



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation of a report and condensed consolidated financial statements originally issued in Turkish)

Report on Review of Interim Condensed Consolidated Financial Statements

To the Board of Directors of Pegasus Hava Taşımacılığı Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Pegasus Hava Taşımacılığı Anonim Şirketi (the Company) and its subsidiaries (the Group) as of 30 June 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matter

The Coronavirus epidemic, which has recently emerged and spread to various countries around the world, causing potentially fatal respiratory infections, may cause disruptions in operations, especially in countries exposed to the epidemic as well as negatively affect economic conditions both regionally and globally. Since the final severity of the coronavirus outbreak is currently uncertain, its impact on the Group's operations cannot be reasonably estimated in connection with these matters are disclosed in Note 2.5 to the accompanying financial statements. Our opinion is not qualified in respect of these matters.



**Building a better
working world**

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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


Sinem Ari Öz, SMMM
Partner

12 August 2020
İstanbul, Türkiye

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

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

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED
30 JUNE 2020 TOGETHER WITH
THE INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT

INDEX	PAGE
CONDENSED CONSOLIDATED BALANCE SHEET.....	1-2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	3
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7-47
NOTE 1 ORGANISATION AND OPERATIONS OF THE GROUP	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	7-15
NOTE 3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	15-17
NOTE 4 SEGMENT REPORTING	17
NOTE 5 RELATED PARTY DISCLOSURES.....	17-19
NOTE 6 TRADE RECEIVABLES AND PAYABLES OTHER RECEIVABLES	20-21
NOTE 7 PREPAID EXPENSES AND DEFERRED INCOME.....	21-22
NOTE 8 PROPERTY AND EQUIPMENT.....	23-24
NOTE 9 INTANGIBLE ASSETS	25
NOTE 10 RIGHT OF USE ASSETS	26
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	26-28
NOTE 12 COMMITMENTS.....	28-30
NOTE 13 EXPENSES BY NATURE	31
NOTE 14 SHAREHOLDERS' EQUITY	31
NOTE 15 SALES AND COST OF SALES	32
NOTE 16 GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES.....	33
NOTE 17 OTHER OPERATING INCOME AND EXPENSES	34
NOTE 18 INCOME FROM INVESTING ACTIVITIES.....	34
NOTE 19 FINANCIAL INCOME AND EXPENSES	35
NOTE 20 EARNINGS / LOSS PER SHARE	35
NOTE 21 DERIVATIVE FINANCIAL INSTRUMENTS	36
NOTE 22 FINANCIAL INSTRUMENTS	36-37
NOTE 23 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS	38-42
NOTE 24 FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES).....	43-46
NOTE 25 EVENTS AFTER REPORTING PERIOD	46
NOTE 26 EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW.....	46-47
APPENDIX - EURO SELECTED NOTES	48

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 30 June 2020	Prior period (Audited) 31 December 2019	(*) EUR 30 June 2020	(*) EUR 31 December 2019
	Notes				
ASSETS					
Current assets		6.595.872.565	6.088.952.277	855.695.566	915.555.092
Cash and cash equivalents	26	4.136.964.648	4.187.316.581	536.696.589	629.614.859
Trade receivables	6	186.474.416	446.978.360	24.191.694	67.208.727
<i>Trade receivables from third parties</i>	6	<i>186.474.416</i>	<i>446.978.360</i>	<i>24.191.694</i>	<i>67.208.727</i>
Other receivables	6	514.026.252	88.182.569	66.685.640	13.265.117
<i>Other receivables from related parties</i>	5	<i>314.649</i>	<i>102.852</i>	<i>40.820</i>	<i>21.242</i>
<i>Other receivables from third parties</i>		<i>513.711.603</i>	<i>88.079.717</i>	<i>66.644.820</i>	<i>13.243.875</i>
Derivative financial instruments	21	3.675.239	61.239	476.796	9.208
Inventories		81.847.633	75.453.026	10.618.255	11.345.296
Prepaid expenses	7	1.628.582.453	1.276.409.834	211.279.216	191.924.012
Current income tax assets		2.404.257	13.721.092	311.909	2.063.136
Other current assets		41.897.667	829.576	5.435.467	124.737
Non-Current assets		19.261.988.341	14.970.368.921	2.503.320.771	2.249.923.653
Financial assets		211.314.283	150.906.344	27.414.219	22.690.636
Other receivables	6	142.698.230	144.500.892	18.512.523	21.727.512
<i>Other receivables from third parties</i>		<i>142.698.230</i>	<i>144.500.892</i>	<i>18.512.523</i>	<i>21.727.512</i>
Investments accounted by using the equity method	3	67.523.031	57.154.173	8.759.896	8.593.837
Property and equipment	8	1.864.320.973	1.675.901.667	242.844.486	250.935.990
Intangible assets	9	94.333.075	79.791.006	12.238.016	11.997.565
Right of use assets	10	15.522.247.769	11.906.754.965	2.017.174.398	1.790.327.935
Prepaid expenses	7	1.359.550.980	955.359.874	176.377.233	143.650.178
TOTAL ASSETS		25.857.860.906	21.059.321.198	3.359.016.337	3.165.478.745

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2020

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 30 June 2020	Prior period (Audited) 31 December 2019	(*) EUR 30 June 2020	(*) EUR 31 December 2019
	Notes				
LIABILITIES					
Current liabilities		6.915.883.570	4.765.226.708	897.211.229	716.510.797
Short term financial liabilities	22	1.740.301.589	758.293.604	225.772.760	114.018.826
Short term portion of long term financial liabilities	22	2.037.692.986	1.536.570.246	264.353.933	231.042.349
Trade payables	6	715.282.504	722.788.625	92.795.011	108.680.213
<i>Trade payables to related parties</i>	5	16.668.420	1.543.950	2.162.427	232.152
<i>Trade payables to third parties</i>	6	698.614.084	721.244.675	90.632.584	108.448.061
Employee benefit obligations		59.576.239	38.411.053	7.728.943	5.775.577
Other payables		101.047.664	33.397.989	13.109.114	5.021.801
<i>Other payables to third parties</i>		101.047.664	33.397.989	13.109.114	5.021.801
Passenger flight liabilities	7	826.778.463	963.908.296	107.259.602	144.935.539
Derivative financial instruments	21	406.678.974	53.134.363	52.759.266	7.989.409
Deferred income	7	307.101.719	196.521.937	39.840.912	29.549.505
Short term provisions		719.579.602	460.143.908	93.352.484	69.188.329
<i>Short term provisions for employee benefits</i>		24.454.010	182.949.999	3.172.467	27.508.796
<i>Other short term provisions</i>		695.125.592	277.193.909	90.180.017	41.679.533
Other current liabilities		1.843.830	2.056.687	239.204	309.249
Non-Current liabilities		14.211.016.974	10.951.925.283	1.843.623.279	1.646.757.480
Long term financial liabilities	22	11.747.685.810	8.460.811.498	1.524.050.467	1.272.187.697
Derivative financial instruments	21	86.898.223	1.505.350	11.273.478	226.348
Deferred income		308.754.626	318.913.475	40.055.347	47.952.587
Long term provisions		1.577.929.280	1.675.179.511	204.707.878	251.883.969
<i>Long term provisions for employee benefits</i>		132.115.565	69.675.789	17.139.613	10.476.617
<i>Other long term provisions</i>		1.445.813.715	1.605.503.722	187.568.265	241.407.352
Deferred tax liabilities		489.749.035	495.515.449	63.536.109	74.506.879
SHAREHOLDERS' EQUITY		4.730.960.362	5.342.169.207	618.181.829	802.210.468
Equity attributable to shareholders' of the parent		4.730.960.362	5.342.169.207	618.181.829	802.210.468
Paid-in share capital	14	102.299.707	102.299.707	60.544.134	60.544.134
Share premiums on capital stock		455.687.025	455.687.025	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss					
Actuarial losses on defined benefit plans		(3.904.009)	(3.904.009)	(506.475)	(587.016)
Currency translation differences		3.467.904.924	2.574.427.009	-	(6.884.734)
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		(218.253.806)	(42.163.181)	(28.314.497)	(6.339.756)
Restricted profit reserves		20.459.941	18.542.287	4.047.406	4.399.540
Retained earnings		2.235.362.715	903.911.251	556.740.214	345.593.677
Net (loss) / profit for the period		(1.328.596.135)	1.333.369.118	(168.418.258)	211.395.318
TOTAL LIABILITIES AND EQUITY		25.857.860.906	21.059.321.198	3.359.016.337	3.165.478.745

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed)	Prior period (Reviewed)	Current period (Not Reviewed)	Prior period (Not Reviewed)	(*) EUR	(*) EUR	(*) EUR	(*) EUR
Profit or loss	Notes	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Sales	15	2.029.616.662	4.396.346.375	151.299.768	2.630.441.893	308.739.855	697.190.828	22.020.648	407.001.682
Cost of sales (-)	15	(2.644.116.314)	(3.813.768.359)	(684.839.765)	(2.073.543.161)	(379.728.446)	(596.476.702)	(90.144.633)	(315.230.008)
Gross (loss) / profit		(614.499.652)	582.578.016	(533.539.997)	556.898.732	(70.988.591)	100.714.126	(68.123.985)	91.771.674
General administrative expenses (-)	16	(116.302.329)	(128.637.008)	(50.215.523)	(56.237.313)	(16.514.372)	(20.659.951)	(7.303.693)	(5.816.750)
Marketing expenses (-)	16	(87.678.507)	(156.057.915)	(16.479.607)	(91.353.633)	(12.560.492)	(24.475.998)	(2.170.884)	(13.917.414)
Other operating income	17	210.052.516	58.200.741	58.710.989	40.372	29.068.099	9.183.787	6.496.846	(365.474)
Other operating expenses (-)	17	(415.729.482)	(6.708.439)	(295.578.491)	(4.377.014)	(54.330.935)	(1.046.876)	(37.633.005)	(663.694)
Operating (loss) / profit		(1.024.157.454)	349.375.395	(837.102.629)	404.971.144	(125.326.291)	63.715.088	(108.734.721)	71.008.342
Income from investing activities	18	151.441	831.930	509	372.057	23.047	131.706	67	58.874
Share of investments income accounted for using the equity method	3	8.322.246	6.377.780	3.725.192	3.246.676	1.168.288	1.006.525	484.736	492.703
Operating (loss) / profit before financial expense		(1.015.683.767)	356.585.105	(833.376.928)	408.589.877	(124.134.956)	64.853.319	(108.249.918)	71.559.919
Financial income	19	44.685.953	44.209.236	18.385.431	12.988.227	6.186.500	6.943.050	2.335.422	2.045.848
Financial expense (-)	19	(392.744.135)	(293.206.698)	(54.954.823)	(76.374.228)	(55.262.706)	(54.950.408)	(5.111.116)	(10.510.099)
(Loss) / profit before tax		(1.363.741.949)	107.587.643	(869.946.320)	345.203.876	(173.211.162)	16.845.961	(111.025.612)	63.095.668
Tax expense		35.145.814	1.542.802	(57.144.783)	(21.559.747)	4.792.904	59.871	(8.789.188)	(3.731.312)
Current tax expense		-	-	-	-	-	-	-	-
Deferred tax income		35.145.814	1.542.802	(57.144.783)	(21.559.747)	4.792.904	59.871	(8.789.188)	(3.731.312)
(Loss) / profit for the period		(1.328.596.135)	109.130.445	(927.091.103)	323.644.129	(168.418.258)	16.905.832	(119.814.800)	59.364.356
Net (loss) / profit attributable to:									
Non-controlling interest		-	(1.388.100)	-	(727.694)	-	(219.065)	-	(110.690)
Shareholders' of the parent		(1.328.596.135)	110.518.545	(927.091.103)	324.371.823	(168.418.258)	17.124.897	(119.814.800)	59.475.046
		(1.328.596.135)	109.130.445	(927.091.103)	323.644.129	(168.418.258)	16.905.832	(119.814.800)	59.364.356
(Loss) / profit per share (TL) / (EUR)	20	(12,99)	1,08	(9,06)	3,17	(1,65)	0,17	(1,17)	0,58

(*)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 OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020**

(Amounts are expressed in TL unless otherwise stated.)

	Current period (Reviewed) 1 January- 30 June 2020	Prior period (Reviewed) 1 January- 30 June 2019	Current period (Not Reviewed) 1 April - 30 June 2020	Prior period (Not Reviewed) 1 April - 30 June 2019	(*) EUR 1 January- 30 June 2020	(*) EUR 1 January- 30 June 2019	(*) EUR 1 April - 30 June 2020	(*) EUR 1 April - 30 June 2019
Other comprehensive income								
Items not to be reclassified to profit or loss								
Currency translation differences	893.477.915	340.834.155	385.055.012	205.808.603	6.884.734	(6.331.392)	(45.920)	(5.472.454)
Items to be reclassified to profit or loss								
Currency translation differences	-	(23.525.012)	-	(5.992.839)	-	-	-	108.375
Cash flow hedge	(225.757.208)	181.672.501	419.696.344	(53.924.399)	(31.692.106)	28.671.076	64.282.648	(8.445.231)
Deferred tax effect	49.666.583	(41.186.335)	(92.333.199)	12.225.012	6.972.263	(6.499.919)	(14.142.183)	1.665.669
Other comprehensive income	717.387.290	457.795.309	712.418.157	158.116.377	(17.835.109)	15.839.765	50.094.545	(12.143.641)
Total comprehensive income	(611.208.845)	566.925.754	(214.672.946)	481.760.506	(186.253.367)	32.745.597	(69.720.255)	47.220.715
Total comprehensive income attributable to:								
Non-controlling interest	-	(4.916.852)	-	(1.626.620)	-	(219.065)	-	(110.690)
Shareholders' of the parent	(611.208.845)	571.842.606	(214.672.946)	483.387.126	(186.253.367)	32.964.662	(69.720.255)	47.331.405
	(611.208.845)	566.925.754	(214.672.946)	481.760.506	(186.253.367)	32.745.597	(69.720.255)	47.220.715

(*)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 CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss		Retained earnings			Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
	Paid in share capital	Share premiums on capital stock	Effects of business acquisition	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year			
As at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	832.182.941	507.378.625	3.753.058.255	(37.610.607)	3.715.447.648
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(330.438.970)	-	(330.438.970)	-	(330.438.970)
Restated total equity as at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	501.743.971	507.378.625	3.422.619.285	(37.610.607)	3.385.008.678
Transfers	-	-	-	-	-	-	-	98.679	507.279.946	(507.378.625)	-	-	-
Total comprehensive income	-	-	-	-	340.834.155	(19.996.260)	140.486.166	-	-	110.518.545	571.842.606	(4.916.852)	566.925.754
As at 30 June 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.472.651.722	(109.756.809)	(80.673.790)	5.114.985	1.009.023.917	110.518.545	3.994.461.891	(42.527.459)	3.951.934.432
As at 1 January 2020	102.299.707	455.687.025	-	(3.904.009)	2.574.427.009	-	(42.163.181)	18.542.287	903.911.251	1.333.369.118	5.342.169.207	-	5.342.169.207
Transfers	-	-	-	-	-	-	-	1.917.654	1.331.451.464	(1.333.369.118)	-	-	-
Total comprehensive income	-	-	-	-	893.477.915	-	(176.090.625)	-	-	(1.328.596.135)	(611.208.845)	-	(611.208.845)
As at 30 June 2020	102.299.707	455.687.025	-	(3.904.009)	3.467.904.924	-	(218.253.806)	20.459.941	2.235.362.715	(1.328.596.135)	4.730.960.362	-	4.730.960.362

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Reviewed) 1 January- 30 June 2020	Prior period (Reviewed) 1 January- 30 June 2019	(*) EUR 1 January- 30 June 2020	(*) EUR 1 January- 30 June 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) / Profit for the period		(1.328.596.135)	109.130.445	(168.418.258)	16.905.832
Adjustments to reconcile the loss					
Depreciation and amortization	8-9-10	909.198.976	742.249.525	127.634.597	117.139.869
Adjustments related with impairments		(610.118)	3.083.322	(79.152)	486.602
<i>Provision for doubtful receivable</i>		<i>(610.118)</i>	<i>3.083.322</i>	<i>(79.152)</i>	<i>486.602</i>
Adjustments related with provisions		(9.064.822)	(276.383.983)	(1.182.059)	(43.768.679)
<i>Provision for employee benefits</i>		<i>8.551.717</i>	<i>29.152.913</i>	<i>1.109.431</i>	<i>4.450.351</i>
<i>Legal provision</i>		<i>(569.202)</i>	<i>(823.197)</i>	<i>(79.905)</i>	<i>(129.915)</i>
<i>Change in redelivery provision</i>		<i>(17.047.337)</i>	<i>(304.713.699)</i>	<i>(2.211.585)</i>	<i>(48.089.115)</i>
Interest and commission income	19	236.257.705	219.951.014	33.166.181	34.712.091
Gain on equity investments accounted for using the equity method	3	(8.322.246)	(6.377.780)	(1.168.288)	(1.006.524)
Current tax expense		(35.145.814)	(1.542.802)	(4.792.904)	(243.481)
Other provisions related with investing or financing activities		162.897.871	(1.616.828)	21.176.654	(246.818)
Changes in working capital					
Increase in trade receivables		259.172.577	(589.514.558)	36.845.710	(88.462.280)
Increase in other receivables, prepaid expenses, other and financial assets		(631.990.337)	(8.483.291)	(91.438.575)	(1.349.101)
Increase in inventories		(6.394.607)	(17.311.731)	(897.959)	(2.722.567)
Increase in trade payables		(7.506.121)	248.573.197	(1.035.202)	38.221.879
Increase in deferred income, other payables and other current liabilities		45.013.764	931.958.620	6.145.504	143.606.976
Net cash generated from operating activities		(415.089.307)	1.353.715.150	(44.043.751)	213.273.799
Payment for the employee benefits provisions		(109.820.399)	(64.027.551)	(15.416.738)	(9.784.983)
Payment for other provisions		(26.734)	(235.059)	(3.753)	(37.096)
		(524.936.440)	1.289.452.540	(59.464.242)	203.451.720
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, equipment and intangible assets		290.198	1.384.918	40.738	211.415
Cash outflows from purchase of property, equipment and intangible assets		(23.457.371)	(109.554.157)	(3.261.891)	(17.289.549)
Changes in cash advances and payables		(495.393.077)	(253.920.061)	(71.697.765)	(41.464.075)
		(518.560.250)	(362.089.300)	(74.918.918)	(58.542.209)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		1.277.016.246	226.713.000	165.669.838	35.779.250
Repayment of borrowings		-	(307.226.950)	-	(48.485.749)
Repayment of principal in lease liabilities		(670.291.194)	(677.562.074)	(100.753.211)	(109.776.574)
Interest and commission paid		(207.527.992)	(199.033.449)	(31.152.745)	(31.810.619)
Interest received		40.739.896	42.308.318	5.682.940	6.582.257
		439.936.956	(914.801.155)	39.446.822	(147.711.435)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)					
		(603.559.734)	12.562.085	(94.936.338)	(2.801.924)
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS					
		553.207.801	233.775.955	2.018.068	4.123.389
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(50.351.933)	246.338.040	(92.918.270)	1.321.465
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD	26	4.187.316.581	2.741.044.971	629.614.859	454.718.807
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)	26	4.136.964.648	2.987.383.011	536.696.589	456.040.272

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

The Group’s total number of full time employees as of 30 June 2020 is 6.298 (31 December 2019: 6.164). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 30 June 2020 and delegated authority for publishing it on 12 August 2020. General shareholders’ meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

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

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

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

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

Functional and Presentation Currency

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

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

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

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

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

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey (“TCMB”) Euro buying rate prevailing at the balance sheet date; 30 June 2020: 1 Euro (€) = TL 7,7082 (31 December 2019: 1 Euro (€) = TL 6,6506).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions.

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

Euro Amounts in the Financial Statements

Euro amounts shown in the consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official Euro bid rates announced by the TCMB on 30 June 2020 of TL7,7082 = EUR1, and Euro amounts shown in the consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, Euro bid rates calculated from the official daily bid rates announced by the TCMB.

Comparative Information and Reclassification of Prior Period Financial Statements

Condensed consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current period condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has classified the balance amounting to 66.940.862 TL, which is presented in the "Trade Payables" account in the previous period financial statements, to the "Deferred Income" account to comply with the presentation of the current period condensed consolidated financial statements.

Basis of Consolidation

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

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

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

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

2.2 Significant Accounting Policies and Changes

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

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

(Amounts are expressed in TL unless otherwise stated.)

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

2.3 Changes in Accounting Estimates

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

2.4 The new standards, amendments and interpretations

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

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

Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

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

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

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

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

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

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

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

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

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

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

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

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

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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

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

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

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

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

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

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

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

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

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

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

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

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

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

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

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

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

Amendments to TAS 16 – Proceeds before intended use

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

There is no transition relief for the first time adopters.

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

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

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

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

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

(Amounts are expressed in TL unless otherwise stated.)

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

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

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

Annual Improvements – 2018–2020 Cycle

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

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

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

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

2.5 Events Affecting Operations

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

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

- Payroll cost is trying to be optimized with short-term employment allowance provided by the Government's support package,
- Permanent discounts are targeted in contracts with all suppliers and / or corporation negotiations are carried out in order to postpone the payments for supporting cash flow management,
- Fixed costs are aimed to pul down with staff switching to remote working,
- Aircraft maintenance activities are optimized and updated according to the current flight schedules and,
- With both cost control and cash management perspectives, general expenditure budgets are reviewed and savings are tried to be achieved. Therefore, non-critical projects and investments are postponed.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

2.5 Events Affecting Operations (cont'd)

- In the periods when the Covid-19 epidemic is effective, new credit limits from various banks are obtained in order to better manage the Group's cash flow.

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

On the other hand, as of June 30, 2020, the Group evaluated whether there is any risk of impairment on aircraft, tangible fixed assets and intangible assets due to the effects of the Covid 19 outbreak, and in the light of the analyzes made, it is concluded that there is not any impairment risks regarding the determination of the value-in-use of the assets . In the impairment tests, the Group used estimates such as number of passengers, load factor, fuel costs and discount rates as important assumptions. The Group Management will continue to make these analyzes regularly.

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 June 2020	31 December 2019
Joint ventures		
Hitit Bilgisayar	52.481.312	44.417.911
PUEM	15.041.719	12.736.262
	67.523.031	57.154.173

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

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Hitit Bilgisayar	8.063.398	5.868.346	3.715.868	3.041.097
PUEM	258.848	509.434	9.324	205.579
Net profit	8.322.246	6.377.780	3.725.192	3.246.676

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

PUEM

	30 June 2020	31 December 2019
Current assets	3.890.244	2.274.519
Non-current assets	27.945.587	25.153.183
Current liabilities	(1.305.609)	(1.084.942)
Non-current liabilities	(81.399)	(560.853)
Net assets of joint venture	30.448.823	25.781.907
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	15.041.719	12.736.262
	1 January- 30 June 2020	1 January- 30 June 2019
Revenue	2.946.879	4.678.078
Depreciation&amortisation expense	(762.913)	(1.207.067)
Interest income/(expense), net	(81.645)	(234.323)
Profit for the year	523.984	1.031.243
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	258.848	509.434

Hitit Bilgisayar

	30 June 2020	31 December 2019
Current assets	44.988.126	43.964.800
Non-current assets	74.291.958	65.238.423
Current liabilities	(9.706.782)	(15.268.867)
Non-current liabilities	(6.395.702)	(6.883.558)
Net assets of joint venture	103.177.600	87.050.798
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
Group's share in the net assets of the joint venture	52.481.312	44.417.911

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

	1 January- 30 June 2020	1 January- 30 June 2019
Revenue	44.240.417	42.620.529
Depreciation&amortisation expense	(4.564.805)	(2.884.575)
Interest income/(expense), net	120.781	305.826
Profit for the year	16.126.796	11.736.692
Group's weighted average ownership interest	50%	50%
Group's share in the net profit of the joint venture	8.063.398	5.868.346

NOTE 4 - SEGMENT REPORTING

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

NOTE 5 - RELATED PARTY TRANSACTIONS

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

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

a) **Other receivables from related parties**

	30 June 2020	31 December 2019
Balances with joint ventures and subsidiaries:		
PUEM	314.257	102.852
Balances with other related parties:		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş.	392	-
	314.649	102.852

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS(cont'd)

b) Trade payables to related parties

	30 June 2020	31 December 2019
Balances with parent company:		
Esas Holding	4.474.795	-
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	4.852.416	1.397.591
PUEM	3.419.496	-
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	3.921.713	146.359
	16.668.420	1.543.950

(ii) Significant Transactions with Related Parties:

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

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

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

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

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

a) Other Income from Related Parties:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Transactions with joint ventures and subsidiaries:				
PUEM	644.908	602.997	324.587	303.208
	644.908	602.997	324.587	303.208

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

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

b) Purchases of goods or services

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Transactions with joint ventures and subsidiaries:				
Hitit Bilgisayar	9.913.397	10.295.683	4.289.602	5.560.980
PUEM	2.946.879	4.678.078	164.734	2.378.039
Transactions with other related parties:				
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.	485.841	-	251.077	-
Esasburda	1.430.453	1.240.330	734.632	1.043.514
Other	32.713	31.200	32.713	9.000
	14.809.283	16.245.291	5.472.758	8.991.533

c) Rent expenses

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Esasburda(*)	5.939.766	4.229.693	2.104.003	2.115.249
	5.939.766	4.229.693	2.104.003	2.115.249

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

d) Surety commission expenses

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Esas Holding (Note 19)	5.571.667	5.879.730	2.854.959	3.007.246
	5.571.667	5.879.730	2.854.959	3.007.246

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

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 June 2020 and 2019 are as follows:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Salaries and other short term benefits	18.565.535	16.198.013	496.052	2.474.330
Other long term benefits	7.594.233	2.114.002	-	-
	26.159.768	18.312.015	496.052	2.474.330

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term trade receivables

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

	30 June 2020	31 December 2019
Trade receivables	105.190.745	253.007.254
Credit card receivables	103.863.439	209.689.912
Income accruals	758.776	6.486.220
	209.812.960	469.183.386
Less: Allowance for doubtful receivables	(23.338.544)	(22.205.026)
	186.474.416	446.978.360

The average collection period of trade receivables is approximately 50 days (31 December 2019: 19 days).

Short term trade payables

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

	30 June 2020	31 December 2019
Trade payables	539.924.571	542.178.273
Accrued direct operational costs	158.689.513	179.066.402
Due to related parties (Note 5)	16.668.420	1.543.950
	715.282.504	722.788.625

The average credit period of trade payables is approximately 62 days (31 December 2019: 30 days).

Short term other receivables

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

	30 June 2020	31 December 2019
Deposits and guarantees given(*)	421.329.067	32.225.590
Receivables from pilots for flight training	56.499.895	53.554.739
Due from related parties (Note 5)	314.649	102.852
Other receivables	35.882.641	5.180.385
Less: Allowance for doubtful receivables	-	(2.880.997)
	514.026.252	88.182.569

(*)As of 30 June 2020, the amount of TL 406.450.627 in deposits and gurantees given, consists of guarantee deposits given to banks related to valuation of derivative contracts(31 December 2019: 19.840.273).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Long term other receivables

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

	30 June 2020	31 December 2019
Receivables from pilot trainings	117.190.362	117.197.274
Deposits given	25.507.868	27.303.618
	142.698.230	144.500.892

NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME

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

Short term prepaid expenses

	30 June 2020	31 December 2019
Advances on aircraft purchases	1.014.284.599	1.078.133.045
Advances to suppliers	582.938.856	138.064.398
Prepaid insurance expenses	9.504.719	39.969.877
Prepaid advertising expenses	941.110	132.959
Other prepaid expenses	20.913.169	20.109.555
	1.628.582.453	1.276.409.834

Long term prepaid expenses

	30 June 2020	31 December 2019
Advances on aircraft purchases	764.588.289	506.767.830
Prepaid maintenance expenses	578.360.598	431.497.058
Other prepaid expenses	16.602.093	17.094.986
	1.359.550.980	955.359.874

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Deferred Revenue

Contract Liabilities

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

	30 June 2020	31 December 2019
Flight liability from ticket sales	651.718.849	692.054.775
Passenger airport fees received from customers	101.885.334	209.032.208
Flight liability from flight points	73.174.280	62.821.313
	826.778.463	963.908.296

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	30 June 2020	31 December 2019
Advances received from customers	124.164.788	81.362.753
Other deferred income	182.936.931	115.159.184
	307.101.719	196.521.937

Long term deferred income

	30 June 2020	31 December 2019
Income relating to future periods	308.754.626	318.913.475
	308.754.626	318.913.475

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT

30 June 2020	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned Aircraft	Construction in progress	Total
Cost:								
Opening	146.516.118	109.456.942	179.887.996	91.186.916	1.307.799.047	706.740.318	59.903.487	2.601.490.824
Additions	5.182.111	-	1.791.140	-	15.817.133	-	-	22.790.384
Disposals	-	(152.797)	(259.664)	-	-	-	-	(412.461)
Transfers	-	-	-	-	-	-	(4.008.653)	(4.008.653)
Currency translation differences	23.724.856	17.393.972	28.732.088	14.500.839	209.268.841	90.153.572	9.196.986	392.971.154
Closing	175.423.085	126.698.117	210.151.560	105.687.755	1.532.885.021	796.893.890	65.091.820	3.012.831.248
Accumulated depreciation:								
Opening	(33.888.233)	(32.235.123)	(123.135.870)	(80.374.835)	(263.103.059)	(392.852.037)	-	(925.589.157)
Depreciation for the year	(7.385.599)	(4.679.674)	(8.223.018)	(4.287.232)	(37.262.517)	(18.419.724)	-	(80.257.764)
Disposals	-	104.793	168.911	-	-	-	-	273.704
Currency translation differences	(5.995.284)	(5.501.675)	(20.242.608)	(13.133.396)	(44.898.296)	(53.165.799)	-	(142.937.058)
Closing	(47.269.116)	(42.311.679)	(151.432.585)	(97.795.463)	(345.263.872)	(464.437.560)	-	(1.148.510.275)
Net book value	128.153.969	84.386.438	58.718.975	7.892.292	1.187.621.149	332.456.330	65.091.820	1.864.320.973

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

30 June 2019	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Aircraft	Construction in progress	Total
Cost:								
Opening	107.827.347	100.683.168	151.141.325	79.369.370	1.007.485.389	8.977.788.704	3.713.862	10.428.009.165
Additions	53.454.438	33.290	4.099.015	4.140.450	130.451.346	-	171.614	192.350.153
Transfers	-	-	-	-	-	(8.414.958.339)	-	(8.414.958.339)
Disposals	-	(1.380.233)	(163.451)	-	-	-	-	(1.543.684)
Currency translation differences	11.232.144	8.695.421	13.241.109	7.025.669	91.803.280	48.804.152	327.840	181.129.615
Closing	172.513.929	108.031.646	168.317.998	90.535.489	1.229.740.015	611.634.517	4.213.316	2.384.986.910
Accumulated depreciation:								
Opening	(21.043.895)	(23.059.619)	(97.346.345)	(65.504.421)	(204.998.522)	(1.767.852.728)	-	(2.179.805.530)
Depreciation for the year	(5.328.494)	(5.305.644)	(7.854.076)	(3.970.133)	(19.919.503)	(17.883.560)	-	(60.261.410)
Disposals	-	896.429	94.267	-	-	-	-	990.696
Transfers	-	-	-	-	-	1.477.530.722	-	1.477.530.722
Currency translation differences	(2.006.508)	(2.142.817)	(8.704.442)	(5.815.852)	(18.449.398)	(33.393.463)	-	(70.512.480)
Closing	(28.378.897)	(29.611.651)	(113.810.596)	(75.290.406)	(243.367.423)	(341.599.029)	-	(832.058.002)
Net book value	144.135.032	78.419.995	54.507.402	15.245.083	986.372.592	270.035.488	4.213.316	1.552.928.908

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 9 - INTANGIBLE ASSETS

30 June 2020	Brand	Software	Total
Cost:			
Opening	-	177.603.372	177.603.372
Additions	-	14.796.027	14.796.027
Currency translation differences	-	29.937.490	29.937.490
Closing	-	222.336.889	222.336.889
Accumulated amortization:			
Opening	-	(97.812.366)	(97.812.366)
Amortization for the year	-	(13.527.982)	(13.527.982)
Currency translation differences	-	(16.663.466)	(16.663.466)
Closing	-	(128.003.814)	(128.003.814)
Net book value	-	94.333.075	94.333.075
30 June 2019			
	Brand	Software	Total
Cost:			
Opening	4.249.742	116.056.170	120.305.912
Additions	-	22.248.928	22.248.928
Disposal	(4.249.742)	-	(4.249.742)
Currency translation differences	-	10.793.901	10.793.901
Closing	-	149.098.999	149.098.999
Accumulated amortization:			
Opening	(2.461.308)	(70.984.707)	(73.446.015)
Amortization for the year	-	(8.494.236)	(8.494.236)
Disposal	2.461.308	-	2.461.308
Currency translation differences	-	(6.416.703)	(6.416.703)
Closing	-	(85.895.646)	(85.895.646)
Net book value	-	63.203.353	63.203.353

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 10 – RIGHT OF USE ASSETS

30 June 2020	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	30.958.669	24.646.405	18.000.762.823	2.070.755	18.058.438.652
Additions	-	-	2.395.162.695	-	2.395.162.695
Disposals	-	-	(153.258.445)	-	(153.258.445)
Transfers	-	-	4.008.653	-	4.008.653
Currency translation differences	4.923.148	3.919.352	3.056.778.020	329.294	3.065.949.814
Closing	35.881.817	28.565.757	23.303.453.746	2.400.049	23.370.301.369
Accumulated depreciation:					
Opening	(11.686.083)	(6.718.403)	(6.131.858.564)	(1.420.637)	(6.151.683.687)
Depreciation for the period	(9.031.703)	(3.598.038)	(802.277.001)	(506.488)	(815.413.230)
Disposals	-	-	153.258.445	-	153.258.445
Currency translation differences	(2.599.751)	(1.363.737)	(1.029.984.472)	(267.168)	(1.034.215.128)
Closing	(23.317.537)	(11.680.178)	(7.810.861.592)	(2.194.293)	(7.848.053.600)
Net book value	12.564.280	16.885.579	15.492.592.154	205.756	15.522.247.769

30 June 2019	Field Rental	Building	Aircraft	Other	Total
Cost:					
TFRS 16 opening effects	28.126.554	22.391.742	6.049.119.922	1.881.318	6.101.519.536
Additions	-	-	1.158.344.060	-	1.158.344.060
Disposals	-	-	(743.379.804)	-	(743.379.804)
Transfers	-	-	8.414.958.339	-	8.414.958.339
Currency translation differences	2.367.077	1.884.446	1.253.193.009	158.328	1.257.602.860
Closing	30.493.631	24.276.188	16.132.235.526	2.039.646	16.189.044.991
Accumulated depreciation:					
TFRS 16 opening effects	-	-	(3.634.556.531)	-	(3.634.556.531)
Depreciation for the period	(5.538.845)	(3.118.907)	(664.128.941)	(707.186)	(673.493.879)
Disposals	-	-	743.379.804	-	743.379.804
Transfers	-	-	(1.477.530.722)	-	(1.477.530.722)
Currency translation differences	(76.044)	(55.305)	(428.234.173)	(31.997)	(428.397.519)
Closing	(5.614.889)	(3.174.212)	(5.461.070.563)	(739.183)	(5.470.598.847)
Net book value	24.878.742	21.101.976	10.671.164.963	1.300.463	10.718.446.144

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 28.443.402 as of 30 June 2020 (31 December 2019: TL 27.096.909). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 7.744.687 (31 December 2019: TL 8.340.623) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Tax Inspection

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

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

A lawsuit has been filed by the Company, claiming revocation of such determination act with respect to an income difference in the amount of TL 1.630.561,18. Lawsuit filed before Istanbul Tax Court is concluded in favor of the Company. In respect of this judgment, The decision was appealed by the Tax Office and the decision of the first instance court was approved as a result of the appeal. The Tax Office has applied for the correction of the decision and our response to this application has been submitted to the file. In March 2020, the rejection of the decision correction application was decided and the decision was finalized. According to the 2010 Corporate Tax Review Report, there is no tax risk left.

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

Major Taxpayers Tax Office that we are affiliated to, accrued corporation tax withholding in the total amount of TL 719.508 for year 2010 through Tax Fine Notices issued as per the relevant months of year 2010 by basing on the said Tax Inspection Report, and charged tax loss fine in the total amount of TL 1.079.262 on grounds of such tax accrued. Lawsuits have been filed within legal terms granted, before Istanbul Tax Courts as of the respective, with the demand for waiver of the assessments set forth and rescission of any fines accrued. The lawsuits based on the Corporate Tax Law Article 30, claiming that the Company is subject to real property income tax resulting in 1% withholding tax, amounting to TL 706.539,70, for the year 2010 have been concluded in favor of the Company. Such lawsuit filed subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right (royalty) fee is concluded against the Company and such Judgment is brought by the Company to appeal before the Council of State, and In March 2020, it was decided to reject the decision correction application and it was decided that there will be no withholding in aircraft leases. Therefore, there is no tax risk related to the 2010 Corporate Tax Withholding Examination Report.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Tax Inspection (cont'd)

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

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

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

NOTE 12 - COMMITMENTS

Purchase Commitments

	30 June 2020	31 December 2019
Commitments to purchase aircraft	58.938.256.663	56.563.789.155
	58.938.256.663	56.563.789.155

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

The Group has provided advances on aircraft purchases amounting TL 1.778.872.888 (31 December 2019: TL 1.584.900.875) and TL 1.672.216.548 of this amount is reclassified under short term, TL 106.656.340 of this amount is reclassified under long term prepaid expenses (31 December 2019: TL 1.078.133.045 of this amount is reclassified under short term, TL 506.767.830 of this amount is reclassified under long term prepaid expenses).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”)

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

30 June 2020	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	2.022.143.569	284.704.725	6.909.393	12.556.592	8.321.324
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	2.022.143.569	284.704.725	6.909.393	12.556.592	8.321.324

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

The other CPMs given by the Company constitute 0% of the Company’s equity as of 30 June 2020.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS (cont'd)

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

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

31 December 2019	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.664.459.335	269.080.506	6.786.958	13.487.804	7.442.166
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	1.664.459.335	269.080.506	6.786.958	13.487.804	7.442.166

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 13 - EXPENSES BY NATURE

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

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Depreciation and amortisation expenses	909.198.976	742.249.525	480.951.922	386.538.483
Jet fuel expenses	700.918.512	1.450.952.790	32.059.406	814.312.646
Personnel expenses	487.690.561	632.201.714	138.662.303	304.590.267
Handling and station fees	165.044.936	321.848.706	11.198.723	178.982.529
Navigation expenses	138.820.396	271.010.340	7.481.622	152.651.414
Maintenance expenses	121.218.134	178.997.154	15.816.510	94.260.188
Landing expenses	65.271.811	145.429.284	2.258.612	83.543.399
Commission expenses	39.573.810	69.031.484	1.649.119	42.108.838
Passenger service and catering expenses	20.328.326	42.104.162	738.270	22.184.400
Advertising expenses	19.422.347	52.173.896	3.060.521	34.386.136
Other expenses	180.609.341	192.464.227	57.657.887	107.575.807
	2.848.097.150	4.098.463.282	751.534.895	2.221.134.107

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

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 15 - SALES AND COST OF SALES

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

Sales:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Scheduled flight and service revenue	1.976.766.351	4.281.889.257	126.069.412	2.540.570.390
<i>International flight revenue</i>	<i>816.542.720</i>	<i>2.129.225.778</i>	<i>15.443.882</i>	<i>1.331.456.864</i>
<i>Domestic flight revenue</i>	<i>462.279.909</i>	<i>892.594.591</i>	<i>70.955.174</i>	<i>514.210.604</i>
<i>Service revenue</i>	<i>697.943.722</i>	<i>1.260.068.888</i>	<i>39.670.356</i>	<i>694.902.922</i>
Charter flight and service revenue	9.821.581	85.401.878	1.760.790	78.341.493
<i>Charter flight revenue</i>	<i>9.502.828</i>	<i>85.241.871</i>	<i>1.760.790</i>	<i>78.266.587</i>
<i>Service revenue</i>	<i>318.753</i>	<i>160.007</i>	-	<i>74.906</i>
Other revenue	43.028.730	29.055.240	23.469.566	11.530.010
	2.029.616.662	4.396.346.375	151.299.768	2.630.441.893

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

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Europe	523.232.284	1.479.551.385	14.168.016	948.010.714
Domestic	462.279.909	892.594.591	70.955.174	514.210.604
Other	293.310.436	649.674.393	1.275.866	383.446.150
	1.278.822.629	3.021.820.369	86.399.056	1.845.667.468

Cost of sales:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Depreciation and amortisation expenses	871.093.896	712.767.933	460.775.786	370.538.722
Jet fuel expenses	700.918.512	1.450.952.790	32.059.406	814.312.646
Personnel expenses	449.412.595	551.678.573	127.852.191	277.252.325
Handling and station fees	165.044.936	321.848.706	11.198.723	178.982.529
Navigation expenses	138.820.396	271.010.340	7.481.622	152.651.414
Maintenance expenses	121.218.134	178.997.154	15.816.510	94.260.188
Landing expenses	65.271.811	145.429.284	2.258.612	83.543.399
Passenger service and catering expenses	20.328.326	42.104.162	738.270	22.184.400
Other expenses	112.007.708	138.979.417	26.658.645	79.817.538
	2.644.116.314	3.813.768.359	684.839.765	2.073.543.161

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Marketing expenses	87.678.507	156.057.915	16.479.607	91.353.633
General administrative expenses	116.302.329	128.637.008	50.215.523	56.237.313
	203.980.836	284.694.923	66.695.130	147.590.946

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

General administrative expenses:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Depreciation and amortisation expenses	30.484.064	23.625.426	16.140.909	12.821.268
IT expenses	29.860.940	22.137.348	13.642.615	12.040.421
Personnel expenses	28.806.371	61.919.365	8.494.411	21.019.910
Consultancy expenses	4.074.998	4.869.428	2.071.266	2.269.049
Legal and notary expenses	3.054.590	2.400.002	633.426	1.350.289
Office utility expenses	2.404.672	1.869.111	1.086.207	897.999
Communication expenses	1.237.420	1.505.971	506.487	747.182
Training expenses	685.168	664.117	122.043	498.961
Travel expenses	622.533	2.285.594	170	2.219.435
Other expenses	15.071.573	7.360.646	7.517.989	2.372.799
	116.302.329	128.637.008	50.215.523	56.237.313

Marketing expenses:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Commission expenses	39.573.810	69.031.484	1.649.119	42.108.838
Advertising expenses	19.422.347	52.173.896	3.060.521	34.386.136
Call center expenses	9.830.574	8.135.846	4.752.712	3.984.243
Personnel expenses	9.471.595	18.603.776	2.315.701	6.318.032
Depreciation and amortisation expenses	7.621.016	5.856.166	4.035.227	3.178.493
Other expenses	1.759.165	2.256.747	666.327	1.377.891
	87.678.507	156.057.915	16.479.607	91.353.633

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(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 30 June 2020 and 2019 are as follows:

Other operating income:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Foreign exchange gain from operating activities	131.294.787	58.099.465	(17.153.898)	(60.904)
Reversal of doubtful provision	3.525.956	-	1.942.229	-
Reversal of doubtful cash and cash equivalents	-	-	(688.176)	-
Indemnity income	74.657.919	-	74.657.919	-
Other	573.854	101.276	(47.085)	101.276
	210.052.516	58.200.741	58.710.989	40.372

Other operating expenses:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Expenses from fair value differences of derivative instruments	404.969.947	-	287.770.652	-
Doubtful receivable allowance expense	2.260.820	3.083.322	864.432	1.185.869
Cash and cash equivalents allowance expense	4.135.327	961.640	4.135.327	2.550.128
Penalty expense	712.535	1.485.574	-	-
Other	3.650.853	1.177.903	2.808.080	641.017
	415.729.482	6.708.439	295.578.491	4.377.014

NOTE 18 - INCOME FROM INVESTING ACTIVITIES

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

Income from investing activities:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Other income	151.441	831.930	509	372.057
	151.441	831.930	509	372.057

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(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 30 June 2020 and 2019 are as follows:

Financial income:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Interest income	40.159.748	41.708.067	18.921.656	17.479.134
Gain on derivative contracts	4.526.205	2.501.169	(536.225)	(4.490.907)
	44.685.953	44.209.236	18.385.431	12.988.227

Financial expenses:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Interest expense on leases	227.499.843	187.103.290	118.820.319	93.339.753
Foreign exchange loss	116.326.682	31.547.617	(80.545.770)	(57.720.514)
Other commission expenses	32.191.029	58.356.304	8.363.753	32.782.051
Interest expense on bank loans	11.154.914	10.319.757	5.461.562	4.965.692
Surety commission expenses	5.571.667	5.879.730	2.854.959	3.007.246
	392.744.135	293.206.698	54.954.823	76.374.228

NOTE 20 - EARNINGS / LOSS PER SHARE

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 30 June 2020 and 2019 are as follows:

	1 January- 30 June 2020	1 January- 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
(Loss) / profit attributable to the shareholders of the parent	(1.328.596.135)	110.518.545	(927.091.103)	324.371.823
Weighted average number of shares issued in the year	102.299.707	102.299.707	102.299.707	102.272.000
(Loss) / profit per share	(12,99)	1,08	(9,06)	3,17

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 June 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Short term	3.675.239	406.678.974	61.239	53.134.363
Long term	-	86.898.223	-	1.505.350
	3.675.239	493.577.197	61.239	54.639.713

Explanations related to derivative instruments are disclosed in Note 23.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

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

Short term financial liabilities	30 June 2020	31 December 2019
Short term bank borrowings	1.740.301.589	758.293.604
Lease liabilities	2.037.692.986	1.536.570.246
<i>Short term portion of long term operating lease obligations</i>	<i>666.162.181</i>	<i>635.282.662</i>
<i>Short term portion of long term financial lease obligations</i>	<i>1.371.530.805</i>	<i>901.287.584</i>
	3.777.994.575	2.294.863.850
Long term financial liabilities	30 June 2020	31 December 2019
Long term bank borrowings	481.452.600	-
Lease liabilities	11.266.233.210	8.460.811.498
Long term operating lease obligations	1.557.264.852	1.614.122.499
Long term financial lease obligations	9.708.968.358	6.846.688.999
	11.747.685.810	8.460.811.498

a) Bank Borrowings

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

30 June 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	2,78%	US Dollar	145.000.000	992.119.000
Short term bank borrowings	3,93%	Euro	87.203.574	672.182.589
Short term bank borrowings	12,39%	TL	76.000.000	76.000.000
				1.740.301.589

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

NOTE 22 - FINANCIAL INSTRUMENTS(cont'd)

Financial Liabilities (cont'd)

30 June 2020	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	3,93%	Euro	43.000.000	331.452.600
Long term bank borrowings	12,39%	TL	150.000.000	150.000.000
				481.452.600

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

Lease Liabilities

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

	30 June 2020	31 December 2019
Less than 1 year	2.889.836.407	1.968.639.836
Between 1 - 5 years	7.233.159.698	5.830.430.461
Over 5 years	5.849.756.682	4.242.706.951
	15.972.752.787	12.041.777.248
Less: Future interest expenses	(2.668.826.591)	(2.044.395.504)
	13.303.926.196	9.997.381.744

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

	30 June 2020	31 December 2019
Less than 1 year	2.037.692.986	1.536.570.246
Between 1 - 5 years	7.904.215.188	5.199.045.253
Over 5 years	3.362.018.022	3.261.766.245
	13.303.926.196	9.997.381.744

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 5,04 years. For the period ended 30 June 2020, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 6.907.179.488, is 1,67% (31 December 2019: 1,72%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 6.396.746.708, is 4,51% (31 December 2019: 4,84%).

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

30 June 2020	TL Total	USD	TL	GBP	Other
1. Trade receivables	182.937.016	3.131.710	153.091.602	341.836	5.536.566
2a. Monetary financial assets	3.262.236.360	423.887.230	302.346.727	4.186.737	24.281.771
2b. Non monetary financial assets	-	-	-	-	-
3. Other	681.079.299	65.496.701	231.024.441	89.563	1.158.476
4. CURRENT ASSETS	4.126.252.675	492.515.641	686.462.770	4.618.136	30.976.813
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	135.370.690	19.784.673	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	140.293.011	19.709.644	340.667	1.000	5.086.590
8. NON CURRENT ASSETS	275.663.701	39.494.317	340.667	1.000	5.086.590
9. TOTAL ASSETS	4.401.916.376	532.009.958	686.803.437	4.619.136	36.063.403
10. Trade payables	422.883.130	37.396.732	142.448.210	534.870	20.051.009
11. Financial liabilities	2.191.421.514	315.413.227	33.301.135	-	-
12a. Other liabilities, monetary	894.132.692	105.853.775	150.084.782	174.093	18.307.920
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	3.508.437.336	458.663.734	325.834.127	708.963	38.358.929
14. Trade payables	-	-	-	-	-
15. Financial liabilities	4.238.626.329	619.482.963	-	-	-
16a. Other liabilities, monetary	1.445.813.715	211.308.309	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	5.684.440.044	830.791.272	-	-	-
18. TOTAL LIABILITIES	9.192.877.380	1.289.455.006	325.834.127	708.963	38.358.929
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	3.952.768	8.501.853	-	(6.433.000)	-
19.a Off-balance sheet foreign currency derivative assets	58.171.379	8.501.853	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	54.218.611	-	-	6.433.000	-
20. Net foreign currency asset/(liability) position	(4.790.961.004)	(757.445.048)	360.969.310	3.910.173	(2.295.526)
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(4.790.961.004)	(757.445.048)	360.969.310	3.910.173	(2.295.526)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity

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

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

Foreign currency sensitivity tables as of 30 June 2020 and 31 December 2019 are as follows:

30 June 2020	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(518.259.050)	518.259.050	-	-
Part of hedged from USD risk	5.817.138	(5.817.138)	-	-
USD net effect	(512.441.912)	512.441.912	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	36.096.931	(36.096.931)	494.921.417	(494.921.417)
Part of hedged from TL risk	-	-	-	-
TL net effect	36.096.931	(36.096.931)	494.921.417	(494.921.417)
Effect of 10% change in GBP rate				
GBP net asset / liability	3.295.572	(3.295.572)	-	-
Part of hedged from GBP risk	(5.421.861)	5.421.861	-	-
GBP net effect	(2.126.289)	2.126.289	-	-

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments

30 June 2020	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	4.136.964.648	-	-	-	4.136.964.648	26
Trade receivables	186.474.416	-	-	-	186.474.416	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	186.474.416	-	-	-	186.474.416	6
Other receivables	656.724.482	-	-	-	656.724.482	
- <i>Related party</i>	314.649	-	-	-	314.649	5
- <i>Other</i>	656.409.833	-	-	-	656.409.833	
Financial investments(**)	211.314.283	-	-	-	211.314.283	
Derivative financial assets	-	-	3.675.239	-	3.675.239	21
Financial liabilities						
Bank borrowings	-	-	-	2.221.754.189	2.221.754.189	22
Obligations under leases	-	-	-	13.303.926.196	13.303.926.196	22
Trade payables	-	-	-	715.282.504	715.282.504	6
- <i>Related party</i>	-	-	-	16.668.420	16.668.420	5
- <i>Other</i>	-	-	-	698.614.084	698.614.084	
Derivative financial liabilities	-	491.941.668	1.635.529	-	493.577.197	21

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

(**) As of 30 June 2020 market prices of financial investments amounting to TL 213.612.637.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments (cont'd)

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments (cont'd)

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	30 June 2020	31 December 2019			
Fuel purchase option contracts	(424.871.611)	(42.733.371)	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	(67.070.057)	(11.321.989)	Level 2	Discounted cash flow method	
Currency forward contracts	3.675.239	(584.353)	Level 2	Discounted cash flow method	
Interest rate swap contracts	(1.635.529)	61.239	Level 2	Discounted cash flow method	
	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
30 June 2020					
Fair value:					
Opening	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)
Fair value increase					
Recognized in equity	(55.748.068)	(170.009.140)	-	-	(225.757.208)
Recognized in profit or loss	-	(212.129.100)	4.259.592	(1.696.768)	(209.566.276)
Closing	(67.070.057)	(424.871.611)	3.675.239	(1.635.529)	(489.901.958)
Assets	-	-	3.675.239	-	3.675.239
Liabilities	(67.070.057)	(424.871.611)	-	(1.635.529)	(493.577.197)
Total net assets and liabilities	(67.070.057)	(424.871.611)	3.675.239	(1.635.529)	(489.901.958)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

Fair Value of Financial Instruments (cont'd)

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

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

None.

NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

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

	30 June 2020	31 December 2019
Cash on hand	411.365	348.239
Cash at banks	4.146.450.388	4.192.730.120
- Demand deposits	26.911.092	34.128.875
- Time deposits	4.119.539.296	4.158.601.245
Less: Allowance for impairment under TFRS 9	(9.897.105)	(5.761.778)
	4.136.964.648	4.187.316.581

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

(Amounts are expressed in TL unless otherwise stated.)

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

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

30 June 2020	Weighted average interest rates	Total
USD deposits	%1,23	2.910.101.774
EUR deposits	%0,64	871.416.573
TL deposits	%8,47	300.498.530
GBP deposits	%0,10	34.701.372
CHF deposits	%0,02	2.821.047
		4.119.539.296

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

Revenue

	Euro 1 January- 30 June 2020	Euro 1 January- 30 June 2019
Scheduled flight and service revenue	300.637.479	679.638.818
<i>International flight revenue</i>	126.483.589	338.740.539
<i>Domestic flight revenue</i>	68.781.845	141.284.904
<i>Service revenue</i>	105.372.045	199.613.375
Charter flight and service revenue	1.448.166	13.068.642
<i>Charter flight revenue</i>	1.399.954	13.043.083
<i>Service revenue</i>	48.212	25.559
Other revenue	6.654.210	4.483.368
	308.739.855	697.190.828

Expenses by Nature

	Euro 1 January- 30 June 2020	Euro 1 January- 30 June 2019
Jet fuel expenses	104.012.107	227.610.239
Depreciation and amortisation expenses	127.634.597	117.139.869
Personnel expenses	68.437.113	98.905.599
Handling and station fees	24.317.035	50.512.700
Navigation expenses	20.020.341	42.085.547
Maintenance expenses	16.649.156	26.345.488
Landing expenses	9.671.230	22.806.158
Commission expenses	5.668.793	10.814.987
Advertising expenses	2.868.895	8.158.287
Passenger service and catering expenses	3.028.724	6.645.080
Other expenses	26.495.319	30.588.697
	408.803.310	641.612.651