

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

**PEGASUS HAVA TAŞIMACILIĞI  
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
THREE MONTH INTERIM PERIOD ENDED  
31 MARCH 2022

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 31 March 2022	Prior period (Audited) 31 December 2021	(*) EUR 31 March 2022	(*) EUR 31 December 2021
	Notes				
<b>ASSETS</b>					
<b>Current assets</b>		<b>14.275.317.598</b>	<b>12.687.114.838</b>	<b>875.324.525</b>	<b>864.109.491</b>
Cash and cash equivalents	27	6.947.768.261	6.976.779.772	426.018.681	475.183.028
Financial assets	22	779.440.524	565.472.751	47.793.221	38.513.908
Trade receivables	6	634.776.719	337.172.794	38.922.821	22.964.576
<i>Trade receivables from third parties</i>		<i>634.776.719</i>	<i>337.172.794</i>	<i>38.922.821</i>	<i>22.964.576</i>
Other receivables	5	236.530.280	127.250.026	14.503.408	8.666.900
<i>Other receivables from third parties</i>		<i>236.530.280</i>	<i>127.250.026</i>	<i>14.503.408</i>	<i>8.666.900</i>
Derivative financial instruments	21	727.476.301	118.364.973	44.606.913	8.061.746
Inventories		179.357.531	141.338.089	10.997.727	9.626.427
Prepaid expenses	7	4.757.241.827	4.044.857.895	291.701.420	275.492.112
Current income tax assets		7.850.030	5.030.039	481.343	342.592
Other current assets		4.876.125	62.757.524	298.991	4.274.366
<b>SUBTOTAL</b>		<b>14.275.317.598</b>	<b>12.379.023.863</b>	<b>875.324.525</b>	<b>843.125.655</b>
Non-current assets held for sale		-	308.090.975	-	20.983.836
<b>Non-Current assets</b>		<b>46.928.926.646</b>	<b>40.276.283.282</b>	<b>2.876.524.803</b>	<b>2.742.153.878</b>
Financial assets	22	2.763.574.465	2.173.986.740	169.455.040	148.068.541
Other receivables	6	399.607.571	385.733.767	24.502.874	26.272.026
<i>Other receivables from third parties</i>		<i>399.607.571</i>	<i>385.733.767</i>	<i>24.502.874</i>	<i>26.272.026</i>
Derivative financial instruments	21	397.134.731	45.204.115	24.351.246	3.078.817
Investments accounted by using the equity method	3	275.764.631	166.260.700	16.909.154	11.323.886
Property and equipment	8	2.007.480.338	1.854.850.887	123.092.774	126.331.736
Intangible assets	9	201.386.502	183.945.727	12.348.485	12.528.400
Right of use assets	10	37.343.779.686	32.695.303.761	2.288.789.655	2.225.819.988
Prepaid expenses	7	3.540.198.722	2.770.997.585	217.075.575	188.730.484
<b>TOTAL ASSETS</b>		<b>61.204.244.244</b>	<b>52.963.398.120</b>	<b>3.751.849.328</b>	<b>3.606.263.369</b>

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

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 31 March 2022	Prior period (Audited) 31 December 2021	(*) EUR 31 March 2022	(*) EUR 31 December 2021
	Notes				
<b>LIABILITIES</b>					
<b>Current liabilities</b>		<b>16.447.859.054</b>	<b>12.679.117.885</b>	<b>1.008.538.995</b>	<b>863.564.829</b>
Short term borrowings	22	3.507.716.231	3.413.628.246	215.083.835	232.499.557
Short term portion of long term borrowings	22	537.305.060	477.144.842	32.946.118	32.497.963
Short term portion of long term lease liabilities	22	5.175.923.072	3.876.778.287	317.373.844	264.044.345
Trade payables	6	1.933.831.222	1.890.577.313	118.577.390	128.765.746
<i>Trade payables to related parties</i>	5	10.823.496	8.656.890	663.668	589.614
<i>Trade payables to third parties</i>		1.923.007.726	1.881.920.423	117.913.722	128.176.132
Employee benefit obligations		236.577.265	46.371.989	14.506.289	3.158.360
Other payables		1.054.996.093	166.033.142	64.689.556	11.308.388
<i>Other payables to related parties</i>	6	386.585	-	23.705	-
<i>Other payables to third parties</i>	6	1.054.609.508	166.033.142	64.665.851	11.308.388
Passenger flight liabilities	7	2.523.709.591	1.470.909.753	154.747.164	100.182.516
Derivative financial instruments	21	94.166	211.337	5.774	14.394
Deferred income	7	294.247.565	299.944.356	18.042.478	20.428.976
Short term provisions		1.183.234.220	1.037.352.947	72.552.777	70.653.300
<i>Short term provisions for employee benefits</i>		388.885.368	323.182.559	23.845.417	22.011.712
<i>Other short term provisions</i>		794.348.852	714.170.388	48.707.360	48.641.588
Other current liabilities		224.569	165.673	13.770	11.284
<b>Non-Current liabilities</b>		<b>37.370.348.958</b>	<b>33.414.087.401</b>	<b>2.291.450.459</b>	<b>2.275.807.428</b>
Long term borrowings	22	5.343.474.889	4.859.623.576	327.647.676	330.985.171
Long term lease liabilities	22	26.641.057.111	24.038.791.581	1.633.558.804	1.637.263.343
Deferred income	7	429.926.188	412.770.929	26.361.931	28.113.506
Long term provisions		3.752.262.794	3.171.423.448	230.078.780	216.003.177
<i>Long term provisions for employee benefits</i>		71.048.824	66.886.363	4.356.525	4.555.578
<i>Other long term provisions</i>		3.681.213.970	3.104.537.085	225.722.255	211.447.599
Deferred tax liabilities		1.203.627.976	931.477.867	73.803.268	63.442.231
<b>SHAREHOLDERS' EQUITY</b>		<b>7.386.036.232</b>	<b>6.870.192.834</b>	<b>451.859.874</b>	<b>466.891.112</b>
Paid-in share capital	14	102.299.707	102.299.707	60.544.134	60.544.134
Share premiums on capital stock		455.687.025	455.687.025	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss					
Actuarial losses on defined benefit plans		(11.780.564)	(11.780.564)	(802.365)	(802.365)
Currency translation differences		8.755.250.701	7.879.791.211	5.365.129	4.549.639
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		865.950.488	125.948.205	53.097.782	8.578.234
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		(1.702.212.691)	270.265.658	195.884.759	346.171.428
Net loss for the period		(1.099.618.375)	(1.972.478.349)	(60.366.276)	(150.286.669)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>61.204.244.244</b>	<b>52.963.398.120</b>	<b>3.751.849.328</b>	<b>3.606.263.369</b>

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

Profit or loss	Notes	Current period	Prior period	(*)	(*)
		(Not Reviewed)	(Not Reviewed)	EUR	EUR
		1 January- 31 March 2022	1 January- 31 March 2021	1 January- 31 March 2022	1 January- 31 March 2021
Sales	15	4.063.999.678	1.089.931.621	269.825.928	122.534.556
Cost of sales (-)	15	(4.408.529.990)	(1.659.946.611)	(281.134.106)	(182.607.514)
<b>Gross profit/(loss)</b>		<b>(344.530.312)</b>	<b>(570.014.990)</b>	<b>(11.308.178)</b>	<b>(60.072.958)</b>
General administrative expenses (-)	16	(166.562.035)	(63.930.918)	(10.841.153)	(7.146.459)
Marketing expenses (-)	16	(122.892.642)	(36.349.002)	(7.744.017)	(3.969.376)
Other operating income	17	2.305.950	502.625	141.523	56.499
Other operating expenses (-)	17	(37.202.176)	(14.792.229)	(2.381.682)	(1.660.621)
<b>Operating loss</b>		<b>(668.881.215)</b>	<b>(684.584.514)</b>	<b>(32.133.507)</b>	<b>(72.792.915)</b>
Income from investing activities	18	162.188.066	4.185.834	10.253.842	435.552
Expenses from investing activities (-)	18	(32.601.813)	-	(2.141.528)	-
Share of investments income accounted for using the equity method	3	4.591.736	1.686.315	293.950	189.580
<b>Operating loss before financial expense</b>		<b>(534.703.226)</b>	<b>(678.712.365)</b>	<b>(23.727.243)</b>	<b>(72.167.783)</b>
Financial income	19	54.101.483	18.441.850	3.423.825	2.052.063
Financial expense (-)	19	(665.252.739)	(306.909.436)	(43.022.769)	(34.466.776)
<b>Loss before tax</b>		<b>(1.145.854.482)</b>	<b>(967.179.951)</b>	<b>(63.326.187)</b>	<b>(104.582.496)</b>
<b>Tax expense</b>	26	<b>46.236.107</b>	<b>33.940.621</b>	<b>2.959.911</b>	<b>3.815.685</b>
Deferred tax income / (expense)		46.236.107	33.940.621	2.959.911	3.815.685
<b>Loss for the period</b>		<b>(1.099.618.375)</b>	<b>(933.239.330)</b>	<b>(60.366.276)</b>	<b>(100.766.811)</b>
Loss per share (TL) / (EUR)	20	(10,75)	(9,12)	(0,59)	(0,98)
<b>Other comprehensive income</b>					
<b>Items not to be reclassified to profit or loss</b>					
Currency translation differences		875.459.490	412.591.862	815.490	-
<b>Items to be reclassified to profit or loss</b>					
Cash flow hedge		961.041.944	157.200.457	57.817.596	16.827.052
Deferred tax effect		(221.039.661)	(31.440.096)	(13.298.048)	(3.365.410)
<b>Other comprehensive income/(expense)</b>		<b>1.615.461.773</b>	<b>538.352.223</b>	<b>45.335.038</b>	<b>13.461.642</b>
<b>Total comprehensive income/(expense)</b>		<b>515.843.398</b>	<b>(394.887.107)</b>	<b>(15.031.238)</b>	<b>(87.302.177)</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

			Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss		Retained earnings		Shareholders' equity
	Paid in share capital	Share premiums on capital stock	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	
<b>As at 1 January 2021</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(2.972.061)</b>	<b>4.609.042.699</b>	<b>(68.365.331)</b>	<b>20.459.941</b>	<b>2.235.362.715</b>	<b>(1.965.097.057)</b>	<b>5.386.417.638</b>
Transfers	-	-	-	-	-	-	(1.965.097.057)	1.965.097.057	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	(933.239.330)	(933.239.330)
Other comprehensive income / (expense)	-	-	-	412.591.862	125.760.361	-	-	-	538.352.223
<b>As at 31 March 2021</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(2.972.061)</b>	<b>5.021.634.561</b>	<b>57.395.030</b>	<b>20.459.941</b>	<b>270.265.658</b>	<b>(933.239.330)</b>	<b>4.991.530.531</b>
<b>As at 1 January 2022</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(11.780.564)</b>	<b>7.879.791.211</b>	<b>125.948.205</b>	<b>20.459.941</b>	<b>270.265.658</b>	<b>(1.972.478.349)</b>	<b>6.870.192.834</b>
Transfers	-	-	-	-	-	-	(1.972.478.349)	1.972.478.349	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	(1.099.618.375)	(1.099.618.375)
Other comprehensive income / (expense)	-	-	-	875.459.490	740.002.283	-	-	-	1.615.461.773
<b>As at 31 March 2022</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(11.780.564)</b>	<b>8.755.250.701</b>	<b>865.950.488</b>	<b>20.459.941</b>	<b>(1.702.212.691)</b>	<b>(1.099.618.375)</b>	<b>7.386.036.232</b>

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

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January- 31 March 2022	Prior period (Not Reviewed) 1 January- 31 March 2021	(*) EUR 1 January- 31 March 2022	(*) EUR 1 January- 31 March 2021
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss for the period		<b>(1.099.618.375)</b>	<b>(933.239.330)</b>	<b>(60.366.276)</b>	<b>(100.763.819)</b>
<b>Adjustments to reconcile the loss</b>					
Depreciation and amortization	8-9-10	976.082.676	584.897.408	62.486.156	65.755.550
Adjustments related with impairments		(1.601.574)	3.965.504	(102.528)	445.811
<i>Provision for doubtful receivable</i>		<i>(1.601.574)</i>	<i>3.965.504</i>	<i>(102.528)</i>	<i>445.811</i>
Adjustments related with financial investment impairments		5.013.684	(357.872)	320.962	(44.860)
Adjustments related with provisions		115.032.053	37.756.472	7.164.106	4.131.674
<i>Provision for employee benefits</i>		<i>73.994.235</i>	<i>10.240.897</i>	<i>4.537.130</i>	<i>1.047.759</i>
<i>Legal provision</i>		<i>2.740.882</i>	<i>543.267</i>	<i>175.464</i>	<i>61.075</i>
<i>Change in redelivery provision</i>		<i>38.296.936</i>	<i>26.972.308</i>	<i>2.451.512</i>	<i>3.022.840</i>
Interest and commission income	19	399.489.104	187.585.671	26.092.915	21.105.206
Gain on equity investments accounted for using the equity method	3	(4.591.736)	(1.686.315)	(293.950)	(189.580)
Adjustments for (income)/expense caused by sale or changes in share of joint ventures		(116.249.447)	-	(7.420.674)	-
Current tax expense		(46.236.107)	(33.940.621)	(2.959.911)	(3.815.685)
Other provisions related with investing or financing activities		141.923.082	97.334.968	9.085.529	9.311.848
<b>Changes in working capital</b>					
Increase in trade receivables		(247.678.705)	1.928.083	(15.855.717)	216.760
Increase in other receivables, prepaid expenses and other assets		(70.779.094)	(3.167.009)	(4.294.056)	(337.712)
Increase in inventories		(21.420.779)	8.647.319	(1.371.300)	972.152
Increase in trade payables		(159.150.096)	(20.672.924)	(10.188.356)	(2.324.099)
Increase in deferred income, other payables and other current liabilities		1.765.429.064	285.099.273	123.147.961	19.771.028
<b>Net cash generated from operating activities</b>		<b>1.635.643.750</b>	<b>214.150.627</b>	<b>125.444.861</b>	<b>14.234.274</b>
Payment for the employee benefits provisions		(4.128.965)	(2.116.748)	(256.772)	(223.388)
Payment for other provisions		(119.992)	(86.428)	(7.682)	(9.716)
		<b>1.631.394.793</b>	<b>211.947.451</b>	<b>125.180.407</b>	<b>14.001.170</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash inflows caused by share sales of joint ventures		13.050.963	-	838.056	-
Cash payments to acquire debt instruments of other entities		(159.887.834)	-	(9.840.316)	-
Net cash changes from purchase and sale of property, equipment and intangible assets		(14.655.872)	(11.778.522)	(769.525)	(1.324.169)
Interest received from financial investment		60.547.064	2.854.537	3.617.975	200.762
Changes in cash advances and payables		(689.479.295)	(66.132.969)	(44.138.588)	(7.434.825)
Other cash changes		(311.889.200)	-	(19.124.217)	-
		<b>(1.102.314.174)</b>	<b>(75.056.954)</b>	<b>(69.416.615)</b>	<b>(8.558.232)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in borrowings		815.508.680	956.193.147	51.753.198	97.829.278
Repayment of borrowings		(1.386.870.000)	(326.520.550)	(89.583.148)	(36.400.000)
Repayment of principal in lease liabilities		(808.592.226)	(565.753.295)	(56.860.397)	(63.603.323)
Interest and commission paid		(293.247.178)	(156.655.101)	(19.715.001)	(23.596.073)
Interest received		98.878.747	19.620.746	6.329.948	2.325.962
		<b>(1.574.321.977)</b>	<b>(73.115.053)</b>	<b>(108.075.400)</b>	<b>(23.444.156)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>					
<b>BEFORE TRANSLATION EFFECT (A+B+C)</b>		<b>(1.045.241.358)</b>	<b>63.775.444</b>	<b>(52.311.608)</b>	<b>(18.001.218)</b>
<b>D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS</b>		<b>1.016.229.847</b>	<b>219.319.182</b>	<b>3.147.261</b>	<b>15.587.652</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(29.011.511)</b>	<b>283.094.626</b>	<b>(49.164.347)</b>	<b>(2.413.566)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>	27	<b>6.976.779.772</b>	<b>3.605.570.830</b>	<b>475.183.028</b>	<b>400.267.635</b>
<b>CASH AND CASH EQUIVALENTS</b>					
<b>AT THE END OF THE PERIOD (A+B+C+D+E)</b>	27	<b>6.947.768.261</b>	<b>3.888.665.456</b>	<b>426.018.681</b>	<b>397.854.069</b>

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

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

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

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

The shareholders and their respective holdings in the Company as of 31 March 2022 and 31 December 2021 are as follows:

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

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

The Group’s total number of full time employees as of 31 March 2022 is 5.973 (31 December 2021: 5.837). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

#### Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 31 March 2022 and delegated authority for publishing it on 10 May 2022. General shareholders’ meeting has the authority to modify the financial statements.

#### COVID-19 Effects and Impairment Analysis

The COVID-19 pandemic has had a significant impact on Pegasus and the aviation industry in general. As a result of COVID-19, governments have imposed an unprecedented level of travel restrictions across the Company’s markets and consumer confidence and willingness to travel have decreased significantly. In March 2020, COVID-19-related restrictions were imposed by several countries, which is followed by cancellation of all international flights on March 27, 2020 and cancellation of all domestic flights on March 28, 2020. Accordingly, the whole Pegasus fleet was grounded, and the Group did not operate any commercial flights in April and May 2020. During June 2020, the Group restarted domestic flights and international flights to allowed countries. However, revenue and profitability of the Group decreased compared to pre-COVID period due to above explained effects.

From March 2020, the Group took measures to decrease fixed costs, to maintain cash position and to stabilize current ratio. In order to optimize the payroll costs (constitutes significant part of total cash fixed costs, which are comprised of personnel expenses overhead expenses, training expenses, marketing expenses, insurance expenses and other fixed expenses) the Group had offered unpaid vacation to the employees and participated in the government’s furlough scheme (which ended as of 30 June 2021). The Group also negotiated for permanent discounts and deferrals in contracts with suppliers, to support cash flow management. Savings have been created at fixed costs through transition to remote working scheme and through this, the Group expects these savings to be permanent in the future as well. Maintenance works of aircraft have been optimized based on revised flight schedules. With an aim to control both cost and cash flow management, general expenditures budget have been reviewed and as a result non-urgent and non-critical projects have been postponed. During this period, alongside these measures, the Group drew down new borrowings from the banks. The Group’s average monthly operational cash burn was €9.1 million for the 24 months ending March 31, 2022, that is, the period in 2020,2021 and 2021 affected by the COVID-19 pandemic. The Group calculates monthly operational cash burn by deducting all operating expenses except depreciation and amortization expenses, net interest expenses and lease payments from revenues for the relevant period.



# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

#### COVID-19 Effects and Impairment Analysis

Flights have been resumed in June 2020 and in parallel with the strategy of operating flights solely to the routes that generate positive contribution (i.e., revenues netted off against operational expenses excluding fixed costs), the Group's cash burn decelerated from the third quarter of 2020. The swift pick-up in domestic demand also supported the recovery trend.

However, in the fourth quarter of 2020, the effect of seasonality, the payment of deferred liabilities and the government's decision to re-impose curfews and lockdowns starting from the end of November 2020, weighed negatively on the Group's operations, and led to an increase in cash burn. In 2021, with the easing of flight restrictions and the high levels of vaccination in many countries where the Company flies and in Turkey, the monthly cash burn amount decreased significantly (January-March 2022 monthly cash burn: EUR 11.3 million, 2021FY monthly cash burn: EUR 2.5 million, April-December 2020 monthly cash burn: EUR 17.2 million). The base case scenario, which is the budget of the Company has been approved by the Board of Directors in December 2021. According to the budget, the Company expects production in terms of block hours to reach 2019 levels (pre-Covid period) in 2022, due to the increase in vaccination roll-out in the countries where the Company flies, lower number of cases and the improvement in customer confidence and demand. Based on these assumptions, management expects generating positive cash flow from operations (after deducting interest and lease payments) in 2022.

The extent to which the Group's results of operations and financial condition will ultimately be impacted by, and any unforeseen costs will result from, the COVID-19 pandemic will depend on the duration of the pandemic and future developments, which are highly uncertain and cannot be accurately predicted. These developments include, among other things, further "waves" of COVID-19 or the spread of new COVID-19 variants, new information that may emerge concerning the severity of the outbreak and health implications, actions by government authorities to contain COVID-19 outbreaks or mitigate its impact and changes in consumer behavior resulting from the outbreak and such government actions.

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

#### 2.1 Basis of Presentation

##### Statement of Compliance with TAS

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

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

The Group has prepared the condensed financial statements and its notes for the interim period ended 31 March 2022 in accordance with TAS 34 "Interim Financial Reporting". These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2021.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

#### 2.1 Basis of Presentation

##### Statement of Compliance with TAS

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

The condensed consolidated financial statements have been prepared on a going concern basis, with the assumption that the Group will benefit from its assets and fulfill its liabilities in the subsequent year and in the natural process of its business operations.

##### Functional and Presentation Currency

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

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

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

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

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

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey ("TCMB") Euro rate prevailing at the balance sheet date; 31 March 2022: 1 Euro (€) = TL 16,3086, (31 December 2021: 1 Euro (€) = TL 14,6823).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions.

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

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

#### 2.1 Basis of Presentation

##### Euro Amounts in the Financial Statements

Euro amounts shown in the condensed consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official Euro rates announced by the TCMB as at the balance sheet date and Euro amounts shown in the condensed consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, Euro rates calculated from the official daily rates announced by the TCMB.

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

Condensed consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current period condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has made several reclassifications in the prior period condensed consolidated financial statements in order to maintain consistency with current year condensed consolidated financial statements. There is no effect of these reclassifications in the prior period equity and statement of profit or loss. The nature, amount and reasons for each of the reclassifications are described below:

- In the statement profit or loss for the year ended of December 31 2021, TL 3.546.945 of interest income from financial assets that was previously presented in financial income has been reclassified and reported in income from investing activities.
- Currency translation differences amounting to TL 66,799.171, which were shown under investments accounted for using the equity method in the statement of financial position dated 31 December 2021, were presented by classifying them into equity.

##### Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2022 and 31 December 2021:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2022</u>	<u>31 December 2021</u>	
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Simulator technical support and maintenance	100%	100%	Turkey

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these joint ventures as of 31 March 2022 and 31 December 2021:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Ownership type</u>	<u>Country of registration and operation</u>
		<u>31 March 2022</u>	<u>31 December 2021</u>		
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training Information	49%	49%	Joint venture	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	system solutions	36,82%	50%	Joint venture	Turkey

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

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

**2.2 Changes in Accounting Estimates**

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

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

The accounting policies adopted in preparation of the condensed consolidated financial statements as at March 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 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, 2022 are as follows:**

**Amendments to TFRS 3 – Reference to the Conceptual Framework**

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

**Amendments to TAS 16 – Proceeds before intended use**

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

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

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

i) **The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:**

##### **Annual Improvements – 2018–2020 Cycle**

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

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Group is in the process of assessing the impact of the improvements on financial position or performance of the Group.

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

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

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

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

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL 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 TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**Amendments to TAS 8 - Definition of Accounting Estimates**

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL 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 TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). 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. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**Implementation of the TAS 29 Standard**

Three-year cumulative increase in Consumer Price Index as of March 2022 has been 109.4% in Turkey according to inflation data published by Turkey Statistical Institute on April 4, 2022. One of the characteristics of the hyperinflationary economy in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies is that cumulative inflation rate over three years has approached, or exceeded, 100%. In the following periods, it is expected that as per TAS 29 the Turkish economy would be defined as hyperinflationary economy and TAS 29 would be implemented. Financial statements would be expressed in terms of the measuring unit current at the end of the reporting period with the application of TAS 29. Non-monetary items which are not already expressed in terms of the measuring unit current at the end of the reporting period and components of owners' equity in the statement of financial position, and all items in the statement of profit or loss and other comprehensive income would be restated by applying a general price index. In addition, gains or losses arising from net monetary position would be recognized in profit or loss and other comprehensive income. The Group is in the process of assessing the impact of TAS 29 on financial position or performance of the Group.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

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

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

	<b>31 March 2022</b>	<b>31 December 2021</b>
<b>Joint ventures</b>		
Hitit Bilgisayar	242.727.334	137.070.633
PUEM	33.037.297	29.190.067
	<b>275.764.631</b>	<b>166.260.700</b>

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

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Hitit Bilgisayar	4.003.664	1.640.349
PUEM	588.072	45.966
<b>Net profit</b>	<b>4.591.736</b>	<b>1.686.315</b>

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

**PUEM**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Current assets	17.275.242	16.030.965
Non-current assets	59.905.906	55.382.386
Current liabilities	(1.141.648)	(4.090.101)
Non-current liabilities	(9.162.381)	(8.234.045)
<b>Net assets of joint venture</b>	<b>66.877.119</b>	<b>59.089.205</b>
Group's ownership interest in the joint venture	49,40%	49,40%
<b>Group's share in the net assets of the joint venture</b>	<b>33.037.297</b>	<b>29.190.067</b>

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

<b>PUEM</b>	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Revenue	5.108.621	2.213.605
Depreciation&amortisation expense	(1.760.579)	(960.489)
Interest income/(expense), net	77.983	(109.620)
Profit for the year	1.190.429	93.049
Group's ownership interest	49,40%	49,40%
<b>Group's share in the net profit of the joint venture</b>	<b>588.072</b>	<b>45.966</b>



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

##### Hitit Bilgisayar

	31 March 2022	31 December 2021
Current assets	462.125.636	120.839.131
Non-current assets	305.194.988	251.746.951
Current liabilities	(81.182.241)	(73.922.530)
Non-current liabilities	(31.747.862)	(27.678.086)
<b>Net assets of joint venture</b>	<b>654.390.521</b>	<b>270.985.466</b>
Group's ownership interest in the joint venture	36,82%	50,00%
Goodwill	1.780.744	1.577.900
<b>Group's share in the net assets of the joint venture</b>	<b>242.727.334</b>	<b>137.070.633</b>
	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Revenue	52.532.336	23.268.254
Depreciation&amortisation expense	(10.412.559)	(3.534.377)
Interest income/(expense), net	2.848.195	(86.745)
Profit for the year	9.279.491	3.280.698
Group's weighted average ownership interest	43,15%	50,00%
<b>Group's share in the net profit of the joint venture</b>	<b>4.003.664</b>	<b>1.640.349</b>

#### NOTE 4 - SEGMENT REPORTING

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

#### NOTE 5 - RELATED PARTY TRANSACTIONS

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 5 - RELATED PARTY TRANSACTIONS

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

###### a) Trade payables to related parties

	31 March 2022	31 December 2021
<b>Balances with parent company:</b>		
Esas Holding	1.737.807	1.624.341
<b>Balances with joint ventures:</b>		
Hitit Bilgisayar	6.153.628	2.090.952
PUEM	2.675.790	4.685.846
<b>Balances with other related parties:</b>		
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	256.271	218.403
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	-	37.348
	<b>10.823.496</b>	<b>8.656.890</b>

###### b) Other payables to related parties

	31 March 2022	31 December 2021
<b>Balances with joint ventures:</b>		
Hitit Bilgisayar	386.585	-
	<b>386.585</b>	<b>-</b>

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

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

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

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

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

The Group receives health services from Alarm Sağlık.

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

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

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

**a) Other Income from Related Parties**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
<b>Transactions with joint ventures:</b>		
PUEM	564.571	370.519
	<b>564.571</b>	<b>370.519</b>

**b) Purchases of goods or services**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
<b>Transactions with joint ventures:</b>		
Hitit Bilgisayar	12.675.221	6.612.456
PUEM	5.108.621	2.213.605
<b>Transactions with other related parties:</b>		
Alarm Sağlık	35.565	140.530
Esasburda	1.245.947	721.448
	<b>19.065.354</b>	<b>9.688.039</b>

**c) Rent expenses**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Esasburda(*)	3.271.191	3.051.494
	<b>3.271.191</b>	<b>3.051.494</b>

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

**d) Commission expenses**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Esas Holding	4.093.167	2.366.577
	<b>4.093.167</b>	<b>2.366.577</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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#### NOTE 5 - RELATED PARTY TRANSACTIONS

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

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 31 March 2022 and 31 March 2021 are as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Salaries and other short term benefits	5.606.851	2.113.590
	<b>5.606.851</b>	<b>2.113.590</b>

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

##### Short term trade receivables

The details of short term trade receivables as of 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Trade receivables	537.121.081	289.850.432
Credit card receivables	122.931.010	65.814.557
Income accruals	215.499	6.416.992
	<b>660.267.590</b>	<b>362.081.981</b>
Less: Allowance for impairment	(25.490.871)	(24.909.187)
	<b>634.776.719</b>	<b>337.172.794</b>

The average collection period of trade receivables is approximately 28 days (31 December 2021: 23 days).

##### Short term trade payables

The details of short term trade payables as of 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Trade payables	992.129.938	1.181.647.524
Accrued direct operational costs	930.877.788	700.272.899
Other accrued expenses	10.823.496	8.656.890
	<b>1.933.831.222</b>	<b>1.890.577.313</b>

The average credit period of trade payables is approximately 39 days (31 December 2021: 49 days).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES**

**Short term other receivables**

The details of short term other receivables as of 31 March 2022 and 31 December 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Deposits and guarantees given	29.451.252	17.229.058
Receivables from pilots for flight training	65.900.065	53.476.379
Receivables from pilots tax office	113.873.486	51.746.298
Receivables from sale of joint venture shares	24.007.172	-
Other receivables	3.298.305	4.798.291
	<b>236.530.280</b>	<b>127.250.026</b>

**Long term other receivables**

The details of long term other receivables as of 31 March 2022 and 31 December 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Receivables from pilot trainings	125.120.080	149.069.151
Deposits given	274.487.491	236.664.616
	<b>399.607.571</b>	<b>385.733.767</b>

**Short term other payables**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Taxes payables	141.726.670	67.818.781
Other payables to related parties	386.585	-
Deposits received(*)	912.882.838	98.214.361
	<b>1.054.996.093</b>	<b>166.033.142</b>

(\*) The amount of TL 897.199.368 in deposits and guarantees received, consists of guarantee deposits received to banks related to valuation of derivative contracts.

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

The details of prepaid expenses as of 31 March 2022 and 31 December 2021 are as follows:

**Short term prepaid expenses**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Advances on aircraft purchases	4.158.141.121	3.586.371.450
Advances to suppliers	427.554.056	222.716.713
Prepaid insurance expenses	140.725.327	189.354.290
Prepaid advertising expenses	595.900	-
Other prepaid expenses	30.225.423	46.415.442
	<b>4.757.241.827</b>	<b>4.044.857.895</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES**

**Long term prepaid expenses**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Advances on aircraft purchases	1.080.473.239	749.257.695
Prepaid maintenance expenses	2.435.868.039	2.000.317.720
Other prepaid expenses	23.857.444	21.422.170
	<b>3.540.198.722</b>	<b>2.770.997.585</b>

**Deferred Revenue**

**Contract Liabilities**

The details of passenger flight liabilities as of 31 March 2022 and 31 December 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Flight liability from ticket sales	1.920.469.543	1.043.452.046
Passenger airport fees received from customers	485.978.786	337.439.091
Flight liability from flight points	117.261.262	90.018.616
	<b>2.523.709.591</b>	<b>1.470.909.753</b>

**Deferred Revenue (Excluding Passenger Flight Liabilities)**

**Short term deferred income**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Advances received from customers	181.407.421	185.274.130
Other deferred income	112.840.144	114.670.226
	<b>294.247.565</b>	<b>299.944.356</b>

**Long term deferred income**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Income relating to deferred periods	429.926.188	412.770.929
	<b>429.926.188</b>	<b>412.770.929</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 - PROPERTY AND EQUIPMENT**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>31 March 2021</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>199.371.895</b>	<b>147.738.586</b>	<b>253.951.573</b>	<b>123.508.047</b>	<b>1.389.163.637</b>	<b>314.514.689</b>	<b>59.664.324</b>	<b>2.487.912.751</b>
Additions	436.521	-	734.359	-	1.806.018	-	-	2.976.898
Disposals	-	(458.260)	-	-	(25.091.188)	-	-	(25.549.448)
Transfers	-	-	-	-	26.283.817	-	(26.283.817)	-
Currency translation differences	17.001.448	12.521.159	21.673.359	10.505.430	118.362.485	26.752.202	(838.942)	205.977.141
<b>Closing</b>	<b>216.809.864</b>	<b>159.801.485</b>	<b>276.359.291</b>	<b>134.013.477</b>	<b>1.510.524.769</b>	<b>341.266.891</b>	<b>32.541.565</b>	<b>2.671.317.342</b>
<b>Accumulated depreciation:</b>								
Opening	<b>(64.009.454)</b>	<b>(55.084.453)</b>	<b>(187.652.689)</b>	<b>(117.796.753)</b>	<b>(430.897.989)</b>	<b>(199.923.331)</b>	-	<b>(1.055.364.669)</b>
Depreciation for the year	(4.496.089)	(2.888.651)	(4.903.304)	(873.773)	(26.913.644)	(4.727.741)	-	(44.803.202)
Disposals	-	437.593	-	-	-	-	-	437.593
Currency translation differences	(5.888.896)	(4.927.642)	(16.446.069)	(10.105.988)	(39.311.417)	(17.472.442)	-	(94.152.454)
<b>Closing</b>	<b>(74.394.439)</b>	<b>(62.463.153)</b>	<b>(209.002.062)</b>	<b>(128.776.514)</b>	<b>(497.123.050)</b>	<b>(222.123.514)</b>	-	<b>(1.193.882.732)</b>
<b>Net book value</b>	<b>142.415.425</b>	<b>97.338.332</b>	<b>67.357.229</b>	<b>5.236.963</b>	<b>1.013.401.719</b>	<b>119.143.377</b>	<b>32.541.565</b>	<b>1.477.434.610</b>



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

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

**NOTE 9 - INTANGIBLE ASSETS**

<b>Software</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
<b>Cost:</b>		
Opening	<b>518.723.852</b>	<b>278.616.682</b>
Additions	14.734.194	9.082.641
Currency translation differences	58.105.757	24.005.747
<b>Closing</b>	<b>591.563.803</b>	<b>311.705.070</b>
<b>Accumulated amortization:</b>		
Opening	<b>(334.778.125)</b>	<b>(167.490.733)</b>
Amortization for the year	(17.544.607)	(9.230.770)
Currency translation differences	(37.854.569)	(14.568.170)
<b>Closing</b>	<b>(390.177.301)</b>	<b>(191.289.673)</b>
<b>Net book value</b>	<b>201.386.502</b>	<b>120.415.397</b>

**NOTE 10 – RIGHT OF USE ASSETS**

<b>31 March 2022</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
Opening	138.769.727	93.447.393	49.776.169.379	4.571.527	50.012.958.026
Additions	-	-	1.857.854.547	-	1.857.854.547
Currency translation differences	15.370.971	10.350.796	5.595.144.692	506.370	5.621.372.829
<b>Closing</b>	<b>154.140.698</b>	<b>103.798.189</b>	<b>57.229.168.618</b>	<b>5.077.897</b>	<b>57.492.185.402</b>
<b>Accumulated depreciation:</b>					
Opening	(89.200.663)	(39.421.550)	(17.184.460.525)	(4.571.527)	(17.317.654.265)
Depreciation for the period	4.509.695	(14.326.285)	(879.861.283)	-	(889.677.873)
Currency translation differences	(9.681.831)	(4.997.386)	(1.925.887.991)	(506.370)	(1.941.073.578)
<b>Closing</b>	<b>(94.372.799)</b>	<b>(58.745.221)</b>	<b>(19.990.209.799)</b>	<b>(5.077.897)</b>	<b>(20.148.405.716)</b>
<b>Net book value</b>	<b>59.767.899</b>	<b>45.052.968</b>	<b>37.238.958.819</b>	<b>-</b>	<b>37.343.779.686</b>

(\*) Transfers represent transfers to non-current assets held for sale.

<b>31 March 2021</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
Opening	41.931.946	33.382.305	29.611.398.064	2.804.728	29.689.517.043
Additions	-	-	1.131.036.217	-	1.131.036.217
Currency translation differences	3.566.675	2.839.454	2.621.111.336	238.566	2.627.756.031
<b>Closing</b>	<b>45.498.621</b>	<b>36.221.759</b>	<b>33.363.545.617</b>	<b>3.043.294</b>	<b>33.448.309.291</b>
<b>Accumulated depreciation:</b>					
Opening	(41.417.507)	(15.924.537)	(9.840.374.164)	(2.804.728)	(9.900.520.936)
Depreciation for the period	(5.972.937)	(2.246.428)	(522.644.071)	-	(530.863.436)
Currency translation differences	(4.113.208)	(1.576.529)	(888.660.718)	(238.566)	(894.589.021)
<b>Closing</b>	<b>(51.503.652)</b>	<b>(19.747.494)</b>	<b>(11.251.678.953)</b>	<b>(3.043.294)</b>	<b>(11.325.973.393)</b>
<b>Net book value</b>	<b>(6.005.031)</b>	<b>16.474.265</b>	<b>22.111.866.664</b>	<b>-</b>	<b>22.122.335.898</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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#### NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 64.750.266 as of 31 March 2022 (31 December 2021: TL 57.218.382). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 15.288.478 (31 December 2021: TL 12.667.596) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

##### Tax Inspection

The Group's VAT transactions regarding loyalty card practices in year 2018 have been examined in 2020. The Company have been notified with a report stating "no subject to be examined have been found" in May 2021. However the judgement commission has objected this verdict and TL 1.780.660,72 million tax assesment has been declared to the Company. Against the assessment, the Company filed a tax lawsuit on September 6, 2021, the petition of the counter party was received on October 25, 2021 and the petition was answered on November 23, 2021, and the said lawsuit continues as of March 31, 2022. The Company has not recorded any provision in the financial statements in line with the opinions received from its lawyers regarding the aforementioned case.

#### NOTE 12 - COMMITMENTS

##### **Purchase Commitments**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Commitments to purchase aircraft	118.900.089.668	108.963.183.467
	<b>118.900.089.668</b>	<b>108.963.183.467</b>

As of 31 March 2022, the Group holds firm orders for 54 aircraft. In accordance to with agreement the expected deliveries are 18 aircraft in 2022, 17 aircraft in 2023, 16 aircraft in 2024, 3 aircraft in 2025. The purchase commitments for these aircraft were calculated based on their list prices and actual buying prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 5.238.614.360 (31 December 2021: TL 4.335.629.145) and TL 4.158.141.121 TL of this amount is reclassified under short term, TL 1.080.473.239 of this amount is reclassified under long term prepaid expenses (31 December 2021: TL 3.586.371.450 of this amount is reclassified under short term, TL 749.257.695 of this amount is reclassified under long term prepaid expenses).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 12 - COMMITMENTS**

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

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

<b>31 March 2022</b>	<b>TL TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	2.033.862.289	100.635.731	17.731.743	244.385.640	26.405.956
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	<b>2.033.862.289</b>	<b>100.635.731</b>	<b>17.731.743</b>	<b>244.385.640</b>	<b>26.405.956</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 March 2022.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 12 - COMMITMENTS**

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

The details of the CPMs given by the Group as of 31 December 2021 is as follows:

<b>31 December 2021</b>	<b>TL TOTAL</b>	<b>USD</b>	<b>EUR</b>	<b>TL</b>	<b>Other</b>
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.810.636.579	98.827.560	22.126.993	187.865.048	15.361.722
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	<b>1.810.636.579</b>	<b>98.827.560</b>	<b>22.126.993</b>	<b>187.865.048</b>	<b>15.361.722</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 2021.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years periods 31 March 2022 and 31 March 2021 are as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Depreciation and amortisation expenses	976.082.676	584.897.408
Jet fuel expenses	1.567.306.496	376.858.344
Personnel expenses	647.050.232	226.785.604
Handling and station fees	376.244.304	115.215.680
Navigation expenses	320.025.735	105.725.916
Maintenance expenses	265.271.226	128.715.382
Landing expenses	153.390.255	42.849.921
Passenger service and catering expenses	34.713.800	9.571.595
Advertising expenses	22.391.243	7.928.066
Commission expenses	52.734.381	12.344.833
Other expenses	282.774.319	149.333.782
	<b>4.697.984.667</b>	<b>1.760.226.531</b>

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

The Company's shareholding structure as of 31 March 2022 and 31 December 2021 are as follows:

Shareholders:	31 March 2022		31 December 2021	
	(%)	TL	(%)	TL
Esas Holding	62,91	64.353.570	62,91	64.353.570
Publicly held	34,53	35.321.707	34,53	35.321.707
Emine Kamışlı	0,85	874.810	0,85	874.810
Ali İsmail Sabancı	0,85	874.810	0,85	874.810
Kazım Köseoğlu	0,43	437.405	0,43	437.405
Can Köseoğlu	0,43	437.405	0,43	437.405
<b>TL historic capital</b>	<b>100,00</b>	<b>102.299.707</b>	<b>100,00</b>	<b>102.299.707</b>

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2021: 102.299.707 shares). All issued shares are fully paid in cash.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 31 March 2022 and 31 March 2021 are as follows:

#### Sales:

	1 January- 31 March 2022	1 January- 31 March 2021
Scheduled flight and service revenue	3.978.518.311	1.056.962.903
<i>International flight revenue</i>	1.918.569.599	350.115.915
<i>Domestic flight revenue</i>	634.412.861	309.333.011
<i>Service revenue</i>	1.425.535.851	397.513.977
Charter flight and service revenue	66.030.096	4.401.062
<i>Charter flight revenue</i>	66.030.096	4.401.062
Other revenue	19.451.271	28.567.656
	<b>4.063.999.678</b>	<b>1.089.931.621</b>

The Group disaggregates revenues in to revenues from scheduled flights, revenues from chartered flights and other revenues, in accordance with TFRS 15 “Revenue from contracts with customers”. Besides, the Group presents service revenue within the flight revenues separately as additional information, although service revenue is not a distinct component, because such information is frequently disclosed in sector and Chief Operating Decision Maker is monitoring such information.

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

	1 January- 31 March 2022	1 January- 31 March 2021
Europe	1.294.052.484	210.748.163
Domestic	634.412.861	309.333.011
Other	624.517.115	139.367.752
	<b>2.552.982.460</b>	<b>659.448.926</b>

#### Cost of sales:

	1 January- 31 March 2022	1 January- 31 March 2021
Depreciation and amortisation expenses	937.241.267	562.504.819
Jet fuel expenses	1.567.306.496	376.858.344
Personnel expenses	540.987.107	206.546.708
Handling and station fees	376.244.304	115.215.680
Navigation expenses	320.025.735	105.725.916
Maintenance expenses	265.271.226	128.715.382
Landing expenses	153.390.255	42.849.921
Insurance expenses	62.506.855	40.376.892
Passenger service and catering expenses	34.713.800	9.571.595
Other expenses	150.842.945	71.581.354
	<b>4.408.529.990</b>	<b>1.659.946.611</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

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

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Marketing expenses	122.892.642	36.349.002
General administrative expenses	166.562.035	63.930.918
	<b>289.454.677</b>	<b>100.279.920</b>

The details of general administrative expenses and marketing expenses for the periods ended 31 March 2022 and 31 March 2021 are as follows (there are no research & development expenses in the periods ended in respective dates):

**General administrative expenses:**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Depreciation and amortisation expenses	31.073.127	17.914.071
Personnel expenses	78.068.836	15.686.506
IT expenses	35.251.288	15.431.252
Consultancy expenses	4.232.565	3.070.396
Communication expenses	748.092	2.505.346
Legal and notary expenses	2.544.674	1.512.080
Office utility expenses	2.253.278	1.303.331
Travel expenses	996.463	180.996
Training expenses	475.651	50.231
Other expenses	10.918.061	6.276.709
	<b>166.562.035</b>	<b>63.930.918</b>

**Marketing expenses:**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Commission expenses	52.734.381	12.344.833
Advertising expenses	22.391.243	7.928.066
Call center expenses	10.038.621	6.092.963
Personnel expenses	27.994.289	4.552.390
Depreciation and amortisation expenses	7.768.282	4.478.518
Other expenses	1.965.826	952.232
	<b>122.892.642</b>	<b>36.349.002</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 17 - OTHER OPERATING INCOME AND EXPENSES**

The details of other operating income and expenses for the periods ended 31 March 2022 and 31 March 2021 are as follows:

**Other operating income:**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Reversal of doubtful cash and cash equivalents	-	312.637
Other	2.305.950	189.988
	<b>2.305.950</b>	<b>502.625</b>

**Other operating expenses:**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Foreign exchange loss from operating activities	24.411.816	8.834.159
Penalty expense	651.502	466.133
Cash and cash equivalents allowance expense	748.230	-
Financial investments allowance expense	6.001.783	3.786.082
Doubtful receivable allowance expense	2.186.586	179.422
Other	3.202.259	1.526.433
	<b>37.202.176</b>	<b>14.792.229</b>

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

The details of income from investing activities for the periods ended 31 March 2022 and 31 March 2021 are as follows:

**Income from investing activities:**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Eurobond Interest Income	45.463.867	3.546.945
Income from sale of fixed assets	-	357.872
Foreign exchange gain from investing activities	116.249.447	-
Other income	474.752	281.017
	<b>162.188.066</b>	<b>4.185.834</b>

**Expense from investing activities:**

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Loss from aircraft sale	27.588.129	-
Financial investments allowance expense	5.013.684	-
	<b>32.601.813</b>	<b>-</b>



# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the periods ended 31 March 2022 and 31 March 2021 are as follows:

#### Financial income:

	1 January- 31 March 2022	1 January- 31 March 2021
Interest income	54.101.483	18.310.355
Gain on derivative contracts	-	131.495
	<b>54.101.483</b>	<b>18.441.850</b>

#### Financial expenses:

	1 January- 31 March 2022	1 January- 31 March 2021
Interest expense on leases	230.174.617	132.937.101
Interest expense on bank loans	54.652.073	54.229.096
Other commission expenses	84.544.294	22.276.774
Interest expense on issued debt instruments	129.683.470	-
Foreign exchange loss	142.040.253	97.466.465
Losses from derivative contracts	24.158.032	-
	<b>665.252.739</b>	<b>306.909.436</b>

### NOTE 20 - EARNINGS / LOSS PER SHARE

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 31 March 2022 and 31 March 2021 are as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Net Loss	(1.099.618.375)	(933.239.330)
Weighted average number of shares issued in the year	102.299.707	102.299.707
<b>Loss per share</b>	<b>(10,75)</b>	<b>(9,12)</b>

### NOTE 21 - DERIVATIVE INSTRUMENTS

#### Fair Value of Derivative Instruments

	31 March 2022		31 December 2021	
	Asset	Liability	Asset	Liability
Short term	727.476.301	94.166	118.364.973	211.337
Long term	397.134.731	-	45.204.115	-
	<b>1.124.611.032</b>	<b>94.166</b>	<b>163.569.088</b>	<b>211.337</b>

Explanations related to derivative instruments are disclosed in Note 24.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Assets**

**Financial investments measured at amortized cost**

**Short term**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Financial investments measured at amortized cost	151.017.839	279.362.583
Time Deposit (*)	629.906.900	286.304.850
Less: Allowance for impairment under TFRS 9	(1.484.215)	(194.682)
	<b>779.440.524</b>	<b>565.472.751</b>

(\*) This amount represents time deposits with maturities between three months and one year.

**Long term**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Financial investments measured at amortized cost	2.792.709.634	2.199.397.758
Less: Allowance for impairment under TFRS 9	(29.135.169)	(25.411.018)
	<b>2.763.574.465</b>	<b>2.173.986.740</b>

**Company issuing security**

	<b>31 March 2022</b>	<b>31 December 2021</b>
T.C Hazine Müsteşarlığı	1.421.227.220	1.198.582.434
Vakıfbank	393.425.732	348.610.689
Türkiye İhracat Kredi Bankası	800.596.180	631.267.713
Türkiye İş Bankası	297.858.958	134.446.904
Yapı ve Kredi Bankası	-	140.246.901
<b>Eurobond (*)</b>	<b>2.913.108.089</b>	<b>2.453.154.641</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.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 22 - 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:

<b>Company issuing security</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
T.C Hazine Müsteşarlığı	1.444.394.833	1.213.815.405
Vakıfbank	399.550.117	354.037.447
Türkiye İhracat Kredi Bankası	822.750.980	648.211.245
Türkiye İş Bankası	301.247.833	135.186.572
Yapı ve Kredi Bankası	-	140.613.106
	<b>2.967.943.763</b>	<b>2.491.863.775</b>

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

<b>Company issuing security</b>	<b>ISIN Code</b>	<b>Coupon Interest Rate (%)</b>	<b>FX Type</b>	<b>Asset Value</b>	<b>Call Date</b>
T.C Hazine Müsteşarlığı	US900123CF53	5,75%	USD	1.421.227.220	22.03.2024
Vakıfbank	XS1970705528	8,13%	USD	393.425.732	27.03.2024
Türkiye İhracat Kredi Bankası	XS1917720911	8,25%	USD	618.850.956	24.01.2024
Türkiye İş Bankası	XS1578203462	6,13%	USD	297.858.958	25.04.2024
Türkiye İhracat Kredi Bankası	XS1057340009	4,13%	EUR	149.533.618	11.04.2023
Türkiye İhracat Kredi Bankası	XS1814962582	6,13%	USD	32.211.606	3.05.2024
				<b>2.913.108.089</b>	

#### Financial Liabilities

The details of financial liabilities as of 31 March 2022 and 31 December 2021 are as follows:

<b>Short term financial liabilities</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Short term bank borrowings	3.507.716.231	3.147.206.682
Issued debt instruments	-	266.421.564
	<b>3.507.716.231</b>	<b>3.413.628.246</b>

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

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**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Liabilities**

<b>Long term financial liabilities</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Long term bank borrowings	176.526.086	383.672.738
Issued debt instruments	5.220.920.324	4.866.562.513
Discount and commissions of bonds issued	(53.971.521)	(390.611.675)
Lease liabilities	26.641.057.111	24.038.791.581
<i>Long term operating lease obligations</i>	<i>2.598.282.170</i>	<i>2.908.737.579</i>
<i>Long term financial lease obligations</i>	<i>24.042.774.941</i>	<i>21.130.054.002</i>
	<b>31.984.532.000</b>	<b>28.898.415.157</b>

**Bank Borrowings**

The effective interest rates, original currency and TL equivalents of the short and long term bank borrowings as of 31 March 2022 and 31 December 2021 are as follows :

<b>31 March 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	3,75%	Euro	162.275.558	2.646.487.172
Short term bank borrowings	19,05%	TL	714.771.059	714.771.059
Short term bank borrowings	-	US Dollar	10.000.000	146.458.000
				<b>3.507.716.231</b>
<b>31 December 2021</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	4,31%	Euro	193.777.101	2.845.093.526
Short term bank borrowings	19,09%	TL	172.338.156	172.338.156
Short term bank borrowings	-	US Dollar	10.000.000	129.775.000
				<b>3.147.206.682</b>
<b>31 March 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term portion of long term bank borrowings	2,68%	Euro	161.199	2.628.930
Short term portion of long term bank borrowings	19,56%	TL	59.612.086	59.612.086
				<b>62.241.016</b>
<b>31 December 2021</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term portion of long term bank borrowings	2,68%	Euro	400.000	5.872.920
Short term portion of long term bank borrowings	19,56%	TL	60.140.693	60.140.693
				<b>66.013.613</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

#### NOTE 22 - FINANCIAL INSTRUMENTS

##### Financial Liabilities

###### Bank Borrowings

<b>31 March 2022</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Long term bank borrowings	3,75%	Euro	8.805.448	143.604.544
Long term bank borrowings	19,05%	TL	32.921.542	32.921.542
				<b>176.526.086</b>

<b>31 December 2021</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Long term bank borrowings	4,31%	Euro	23.000.000	337.692.909
Long term bank borrowings	19,09%	TL	45.979.829	45.979.829
				<b>383.672.738</b>

###### Lease Liabilities

The details of financial and operating lease liabilities as of 31 March 2022 and 31 December 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Less than 1 year	6.275.283.389	4.871.677.830
Between 1 - 5 years	18.775.616.032	16.911.453.184
Over 5 years	14.477.417.637	12.768.471.319
	<b>39.528.317.058</b>	<b>34.551.602.333</b>
Less: Future interest expenses	(7.711.336.875)	(6.636.032.465)
	<b>31.816.980.183</b>	<b>27.915.569.868</b>

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

	<b>31 March 2022</b>	<b>31 December 2021</b>
Less than 1 year	5.175.923.072	3.876.778.287
Between 1 - 5 years	13.941.956.453	12.819.737.024
Over 5 years	12.699.100.658	11.219.054.557
	<b>31.816.980.183</b>	<b>27.915.569.868</b>

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 6,01 years. For the period ended 31 March 2022, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 19.332.103.283 TL, is 1,15% (31 December 2021: 1,11%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 4.672.105.321, is 3,80% (31 December 2021: 3,80%).

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

##### Financial Risk Factors

###### *Market risk*

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

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

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

**Financial Risk Factors**

*Foreign currency risk management*

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

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 31 March 2022 and 31 December 2021 are as follows:

31 March 2022	TL Total	USD	TL	GBP	Other
1. Trade receivables	520.830.048	11.668.867	168.062.099	1.503.478	152.981.884
2a. Monetary financial assets	3.048.284.402	146.705.236	577.497.124	5.029.149	225.547.196
2b. Non monetary financial assets	-	-	-	-	-
3. Other	247.016.329	2.205.005	209.874.177	189.563	1.206.035
<b>4. CURRENT ASSETS</b>	<b>3.816.130.779</b>	<b>160.579.108</b>	<b>955.433.400</b>	<b>6.722.190</b>	<b>379.735.115</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	2.451.685.259	167.398.521	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	240.639.162	15.482.578	823.769	1.000	13.041.439
<b>8. NON CURRENT ASSETS</b>	<b>2.692.324.421</b>	<b>182.881.099</b>	<b>823.769</b>	<b>1.000</b>	<b>13.041.439</b>
<b>9. TOTAL ASSETS</b>	<b>6.508.455.200</b>	<b>343.460.207</b>	<b>956.257.169</b>	<b>6.723.190</b>	<b>392.776.554</b>
10. Trade payables	1.026.138.577	50.915.269	238.389.563	782.371	27.022.551
11. Financial liabilities	4.655.650.188	265.008.879	774.383.145	-	-
12a. Other liabilities, monetary	1.120.624.587	49.892.848	387.056.601	117.700	585.954
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>6.802.413.352</b>	<b>365.816.996</b>	<b>1.399.829.309</b>	<b>900.071</b>	<b>27.608.505</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	13.497.339.585	919.336.468	32.921.542	-	-
16a. Other liabilities, monetary	3.681.213.965	251.349.463	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>17.178.553.550</b>	<b>1.170.685.931</b>	<b>32.921.542</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>23.980.966.902</b>	<b>1.536.502.927</b>	<b>1.432.750.851</b>	<b>900.071</b>	<b>27.608.505</b>
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(17.472.511.702)	(1.193.042.720)	(476.493.682)	5.823.119	365.168.049
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(17.472.511.702)	(1.193.042.720)	(476.493.682)	5.823.119	365.168.049

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

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

**Financial Risk Factors**

*Foreign currency risk management*

<b>31 December 2021</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	292.663.386	7.687.220	122.353.628	509.199	61.661.810
2a. Monetary financial assets	3.521.733.470	178.611.695	436.449.104	21.366.747	394.437.259
2b. Non monetary financial assets	-	-	-	-	-
3. Other	135.230.733	(516.490)	139.171.648	89.563	1.198.691
<b>4. CURRENT ASSETS</b>	<b>3.949.627.589</b>	<b>185.782.425</b>	<b>697.974.380</b>	<b>21.965.509</b>	<b>457.297.760</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.887.681.883	145.458.053	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	226.305.007	16.671.473	368.184	1.000	9.565.329
<b>8. NON CURRENT ASSETS</b>	<b>2.113.986.890</b>	<b>162.129.526</b>	<b>368.184</b>	<b>1.000</b>	<b>9.565.329</b>
<b>9. TOTAL ASSETS</b>	<b>6.063.614.479</b>	<b>347.911.951</b>	<b>698.342.564</b>	<b>21.966.509</b>	<b>466.863.089</b>
10. Trade payables	1.215.466.119	68.081.621	264.274.418	565.921	57.785.445
11. Financial liabilities	2.720.180.221	175.798.151	438.759.720	-	-
12a. Other liabilities, monetary	956.265.071	56.124.453	224.292.553	88.407	2.074.462
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>4.891.911.411</b>	<b>300.004.225</b>	<b>927.326.691</b>	<b>654.328</b>	<b>59.859.907</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	12.602.526.105	967.562.803	45.979.829	-	-
16a. Other liabilities, monetary	3.104.537.091	239.224.588	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>15.707.063.196</b>	<b>1.206.787.391</b>	<b>45.979.829</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>20.598.974.607</b>	<b>1.506.791.616</b>	<b>973.306.520</b>	<b>654.328</b>	<b>59.859.907</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	(14.535.360.128)	(1.158.879.665)	(274.963.956)	21.312.181	407.003.182
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(14.535.360.128)	(1.158.879.665)	(274.963.956)	21.312.181	407.003.182

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(Amounts are expressed in TL unless otherwise stated.)

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

#### Financial Risk Factors

##### *Foreign currency risk management*

##### Foreign currency sensitivity

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

Foreign currency sensitivity tables as of 31 March 2022 and 31 December 2021 are as follows:

31 March 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)	(1.747.306.507)	1.747.306.507	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(1.747.306.507)</b>	<b>1.747.306.507</b>	<b>-</b>	<b>-</b>
Effect of 10% change in TL rate				
TL net asset / (liability)	(47.649.368)	47.649.368	652.008.574	(652.008.574)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>(47.649.368)</b>	<b>47.649.368</b>	<b>652.008.574</b>	<b>(652.008.574)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	11.187.900	(11.187.900)	-	-
Part of hedged from GBP risk	-	-	-	-
<b>GBP net effect</b>	<b>11.187.900</b>	<b>(11.187.900)</b>	<b>-</b>	<b>-</b>
<b>31 December 2021</b>				
Effect of 10% change in USD rate				
USD net asset / (liability)	(1.503.936.085)	1.503.936.085	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(1.503.936.085)</b>	<b>1.503.936.085</b>	<b>-</b>	<b>-</b>
Effect of 10% change in TL rate				
TL net asset / (liability)	(27.496.396)	27.496.396	667.744.546	(667.744.546)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>(27.496.396)</b>	<b>27.496.396</b>	<b>667.744.546</b>	<b>(667.744.546)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	37.196.149	(37.196.149)	-	-
Part of hedged from GBP risk	-	-	-	-
<b>GBP net effect</b>	<b>37.196.149</b>	<b>(37.196.149)</b>	<b>-</b>	<b>-</b>



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

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

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 March 2022	Derivative instruments		Carrying amount (*)	Note
	Financial assets and liabilities at amortized cost	which are recognized at fair value in shareholders' equity		
<b>Financial assets</b>				
Cash and cash equivalents	6.947.768.261	-	-	27
Trade receivables	634.776.719	-	-	6
- <i>Other</i>	634.776.719	-	-	6
Other receivables	636.137.851	-	-	
- <i>Other</i>	636.137.851	-	-	
Financial investments	3.597.850.663	-	-	22
Derivative financial assets	-	1.124.611.032	-	21
<b>Financial liabilities</b>				
Bank borrowings	3.746.483.333	-	-	22
Issued debt instruments	5.750.527.348	-	-	
Trade payables	1.933.831.222	-	-	6
- <i>Related party</i>	10.823.496	-	-	5
- <i>Other</i>	1.923.007.726	-	-	
Derivative financial liabilities	-	-	94.166	21

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

**Fair Value of Financial Instruments**

<b>31 December 2021</b>	<b>Financial assets and liabilities at amortized cost</b>	<b>Derivative instruments which are recognized at 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	6.976.779.772	-	-	6.976.779.772	27
Trade receivables	337.172.794	-	-	337.172.794	6
- <i>Other</i>	337.172.794	-	-	337.172.794	6
Other receivables	512.983.793	-	-	512.983.793	
- <i>Other</i>	512.983.793	-	-	512.983.793	
Financial investments	2.778.168.625	-	-	2.739.459.491	22
Derivative financial assets	-	163.569.088	-	163.569.088	21
<b>Financial liabilities</b>					
Bank borrowings	3.596.893.033	-	-	3.596.893.033	22
Obligations under financial leases	5.125.102.531	-	-	5.153.503.631	
Trade payables	1.890.577.313	-	-	1.890.577.313	6
- <i>Related party</i>	8.656.890	-	-	8.656.890	5
- <i>Other</i>	1.881.920.423	-	-	1.881.920.423	
Derivative financial liabilities	-	-	211.337	211.337	21

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(Amounts are expressed in TL unless otherwise stated.)

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

**Fair Value of Financial Instruments**

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	31 March 2022	31 December 2021			
Fuel purchase option contracts	1.124.611.032	163.569.088	Level 2	Discounted cash flow method	
Currency forward contracts	(53.885)	-	Level 2	Discounted cash flow method	
Interest rate swap contracts	(40.281)	(211.337)	Level 2	Discounted cash flow method	
	<b>Fuel purchase forward contracts</b>	<b>Fuel purchase option contracts</b>	<b>Currency forward contracts</b>	<b>Interest rate swap contracts</b>	<b>Total</b>
<b>31 March 2022</b>					
<b>Fair value:</b>					
Opening	-	163.569.088	-	(211.337)	163.357.751
Fair value increase					-
Recognized in equity	-	961.041.944	-	-	961.041.944
Recognized in profit or loss	-	-	(53.885)	171.056	117.171
<b>Closing</b>	<b>-</b>	<b>1.124.611.032</b>	<b>(53.885)</b>	<b>(40.281)</b>	<b>1.124.516.866</b>
Assets	-	1.124.611.032	-	-	1.124.611.032
Liabilities	-	-	(53.885)	(40.281)	(94.166)
<b>Total net assets and liabilities</b>	<b>-</b>	<b>1.124.611.032</b>	<b>(53.885)</b>	<b>(40.281)</b>	<b>1.124.516.866</b>

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

**Fair Value of Financial Instruments**

<b>31 December 2021</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	7.599.668	(93.056.335)	(1.010.003)	(86.466.670)
Fair value increase / (decrease)				
Recognized in equity	(7.599.668)	256.625.423	-	249.025.755
Recognized in profit or loss	-	-	798.666	798.666
<b>Closing</b>	<b>-</b>	<b>163.569.088</b>	<b>(211.337)</b>	<b>163.357.751</b>
Assets	-	163.569.088	-	163.569.088
Liabilities	-	-	(211.337)	(211.337)
<b>Total net assets and liabilities</b>	<b>-</b>	<b>163.569.088</b>	<b>(211.337)</b>	<b>163.357.751</b>

The Group has forward fuel purchase option contracts, which are subject to hedge accounting, at a rate of 41.3% and 23.9% 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 2023. The total nominal value of these contracts is USD 338.6 million, and the weighted average price is in the range of USD 60-81. The ineffective portion of the hedge is not material as of 31 March 2022. In the current period, the income that is reclassified from hedging gain/(losses) fund under shareholders' equity to fuel expenses in the profit and loss statement is TL 242.036.424 (31 December 2021: TL 236.605.795 derivative expenses are charged to finance expenses).

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

Not available.

**NOTE 26 – INCOME TAX ENPENSE**

The Group is subject to corporate tax applicable in Turkey. The corporate tax rate in Turkey will be applied as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period with the regulation dated April 22, 2021. The corporate tax rate will be applied as 20% after the taxation period in 2022. When calculating deferred tax on temporary differences, the company takes into account tax rates as applicable on the date the temporary differences utilized. Tax expense components as of March 31, 2022 and March 31, 2021 are presented below:

	<b>1 January- 31 March 2022</b>	<b>1 January- 31 March 2021</b>
Income tax expense		
- Deferred tax expense	46.236.107	33.940.621
<b>Total tax income / (expense)</b>	<b>46.236.107</b>	<b>33.940.621</b>

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

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

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

The details of cash and cash equivalents as of 31 March 2022 and 31 December 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Cash on hand	1.344.577	1.052.353
Cash at banks	6.948.660.384	6.977.215.889
- Demand deposits	1.500.557.523	2.750.408.971
- Time deposits	5.448.102.861	4.226.806.918
Less: Allowance for impairment under TFRS 9	(2.236.700)	(1.488.470)
	<b>6.947.768.261</b>	<b>6.976.779.772</b>

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

<b>31 March 2022</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	0,8 %	1.846.403.571
EUR deposits	0,87 %	2.620.376.984
TL deposits	16,15 %	885.944.839
GBP deposits	0,02 %	91.435.690
CHF deposits	0,02 %	3.941.777
		<b>5.448.102.861</b>

<b>31 December 2021</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	0,61 %	1.896.385.109
EUR deposits	0,47 %	1.525.329.038
TL deposits	30,88 %	434.134.710
GBP deposits	0,01 %	370.958.061
		<b>4.226.806.918</b>

All of the time deposits as of 31 March 2022 and 31 December 2021 have maturities less than 90 days.

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

### APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

#### Revenue

	Euro 1 January- 31 March 2022	Euro 1 January- 31 March 2021
Scheduled flight and service revenue	264.317.165	118.933.813
<i>International flight revenue</i>	<i>129.260.393</i>	<i>39.399.791</i>
<i>Domestic flight revenue</i>	<i>41.974.241</i>	<i>34.881.960</i>
<i>Service revenue</i>	<i>93.082.531</i>	<i>44.652.062</i>
Charter flight and service revenue	4.122.511	491.836
<i>Charter flight revenue</i>	<i>4.122.511</i>	<i>491.836</i>
Other revenue	1.386.252	3.108.907
	<b>269.825.928</b>	<b>122.534.556</b>

#### Expenses by Nature

	Euro 1 January- 31 March 2022	Euro 1 January- 31 March 2021
Jet fuel expenses	100.098.385	42.256.925
Depreciation and amortisation expenses	62.486.156	65.755.550
Personnel expenses	40.345.545	24.615.762
Handling and station fees	23.909.489	12.805.569
Navigation expenses	20.058.140	11.669.956
Maintenance expenses	16.980.155	11.919.464
Landing expenses	9.760.183	4.744.856
Commission expenses	3.333.568	1.337.989
Advertising expenses	1.417.506	868.502
Passenger service and catering expenses	2.205.432	1.076.956
Other expenses	19.124.717	16.671.820
	<b>299.719.276</b>	<b>193.723.349</b>