	<b>320.087.460</b>	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	55.611.134	(55.611.134)	491.133.491	(491.133.491)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>55.611.134</b>	<b>(55.611.134)</b>	<b>491.133.491</b>	<b>(491.133.491)</b>
<b>31 December 2018</b>				
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(98.513.156)	98.513.156	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(98.513.156)</b>	<b>98.513.156</b>	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	7.137.117	(7.137.117)	393.660.760	(393.660.760)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>7.137.117</b>	<b>(7.137.117)</b>	<b>393.660.760</b>	<b>(393.660.760)</b>

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

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

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

**Fair Value of Financial Instruments**

<b>30 September 2019</b>	<b>Loans and receivables</b>	<b>Derivative instruments which are reflected at fair value in shareholders' equity</b>	<b>Derivative instruments which are reflected at fair value in profit/loss</b>	<b>Financial liabilities at amortized cost</b>	<b>Carrying amount (*)</b>	<b>Note</b>
<b>Financial assets</b>						
Cash and cash equivalents	3.925.269.721	-	-	-	3.925.269.721	26
Trade receivables	738.350.474	-	-	-	738.350.474	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	738.350.474	-	-	-	738.350.474	6
Other receivables	273.650.345	-	-	-	273.650.345	
- <i>Related party</i>	-	-	-	-	-	5
- <i>Other</i>	273.650.345	-	-	-	273.650.345	
Derivative financial assets	-	-	1.655.560	-	1.655.560	21
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	8.739.751.821	8.739.751.821	22
Obligations under financial leases	-	-	-	9.439.864.040	9.439.864.040	22
Trade payables	-	-	-	942.184.744	942.184.744	6
- <i>Related party</i>	-	-	-	423.354	423.354	5
- <i>Other</i>	-	-	-	941.761.390	941.761.390	
Other payables	-	-	-	43.268.064	43.268.064	
Derivative financial liabilities	-	199.183.588	-	-	199.183.588	21

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments (cont'd)

31 December 2018	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
<b>Financial assets</b>						
Cash and cash equivalents	2.741.044.971	-	-	-	2.741.044.971	26
Trade receivables	235.514.142	-	-	-	235.514.142	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	235.514.142	-	-	-	235.514.142	6
Other receivables	552.371.679	-	-	-	552.371.679	
- <i>Related party</i>	1.580.011	-	-	-	1.580.011	5
- <i>Other</i>	550.791.668	-	-	-	550.791.668	
Derivative financial assets	-	-	3.134.337	-	3.134.337	21
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	797.815.861	797.815.861	22
Obligations under financial leases	-	-	-	5.724.268.521	5.724.268.521	22
Trade payables	-	-	-	583.526.242	583.526.242	6
- <i>Related party</i>	-	-	-	1.158.564	1.158.564	5
- <i>Other</i>	-	-	-	582.367.678	582.367.678	
Other payables	-	-	-	24.170.136	24.170.136	
Derivative financial liabilities	-	294.715.777	-	-	294.715.777	21

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2019

(Amounts are expressed in TL unless otherwise stated.)

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

**Fair Value of Financial Instruments (cont'd)**

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	30 September 2019	31 December 2018			
Fuel purchase option contracts	(157.363.934)	(218.102.353)	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	(41.819.654)	(76.613.424)	Level 2	Discounted cash flow method	
Currency forward contracts	1.389.826	-	Level 2	Discounted cash flow method	
Interest rate swap contracts	265.734	3.134.337	Level 2	Discounted cash flow method	
	<b>Fuel purchase forward contracts</b>	<b>Fuel purchase option contracts</b>	<b>Currency forward contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>30 September 2019</b>					
<b>Fair value:</b>					
Opening	(76.613.424)	(218.102.353)	-	3.134.337	(291.581.440)
Fair value increase					
Recognized in equity	34.793.770	57.912.364	-	-	92.706.134
Recognized in profit or loss	-	2.826.055	1.389.826	(2.868.603)	1.347.278
<b>Closing</b>	<b>(41.819.654)</b>	<b>(157.363.934)</b>	<b>1.389.826</b>	<b>265.734</b>	<b>(197.528.028)</b>
Assets	-	-	1.389.826	265.734	1.655.560
Liabilities	(41.819.654)	(157.363.934)	-	-	(199.183.588)
<b>Total net assets and liabilities</b>	<b>(41.819.654)</b>	<b>(157.363.934)</b>	<b>1.389.826</b>	<b>265.734</b>	<b>(197.528.028)</b>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)**

**Fair Value of Financial Instruments (cont'd)**

<b>31 December 2018</b>	<b>Fuel purchase forward contracts</b>	<b>Fuel purchase option contracts</b>	<b>Currency forward contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>Fair value:</b>					
Opening	4.034.930	25.666.669	204.227	2.074.015	31.979.841
Fair value increase / (decrease)					
Recognized in equity	(80.648.354)	(235.050.673)	-	-	(315.699.027)
Recognized in profit or loss	-	(8.718.349)	(204.227)	1.060.322	(7.862.254)
<b>Closing</b>	<b>(76.613.424)</b>	<b>(218.102.353)</b>	<b>-</b>	<b>3.134.337</b>	<b>(291.581.440)</b>
Assets	-	-	-	3.134.337	3.134.337
Liabilities	(76.613.424)	(218.102.353)	-	-	(294.715.777)
<b>Total net assets and liabilities</b>	<b>(76.613.424)</b>	<b>(218.102.353)</b>	<b>-</b>	<b>3.134.337</b>	<b>(291.581.440)</b>

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

In our previous Material Event Disclosure dated September 13, 2019, we had announced that, pursuant to the resolution of our Board of Directors dated September 12, 2019, the Company executed an agreement with the same date with AviaTrade Corp. LP operating in the United Kingdom for the sale of our entire 49% participation interest in our subsidiary Air Manas Air Company LLC operating domestic scheduled flights in the Kyrgyz Republic; that Air Manas is fully consolidated by the Company and the transaction is not expected to have a material impact on our operations or financial results and that the share transfer shall be consummated upon registration of the sale with the authorities in the Kyrgyz Republic. Registration of the sale and share transfer have been completed as of October 14, 2019 and registration certificate has been received on October 15, 2019.

**NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW**

The details of cash and cash equivalents as of 30 September 2019 and 31 December 2018 are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Cash on hand	378.068	956.297
Cash at banks	3.940.036.521	2.750.645.236
- Demand deposits	80.432.187	46.167.431
- Time deposits	3.859.604.334	2.704.477.805
Less: Allowance for impairment under TFRS 9	(15.144.868)	(10.556.562)
	<b>3.925.269.721</b>	<b>2.741.044.971</b>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2019**

(Amounts are expressed in TL unless otherwise stated.)

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

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

<b>30 September 2019</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	%2,83	2.750.117.129
EUR deposits	%0,54	811.342.009
GBP deposits	%0,72	173.329.241
TL deposits	%17,00	121.444.909
CHF deposits	%0,20	3.371.046
		<b>3.859.604.334</b>

  

<b>31 December 2018</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	4,42%	2.151.033.661
EUR deposits	0,48%	445.814.851
TL deposits	22,84%	83.070.553
GBP deposits	0,72%	21.104.259
CHF deposits	0,20%	3.454.481
		<b>2.704.477.805</b>

All of the time deposits as of 30 September 2019 and 31 December 2018 have maturities less than 90 days.

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

### APPENDIX : CONDENSED CONSOLIDATED STATEMENT OF EURO FINANCIAL POSITION AND SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

#### Financial Statements

	Euro Current period 30 September 2019	Euro Prior period 31 December 2018
<b>ASSETS</b>		
<b>Current assets</b>	<b>1.052.794.586</b>	<b>732.045.818</b>
Cash and cash equivalents	634.787.134	454.718.807
Trade receivables	119.404.631	39.070.030
<i>Trade receivables from third parties</i>	<i>119.404.631</i>	<i>39.070.030</i>
Other receivables	34.051.946	79.703.065
<i>Other receivables from related parties</i>	-	262.112
<i>Other receivables from third parties</i>	<i>34.051.946</i>	<i>79.440.953</i>
Derivative financial instruments	267.734	519.963
Inventories	13.936.257	9.652.011
Prepaid expenses	242.569.189	140.665.853
Current income tax assets	-	987.728
Other current assets	397.727	6.728.361
<b>SUBTOTAL</b>	<b>1.045.414.618</b>	<b>732.045.818</b>
Non-current assets held for sale	7.379.968	-
<b>Non-Current assets</b>	<b>2.143.102.859</b>	<b>1.534.975.920</b>
Financial assets	23.693.148	-
Other receivables	10.202.266	12.046.020
<i>Other receivables from third parties</i>	<i>10.202.266</i>	<i>12.046.020</i>
Investments accounted by using the equity method	8.296.870	6.606.638
Property and equipment	1.573.163.788	1.368.315.135
Intangible assets	10.180.604	7.773.706
Right of use assets	426.670.394	-
Prepaid expenses	90.895.789	140.234.421
<b>TOTAL ASSETS</b>	<b>3.195.897.445</b>	<b>2.267.021.738</b>



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

**APPENDIX : CONDENSED CONSOLIDATED STATEMENT OF EURO FINANCIAL POSITION AND SELECTED NOTES**

(Amounts are expressed in TL unless otherwise stated.)

**Financial Statements (cont'd)**

	Euro Current period 30 September 2019	Euro Prior period 31 December 2018
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>769.482.176</b>	<b>589.758.282</b>
Short term financial liabilities	121.985.266	132.466.435
Short term portion of long term financial liabilities	235.206.079	109.391.162
Trade payables	152.368.320	96.802.628
<i>Trade payables to related parties</i>	68.464	192.197
<i>Trade payables to third parties</i>	152.299.856	96.610.431
Employee benefit obligations	11.539.362	4.253.755
Other payables	6.997.229	4.009.644
<i>Other payables to third parties</i>	6.997.229	4.009.644
Passenger flight liabilities	145.671.874	112.434.304
Derivative financial instruments	23.641.852	31.473.460
Deferred income	27.789.068	10.413.519
Current income tax liabilities	11.069.273	-
Short term provisions	32.413.526	84.315.125
<i>Short term provisions for employee benefits</i>	24.917.780	13.175.121
<i>Other short term provisions</i>	7.495.746	71.140.004
Other current liabilities	514.777	4.198.250
<b>SUBTOTAL</b>	<b>769.196.626</b>	<b>589.758.282</b>
Liabilities included in disposal groups classified as held for sale	285.550	-
<b>Non-Current liabilities</b>	<b>1.656.630.454</b>	<b>1.060.893.957</b>
Long term financial liabilities	1.291.390.732	840.222.063
Derivative financial instruments	8.569.738	17.417.678
Deferred income	32.823.578	20.237.891
Long term provisions	249.991.375	103.531.889
<i>Long term provisions for employee benefits</i>	3.543.940	4.150.579
<i>Other long term provisions</i>	246.447.435	99.381.310
Deferred tax liabilities	73.855.031	79.484.436
<b>SHAREHOLDERS' EQUITY</b>	<b>769.784.815</b>	<b>616.369.499</b>
<b>Equity attributable to shareholders' of the parent</b>	<b>776.128.965</b>	<b>622.239.863</b>
Paid-in share capital	60.544.134	60.539.574
Share premiums on capital stock	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss		
Actuarial losses on defined benefit plans	(344.851)	(353.752)
Currency translation differences	(7.123.997)	(5.619.702)
Other comprehensive income/expense to be reclassified to profit or loss		
Hedge fund	(24.172.150)	(36.688.778)
Restricted profit reserves	2.113.347	1.593.374
Retained earnings	351.724.019	295.865.351
Net profit for the period	199.299.158	112.814.491
<b>Non-controlling interest</b>	<b>(6.344.150)</b>	<b>(5.870.364)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3.195.897.445</b>	<b>2.267.021.738</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## APPENDIX : CONDENSED CONSOLIDATED STATEMENT OF EURO FINANCIAL POSITION AND SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

### Profit and Loss Statement

	Euro Current period 1 January- 30 September 2019	Euro Prior period 1 January- 30 September 2018	Euro Current period 1 June - 30 September 2019	Euro Prior period 1 June - 30 September 2018
Sales	1.343.761.816	1.155.973.753	646.531.960	573.745.810
Cost of sales (-)	(969.461.486)	(894.074.526)	(372.983.818)	(339.478.920)
<b>Gross profit</b>	<b>374.300.330</b>	<b>261.899.227</b>	<b>273.548.142</b>	<b>234.266.890</b>
General administrative expenses (-)	(29.872.713)	(33.707.455)	(9.212.762)	(11.196.890)
Marketing expenses (-)	(37.259.996)	(32.650.620)	(12.783.998)	(10.203.280)
Other operating income	39.643	3.888.477	(9.144.144)	(20.688.360)
Other operating expenses (-)	(8.932.609)	(24.372.266)	(7.885.733)	(20.097.764)
<b>Operating profit</b>	<b>298.274.655</b>	<b>175.057.363</b>	<b>234.521.505</b>	<b>172.080.596</b>
Income from investing activities	133.590	5.155.461	1.884	389.733
Share of investments income accounted for using the equity method	1.781.595	1.624.737	775.070	664.807
<b>Operating profit before financial expense</b>	<b>300.189.840</b>	<b>181.837.561</b>	<b>235.298.459</b>	<b>173.135.136</b>
Financial income	11.356.595	15.380.070	4.413.545	6.754.710
Financial expense (-)	(94.769.645)	(36.293.542)	(39.820.356)	2.306.851
<b>Profit before tax</b>	<b>216.776.790</b>	<b>160.924.089</b>	<b>199.891.648</b>	<b>182.196.697</b>
<b>Tax income / (expense)</b>	<b>(17.247.005)</b>	<b>(16.862.287)</b>	<b>(17.307.257)</b>	<b>(12.807.521)</b>
Current tax expense	(12.551.377)	(3.351.079)	(12.551.377)	(3.230.506)
Deferred tax income / (expense)	(4.695.628)	(13.511.208)	(4.755.880)	(9.577.015)
<b>Profit for the period</b>	<b>199.529.785</b>	<b>144.061.802</b>	<b>182.584.391</b>	<b>169.389.176</b>
<b>Net profit / (loss) attributable to:</b>				
Non-controlling interest	187.858	(331.428)	406.924	176.284
Shareholders' of the parent	199.299.160	145.184.535	182.174.262	169.913.449
	<b>199.487.018</b>	<b>144.853.107</b>	<b>182.581.186</b>	<b>170.089.733</b>
Profit per share (Euro)	1,95	1,42	1,78	1,66

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

### APPENDIX : CONDENSED CONSOLIDATED STATEMENT OF EURO FINANCIAL POSITION AND SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

#### Revenue

	Euro 1 January- 30 September 2019	Euro 1 January- 30 September 2018	Euro 1 June - 30 September 2019	Euro 1 June - 30 September 2018
Scheduled flight and service revenue	1.294.680.948	1.086.242.565	614.952.835	534.012.221
<i>International flight revenue</i>	694.515.290	557.432.184	355.774.751	298.948.733
<i>Domestic flight revenue</i>	257.213.202	263.312.887	115.928.298	126.994.846
<i>Service revenue</i>	342.952.456	265.497.494	143.249.786	108.068.642
Charter flight and service revenue	41.444.891	53.445.801	28.376.249	33.089.180
<i>Charter flight revenue</i>	41.417.197	53.309.952	28.374.114	33.089.140
<i>Service revenue</i>	27.694	135.849	2.135	40
Other revenue	7.635.977	16.285.387	3.202.876	6.644.409
	<b>1.343.761.816</b>	<b>1.155.973.753</b>	<b>646.531.960</b>	<b>573.745.810</b>

#### Expenses by Nature

	Euro 1 January- 30 September 2019	Euro 1 January- 30 September 2018	Euro 1 June - 30 September 2019	Euro 1 June - 30 September 2018
Jet fuel expenses	374.241.602	350.748.287	146.631.363	143.360.520
Depreciation and amortisation expenses	179.732.405	67.855.566	62.592.536	25.673.003
Personnel expenses	166.567.950	115.378.888	68.561.685	42.556.022
Handling and station fees	84.663.467	74.565.660	34.150.767	29.763.651
Navigation expenses	69.497.432	63.643.041	27.411.885	25.119.942
Maintenance expenses	33.484.743	75.252.622	7.139.255	22.848.038
Landing expenses	38.362.064	32.751.312	15.555.906	13.452.849
Commission expenses	17.903.304	18.459.947	7.088.318	6.245.596
Advertising expenses	11.347.759	7.322.541	3.189.472	1.893.030
Passenger service and catering expenses	11.386.226	10.255.812	4.741.146	3.915.802
Operating lease expenses	-	91.406.389	-	31.409.190
Other expenses	49.407.243	52.792.536	17.918.245	14.641.447
	<b>1.036.594.195</b>	<b>960.432.601</b>	<b>394.980.578</b>	<b>360.879.090</b>