

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 2020

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 30 September 2020	Prior period (Audited) 31 December 2019	(*) EUR 30 September 2020	(*) EUR 31 December 2019
	Notes				
ASSETS					
Current assets		6.436.051.293	6.088.952.277	705.081.155	915.555.092
Cash and cash equivalents	26	4.038.687.699	4.187.316.581	442.445.602	629.614.859
Trade receivables	6	179.970.825	446.978.360	19.716.132	67.208.727
<i>Trade receivables from third parties</i>	6	<i>179.970.825</i>	<i>446.978.360</i>	<i>19.716.132</i>	<i>67.208.727</i>
Other receivables	6	377.202.925	88.182.569	41.323.268	13.265.117
<i>Other receivables from related parties</i>	5	<i>389.286</i>	<i>102.852</i>	<i>42.647</i>	<i>21.242</i>
<i>Other receivables from third parties</i>		<i>376.813.639</i>	<i>88.079.717</i>	<i>41.280.621</i>	<i>13.243.875</i>
Derivative financial instruments	21	547.723	61.239	60.004	9.208
Inventories		88.675.959	75.453.026	9.714.613	11.345.296
Prepaid expenses	7	1.715.057.285	1.276.409.834	187.887.653	191.924.012
Current income tax assets		4.420.054	13.721.092	484.225	2.063.136
Other current assets		31.488.823	829.576	3.449.658	124.737
Non-Current assets		22.558.885.845	14.970.368.921	2.478.252.572	2.256.808.387
Financial assets		243.926.611	150.906.344	26.722.605	22.690.636
Other receivables	6	152.006.799	144.500.892	16.652.622	21.727.512
<i>Other receivables from third parties</i>		<i>152.006.799</i>	<i>144.500.892</i>	<i>16.652.622</i>	<i>21.727.512</i>
Investments accounted by using the equity method	3	75.911.262	57.154.173	8.316.217	8.593.837
Property and equipment	8	2.223.643.251	1.675.901.667	250.489.665	257.820.724
Intangible assets	9	110.594.946	79.791.006	12.115.878	11.997.565
Right of use assets	10	17.977.194.923	11.906.754.965	1.969.434.485	1.790.327.935
Prepaid expenses	7	1.775.608.053	955.359.874	194.521.100	143.650.178
TOTAL ASSETS		28.994.937.138	21.059.321.198	3.183.333.727	3.172.363.479

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 30 September 2020	Prior period (Audited) 31 December 2019	(*) EUR 30 September 2020	(*) EUR 31 December 2019
	Notes				
LIABILITIES					
Current liabilities		6.668.238.353	4.765.226.708	730.517.674	716.510.797
Short term financial liabilities	22	1.275.694.831	758.293.604	139.754.695	114.018.826
Short term portion of long term financial liabilities	22	2.174.851.467	1.536.570.246	238.258.944	231.042.349
Trade payables	6	918.734.794	722.788.625	100.649.072	108.680.213
<i>Trade payables to related parties</i>	5	20.999.568	1.543.950	2.300.541	232.152
<i>Trade payables to third parties</i>	6	897.735.226	721.244.675	98.348.531	108.448.061
Employee benefit obligations		93.339.149	38.411.053	10.225.474	5.775.577
Other payables		110.405.172	33.397.989	12.095.089	5.021.801
<i>Other payables to third parties</i>		110.405.172	33.397.989	12.095.089	5.021.801
Passenger flight liabilities	7	605.328.971	963.908.296	66.314.893	144.935.539
Derivative financial instruments	21	294.444.026	53.134.363	32.256.880	7.989.409
Deferred income	7	357.986.752	196.521.937	39.218.101	29.549.505
Short term provisions		835.604.433	460.143.908	91.541.991	69.188.329
<i>Short term provisions for employee benefits</i>		29.764.653	182.949.999	3.260.772	27.508.796
<i>Other short term provisions</i>		805.839.780	277.193.909	88.281.219	41.679.533
Other current liabilities		1.848.758	2.056.687	202.535	309.249
Non-Current liabilities		16.461.706.502	10.951.925.283	1.803.409.961	1.646.757.480
Long term financial liabilities	22	13.794.066.916	8.460.811.498	1.511.165.184	1.272.187.697
Derivative financial instruments	21	37.527.436	1.505.350	4.111.199	226.348
Deferred income		326.418.747	318.913.475	35.759.769	47.952.587
Long term provisions		1.697.532.438	1.675.179.511	185.967.770	251.883.969
<i>Long term provisions for employee benefits</i>		117.190.509	69.675.789	12.838.434	10.476.617
<i>Other long term provisions</i>		1.580.341.929	1.605.503.722	173.129.336	241.407.352
Deferred tax liabilities		606.160.965	495.515.449	66.406.039	74.506.879
SHAREHOLDERS' EQUITY		5.864.992.283	5.342.169.207	649.406.092	809.095.202
Equity attributable to shareholders' of the parent		5.864.992.283	5.342.169.207	649.406.092	809.095.202
Paid-in share capital	14	102.299.707	102.299.707	60.544.134	60.544.134
Share premiums on capital stock		455.687.025	455.687.025	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss					
Actuarial losses on defined benefit plans		(3.904.009)	(3.904.009)	(427.691)	(587.016)
Currency translation differences		4.497.136.302	2.574.427.009	-	-
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		(216.866.194)	(42.163.181)	(23.758.087)	(6.339.756)
Restricted profit reserves		20.459.941	18.542.287	4.047.406	4.399.540
Retained earnings		2.235.362.715	903.911.251	556.778.913	345.593.677
Net (loss) / profit for the period		(1.225.183.204)	1.333.369.118	(141.867.888)	211.395.318
TOTAL LIABILITIES AND EQUITY		28.994.937.138	21.059.321.198	3.183.333.727	3.172.363.479

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 1 January - 30 September 2020	Prior period (Not reviewed) 1 January - 30 September 2019	Current period (Not reviewed) 1 July - 30 September 2020	Prior period (Not reviewed) 1 July - 30 September 2019	(*) EUR 1 January - 30 September 2020	(*) EUR 1 January - 30 September 2019	(*) EUR 1 July - 30 September 2020	(*) EUR 1 July - 30 September 2019
Profit or loss	Notes								
Sales	15	3.519.440.625	8.513.496.028	1.489.823.963	4.117.149.653	489.856.797	1.343.761.816	181.116.942	646.570.988
Cost of sales (-)	15	(4.193.184.491)	(6.155.155.315)	(1.549.068.177)	(2.335.692.427)	(559.113.590)	(969.612.532)	(179.385.144)	(373.135.830)
Gross (loss) / profit		(673.743.866)	2.358.340.713	(59.244.214)	1.781.457.226	(69.256.793)	374.149.284	1.731.798	273.435.158
General administrative expenses (-)	16	(177.998.854)	(186.421.410)	(61.696.525)	(63.478.931)	(24.045.574)	(29.872.713)	(7.531.202)	(9.212.762)
Marketing expenses (-)	16	(123.776.312)	(236.475.405)	(36.097.805)	(80.417.490)	(16.720.994)	(37.259.996)	(4.160.502)	(12.783.998)
Other operating income	17	246.998.643	251.043	36.946.127	149.767	32.856.012	39.643	3.787.913	(9.144.144)
Other operating expenses (-)	17	(292.956.987)	(56.610.679)	122.772.495	(108.001.705)	(37.080.835)	(8.932.609)	17.250.100	(7.885.733)
Operating (loss) / profit		(1.021.477.376)	1.879.084.262	2.680.078	1.529.708.867	(114.248.184)	298.123.609	11.078.107	234.408.521
Income from investing activities	18	702.738	843.625	551.297	11.695	86.181	133.590	63.134	1.884
Share of investments income accounted for using the equity method	3	13.925.578	11.274.528	5.603.332	4.896.748	1.842.013	1.781.595	673.725	775.070
Operating (loss) / profit before financial expense		(1.006.849.060)	1.891.202.415	8.834.707	1.534.617.310	(112.319.990)	300.038.794	11.814.966	235.185.475
Financial income	19	199.309.726	71.627.713	270.950.455	27.418.477	26.168.346	11.356.595	19.981.846	4.413.545
Financial expense (-)	19	(443.111.358)	(544.917.029)	(166.693.905)	(251.710.331)	(58.945.643)	(94.618.480)	(3.682.937)	(39.668.072)
(Loss) / profit before tax		(1.250.650.692)	1.417.913.099	113.091.257	1.310.325.456	(145.097.287)	216.776.909	28.113.875	199.930.948
Tax expense		25.467.488	(106.166.685)	(9.678.326)	(107.709.487)	3.229.399	(17.289.891)	(1.563.505)	(17.349.762)
Current tax expense		-	(77.612.692)	-	(77.612.692)	-	(12.551.377)	-	(12.551.377)
Deferred tax income / (expense)		25.467.488	(28.553.993)	(9.678.326)	(30.096.795)	3.229.399	(4.738.514)	(1.563.505)	(4.798.385)
(Loss) / profit for the period		(1.225.183.204)	1.311.746.414	103.412.931	1.202.615.969	(141.867.888)	199.487.018	26.550.370	182.581.186
Net (loss) / profit attributable to:									
Non-controlling interest		-	1.198.797	-	2.586.897	-	187.860	-	406.925
Shareholders' of the parent		(1.225.183.204)	1.310.547.617	103.412.931	1.200.029.072	(141.867.888)	199.299.158	26.550.370	182.174.261
		(1.225.183.204)	1.311.746.414	103.412.931	1.202.615.969	(141.867.888)	199.487.018	26.550.370	182.581.186
(Loss) / profit per share (TL) / (EUR)	20	(11,98)	12,81	1,01	11,73	(1,39)	1,95	0,26	1,78

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

	Current period (Not reviewed) 1 January- 30 September 2020	Prior period (Not reviewed) 1 January- 30 September 2019	Current period (Not reviewed) 1 July - 30 September 2020	Prior period (Not reviewed) 1 July - 30 September 2019	(*) EUR 1 January- 30 September 2020	(*) EUR 1 January- 30 September 2019	(*) EUR 1 July - 30 September 2020	(*) EUR 1 July - 30 September 2019
Other comprehensive income								
Items not to be reclassified to profit or loss								
Currency translation differences	1.922.709.293	12.623.953	1.029.231.378	(328.210.202)	-	-	-	-
Items to be reclassified to profit or loss								
Currency translation differences	-	(18.719.401)	-	4.805.611	-	(344.851)	-	5.986.541
Cash flow hedge	(223.978.221)	92.706.134	1.778.987	(88.966.367)	(29.626.833)	14.649.374	2.065.273	(14.021.702)
Deferred tax effect	49.275.208	(21.017.085)	(391.375)	20.169.250	6.517.903	(3.321.110)	(454.360)	3.178.809
Other comprehensive income	1.748.006.280	65.593.601	1.030.618.990	(392.201.708)	(23.108.930)	10.983.413	1.610.913	(4.856.352)
Total comprehensive income	522.823.076	1.377.340.015	1.134.031.921	810.414.261	(164.976.818)	210.470.431	28.161.283	177.724.834
Total comprehensive income attributable to:								
Non-controlling interest	-	(1.609.113)	-	3.307.739	-	187.858	-	406.923
Shareholders' of the parent	522.823.076	1.378.949.128	1.134.031.921	807.106.522	(164.976.818)	210.282.573	28.161.283	177.317.911
	522.823.076	1.377.340.015	1.134.031.921	810.414.261	(164.976.818)	210.470.431	28.161.283	177.724.834

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss		Retained earnings			Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
	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			
As at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	832.182.941	507.378.625	3.753.058.255	(37.610.607)	3.715.447.648
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(330.923.663)	-	(330.923.663)	-	(330.923.663)
Restated total equity as at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	501.259.278	507.378.625	3.422.134.592	(37.610.607)	3.384.523.985
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
As at 30 September 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.144.441.520	(105.672.040)	(149.470.907)	18.542.287	995.111.922	1.310.547.617	4.801.083.720	(39.219.720)	4.761.864.000
As at 1 January 2020	102.299.707	455.687.025	-	(3.904.009)	2.574.427.009	-	(42.163.181)	18.542.287	903.911.251	1.333.369.118	5.342.169.207	-	5.342.169.207
Transfers	-	-	-	-	-	-	-	1.917.654	1.331.451.464	(1.333.369.118)	-	-	-
Total comprehensive income	-	-	-	-	1.922.709.293	-	(174.703.013)	-	-	(1.225.183.204)	522.823.076	-	522.823.076
As at 30 September 2020	102.299.707	455.687.025	-	(3.904.009)	4.497.136.302	-	(216.866.194)	20.459.941	2.235.362.715	(1.225.183.204)	5.864.992.283	-	5.864.992.283

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

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 1 January- 30 September 2020	Prior period (Not reviewed) 1 January- 30 September 2019	(*) EUR 1 January- 30 September 2020	(*) EUR 1 January- 30 September 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) / Profit for the period		(1.225.183.204)	1.311.746.414	(141.867.888)	199.487.018
Adjustments to reconcile the loss					
Depreciation and amortization	8-9-10	1.452.846.667	1.137.406.690	192.176.619	179.884.787
Adjustments related with impairments		(4.365.308)	3.137.363	(478.227)	495.765
Provision for doubtful receivable		(4.365.308)	3.137.363	(478.227)	495.765
Adjustments related with provisions		(62.513.957)	(233.641.104)	(6.861.453)	(36.417.284)
Provision for employee benefits		(1.437.779)	135.877.577	(157.512)	21.973.863
Legal provision		(569.202)	(722.465)	(75.291)	(114.164)
Change in redelivery provision		(60.506.976)	(368.796.216)	(6.628.650)	(58.276.983)
Interest and commission income	19	380.241.840	342.672.010	51.375.013	54.148.850
Gain on equity investments accounted for using the equity method	3	(13.925.578)	(11.274.528)	(1.842.013)	(1.781.595)
Current tax expense		(25.467.488)	106.166.685	(3.229.399)	20.322.710
Other provisions related with investing or financing activities		41.317.937	(1.347.278)	4.770.332	(217.432)
Changes in working capital					
Increase in trade receivables		274.455.651	(506.754.584)	28.684.307	(80.996.269)
Increase in other receivables, prepaid expenses, other and financial assets		(734.242.055)	(238.643.212)	(110.186.519)	(34.660.421)
Increase in inventories		(13.222.933)	(28.035.440)	(1.869.317)	(4.284.246)
Increase in trade payables		195.946.169	358.658.502	21.968.859	55.565.692
Increase in deferred income, other payables and other current liabilities		(213.979.795)	449.456.226	(30.697.250)	114.972.983
Net cash generated from operating activities		51.907.946	2.689.547.744	1.943.064	466.520.558
Payment for the employee benefits provisions		(111.053.669)	(64.816.656)	(14.689.680)	(10.546.190)
Payment for other provisions		(26.734)	(213.113)	(3.536)	(33.676)
		(59.172.457)	2.624.517.975	(12.750.152)	455.940.692
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, equipment and intangible assets		849.998	1.430.236	112.434	231.295
Cash outflows from purchase of property, equipment and intangible assets		(50.369.609)	(90.784.785)	(6.662.666)	(14.511.711)
Changes in cash advances and payables		(457.202.188)	(161.939.582)	(57.603.215)	(30.833.084)
		(506.721.799)	(251.294.131)	(64.153.447)	(45.113.500)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		1.871.433.931	426.168.500	222.154.482	-
Repayment of borrowings		(973.214.587)	(403.192.450)	(128.732.456)	-
Repayment of principal in lease liabilities		(1.298.698.584)	(1.250.159.498)	(171.786.017)	(197.549.543)
Interest and commission paid		(332.462.935)	(318.725.432)	(40.194.085)	(61.840.802)
Interest received		62.690.501	67.348.700	8.292.418	10.691.952
		(670.251.674)	(1.478.560.180)	(110.265.658)	(248.698.393)
NET DECREASE IN CASH AND CASH EQUIVALENTS					
BEFORE TRANSLATION EFFECT (A+B+C)		(1.236.145.930)	894.663.664	(187.169.257)	162.128.799
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS		1.087.517.048	289.561.086	-	17.939.528
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(148.628.882)	1.184.224.750	(187.169.257)	180.068.327
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD	26	4.187.316.581	2.741.044.971	629.614.859	454.718.807
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)	26	4.038.687.699	3.925.269.721	442.445.602	634.787.134

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The shareholders and their respective holdings in the Company as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Esas Holding A.Ş. (“Esas Holding”)	62,91%	62,91%
Publicly held	34,53%	34,53%
Sabancı Family Members	2,56%	2,56%
Total	100,00%	100,00%

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

The Group’s total number of full time employees as of 30 September 2020 is 6.191 (31 December 2019: 6.164). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 30 September 2020 and delegated authority for publishing it on 9 November 2020. General shareholders’ meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

The Group has prepared the condensed financial statements and its notes for the interim period ended 30 September 2020 in accordance with TAS 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore, these financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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

Functional and Presentation Currency

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

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

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

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

Presentation currency of the Group's financial statements is TL. Financial Statements have been translated from Euro 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 2020: 1 Euro (€) = TL 9,1281 (31 December 2019: 1 Euro (€) = TL 6,6506).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions.

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

Euro Amounts in the Financial Statements

Euro amounts shown in the consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official Euro bid rates announced by the TCMB on 30 September 2020 of TL9,1281 = EUR1, and Euro amounts shown in the consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, Euro bid rates calculated from the official daily bid rates announced by the TCMB.

Comparative Information and Reclassification of Prior Period Financial Statements

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

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2020 and 31 December 2019:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2020</u>	<u>31 December 2019</u>	
PHT	Simulator technical support and maintenance	100%	100%	Turkey

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 30 September 2020 and 31 December 2019:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2020</u>	<u>31 December 2019</u>	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	50%	50%	Turkey

2.2 Significant Accounting Policies and Changes

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

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

2.3 Changes in Accounting Estimates

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

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at June 30, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

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

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

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

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

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

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

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

Amendments to TFRS 16 – COVID-19 Rent Related Concessions

On June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the COVID-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 September 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

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

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

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

On March 12, 2020, the PAO issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

Annual Improvements – 2018–2020 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

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

2.5 Events Affecting Operations

The COVID-19 epidemic, which affected the world, had a significant impact on the aviation industry in which the Group operates. At the end of the first quarter of the year, country-based travel restrictions were followed by suspension of both international and domestic flights on March 27,2020 and March 28, 2020, respectively. The Group started its operations in June within the scope of countries where domestic and international flights are allowed. Revenue and profitability of the Group decreased compared to the same period of the previous year due to these effects.

The Group takes measures to reduce costs and conserve its cash position. Within the scope of these measures;

- Payroll cost is trying to be optimized with short-term employment allowance provided by the Government's support package,
- Permanent discounts are targeted in contracts with all suppliers and / or corporation negotiations are carried out in order to postpone the payments for supporting cash flow management,
- Fixed costs are aimed to pul down with staff switching to remote working,
- Aircraft maintenance activities are optimized and updated according to the current flight schedules and,

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

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

2.5 Events Affecting Operations (cont'd)

- With both cost control and cash management perspectives, general expenditure budgets are reviewed and savings are tried to be achieved. Therefore, non-critical projects and investments are postponed.
- In the periods when the COVID-19 epidemic is effective, new credit limits from various banks are obtained in order to better manage the Group's cash flow.

Although the company's flight program restarted in June 2020, there are still some risks and uncertainties depending on how the COVID-19 outbreak will develop. If these risks occur, they may adversely affect the Group's activities. Group Management continues to follow the action plans on a daily basis through various scenarios.

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 September 2020	31 December 2019
Joint ventures		
Hitit Bilgisayar	57.924.265	44.417.911
PUEM	17.986.997	12.736.262
	75.911.262	57.154.173

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

	1 Ocak- 30 Eylül 2020	1 Ocak- 30 Eylül 2019	1 Temmuz- 30 Eylül 2020	1 Temmuz- 30 Eylül 2019
Hitit Bilgisayar	13.506.351	10.055.722	5.442.953	4.187.376
PUEM	419.227	1.218.806	160.379	709.372
Net profit	13.925.578	11.274.528	5.603.332	4.896.748

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

PUEM

	30 September 2020	31 December 2019
Current assets	8.315.808	2.274.519
Non-current assets	30.837.918	25.153.183
Current liabilities	(2.734.506)	(1.084.942)
Non-current liabilities	(8.294)	(560.853)
Net assets of joint venture	36.410.926	25.781.907
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	17.986.997	12.736.262

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

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

PUEM (cont'd)

	1 January- 30 September 2020	1 January- 30 September 2019
Revenue	8.883.753	7.432.768
Depreciation&amortisation expense	(2.452.285)	(1.851.340)
Interest income/(expense), net	(287.525)	(325.079)
Profit for the year	848.638	2.467.219
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	419.227	1.218.806

Hitit Bilgisayar

	30 September 2020	31 December 2019
Current assets	73.121.197	43.964.800
Non-current assets	78.894.119	65.238.423
Current liabilities	(31.612.238)	(15.268.867)
Non-current liabilities	(6.339.572)	(6.883.558)
Net assets of joint venture	114.063.506	87.050.798
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
Group's share in the net assets of the joint venture	57.924.265	44.417.911

	1 January- 30 September 2020	1 January- 30 September 2019
Revenue	69.097.939	68.790.090
Depreciation&amortisation expense	(7.076.289)	(4.643.580)
Interest income/(expense), net	255.401	475.909
Profit for the year	27.012.702	20.111.444
Group's weighted average ownership interest	50%	50%
Group's share in the net profit of the joint venture	13.506.351	10.055.722

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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 2020	31 December 2019
Balances with joint ventures and subsidiaries:		
PUEM	388.954	102.852
Balances with other related parties:		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş.	332	-
	389.286	102.852

b) **Trade payables to related parties**

	30 September 2020	31 December 2019
Balances with parent company:		
Esas Holding	7.092.478	-
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	4.097.910	1.397.591
PUEM	6.219.680	-
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	3.589.500	146.359
	20.999.568	1.543.950

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

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

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

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS(cont'd)

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

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

The Group receives health services from Alarm Sağlık Hizmetleri Sanayi ve Ticaret A.Ş.

a) Other Income from Related Parties:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Transactions with joint ventures and subsidiaries:				
PUEM	1.471.529	1.379.217	826.621	776.220
	1.471.529	1.379.217	826.621	776.220

b) Purchases of goods or services

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Transactions with joint ventures and subsidiaries:				
Hitit Bilgisayar	15.659.375	13.734.417	5.745.978	3.438.734
PUEM	8.883.753	7.432.768	5.936.874	2.754.690
Transactions with other related parties:				
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.	659.993	-	174.152	-
Esasburda	2.626.442	2.202.258	1.195.989	961.928
Other	32.713	35.912	-	4.712
	27.862.276	23.405.355	13.052.993	7.160.064

c) Rent expenses

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Esasburda(*)	7.677.241	6.344.943	1.737.475	2.115.249
	7.677.241	6.344.943	1.737.475	2.115.249

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

d) Commission expenses

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Esas Holding	8.797.267	8.800.380	3.225.600	2.920.650
	8.797.267	8.800.380	3.225.600	2.920.650

(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 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Salaries and other short term benefits	20.848.889	18.401.579	2.283.354	2.203.566
Other long term benefits	7.623.062	2.114.002	28.829	-
	28.471.951	20.515.581	2.312.183	2.203.566

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term trade receivables

The details of short term trade receivables as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Trade receivables	168.123.141	253.007.254
Credit card receivables	34.132.019	209.689.912
Income accruals	2.874.609	6.486.220
	205.129.769	469.183.386
Less: Allowance for doubtful receivables	(25.158.944)	(22.205.026)
	179.970.825	446.978.360

The average collection period of trade receivables is approximately 41 days (31 December 2019: 19 days).

Short term trade payables

The details of short term trade payables as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Trade payables	575.962.169	542.178.273
Accrued direct operational costs	321.773.057	179.066.402
Due to related parties (Note 5)	20.999.568	1.543.950
	918.734.794	722.788.625

The average credit period of trade payables is approximately 53 days (31 December 2019: 30 days).

Short term other receivables

The details of short term other receivables as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Deposits and guarantees given(*)	302.015.624	32.225.590
Receivables from pilots for flight training	56.101.476	53.554.739
Due from related parties (Note 5)	389.286	102.852
Other receivables	18.696.539	5.180.385
Less: Allowance for doubtful receivables	-	(2.880.997)
	377.202.925	88.182.569

(*)As of 30 September 2020, the amount of TL 289.210.504 in deposits and gurantees given, consists of guarantee deposits given to banks related to valuation of derivative contracts(31 December 2019: 19.840.273).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

Long term other receivables

The details of long term other receivables as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Receivables from pilot trainings	117.186.153	117.197.274
Deposits given	34.820.646	27.303.618
	152.006.799	144.500.892

NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses as of 30 September 2020 and 31 December 2019 are as follows:

Short term prepaid expenses

	30 September 2020	31 December 2019
Advances on aircraft purchases	1.108.654.319	1.078.133.045
Advances to suppliers	575.872.291	138.064.398
Prepaid insurance expenses	11.135.680	39.969.877
Prepaid advertising expenses	356.881	132.959
Other prepaid expenses	19.038.114	20.109.555
	1.715.057.285	1.276.409.834

Long term prepaid expenses

	30 September 2020	31 December 2019
Advances on aircraft purchases	997.898.391	506.767.830
Prepaid maintenance expenses	754.359.923	431.497.058
Other prepaid expenses	23.349.739	17.094.986
	1.775.608.053	955.359.874

Deferred Revenue

Contract Liabilities

The details of passenger flight liabilities as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Flight liability from ticket sales	425.720.710	692.054.775
Passenger airport fees received from customers	99.808.673	209.032.208
Flight liability from flight points	79.799.588	62.821.313
	605.328.971	963.908.296

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

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	30 September 2020	31 December 2019
Advances received from customers	115.493.945	81.362.753
Other deferred income	242.492.807	115.159.184
	357.986.752	196.521.937

Long term deferred income

	30 September 2020	31 December 2019
Income relating to future periods	326.418.747	318.913.475
	326.418.747	318.913.475

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NOTE 8 - PROPERTY AND EQUIPMENT

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

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NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

30 September 2019	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Aircraft	Construction in progress	Total
Cost:								
Opening	107.827.347	100.683.168	151.141.325	79.369.370	1.007.485.389	8.977.788.704	3.713.862	10.428.009.165
Additions	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
Transfers	-	-	-	-	-	-	-	-
Disposals	-	(1.378.467)	(567.198)	-	-	(63.261.187)	-	(65.206.852)
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
Closing	136.161.562	100.519.109	163.103.013	84.783.841	1.120.377.429	10.844.563.409	5.207.323	12.454.715.686
Accumulated depreciation:								
Opening	(21.043.895)	(23.059.619)	(97.346.345)	(65.504.421)	(204.998.522)	(1.767.852.728)	-	(2.179.805.530)
Depreciation for the year	(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)
Closing	(28.424.801)	(28.208.439)	(110.750.246)	(72.794.410)	(248.129.989)	(2.236.836.070)	-	(2.725.143.955)
Net book value	107.736.761	72.310.670	52.352.767	11.989.431	872.247.440	8.607.727.339	5.207.323	9.729.571.731

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - INTANGIBLE ASSETS

30 September 2020	Brand	Software	Total
Cost:			
Opening	-	177.603.372	177.603.372
Additions	-	22.930.101	22.930.101
Transfers	-	-	-
Disposals	-	-	-
Currency translation differences	-	71.451.554	71.451.554
Closing	-	271.985.027	271.985.027
Accumulated amortization:			
Opening	-	(97.812.366)	(97.812.366)
Amortization for the year	-	(21.938.932)	(21.938.932)
Currency translation differences	-	(41.638.783)	(41.638.783)
Closing	-	(161.390.081)	(161.390.081)
Net book value	-	110.594.946	110.594.946
30 September 2019			
Cost:			
Opening	4.249.742	116.056.170	120.305.912
Additions	-	29.941.775	29.941.775
Disposal	(4.249.742)	-	(4.249.742)
Currency translation differences	-	2.627.884	2.627.884
Closing	-	148.625.829	148.625.829
Accumulated amortization:			
Opening	(2.461.308)	(70.984.707)	(73.446.015)
Amortization for the year	-	(13.164.624)	(13.164.624)
Disposal	2.461.308	-	2.461.308
Currency translation differences	-	(1.523.715)	(1.523.715)
Closing	-	(85.673.046)	(85.673.046)
Net book value	-	62.952.783	62.952.783

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 – RIGHT OF USE ASSETS

30 September 2020	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	30.958.669	24.646.405	18.000.762.823	2.070.755	18.058.438.652
Additions	-	-	2.646.651.496	-	2.646.651.496
Disposals	-	-	(162.650.141)	-	(162.650.141)
Transfers	-	-	5.506.854	-	5.506.854
Currency translation differences	11.532.810	9.181.348	7.222.078.153	771.399	7.243.563.710
Closing	42.491.479	33.827.753	27.712.349.185	2.842.154	27.791.510.571
Accumulated depreciation:					
Opening	(11.686.083)	(6.718.403)	(6.131.858.564)	(1.420.637)	(6.151.683.687)
Depreciation for the period	(16.818.949)	(5.727.789)	(1.273.432.577)	(741.320)	(1.296.720.635)
Disposals	-	-	162.650.141	-	162.650.141
Currency translation differences	(7.841.988)	(3.690.840)	(2.516.348.442)	(680.197)	(2.528.561.467)
Closing	(36.347.020)	(16.137.032)	(9.758.989.442)	(2.842.154)	(9.814.315.648)
Net book value	6.144.459	17.690.721	17.953.359.743	-	17.977.194.923

30 September 2019	Field Rental	Building	Aircraft	Other	Total
Cost:					
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)
Transfers	-	-	-	-	-
Currency translation differences	658.221	524.012	172.935.393	44.027	174.161.653
Closing	28.784.775	22.915.754	6.085.445.730	1.925.345	6.139.071.604
Accumulated depreciation:					
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	-	-	840.465.418	-	840.465.418
Currency translation differences	226.227	72.504	(90.430.518)	23.078	(90.108.709)
Closing	(9.665.256)	(3.097.650)	(3.486.963.652)	(986.010)	(3.500.712.568)

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 33.559.487 as of 30 September 2020 (31 December 2019: TL 27.096.909). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 9.719.663 (31 December 2019: TL 8.340.623) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

Tax Inspection

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

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

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

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NOTE 12 - COMMITMENTS

Purchase Commitments

	30 September 2020	31 December 2019
Commitments to purchase aircraft	70.820.147.891	56.563.789.155
	70.820.147.891	56.563.789.155

As of 30 September 2020, the Group holds firm orders for 64 aircraft. In accordance to with agreement the expected deliveries are 7 aircraft in 2020, 9 aircraft in 2021, 18 aircraft in 2022, 17 aircraft in 2023, 10 aircraft in 2024, 3 aircraft in 2025. The purchase commitments for these aircraft were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 2.106.552.710 (31 December 2019: TL 1.584.900.875) and TL 1.108.654.319 of this amount is reclassified under short term, TL 997.898.391 of this amount is reclassified under long term prepaid expenses (31 December 2019: TL 1.078.133.045 of this amount is reclassified under short term, TL 506.767.830 of this amount is reclassified under long term prepaid expenses).

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NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 30 September 2020 is as follows:

30 September 2020	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.186.095.833	141.460.017	6.304.393	13.493.657	10.535.234
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	1.186.095.833	141.460.017	6.304.393	13.493.657	10.535.234

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 2020.

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NOTE 12 - COMMITMENTS (cont'd)

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

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

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

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

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

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NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years periods 30 September 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Depreciation and amortisation expenses	1.452.846.667	1.137.406.690	543.647.691	395.157.165
Jet fuel expenses	1.139.107.012	2.373.192.781	438.188.500	922.239.991
Personnel expenses	712.075.468	1.055.237.871	224.384.907	423.036.157
Handling and station fees	294.038.468	535.639.907	128.993.532	213.791.201
Navigation expenses	254.897.716	440.363.853	116.077.320	169.353.513
Maintenance expenses	147.004.782	223.505.375	25.786.648	44.508.221
Landing expenses	111.972.647	242.816.940	46.700.836	97.387.656
Commission expenses	52.544.219	113.572.958	12.970.409	44.541.474
Passenger service and catering expenses	30.231.274	71.936.218	9.902.948	29.832.056
Advertising expenses	25.932.373	72.270.598	6.510.026	20.096.702
Other expenses	274.309.031	312.108.939	93.699.690	119.644.712
	4.494.959.657	6.578.052.130	1.646.862.507	2.479.588.848

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

The Company's shareholding structure as of 30 September 2020 and 31 December 2019 are as follows:

Shareholders:	30 September 2020		31 December 2019	
	(%)	TL	(%)	TL
Esas Holding	62,91	64.353.570	62,91	64.353.570
Publicly held	34,53	35.321.707	34,53	35.321.707
Emine Kamışlı	0,85	874.810	0,85	874.810
Ali İsmail Sabancı	0,85	874.810	0,85	874.810
Kazım Köseoğlu	0,43	437.405	0,43	437.405
Can Köseoğlu	0,43	437.405	0,43	437.405
TL historic capital	100,00	102.299.707	100,00	102.299.707

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2019: 102.299.707 shares). All issued shares are fully paid in cash.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 30 September 2020 and 2019 are as follows:

Sales:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Scheduled flight and service revenue	3.427.859.941	8.201.543.500	1.451.093.590	3.919.654.243
<i>International flight revenue</i>	1.334.188.847	4.402.096.281	517.646.127	2.272.870.503
<i>Domestic flight revenue</i>	942.480.574	1.629.133.300	480.200.665	736.538.709
<i>Service revenue</i>	1.151.190.520	2.170.313.919	453.246.798	910.245.031
Charter flight and service revenue	33.951.259	264.243.997	24.129.471	178.842.119
<i>Charter flight revenue</i>	33.632.299	264.070.388	24.129.471	178.828.517
<i>Service revenue</i>	318.960	173.609	-	13.602
Other revenue	57.629.425	47.708.531	14.600.902	18.653.291
	3.519.440.625	8.513.496.028	1.489.823.963	4.117.149.653

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

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Europe	977.180.698	3.103.426.595	453.948.414	1.623.875.210
Domestic	942.480.574	1.629.133.300	480.200.665	736.538.709
Other	357.008.149	1.298.669.686	63.697.713	648.995.293
	2.276.669.421	6.031.229.581	997.846.792	3.009.409.212

Cost of sales:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Depreciation and amortisation expenses	1.392.205.581	1.092.431.173	521.111.685	379.663.240
Jet fuel expenses	1.139.107.012	2.373.192.781	438.188.500	922.239.991
Personnel expenses	653.420.516	949.050.125	204.007.921	397.371.552
Handling and station fees	294.038.468	535.639.907	128.993.532	213.791.201
Navigation expenses	254.897.716	440.363.853	116.077.320	169.353.513
Maintenance expenses	147.004.782	223.505.375	25.786.648	44.508.221
Landing expenses	111.972.647	242.816.940	46.700.836	97.387.656
Passenger service and catering expenses	30.231.274	71.936.218	9.902.948	29.832.056
Other expenses	170.306.495	226.218.943	58.298.787	81.544.997
	4.193.184.491	6.155.155.315	1.549.068.177	2.335.692.427

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Marketing expenses	123.776.312	236.475.405	36.097.805	80.417.490
General administrative expenses	177.998.854	186.421.410	61.696.525	63.478.931
	301.775.166	422.896.815	97.794.330	143.896.421

The details of general administrative expenses and marketing expenses for the periods ended 30 September 2020 and 2019 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Depreciation and amortisation expenses	48.512.869	36.040.875	18.028.805	12.415.449
IT expenses	46.494.342	35.182.199	16.633.402	13.044.851
Personnel expenses	44.221.990	81.979.025	15.415.619	20.059.660
Consultancy expenses	7.147.216	7.690.210	3.072.218	2.820.782
Legal and notary expenses	4.547.652	3.670.234	1.493.062	1.270.232
Office utility expenses	3.659.428	2.846.009	1.254.756	976.898
Communication expenses	2.701.060	2.106.131	1.463.640	600.160
Training expenses	1.016.583	1.078.464	331.415	414.347
Travel expenses	732.380	3.136.835	109.847	851.241
Other expenses	18.965.334	12.691.428	3.893.761	11.025.311
	177.998.854	186.421.410	61.696.525	63.478.931

Marketing expenses:

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Commission expenses	52.544.219	113.572.958	12.970.409	44.541.474
Advertising expenses	25.932.373	72.270.598	6.510.026	20.096.702
Call center expenses	16.084.709	12.552.261	6.254.135	4.416.415
Personnel expenses	14.432.962	24.208.721	4.961.367	5.604.945
Depreciation and amortisation expenses	12.128.217	8.934.642	4.507.201	3.078.476
Other expenses	2.653.832	4.936.225	894.667	2.679.478
	123.776.312	236.475.405	36.097.805	80.417.490

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods ended 30 September 2020 and 2019 are as follows:

Other operating income:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Foreign exchange gain from operating activities	160.302.092	-	29.007.305	-
Indemnity income	74.657.919	-	-	-
Reversal of doubtful provision	11.375.534	-	7.849.578	-
Reversal of doubtful cash and cash equivalents	41.696	-	41.696	-
Other	621.402	251.043	47.548	149.767
	246.998.643	251.043	36.946.127	149.767

Other operating expenses:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Expenses from fair value differences of derivative instruments	280.058.038	-	(124.911.909)	-
Doubtful receivable allowance expense	5.331.677	3.137.363	3.070.857	54.041
Penalty expense	712.535	1.485.574	-	-
Foreign exchange loss from operating activities	-	44.237.321	-	102.336.786
Cash and cash equivalents allowance expense	-	4.588.306	(4.135.327)	3.626.666
Other	6.854.737	3.162.115	3.203.884	1.984.212
	292.956.987	56.610.679	(122.772.495)	108.001.705

NOTE 18 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended 30 September 2020 and 2019 are as follows:

Income from investing activities:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Other income	702.738	843.625	551.297	11.695
	702.738	843.625	551.297	11.695

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NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the periods ended 30 September 2020 and 2019 are as follows:

Financial income:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Foreign exchange gain	134.272.960	-	250.599.642	-
Interest income	62.869.518	67.662.245	22.709.770	25.954.178
Gain on derivative contracts	2.167.248	3.965.468	(2.358.957)	1.464.299
	199.309.726	71.627.713	270.950.455	27.418.477

Financial expenses:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Interest expense on leases	382.531.906	290.402.066	155.032.063	103.298.776
Other commission expenses	59.887.650	102.972.219	22.124.954	38.736.185
Interest expense on bank loans	691.802	16.959.970	(10.463.112)	6.640.213
Foreign exchange loss	-	134.582.774	-	103.035.157
	443.111.358	544.917.029	166.693.905	251.710.331

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 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
(Loss) / profit attributable to the shareholders of the parent	(1.225.183.204)	1.310.547.617	103.412.931	1.200.029.072
Weighted average number of shares issued in the year	102.299.707	102.299.707	102.299.707	102.272.000
(Loss) / profit per share	(11,98)	12,81	1,01	11,73

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Short term	547.723	294.444.026	61.239	53.134.363
Long term	-	37.527.436	-	1.505.350
	547.723	331.971.462	61.239	54.639.713

Explanations related to derivative instruments are disclosed in Note 23.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 30 September 2020 and 31 December 2019 are as follows:

Short term financial liabilities	30 September 2020	31 December 2019
Short term bank borrowings	1.275.694.831	758.293.604
Lease liabilities	2.174.851.467	1.536.570.246
<i>Short term portion of long term operating lease obligations</i>	823.294.329	635.282.662
<i>Short term portion of long term financial lease obligations</i>	1.351.557.138	901.287.584
	3.450.546.298	2.294.863.850
Long term financial liabilities	30 September 2020	31 December 2019
Long term bank borrowings	899.873.419	-
Lease liabilities	12.894.193.497	8.460.811.498
Long term operating lease obligations	1.814.004.420	1.614.122.499
Long term financial lease obligations	11.080.189.077	6.846.688.999
	13.794.066.916	8.460.811.498

a) Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short term bank borrowings as of 30 September 2020 and 31 December 2019 are as follows :

30 September 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	4,55%	Euro	106.400.000	979.694.831
Short term bank borrowings	13,96%	TL	296.000.000	296.000.000
				1.275.694.831

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NOTE 22 - FINANCIAL INSTRUMENTS(cont'd)

Financial Liabilities (cont'd)

30 September 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	3,93%	Euro	82.150.000	749.873.419
Long term bank borrowings	12,39%	TL	150.000.000	150.000.000
				899.873.419

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

Lease Liabilities

The details of financial and operating lease liabilities as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Less than 1 year	2.714.595.003	1.968.639.836
Between 1 - 5 years	8.554.555.379	5.830.430.461
Over 5 years	6.892.350.728	4.242.706.951
	18.161.501.110	12.041.777.248
Less: Future interest expenses	(3.092.456.146)	(2.044.395.504)
	15.069.044.964	9.997.381.744

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

	30 September 2020	31 December 2019
Less than 1 year	2.174.851.467	1.536.570.246
Between 1 - 5 years	6.686.208.807	5.199.045.253
Over 5 years	6.207.984.690	3.261.766.245
	15.069.044.964	9.997.381.744

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 5,80 years. For the period ended 30 September 2020, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 9.848.783.903, is 1,39% (31 December 2019: 1,72%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 5.220.261.061, is 2,93% (31 December 2019: 4,84%).

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

Financial Risk Factors

Foreign currency risk management

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

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 30 September 2020 and 31 December 2019 are as follows:

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

30 September 2020	TL Total	USD	TL	GBP	Other
1. Trade receivables	171.594.172	6.083.429	83.927.639	247.636	37.683.107
2a. Monetary financial assets	2.375.335.808	232.724.171	408.275.134	8.744.913	62.230.999
2b. Non monetary financial assets	-	-	-	-	-
3. Other	557.791.248	43.030.293	219.704.340	89.563	1.207.983
4. CURRENT ASSETS	3.104.721.228	281.837.893	711.907.113	9.082.112	101.122.089
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	154.001.299	19.723.527	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	149.295.161	18.330.531	340.670	1.000	5.819.674
8. NON CURRENT ASSETS	303.296.460	38.054.058	340.670	1.000	5.819.674
9. TOTAL ASSETS	3.408.017.688	319.891.951	712.247.783	9.083.112	106.941.763
10. Trade payables	541.930.763	40.533.082	211.261.076	569.967	8.470.101
11. Financial liabilities	1.883.101.452	237.120.477	31.664.767	-	-
12a. Other liabilities, monetary	1.042.778.113	107.284.757	193.619.492	516.414	6.299.141
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	3.467.810.328	384.938.316	436.545.335	1.086.381	14.769.242
14. Trade payables	-	-	-	-	-
15. Financial liabilities	3.368.824.376	431.458.040	-	-	-
16a. Other liabilities, monetary	1.580.341.920	202.400.348	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	4.949.166.296	633.858.388	-	-	-
18. TOTAL LIABILITIES	8.416.976.624	1.018.796.704	436.545.335	1.086.381	14.769.242
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	732.199	3.358.186	-	(2.541.000)	-
19.a Off-balance sheet foreign currency derivative assets	26.220.716	3.358.186	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	25.488.517	-	-	2.541.000	-
20. Net foreign currency asset/(liability) position	(5.008.958.936)	(698.904.753)	275.702.448	7.996.731	92.172.521
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(5.008.958.936)	(698.904.753)	275.702.448	7.996.731	92.172.521

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 December 2019	TL Total	USD	TL	GBP	Other
1. Trade receivables	445.328.143	8.654.041	283.132.380	1.504.015	99.093.056
2a. Monetary financial assets	3.671.506.061	597.374.911	49.068.444	6.425.896	23.940.190
2b. Non monetary financial assets	-	-	-	-	-
3. Other	193.948.953	3.574.272	172.714.136	-	2.926
4. CURRENT ASSETS	4.310.783.157	609.603.224	504.914.960	7.929.911	123.036.172
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	88.446.329	14.889.453	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	142.398.435	23.154.357	355.786	1.000	4.493.361
8. NON CURRENT ASSETS	230.844.764	38.043.810	355.786	1.000	4.493.361
9. TOTAL ASSETS	4.541.627.921	647.647.034	505.270.746	7.930.911	127.529.533
10. Trade payables	412.035.767	43.853.367	107.150.780	1.575.470	32.135.574
11. Financial liabilities	1.654.852.242	275.930.716	15.768.604	-	-
12a. Other liabilities, monetary	402.134.668	52.562.088	70.256.665	94.753	18.911.841
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	2.469.022.677	372.346.171	193.176.049	1.670.223	51.047.415
14. Trade payables	-	-	-	-	-
15. Financial liabilities	3.800.045.664	639.716.788	-	-	-
16a. Other liabilities, monetary	1.570.845.470	264.443.196	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	5.370.891.134	904.159.984	-	-	-
18. TOTAL LIABILITIES	7.839.913.811	1.276.506.155	193.176.049	1.670.223	51.047.415
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	810.122	14.455.000	-	(10.937.500)	-
19.a Off-balance sheet foreign currency derivative assets	85.865.591	14.455.000	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	85.055.469	-	-	10.937.500	-
20. Net foreign currency asset/(liability) position	(3.386.732.219)	(628.859.121)	312.094.697	6.260.688	76.482.118
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(3.386.732.219)	(628.859.121)	312.094.697	6.260.688	76.482.118

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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 2020 and 31 December 2019 are as follows:

30 September 2020	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(545.704.831)	545.704.831	-	-
Part of hedged from USD risk	2.622.072	(2.622.072)	-	-
USD net effect	(543.082.759)	543.082.759	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	27.570.245	(27.570.245)	608.185.848	(608.185.848)
Part of hedged from TL risk	-	-	-	-
TL net effect	27.570.245	(27.570.245)	608.185.848	(608.185.848)
Effect of 10% change in GBP rate				
GBP net asset / liability	8.021.441	(8.021.441)	-	-
Part of hedged from GBP risk	(2.548.852)	2.548.852	-	-
GBP net effect	5.472.589	(5.472.589)	-	-

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

31 December 2019	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(373.554.895)	373.554.895	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(373.554.895)	373.554.895	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	31.209.470	(31.209.470)	538.433.239	(538.433.239)
Part of hedged from TL risk	-	-	-	-
TL net effect	31.209.470	(31.209.470)	538.433.239	(538.433.239)
Effect of 10% change in GBP rate				
GBP net asset / liability	4.868.624	(4.868.624)	-	-
Part of hedged from GBP risk	(8.505.547)	8.505.547	-	-
GBP net effect	(3.636.923)	3.636.923	-	-

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

Fair Value of Financial Instruments

30 September 2020	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	4.038.687.699	-	-	-	4.038.687.699	26
Trade receivables	179.970.825	-	-	-	179.970.825	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	179.970.825	-	-	-	179.970.825	6
Other receivables	529.209.724	-	-	-	529.209.724	
- <i>Related party</i>	389.286	-	-	-	389.286	5
- <i>Other</i>	528.820.438	-	-	-	528.820.438	
Financial investments(**)	243.926.611	-	-	-	243.926.611	
Derivative financial assets	-	-	547.723	-	547.723	21
Financial liabilities						
Bank borrowings	-	-	-	2.175.568.250	2.175.568.250	22
Obligations under leases	-	-	-	15.069.044.964	15.069.044.964	22
Trade payables	-	-	-	918.734.794	918.734.794	6
- <i>Related party</i>	-	-	-	20.999.568	20.999.568	5
- <i>Other</i>	-	-	-	897.735.226	897.735.226	
Derivative financial liabilities	-	330.529.520	1.441.942	-	331.971.462	21

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

(**) As of 30 September 2020 market prices of financial investments amounting to TL 247.077.271.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

Fair Value of Financial Instruments (cont'd)

31 December 2019	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	4.187.316.581	-	-	-	4.187.316.581	26
Trade receivables	446.978.360	-	-	-	446.978.360	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	446.978.360	-	-	-	446.978.360	6
Other receivables	232.683.461	-	-	-	232.683.461	
- <i>Related party</i>	102.852	-	-	-	102.852	5
- <i>Other</i>	232.580.609	-	-	-	232.580.609	
Financial investments(**)	150.906.344	-	-	-	150.906.344	
Derivative financial assets	-	-	61.239	-	61.239	21
Financial liabilities						
Bank borrowings	-	-	-	758.293.604	758.293.604	22
Obligations under financial leases	-	-	-	9.997.381.744	9.997.381.744	22
Trade payables	-	-	-	722.788.625	722.788.625	6
- <i>Related party</i>	-	-	-	1.543.950	1.543.950	5
- <i>Other</i>	-	-	-	721.244.675	721.244.675	
Derivative financial liabilities	-	54.055.360	584.353	-	54.639.713	21

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

(**) As of 31 December 2019 market prices of financial investments amounting to TL 155.381.891.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020

(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 2020	31 December 2019			
Fuel purchase option contracts	(302.199.577)	(42.733.371)	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	(28.329.943)	(11.321.989)	Level 2	Discounted cash flow method	
Currency forward contracts	547.723	(584.353)	Level 2	Discounted cash flow method	
Interest rate swap contracts	(1.441.942)	61.239	Level 2	Discounted cash flow method	
	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
30 September 2020					
Fair value:					
Opening	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)
Fair value increase					
Recognized in equity	(17.007.954)	(206.970.267)	-	-	(223.978.221)
Recognized in profit or loss	-	(52.495.939)	1.132.076	(1.503.181)	(52.867.044)
Closing	(28.329.943)	(302.199.577)	547.723	(1.441.942)	(331.423.739)
Assets	-	-	547.723	-	547.723
Liabilities	(28.329.943)	(302.199.577)	-	(1.441.942)	(331.971.462)
Total net assets and liabilities	(28.329.943)	(302.199.577)	547.723	(1.441.942)	(331.423.739)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

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

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

None.

NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Cash on hand	1.184.651	348.239
Cash at banks	4.043.223.130	4.192.730.120
- Demand deposits	438.152.253	34.128.875
- Time deposits	3.605.070.877	4.158.601.245
Less: Allowance for impairment under TFRS 9	(5.720.082)	(5.761.778)
	4.038.687.699	4.187.316.581

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2020**

(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:

30 September 2020	Weighted average interest rates	Total
USD deposits	%1,53	1.803.968.638
EUR deposits	%1,23	1.459.714.518
TL deposits	%7,94	248.874.870
GBP deposits	%0,10	87.190.841
CHF deposits	%0,02	5.322.009
		3.605.070.876

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

All of the time deposits as of 30 September 2020 and 31 December 2019 have maturities less than 90 days.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

Revenue

	Euro 1 January- 30 September 2020	Euro 1 January- 30 September 2019
Scheduled flight and service revenue	477.097.370	1.294.680.947
<i>International flight revenue</i>	189.890.781	694.515.290
<i>Domestic flight revenue</i>	127.148.660	257.213.202
<i>Service revenue</i>	160.057.929	342.952.455
Charter flight and service revenue	4.261.913	41.474.961
<i>Charter flight revenue</i>	4.213.676	41.447.267
<i>Service revenue</i>	48.237	27.694
Other revenue	8.497.514	7.606.070
	489.856.797	1.343.761.978

Expenses by Nature

	Euro 1 January- 30 September 2020	Euro 1 January- 30 September 2019
Jet fuel expenses	154.538.632	374.241.602
Depreciation and amortisation expenses	192.176.619	179.884.787
Personnel expenses	93.526.595	166.567.950
Handling and station fees	39.163.360	84.663.467
Navigation expenses	32.990.985	69.497.313
Maintenance expenses	19.437.675	33.484.743
Landing expenses	15.016.593	38.362.064
Commission expenses	7.077.033	17.903.304
Advertising expenses	3.673.074	11.347.759
Passenger service and catering expenses	4.181.756	11.386.226
Other expenses	38.097.836	49.406.026
	599.880.158	1.036.745.241