

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 2018

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2018**

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not Reviewed) 30 September 2018	Prior period (Audited) 31 December 2017
ASSETS			
Current assets		5.490.305.206	3.096.832.046
Cash and cash equivalents	26	3.436.659.515	1.988.110.247
Trade receivables	6	610.904.419	187.401.375
<i>Trade receivables from related parties</i>		-	-
<i>Trade receivables from third parties</i>		610.904.419	187.401.375
Other receivables		328.617.968	109.210.842
<i>Other receivables from related parties</i>	5	3.137.003	1.733.767
<i>Other receivables from third parties</i>		325.480.965	107.477.075
Derivative financial instruments	21	130.391.137	31.979.841
Inventories		56.408.104	30.803.253
Prepaid expenses	7	909.961.498	725.431.742
Current income tax assets		-	9.418.493
Other current assets		17.362.565	14.476.253
Non-Current assets		10.014.815.884	4.991.239.471
Other receivables		23.989.672	19.154.041
<i>Other receivables from related parties</i>		-	-
<i>Other receivables from third parties</i>		23.989.672	19.154.041
Investments accounted by using the equity method	3	41.817.174	29.144.259
Property and equipment	8	9.509.330.628	4.662.521.058
Intangible assets	9	47.024.000	24.488.486
Prepaid expenses	7	392.654.410	255.931.627
TOTAL ASSETS		15.505.121.090	8.088.071.517

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not Reviewed) 30 September 2018	Prior period (Audited) 31 December 2017
LIABILITIES			
Current liabilities		3.120.106.115	1.863.750.979
Short term financial liabilities	22	575.059.202	541.267.652
Short term portion of long term financial liabilities	22	771.235.522	355.987.254
Trade payables	6	812.652.674	393.710.155
<i>Trade payables to related parties</i>	5	715.728	764.389
<i>Trade payables to third parties</i>		811.936.946	392.945.766
Employee benefit obligations		54.811.887	47.977.139
Other payables		70.772.285	44.161.520
<i>Other payables to third parties</i>		70.772.285	44.161.520
Deferred income	7	730.877.506	415.447.882
Current income tax liabilities		4.587.247	-
Short term provisions		93.562.594	63.993.481
<i>Short term provisions for employee benefits</i>		78.207.014	48.679.796
<i>Other short term provisions</i>		15.355.580	15.313.685
Other current liabilities		6.547.198	1.205.896
Non-Current liabilities		7.856.186.107	3.739.682.332
Long term financial liabilities	22	5.970.520.688	2.711.225.518
Deferred income		3.481.714	7.379.754
Long term provisions		1.183.844.948	626.518.465
<i>Long term provisions for employee benefits</i>		21.470.616	13.638.842
<i>Other long term provisions</i>		1.162.374.332	612.879.623
Deferred tax liabilities		698.338.757	394.558.595
SHAREHOLDERS' EQUITY		4.528.828.868	2.484.638.206
Equity attributable to shareholders' of the parent		4.562.973.890	2.505.869.714
Paid-in share capital	14	102.272.000	102.272.000
Share premiums on capital stock		455.687.025	455.687.025
Effects of business acquisition		29.504.957	29.504.957
Other comprehensive income/expense not to be reclassified to profit or loss			
Actuarial losses on defined benefit plans		(3.305.232)	(3.305.232)
Currency translation differences		2.505.961.286	1.079.050.983
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		(123.631.162)	(43.927.223)
Hedge fund		107.247.230	23.761.279
Restricted profit reserves		5.016.306	5.016.306
Retained earnings		839.053.617	355.561.802
Net profit for the period		645.167.863	502.247.817
Non-controlling interest		(34.145.022)	(21.231.508)
TOTAL LIABILITIES AND EQUITY		15.505.121.090	8.088.071.517

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January- 30 September 2018	Prior period (Not Reviewed) 1 January- 30 September 2017	Current period (Not Reviewed) 1 July - 30 September 2018	Prior period (Not Reviewed) 1 July - 30 September 2017
Profit or loss	Notes				
Sales	15	6.243.781.039	4.162.118.008	3.351.381.307	2.052.853.486
Cost of sales (-)	15	(4.970.600.145)	(3.398.938.437)	(2.219.703.840)	(1.277.784.601)
Gross profit		1.273.180.894	763.179.571	1.131.677.467	775.068.885
General administrative expenses (-)	16	(182.470.214)	(128.330.649)	(72.966.039)	(44.624.529)
Marketing expenses (-)	16	(183.655.623)	(133.140.446)	(72.285.778)	(48.164.762)
Other operating income	17	903.382	58.299.523	254.642	42.195.312
Other operating expenses (-)	17	(126.260.954)	(3.836.503)	(224.471.870)	(871.621)
Operating profit		781.697.485	556.171.496	762.208.422	723.603.285
Income from investing activities	18	28.330.672	142.498.427	4.737.770	(1.402.586)
Share of investments income accounted for using the equity method	3	8.900.835	3.347.932	5.614.584	883.961
Operating profit before financial expense		818.928.992	702.017.855	772.560.776	723.084.660
Financial income	19	90.404.988	25.955.935	47.194.611	15.025.871
Financial expense (-)	19	(173.562.367)	(89.645.365)	(3.843.551)	(57.788.917)
Profit before tax		735.771.613	638.328.425	815.911.836	680.321.614
Tax expense		(92.377.060)	(146.166.358)	(72.782.472)	(141.850.070)
Current tax expense		(18.358.293)	(5.759.446)	(18.358.293)	(5.759.446)
Deferred tax expense		(74.018.767)	(140.406.912)	(54.424.179)	(136.090.624)
Profit for the period		643.394.553	492.162.067	743.129.364	538.471.544
Net profit attributable to:					
Non-controlling interest		(1.773.310)	(2.030.232)	723.925	1.708.363
Shareholders' of the parent		645.167.863	494.192.299	742.405.439	536.763.181
		643.394.553	492.162.067	743.129.364	538.471.544
Profit per share (TL)	20	6,31	4,83	7,26	5,25
Other comprehensive income					
Items not to be reclassified to profit or loss					
Currency translation differences		1.415.770.099	238.198.369	1.086.108.472	97.216.864
Items to be reclassified to profit or loss					
Currency translation differences		(79.703.939)	-	(51.066.752)	-
Cash flow hedge		94.859.644	5.428.052	44.083.654	27.061.905
Deferred tax effect		(11.373.693)	(1.085.610)	391.057	(5.412.381)
Other comprehensive income		1.419.552.111	242.540.811	1.079.516.431	118.866.388
Total comprehensive income		2.062.946.664	734.702.878	1.822.645.795	657.337.932
Total comprehensive income attributable to:					
Non-controlling interest		(12.913.514)	(2.105.400)	(6.341.211)	1.390.187
Shareholders' of the parent		2.075.860.178	736.808.278	1.828.987.006	655.947.745
		2.062.946.664	734.702.878	1.822.645.795	657.337.932

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

(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 2017	102.272.000	455.687.025	29.504.957	(3.305.232)	638.375.994	-	291.850	5.016.306	481.327.846	(133.730.835)	1.575.439.911	(6.118.566)	1.569.321.345	
Effect of acquisition of additional shares in a subsidiary	-	-	-	-	-	-	-	-	7.964.791	-	7.964.791	(12.690.511)	(4.725.720)	
Transfers	-	-	-	-	-	-	-	-	(133.730.835)	133.730.835	-	-	-	
Total comprehensive income	-	-	-	-	238.273.537	-	4.342.442	-	-	494.192.299	736.808.278	(2.105.400)	734.702.878	
As at 30 September 2017	102.272.000	455.687.025	29.504.957	(3.305.232)	876.649.531	-	4.634.292	5.016.306	355.561.802	494.192.299	2.320.212.980	(20.914.477)	2.299.298.503	
As at 1 January 2018	102.272.000	455.687.025	29.504.957	(3.305.232)	1.079.050.983	(43.927.223)	23.761.279	5.016.306	355.561.802	502.247.817	2.505.869.714	(21.231.508)	2.484.638.206	
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(18.756.002)	-	(18.756.002)	-	(18.756.002)	
Restated total equity as at 1 January 2018	102.272.000	455.687.025	29.504.957	(3.305.232)	1.079.050.983	(43.927.223)	23.761.279	5.016.306	336.805.800	502.247.817	2.487.113.712	(21.231.508)	2.465.882.204	
Transfers	-	-	-	-	-	-	-	-	502.247.817	(502.247.817)	-	-	-	
Total comprehensive income	-	-	-	-	1.426.910.303	(79.703.939)	83.485.951	-	-	645.167.863	2.075.860.178	(12.913.514)	2.062.946.664	
As at 30 September 2018	102.272.000	455.687.025	29.504.957	(3.305.232)	2.505.961.286	(123.631.162)	107.247.230	5.016.306	839.053.617	645.167.863	4.562.973.890	(34.145.022)	4.528.828.868	

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not Reviewed) 1 January- 30 September 2018	Prior period (Not Reviewed) 1 January- 30 September 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		643.394.553	492.162.067
Adjustments to reconcile the profit			
Depreciation and amortization	8-9	371.594.567	248.153.946
Adjustments related with impairments		191.896	2.242.087
<i>Provision for doubtful receivable</i>		191.896	2.242.087
Adjustments related with provisions		269.610.474	185.708.749
<i>Provision for employee benefits</i>		66.685.402	47.607.579
<i>Legal provision</i>		823.197	3.118.226
<i>Change in redelivery provision</i>		147.337.059	134.982.944
<i>Provision for tax restructuring expenses</i>	11-17	54.764.816	-
Interest and commission income	19	84.154.211	54.078.837
Gain on equity investments accounted for using the equity method	3	(8.900.835)	(3.347.932)
Current tax expense		92.377.060	146.166.358
Other provisions related with investing or financing activities		(25.887.104)	(120.153.376)
Increase in trade receivables		(423.577.222)	(264.375.990)
(Increase)/decrease in other receivables, prepaid expenses and other current assets		(631.106.204)	89.625.482
Increase in inventories		(25.604.851)	(2.685.898)
Increase in trade payables		418.942.519	68.689.837
Increase in deferred income, other payables and other current liabilities		263.397.370	159.022.711
Net cash generated from operating activities		1.028.586.434	1.055.286.878
Payment for employee, executive bonus plan and retirement benefits		(32.288.151)	(3.967.391)
Payment for other provisions		(28.535)	(50.609)
		996.269.748	1.051.268.878
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of subsidiary		-	(4.725.720)
Proceeds from sale of aircraft		88.849.440	587.259.038
Proceeds from sale of property, equipment and intangible assets		18.820.502	1.621.777
Cash outflows from purchase of property, equipment and intangible assets		(200.458.942)	(73.022.065)
Changes in cash advances and payables		(192.260.251)	(216.854.601)
		(285.049.251)	294.278.429
C. CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in borrowings		423.727.650	461.773.001
Repayment of borrowings		(661.693.250)	-
Repayment of principal in financial lease liabilities		(360.376.626)	(472.585.756)
Interest and commission paid		(162.971.550)	(78.519.774)
Interest received		84.733.376	23.813.988
		(676.580.400)	(65.518.541)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)			
		34.640.097	1.280.028.766
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS			
		1.413.909.171	(149.263.627)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		1.448.549.268	1.130.765.139
E. CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE PERIOD	26	1.988.110.247	692.270.625
CASH AND CASH EQUIVALENTS			
AT THE END OF THE PERIOD (A+B+C+D+E)	26	3.436.659.515	1.823.035.764

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 2018

(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 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Esas Holding A.Ş. (“Esas Holding”)	62,92%	62,92%
Publicly held	34,51%	34,51%
Sabancı Family Members	2,57%	2,57%
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 2018 is 5.637 (31 December 2017: 5.337). 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 interim condensed consolidated financial statements as of 30 September 2018 and delegated authority for publishing it on 9 November 2018.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(Amounts are expressed in TL unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

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 2018 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 2017.

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

Functional and Presentation Currency

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

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

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey (“TCMB”) Euro buying rate prevailing at the statement of financial position date; 30 September 2018: 1 Euro (€) = TL 6,9505, 1 US Dollar (\$) = TL 5,9902 (31 December 2017: 1 Euro (€) = TL 4,5155, 1 US Dollar (\$) = TL 3,7719).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions and translated from US Dollar to TL using the TCMB US Dollar average buying rates.

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

Comparative Information and Reclassification of Prior Period Financial Statements

Condensed consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current period condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has not made any reclassification in the prior period consolidated financial statements in order to maintain consistency with current period condensed consolidated financial statements.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2018 and 31 December 2017:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2018</u>	<u>31 December 2017</u>	
IHY İzmir Havayolları A.Ş. (“İzair”)(*)	Air transportation	99%	99%	Turkey
Air Company “Air Manas” LTD (“Air Manas”) (**)	Air transportation	49%	49%	Kyrgyzstan
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Simulator technical support and maintenance	100%	100%	Turkey

(*) The application for the Capital Markets Board approval for the acquisition by merger of IHY İzmir Havayolları Anonim Şirketi (Izair), with a capital of TL 59,500,000, in which the Company holds a 98.63% stake corresponding to shares with a total nominal value of TL 58,681,832.63, by the Company, with all its assets and liabilities and in accordance with the simplified merger method prescribed in the relevant provisions of the Capital Markets Law No. 6362, the Merger and Demerger Communiqué No. II-23.2 of the Capital Markets Board, the Turkish Commercial Code No. 6102 and the Corporate Tax Law No. 5520, previously announced on 4 September 2018 was approved on 8 November 2018.

(**) In accordance with its rights arising from Air Manas Articles of Association, the Company has the right to control Air Manas operations with 49% shareholding rate and therefore, Air Manas was included in line by line consolidation as a subsidiary as of 30 September 2018 and 31 December 2017.

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 2018 and 31 December 2017:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 September 2018</u>	<u>31 December 2017</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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

2.2 Significant Accounting Policies and Changes

The accounting policies, presentation and methods of computation are consistent with those of the financial year ended 31 December 2017 and corresponding interim reporting period, except for the adoption of new accounting policies for transactions occurred during the three months beginning 1 January 2018.

The Group adopted TFRS 15 Revenue from Contracts with Customers for the first time for the period beginning on 1 January 2018.

a) Impact on the condensed consolidated interim financial statements

The Group adopted the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying TFRS 15 Revenue from Contracts with Customers, as at January 1, 2018, to retained earnings and not restate prior years.

The impact of adoption of TFRS 15 on the condensed consolidated interim statement of financial position as at 30 September 2018 and condensed consolidated statement of profit or loss for the nine months ended 30 September 2018 are stated as below. The adoptions of these standards do not have a significant impact on the condensed consolidated interim other comprehensive income and condensed consolidated interim statement of cash flows.

(i) Condensed Consolidated Statement of Financial Position

	30 September 2018	TFRS 15 Effects	30 September 2018 (excluding effects)
	5.490.305.206	-	5.490.305.206
Cash and cash equivalents	3.436.659.515	-	3.436.659.515
Trade receivables	610.904.419	-	610.904.419
<i>Trade receivables from related parties</i>	-	-	-
<i>Trade receivables from third parties</i>	610.904.419	-	610.904.419
Other receivables	328.617.968	-	328.617.968
<i>Other receivables from related parties</i>	3.137.003	-	3.137.003
<i>Other receivables from third parties</i>	325.480.965	-	325.480.965
Derivative financial instruments	130.391.137	-	130.391.137
Inventories	56.408.104	-	56.408.104
Prepaid expenses	909.961.498	-	909.961.498
Current income tax assets	-	-	-
Other current assets	17.362.565	-	17.362.565
Non-Current assets	10.014.815.884	-	10.014.815.884
Other receivables	23.989.672	-	23.989.672
<i>Other receivables from related parties</i>	-	-	-
<i>Other receivables from third parties</i>	23.989.672	-	23.989.672
Investments accounted for using the equity method	41.817.174	-	41.817.174
Property and equipment	9.509.330.628	-	9.509.330.628
Intangible assets	47.024.000	-	47.024.000
Prepaid expenses	392.654.410	-	392.654.410
TOTAL ASSETS	15.505.121.090	-	15.505.121.090

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AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

2.2 Significant Accounting Policies and Changes (cont'd)

a) Impact on the condensed consolidated interim financial statements (cont'd)

(i) Condensed Consolidated Statement of Financial Positions (cont'd)

		TFRS 15 Effects	30 September 2018 (excluding effects)
Current liabilities	3.120.106.115	43.641.579	3.076.464.536
Short term financial liabilities	575.059.202	-	575.059.202
Short term portion of long term financial liabilities	771.235.522	-	771.235.522
Trade payables	812.652.674	-	812.652.674
<i>Trade payables to third parties</i>	<i>811.936.946</i>	-	<i>811.936.946</i>
Employee benefit obligations	54.811.887	-	54.811.887
Other payables	70.772.285	-	70.772.285
<i>Other payables to related parties</i>	-	-	-
<i>Other payables to third parties</i>	<i>70.772.285</i>	-	<i>70.772.285</i>
Derivative financial instruments	-	-	-
Deferred income	730.877.506	43.641.579	687.235.927
Current income tax liabilities	4.587.247	-	4.587.247
Short term provisions	93.562.594	-	93.562.594
<i>Short term provisions for employee benefits</i>	<i>78.207.014</i>	-	<i>78.207.014</i>
<i>Other short term provisions</i>	<i>15.355.580</i>	-	<i>15.355.580</i>
Other current liabilities	6.547.198	-	6.547.198
Non-Current liabilities	7.856.186.107	(6.066.180)	7.862.252.287
Long term financial liabilities	5.970.520.688	-	5.970.520.688
Derivative financial instruments	-	-	-
Deferred income	3.481.714	-	3.481.714
<i>Long term provisions for employee benefits</i>	<i>21.470.616</i>	-	<i>21.470.616</i>
<i>Other long term provisions</i>	<i>1.162.374.332</i>	-	<i>1.162.374.332</i>
Deferred tax liabilities	698.338.757	(6.066.180)	704.404.937
SHAREHOLDERS' EQUITY	4.528.828.868	(37.575.399)	4.566.404.267
Equity attributable to shareholders' of the parent	4.562.973.890	(37.575.399)	4.600.549.289
Paid-in share capital	102.272.000	-	102.272.000
Effects of business acquisition	29.504.957	-	29.504.957
Actuarial losses on defined benefit plans	(3.305.232)	-	(3.305.232)
Currency translation differences	2.505.961.286	-	2.505.961.286
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences	(123.631.162)	-	(123.631.162)
Hedge fund	107.247.230	-	107.247.230
Restricted profit reserves	5.016.306	-	5.016.306
Retained earnings	839.053.617	(18.756.002)	857.809.619
Net profit for the period	645.167.863	(18.819.397)	663.987.260
Non-controlling interest	(34.145.022)	-	(34.145.022)
TOTAL LIABILITIES AND EQUITY	15.505.121.090	-	15.505.121.090

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

2.2 Significant Accounting Policies and Changes (cont'd)

a) Impact on the condensed consolidated interim financial statements (cont'd)

(ii) Condensed Consolidated Statement of Profit or Loss

	30 September 2018	TFRS 15 Effects	30 September 2018 (excluding effects)
Profit or loss			
Sales	6.243.781.039	(19.595.422)	6.263.376.461
Cost of sales (-)	(4.970.600.145)	-	(4.970.600.145)
Gross profit	1.273.180.894	(19.595.422)	1.292.776.316
General administrative expenses (-)	(182.470.214)	-	(182.470.214)
Marketing expenses (-)	(183.655.623)	-	(183.655.623)
Other operating income	903.382	-	903.382
Other operating expenses (-)	(126.260.954)	-	(126.260.954)
Operating profit	781.697.485	(19.595.422)	801.292.907
Income from investing activities	28.330.672	-	28.330.672
Expenses from investing activities (-)	-	-	-
Share of investments income accounted for using the equity method	8.900.835	-	8.900.835
Operating profit before financial expense	818.928.992	(19.595.422)	838.524.414
Financial income	90.404.988	-	90.404.988
Financial expense (-)	(173.562.367)	-	(173.562.367)
Profit before tax	735.771.613	(19.595.422)	755.367.035
Tax expense	(92.377.060)	776.025	(93.153.085)
Current tax expense	(18.358.293)	-	(18.358.293)
Deferred tax expense	(74.018.767)	776.025	(74.794.792)
Profit for the period	643.394.553	(18.819.397)	662.213.950
Net profit attributable to:			
Non-controlling interest	(1.773.310)	-	(1.773.310)
Shareholders' of the parent	645.167.863	(18.819.397)	663.987.260
	643.394.553	(18.819.397)	662.213.950
Profit per share (TL)	6,31	(0,18)	6,49
Other comprehensive income			
Items not to be reclassified to profit or loss			
Currency translation differences	1.415.770.099	-	1.415.770.099
Items to be reclassified to profit or loss			
Currency translation differences	(79.703.939)	-	(79.703.939)
Cash flow hedge	94.859.644	-	94.859.644
Deferred tax effect	(11.373.693)	-	(11.373.693)
Other comprehensive income	1.419.552.111	-	1.419.552.111
Total comprehensive income	2.062.946.664	(18.819.397)	2.081.766.061
Total comprehensive income attributable to:			
Non-controlling interest	(12.913.514)	-	(12.913.514)
Shareholders' of the parent	2.075.860.178	(18.819.397)	2.094.679.575
	2.062.946.664	(18.819.397)	2.081.766.061

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

2.2 Significant Accounting Policies and Changes (cont'd)

a) Impact on the condensed consolidated interim financial statements (cont'd)

(iii) TFRS 15 Revenue from Contracts with Customers – Impact of adoption

The impact of adoption of TFRS 15, "Revenue from contracts with customers" on retained earnings as of 1 January 2018 is stated as below:

	1 January 2018
Retained earnings – 1 January 2018 – (excluding TFRS 15 effects)	355.561.802
Increase in deferred income	(24.046.156)
Deferred tax effect	5.290.154
Adjustment to retained earnings from adoption of IFRS 15	(18.756.002)
Opening retained earnings 1 January 2018 - (including IFRS 15 effects)	336.805.800

b) New standards and interpretations applied

(i) TFRS 15 Revenue from Contracts with Customers

TFRS 15 was issued in 9 September 2016, a five-step model to account for revenue arising from contracts with customers. Under TFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard supersedes all current revenue recognition requirements under TFRS. The Group adopted the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying TFRS 15, as at January 1, 2018, to retained earnings and not restate prior years.

The Group generates its revenues from international and domestic flight operations. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. These revenues are recognized as follows:

- Scheduled and charter flight revenues are recorded as revenue when the transportation service is provided. Tickets sold but not yet used are recorded as passenger flight liabilities.
- Ancillary revenues, cargo services and training services are recognized when services are provided.
- Service fee is the fee added to the ticket price in order to realize the sales service. The service fee, which is recorded as revenue when the ticket is sold prior to the application of TFRS 15, has started to be recorded as revenue when the related transportation service has been carried out since 1 January 2018, as a result of not being evaluated as a different performance obligation than the transportation service.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

2.3 Changes in Accounting Estimates

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2017.

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

(a) New and Revised standards and interpretations which are effective as at 2018

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i>
TFRS 10 and TAS 28 (Amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
TFRS 2 (Amendments)	<i>Classification and Measurement of Share-based Payment Transactions</i>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
TAS 40 (Amendments)	<i>Transfers of Investment Property</i>
Annual Improvements to TFRSs - 2014-2016 Cycle	<i>TFRS 1, TAS 28</i>

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The standard did not have a significant impact on the financial position or performance of the Group.

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AS OF 30 SEPTEMBER 2018

(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)

(a) New and Revised standards and interpretations which are effective as at 2018

TRFS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to TFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018.

The Group adopted TFRS 15 using modified retrospective approach and disclosed the impact of the standard on financial position or performance of the Group in Note 2.2.

(b) New and revised standards in issue but not yet effective

The Group has not applied the following new and revised standards that have been issued but are not yet effective:

TFRS 16	<i>Leases</i> ¹
TAS 28 (Amendments)	<i>Investments in Associates and Joint Ventures</i> ¹
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>

¹ Effective for annual periods beginning on or after 1 January 2019.

TFRS 16 Leases

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 "Leases". The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16's approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

The Group evaluates the effects of these standards on the consolidated financial statements.

2.5 Seasonality on Operations

Due to seasonality of air passenger transportation, Company expected to incur higher sales revenue in the second and third quarter compared to the first and fourth quarter. As a result of higher sales with the effect of summer season and growth of the Company, trade receivables and passenger flight liabilities under deferred income increased as of 30 September 2018 compared to last year-end.

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

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 September 2018	31 December 2017
Joint ventures		
Hitit Bilgisayar	30.339.910	22.796.541
PUEM	11.477.264	6.347.718
	41.817.174	29.144.259

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

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Hitit Bilgisayar	7.555.774	2.782.762	4.979.960	861.893
PUEM	1.345.061	565.170	634.624	22.068
Net profit	8.900.835	3.347.932	5.614.584	883.961

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

Pegasus Uçuş Eğitim Merkezi A.Ş.

	30 September 2018	31 December 2017
Current assets	3.191.482	513.286
Non-current assets	27.810.706	21.333.742
Current liabilities	(6.991.271)	(5.982.733)
Non-current liabilities	(777.590)	(3.014.663)
Net assets of joint venture	23.233.327	12.849.632
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	11.477.264	6.347.718
	1 January- 30 September 2018	1 January- 30 September 2017
Revenue	6.758.905	4.705.316
Profit for the year	2.722.796	1.144.068
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	1.345.061	565.170

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

Hitit Bilgisayar Hizmetleri A.Ş.

	30 September 2018	31 December 2017
Current assets	32.815.285	19.039.061
Non-current assets	35.322.012	30.083.777
Current liabilities	(8.630.716)	(4.857.939)
Non-current liabilities	(611.785)	(456.841)
Net assets of joint venture	58.894.796	43.808.058
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	30.339.910	22.796.541
	1 January- 30 September 2018	1 January- 30 September 2017
Revenue	42.280.346	31.442.168
Profit for the year	15.111.548	5.565.524
Group's weighted average ownership interest	50%	40%
Group's share in the net profit of the joint venture	7.555.774	2.782.762

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.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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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 2018	31 December 2017
Balances with joint ventures and subsidiaries:		
PUEM	3.125.226	1.702.020
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	-	31.747
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	11.777	-
	3.137.003	1.733.767

b) Trade payables to related parties

	30 September 2018	31 December 2017
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	715.728	764.389
	715.728	764.389

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant Transactions with Related Parties:

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

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

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

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

a) Sale of services

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Transactions with joint ventures and subsidiaries:				
PUEM	1.635.238	1.000.727	680.149	337.630
Transactions with other related parties:				
Air Berlin Plc&Co Luftverkehrs Kg (*)	-	889.222	-	4.821
	1.635.238	1.889.949	680.149	342.451

(*) Air Berlin Plc & Co Luftverkehrs Kg entered into liquidation process in August 2017. Therefore, the Group's management ceased commercial operations with the company as of that date.

b) Purchases of goods or services

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Transactions with joint ventures and subsidiaries:				
Hitit Bilgisayar	9.712.860	10.243.269	2.992.948	3.337.551
PUEM	6.758.905	4.705.316	2.217.844	1.221.658
Transactions with other related parties:				
Esasburda	1.519.384	1.627.689	521.196	540.355
Other	27.527	-	3.039	-
	18.018.676	16.576.274	5.735.027	5.099.564

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

c) Rent expenses

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Esasburda	5.631.517	4.765.266	2.102.169	1.281.908
	5.631.517	4.765.266	2.102.169	1.281.908

d) Surety commission expenses

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Esas Holding (Note 19)	6.837.344	9.201.295	2.532.801	2.931.381
	6.837.344	9.201.295	2.532.801	2.931.381

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,0725% of the 115% of the amount guaranteed.

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 September 2018 and 2017 are as follows:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Salaries and other short term benefits	9.965.933	6.800.171	3.413.505	2.147.955
Other long term benefits	810.479	985.195	-	-
	10.776.412	7.785.366	3.413.505	2.147.955

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

The details of short term trade receivables as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Trade receivables	249.344.186	144.962.630
Credit card receivables	365.176.314	49.128.679
Income accruals	8.280.482	289.997
	622.800.982	194.381.306
Less: Allowance for doubtful receivables	(11.896.563)	(6.979.931)
	610.904.419	187.401.375

The average collection period of trade receivables is approximately 23 days (31 December 2017: 22 days).

Short term trade payables

The details of short term trade payables as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Trade payables	409.908.101	280.291.185
Accrued direct operational costs	331.516.971	82.205.807
Other accrued expenses	70.511.874	30.448.774
Due to related parties (Note 5)	715.728	764.389
	812.652.674	393.710.155

The average credit period of trade payables is approximately 33 days (31 December 2017: 28 days).

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses as of 30 September 2018 and 31 December 2017 are as follows:

Short term prepaid expenses

	30 September 2018	31 December 2017
Advances on aircraft purchases	310.660.952	395.375.762
Advances to suppliers	519.098.024	247.896.894
Prepaid aircraft operating lease expenses	59.153.339	52.423.814
Prepaid insurance expenses	345.972	10.166.538
Prepaid advertising expenses	386.575	426.651
Other prepaid expenses	20.316.636	19.142.083
	909.961.498	725.431.742

Long term prepaid expenses

	30 September 2018	31 December 2017
Advances on aircraft purchases	332.345.068	198.287.869
Other prepaid expenses	60.309.342	57.643.758
	392.654.410	255.931.627

The details of deferred income as of 30 September 2018 and 31 December 2017 are as follows:

Short term deferred income

	30 September 2018	31 December 2017
Passenger flight liabilities	673.074.565	380.715.038
Advances received from customers	44.684.873	21.770.670
Other deferred income	13.118.068	12.962.174
	730.877.506	415.447.882

The details of passenger flight liabilities as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Flight liability from ticket sales	509.819.170	268.933.251
Passenger airport fees received from customers	127.384.519	87.660.301
Flight liability from flight points	35.870.876	24.121.486
	673.074.565	380.715.038

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2018	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned and leased aircraft	Construction in progress	Total
Cost:								
Opening	72.526.512	75.261.821	101.564.014	58.525.763	499.675.611	5.106.452.248	3.510.816	5.917.516.785
Additions	2.955.646	592.671	4.062.462	41.809	155.641.369	2.113.574.873	(1.735.361)	2.275.133.469
Disposals	-	(1.801.183)	(858.915)	-	(12.547.457)	(144.286.346)	-	(159.493.901)
Transfers	-	-	1.183.019	1.069.125	-	-	(2.252.144)	-
Currency translation differences	40.051.579	40.313.004	55.957.922	31.874.532	308.055.867	3.201.879.844	821.669	3.678.954.417
Closing	115.533.737	114.366.313	161.908.502	91.511.229	950.825.390	10.277.620.619	344.980	11.712.110.770
Accumulated depreciation:								
Opening	(10.771.676)	(12.180.327)	(62.382.916)	(43.069.275)	(111.270.901)	(1.015.320.632)	-	(1.254.995.727)
Depreciation for the year	(4.724.078)	(5.584.250)	(10.150.419)	(5.547.667)	(39.938.344)	(297.246.501)	-	(363.191.259)
Disposals	-	1.032.945	716.472	-	632.856	77.772.358	-	80.154.631
Currency translation differences	(7.108.188)	(7.816.533)	(36.180.033)	(24.723.934)	(70.565.710)	(518.353.389)	-	(664.747.787)
Closing	(22.603.942)	(24.548.165)	(107.996.896)	(73.340.876)	(221.142.099)	(1.753.148.164)	-	(2.202.780.142)
Net book value	92.929.795	89.818.148	53.911.606	18.170.353	729.683.291	8.524.472.455	344.980	9.509.330.628

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 8 - PROPERTY AND EQUIPMENT (cont'd)

30 September 2017	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned and leased aircraft	Construction in progress	Total
Cost:								
Opening	58.446.618	54.947.225	73.778.851	47.936.130	325.933.190	4.510.753.029	415.109	5.072.210.152
Additions	1.494.061	-	4.619.544	15.991	60.121.510	350.410.908	126.707	416.788.721
Disposals	(80.724)	(723.182)	(883)	-	(778.868)	(770.834.670)	-	(772.418.327)
Transfers	-	-	-	99.315	(19.802.804)	19.802.804	(99.315)	-
Currency translation differences	6.458.394	6.943.837	9.807.623	6.223.825	54.119.024	488.975.447	32.364	572.560.514
Closing	66.318.349	61.167.880	88.205.135	54.275.261	419.592.052	4.599.107.518	474.865	5.289.141.060
Accumulated depreciation:								
Opening	(5.064.340)	(6.463.246)	(42.584.799)	(28.876.246)	(61.786.906)	(1.078.819.212)	-	(1.223.594.749)
Depreciation for the year	(3.281.018)	(3.190.104)	(6.974.027)	(5.596.773)	(29.671.398)	(193.344.618)	-	(242.057.938)
Disposals	27.246	477.261	40	-	129.223	297.038.550	-	297.672.320
Currency translation differences	(767.101)	(938.298)	(5.874.799)	(4.005.363)	(9.469.337)	(70.543.329)	-	(91.598.227)
Closing	(9.085.213)	(10.114.387)	(55.433.585)	(38.478.382)	(100.798.418)	(1.045.668.609)	-	(1.259.578.594)
Net book value	57.233.136	51.053.493	32.771.550	15.796.879	318.793.634	3.553.438.909	474.865	4.029.562.466

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 9 - INTANGIBLE ASSETS

30 September 2018	Brand	Software	Total
Cost:			
Opening	3.183.429	66.414.193	69.597.622
Additions	-	15.757.835	15.757.835
Transfers	-	-	-
Currency translation differences	1.716.675	40.066.488	41.783.163
Closing	4.900.104	122.238.516	127.138.620
Accumulated amortization:			
Opening	(1.684.564)	(43.424.572)	(45.109.136)
Amortization for the year	(144.837)	(8.258.471)	(8.403.308)
Currency translation differences	(947.328)	(25.654.848)	(26.602.176)
Closing	(2.776.729)	(77.337.891)	(80.114.620)
Net book value	2.123.375	44.900.625	47.024.000

30 September 2017	Brand	Software	Total
Cost:			
Opening	2.385.298	47.464.326	49.849.624
Additions	-	4.082.024	4.082.024
Currency translation differences	570.345	6.324.635	6.894.980
Closing	2.955.643	57.870.985	60.826.628

Accumulated amortization:			
Opening	(1.142.954)	(28.348.941)	(29.491.895)
Amortization for the year	(105.602)	(5.990.406)	(6.096.008)
Currency translation differences	(278.524)	(3.945.193)	(4.223.717)
Closing	(1.527.080)	(38.284.540)	(39.811.620)
Net book value	1.428.563	19.586.445	21.015.008

Remaining average useful life of intangible assets as of 30 September 2018 is 1,5 years (31 December 2017: 2,1 years).

NOTE 10 - LEASING TRANSACTIONS

Details related to leasing transactions are disclosed in Note 22.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

NOTE 11- PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 28.024.575 as of 30 September 2018(31 December 2017: TL 21.077.892). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 10.576.875 (31 December 2017: TL 9.782.213) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

Contingent Liabilities

In addition to the above, in June 2008, the İstanbul Atatürk Airport Customs Directorate imposed a monetary fine against the Group in the amount of TL 545.366 on the grounds that the Group had violated temporary import regime regulations. The monetary fine was challenged before the relevant tax court which ruled against the Group in April 2009, in response to which the Group filed an appeal and refused to make payment, citing amendments in the temporary import regime legislation and providing a letter of credit for the amount of the fine and the accrued interest totaling TL 931.212. In January 2011 the Customs Directorate requested the liquidation of the letter of credit in a motion that was challenged by the Group, which resulted, first, in an injunction decision in February 2011, and later, in the cancellation of the liquidation request in September 2011. The Customs Directorate later appealed the cancellation decision of the tax court. As of 30 September 2018 the appellate review of both lawsuits have been finalized in the Group's favor, whereby the court decision turning down the Group's request for the cancellation of the monetary fines has been overturned and the court decision cancelling the liquidation of the letter of credit by the administration has been upheld. The Group management believes that significant cash outflow is not probable and has not provided any provision for this fine.

Tax Inspection

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

Under such Corporation Tax Inspection Report number 2013-B-228/3, it is allegedly stated that deducted amount of TL 1.553.762,38 over the corporation tax return of such lump sum expenses calculated and deducted under scope of the provision of Article 40/1 of Corporation Tax Law over transport proceeds obtained abroad cannot possibly be subjected to any deduction, and further that such portion deducted over the tax return is not related to transport proceeds obtained abroad, while on the other hand it is expressed on the same Report that those minor fixed assets purchased in year 2010, and each to be entered as direct expenses according to Article 313 of Tax Procedures Law are required to be redeemed through amortization , and therefore it is pointed out that TL 76.798,80 as well is to be included in the income of the corporation pertaining to year 2010. A lawsuit has been filed by the Company, claiming revocation of such determination act with respect to an income difference in the amount of TL 1.630.561,18. Lawsuit filed before Istanbul Tax Court is concluded in favor of the Company. In respect of this judgment, Major Taxpayers Tax Office has appealed in upper court council of state and appeal process has not been concluded yet.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

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

Tax Inspection (cont'd)

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

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

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

In the aforesaid process, all of the lawsuits filed with the demand for rescission of such fined value added tax assessments imposed in the name of the Company as per respective monthly periods of year 2010, with the claim that the rate of value added tax required to be calculated over corporation tax withholdings claimed as being payable over such leasing payments with respect to aircraft subject matter of financial leasing with the purpose of acquiring the same from companies with legal domiciles as well as principal places of business abroad being 18% are concluded, and such lawsuits filed in tax courts are concluded in favor of the Company. A part of the judgments were subject to appeal by Major Taxpayers Tax Office before Istanbul Tax Court due to their amounts, but in respect of judgment of İstanbul Regional Administrative Court, the appeals has been rejected and lawsuits were concluded in favor of the Company. A part of these lawsuits were brought to appeal before the Council of State due to their amounts, and the trial process is still ongoing.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(Amounts are expressed in TL unless otherwise stated.)

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

Tax Inspection (cont'd)

An audit was conducted in 2016 and 2017 by the Ministry of Finance on our accounts and transactions for 2014 in respect of income tax withholding. As a result of this audit, the Company's policy of applying income tax exemption for flight indemnity and flight indemnity difference payments made to the pilots and the flight crew certified by the civil aviation authority to provide services in the aircraft during flight, as per Article 29/2 of the Income Tax Law No. 193, was criticized. In this respect, the relevant tax office determined additional income tax liability in the amount of TL 38.644.642,45 and additional stamp tax liability in the amount of TL 293.312,84 against the Company and further imposed a tax penalty of TL 57.966.963,68 for income tax and TL 439.969,26 for stamp tax.

Related to the restructuring of Taxes and Other Receivables Numbered 7143 and Amendments to Certain Laws related to tax loss penalty amounting to TL 58.406.932,94 with a total amount of 38.937.955,29 TL against the Company with the assessment of income tax and withholding tax, an application was made for the benefit of the provisions of the law. In this scope, the aforementioned disputes were terminated by prepayment of the total liability amounting to TL 19.780.894,17 including the interest in the Domestic Producers' Price Index.

Tax and Regulatory Environment in Kyrgyzstan

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS

Purchase Commitments

	30 September 2018	31 December 2017
Commitments to purchase aircraft	62.076.176.911	43.557.045.242
	62.076.176.911	43.557.045.242

As of 30 September 2018, the Group holds firm orders for 78 aircraft. The expected deliveries are 14 aircraft in 2019, 13 aircraft in 2020, 19 aircraft in 2021, 12 aircraft in 2022, 10 aircraft in 2023, 10 aircraft in 2024 . The purchase commitments for these aircraft were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 643.006.020 (31 December 2017: TL 593.663.631) and TL 310.660.952 of this amount is reclassified under short term, TL 332.345.068 of this amount is reclassified under long term prepaid expenses (31 December 2017: TL 395.375.762 of this amount is reclassified under short term, TL 198.287.869 of this amount is reclassified under long term prepaid expenses).

The Company as Lessee

Operating Lease Agreements:

Payments recognised as expense:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Minimum lease payments	484.339.084	421.997.630	193.491.213	138.345.938
	484.339.084	421.997.630	193.491.213	138.345.938

Operating leases have remaining lease terms of between 1 to 8 years. The Company does not have the option to purchase the leased aircraft at the expiration of the lease period.

The non-cancellable operating lease liabilities as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Less than 1 year	792.759.224	560.853.156
Between 1 - 5 years	1.737.150.866	1.378.861.599
Over 5 years	98.475.729	164.687.976
	2.628.385.819	2.104.402.731

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

NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 30 September 2018 is as follows:

30 September 2018	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.508.527.245	238.620.399	7.180.881	12.140.918	17.091.700
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	83.785.981	11.037.000	-	17.672.143	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
-Collateral	3.118.500	520.600	-	-	-
-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	-	-	-	-	-
	1.595.431.726	250.177.999	7.180.881	29.813.061	17.091.700

(*) Consisted of given CPMs to third parties in order to guarantee PUEM's, which is a joint venture accounted by equity method, liabilities for routine trade operations.

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 2018.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”) (cont'd)

The details of the CPMs given by the Group as of 31 December 2017 is as follows:

31 December 2017	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.183.021.114	299.287.196	6.871.650	12.116.667	10.994.137
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	56.034.566	10.087.000	-	17.987.411	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
-Collateral	3.544.150	939.619	-	-	-
-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	-	-	-	-	-
	1.242.599.830	310.313.815	6.871.650	30.104.078	10.994.137

(*) Consisted of given CPMs to third parties in order to guarantee PUEM's, which is a joint venture accounted by equity method, liabilities for routine trade operations.

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 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years ended 30 September 2018 and 2017 are as follows:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Jet fuel expenses	1.978.883.371	1.103.855.018	945.339.404	428.097.742
Personnel expenses	641.780.469	531.986.925	272.574.151	212.028.580
Operating lease expenses	484.339.084	421.997.630	193.491.213	138.345.938
Handling and station fees	422.713.229	291.903.163	199.559.973	118.798.410
Maintenance expenses	393.335.847	321.993.031	137.708.640	103.997.522
Navigation expenses	374.046.584	245.375.214	180.340.484	100.862.251
Depreciation and amortisation expenses	371.594.567	248.153.946	163.101.069	85.401.655
Landing expenses	186.811.660	123.302.618	90.597.722	50.769.649
Commission expenses	107.191.594	73.490.393	46.818.373	26.808.904
Passenger service and catering expenses	57.182.449	41.574.422	25.750.655	17.460.037
Advertising expenses	39.174.458	30.161.578	11.962.712	11.792.526
Other expenses	279.672.670	226.615.594	97.711.261	76.210.678
	5.336.725.982	3.660.409.532	2.364.955.657	1.370.573.892

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

The Company's shareholding structure as of 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018		31 December 2017	
Shareholders:	(%)	TL	(%)	TL
Esas Holding	62,92	64.353.570	62,92	64.353.570
Publicly held	34,51	35.294.000	34,51	35.294.000
Emine Kamyşlı	0,86	874.810	0,86	874.810
Ali İsmail Sabancı	0,86	874.810	0,86	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	100,0	102.272.000	100,0	102.272.000

The Company's share capital consists of 102.272.000 shares of par value TL 1 each (31 December 2017: 102.272.000 shares). All issued shares are fully paid in cash.

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 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the years ended 30 September 2018 and 2017 are as follows:

Sales:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Scheduled flight and service revenue	5.832.415.610	3.862.410.528	3.092.067.981	1.925.273.561
<i>International flight revenue</i>	2.979.286.104	1.909.597.111	1.739.675.959	1.051.284.400
<i>Domestic flight revenue</i>	1.411.454.749	1.107.527.758	676.771.982	530.256.972
<i>Service revenue</i>	1.441.674.757	845.285.659	675.620.040	343.732.189
Charter flight and service revenue	321.130.970	155.282.562	215.999.982	108.674.715
<i>Charter flight revenue</i>	320.478.370	154.610.513	215.999.684	108.649.250
<i>Service revenue</i>	652.600	672.049	298	25.465
Wetlease revenue	-	79.837.804	-	-
Other revenue	90.234.459	64.587.114	43.313.344	18.905.210
	6.243.781.039	4.162.118.008	3.351.381.307	2.052.853.486

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

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Europe	2.163.580.547	1.404.106.433	1.259.367.049	803.618.851
Domestic	1.411.454.749	1.107.527.758	676.771.982	530.256.972
Other	815.705.557	505.490.678	480.308.910	247.665.549
	4.390.740.853	3.017.124.869	2.416.447.941	1.581.541.372

Cost of sales:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Jet fuel expenses	1.978.883.371	1.103.855.018	945.339.404	428.097.742
Personnel expenses	568.162.794	473.707.708	249.932.881	192.213.418
Operating lease expenses	484.339.084	421.997.630	193.491.213	138.345.938
Handling and station fees	422.713.229	291.903.163	199.559.973	118.798.410
Maintenance expenses	393.335.847	321.993.031	137.708.640	103.997.522
Navigation expenses	374.046.584	245.375.214	180.340.484	100.862.251
Depreciation and amortisation expenses	336.356.538	222.265.959	148.995.882	76.565.345
Landing expenses	186.811.660	123.302.618	90.597.722	50.769.649
Passenger service and catering expenses	57.182.449	41.574.422	25.750.655	17.460.037
Other expenses	168.768.589	152.963.674	47.986.986	50.674.289
	4.970.600.145	3.398.938.437	2.219.703.840	1.277.784.601

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Marketing expenses	183.655.623	133.140.446	72.285.778	48.164.762
General administrative expenses	182.470.214	128.330.649	72.966.039	44.624.529
	366.125.837	261.471.095	145.251.817	92.789.291

The details of general administrative expenses and marketing expenses for the years ended 30 September 2018 and 2017 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Personnel expenses	56.171.866	43.704.473	16.675.385	15.016.894
IT expenses	30.452.599	21.019.057	10.372.357	7.776.634
Depreciation and amortisation expenses	28.494.026	20.970.800	11.385.630	7.164.821
Rent expenses	13.068.272	14.092.129	3.140.880	4.542.351
Consultancy expenses	8.139.434	8.490.622	1.731.570	3.180.777
Travel expenses	5.073.769	3.573.429	3.616.371	1.632.147
Legal and notary expenses	4.758.352	2.740.850	1.923.465	726.202
Office utility expenses	2.186.777	1.977.386	743.539	636.890
Communication expenses	1.702.282	1.380.059	669.541	506.938
Training expenses	1.100.457	497.775	169.864	215.019
Other expenses	31.322.380	9.884.069	22.537.437	3.225.856
	182.470.214	128.330.649	72.966.039	44.624.529

Marketing expenses:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Commission expenses	107.191.594	73.490.393	46.818.373	26.808.904
Advertising expenses	39.174.458	30.161.578	11.962.712	11.792.526
Personnel expenses	17.445.809	14.574.744	5.965.885	4.798.268
Call center expenses	9.631.939	7.727.641	3.503.829	2.725.056
Depreciation and amortisation expenses	6.744.003	4.917.187	2.719.557	1.671.489
Other expenses	3.467.820	2.268.903	1.315.422	368.519
	183.655.623	133.140.446	72.285.778	48.164.762

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the years ended 30 September 2018 and 2017 are as follows:

Other operating income:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange gain from operating activities	-	56.422.869	-	41.784.441
Other income	903.382	1.876.654	254.642	410.871
	903.382	58.299.523	254.642	42.195.312

Other operating expenses:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange loss				
from operating activities	67.104.978	-	187.949.304	-
Tax restructuring expenses (*)	54.764.816	-	34.976.771	-
Penalty and compensation expenses	1.858.220	-	-	-
Doubtful receivable expense	191.896	2.242.087	126.217	354.997
Other expense	2.341.044	1.594.416	1.419.578	516.624
	126.260.954	3.836.503	224.471.870	871.621

(*)It is related with the application made in order to benefit from the provisions of the law No.7143 regarding the Restructuring of Taxes and Other Receivables and Amendments of Tax and Certain Other Laws.

NOTE 18 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the years ended 30 September 2018 and 2017 are as follows:

Income from investing activities:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Income from sale of aircraft (*)	22.335.452	121.601.904	-	-
Income from sale of subsidiary (**)	-	20.224.633	-	-
Other income	5.995.220	671.890	4.737.770	(1.402.586)
	28.330.672	142.498.427	4.737.770	(1.402.586)

(*)Income from aircraft sales consists of sale of 1 Boeing 737-800 type aircraft realized in 2018.

(**)The deferred income from sale of subsidiary, was recognized in the statement of profit or loss as a result of the completion process of transferring of shares on 15 June 2017.

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NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the years ended 30 September 2018 and 2017 are as follows:

Financial income:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Interest income	85.050.077	25.955.935	44.820.217	15.025.871
Gain on derivative contracts	5.354.911	-	2.374.394	-
	90.404.988	25.955.935	47.194.611	15.025.871

Financial expenses:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Interest expense on financial lease	92.239.751	38.384.344	48.282.825	13.636.639
Other commission expenses	60.576.176	29.058.395	26.626.499	13.337.522
Interest expense on bank loans	9.551.017	3.390.738	2.999.608	2.036.049
Surety commission expenses	6.837.344	9.201.295	2.532.801	2.931.381
Foreign exchange loss	4.358.079	4.437.967	(76.598.182)	24.819.725
Losses from derivative contracts	-	5.172.626	-	1.027.601
	173.562.367	89.645.365	3.843.551	57.788.917

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 2018 and 2017 are as follows:

	1 January- 30 September 2018	1 January- 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Loss attributable to the shareholders of the parent	645.167.863	494.192.299	742.405.439	536.763.181
Weighted average number of shares issued in the year	102.272.000	102.272.000	102.272.000	102.272.000
Earnings per share	6,31	4,83	7,26	5,25

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2018		31 December 2017	
	Asset	Liability	Asset	Liability
Short term	130.391.137	-	31.979.841	-
	130.391.137	-	31.979.841	-

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 30 September 2018 and 31 December 2017 are as follows:

Short term financial liabilities	30 September 2018	31 December 2017
Short term bank borrowings	575.059.202	541.267.652
Short term portion of long term financial lease obligations	771.235.522	355.987.254
	1.346.294.724	897.254.906
Long term financial liabilities	30 September 2018	31 December 2017
Long term financial lease obligations	5.970.520.688	2.711.225.518
	5.970.520.688	2.711.225.518

a) Bank Borrowings

The effective interest rates, original currency and TL equivalents of the borrowings as of 30 September 2018 and 31 December 2017 are as follows :

30 September 2018	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	3,01%	USD	96.000.000	575.059.202
				575.059.202
31 December 2017	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	2,21%	USD	143.500.000	541.267.652
				541.267.652

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NOTE 22 - FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

b) Financial Lease Liabilities

The details of financial lease liabilities as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Less than 1 year	960.391.801	444.735.353
Between 1 - 5 years	3.508.783.726	1.695.330.708
Over 5 years	3.383.980.426	1.511.332.834
	7.853.155.953	3.651.398.895
Less: Future interest expenses	(1.111.399.743)	(584.186.123)
	6.741.756.210	3.067.212.772

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

	30 September 2018	31 December 2017
Less than 1 year	771.235.522	355.987.254
Between 1 - 5 years	2.936.601.158	1.387.401.998
Over 5 years	3.033.919.530	1.323.823.520
	6.741.756.210	3.067.212.772

The Group purchases certain of its aircraft and handling equipment through financial lease arrangements. The average lease term is 6,80 years. For the year ended 30 September 2018, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 4.168.501.101, is 1,91% (31 December 2017: 1,64%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 2.206.537.754, is 4,94% (31 December 2017: 5,54%).

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 2018 and 31 December 2017 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 2018	TL Total	USD	TL	GBP	Other
1. Trade receivables	545.386.874	11.397.178	392.901.119	544.459	79.963.298
2a. Monetary financial assets	2.921.619.515	454.057.551	125.377.974	3.357.838	50.128.336
2b. Non monetary financial assets	-	-	-	-	-
3. Other	517.527.495	83.715.392	8.722.452	-	7.333.102
4. CURRENT ASSETS	3.984.533.884	549.170.121	527.001.545	3.902.297	137.424.736
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	22.858.765	3.324.305	407.686	1.000	2.530.019
8. NON CURRENT ASSETS	22.858.765	3.324.305	407.686	1.000	2.530.019
9. TOTAL ASSETS	4.007.392.649	552.494.426	527.409.231	3.903.297	139.954.755
10. Trade payables	368.587.890	43.024.421	122.033.943	303.339	(13.539.380)
11. Financial liabilities	792.899.754	132.366.157	-	-	-
12a. Other liabilities, monetary	144.056.495	10.199.375	81.262.980	73.719	1.121.628
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	1.305.544.139	185.589.953	203.296.923	377.058	(12.417.752)
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.944.578.810	324.626.692	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.944.578.810	324.626.692	-	-	-
18. TOTAL LIABILITIES	3.250.122.949	510.216.645	203.296.923	377.058	(12.417.752)
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	1.586.486	6.065.180	-	(4.450.000)	-
19.a Off-balance sheet foreign currency derivative assets	36.331.641	6.065.180	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	34.745.155	-	-	4.450.000	-
20. Net foreign currency asset/(liability) position	757.269.700	42.277.781	324.112.308	3.526.239	152.372.507
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	216.883.440	(44.761.916)	314.982.170	3.525.239	142.509.386

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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 2017	TL Total	USD	TL	GBP	Other
1. Trade receivables	186.534.476	20.358.928	74.550.319	926.837	30.483.706
2a. Monetary financial assets	1.783.513.540	452.531.681	49.136.540	2.095.796	16.825.480
2b. Non monetary financial assets	-	-	-	-	-
3. Other	569.326.978	146.780.474	10.882.284	59.813	4.499.556
4. CURRENT ASSETS	2.539.374.994	619.671.083	134.569.143	3.082.446	51.808.742
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	263.707.915	69.286.432	667.356	19.800	1.598.476
8. NON CURRENT ASSETS	263.707.915	69.286.432	667.356	19.800	1.598.476
9. TOTAL ASSETS	2.803.082.909	688.957.515	135.236.499	3.102.246	53.407.218
10. Trade payables	233.326.734	39.864.039	70.606.121	422.200	10.212.542
11. Financial liabilities	662.721.400	175.699.621	-	-	-
12a. Other liabilities, monetary	106.868.503	5.055.674	87.401.848	-	397.158
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	1.002.916.637	220.619.334	158.007.969	422.200	10.609.700
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.193.147.908	316.325.435	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.193.147.908	316.325.435	-	-	-
18. TOTAL LIABILITIES	2.196.064.545	536.944.769	158.007.969	422.200	10.609.700
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	204.548	16.216.800	-	(12.000.000)	-
19.a Off-balance sheet foreign currency derivative assets	61.168.148	16.216.800	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	60.963.600	-	-	12.000.000	-
20. Net foreign currency asset/(liability) position	607.018.364	152.012.746	(22.771.470)	2.680.046	42.797.518
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(226.016.529)	(64.054.160)	(34.321.110)	2.600.433	36.699.486

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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 2018 and 31 December 2017 are as follows:

30 September 2018	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)	(26.813.283)	26.813.283	-	-
Part of hedged from USD risk	3.633.164	(3.633.164)	-	-
USD net effect	(23.180.119)	23.180.119	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	31.498.217	(31.498.217)	442.158.164	(442.158.164)
Part of hedged from TL risk	-	-	-	-
TL net effect	31.498.217	(31.498.217)	442.158.164	(442.158.164)
31 December 2017				
	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)	(24.160.589)	24.160.589	-	-
Part of hedged from USD risk	6.116.815	(6.116.815)	-	-
USD net effect	(18.043.774)	18.043.774	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(3.432.111)	3.432.111	246.087.693	(246.087.693)
Part of hedged from TL risk	-	-	-	-
TL net effect	(3.432.111)	3.432.111	246.087.693	(246.087.693)

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

Fair Value of Financial Instruments

30 September 2018	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	3.436.659.515	-	-	-	3.436.659.515	26
Trade receivables	610.904.419	-	-	-	610.904.419	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	610.904.419	-	-	-	610.904.419	6
Other receivables	352.607.640	-	-	-	352.607.640	
- <i>Related party</i>	3.137.003	-	-	-	3.137.003	5
- <i>Other</i>	349.470.637	-	-	-	349.470.637	
Pre-delivery payment for purchase of aircraft	643.006.020	-	-	-	643.006.020	7
Derivative financial assets	-	124.561.243	5.829.894	-	130.391.137	21
Financial liabilities						
Bank borrowings	-	-	-	575.059.202	575.059.202	22
Obligations under financial leases	-	-	-	6.741.756.210	6.741.756.210	22
Trade payables	-	-	-	812.652.674	812.652.674	6
- <i>Related party</i>	-	-	-	715.728	715.728	5
- <i>Other</i>	-	-	-	811.936.946	811.936.946	
Passenger airport fees liability	-	-	-	127.384.519	127.384.519	7

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

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

Fair Value of Financial Instruments (cont'd)

31 December 2017	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	1.988.110.247	-	-	-	1.988.110.247	26
Trade receivables	187.401.375	-	-	-	187.401.375	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	187.401.375	-	-	-	187.401.375	6
Other receivables	128.364.883	-	-	-	128.364.883	
- <i>Related party</i>	1.733.767	-	-	-	1.733.767	5
- <i>Other</i>	126.631.116	-	-	-	126.631.116	
Pre-delivery payment for purchase of aircraft	593.663.631	-	-	-	593.663.631	7
Derivative financial assets	-	29.701.599	2.278.242	-	31.979.841	21
Financial liabilities						
Bank borrowings	-	-	-	541.267.652	541.267.652	22
Obligations under financial leases	-	-	-	3.067.212.772	3.067.212.772	22
Trade payables	-	-	-	393.710.155	393.710.155	6
- <i>Related party</i>	-	-	-	764.389	764.389	5
- <i>Other</i>	-	-	-	392.945.766	392.945.766	
Passenger airport fees liability	-	-	-	87.660.301	87.660.301	7

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

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

Fair Value of Financial Instruments (cont'd)

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	30 September 2018	31 December 2017			
Fuel purchase option contracts	98.326.486	25.666.669	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	26.234.757	4.034.930	Level 2	Discounted cash flow method	
Currency forward contracts	1.016.260	204.227	Level 2	Discounted cash flow method	
Interest rate swap contracts	4.813.634	2.074.015	Level 2	Discounted cash flow method	
	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
30 September 2018					
Fair value:					
Opening	4.034.930	25.666.669	204.227	2.074.015	31.979.841
Fair value increase					
Recognized in equity	22.199.827	72.659.817	-	-	94.859.644
Recognized in profit or loss	-	-	812.033	2.739.619	3.551.652
Closing	26.234.757	98.326.486	1.016.260	4.813.634	130.391.137
Assets	26.234.757	98.326.486	1.016.260	4.813.634	130.391.137
Total net assets and liabilities	26.234.757	98.326.486	1.016.260	4.813.634	130.391.137

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(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 2017	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	-	364.813	-	762.555	1.127.368
Fair value increase / (decrease)					
Recognized in equity	4.034.930	25.301.856	-	-	29.336.786
Recognized in profit or loss	-	-	204.227	1.311.460	1.515.687
Closing	4.034.930	25.666.669	204.227	2.074.015	31.979.841
Assets	4.034.930	25.666.669	204.227	2.074.015	31.979.841
Total net assets and liabilities	4.034.930	25.666.669	204.227	2.074.015	31.979.841

NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

None.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Cash on hand	851.512	733.960
Cash at banks	3.435.808.003	1.987.376.287
- Demand deposits	148.899.846	57.522.636
- Time deposits	3.286.908.157	1.929.853.651
	3.436.659.515	1.988.110.247

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

30 September 2018	Weighted average interest rates	Total
USD deposits	6,17%	2.689.337.357
EUR deposits	1,57%	478.052.529
TL deposits	25,69%	102.402.294
GBP deposits	1,00%	14.055.376
CHF deposits	0,20%	3.060.601
		3.286.908.157

31 December 2017	Weighted average interest rates	Total
USD deposits	3,98%	1.686.920.588
EUR deposits	1,73%	182.176.732
TL deposits	12,21%	49.349.207
GBP deposits	0,63%	9.094.206
CHF deposits	0,20%	2.312.918
		1.929.853.651

All of the time deposits as of 30 September 2018 and 31 December 2017 have maturities less than 90 days.