

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

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2023 TOGETHER WITH  
THE INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Pegasus Hava Taşımacılığı Anonim Şirketi

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the consolidated financial statements of Pegasus Hava Taşımacılığı Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
<p data-bbox="204 546 643 575"><b>Redelivery maintenance provision</b></p> <p data-bbox="204 607 767 790">As explained in Note 15, as of 31 December 2023, the Group has recognized a provision of EUR 149.811.568 thousand for the redelivery maintenance provision costs at the delivery date of the aircraft where the aircrafts are leased without purchase option.</p> <p data-bbox="204 822 767 1249">Regarding the aircrafts that are leased without purchase option, during the hand-over of these aircrafts, the Group is contractually committed to either comply with the conditions set forth in the contract or to compensate the lessor for the difference between the contractual hand-over conditions and the actual hand-over conditions of the airframe, engines and life-limited parts. A redelivery maintenance provision is recognised for this contractual obligation over the lease term, based on the present value of the estimated future cost calculated by reference to the number of hours flown and cycles operated during the year.</p> <p data-bbox="204 1281 767 1606">Redelivery maintenance provision amounts are material in the consolidated financial statements and they are based on certain assumptions, such as; likely utilization rates of the aircraft, the expected cost and the time of the heavy maintenance, the condition of the aircraft and the lifespan of life-limited parts. The changes in the assumptions may affect the consolidated financial statements significantly, hence, the matter is considered a key audit matter.</p>	<p data-bbox="794 607 1393 696">Among others, we have performed the following audit procedures on redelivery maintenance provision:</p> <p data-bbox="794 728 1393 972">The design of controls have been examined to ensure the appropriateness of the calculation designed by the management. The assumptions used in the calculation of the redelivery maintenance provision are evaluated and the data used in these assumptions are compared with the costs used in the maintenance contracts made by the Group.</p> <p data-bbox="794 1003 1393 1308">The actual maintenance amounts for the delivered aircraft are compared with the amounts calculated in the previous periods for these aircrafts and an assessment is made to see if there is a significant difference. Furthermore, substantive procedures are applied to the maintenance payments made by the Group for the aircrafts that are leased without purchase option. The records of the maintenance costs incurred during the year are compared with the corresponding invoices.</p> <p data-bbox="794 1339 1393 1462">In addition, we have evaluated the adequacy of the disclosures in Note 2.5 and Note 15 in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".</p>



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<p><b><i>Revenue recognition – complete and accurate recording of revenue and determination of passenger flight liability</i></b></p>	
<p>The Group generates its revenues from international and domestic flight operations. In order to perform the aforementioned operations, the Group uses information systems in which large volumes of data are processed. Due to the nature of operations, the ticket sales processes take place before the process of revenue recognition. The Group also earns ancillary revenue apart from flight revenue and separately monitors this revenue apart from flight revenues.</p> <p>Revenue recognition has been identified as key audit matter since the amount of revenue is significant in the accompanying consolidated financial statements, the information systems, through processing large-volume of data, affects the period in which the revenue will be recorded and revenue recognition includes risks specific to the sector.</p> <p>The accounting policy for the recognition of revenue of the Group is given in Note 2.4 and details of the revenue amount is presented in Note 21.</p>	<p>Among others, we have performed the following procedures on revenue recognition:</p> <p>The appropriateness of the revenue recognition policy of the Group has been assessed.</p> <p>The Group’s revenue recognition process and the design and implementation of controls designed by management in the process have been examined and tested.</p> <p>Information Technology (“IT”) experts of another entity that is a part of the same audit network have been included in the audit process for the audit of the revenue. The appropriateness and effectiveness of automated controls and IT systems established to record passenger revenues have been tested through the help of our IT specialists. In addition, the appropriateness and effectiveness of non-automated key controls have been also tested.</p> <p>For significant revenue streams, procedures have been implemented to evaluate the completeness and accuracy of the end-to-end data flow between ticketing, collection and accounting ledger.</p> <p>Substantive analytical tests have been applied for revenues. The data obtained from the accounting systems, traffic data and passenger flight reports were compared in order to test revenues.</p> <p>In addition, the conformity of the disclosures in the consolidated financial statements as to IFRS has been also evaluated.</p>

## **Other matters**

The Group has prepared a set of consolidated financial statements for the year ended 31 December 2023 in accordance with Turkish Financial Reporting Standards (“TFRS”) on which we issued an unqualified auditor’s report to the shareholders of the Group dated 4 March 2024.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Güney Başoğlu Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Sinem Arı Öz  
Partner

May 7, 2024  
Istanbul, Turkey

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2023**

(Amounts are expressed in full Euros (EUR) unless otherwise stated.)

	Notes	Current period 31 December 2023	Prior period 31 December 2022	Prior period 1 January 2022
<b>ASSETS</b>				
<b>Current assets</b>		<b>1.473.620.823</b>	<b>1.039.247.843</b>	<b>843.125.655</b>
Cash and cash equivalents	35	493.596.374	529.637.313	475.183.028
Financial assets	31	569.002.359	113.436.899	38.513.908
Trade receivables	6	51.234.258	58.944.247	22.964.576
<i>Trade receivables from third parties</i>	6	51.234.258	58.944.247	22.964.576
Other receivables	7	5.667.491	9.422.753	8.666.900
<i>Other receivables from related parties</i>	5	1.355	30.261	-
<i>Other receivables from third parties</i>		5.666.136	9.392.492	8.666.900
Derivative financial instruments	30	387.044	13.398.161	8.061.746
Inventories	8	33.010.286	25.167.205	9.626.427
Prepayments	9	313.183.370	281.636.217	275.492.112
Current income tax assets	27	600.261	442.247	342.592
Other current assets	19	6.939.380	7.162.801	4.274.366
Assets held for sale	36	-	-	20.983.836
<b>SUBTOTAL</b>		<b>1.473.620.823</b>	<b>1.039.247.843</b>	<b>864.109.491</b>
<b>Non-Current assets</b>		<b>4.726.283.979</b>	<b>3.766.546.965</b>	<b>2.742.130.261</b>
Financial assets	31	51.398.067	214.551.411	148.068.541
Other receivables	7	54.610.528	34.435.799	26.272.026
<i>Other receivables from third parties</i>	7	54.610.528	34.435.799	26.272.026
Derivative financial instruments	30	-	4.329.513	3.078.817
Investments accounted by using the equity method	3	18.496.139	18.355.243	11.300.269
Property and equipment	10	318.589.424	176.303.241	126.331.736
Intangible assets	11	19.755.206	14.394.436	12.528.400
Right of use assets	12	3.484.661.746	2.947.169.820	2.225.819.988
Prepayments	9	390.435.418	357.007.502	188.730.484
Deferred tax assets	27	388.337.451	-	-
<b>TOTAL ASSETS</b>		<b>6.199.904.802</b>	<b>4.805.794.808</b>	<b>3.606.239.752</b>

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2023**

(Amounts are expressed in full Euros (EUR) unless otherwise stated.)

	Notes	Current period 31 December 2023	Prior period 31 December 2022	Prior period 1 January 2022
<b>LIABILITIES</b>				
<b>Current liabilities</b>		<b>1.141.521.116</b>	<b>1.041.372.884</b>	<b>863.564.829</b>
Short term borrowings	31	164.358.114	106.339.519	232.499.557
Short term portion of long term borrowings	31	59.701.410	55.022.483	32.497.963
Short term portion of long term lease liabilities	31	347.704.239	334.580.924	264.044.345
Trade payables	6	200.348.000	197.169.638	128.754.920
<i>Trade payables to related parties</i>	5	546.817	481.356	589.614
<i>Trade payables to third parties</i>		199.801.183	196.688.282	128.165.306
Employee benefit obligations	17	12.226.645	11.016.021	3.158.360
Other payables	7	7.995.823	23.917.064	11.319.214
<i>Other payables to related parties</i>	5	-	-	10.826
<i>Other payables to third parties</i>	7	7.995.823	23.917.064	11.308.388
Contract liabilities	9	258.437.538	216.450.417	100.182.516
Derivative financial instruments	30	3.348.688	-	14.394
Deferred income	9	24.007.806	35.558.408	20.428.976
Short term provisions		63.392.853	61.318.410	70.653.300
<i>Short term provisions for employee benefits</i>	17	48.747.417	33.947.796	22.011.712
<i>Other short term provisions</i>	15	14.645.436	27.370.614	48.641.588
Other current liabilities		-	-	11.284
<b>Non-Current liabilities</b>		<b>3.380.071.120</b>	<b>2.859.238.761</b>	<b>2.275.807.428</b>
Long term borrowings	31	377.971.840	324.005.929	330.985.171
Long term lease liabilities	31	2.719.405.614	2.240.008.332	1.637.263.343
Derivative financial instruments	30	1.972.462	-	-
Deferred income	9	107.657.057	61.852.467	28.113.506
Long term provisions		173.064.147	197.015.089	216.003.177
<i>Long term provisions for employee benefits</i>	17	36.877.444	28.794.378	4.555.578
<i>Other long term provisions</i>	15	136.186.703	168.220.711	211.447.599
Deferred tax liabilities	27	-	36.356.944	63.442.231
<b>SHAREHOLDERS' EQUITY</b>		<b>1.678.312.566</b>	<b>905.183.163</b>	<b>466.867.495</b>
Paid-in share capital	20	60.544.134	60.544.134	60.544.134
Share premiums on capital stock		194.089.305	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss				
Actuarial losses on defined benefit plans	26	(3.254.102)	(3.741.402)	(802.365)
Other comprehensive income/expense to be reclassified to profit or loss				
Currency translation differences		8.808.787	8.071.040	4.526.022
Hedge fund	26	(3.990.862)	14.182.139	8.578.234
Gain on financial assets measured at fair value		1.483.652	1.346.769	-
Restricted profit reserves		4.047.406	4.047.406	4.047.406
Retained earnings		626.643.772	195.884.759	346.171.428
Net income for the period		789.940.474	430.759.013	(150.286.669)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6.199.904.802</b>	<b>4.805.794.808</b>	<b>3.606.239.752</b>

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

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

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

(Amounts are expressed in full Euros (EUR) unless otherwise stated.)

<b>Profit or loss</b>	<b>Notes</b>	<b>Current period 1 January- 31 December 2023</b>	<b>Prior period 1 January- 31 December 2022</b>
Revenue	21	2.670.391.155	2.449.374.176
Cost of sales (-)	21	(2.027.343.986)	(1.761.803.639)
<b>Gross profit</b>		<b>643.047.169</b>	<b>687.570.537</b>
General administrative expenses (-)	22	(72.531.367)	(57.007.136)
Selling and marketing expenses (-)	22	(50.271.821)	(52.128.071)
Other operating income	23	798.175	11.284.752
Other operating expenses (-)	23	(31.813.205)	(7.445.576)
<b>Operating profit</b>		<b>489.228.951</b>	<b>582.274.506</b>
Income from investing activities	24	46.364.466	27.995.102
Expenses from investing activities (-)	24	(2.204.032)	(3.433.006)
Share of investments income accounted for using the equity method	3	771.984	1.110.071
<b>Operating profit before financial expense</b>		<b>534.161.369</b>	<b>607.946.673</b>
Financial income	25	66.229.951	15.659.884
Financial expense (-)	25	(230.277.959)	(220.520.860)
<b>Profit before tax</b>		<b>370.113.361</b>	<b>403.085.697</b>
<b>Tax income/(expense)</b>		<b>419.827.113</b>	<b>27.673.316</b>
Deferred tax income/(expense)	27	419.827.113	27.673.316
<b>Net profit for the period</b>		<b>789.940.474</b>	<b>430.759.013</b>
Income/(loss) per share EUR cents	28	7,72	4,21
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss</b>			
Actuarial (losses) / gains on defined benefit plans	26	337.949	(3.673.796)
Deferred tax effect	26	149.351	734.759
<b>Items to be reclassified to profit or loss</b>			
Currency translation differences		737.747	3.545.018
Gain on financial assets measured at fair value		294.741	1.683.461
Cash flow hedge	26	(23.048.790)	6.590.001
Deferred tax effect	26	4.717.931	(1.322.788)
<b>Other comprehensive income</b>		<b>(16.811.071)</b>	<b>7.556.655</b>
<b>Total comprehensive income</b>		<b>773.129.403</b>	<b>438.315.668</b>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2023**

(Amounts are expressed in full Euros (EUR) 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			Restricted profit reserves	Retained earnings		Shareholders' equity
	Paid in share capital	Share premiums on capital stock	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Hedge reserve	Gain on financial assets measured at fair value		Retained earnings	Net profit/(loss) for the year	
<b>As at 1 January 2022</b>	<b>60.544.134</b>	<b>194.089.305</b>	<b>(802.365)</b>	<b>4.526.022</b>	<b>8.578.234</b>	<b>-</b>	<b>4.047.406</b>	<b>346.171.428</b>	<b>(150.286.669)</b>	<b>466.867.495</b>
Transfers	-	-	-	-	(8.578.234)	-	-	(150.286.669)	158.864.903	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	430.759.013	430.759.013
Other comprehensive income / (expense)	-	-	(2.939.037)	3.545.018	14.182.139	1.346.769	-	-	(8.578.234)	7.556.655
<b>As at 31 December 2022</b>	<b>60.544.134</b>	<b>194.089.305</b>	<b>(3.741.402)</b>	<b>8.071.040</b>	<b>14.182.139</b>	<b>1.346.769</b>	<b>4.047.406</b>	<b>195.884.759</b>	<b>430.759.013</b>	<b>905.183.163</b>
<b>As at 1 January 2023</b>	<b>60.544.134</b>	<b>194.089.305</b>	<b>(3.741.402)</b>	<b>8.071.040</b>	<b>14.182.139</b>	<b>1.346.769</b>	<b>4.047.406</b>	<b>195.884.759</b>	<b>430.759.013</b>	<b>905.183.163</b>
Transfers	-	-	-	-	(14.182.139)	-	-	430.759.013	(416.576.874)	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	789.940.474	789.940.474
Other comprehensive income / (expense)	-	-	487.300	737.747	(3.990.862)	136.883	-	-	(14.182.139)	(16.811.071)
<b>As at 31 December 2023</b>	<b>60.544.134</b>	<b>194.089.305</b>	<b>(3.254.102)</b>	<b>8.808.787</b>	<b>(3.990.862)</b>	<b>1.483.652</b>	<b>4.047.406</b>	<b>626.643.772</b>	<b>789.940.474</b>	<b>1.678.312.566</b>

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

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2023

(Amounts are expressed in full Euros (EUR) unless otherwise stated.)

		Current period 1 January- 31 December 2023	Prior period 1 January- 31 December 2022
	Notes		
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Income/(loss) for the period</b>		<b>789.940.474</b>	<b>430.759.013</b>
<b>Adjustments to reconcile the income/(loss)</b>			
Depreciation and amortization	10-11-12	303.533.846	256.797.020
Adjustments related with impairments		1.607.293	1.948.089
<i>Provision for doubtful receivable</i>	6	(596.739)	937.496
Adjustments related with financial investment impairments	24	2.204.032	1.010.593
Adjustments related with provisions		41.681.911	(33.218.560)
<i>Provision for employee benefits</i>	17	60.235.768	50.861.031
<i>Legal provision</i>	15	610.669	315.764
<i>Change in redelivery provision</i>	15	(19.164.526)	(84.395.355)
Interest and commission expense (income)	24-25	160.813.447	119.164.746
Adjustments related with fair value expense (income)		(947.941)	(1.683.461)
<i>Adjustments related with fair value expense (income) of financial assets</i>		(947.941)	(1.683.461)
Gain on equity investments accounted for using the equity method	3	(771.984)	(1.110.071)
Current tax expense	27	(419.827.113)	(27.673.316)
Adjustments for (income)/expense caused by sale or changes in share of joint ventures		-	(4.710.009)
Other provisions related with investing or financing activities	24-25-33	(42.297.824)	64.326.714
<b>Changes in working capital</b>			
Increase in trade receivables		8.306.728	(36.917.167)
Increase in other receivables, prepayments and other assets		(134.735.514)	(96.983.047)
Increase in inventories		(7.843.081)	(15.540.778)
Increase in trade payables		3.178.362	62.542.791
Increase in deferred income, other payables and other current liabilities		87.199.312	201.882.745
<b>Net cash generated from operating activities</b>		<b>789.837.916</b>	<b>919.584.709</b>
Payment for the employee benefits provisions	17	(8.437.371)	(13.326.899)
Payment for other provisions	15	(17.400)	(9.540)
		<b>781.383.145</b>	<b>906.248.270</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash inflows caused by share sales of joint ventures		-	2.230.116
Net cash changes from acquisition and sale of debt instruments of other entities		(41.463.132)	(122.729.365)
Net cash changes from purchase and sale of property, equipment and intangible assets		6.250.570	29.880.317
Interest received from financial investment		40.350.767	10.119.953
Changes in cash advances and payables		(96.681.940)	(242.256.984)
Other cash changes		(261.063.241)	(9.500.000)
		<b>(352.606.976)</b>	<b>(332.255.963)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in borrowings		315.231.973	133.564.805
Repayment of borrowings		(225.166.980)	(260.542.727)
Repayment of principal in lease liabilities		(345.407.389)	(273.246.466)
Interest and commission paid		(194.514.307)	(138.227.718)
Interest received		26.412.945	14.945.458
		<b>(423.443.758)</b>	<b>(523.506.648)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)</b>		<b>5.332.411</b>	<b>50.485.659</b>
<b>D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(41.373.350)</b>	<b>3.968.626</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
<b>AT THE BEGINNING OF THE PERIOD</b>	35	529.637.313	475.183.028
<b>AT THE END OF THE PERIOD (A+B+C+D+E)</b>	35	<b>493.596.374</b>	<b>529.637.313</b>

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

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) 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 company. 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. Group management focuses on providing high-frequency services on short- and medium-haul, point-to-point routes on its domestic and international transit network primarily from its main hub, Sabiha Gökçen Airport in İstanbul. The Group also operates scheduled flights from four other domestic hubs in Ankara, Adana, Antalya and İzmir. The Group operates with 109 aircraft (31 December 2022: 95, all of them leased, 74 of which have purchase option, 1 January 2022: 90, all of them leased, 62 of which have purchase option) including 6 owned, 81 of which have purchase option and 22 leased as of 31 December 2023.

The Group offers a number of services ancillary to the core air passenger services and generates revenue through the provision of these services. These ancillary services include, but not limited to, revenue related to in-flight sale of beverages and food, excess baggage fees, reservation change and cancellation fees, airport check-in fees and seat selection fees.

The Group also provides cargo services and provides various training services. These training services include crew training, type rating training (i.e., training to fly a certain aircraft type), dangerous goods training and crew resource management (CRM) training.

The shareholders and ownership of the Company as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Esas Holding A.Ş. (“Esas Holding”)	56,65%	56,65%	62,91%
Publicly held	41,53%	41,53%	34,53%
Sabancı Family Members	1,82%	1,82%	2,56%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

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

The Group’s total number of full time employees as of 31 December 2023 is 7.670 (31 December 2022: 6.765, 1 January 2022: 5.837). The address of its principal office is Aeropark Yenışehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

#### **Subsidiaries**

##### *Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.*

The Group established Pegasus Havacılık Teknolojileri ve Ticaret A.Ş. (“PHT”) in Istanbul on May 13, 2016, to manage simulator technical support and maintenance operations. The Group holds 100% ownership of PHT's outstanding shares and consolidates it as a subsidiary on a line-by-line basis.

##### *Pegasus Airlines Innovation Lab, Inc.*

Pegasus Airlines Innovation Lab, Inc., in which the Group has a 100% ownership stake, is incorporated in the State of Delaware, U.S.A., effective as of 28 December 2023, to undertake operations primarily in the Silicon Valley. Notifications regarding incorporation are completed with a capital amount of USD 150.000 as of 2 January 2024.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

#### Joint Ventures

##### *Pegasus Uçuş Eğitim Merkezi A.Ş.*

The Group incorporated Pegasus Uçuş Eğitim Merkezi A.Ş. (“PUEM”) in October 2010 in Türkiye, a joint venture flight training company, with SIM Industries B.V., a Dutch simulator manufacturing and marketing company. PUEM has a 737-800 “next generation” flight simulator and commenced its operations in İstanbul in January 2011. The Group owns 49,40% of the outstanding shares of PUEM and disclose as joint venture under investments accounted for using the equity method in the financial statements.

Following the sale of the simulator in January 2023, PUEM ceased its primary operations, and the liquidation process is ongoing.

##### *Hitit Bilgisayar Hizmetleri A.Ş.*

Hitit Bilgisayar Hizmetleri A.Ş. (“Hitit Bilgisayar”) was established in 1994, and as of 31 December 2014 it was merged with its related company Hitit Yazılım A.Ş. The scope of operations of the entity is to develop software solutions for airlines and travel agencies as well as airports, and be engaged with the activities concerning service of the foregoing operations, services and sales thereof.

After the public offering of Hitit Bilgisayar on 3 March 2022, the share of the Group decreased from 50% to 36.82%. The Group has included Hitit Bilgisayar under investments accounted for using the equity method as a joint venture since March 2015.

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

#### 2.1 Basis of Presentation

##### Financial reporting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

Board of Directors has approved the consolidated financial statements as of 31 December 2023 and delegated authority for publishing it on 7 May 2024.

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

The consolidated financial statements have been prepared on a going concern basis, assuming that the Group will continue to utilize its assets effectively and meet its obligations in the normal course of business operations.

##### COVID-19 Effects

The COVID-19 pandemic, which had widespread adverse effects, had a significant impact on the aviation industry in which the Group operates. The Group has taken several measures during 2020, 2021 and the first quarter of 2022, in order to maintain liquidity and the current ratio. Negative effects of the COVID-19 pandemic continued in the first quarter of 2022. Starting from the second quarter of 2022, a recovery to pre-COVID-19 operational figures has been observed, and the impact of COVID-19 has completely disappeared.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

#### 2.1 Basis of Presentation

##### Functional and Presentation Currency

Although there is no prominent currency affecting revenue and cost of sales, the Company's functional currency is determined as Euro because; significant portion of scheduled flight revenues, which represents the Company's primary operations, is generated from European flights, Euro represents a significant component of the financial liabilities of the Group and management reports and budget enabling the Company's management to make executive decisions are prepared in Euro. The functional currency of the Company and its subsidiaries is Euro.

For the companies in Turkiye that maintain financial records in TL, currency translation from TL to the functional currency Euro is made under the framework described below:

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

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

##### Financial Reporting in Hyperinflationary Economies

In accordance with the requirements of IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS 29"), regarding the changes in the general purchasing power of TL, financial statements prepared in the currency of an economy with hyperinflation should be expressed in the unit of measurement valid at the balance sheet date, and the amounts in previous periods should be prepared in the same way. Considering that the Company's functional currency is EUR as of the reporting date, no adjustments within the scope of IAS 29 are necessary in its consolidated financial statements prepared in accordance with IFRS. However, the financial statements as at 31 December 2023, prepared in accordance with the Tax Law, have been subject to inflation correction in accordance with the relevant legislation.

##### Comparative Information and Reclassification of Prior Period Financial Statements

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 consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

##### 2.1 Basis of Presentation

###### Basis of Consolidation

The following table illustrates the consolidated subsidiaries and the Group's ownership percentage in these subsidiaries as of 31 December 2023, 31 December 2022 and 1 January 2022:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Ownership rate</u>			<u>Country of registration and operation</u>
		<u>31 December 2023</u>	<u>31 December 2022</u>	<u>1 January 2022</u>	
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Simulator technical support and maintenance	100%	100%	100%	Turkiye
Pegasus Airlines Innovation Lab, Inc.	Technology – Research Development	100%	-	-	USA

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed to variable returns from its involvement with the investee or has rights to such returns; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voting shareholders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate whether the Company currently has the ability to direct the relevant activities at the time decisions need to be made will be considered. This includes analyzing voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year, are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company no longer controls the subsidiary.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

#### 2.1 Basis of Presentation

##### Basis of Consolidation

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

##### *Changes in the Group's Ownership Interests in Existing Subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9 Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### Joint Ventures

The following table illustrates the affiliates and joint ventures then indicates the Group's ownership percentage in these joint ventures as of 31 December 2023, 31 December 2022, 1 January 2022:

Name of the company	Principal activity	Ownership rate			Ownership type	Country of registration and operation
		31 December 2023	31 December 2022	1 January 2022		
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM") (*)	Simulator training	49,40%	49,40%	49,40%	Joint venture	Turkiye
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	36,82%	36,82%	50%	Joint venture	Turkiye

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

(\*) With the simulator sale in January 2023, PUEM stopped its main operations and the liquidation process continues.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

#### 2.1 Basis of Presentation

##### Joint Ventures

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. At first, investments in joint ventures are recorded on the consolidated financial statements at their initial cost under the equity method. Subsequently, adjustments are made to reflect the Group's portion of the joint venture's profit or loss and other comprehensive income. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

#### 2.2 Changes in Accounting Estimates

Changes in accounting estimates are applied prospectively. If the change is effective for a specific period, it impacts only that period. If they relates to future periods, they are recognized prospectively both in the current period and in the future period. Significant errors identified by the Group in the accounting estimates are applied retrospectively and prior period financial statements are restated. The Group has not made any changes in accounting estimates in the current reporting period.

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

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2023 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

##### **IFRS 17 - The new Standard for insurance contracts**

IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

##### **Amendments to IAS 8 - Definition of Accounting Estimates**

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

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

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

##### **Amendments to IAS 8 - Definition of Accounting Estimates**

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

##### **Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies**

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term ‘significant’ in IFRS, the Board decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. This change has no impact on the financial position and performance of the Group.

##### **Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. This change has no impact on the financial position and performance of the Group.

##### **Amendments to IAS 12 - International Tax Reform – Pillar Two Model Rules**

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023. Overall, the Group expects no significant impact on its balance sheet and equity.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

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

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

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

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

##### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2015, IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

In January 2020 and October 2022, IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in October 2022 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, October 2022 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with IAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

In September 2022, the Board issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in IFRS 16.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

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

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

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

The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

#### **Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements**

The amendments issued in May 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. Overall, the Group expects no significant impact on its balance sheet and equity.

#### **Amendments to IAS 21 - Lack of exchangeability**

In August 2023, the Board issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. Overall, the Group expects no significant impact on its balance sheet and equity.

#### **IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements**

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34. IFRS 18 and the related amendments are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted. IFRS 18 will be applied retrospectively.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

#### 2.4 Summary of Significant Accounting Policies

##### Related Parties

Related parties comprise of any person or entity related to the entity preparing the financial statements (reporting entity).

a) Any individual or any one of the close family members of such individual are considered as being related with the reporting entity: In the event the subject matter individual,

- (i) is in possession of control or joint control over the reporting entity,
- (ii) is entitled to a crucial influence on the reporting entity,
- (iii) is a member of the key management staff of the reporting entity or one of the major shareholders of the reporting entity.

(b) In the event any of the following circumstances is present in existence, the entity is considered to be in relation with the reporting entity:

- (i) If the entity and the reporting entity are members of the same group (in other words, each major partnership, associated partnership and other associated partnership is related to the others).
- (ii) If the entity is an affiliate or business partnership of the other entity (or a member of the group that such other entity is also a member of).
- (iii) If both entities are business partnerships of the same third party.
- (iv) If one of the entities is a business partnership of any third entity and the other entity is an affiliate of the subject matter third entity.
- (v) If there are benefit plans for the post-retirement stage with respect to the employees of the entity, reporting entity or any other entity related to the reporting entity. In the event the reporting entity is itself in possession of such a plan, the sponsoring employers are likewise related to the reporting entity.
- (vi) If the entity is controlled by any individual identified under article (a) or under joint control.
- (vii) If any individual identified under item (i) of article (a) is in possession of a substantial influence on the entity or is a member of the key management personnel of the subject matter entity (or of the major shareholder of any such entity).

Consists of the transfer of sources, services or obligations between the related party and any party related to the reporting entity of the transaction performed, regardless of whether the same is in consideration for a charge or otherwise.

##### Revenue from Contracts with Customers

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 revenue 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. Passenger flight liability is followed in the balance sheet under the liabilities arising from customer contracts until the flight occurs.
- Ancillary revenues, cargo services and training services are recognized when services are provided.
- Ancillary revenue is recognized as revenue when the service is provided.
- The passenger service fee is a non-refundable fee added to the ticket price in order to perform the sales service. Since the passenger service fee is not considered as a performance obligation different from the transportation service, it is recorded as income when the transportation service is performed.

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

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

##### 2.4 Summary of Significant Accounting Policies

###### Revenue from Contracts with Customers

The Group has evaluated itself as a surrogate in terms of the airport tax paid to the relevant state institutions and collected from the passengers at the ticket price and has not included the taxes in the revenue amount. The most important factor in this evaluation is the fact that the addressee of the tax is not the Company but the passenger.

If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

The Group also receives interest income, which is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Group recognises revenue based on the following five principles in accordance with the IFRS 15, “Revenue from Contracts with Customers Standard”; effective from 1 January 2019:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time.

Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation. When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

###### Pegasus Card and Pegasus Bolbol Loyalty Program

Pegasus Bolbol is the loyalty program of Pegasus. The members of Pegasus Bolbol program earn and accumulate flight points for both ticket and non-ticket purchases each time they use their Pegasus Bolbol membership. If the points are earned by ticket purchases, the flight points are provided by Pegasus and recognized as a separately identifiable component of the revenue transaction and measured at fair value. They are recorded as “flight liability from flight points” initially and recognized as revenue when the flight points are used. The value of flight points changes according to the ticket price during use and their fair value is adjusted according to the statistic during the current year.

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

#### 2.4 Summary of Significant Accounting Policies

##### **Pegasus Card and Pegasus Bolbol Loyalty Program**

If the points are earned through non-ticket purchases, the program partner funds the cost of the points through a payment to the Group. The Group defers this revenue, which it records as “flight liability from flight points” and recognizes the revenue when the points are used by the customer. Award points are valid for at least two years and expire on the last day of the second calendar year. Unused points are recognized as income based on historic usage.

##### **Inventories**

Inventories are composed of consumables, spare parts, catering stocks and other stocks and they are valued at the lower of cost or net realizable value. Spare parts are composed of large number of minor items of property, plant and equipment. For practical reasons, smaller items that are not significant are not recorded individually in the property, plant, and equipment register but are instead included in inventories.

##### **Tangible Assets**

Tangible assets are carried at historical costs less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised over their estimated useful lives, less their residual values using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The Group allocates the cost of an acquired aircraft to its service potential reflecting the maintenance condition of its engines and airframe. This cost, which can equate to a substantial element of the total aircraft cost, is depreciated over the shorter of the period to the next maintenance check or the remaining life of the aircraft. The costs of subsequent major airframe and engine maintenance checks are capitalised and depreciated over the shorter of the period to the next check or the remaining life of the aircraft.

All significant components and repairable spare parts are accounted separately and depreciated over their respective estimated useful lives.

Leased assets are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the disposal or retirement of a tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset. This gain or loss is recognized in the profit or loss statement.

##### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Acquired trademark, brands and licenses are shown at historical cost. Trademarks, brands and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives. The acquired software has a 5 year useful life.

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

#### 2.4 Summary of Significant Accounting Policies

##### Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### Impairment of Non-financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its aircraft to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which separately identifiable cash flows exist (cash-generating units). At the end of each reporting period, non-financial assets are reviewed for possible impairment reversals.

The fleet has been determined as the lowest level cash generating unit and analysed for impairment accordingly. The aircraft fleet includes both right of use assets under lease agreements and aircraft, components, spare engines and other parts within the tangible asset account group. For determination of recoverable amounts the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used. Net selling price for the aircraft is determined according to second hand prices in international price guides.

##### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. There are no qualifying assets during the years ended 31 December 2023, 31 December 2022, 1 January 2022. Therefore, no borrowing costs were capitalized for the years ended 31 December 2023, 31 December 2022, and 1 January 2022. All borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

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

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

##### 2.4 Summary of Significant Accounting Policies

###### Maintenance and Repair Costs and Maintenance Reserve Contribution Receivables

Although the definitions of finance lease and operating lease are removed with IFRS 16 for lessees, the Group continues to use these definitions because they represent different risk categories. Consistent with the definitions introduced by IFRS 16 for lessors; a lease agreement is defined as a financial lease, if the lease significantly transfers all risks and returns arising from the ownership of the underlying asset; otherwise, it is defined as an operating lease. However, this distinction does not affect the accounting for the relevant lease agreements. All lease agreements are accounted for in accordance with IFRS 16.

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned aircraft and aircraft that is leased with purchase option (financial leases) described in the accounting policy for tangible assets.

For leased aircraft without a purchase option (operating leases), the Group pays a monthly supplemental amount called the 'Maintenance Reserve Contribution' to operating lease companies for heavy maintenance expenditures. This reserve contribution is calculated based on the actual flight hours or the actual number of landings of the aircraft. These maintenance reserve payments are recognised as maintenance expense in the statement of profit or loss on a monthly basis during the lease term. However, when the Group incurs such heavy maintenance expenditures on behalf of the operating lease company, it claims these costs back and recognise an agreed maintenance reserve contribution receivables until it is collected. All other maintenance and repair costs are expensed as incurred.

###### Right of use assets

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

Right of use assets are subject to impairment.

###### Lease liabilities

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

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

##### 2.4 Summary of Significant Accounting Policies

###### Lease liabilities

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

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

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

###### Taxation and Deferred Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

###### Current Tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

###### Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

##### 2.4 Summary of Significant Accounting Policies

###### Taxation and Deferred Income Taxes

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

###### Current and Deferred Tax for the Period

Taxes are recognised as an expense or income in profit or loss, except when they related to transactions that are recognised in equity. Otherwise, taxes are also recognized in equity with other related transactions.

###### Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. As a financing instrument, government grants, rather than to be recognized in profit or loss to offset the expenses they are financing, are to be recognized in the balance sheet as deferred income and be recognized in profit or loss on a systematic basis over the economical life of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

###### Investment Incentives

The Turkish Government has an Investment Incentive Program which became effective upon the issuance of the Council of Ministers' resolution "Government Assistance for Investments" No:2009/15199 ("Incentive Program") on 14 July 2009.

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

#### 2.4 Summary of Significant Accounting Policies

##### Government Grants

###### *Investment Incentives*

The Incentive Program aims to provide support to companies which make investments by providing a credit against taxable income related to those investments. The amount of credit is determined based on a “contribution rate” in the Incentive Program. An entity must obtain an investment certificate related to the associated incentives.

The Group obtained incentive certificates from the Undersecretariat of Treasury for 87 aircraft. According to the incentive certificate of 19 aircraft, the Company will use 15% of the purchase value of the aircraft as the contribution rate which is the maximum amount that could be deducted against taxable income that is attributable to the operation of aircraft. The deduction will be performed by the application of 50% of the effective tax rate for the (i.e. use of 12,5% instead of 25%) taxable income attributable to the operation of these aircraft. According to the incentive certificate of 68 aircraft, the Company will use 50% of the purchase value of the aircraft as the contribution rate which is the maximum amount that could be deducted against taxable income that is attributable to the operation of aircraft. The deduction will be performed by the application of 90% of the effective tax rate for the (i.e. use of 2,5% instead of 25%) taxable income attributable to the operation of these aircraft. The Group has reflected the amount related to the above-mentioned "contribution amount" in the financial statements due to the formation of a Corporate Tax base in the foreseeable three-year period as of 31 December 2023 (Note 13).

##### Employee Benefits

###### *Defined Benefits*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”).

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation. The calculated actuarial gains and losses are accounted under the other comprehensive income when material.

###### *Employee Bonus Plan*

The Group recognizes a liability and an expense for employee bonus, based on current year performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Based on the nature of the Group’s business, there are various transactions entered into that are in currencies other than the functional currency. In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

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

#### 2.4 Summary of Significant Accounting Policies

##### Foreign Currency Transactions

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized either as finance income or finance costs in the period in which they arise.

##### Financial Assets

###### Recognition and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. The Group determines the classification of its financial assets at the time of purchase..

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted in the consolidated statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

The valuation differences classified under other comprehensive income are recognized in retained earnings upon derecognition of financial assets.

At initial recognition, the Group may make an irrevocable election for particular investments in equity instruments, which would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for in the consolidated statement of income

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

#### 2.4 Summary of Significant Accounting Policies

##### Financial Assets

###### Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

###### Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss is measured as follows:

12- Month ECL: results from default events that are possible within 12 months after reporting date.  
Lifetime ECL: results from all possible default events over the expected life of financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

###### Trade receivables

Trade receivables resulting from services provided directly to debtors are measured at amortized cost, using the effective interest rate method, short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Group has preferred to apply “simplified approach” defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under “Other Operating Income/Expenses” in the consolidated statement of income or loss.

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

#### 2.4 Summary of Significant Accounting Policies

##### Financial Assets

###### Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.

##### Financial Liabilities

The Group's financial liabilities and equity instruments are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The contract representing the right in the assets of the Group after deducting all debts of the Group which is an equity-based financial instrument. The accounting policies applied for certain financial liabilities and equity instruments are as follows.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

###### Other financial liabilities

Other financial liabilities are initially recognized at fair value as a net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

In case of fulfilling the contractual obligations of other financial liabilities, cancelling the contract or expiring, the Group offsets this liability. The carrying amount of the off-balance sheet and the difference between the book value of the financial liability and the new financial liability arising are recognized in the statement of profit or loss.

##### Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at fair value on the date when a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the statement of profit or loss. Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group is exposed to foreign exchange risk through the impact of currency rate changes on translation into the Euro of its foreign currency denominated assets and liabilities and non-Euro denominated currency transactions. To monitor the risk, the Group enters into forward transactions where the Group is liable to pay a certain amount of Euro and receive a certain amount of foreign currency (mainly US Dollars) at a specified date. The change in the fair value of the derivative financial assets that qualify for hedge accounting according to IAS 39 (Financial Instruments) are recognized in other comprehensive income and the change in the fair value of the derivative financial assets that do not qualify for hedge accounting according to IAS 39 are recognized in statement of profit or loss. The Group has started applying IFRS 9 for derivative financial instruments starting from 1 October 2019.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

#### 2.4 Summary of Significant Accounting Policies

##### Derivative Financial Instruments and Hedge Accounting

Inherently, the Group is exposed to financial risks related to interest rate fluctuations. The most significant source of the interest rate risk is the financial lease liabilities. The policy of the Group is to transform a part of its floating rate financial liabilities into fixed rate financial liabilities by using derivative financial instruments. Derivative financial instruments procured for this purpose do not qualify for hedge accounting and the change in the fair value of these derivative financial assets are recognized immediately in profit or loss.

Fuel costs which are predominantly determined in US Dollars constitute a substantial portion of the Group's cost base. The Group enters into forward and option forward transactions with financial institutions based on acquisition of jet fuel or Brent oil on specified prices. These commodity forward transactions qualify for hedge accounting and they are accounted as cash flow hedges under equity as at 31 December 2023, 31 December 2022 and 1 January 2022.

Brent within framework of hedge transactions against cash flow risk is a substitute product of Jet Fuel, whereas the correlation between the two commodities is set forth in terms of past statistics. The correlation rate between Brent and Jet Fuel between years 2010-2023 is within the effectiveness ranges. The excessive amount over the effective rate is accounted in profit or loss in the related period when the amount has material effect in the financial statements.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of comprehensive income as the recognized hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques such as using the basis of recent market transactions on arm's length terms, using the fair value of similar financial instruments and using discounted cash flow analysis (Note 33).

##### Events After Reporting Period

Events after reporting period comprise any events between the reporting period and the date of authorization of the financial statements, even if the event after balance sheet date occurred subsequent to an announcement on the Group's profit or following any financial information that are released.

In the case of events requiring adjustments, the Group adjusts the amounts recognized in its financial statements to reflect the events. For non-adjusting events, disclosure is made in the notes to the financial statements.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

##### **2.4 Summary of Significant Accounting Policies**

###### **Contingent Liabilities and Contingent Assets**

Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

When the Group's contingent liabilities are probable but the amount of resources containing the economic benefits cannot be measured reliably, then the Group discloses this fact in the notes to the financial statements.

###### **Income and expenses from investing activities**

Income and expenses from investing activities includes income and expense related with purchases and sale of property, plant and equipment, associates, joint ventures and other investments. The determination of which activities fall within the scope of investment activities is evaluated within the framework of IAS 7 Statement of Cash Flows. Investment activity income or expense is determined by deducting income and expenses related to investment activities.

###### **Earnings per Share**

Earnings per share is calculated by dividing net profit by weighted average number of shares outstanding in the relevant period. In Türkiye, companies are allowed to increase their capital by distributing free shares to shareholders from accumulated profits. In calculation of earnings per share, such free shares are considered as issued shares. Therefore, weighted average number of shares in the calculation of earnings per share is found by applying distribution of free shares retrospectively.

###### **Cash Flow Statement**

Cash flows for the period are classified and presented as operating, investing and financing activities in the cash flow statement.

Cash flows from operating activities present cash generated from the Group's airline operations.

Cash flows from investing activities present cash used in, generated from investing activities (capital investments and financial investments) of the Group.

Cash flows from financing activities present the funds used in financing operations and repayment regarding these operations.

Cash and cash equivalents are short term investments that are cash on hand, demand deposits, time deposits of with maturities not exceeding three months from purchase date and free of deterioration of value with high liquidity.

###### **Capital and Dividends**

Common shares are classified as equity. Dividends distributed over common shares are accounted by deduction from retained earnings in the period decision for dividend payment is undertaken.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

##### 2.5 Critical Accounting Estimates and Assumptions

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. The Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations. Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period are given below:

##### Useful Lives and Residual Values of Tangible Assets, Right of Use Assets and Aircraft

The Group has allocated depreciation over tangible assets and right of use assets by taking into consideration the useful lives and residual values which were explained in Note 10. While determining estimated useful lives and residual values, the Group makes estimations and assumptions by taking past experience and business plans into consideration.

##### Income Taxes

The Group recognizes deferred tax assets and liabilities using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. Main factor is this assessment is the expectation that there will be taxable temporary differences that will reverse during the period in which unused tax losses can be carried and the projections of the foreseeable future profits with reasonable assurance are taken into account. Based on the available evidence, the Group management has recognized the deferred tax assets as at 31 December 2023.

The Group estimates to utilize reduce corporate tax advantages arising from acquisition of aircrafts. The Company has recognized deferred tax assets for periods when sufficient profit can be generated within a foreseeable three-year period with reasonable assurance.

##### Redelivery Maintenance Provision

For leased aircraft where there is no purchase option (operating leases), the Group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor to the level of return condition of the aircraft based on the actual condition of the airframe, engines and life-limited parts upon return. A provision is made over the lease term for this contractual obligation, based on the present value of the estimated future cost complying with the contractual commitment described above, by reference to the number of hours flown or cycles operated during the year. The provision also incorporates management expectation on the cost of the maintenance and component compensation at the time of the redelivery. The group considers the estimated maintenance costs and estimated flight times and number of flights as significant assumptions. In case of a 10% increase in maintenance costs, redelivery maintenance provision will be higher by EUR 14.981.157.

##### Fair Value of Derivatives and Other Financial Instruments

The fair value of derivative financial instruments which are not traded in an active market is determined using valuation techniques based on market rates and expected yields. Fair value of non-derivative financial instruments is determined based on the present value of future principal and interest cash flows. These cash flows are calculated based on the discount rate prevailing at the reporting date.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

##### 2.6 First-time adoption of IFRS

These consolidated financial statements, for the year ended 31 December 2023, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2022, 1 January 2022, the Group prepared its financial statements in accordance with Turkish Accounting Standards Turkish Financial Reporting Standards and interpretations (“TAS/IFRS”).

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS applicable as at 31 December 2023, together with the comparative period data for the year ended 31 December 2022 and 1 January 2022, as described in the summary of significant accounting policies. In preparing the financial statements, the Group’s opening statement of financial position was prepared as at 1 January 2022, the Group’s date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its TAS/IFRS financial statements.

Due to the similarities between TFRS and IFRS, there is no difference in application between the financial statements prepared in accordance with TFRS for previous periods and those prepared in accordance with IFRS.

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

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

	31 December 2023	31 December 2022	1 January 2022
<b>Joint ventures</b>			
Hitit Bilgisayar	17.189.351	16.427.552	9.312.157
PUEM	1.306.788	1.927.691	1.988.112
	<b>18.496.139</b>	<b>18.355.243</b>	<b>11.300.269</b>

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

	1 January- 31 December 2023	1 January- 31 December 2022
Hitit Bilgisayar	1.392.887	1.170.492
PUEM	(620.903)	(60.421)
<b>Net profit</b>	<b>771.984</b>	<b>1.110.071</b>

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

##### PUEM

	31 December 2023	31 December 2022	1 January 2022
Current assets	2.647.354	1.181.053	1.091.857
Non-current assets	9.298	3.257.823	3.772.050
Current liabilities	(9.700)	(169.232)	(278.574)
Non-current liabilities	(1.632)	(367.435)	(560.814)
<b>Net assets of joint venture</b>	<b>2.645.320</b>	<b>3.902.209</b>	<b>4.024.519</b>
Group's ownership interest in the joint venture	49,40%	49,40%	49,40%
<b>Group's share in the net assets of the joint venture</b>	<b>1.306.788</b>	<b>1.927.691</b>	<b>1.988.112</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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

PUEM	1 January- 31 December 2023	1 January- 31 December 2022
Revenue	-	1.094.240
Depreciation&amortisation expense	(89.086)	(447.911)
Interest income/(expense), net	140.374	66.127
Loss for the year	(1.256.889)	(122.310)
Group's ownership interest	49,40%	49,40%
<b>Group's share in the net profit of the joint venture</b>	<b>(620.903)</b>	<b>(60.421)</b>

#### Hitit Bilgisayar

	31 December 2023	31 December 2022	1 January 2022
Current assets	22.768.764	23.096.122	8.230.263
Non-current assets	30.759.077	28.698.643	17.146.283
Current liabilities	(4.666.782)	(5.202.246)	(5.082.039)
Non-current liabilities	(2.474.670)	(2.286.417)	(1.885.133)
<b>Net assets of joint venture</b>	<b>46.386.389</b>	<b>44.306.102</b>	<b>18.409.374</b>
Group's ownership interest in the joint venture (*)	36,82%	36,82%	50,00%
Goodwill	109.883	114.045	107.470
<b>Group's share in the net assets of the joint venture</b>	<b>17.189.351</b>	<b>16.427.552</b>	<b>9.312.157</b>

(\*) The revenue obtained from the public offering conducted in 2022 amounted to 106.669.747 TL and is presented under investment income.

	1 January- 31 December 2023	1 January- 31 December 2022
Revenue	23.714.455	17.912.056
Depreciation&amortisation expense	(3.921.259)	(3.119.409)
Interest income/(expense), net	3.175.549	1.615.819
Profit for the year	5.162.457	3.153.946
Other equity changes	(1.379.494)	-
Group's weighted average ownership interest	36,82%	38,95%
<b>Group's share in the net profit of the joint venture</b>	<b>1.392.887</b>	<b>1.170.492</b>

#### NOTE 4 - SEGMENT REPORTING

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

#### NOTE 5 - RELATED PARTY TRANSACTIONS

The ultimate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders (which will be referred to as "other related parties" below). There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally not secured and interest free.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 5 - RELATED PARTY TRANSACTIONS**

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

**a) Other receivables from related parties**

	31 December 2023	31 December 2022	1 January 2022
<b>Balances with joint ventures:</b>			
PUEM	1.355	30.261	-
	<b>1.355</b>	<b>30.261</b>	<b>-</b>

**b) Trade payables to related parties**

	31 December 2023	31 December 2022	1 January 2022
<b>Balances with parent company:</b>			
Esas Holding	-	-	110.633
<b>Balances with joint ventures:</b>			
Hitit Bilgisayar	544.935	442.860	142.413
PUEM	-	-	319.149
<b>Balances with other related parties:</b>			
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	-	35.464	14.875
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	1.882	3.032	2.544
	<b>546.817</b>	<b>481.356</b>	<b>589.614</b>

**c) Other payables to related parties**

	31 December 2023	31 December 2022	1 January 2022
<b>Balances with joint ventures:</b>			
Hitit Bilgisayar	-	-	10.826
	<b>-</b>	<b>-</b>	<b>10.826</b>

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

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

The Group leases their head office building from Esasburda , another Esas Holding subsidiary, and records the expenses as depreciation and interest under leases standard. Also, the Group recognizes the dues, electricity, water and heating expenses for the head office.

The Group received simulator training services from PUEM until January 2023 for the training of pilots. Income is generated from labor hire and common areas used.

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

The Group receives health services from Alarm Sağlık.

**a) Other income from related parties**

	1 January- 31 December 2023	1 January- 31 December 2022
<b>Transactions with joint ventures:</b>		
PUEM	94.282	191.147
	<b>94.282</b>	<b>191.147</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 5 - RELATED PARTY TRANSACTIONS

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

##### b) Purchases of goods or services

	1 January- 31 December 2023	1 January- 31 December 2022
<b>Transactions with joint ventures:</b>		
Hitit Bilgisayar	6.024.239	3.909.823
PUEM	-	954.465
<b>Transactions with other related parties:</b>		
Alarm Sağlık	26.398	39.450
Esasburda	483.381	467.074
Other	-	10.412
	<b>6.534.018</b>	<b>5.381.224</b>

##### c) Rent expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Esasburda(*)	990.451	917.271
	<b>990.451</b>	<b>917.271</b>

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

##### d) Commission expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Esas Holding	642.007	841.834
	<b>642.007</b>	<b>841.834</b>

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

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Salaries and other short term benefits	2.077.213	3.436.786
Other long term benefits	2.633.991	3.226.294
	<b>4.711.204</b>	<b>6.663.080</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 6 – TRADE RECEIVABLES AND PAYABLES

##### Short term trade receivables

The details of short term trade receivables as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Trade receivables	32.451.637	45.343.094	19.741.487
Credit card receivables	19.939.338	17.468.494	4.482.578
Income accruals	2.255.604	562.256	437.056
	<b>54.646.579</b>	<b>63.373.844</b>	<b>24.661.121</b>
Less: Allowance for impairment	(3.412.321)	(4.429.597)	(1.696.545)
	<b>51.234.258</b>	<b>58.944.247</b>	<b>22.964.576</b>

The average collection period of trade receivables is approximately 17 days (31 December 2022: 19 days, 1 January 2022: 23 days).

The movement of provision for doubtful receivables for the years ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
<b>1 January</b>	4.429.597	1.696.545
Charge for the year	273.156	1.634.479
Collections and written off allowances	(869.895)	(696.983)
Currency translation differences	(420.537)	1.795.556
<b>31 December</b>	<b>3.412.321</b>	<b>4.429.597</b>

The nature and level of risks related to trade receivables is disclosed in Note 32.

##### Short term trade payables

The details of short term trade payables as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Trade payables	117.335.409	111.301.163	80.470.265
Accrued direct operational costs	82.465.774	85.387.119	47.695.041
Trade payables to related parties (Note 5)	546.817	481.356	589.614
	<b>200.348.000</b>	<b>197.169.638</b>	<b>128.754.920</b>

The average credit period of trade payables is approximately 35 days (31 December 2022: 33 days, 1 January 2022: 49 days).

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 7 - OTHER RECEIVABLES AND PAYABLES

##### Short term other receivables

The details of short term other receivables as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Deposits and guarantees given	1.566.529	1.170.819	1.173.458
Receivables from pilots for flight training	581.780	2.396.557	3.642.234
Receivables from tax office	3.002.995	5.712.268	3.524.400
Receivables from sale of joint venture shares (Note 5)	1.355	30.261	-
Other receivables	514.832	112.848	326.808
	<b>5.667.491</b>	<b>9.422.753</b>	<b>8.666.900</b>

##### Long term other receivables

The details of long term other receivables as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Receivables from pilot trainings	19.954.747	8.518.997	10.152.984
Deposits given	34.655.781	25.916.802	16.119.042
	<b>54.610.528</b>	<b>34.435.799</b>	<b>26.272.026</b>

##### Short term other payables

	31 December 2023	31 December 2022	1 January 2022
Taxes payables	5.146.711	13.456.869	4.619.084
Other payables to related parties	-	-	10.826
Deposits received	2.849.112	10.460.195	6.689.304
	<b>7.995.823</b>	<b>23.917.064</b>	<b>11.319.214</b>

#### NOTE 8 - INVENTORIES

The details of inventories as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Consumables and spare parts	29.803.811	21.862.377	8.287.992
Operational and other inventories	3.179.137	3.304.631	1.333.659
Catering inventories	27.338	197	4.776
	<b>33.010.286</b>	<b>25.167.205</b>	<b>9.626.427</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 9 - PREPAYMENTS, DEFERRED INCOME AND CONTRACT LIABILITIES

The details of prepayments as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

##### Short term prepayments

	31 December 2023	31 December 2022	1 January 2022
Advances on aircraft purchases	216.118.250	179.686.333	244.264.962
Advances to suppliers	83.131.675	84.316.515	15.169.062
Prepaid insurance expenses	9.447.292	12.328.245	12.896.773
Other prepaid expenses	4.486.153	5.305.124	3.161.315
	<b>313.183.370</b>	<b>281.636.217</b>	<b>275.492.112</b>

##### Long term prepayments

	31 December 2023	31 December 2022	1 January 2022
Advances on aircraft purchases	57.451.883	133.272.157	51.031.357
Prepaid maintenance expenses	331.463.388	219.170.211	136.240.080
Other prepaid expenses	1.520.147	4.565.134	1.459.047
	<b>390.435.418</b>	<b>357.007.502</b>	<b>188.730.484</b>

##### Deferred Income

##### Contract Liabilities

The details of passenger flight liabilities as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Flight liability from ticket sales	177.782.577	156.199.776	71.068.705
Passenger airport fees received from customers (*)	59.864.685	44.082.980	22.982.713
Flight liability from flight points	20.790.276	16.167.661	6.131.098
	<b>258.437.538</b>	<b>216.450.417</b>	<b>100.182.516</b>

(\*) Passenger airport fees received from customers is included in the ticket price, but it is not recognized as revenue when the flight carried out. The amount represents the costs to be paid to airport operators and authorities in cash.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 9 - PREPAYMENTS, DEFERRED INCOME AND CONTRACT LIABILITIES

##### Deferred Income

##### Contract Liabilities

Ticket sales, flight and service obligations are usually realized within the following year. The movement of flight liability from flight points for the years ended 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	<b>2023</b>	<b>2022</b>
<b>1 January</b>	9.894.446	4.515.629
Earned points	72.807.329	25.917.528
Used / expired points	(61.911.499)	(14.265.496)
<b>31 December</b>	<b>20.790.276</b>	<b>16.167.661</b>

##### Deferred Income (Excluding Passenger Flight Liabilities)

##### Short term deferred income

	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>1 January 2022</b>
Advances received from customers	18.032.923	14.747.021	12.618.876
Other deferred income	5.974.883	20.811.387	7.810.100
	<b>24.007.806</b>	<b>35.558.408</b>	<b>20.428.976</b>

##### Long term deferred income

	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>1 January 2022</b>
Deferred income	107.657.057	61.852.467	28.113.506
	<b>107.657.057</b>	<b>61.852.467</b>	<b>28.113.506</b>

Long term deferred revenue represent discounts received in advance from supplier contracts.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 10 - PROPERTY AND EQUIPMENT**

<b>31 December 2023</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Owned Aircraft</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Opening	<b>22.856.402</b>	<b>17.538.461</b>	<b>31.742.705</b>	<b>13.794.322</b>	<b>211.916.764</b>	-	<b>11.645.647</b>	<b>309.494.301</b>
Additions	2.926.068	4.585.028	4.359.986	102.089	72.599.444	-	4.525.459	89.098.074
Disposals	-	(100.706)	-	(430.253)	-	-	-	(530.959)
Transfers (*)	8.100.000	-	-	-	(79.463.463)	275.625.690	(8.100.000)	196.162.227
<b>Closing</b>	<b>33.882.470</b>	<b>22.022.783</b>	<b>36.102.691</b>	<b>13.466.158</b>	<b>205.052.745</b>	<b>275.625.690</b>	<b>8.071.106</b>	<b>594.223.643</b>
<b>Accumulated depreciation:</b>								
Opening	<b>(11.145.716)</b>	<b>(7.376.805)</b>	<b>(24.959.374)</b>	<b>(13.538.437)</b>	<b>(76.170.728)</b>	-	-	<b>(133.191.060)</b>
Depreciation for the year	(1.736.650)	(1.567.704)	(1.653.943)	(165.606)	(13.754.053)	(3.855.192)	-	(22.733.148)
Disposals	-	100.706	-	430.253	-	-	-	530.959
Transfers (*)	-	-	-	-	8.348.079	(128.589.049)	-	(120.240.970)
<b>Closing</b>	<b>(12.882.366)</b>	<b>(8.843.803)</b>	<b>(26.613.317)</b>	<b>(13.273.790)</b>	<b>(81.576.702)</b>	<b>(132.444.241)</b>	-	<b>(275.634.219)</b>
<b>Net book value</b>	<b>21.000.104</b>	<b>13.178.980</b>	<b>9.489.374</b>	<b>192.368</b>	<b>123.476.043</b>	<b>143.181.449</b>	<b>8.071.106</b>	<b>318.589.424</b>

(\*) Transfers in components represent transfers to delivery maintenance provisions and aircraft. Transfers in owned aircraft include transfers from right of use assets of aircraft whose lease obligations have expired.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 10 - PROPERTY AND EQUIPMENT**

<b>31 December 2022</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>							
Opening	<b>22.343.330</b>	<b>16.370.649</b>	<b>28.658.338</b>	<b>13.711.081</b>	<b>156.670.001</b>	<b>4.238.964</b>	<b>241.992.363</b>
Additions	513.072	2.898.329	3.131.589	83.241	86.016.217	7.406.683	100.049.131
Disposals	-	(1.730.517)	(47.222)	-	-	-	(1.777.739)
Transfers (*)	-	-	-	-	(30.769.454)	-	(30.769.454)
<b>Closing</b>	<b>22.856.402</b>	<b>17.538.461</b>	<b>31.742.705</b>	<b>13.794.322</b>	<b>211.916.764</b>	<b>11.645.647</b>	<b>309.494.301</b>
<b>Accumulated depreciation:</b>							
Opening	<b>(9.129.859)</b>	<b>(7.348.608)</b>	<b>(22.962.360)</b>	<b>(13.371.700)</b>	<b>(62.848.100)</b>	-	<b>(115.660.627)</b>
Depreciation for the year	(2.015.857)	(1.279.407)	(2.034.288)	(166.737)	(13.322.795)	-	(18.819.084)
Disposals	-	1.251.210	37.274	-	167	-	1.288.651
<b>Closing</b>	<b>(11.145.716)</b>	<b>(7.376.805)</b>	<b>(24.959.374)</b>	<b>(13.538.437)</b>	<b>(76.170.728)</b>	-	<b>(133.191.060)</b>
<b>Net book value</b>	<b>11.710.686</b>	<b>10.161.656</b>	<b>6.783.331</b>	<b>255.885</b>	<b>135.746.036</b>	<b>11.645.647</b>	<b>176.303.241</b>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 10 - PROPERTY AND EQUIPMENT

The useful lives of the depreciable assets are as follows:

	<u>Useful life</u>
Aircraft	23 years
Engine and Engine LLP's	16 years
Airframe and maintenance	7-8 years
Repairables and components	3-7 years
Machinery and equipment	7 years
Furniture and fixtures	7 years
Motor vehicles	5 years
Simulator	7 years
Leasehold improvements	5 years or lease term

The Group has determined the residual value of the aircraft as 15% of market value of a new aircraft in the same model.

Depreciation and amortisation expense charged to cost of sales, general administrative expenses, and selling and marketing expenses is summarized below:

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Current year depreciation (Note 10,12)	297.079.002	251.879.945
Current year amortization (Note 11)	6.454.844	4.917.075
	<b>303.533.846</b>	<b>256.797.020</b>
	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Cost of sales (Note 21)	291.955.099	246.383.656
General administrative expenses (Note 22)	9.262.998	8.330.691
Selling and marketing expenses (Note 22)	2.315.749	2.082.673
	<b>303.533.846</b>	<b>256.797.020</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 11 - INTANGIBLE ASSETS

<b>Software</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Cost:</b>		
Opening	42.112.989	35.329.878
Additions	11.815.614	6.783.111
Disposals	(1.309.075)	-
<b>Closing</b>	<b>52.619.528</b>	<b>42.112.989</b>
<b>Accumulated amortization:</b>		
Opening	(27.718.553)	(22.801.478)
Amortization for the year	(6.454.844)	(4.917.075)
Disposals	1.309.075	-
<b>Closing</b>	<b>(32.864.322)</b>	<b>(27.718.553)</b>
<b>Net book value</b>	<b>19.755.206</b>	<b>14.394.436</b>

Remaining average useful life of intangible assets as of 31 December 2023 is 1,89 years (31 December 2022: 1,61 years, 1 January 2022:1,81 years).

#### NOTE 12 – RIGHT OF USE ASSETS

<b>31 December 2023</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
Opening	14.241.033	7.447.021	4.161.751.825	311.363	4.183.751.242
Additions	329.749	338.793	974.664.070	-	975.332.612
Disposals (*)	-	-	(327.243.842)	-	(327.243.842)
Transfers (*)	-	-	(256.359.596)	-	(256.359.596)
<b>Closing</b>	<b>14.570.782</b>	<b>7.785.814</b>	<b>4.552.812.457</b>	<b>311.363</b>	<b>4.575.480.416</b>
<b>Accumulated depreciation:</b>					
Opening	(8.212.994)	(3.758.071)	(1.224.298.994)	(311.363)	(1.236.581.422)
Depreciation for the period	(3.079.013)	(1.194.043)	(270.072.798)	-	(274.345.854)
Disposals (*)	-	-	273.682.161	-	273.682.161
Transfers (*)	-	-	146.426.445	-	146.426.445
<b>Closing</b>	<b>(11.292.007)</b>	<b>(4.952.114)</b>	<b>(1.074.263.186)</b>	<b>(311.363)</b>	<b>(1.090.818.670)</b>
<b>Net book value</b>	<b>3.278.775</b>	<b>2.833.700</b>	<b>3.478.549.271</b>	<b>-</b>	<b>3.484.661.746</b>

(\*) Aircrafts sold are shown as disposals, and aircraft whose lease obligations have ended are classified as transfers to tangible fixed assets.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 12 – RIGHT OF USE ASSETS

31 December 2022	Field Rental	Building	Aircraft	Other	Total
<b>Cost:</b>					
Opening	9.451.498	6.364.629	3.390.205.700	311.363	3.406.333.190
Additions	4.789.535	1.082.392	1.021.736.815	-	1.027.608.742
Disposals	-	-	(250.190.690)	-	(250.190.690)
<b>Closing</b>	<b>14.241.033</b>	<b>7.447.021</b>	<b>4.161.751.825</b>	<b>311.363</b>	<b>4.183.751.242</b>
<b>Accumulated depreciation:</b>					
Opening	(6.075.388)	(2.684.971)	(1.171.441.480)	(311.363)	(1.180.513.202)
Depreciation for the period	(2.137.606)	(1.073.100)	(229.850.155)	-	(233.060.861)
Disposals	-	-	176.992.641	-	176.992.641
<b>Closing</b>	<b>(8.212.994)</b>	<b>(3.758.071)</b>	<b>(1.224.298.994)</b>	<b>(311.363)</b>	<b>(1.236.581.422)</b>
<b>Net book value</b>	<b>6.028.039</b>	<b>3.688.950</b>	<b>2.937.452.831</b>	<b>-</b>	<b>2.947.169.820</b>

#### NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES

The Group obtained incentive certificates from the Undersecretariat of Treasury for 87 aircraft. According to the incentive certificate of 19 aircraft, the Company will use 15% of the purchase value of the aircraft as the contribution rate which is the maximum amount that could be deducted against taxable income that is attributable to the operation of aircraft. The deduction will be performed by the application of 50% of the effective tax rate for the (i.e. use of 12,5% instead of 25%) taxable income attributable to the operation of these aircraft. According to the new incentive certificate of 68 aircraft the Company will use 50% of the purchase value of the aircraft as the contribution rate which is the maximum amount that could be deducted against taxable income that is attributable to the operation of aircraft. The deduction will be performed by the application of 90% of the effective tax rate for the (i.e. use of 2,5% instead of 25%) taxable income attributable to the operation of these aircraft.

#### NOTE 14 - BORROWING COSTS

For the years ended 31 December 2023, 31 December 2022 and 1 January 2022, as there are no assets that necessarily take a substantial period of time to get ready for their intended use or sale, borrowing costs for the respective periods are not capitalized. All borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

#### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Short term provisions

	31 December 2023	31 December 2022	1 January 2022
Provision for litigation claims	1.020.572	902.556	862.780
Redelivery provision	13.624.864	26.468.058	47.778.808
	<b>14.645.436</b>	<b>27.370.614</b>	<b>48.641.588</b>

##### Long term provisions

	31 December 2023	31 December 2022	1 January 2022
Redelivery provision	136.186.703	168.220.711	211.447.599
	<b>136.186.703</b>	<b>168.220.711</b>	<b>211.447.599</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Long term provisions

##### Redelivery Maintenance Provision

The detail of redelivery maintenance provision is as follows:

	31 December 2023	31 December 2022	1 January 2022
Short term	13.624.865	26.468.058	47.778.808
Long term	136.186.703	168.220.711	211.447.599
	<b>149.811.568</b>	<b>194.688.769</b>	<b>259.226.407</b>

The movement of redelivery maintenance provision as of the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
1 January	194.688.769	259.226.407
Charge for the year	63.875.108	33.471.455
Disposals	(108.748.139)	(115.331.844)
Currency translation differences	(4.170)	17.322.751
<b>31 December</b>	<b>149.811.568</b>	<b>194.688.769</b>

##### Litigation

The movement of litigation provision is as follows:

	2023	2022
1 January	902.556	862.780
Charge for the year	658.734	359.250
Payments	(17.400)	(9.540)
Reversal of provision	(48.065)	(43.486)
Currency translation differences	(475.253)	(266.448)
<b>31 December</b>	<b>1.020.572</b>	<b>902.556</b>

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 EUR 4.249.941 as of 31 December 2023 (31 December 2022: EUR 3.828.663, 1 January 2022: EUR 3.897.099). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of EUR 1.020.572 (31 December 2022: EUR 902.556, 1 January 2022: EUR 862.780) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

##### Tax Inspection

The Group's VAT transactions regarding loyalty card practices in year 2018 have been examined in 2020. The Company have been notified with a report stating "no subject to be examined have been found" in May 2021. However the judgement commission has objected this verdict and EUR 54.665 (equivalent of TL 1.780.660,72) tax assessment has been declared to the Company. Against the assessment, the Company filed a tax lawsuit on September 6, 2021, the counterparty's petition was received on October 25, 2021 and the petition was answered on November 23, 2021.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Redelivery Maintenance Provision

##### Tax Inspection

The 7th Tax Court of Istanbul decided to accept the Company's case and rejected all assessments on June 29, 2022, and the defendant Revenue Administration objected to the decision in August and submitted the petition of appeal to the Tax Court. The petition of appeal was notified to the Company on September 28, 2022, and it was answered within one month. Following the rejection of the opposite party's appeal, this time an appeal was made, and the defendant's appeal was served in April 2023. This petition was also answered by the Company within the time limit. The said lawsuit continues as of 31 December 2023. The Company has not recorded any provision in the financial statements in line with the opinions received from its lawyers regarding the aforementioned case.

##### Passenger Service Fee

T&T Havalimanı İşletmeciliği İnşaat Sanayi ve Ticaret Şirketi Limited filed three lawsuits against the Company before North Cyprus Lefkoşa Court of First Instance with claims of EUR 765.689, EUR 988.985 and EUR 475.031, respectively. All three lawsuits act on same claims and the airports no. 5/2013 whereby the plaintiff, as the operator of the Ercan Airport under North Cyprus Airports Services and Charges Law, claims EUR 15 passenger service fee for each Turkish Army Staff member traveling on the Company flights for the period between March 2013 and August 2020. Turkish Army Staff departing from North Cyprus are subject to an exemption from this fee under the law. The plaintiff's argument is based on the assumption that the Company has not carried any Turkish Army Staff members in this period of time. The Court of First Instance merged the first two lawsuits and rendered a judgment against the Company for a total principal payment obligation of EUR 1.679.114,2. The Company argues the legal prohibition to produce the documentation on traveling Army personnel requested by the airport operator, and further suggests that the additional controls sought by the airport operator is the responsibility of the airport operator. A judgment has not been rendered on the third lawsuit. The Company filed objection against the judgments rendered by the Court of First Instance. Considering that the claims do not rely on specific evidence and is judged on unreasonable assumptions, further taking into account the ongoing legal process, no contingency has been set aside for these lawsuits.

#### NOTE 16 - COMMITMENTS

##### **Purchase Commitments**

	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>1 January 2022</b>
Commitments to purchase aircraft	10.108.778.049	6.848.701.858	7.421.397.429
	10.108.778.049	6.848.701.858	7.421.397.429

As of 31 December 2023, the Group holds firm orders for 68 aircraft. In accordance with agreement the expected deliveries are 16 aircraft in 2024, 11 aircraft in 2025, 8 aircraft in 2026, 11 aircraft in 2027, 11 aircraft in 2028, 11 aircraft in 2029. The purchase commitments for these aircraft were calculated based on their list prices and actual purchase prices are typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting to EUR 273.570.133 (31 December 2022: EUR 312.958.490; 1 January 2022: EUR 295.296.319). Of this amount, EUR 216.118.250 is reclassified as short-term, and EUR 57.451.883 is reclassified as long-term prepayments (31 December 2022: EUR 179.686.333 is reclassified as short-term, EUR 133.272.157 is reclassified as long-term prepayments; 1 January 2022: EUR 244.264.962 is reclassified as short-term, EUR 51.031.357 is reclassified as long-term prepayments).

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 16 - COMMITMENTS

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

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

31 December 2023	EUR TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	35.802.496	20.033.224	12.074.404	96.652.641	2.656.169
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	<b>35.802.496</b>	<b>20.033.224</b>	<b>12.074.404</b>	<b>96.652.641</b>	<b>2.656.169</b>

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

The other CPMs (in the scope of item D) given by the Company constitute 0% of the Company’s equity as of 31 December 2023.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

### NOTE 16 - COMMITMENTS

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

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

<b>31 December 2022</b>	<b>EUR TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	90.389.593	74.312.141	9.477.775	191.406.235	1.607.836
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	<b>90.389.593</b>	<b>74.312.141</b>	<b>9.477.775</b>	<b>191.406.235</b>	<b>1.607.836</b>

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

The other CPMs (in the scope of item D) given by the Company constitute 0% of the Company's equity as of 31 December 2022.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 17 - EMPLOYEE BENEFITS

##### Employee benefit obligations

The details of employee benefit obligations as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Social security premiums payable	8.069.589	7.895.612	1.568.062
Accrual of employee wages	4.157.056	3.120.409	1.590.298
	<b>12.226.645</b>	<b>11.016.021</b>	<b>3.158.360</b>

##### Short term provisions for employee benefits

The details of short term provisions for employee benefits as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Unused vacation accrual	13.622.803	8.094.069	5.066.239
Employee bonus plan	35.124.614	25.853.727	16.945.473
	<b>48.747.417</b>	<b>33.947.796</b>	<b>22.011.712</b>

##### Long term provisions for employee benefits

The details of long term provisions for employee benefits as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Employment termination benefits	4.193.360	5.720.514	2.087.426
Employee bonus plan	32.684.084	23.073.864	2.468.152
	<b>36.877.444</b>	<b>28.794.378</b>	<b>4.555.578</b>

##### Unused Vacation Accrual

The movement of unused vacation accrual as of the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
1 January	8.094.069	5.066.239
Charge for the year	9.158.447	5.044.196
Payment during the year	(619.773)	(781.272)
Currency translation differences	(3.009.940)	(1.235.094)
<b>31 December</b>	<b>13.622.803</b>	<b>8.094.069</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 17 - EMPLOYEE BENEFITS

##### Employee Bonus Plan

The movement of employee bonus plan as of the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
1 January	48.927.591	19.413.625
Charge for the year	49.726.778	45.156.551
Payment during the year	(18.508.900)	(12.068.995)
Currency translation differences	(12.336.771)	(3.573.590)
<b>31 December</b>	<b>67.808.698</b>	<b>48.927.591</b>

##### Employee Defined Benefit Plans

The Group, according to Turkish Labor Law, has an obligation to pay legal defined benefits for every employee who has completed at least one year service and retired after completion of 25 years working life (for females 58 years, for males 60 years), fired from job, called up to military service or died.

The amount payable consists of one month's salary limited to a maximum of EUR 1.076 (equivalent of TL 35.058,58) for each period of service as of 31 December 2023 (31 December 2022: EUR 1.002,40 equivalent of TL 19.982,83 ).

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2023, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 21,37% (2022: 19,10%) and a discount rate of 25,05% (2022: 21,97%), resulting in a real discount rate of approximately 3,03% (2022: 2,48%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 8,22% (2022: 7,62%) for employees with 0-15 years of service, and 0% for those with 16 or more years of service. As the maximum liability is revised annually, the maximum amount of EUR 1.076 (equivalent of TL 35.058,58) effective from 1 January 2024, has been taken into consideration in the calculation of the provision for employee defined benefits.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 17 - EMPLOYEE BENEFITS

##### Employee Defined Benefits

The movement of employee defined benefits as of the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
1 January	5.720.514	1.537.415
Actuarial gain	337.949	(3.673.796)
Service cost	564.942	337.427
Interest cost	785.601	322.857
Retirement benefits paid	(3.060.803)	(476.632)
Currency translation differences	(154.843)	7.673.243
<b>31 December</b>	<b>4.193.360</b>	<b>5.720.514</b>

Service cost and interest expenses are recognized under payroll expenses. Calculated actuarial gains and losses are accounted under other comprehensive income as of 31 December 2023 and 31 December 2022.

Significant assumptions used in the calculation of employee defined benefits are the discount rate and anticipated turnover rate.

- If the discount rate had been 1% lower, provision for employee defined benefits would have increased by EUR 559.209 (2022: EUR 745.816); if the rate had been 1% higher, it would decrease by EUR 977.142 (2022: EUR 1.070.693).
- If the anticipated turnover rate had been 1% higher while all other variables had been held constant, provision for employee defined benefits would have decreased by EUR 561.533 (2022: EUR 560.824); if the rate had been 1% lower, it would have increased by EUR 3.844 (2022: EUR 74.106).

#### NOTE 18 - EXPENSES BY NATURE

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

	1 January- 31 December 2023	1 January- 31 December 2022
Jet fuel expenses	833.729.558	832.366.123
Depreciation and amortisation expenses	303.533.846	256.797.020
Personnel expenses	302.437.046	252.252.208
Handling and station fees	181.453.212	137.204.120
Navigation expenses	150.199.973	110.351.528
Maintenance expenses	71.862.024	78.286.436
Landing expenses	89.315.711	55.934.004
Commission expenses	17.876.150	27.277.502
Advertising expenses	16.647.503	8.022.423
Passenger service and catering expenses	25.293.871	14.322.263
Operating lease expenses (*)	26.522.315	-
Other expenses	131.275.965	98.125.219
	<b>2.150.147.174</b>	<b>1.870.938.846</b>

(\*) Consists of short-term operating lease expenses.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 19 - OTHER ASSETS AND LIABILITIES

##### Other current assets

The details of other current assets as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	31 December 2021
VAT receivables	6.830.452	7.129.849	4.262.575
Other	108.928	32.952	11.791
	<b>6.939.380</b>	<b>7.162.801</b>	<b>4.274.366</b>

#### NOTE 20 - SHAREHOLDERS' EQUITY, PROFIT RESERVES AND OTHER EQUITY ITEMS

The Company's shareholding structure as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023		31 December 2022		1 January 2022	
Hissedarlar:	(%)	EUR	(%)	EUR	(%)	EUR
Esas Holding	56,65	34.302.427	56,65	34.302.427	62,91	38.086.435
Halka Açık Kısım	41,53	25.142.571	41,53	25.142.571	34,53	20.904.479
Emine Kamyşlı	0,61	366.379	0,61	366.379	0,85	517.740
Ali İsmail Sabancı	0,61	366.379	0,61	366.379	0,85	517.740
Kazım Köseoğlu	0,30	183.189	0,30	183.189	0,43	258.870
Can Köseoğlu	0,30	183.189	0,30	183.189	0,43	258.870
<b>EUR historic capital</b>	<b>100,00</b>	<b>60.544.134</b>	<b>100,00</b>	<b>60.544.134</b>	<b>100,00</b>	<b>60.544.134</b>

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2022: 102.299.707 shares). All issued shares are fully paid in cash.

##### Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations.

##### *Resources Available for Profit Distribution:*

The Company does not have any distributable equity in statutory accounts as of balance sheet date.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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#### **NOTE 20 - SHAREHOLDERS' EQUITY, PROFIT RESERVES AND OTHER EQUITY ITEMS**

##### **Currency translation differences**

Currency translation differences under equity arise from Group's joint ventures, provisions for unused vacation, legal claims and retirement pay liability accounted under the equity method, which have functional currencies other than EUR.

##### **Gain/losses from cash flow hedges**

Hedge gain/losses against cash flow risk arise from the accounting of the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows under equity. Total deferred gains or losses arising from hedging against financial risk are recognized in profit or loss when the hedged item affects profit or loss.

##### **Share premiums on capital stock**

The surplus of sales price over nominal value amounted to EUR 194.089.305 during the initial public offering on 18-19 April 2013 was accounted as share premium.

##### **Actuarial gain/losses on defined benefit plans**

The effects of the changes in actuarial valuations calculated in accordance with IAS 19, 'Employee Benefits,' are presented as actuarial gains or losses on defined benefit plans.

##### **Restricted profit reserves**

In the statutory accounts, profit restricted from retained earnings and not subject to distribution are presented in the restricted profit reserves.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 21 - REVENUE AND COST OF SALES

The details of revenue and cost of sales for the periods ended 31 December 2023 and 31 December 2022 are as follows:

##### Revenue:

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Scheduled flight and service revenue	2.624.624.979	2.381.442.354
<i>International flight revenue</i>	<i>1.507.298.333</i>	<i>1.443.763.589</i>
<i>Domestic flight revenue</i>	<i>306.947.027</i>	<i>311.263.020</i>
<i>Service revenue</i>	<i>810.379.619</i>	<i>626.415.745</i>
Charter flight and service revenue	36.085.063	59.579.690
<i>Charter flight revenue</i>	<i>36.085.063</i>	<i>59.579.690</i>
Other revenue	9.681.113	8.352.132
	<b>2.670.391.155</b>	<b>2.449.374.176</b>

The Group's revenue is disaggregated into revenue from scheduled flights, revenue from chartered flights, and other revenues in accordance with the IFRS 15 "Revenue from Contracts with Customers" standard. However, although the Group does not consider service revenues within these disaggregated revenue items as a separate performance obligation, it presents them as additional information due to their frequent disclosure to investors and continuous review by the authorities empowered to make decisions regarding operations.

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

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Europe	1.112.522.871	1.023.439.635
Domestic	306.947.027	311.263.020
Other	394.775.462	420.323.954
	<b>1.814.245.360</b>	<b>1.755.026.609</b>

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

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Europe	22.991.828	42.687.940
Middle East	12.889.058	16.673.775
Domestic	204.177	217.975
	<b>36.085.063</b>	<b>59.579.690</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 21 - REVENUE AND COST OF SALES

##### Cost of sales:

	1 January- 31 December 2023	1 January- 31 December 2022
Jet fuel expenses	833.729.558	832.366.123
Depreciation and amortisation expenses	291.955.099	246.383.656
Personnel expenses	269.209.799	221.804.568
Handling and station fees	181.453.212	137.204.120
Navigation expenses	150.199.973	110.351.528
Maintenance expenses	71.863.492	78.286.436
Landing expenses	89.315.711	55.934.004
Passenger service and catering expenses	25.293.871	16.648.355
Insurance expenses	14.744.657	14.322.263
Operating lease expenses	26.522.315	-
Other expenses	73.056.299	48.502.586
	<b>2.027.343.986</b>	<b>1.761.803.639</b>

#### NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

	1 January- 31 December 2023	1 January- 31 December 2022
Selling and marketing expenses	50.271.821	52.128.071
General administrative expenses	72.531.367	57.007.136
	<b>122.803.188</b>	<b>109.135.207</b>

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

##### General administrative expenses:

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	29.267.864	24.486.941
Depreciation and amortisation expenses	9.262.998	8.330.691
IT expenses	14.344.609	12.545.298
Consultancy expenses	4.259.304	2.204.426
Communication expenses	2.337.992	1.123.767
Legal and notary expenses	2.716.269	2.416.651
Office utility expenses	1.314.427	659.475
Travel expenses	2.612.388	634.962
Training expenses	475.717	290.176
Other expenses	5.939.799	4.314.749
	<b>72.531.367</b>	<b>57.007.136</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES**

**Selling and marketing expenses:**

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Commission expenses	17.868.554	27.382.847
Advertising expenses	16.647.503	8.272.423
Call center expenses	4.399.433	2.488.173
Personnel expenses	6.902.601	7.219.625
Depreciation and amortisation expenses	2.315.749	2.082.673
Other expenses	2.137.981	4.682.330
	<b>50.271.821</b>	<b>52.128.071</b>

**NOTE 23 - OTHER OPERATING INCOME AND EXPENSES**

The details of other operating income and expenses for the periods ended 31 December 2023 and 31 December 2022 are as follows:

**Other operating income:**

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Foreign exchange gain from operating activities	-	10.058.489
Reversal of trade receivable impairment	176.777	-
Reversal of doubtful provision	518.693	-
Other	102.705	1.226.263
	<b>798.175</b>	<b>11.284.752</b>

**Other operating expenses:**

	<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
Foreign exchange loss from operating activities	23.149.255	-
Penalty expense	184.455	609.373
Cash and cash equivalents allowance expense	122.193	169.939
Financial investments allowance expense	-	805.753
Doubtful receivable allowance expense	-	4.503.181
Donations (*)	1.178.949	-
Other	7.178.353	1.357.330
	<b>31.813.205</b>	<b>7.445.576</b>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 24 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

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

##### Income from investing activities:

	1 January- 31 December 2023	1 January- 31 December 2022
Gain from eurobond sales (*)	572.143	-
Interest income from eurobond	19.617.965	14.333.903
Interest income from currency protected instruments	21.225.697	5.677.473
Incomes arising from aircraft sale	4.084.660	-
Foreign exchange gain from investing activities	-	6.940.125
Other income	864.001	1.043.601
	<b>46.364.466</b>	<b>27.995.102</b>

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

##### Expense from investing activities:

	1 January- 31 December 2023	1 January- 31 December 2022
Expenses arising from aircraft sale	-	1.809.733
Loss from eurobond sales	-	612.680
Financial investments allowance expense	2.204.032	1.010.593
	<b>2.204.032</b>	<b>3.433.006</b>

#### NOTE 25 - FINANCIAL INCOME AND EXPENSES

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

##### Financial income:

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign exchange gain	36.858.747	-
Interest income	28.620.850	15.659.884
Gain on derivative contracts	750.354	-
	<b>66.229.951</b>	<b>15.659.884</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 25 - FINANCIAL INCOME AND EXPENSES

##### Financial expenses:

	1 January- 31 December 2023	1 January- 31 December 2022
Interest expense on leases	149.070.042	67.679.223
Interest expense on bank loans	14.833.031	18.417.980
Interest expense on issued debt instruments	32.182.380	33.825.839
Foreign exchange loss	-	63.572.737
Losses from derivative contracts	-	2.112.118
Other commission expenses	34.192.506	34.912.963
	<b>230.277.959</b>	<b>220.520.860</b>

#### NOTE 26 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

##### Currency Translation Differences

##### Items to be reclassified to profit or loss

	2023	2022
1 January	8.071.040	4.526.022
Currency translation differences to be reclassified to profit or loss	737.747	3.545.018
<b>31 December</b>	<b>8.808.787</b>	<b>8.071.040</b>

##### Hedge Fund

	2023	2022
1 January	14.182.139	8.578.234
Gain/(loss) from the accounting of cash flow hedges against financial risk	(23.048.790)	6.590.001
Deferred tax related with the accounting of cash flow hedges against financial risk	4.875.789	(986.096)
<b>31 December</b>	<b>(3.990.862)</b>	<b>14.182.139</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 26 - ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

##### Items to be reclassified to profit or loss

##### **Gain on financial assets measured at fair value**

	<b>2023</b>	<b>2022</b>
1 January	1.346.769	-
Gain on financial assets measured at fair value	294.741	1.683.461
Deferred tax effect of gain on financial assets measured at fair value	(157.858)	(336.692)
<b>31 December</b>	<b>1.483.652</b>	<b>1.346.769</b>

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

##### **Actuarial gains/(losses) on defined benefit plans**

	<b>2023</b>	<b>2022</b>
1 January	(3.741.402)	(802.365)
Actuarial gains / (losses) on defined benefit plans	337.949	(3.673.796)
Deferred tax effect of actuarial gains / (losses) on defined benefit plans	149.351	734.759
<b>31 December</b>	<b>(3.254.102)</b>	<b>(3.741.402)</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 27 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

The Group is subject to corporate tax valid in Türkiye. The corporate tax rate in Türkiye has been applied as 23% for corporate earnings for the 2022 taxation period and 25% for corporate earnings for the 2023 taxation period. When calculating deferred tax on temporary differences, the company takes into account the tax rates valid on the date the temporary differences will be closed.

Tax expense components as of 31 December 2023, 31 December 2022 and 1 January 2022 are presented below:

	31 December 2023	31 December 2022	1 January 2022
Current corporate tax provision	-	-	-
Less: Prepaid taxes and funds	(600.261)	(442.247)	(342.592)
<b>Current tax assets (*)</b>	<b>(600.261)</b>	<b>(442.247)</b>	<b>(342.592)</b>

(\*) The exceeding portion of the prepaid taxes over current corporate tax provision is reported in current tax assets.

	1 January- 31 December 2023	1 January- 31 December 2022
Tax income/(expense)		
- Current tax expense	-	-
- Deferred tax income/(expense)	419.827.113	27.673.316
<b>Total tax income/(expense)</b>	<b>419.827.113</b>	<b>27.673.316</b>

The Group's earnings from investments tied to an incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operational, until the investment contribution amount is reached. In this context, tax advantage amounting to EUR 143.218.297 (equivalent of TL 4.665.178.489) (31 December 2022: EUR 156.008.139 equivalent of TL 3.110.006.651) that the Group will benefit from in the foreseeable future as of 31 December 2023 is reflected in the consolidated financial statements as a deferred tax asset.

As a result of the recognition of the mentioned tax advantage as of 31 December 2023, deferred tax expense amounting to EUR 12.789.842 has occurred in the consolidated profit or loss statement for the period 1 January - 31 December 2023.

Deferred tax assets are recognized when it is determined that taxable income is likely to occur in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over deductible temporary differences, tax losses and tax advantages vested in indefinite-lived investment incentives that allow reduced corporate tax payments. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives in the consolidated financial statements on longterm plans and evaluates the recoverability of deferred tax assets related to these investment incentives as of each balance sheet date, based on business models that include taxable profit estimations.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

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#### **NOTE 27 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

In the sensitivity analysis carried out as of 31 December 2023, when the inputs in the basic macroeconomic and sectoral assumptions that make up the business plans are increased/decreased by 10%, the foreseen period of deferred tax assets regarding on the availability of investment incentives has not significantly changed.

##### *Corporate Tax*

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The corporate tax rate in Turkiye is 25% (2022: 23%).

With the temporary article 33 of the Tax Procedure Law; It has been specified that no inflation adjustment will be made in the accounting periods of 2021 and 2022 and the provisional tax periods of 2023, regardless of whether the conditions in Article 298/A of the TPL are met, and that the financial statements dated 31 December 2023 will be subject to correction regardless of any conditions. In this context; The financial statements dated 31 December 2023, prepared in accordance with the Tax Procedure Law, have been subject to inflation correction.

##### *Deferred Tax*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS and tax purposes and they are given below.

In the calculation of deferred tax assets and liabilities, the tax rates that will be valid on the date of closing the temporary differences are taken into account.

In Turkiye, companies cannot declare a consolidated tax return, therefore their deferred tax balances are not netted off and are disclosed separately.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 27 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

*Deferred Tax*

The consolidated deferred tax liability position as of 31 December 2023 is as follows:

	<b>1 January - 31 December 2023</b>			
	<u>1 January 2023</u>	<u>Other comprehensive income tax effect</u>	<u>Deferred tax charge for the year</u>	<u>31 December 2023</u>
Difference between tax base and carrying value of tangible assets and intangible assets	(308.416.479)	-	328.518.434	20.101.955
Carry forward tax losses	54.988.785	-	61.670.164	116.658.949
Government grants and incentives	156.008.139	-	(12.789.842)	143.218.297
Provision for employee termination benefits	1.144.103	149.351	839.587	2.133.041
Provision for litigation claims	180.286	-	74.857	255.143
Unused vacation and bonus plans provision	11.390.077	-	8.967.798	20.357.875
Deferred revenue from flight points	3.229.490	-	1.968.079	5.197.569
Relivery provisions for the leased aircraft	51.061.596	-	(13.607.661)	37.453.935
Change in fair value of financial assets	(336.692)	(157.858)	-	(494.550)
Change in fair value of derivative contracts	(3.541.103)	4.875.789	(101.126)	1.233.560
Other	(2.065.146)	-	44.286.823	42.221.677
<b>Deferred tax liability</b>	<b>(36.356.944)</b>	<b>4.867.282</b>	<b>419.827.113</b>	<b>388.337.451</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 27 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

*Deferred Tax*

The consolidated deferred tax liability position as of 31 December 2022 is as follows:

	<b>1 January - 31 December 2022</b>			
	<b>1 January 2022</b>	<b>Other comprehensive income tax effect</b>	<b>Deferred tax charge for the year</b>	<b>31 December 2022</b>
Difference between tax base and carrying value of tangible assets and intangible assets	(259.703.224)	-	(48.713.255)	(308.416.479)
Carry forward tax losses	139.537.697	-	(84.548.912)	54.988.785
Government grants and incentives	-	-	156.008.139	156.008.139
Provision for employee termination benefits	417.485	734.759	(8.141)	1.144.103
Provision for litigation claims	198.439	-	(18.153)	180.286
Unused vacation and bonus plans provision	4.039.861	-	7.350.216	11.390.077
Deferred revenue from flight points	1.410.152	-	1.819.338	3.229.490
Relivery provisions for the leased aircraft	52.772.219	-	(1.710.623)	51.061.596
Change in fair value of financial assets	-	(336.692)	-	(336.692)
Change in fair value of derivative contracts	(2.559.019)	(986.096)	4.012	(3.541.103)
Other	444.159	-	(2.509.305)	(2.065.146)
<b>Deferred tax liability</b>	<b>(63.442.231)</b>	<b>(588.029)</b>	<b>27.673.316</b>	<b>(36.356.944)</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 27 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

##### *Deferred Tax*

Tax effects related to other comprehensive income as of 31 December 2023 and 31 December 2022 are as follows:

	<b>1 January - 31 December 2023</b>		
	Amount before tax	Tax expense	Amount after tax
Change in foreign currency translation	627.809.946	-	627.809.946
Actuarial gains/(losses) on defined benefit plans	(1.871.075)	649.097	(1.221.978)
Gains/(losses) on fair value differences of financial assets	1.201.121	(365.551)	835.569
Change in cash flow hedge reserve	(20.489.139)	4.434.946	(16.054.193)
<b>Other comprehensive income</b>	<b>606.650.853</b>	<b>4.718.492</b>	<b>611.369.344</b>

	<b>1 January - 31 December 2022</b>		
	Amount before tax	Tax income	Amount after tax
Change in foreign currency translation	153.803.202	-	153.803.202
Actuarial gains/(losses) on defined benefit plans	(3.053.742)	610.748	(2.442.994)
Gains/(losses) on fair value differences of financial assets	1.305.428	(261.086)	1.044.342
Change in cash flow hedge reserve	7.384.162	(1.285.954)	6.098.208
<b>Other comprehensive income</b>	<b>159.439.050</b>	<b>(936.292)</b>	<b>158.502.758</b>

Reconciliation of tax expense in consolidated statement of profit or loss for the years 31 December 2023 and 31 December 2022 is as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Profit before tax</b>	<b>370.113.361</b>	<b>403.085.697</b>
Enacted local tax rate	25%	23%
Tax calculated at the enacted tax rate	(92.528.340)	(92.709.710)
Tax effect of disallowable expenses	(4.326.050)	(21.491.237)
Income from investment incentives	(12.789.842)	156.008.139
Tax-exempt revenue	3.563.575	729.696
Effect of inflation accounting	580.767.844	-
Effect of different tax rates applied	(7.836.374)	(10.151.164)
Translation effect and other	(47.023.700)	(4.712.408)
<b>Taxation income</b>	<b>419.827.113</b>	<b>27.673.316</b>

As of 31 December 2023 and 31 December 2022, the Group does not have any carry forward tax losses that it did not recognize deferred tax assets.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 28 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned.

Number of total shares and calculation of earnings per share at 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Net profit	789.940.474	430.759.013
Weighted average number of shares issued in the year	102.299.707	102.299.707
<b>Income per share</b>	<b>7,72</b>	<b>4,21</b>

#### NOTE 29- EFFECTS OF EXCHANGE RATE CHANGES

Details related to effects of exchange rate changes are disclosed at foreign currency risk management in Note 32.

#### NOTE 30 - DERIVATIVE INSTRUMENTS

##### Fair Value of Derivative Instruments

	31 December 2023		31 December 2022		1 January 2022	
	Asset	Liability	Asset	Liability	Asset	Liability
Short term	387.044	3.348.688	13.398.161	-	8.061.746	14.394
Long term	-	1.972.462	4.329.513	-	3.078.817	-
	<b>387.044</b>	<b>5.321.150</b>	<b>17.727.674</b>	<b>-</b>	<b>11.140.563</b>	<b>14.394</b>

Explanations related to derivative instruments are disclosed in Note 33.

#### NOTE 31 - FINANCIAL INSTRUMENTS

##### Financial Assets

Short term	31 December 2023	31 December 2022	1 January 2022
Financial investments measured at amortized cost	216.188.514	25.305.454	19.027.168
Financial assets recognized at fair value through profit or loss	62.663.933	58.756.639	-
Time Deposit (*)	291.545.322	29.863.277	19.500.000
Less: Allowance for impairment under IFRS 9	(1.395.410)	(488.471)	(13.260)
	<b>569.002.359</b>	<b>113.436.899</b>	<b>38.513.908</b>

(\*) It refers to time deposits amounting to EUR 225.127.116 and exchange rate protected time deposits amounting to EUR 66.418.206, with maturities between three months and one year.

Long term	31 December 2023	31 December 2022	1 January 2022
Financial investments measured at amortized cost	53.472.769	216.299.137	149.799.266
Less: Allowance for impairment under IFRS 9	(2.074.702)	(1.747.726)	(1.730.725)
	<b>51.398.067</b>	<b>214.551.411</b>	<b>148.068.541</b>

##### Financial investments accounted at amortized cost

	31 December 2023	31 December 2022	1 January 2022
Short term financial investments measured at amortized	216.188.514	25.305.454	19.027.168
Long term financial investments measured at amortized	53.472.769	216.299.137	149.799.266
	<b>269.661.283</b>	<b>241.604.591</b>	<b>168.826.434</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

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### NOTE 31 - FINANCIAL INSTRUMENTS

#### Financial Assets

#### Financial investments accounted at amortized cost

Company issuing security	31 December 2023	31 December 2022	1 January 2022
T.C Hazine Müsteşarlığı	182.556.595	156.519.334	82.486.605
Türkiye İş Bankası	22.884.017	23.880.009	9.252.654
Türkiye İhracat Kredi Bankası	5.388.000	46.621.000	43.443.929
Vakıfbank	13.577.101	14.584.248	23.991.435
Citibank	18.122.801	-	-
BNP Paribas	27.132.769	-	-
Yapi ve Kredi Bankası	-	-	9.651.811
<b>Eurobond (*)</b>	<b>269.661.283</b>	<b>241.604.591</b>	<b>168.826.434</b>

(\*) The Group's fixed income securities are accounted over their amortized costs using the effective interest rate. The securities in question are denominated in Euros and US Dollars and must pay fixed interest every year and every six months, respectively.

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
T.C Hazine Müsteşarlığı	US900123CF53	5,75	USD	86.548.599	22.03.2024
T.C Hazine Müsteşarlığı	US900123AW05	7,38	USD	54.275.054	5.02.2025
Türkiye İş Bankası	XS1578203462	6,13	USD	22.884.017	25.04.2024
Türkiye İhracat Kredi Bankası	XS1814962582	6,13	USD	2.045.678	3.05.2024
T.C Hazine Müsteşarlığı	XS1917720911	8,25	USD	41.732.942	24.01.2024
Vakıfbank	XS1970705528	8,13	USD	13.577.101	27.03.2024
Citibank	XS2618428317	8,90	USD	18.122.801	20.06.2024
BNP Paribas	XS2506542864	9,85	USD	27.132.769	27.06.2024
Türkiye İhracat Kredi Bankası	XS2395576437	9,38	USD	3.342.322	31.01.2026
<b>31 December 2023</b>				<b>269.661.283</b>	
Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
T.C Hazine Müsteşarlığı	US900123CF53	5,75	USD	90.994.985	22.03.2024
T.C Hazine Müsteşarlığı	US900123AW05	7,38	USD	55.182.742	5.02.2025
T.C Hazine Müsteşarlığı	XS1057340009	4,13	EUR	10.341.607	11.04.2023
Türkiye İş Bankası	XS1578203462	6,13	USD	23.880.009	25.04.2024
Türkiye İhracat Kredi Bankası	XS1814962582	6,13	USD	2.101.470	3.05.2024
Türkiye İhracat Kredi Bankası	XS1917720911	8,25	USD	44.519.530	24.01.2024
Vakıfbank	XS1970705528	8,13	USD	14.584.248	27.03.2024
<b>31 December 2022</b>				<b>241.604.591</b>	
Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
T.C Hazine Müsteşarlığı	US900123CF53	5,75	USD	82.486.605	22.03.2024
Vakıfbank	XS1970705528	8,13	USD	23.991.435	27.03.2024
Türkiye İhracat Kredi Bankası	XS1917720911	8,25	USD	33.127.358	24.01.2024
Türkiye İş Bankası	XS1578203462	6,13	USD	9.252.654	25.04.2024
Yapı ve Kredi Bankası	XS1571399754	5,75	USD	9.651.811	24.02.2022
Türkiye İhracat Kredi Bankası	XS1057340009	4,13	EUR	10.316.571	11.04.2023
<b>1 January 2022</b>				<b>168.826.434</b>	

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

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### NOTE 31 - FINANCIAL INSTRUMENTS

#### Financial Assets

#### Financial investments measured at amortized cost

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

Company issuing security	31 December 2023	31 December 2022	1 January 2022
T.C Hazine Müsteşarlığı	185.729.154	157.605.347	82.672.020
Türkiye İş Bankası	23.241.014	24.121.351	9.207.452
Türkiye İhracat Kredi Bankası	5.497.566	47.750.652	44.149.162
Vakıfbank	14.502.403	14.982.324	24.113.214
Citibank	18.074.716	-	-
BNP Paribas	27.112.074	-	-
Yapı ve Kredi Bankası	-	-	9.577.049
	<b>274.156.927</b>	<b>244.459.674</b>	<b>169.718.897</b>

The coupon interest rates and final redemption dates of ongoing Euro and US Dollar financial investments as of the report date, measured at their amortized cost as of 31 December 2023, are as follows.

#### Financial investments at fair value through other comprehensive income

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

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
Türkiye İhracat Kredi Bankası	XS1917720911	8,25	USD	9.030.805	24.01.2024
Türkiye İhracat Kredi Bankası	XS2692231975	9,00	USD	1.567.559	28.01.2027
Istanbul Metropolitan Municipality	XS2730249997	10,50	USD	4.838.376	6.12.2028
T.C Hazine Müsteşarlığı	US900123CF53	5,75	USD	24.449.350	22.03.2024
Yapı ve Kredi Bankası	XS2445343689	9,25	USD	4.872.966	16.10.2028
Türkiye İhracat Kredi Bankası	XS2395576437	9,38	USD	1.234.018	31.01.2026
Türkiye İhracat Kredi Bankası	XS2523929474	9,76	USD	16.670.859	13.11.2025
				<b>62.663.933</b>	

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
Türkiye İhracat Kredi Bankası	XS1496463297	5,39	USD	5.665.729	24.10.2023
Türkiye İhracat Kredi Bankası	XS1917720911	8,13	USD	5.418.231	24.01.2024
T.C Hazine Müsteşarlığı	US900123CF53	5,81	USD	17.196.737	22.03.2024
T.C Hazine Müsteşarlığı	XS2523929474	9,32	USD	28.559.798	13.11.2025
Yapı ve Kredi Bankası	XS17885166179	6,08	USD	1.916.144	16.03.2023
				<b>58.756.639</b>	

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

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#### NOTE 31 - FINANCIAL INSTRUMENTS

##### Financial Liabilities

The details of financial liabilities as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

<b>Short term financial liabilities</b>	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>1 January 2022</b>
Short term bank borrowings	164.358.114	106.339.519	214.353.792
Issued debt instruments	-	-	18.145.765
	<b>164.358.114</b>	<b>106.339.519</b>	<b>232.499.557</b>

##### Financial Liabilities

<b>Short term portion of long term financial liabilities</b>	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>1 January 2022</b>
Short term portion of long term bank borrowings	31.048.114	25.318.277	4.496.136
Principal and interest of bonds issued	29.732.858	30.824.660	29.047.394
Discount and commissions of bonds issued	(1.079.562)	(1.120.454)	(1.045.567)
Lease liabilities	347.704.239	334.580.924	264.044.345
<i>Short term portion of long term operating lease obligations</i>	42.133.438	25.191.469	49.308.276
<i>Short term portion of long term financial lease obligations</i>	305.570.801	309.389.455	214.736.069
	<b>407.405.649</b>	<b>389.603.407</b>	<b>296.542.308</b>

<b>Long term financial liabilities</b>	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>1 January 2022</b>
Long term bank borrowings	64.658.631	-	26.131.651
Issued debt instruments (*)	314.750.653	326.618.275	308.290.353
Discount and commissions of bonds issued	(1.437.444)	(2.612.346)	(3.436.833)
Lease liabilities	2.719.405.614	2.240.008.332	1.637.263.343
<i>Long term operating lease obligations</i>	146.880.324	178.313.154	198.111.848
<i>Long term financial lease obligations</i>	2.572.525.290	2.061.695.178	1.439.151.495
	<b>3.097.377.454</b>	<b>2.564.014.261</b>	<b>1.968.248.514</b>

(\*) The Group issued bonds to qualified investors abroad on 29 April 2021, which were issued under the "Rule 144A" and/or "Regulation S" format, have a nominal value of US\$ 375.000.000, at % 9,25 interest rate and the maturity is 5 years with an early payment option in the third and fourth years.

The bonds are traded on the Irish Stock Exchange (Euronext Dublin). There are some financial covenants in the Terms and Conditions of the notes. The covenants of the notes are; negative pledge, limitation in indebtedness, publication of financial information, limitations on transactions with affiliates, minimum liquidity, merger, consolidation and sale of all assets substantially, limitation on asset sales, limitation on restricted payments. As of 31 December 2023, the Group complied with all covenants.

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**NOTE 31 - FINANCIAL INSTRUMENTS**

**Financial Liabilities**

**Bank Borrowings**

The effective interest rates, original currency and EUR equivalents of the short and long term bank borrowings as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows :

<b>31 December 2023</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Short term bank borrowings	7,04	Euro	164.671.975	164.358.114
				<b>164.358.114</b>
<b>31 December 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Short term bank borrowings	5,73	Euro	106.145.268	106.339.519
				<b>106.339.519</b>
<b>1 January 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Short term bank borrowings	4,31	Euro	193.777.101	193.777.101
Short term bank borrowings	19,09	TL	172.338.156	11.737.817
Short term bank borrowings	-	US Dollar	10.000.000	8.838.874
				<b>214.353.792</b>
<b>31 December 2023</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Short term portion of long term bank borrowings	5,42	Euro	31.048.114	31.048.114
				<b>31.048.114</b>
<b>31 December 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Short term portion of long term bank borrowings	19,56	TL	46.742.248	2.344.745
Short term portion of long term bank borrowings	2,94	Euro	22.973.532	22.973.532
				<b>25.318.277</b>
<b>1 January 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Short term portion of long term bank borrowings	2,68	Euro	400.000	400.000
Short term portion of long term bank borrowings	19,56	TL	60.140.693	4.096.136
				<b>4.496.136</b>
<b>31 December 2023</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Long term bank borrowings	5,57	Euro	64.658.631	64.658.631
				<b>64.658.631</b>
<b>1 January 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>EUR equivalent</b>
Long term bank borrowings	4,31	Euro	23.000.000	23.000.001
Long term bank borrowings	19,09	TL	45.979.829	3.131.650
				<b>26.131.651</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

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### NOTE 31 - FINANCIAL INSTRUMENTS

#### Financial Liabilities

##### Lease Liabilities

The details of financial and operating lease liabilities as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Less than 1 year	479.304.856	447.151.317	331.806.177
Between 1 - 5 years	1.588.049.567	1.633.830.866	1.151.825.885
Over 5 years	1.589.358.777	1.251.254.413	869.650.621
	<b>3.656.713.200</b>	<b>3.332.236.596</b>	<b>2.353.282.683</b>
Less: Future interest expenses	(589.603.347)	(757.647.340)	(451.974.995)
	<b>3.067.109.853</b>	<b>2.574.589.256</b>	<b>1.901.307.688</b>

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

	31 December 2023	31 December 2022	1 January 2022
Less than 1 year	347.704.239	334.580.924	264.044.345
Between 1 - 5 years	1.303.602.221	1.160.520.396	873.142.289
Over 5 years	1.415.803.393	1.079.487.936	764.121.054
	<b>3.067.109.853</b>	<b>2.574.589.256</b>	<b>1.901.307.688</b>

The Group acquire certain of its handling equipment and aircraft through lease arrangements. The average lease term is 6,14 years. For the period ended 31 December 2023, the floating interest rate applicable to Euro-denominated lease obligations, amounting to EUR 2.093.427.989, is 3,92% (31 December 2022: 2,36%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to EUR 368.838.553, is 6,71% (31 December 2022: 5,38%).

##### Reconciliation of obligations arising from financing activities

The changes in the Group's liabilities arising from financing activities are given in the following table:

	1 January 2023	Utilized bank loans and repayments, (net)	Finance lease obtained and repayment of principals	Non-cash changes	31 December 2023
Bank loans and Issued debt instruments	485.367.931	21.132.315	-	95.531.118	602.031.364
Lease payables	2.574.589.256	-	(470.989.018)	963.509.615	3.067.109.853
	<b>3.059.957.187</b>	<b>21.132.315</b>	<b>(470.989.018)</b>	<b>1.059.040.733</b>	<b>3.669.141.217</b>
	1 January 2022	Utilized bank loans and repayments, (net)	Finance lease obtained and repayment of principals	Non-cash changes	31 December 2022
Bank loans	595.982.691	(214.747.141)	-	104.132.381	485.367.931
Lease payables	1.901.307.688	-	(323.704.965)	996.986.533	2.574.589.256
	<b>2.497.290.379</b>	<b>(214.747.141)</b>	<b>(323.704.965)</b>	<b>1.101.118.914</b>	<b>3.059.957.187</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Capital Risk Management

The Group manages its capital to ensure its ability to continue as a going concern while maximizing returns to stakeholders by optimizing the balance between debt and equity.

The capital structure of the Group includes debt, comprising financial liabilities and obligations under finance leases (as disclosed in Note 31), as well as cash and cash equivalents, and equity, which comprises issued capital, reserves, and retained earnings. The Group meets its working capital requirements using cash generated from operations and, if necessary, through credit lines from Turkish and foreign banks.

The Group's management reviews the cost of capital together with the risk associated with each class in the capital structure. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital and obtains approval from Board of Directors in the form of a resolution.

Based on evaluations of management and Board of Directors, the Group balances its overall capital structure from time to time through capital increases as well as the issue of new debt or the redemption of existing debt. The Group's overall capital risk management strategy remains unchanged from prior periods.

The debt-capital ratio that is calculated as net debt (total borrowings less cash and cash equivalents and financial investments) divided by total capital as of 31 December 2023 and 31 December 2022 are as follows.

	31 December 2023	31 December 2022
Financial Liabilities	3.609.439.807	3.004.934.704
Less: Cash and Cash Equivalents & Financial Investments	(1.113.996.800)	(857.625.623)
Net Debt	2.495.443.007	2.147.309.081
Total Equity	1.678.312.566	905.183.163
Total Capital	4.173.755.573	3.052.492.244
Net Debt/Total Capital Ratio	<b>0,6</b>	<b>0,7</b>

##### Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management plan focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Credit Risk Management

The Group applied the simplified approach in IFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for the expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group grouped its trade receivables considering the maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables, which is grouped using past loan loss experiences and prospective macroeconomic indicators, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and trade receivable sums.

<b>31 December 2023</b>	<b>Not Overdue</b>	<b>0-1 Months Overdue</b>	<b>1-3 Months Overdue</b>	<b>More than 3 Months Overdue</b>	<b>Total</b>
Period end balance	45.222.629	5.997.814	94.557	3.331.579	54.646.579
Loan loss rate (%)	0,6%	0,7%	0,6%	92,7%	
Expected credit losses	284.966	39.406	540	3.087.409	3.412.321

<b>31 December 2022</b>	<b>Not Overdue</b>	<b>0-1 Months Overdue</b>	<b>1-3 Months Overdue</b>	<b>More than 3 Months Overdue</b>	<b>Total</b>
Period end balance	54.653.574	2.026.929	2.572.542	4.120.799	63.373.844
Loan loss rate (%)	0,7%	0,7%	1,7%	96,5%	
Expected credit losses	392.959	14.574	45.007	3.977.057	4.429.597

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

**Financial Risk Factors**

***Credit risk management:***

31 December 2023	Receivables				Bank Deposits	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum exposed credit risk as of reporting date (A+B+C+D) (*)</b>	-	<b>50.884.415</b>	<b>1.355</b>	<b>60.276.665</b>	<b>493.720.311</b>	<b>620.400.426</b>	<b>387.044</b>
Secured portion of the maximum credit risk by guarantees, etc. (**)	-	13.946.740	-	-	-	-	-
A. Net book value of financial asset neither are not due or nor impaired	-	49.565.766	1.355	60.276.665	493.720.311	620.400.426	387.044
B. Net book value of financial assets that are past due but not impaired	-	1.318.649	-	-	-	-	-
-The part under guarantee with collateral etc.	-	1.318.649	-	-	-	-	-
C. Net book value of impaired assets	-		-	-	-	-	-
- Past due (gross carrying amount)	-	3.024.414	-	-	-	-	-
- Impairment(-)	-	(3.024.414)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Not Past due (gross carrying amount)	-	387.907	-	-	232.848	-	-
- Impairment(-)	-	(387.907)	-	-	(232.848)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(\*) The factors that increase in credit reliability such as guarantees received are not considered in the balance.

(\*\*) Guarantees consist of the letters of guarantee obtained from the customers.

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

**Financial Risk Factors**

***Credit risk management:***

31 December 2022	Receivables				Bank Deposits	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum exposed credit risk as of reporting date (A+B+C+D) (*)</b>	-	<b>58.944.247</b>	<b>30.261</b>	<b>43.828.291</b>	<b>529.771.214</b>	<b>327.988.310</b>	<b>17.727.674</b>
Secured portion of the maximum credit risk by guarantees, etc. (**)	-	11.351.733	-	-	-	-	-
A. Net book value of financial asset neither are not due or nor impaired	-	54.780.006	30.261	43.828.291	529.771.214	327.988.310	17.727.674
B. Net book value of financial assets that are past due but not impaired	-	4.164.241	-	-	-	-	-
-The part under guarantee with collateral etc.	-	4.164.241	-	-	-	-	-
C. Net book value of impaired assets	-		-	-	-	-	-
- Past due (gross carrying amount)	-	1.561.833	-	-	-	-	-
- Impairment(-)	-	(1.561.833)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Not Past due (gross carrying amount)	-	861.815	-	-	222.898	-	-
- Impairment(-)	-	(861.815)	-	-	(222.898)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(\*) The factors that increase in credit reliability such as guarantees received are not considered in the balance.

(\*\*) Guarantees consist of the letters of guarantee obtained from the customers.

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

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Financial Risk Factors

##### *Credit risk management*

Aging of the past due receivables is as follows:

<b>31 December 2023</b>	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Bank deposits</b>	<b>Total</b>
1-30 days past due	56.114	-	-	56.114
1-3 months past due	140.964	-	-	140.964
3-12 months past due	84.079	-	-	84.079
1-5 years past due	4.061.906	-	-	4.061.906
More than 5 years past due	-	-	-	-
Receivables secured by guarantees	(1.318.649)	-	-	(1.318.649)
	<b>3.024.414</b>	<b>-</b>	<b>-</b>	<b>3.024.414</b>
<b>31 December 2022</b>	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Bank deposits</b>	<b>Total</b>
1-30 days past due	381.721	-	-	381.721
1-3 months past due	2.561.493	-	-	2.561.493
3-12 months past due	478.030	-	-	478.030
1-5 years past due	2.304.829	-	-	2.304.829
More than 5 years past due	-	-	-	-
Receivables secured by guarantees	(4.164.240)	-	-	(4.164.240)
	<b>1.561.833</b>	<b>-</b>	<b>-</b>	<b>1.561.833</b>

##### *Liquidity risk management*

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables show the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Financial Risk Factors

##### *Liquidity risk management*

31 December 2023						
Due date on the contract	Carrying value	Contractual cash-flows (I+II+III+IV)	Up to 3 months (I)	3 months-12 months (II)	1 year-5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank borrowings	260.064.859	269.359.171	133.263.569	65.211.607	51.609.588	19.274.407
Lease liabilities	3.067.109.853	3.656.713.200	132.214.962	347.089.894	1.588.049.567	1.589.358.777
Trade payables	200.348.000	200.348.000	200.348.000	-	-	-
Issued debt instruments	341.966.505	417.276.454	-	31.392.453	385.884.001	-
	<b>3.869.489.217</b>	<b>4.543.696.825</b>	<b>465.826.531</b>	<b>443.693.954</b>	<b>2.025.543.156</b>	<b>1.608.633.184</b>

Due date on the contract	Carrying value	Contractual cash-flows (I+II+III+IV)	Up to 3 months (I)	3 months-12 months (II)	1 year-5 years (III)	More than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash inflows outflows, net	(4.934.106)	(5.474.014)	(610.372)	(2.804.589)	(2.059.053)	-

31 December 2022						
Due date on the contract	Carrying value	Contractual cash-flows (I+II+III+IV)	Up to 3 months (I)	3 months-12 months (II)	1 year-5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank borrowings	131.657.796	133.218.581	89.560.435	43.658.146	-	-
Lease liabilities	2.574.589.256	3.332.236.597	122.888.452	324.262.866	1.633.830.866	1.251.254.413
Trade payables	197.169.638	197.169.638	197.169.638	-	-	-
Issued debt instruments	353.710.135	353.761.944	-	30.824.660	322.937.284	-
	<b>3.257.126.825</b>	<b>4.016.386.760</b>	<b>409.618.525</b>	<b>398.745.672</b>	<b>1.956.768.150</b>	<b>1.251.254.413</b>

Due date on the contract	Carrying value	Contractual cash-flows (I+II+III+IV)	Up to 3 months (I)	3 months-12 months (II)	1 year-5 years (III)	More than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash inflows outflows, net	17.727.674	18.062.421	5.029.613	12.291.699	741.109	-

##### Financial Risk Factors

##### *Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, fuel price and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency, fuel price and interest rate risk.

##### *Foreign currency risk management*

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

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

#### Financial Risk Factors

##### *Foreign currency risk management*

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

31 December 2023	EUR Total	USD	TL	GBP	Other
1. Trade receivables	34.740.625	7.469.645	684.110.649	1.460.848	5.309.081
2a. Monetary financial assets	754.084.586	668.634.650	3.870.699.898	9.097.013	20.530.787
2b. Non monetary financial assets	-	-	-	-	-
3. Other	3.125.601	6.084.964	(85.591.461)	189.475	36.220
4. CURRENT ASSETS	791.950.812	682.189.259	4.469.219.086	10.747.336	25.876.088
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	51.398.067	56.872.890	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	27.578.135	25.840.671	631.013	1.000	4.204.474
8. NON CURRENT ASSETS	78.976.202	82.713.561	631.013	1.000	4.204.474
9. TOTAL ASSETS	870.927.014	764.902.820	4.469.850.099	10.748.336	30.080.562
10. Trade payables	116.870.377	70.554.166	1.288.319.658	789.344	12.650.075
11. Financial liabilities	125.371.459	138.430.478	8.693.284	-	-
12a. Other liabilities, monetary	93.780.943	21.299.965	2.365.708.819	133.847	1.751.652
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	336.022.779	230.284.609	3.662.721.761	923.191	14.401.727
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.100.169.275	1.216.807.510	16.181.095	-	-
16a. Other liabilities, monetary	136.186.703	150.693.047	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.236.355.978	1.367.500.557	16.181.095	-	-
18. TOTAL LIABILITIES	1.572.378.757	1.597.785.166	3.678.902.856	923.191	14.401.727
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	(1.338.260)	9.584.500	-	(8.700.000)	-
19.a Off-balance sheet foreign currency derivative assets	8.661.856	9.584.500	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	10.000.116	-	-	8.700.000	-
20. Net foreign currency asset/(liability) position	(701.451.743)	(832.882.346)	790.947.243	9.825.145	15.678.835
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(701.451.743)	(832.882.346)	790.947.243	9.825.145	15.678.835

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

**Financial Risk Factors**

*Foreign currency risk management*

<b>31 December 2022</b>	<b>EUR Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	45.380.711	11.359.231	405.626.090	2.338.427	11.740.525
2a. Monetary financial assets	401.859.149	347.310.899	1.141.562.050	2.173.085	16.376.584
2b. Non monetary financial assets	-	-	-	-	-
3. Other	16.269.297	1.209.583	296.242.473	188.853	61.201
<b>4. CURRENT ASSETS</b>	<b>463.509.157</b>	<b>359.879.713</b>	<b>1.843.430.613</b>	<b>4.700.365</b>	<b>28.178.310</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	214.551.412	228.740.631	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	14.228.295	12.018.294	42.403.538	1.000	827.290
<b>8. NON CURRENT ASSETS</b>	<b>228.779.707</b>	<b>240.758.925</b>	<b>42.403.538</b>	<b>1.000</b>	<b>827.290</b>
<b>9. TOTAL ASSETS</b>	<b>692.288.864</b>	<b>600.638.638</b>	<b>1.885.834.151</b>	<b>4.701.365</b>	<b>29.005.600</b>
10. Trade payables	122.639.543	91.154.711	636.182.811	777.787	4.348.869
11. Financial liabilities	156.553.660	164.041.779	53.579.164	-	-
12a. Other liabilities, monetary	95.760.596	33.040.880	1.259.393.554	88.892	1.493.710
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>374.953.799</b>	<b>288.237.370</b>	<b>1.949.155.529</b>	<b>866.679</b>	<b>5.842.579</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.035.139.001	1.102.266.949	24.874.379	-	-
16a. Other liabilities, monetary	168.220.711	179.345.879	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>1.203.359.712</b>	<b>1.281.612.828</b>	<b>24.874.379</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>1.578.313.511</b>	<b>1.569.850.198</b>	<b>1.974.029.908</b>	<b>866.679</b>	<b>5.842.579</b>
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(886.024.647)	(969.211.560)	(88.195.757)	3.834.686	23.163.021
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(886.024.647)	(969.211.560)	(88.195.757)	3.834.686	23.163.021

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

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Financial Risk Factors

##### *Foreign currency risk management*

##### Foreign currency sensitivity

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

Foreign currency sensitivity tables as of 31 December 2023 and 31 December 2022 are as follows:

31 December 2023	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)	(75.270.560)	75.270.560	-	-
Part of hedged from USD risk	866.186	(866.186)	-	-
<b>USD net effect</b>	<b>(74.404.374)</b>	<b>74.404.374</b>	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	2.428.163	(2.428.163)	168.230.343	(168.230.343)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>2.428.163</b>	<b>(2.428.163)</b>	<b>168.230.343</b>	<b>(168.230.343)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	1.129.340	(1.129.340)	-	-
Part of hedged from GBP risk	(1.000.012)	1.000.012	-	-
<b>GBP net effect</b>	<b>129.328</b>	<b>(129.328)</b>	-	-
31 December 2022	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)	(90.908.951)	90.908.951	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(90.908.951)</b>	<b>90.908.951</b>	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(442.419)	442.419	89.100.102	(89.100.102)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>(442.419)</b>	<b>442.419</b>	<b>89.100.102</b>	<b>(89.100.102)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	432.603	(432.603)	-	-
Part of hedged from GBP risk	-	-	-	-
<b>GBP net effect</b>	<b>432.603</b>	<b>(432.603)</b>	-	-

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

##### Financial Risk Factors

##### *Interest rate risk management*

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate borrowings, by the use of interest rate swap contracts based on the approved policies.

##### Foreign currency sensitivity

The Group's distribution of interest rate-sensitive financial instruments is as follows:

	31 December 2023		31 December 2022	
	Floating rate	Fixed rate	Floating rate	Fixed rate
Bank loans and Issued debt instruments	-	602.031.364	-	485.367.931
Finance leases	2.853.454.730	213.655.123	2.365.912.483	208.676.773

For floating rate liabilities, the analysis is prepared under the assumption that the amount of liability outstanding at the balance sheet date remained outstanding for the entire year.

If interest rates had been 0.5% lower or higher during the reporting period, keeping all other variables constant:

The Group's profit before tax would have increased/decreased by EUR 10.581.439 (2022: EUR 8.494.649). This is mainly attributable to the Company's exposure to interest rates on its variable rate obligations under finance leases.

##### *Price risk management*

##### Fuel price risk management

The Group is exposed to commodity risk due to the significant of fuel purchases to its business. Fuel prices have been subject to wide fluctuations based on geopolitical issues, exchange rate fluctuations, supply and demand as well as market speculation. The fluctuations in fuel prices have had a significant impact on the cost of sales and results of operations of the Group.

The Group manages its risk to fuel prices through the use of derivative financial instruments. The Group's policy since 2011 includes a primary non-discretionary program for the first 50% of anticipated fuel consumption and a supplemental discretionary program for an additional 20% of our anticipated fuel consumption up to twelve months. Both programs use swap and option arrangements on jet fuel and Brent oil for hedging purposes. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

##### Fuel price sensitivity

The Group entered into fuel purchase and option forward contracts to manage the cash flow risks associated with fuel purchases. Due to forward fuel purchase and option forward contracts subject to hedge accounting, as a result of a 1% increase in fuel prices, the shareholders' equity of the Group will increase by EUR 4.917.044 (2022: EUR 3.349.437) excluding deferred tax effect. In the event of a 1% decrease in fuel prices, the shareholders' equity of the Group will decrease by EUR 4.917.044 (2022: EUR 3.349.437) excluding deferred tax effect.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Group Management believes that the carrying values of financial instruments approximates their fair values, except for financial investments, lease liabilities and issued debt instruments. The fair value of financial investments and issued bonds is determined by considering the market value (level 1).

#### Fair Value of Financial Instruments

31 December 2023	Financial assets and liabilities at amortized cost	Derivative instruments which are recognized at fair value in shareholders' equity	Derivative instruments which are recognized at fair value in profit/loss	Carrying amount	Note
<b>Financial assets</b>					
Cash and cash equivalents	493.596.374	-	-	493.596.374	35
Trade receivables	51.234.258	-	-	51.234.258	6
- <i>Other</i>	51.234.258	-	-	51.234.258	6
Other receivables	60.278.018	-	-	60.278.019	
- <i>Related party</i>	1.355	-	-	1.355	5
- <i>Other</i>	60.276.664	-	-	60.276.664	
Financial investments	565.702.250	62.663.933	-	620.400.426	31
Derivative financial assets	-	-	387.044	387.044	30
<b>Financial liabilities</b>					
Bank borrowings	260.064.859	-	-	260.064.859	31
Issued debt instruments	346.781.110	-	-	341.966.505	
Trade payables	200.348.000	-	-	200.348.000	6
- <i>Related party</i>	546.817	-	-	546.817	5
- <i>Other</i>	199.801.183	-	-	199.801.183	
Other payables	7.995.823	-	-	7.995.823	
Derivative financial liabilities	-	5.321.150	-	5.321.150	30

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

**Fair Value of Financial Instruments**

<b>31 December 2022</b>	<b>Financial assets and liabilities at amortized cost</b>	<b>Derivative instruments which are recognized at fair value in shareholders' equity</b>	<b>Derivative instruments which are recognized at fair value in profit/loss</b>	<b>Carrying amount</b>	<b>Note</b>
<b>Financial assets</b>					
Cash and cash equivalents	529.637.313	-	-	529.637.313	35
Trade receivables	58.944.247	-	-	58.944.247	6
- <i>Other</i>	58.944.247	-	-	58.944.247	6
Other receivables	43.858.552	-	-	43.858.552	
- <i>Related party</i>	30.261	-	-	30.261	5
- <i>Other</i>	43.828.291	-	-	43.828.291	
Financial investments	274.322.952	58.756.639	-	327.988.310	31
Derivative financial assets	-	17.727.674	-	17.727.674	30
<b>Financial liabilities</b>					
Bank borrowings	131.657.796	-	-	131.657.796	31
Obligations under financial leases	364.674.964	-	-	353.710.135	
Trade payables	197.169.638	-	-	197.169.638	6
- <i>Related party</i>	481.356	-	-	481.356	5
- <i>Other</i>	196.688.282	-	-	196.688.282	
Other payables	23.917.064	-	-	23.917.064	



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AS OF 31 DECEMBER 2023**

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

**NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

**Fair Value of Financial Instruments**

<b>31 December 2022</b>	<b>Fuel purchase option contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>Fair value:</b>			
Opening	8.205.162	(10.601)	8.194.561
Fair value increase / (decrease)			
Recognized in equity	9.522.512	-	9.522.512
Recognized in profit or loss	-	10.601	10.601
<b>Closing</b>	<b>17.727.674</b>	<b>-</b>	<b>17.727.674</b>
Assets	17.727.674	-	17.727.674
Liabilities	-	-	-
<b>Total net assets and liabilities</b>	<b>17.727.674</b>	<b>-</b>	<b>17.727.674</b>

  

<b>1 January 2022</b>	<b>Fuel purchase forward contracts</b>	<b>Fuel purchase option contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>Fair value:</b>				
Opening	517.607	(6.337.994)	(68.791)	(5.889.178)
Fair value increase / (decrease)				
Recognized in equity	(517.607)	17.478.557	-	16.960.950
Recognized in profit or loss	-	-	54.397	54.397
<b>Closing</b>	<b>-</b>	<b>11.140.563</b>	<b>(14.394)</b>	<b>11.126.169</b>
Assets	-	11.140.563	-	11.140.563
Liabilities	-	-	(14.394)	(14.394)
<b>Total net assets and liabilities</b>	<b>-</b>	<b>11.140.563</b>	<b>(14.394)</b>	<b>11.126.169</b>

The Group has forward fuel purchase option contracts, which are subject to hedge accounting, at a rate of 47,1% and 20,6% of the total fuel consumption estimated to occur in a period shorter than 1 year and more than 1 year, respectively. In line with its hedging policy, the Group can conclude contracts with maturities up to 24 months. As of the balance sheet period, the contracts last until December 2025. The total nominal value of these contracts is USD 446,8 million, and the weighted average price is in the range of USD 68-88. The ineffective portion of the hedge is not material as of 31 December 2023. In the current period, the income that is reclassified from hedging gain/(losses) fund under shareholders' equity to fuel expenses in the profit or loss statement is EUR 9.251.380 (31 December 2022: EUR 57.224.510 derivative expenses are charged to finance expenses).

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 34 - EVENTS AFTER BALANCE SHEET DATE

Pegasus Airlines Innovation Lab, Inc., in which the Group has a 100% ownership stake, was incorporated in the State of Delaware, U.S.A., effective as of 28 December 2023, to undertake operations primarily in the Silicon Valley. Notifications regarding incorporation were completed with a capital amount of USD 150.000 as of 2 January 2024.

The Company filed an application to the Capital Markets Board of Türkiye on February 29, 2024 to increase issued share capital to TL 500.000.000 from TL 102.299.707, through conversion of funds available as part of the "Share Premiums on Capital Stock", within the TRY 500.000.000 authorized capital ceiling. On 2 May 2024, the Capital Markets Board of Türkiye approved the application and registration processes for other institutions are ongoing.

#### NOTE 35 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 31 December 2023, 31 December 2022 and 1 January 2022 are as follows:

	31 December 2023	31 December 2022	1 January 2022
Cash on hand	108.911	88.997	71.675
Cash at banks	493.720.311	529.771.214	475.212.732
- Demand deposits	31.129.195	25.554.597	187.328.210
- Time deposits	462.591.116	504.216.617	287.884.522
Less: Allowance for impairment under IFRS 9	(232.848)	(222.898)	(101.379)
	<b>493.596.374</b>	<b>529.637.313</b>	<b>475.183.028</b>

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

31 December 2023	Weighted average interest rates	Total
USD deposits	4,24 %	320.596.080
EUR deposits	3,16 %	74.138.251
TL deposits	40,80 %	58.306.992
GBP deposits	0,26 %	9.549.793
		<b>462.591.116</b>

31 December 2022	Weighted average interest rates	Total
USD deposits	2,87 %	249.636.339
EUR deposits	1,00 %	225.902.539
TL deposits	18,37 %	26.757.250
GBP deposits	1,24 %	1.920.489
		<b>504.216.617</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Amounts are expressed full Euros (EUR) unless otherwise stated.)

#### NOTE 35 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

<b>1 January 2022</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	0,61 %	129.161.310
EUR deposits	0,47 %	103.888.971
TL deposits	30,88 %	29.568.576
GBP deposits	0,01 %	25.265.665
		<b>287.884.522</b>

As of 31 December 2023, 31 December 2022 and 1 January 2022 time deposits maturities are less than 90 days.

#### NOTE 36 –ASSET HELD FOR SALE

<b>Aircrafts</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Cost:</b>		
Opening	-	<b>38.728.094</b>
Disposals	-	(38.728.094)
<b>Closing</b>	-	-
<b>Accumulated depreciation:</b>		
Opening	-	<b>(17.744.258)</b>
Disposals	-	17.744.258
<b>Closing</b>	-	-
<b>Net book value</b>	-	-