

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

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
SIX MONTH INTERIM PERIOD ENDED
30 JUNE 2023

(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 2023 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-months 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.

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 Oz, SMMM
Partner

14 August 2023
İstanbul, Turkey

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(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 2023

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

		Current period (Reviewed) 30 June 2023	Prior period (Audited) 31 December 2022	(*) EUR 30 June 2023	(*) EUR 31 December 2022
	Notes				
ASSETS					
Current assets		38.791.939.181	20.717.301.827	1.377.848.234	1.039.247.843
Cash and cash equivalents	27	15.917.049.520	10.558.266.871	565.356.593	529.637.313
Financial assets	22	9.639.195.344	2.261.353.238	342.373.920	113.436.899
Trade receivables	6	2.117.450.825	1.175.047.670	75.209.591	58.944.247
<i>Trade receivables from third parties</i>		<i>2.117.450.825</i>	<i>1.175.047.670</i>	<i>75.209.591</i>	<i>58.944.247</i>
Other receivables	6	198.271.392	187.841.639	7.042.388	9.422.753
<i>Other receivables from related parties</i>	5	<i>443.313</i>	<i>603.250</i>	<i>15.746</i>	<i>30.261</i>
<i>Other receivables from third parties</i>		<i>197.828.079</i>	<i>187.238.389</i>	<i>7.026.642</i>	<i>9.392.492</i>
Derivative financial instruments	21	6.995.762	267.091.000	248.482	13.398.161
Inventories		777.405.337	501.705.715	27.612.607	25.167.205
Prepaid expenses	7	9.934.190.141	5.614.389.822	352.851.820	281.636.217
Current income tax assets		7.196.838	8.816.150	255.624	442.247
Other current assets		194.184.022	142.789.722	6.897.209	7.162.801
Non-Current assets		107.535.738.832	75.085.744.611	3.819.554.446	3.766.546.965
Financial assets	22	1.371.713.332	4.277.060.923	48.721.792	214.551.411
Other receivables	6	842.697.223	686.474.209	29.931.705	34.435.799
<i>Other receivables from third parties</i>		<i>842.697.223</i>	<i>686.474.209</i>	<i>29.931.705</i>	<i>34.435.799</i>
Derivative financial instruments	21	-	86.308.409	-	4.329.513
Investments accounted by using the equity method	3	501.987.851	365.909.936	17.830.072	18.355.243
Property and equipment	8	4.742.517.932	3.514.594.995	168.449.065	176.303.241
Intangible assets	9	428.763.938	286.951.642	15.229.237	14.394.436
Right of use assets	10	90.147.681.183	58.751.535.645	3.201.949.321	2.947.169.820
Prepaid expenses	7	9.500.377.373	7.116.908.852	337.443.254	357.007.502
TOTAL ASSETS		146.327.678.013	95.803.046.438	5.197.402.680	4.805.794.808

(*)The functional currency of the Group 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 FINANCIAL POSITION
AS OF 30 JUNE 2023

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

		Current period (Reviewed) 30 June 2023	Prior period (Audited) 31 December 2022	(*) EUR 30 June 2023	(*) EUR 31 December 2022
LIABILITIES					
Current liabilities		36.562.442.248	20.759.664.303	1.298.658.884	1.041.372.884
Short term borrowings	22	4.683.001.164	2.119.867.677	166.335.198	106.339.519
Short term portion of long term borrowings	22	836.917.206	1.096.867.696	29.726.405	55.022.483
Short term portion of long term lease liabilities	22	10.658.525.075	6.669.837.262	378.579.423	334.580.924
Trade payables	6	6.450.267.301	3.930.557.016	229.106.603	197.169.638
<i>Trade payables to related parties</i>	5	13.788.844	9.595.784	489.765	481.356
<i>Trade payables to third parties</i>		6.436.478.457	3.920.961.232	228.616.838	196.688.282
Employee benefit obligations		354.891.531	219.603.277	12.605.368	11.016.021
Other payables	6	286.913.529	476.784.279	10.190.862	23.917.064
<i>Other payables to third parties</i>		286.913.529	476.784.279	10.190.862	23.917.064
Passenger flight liabilities	7	10.161.932.973	4.314.917.421	360.941.002	216.450.417
Derivative financial instruments	21	121.123.604	-	4.302.181	-
Deferred income	7	1.025.101.383	708.853.304	36.410.506	35.558.408
Short term provisions		1.983.768.482	1.222.376.371	70.461.336	61.318.410
<i>Short term provisions for employee benefits</i>		780.151.253	676.745.918	27.710.139	33.947.796
<i>Other short term provisions</i>		1.203.617.229	545.630.453	42.751.197	27.370.614
Non-Current liabilities		82.941.950.168	56.998.638.816	2.946.009.454	2.859.238.761
Long term borrowings	22	8.933.451.243	6.459.025.794	317.306.644	324.005.929
Long term lease liabilities	22	65.900.589.534	44.654.342.098	2.340.718.531	2.240.008.332
Derivative financial instruments	21	98.409.407	-	3.495.397	-
Deferred income	7	2.550.432.402	1.233.022.744	90.588.634	61.852.467
Long term provisions		4.518.302.686	3.927.476.098	160.485.284	197.015.089
<i>Long term provisions for employee benefits</i>		830.108.809	574.013.046	29.484.578	28.794.378
<i>Other long term provisions</i>		3.688.193.877	3.353.463.052	131.000.706	168.220.711
Deferred tax liabilities		940.764.896	724.772.082	33.414.964	36.356.944
SHAREHOLDERS' EQUITY		26.823.285.597	18.044.743.319	952.734.342	905.183.163
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		(101.876.516)	(74.584.475)	(3.618.545)	(3.741.402)
Currency translation differences		19.497.673.239	11.667.935.448	-	-
Other comprehensive income/expense to be reclassified to profit or loss					
Currency translation differences		285.507.726	165.445.988	8.219.528	8.071.040
Hedge fund		(175.626.398)	282.719.523	(6.238.062)	14.182.139
Gain on financial assets measured at fair value		14.328.106	26.847.705	508.919	1.346.769
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		5.397.932.457	(1.702.212.691)	626.643.772	195.884.759
Net income/(loss) for the period		1.326.900.310	7.100.145.148	68.537.885	430.759.013
TOTAL LIABILITIES AND EQUITY		146.327.678.013	95.803.046.438	5.197.402.680	4.805.794.808

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

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

Profit or loss	Notes	Current period	Prior period	Current period	Prior period	(*)	(*)	(*)	(*)
		(Reviewed) 1 January- 30 June 2023	(Reviewed) 1 January- 30 June 2022	(Not reviewed) 1 April - 30 June 2023	(Not reviewed) 1 April - 30 June 2022	EUR 1 January- 30 June 2023	EUR 1 January- 30 June 2022	EUR 1 April - 30 June 2023	EUR 1 April - 30 June 2022
Sales	15	23.902.449.110	12.415.000.029	15.109.008.411	8.351.000.351	1.099.688.837	774.074.243	657.286.297	504.248.315
Cost of sales (-)	15	(19.753.371.707)	(12.000.990.807)	(11.202.646.737)	(7.594.714.502)	(906.240.169)	(731.967.173)	(482.959.162)	(450.833.067)
Gross profit/(loss)		4.149.077.403	414.009.222	3.906.361.674	756.285.849	193.448.668	42.107.070	174.327.135	53.415.248
General administrative expenses (-)	16	(666.336.239)	(318.898.128)	(370.099.906)	(152.336.093)	(28.245.979)	(20.109.122)	(13.561.386)	(9.267.969)
Marketing expenses (-)	16	(578.495.908)	(309.649.146)	(360.653.108)	(186.756.504)	(24.454.637)	(18.740.862)	(13.817.360)	(10.996.845)
Other operating income	17	432.429	309.357	432.429	1.005.322	20.743	239.048	3.511.927	97.525
Other operating expenses (-)	17	(550.386.904)	(134.099.441)	(547.910.699)	(97.645.495)	(25.712.046)	(7.875.966)	(29.107.965)	(5.494.284)
Operating gain/(loss)		2.354.290.781	(348.328.136)	2.628.130.390	320.553.079	115.056.749	(4.379.832)	121.352.351	27.753.675
Income from investing activities	18	691.981.066	234.190.475	551.213.005	99.590.538	26.053.085	14.257.913	18.913.150	4.004.071
Expenses from investing activities (-)	18	(92.154.371)	(3.950.200)	(99.196.045)	1.063.484	(3.359.853)	(243.680)	(3.359.853)	1.897.848
Share of investments income accounted for using the equity method	3	7.605.460	3.000.051	(2.434.497)	(1.591.685)	356.234	185.067	(140.102)	(108.883)
Operating gain/(loss) before financial expense		2.961.722.936	(115.087.810)	3.077.712.853	419.615.416	138.106.215	9.819.468	136.765.546	33.546.711
Financial income	19	707.320.012	106.774.841	191.144.916	52.673.358	37.195.219	6.495.339	11.633.253	3.071.513
Financial expense (-)	19	(2.292.146.437)	(1.971.931.213)	(1.284.238.921)	(1.306.678.474)	(104.421.763)	(122.632.539)	(54.807.348)	(79.609.769)
Profit/(Loss) before tax		1.376.896.511	(1.980.244.182)	1.984.618.848	(834.389.700)	70.879.671	(106.317.732)	93.591.451	(42.991.545)
Tax income/(expense)		(49.996.201)	90.122.908	(59.598.955)	43.886.801	(2.341.786)	5.559.483	(2.816.509)	2.599.572
Deferred tax income/(expense)	26	(49.996.201)	90.122.908	(59.598.955)	43.886.801	(2.341.786)	5.559.483	(2.816.509)	2.599.572
Profit/(Loss) for the period		1.326.900.310	(1.890.121.274)	1.925.019.893	(790.502.899)	68.537.885	(100.758.249)	90.774.942	(40.391.973)
Income/(loss) per share (TL) / (EUR)	20	12,97	(18,48)	18,82	(7,73)	0,67	(0,98)	0,89	(0,39)

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

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

	Current period (Reviewed) 1 January- 30 June 2023	Prior period (Reviewed) 1 January- 30 June 2022	Current period (Not reviewed) 1 April - 30 June 2023	Prior period (Not reviewed) 1 April - 30 June 2022	(*) EUR 1 January- 30 June 2023	(*) EUR 1 January- 30 June 2022	(*) EUR 1 April - 30 June 2023	(*) EUR 1 April - 30 June 2022
Other comprehensive income								
Items not to be reclassified to profit or loss								
Actuarial (losses) / gains on defined benefit plans	(34.115.051)	(22.060.258)	23.586.437	(22.060.258)	153.571	(1.096.448)	2.732.436	(1.096.448)
Deferred tax effect	6.823.010	4.412.052	(4.717.287)	4.412.052	(30.714)	219.290	(546.487)	219.290
Currency translation differences	7.829.737.791	1.408.596.285	6.775.539.949	556.439.989	-	-	-	735.477
Items to be reclassified to profit or loss								
Currency translation differences	120.061.738	54.526.099	267.889.970	31.222.905	148.488	1.817.177	337.158	1.081.700
Gain on financial assets measured at fair value	(15.649.499)	-	(3.458.565)	-	(1.047.313)	-	(391.089)	-
Cash flow hedge	(572.932.420)	946.159.350	(233.768.429)	(14.882.594)	(25.525.252)	52.192.510	(8.481.904)	(5.625.086)
Deferred tax effect	117.716.399	(217.616.661)	47.445.406	3.423.000	5.314.514	(12.004.278)	1.774.599	1.293.770
Other comprehensive income	7.451.641.968	2.174.016.867	6.872.517.481	558.555.094	(20.986.706)	41.128.251	(4.575.287)	(3.391.297)
Total comprehensive income	8.778.542.278	283.895.593	8.797.537.374	(231.947.805)	47.551.179	(59.629.998)	86.199.655	(43.783.270)

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

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2023**

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

			Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss			Retained earnings			Shareholders' equity
	Paid in share capital	Share premiums on capital stock	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Currency translation differences	Hedge reserve	Gain on financial assets measured at fair value	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	
As at 1 January 2022	102.299.707	455.687.025	(11.780.564)	7.812.992.040	66.452.418	125.948.205	-	20.459.941	270.265.658	(1.972.478.349)	6.869.846.081
Transfers	-	-	-	-	-	-	-	-	(1.972.478.349)	1.972.478.349	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	(1.890.121.274)	(1.890.121.274)
Other comprehensive income / (expense)	-	-	(17.648.206)	1.408.596.285	54.526.099	728.542.689	-	-	-	-	2.174.016.867
As at 30 June 2022	102.299.707	455.687.025	(29.428.770)	9.221.588.325	120.978.517	854.490.894	-	20.459.941	(1.702.212.691)	(1.890.121.274)	7.153.741.674
As at 1 January 2023	102.299.707	455.687.025	(74.584.475)	11.667.935.448	165.445.988	282.719.523	26.847.705	20.459.941	(1.702.212.691)	7.100.145.148	18.044.743.319
Transfers	-	-	-	-	-	-	-	-	7.100.145.148	(7.100.145.148)	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	1.326.900.310	1.326.900.310
Other comprehensive income / (expense)	-	-	(27.292.041)	7.829.737.791	120.061.738	(458.345.921)	(12.519.599)	-	-	-	7.451.641.968
As at 30 June 2023	102.299.707	455.687.025	(101.876.516)	19.497.673.239	285.507.726	(175.626.398)	14.328.106	20.459.941	5.397.932.457	1.326.900.310	26.823.285.597

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

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023

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

		Current period (Reviewed) 1 January- 30 June 2023	Prior period (Reviewed) 1 January- 30 June 2022	(*) EUR 1 January- 30 June 2023	(*) EUR 1 January- 30 June 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES					
Income/(loss) for the period		1.326.900.310	(1.890.121.274)	68.537.885	(100.758.249)
Adjustments to reconcile the income/(loss)					
Depreciation and amortization	8-9-10	3.047.808.964	2.159.240.177	142.757.235	133.199.158
Adjustments related with impairments		98.139.384	24.298.445	3.640.187	1.498.922
<i>Provision for doubtful receivable</i>		<i>5.985.013</i>	<i>20.348.245</i>	<i>280.334</i>	<i>1.255.242</i>
Adjustments related with financial investment impairments		92.154.371	3.950.200	3.359.853	243.680
Adjustments related with provisions		413.037.872	99.422.022	15.381.284	(4.581.899)
<i>Provision for employee benefits</i>		<i>350.264.253</i>	<i>138.153.799</i>	<i>12.441.012</i>	<i>7.884.546</i>
<i>Legal provision</i>		<i>6.747.152</i>	<i>4.135.659</i>	<i>316.032</i>	<i>255.120</i>
<i>Change in redelivery provision</i>		<i>56.026.467</i>	<i>(42.867.436)</i>	<i>2.624.240</i>	<i>(12.721.565)</i>
Interest and commission income		1.498.427.294	938.284.747	69.556.663	57.604.705
Adjustments related with fair value expense (income)		15.649.498	(25.574.512)	1.047.312	(1.459.557)
<i>Adjustments related with fair value expense (income) of financial assets</i>		<i>15.649.498</i>	<i>(25.574.512)</i>	<i>1.047.312</i>	<i>(1.459.557)</i>
Gain on equity investments accounted for using the equity method	3	(7.605.460)	(3.000.051)	(356.234)	(185.067)
Current tax expense		49.996.201	(90.122.908)	2.341.786	(5.559.483)
Adjustments for (income)/expense caused by sale or changes in share of joint ventures		-	(80.626.933)	-	(5.190.558)
Other provisions related with investing or financing activities		(600.256.613)	809.796.129	(28.103.533)	50.052.018
Changes in working capital					
Increase in trade receivables		(353.243.498)	(900.855.091)	(16.545.678)	(55.571.928)
Increase in other receivables, prepaid expenses and other assets		(1.367.944.385)	(94.303.166)	(67.573.301)	(5.656.257)
Increase in inventories		(52.208.339)	(249.158.309)	(2.445.402)	(15.370.072)
Increase in trade payables		681.841.225	1.084.583.193	31.936.965	66.905.743
Increase in deferred income, other payables and other current liabilities		2.989.174.223	3.915.821.622	135.234.307	278.739.067
Net cash generated from operating activities		7.739.716.676	5.697.684.091	355.409.476	393.666.543
Payment for the employee benefits provisions		(365.667.165)	(145.814.918)	(17.165.760)	(8.340.144)
Payment for other provisions		(287.908)	(124.400)	(13.485)	(7.674)
		7.373.761.603	5.551.744.773	338.230.231	385.318.725
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Cash inflows caused by share sales of joint ventures		-	35.622.514	-	2.230.116
Net cash changes from acquisition and sale of debt instruments of other entities		(749.455.062)	(577.714.659)	(34.423.664)	(32.517.349)
Net cash changes from purchase and sale of property, equipment and intangible assets		(232.153.974)	406.858.365	(10.873.929)	15.395.830
Interest received from financial investment		201.485.346	95.077.500	11.139.011	4.267.395
Changes in cash advances and payables		(392.665.554)	(1.193.001.268)	(18.392.179)	(73.593.835)
Other cash changes		(890.709.300)	45.165.908	(32.000.000)	500.000
		(2.063.498.544)	(1.187.991.640)	(84.550.761)	(83.717.843)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		3.275.626.200	1.015.508.680	159.650.000	62.714.805
Repayment of borrowings		(2.569.166.715)	(2.096.094.280)	(125.000.000)	(130.974.927)
Repayment of principal in lease liabilities		(3.573.253.683)	(1.974.842.124)	(167.368.698)	(126.735.099)
Interest and commission paid		(1.762.347.475)	(941.461.359)	(87.568.655)	(59.879.521)
Interest received		76.931.885	148.694.694	3.603.436	9.172.675
		(4.552.209.788)	(3.848.194.389)	(216.683.917)	(245.702.067)
NET DECREASE IN CASH AND CASH EQUIVALENTS					
BEFORE TRANSLATION EFFECT (A+B+C)		758.053.271	515.558.744	36.995.553	55.898.815
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS		4.600.729.378	2.230.283.383	(1.276.273)	23.795.820
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		5.358.782.649	2.745.842.127	35.719.280	79.694.635
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD		10.558.266.871	6.976.779.772	529.637.313	475.183.028
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)		15.917.049.520	9.722.621.899	565.356.593	554.877.663

(*)The functional currency of the Group 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 2023**

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The shareholders and their respective holdings in the Company as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Esas Holding A.Ş. (“Esas Holding”)	56,65%	56,65%
Publicly held	41,53%	41,53%
Sabancı Family Members	1,82%	1,82%
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 2023 is 7.336 (31 December 2022: 6.765). 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 consolidated financial statements as of 30 June 2023 and delegated authority for publishing it on 14 Aug 2023. General shareholders’ meeting has the authority to modify the financial statements. The Group has prepared its financial statements in accordance with the going concern principle.

COVID-19 Effects

The Covid-19 pandemic, that had worldwide negative effects, had a significant impact on the aviation industry in which the Group operates. The Group has taken several measures during 2020, 2021 and the first quarter of 2022, in order to maintain the cash position and the current ratio. Negative effects of the Covid-19 pandemic continued in the first quarter of 2022. Starting from the second quarter of 2022, recovering back to the pre-Covid-19 operational figures has been observed and impact of Covid-19 has completely dissappeared.

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

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

Functional and Presentation Currency

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

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

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

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

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

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey ("TCMB") Euro rate prevailing at the balance sheet date,
- Incomes are converted from Euros to TL using the monthly average exchange rates and expense items at the registered exchange rates on the relevant transaction date.

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 2023**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Euro Amounts in the Financial Statements

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

Comparative Information and Reclassification of Prior Period Financial Statements

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

- In the statement of changes in equity dated 30 June 2022, TL 54.526.099 of the foreign currency translation differences account to be reclassified to profit or loss has been reclassified to foreign currency translation differences that will not be reclassified to profit or loss.
- In the income statement dated 30 June 2022, the amount of TL 8.953.685 of other income from main activities was classified into the cost of sales account.

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 June 2023 and 31 December 2022:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>30 June 2023</u>	<u>31 December 2022</u>	
Pegasus Havacılık Teknolojileri ve Ticaret A.Ş.	Simulator technical support and maintenance	100%	100%	Turkey

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these joint ventures as of 30 June 2023 and 31 December 2022:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Ownership type</u>	<u>Country of registration and operation</u>
		<u>30 June 2023</u>	<u>31 December 2022</u>		
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training Information	49,40%	49,40%	Joint venture	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	system solutions	36,82%	36,82%	Joint venture	Turkey

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.2 Changes in Accounting Estimates

Changes in accounting estimates are applied prospectively. If it is related to a given period in which the change is effective, it only impacts the current period. If it relates to future periods, they are recognized prospectively both in the current period and in the future period. Significant errors identified by the Group in the accounting estimates are applied retrospectively and prior period financial statements are restated. The Group has not made changes in the current period accounting estimates for the useful lives of tangible assets and right of use assets, which is evaluated at the end of each period.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as of June 30, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations the Group's financial position and performance have been disclosed in the related paragraphs.

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

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

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

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. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA. This change has no impact on the financial position and performance of the Group.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

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

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 12 as well as IAS 7 and IFRS 7 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

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

In May 2023, IASB issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. Overall, the Group expects no significant impact on its balance sheet and equity.

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

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

2.4 Seasonality on Operations

Due to seasonality of air passenger transportation, it's expected to incur higher revenues in the second half of the year compared to the first half. Besides, as a result of higher sales with the effect of summer season and growth in operations of the Company, trade receivables and passenger flight liabilities increased as of 30 June 2023 compared to last year-end.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 June 2023	31 December 2022
Joint ventures		
Hitit Bilgisayar	462.128.987	327.481.600
PUEM	39.858.864	38.428.336
	501.987.851	365.909.936

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

	1 January- 30 June 2023	1 January- 30 June 2022
Hitit Bilgisayar	18.535.328	2.121.274
PUEM	(10.929.868)	878.777
Net profit	7.605.460	3.000.051

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

PUEM

	30 June 2023	31 December 2022
Current assets	80.541.517	23.544.164
Non-current assets	4.116.741	64.944.400
Current liabilities	(3.614.724)	(3.373.631)
Non-current liabilities	(357.574)	(7.324.780)
Net assets of joint venture	80.685.960	77.790.153
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	39.858.864	38.428.336

PUEM

	1 January- 30 June 2023	1 January- 30 June 2022
Revenue	-	9.422.906
Depreciation&amortisation expense	(907.367)	(3.659.636)
Interest income/(expense), net	749.473	105.074
Profit for the year	(22.125.239)	1.778.899
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	(10.929.868)	878.777

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Hitit Bilgisayar

	30 June 2023	31 December 2022
Current assets	562.545.078	460.418.880
Non-current assets	866.566.047	572.104.574
Current liabilities	(116.511.865)	(103.706.250)
Non-current liabilities	(66.023.418)	(45.579.500)
Net assets of joint venture	1.246.575.842	883.237.704
Group's ownership interest in the joint venture	36,82%	36,82%
Goodwill	3.139.762	2.273.477
Group's share in the net assets of the joint venture	462.128.987	327.481.600
	1 January- 30 June 2023	1 January- 30 June 2022
Revenue	246.778.161	116.761.819
Depreciation&amortisation expense	(18.811.265)	(22.785.051)
Interest income/(expense), net	42.252.207	12.599.884
Profit for the year	50.340.380	4.937.103
Group's weighted average ownership interest	36,82%	41,12%
Group's share in the net profit of the joint venture	18.535.328	2.121.274

NOTE 4 - SEGMENT REPORTING

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

NOTE 5 - RELATED PARTY TRANSACTIONS

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

NOTE 5 - RELATED PARTY TRANSACTIONS

(i) Balances with Related Parties:

a) Other receivables from related parties

	30 June 2023	31 December 2022
Balances with joint ventures:		
PUEM	443.313	603.250
	443.313	603.250

b) Trade payables to related parties

	30 June 2023	31 December 2022
Balances with joint ventures:		
Hitit Bilgisayar	13.788.844	8.828.375
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	-	706.969
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	-	60.440
	13.788.844	9.595.784

(ii) Significant Transactions with Related Parties:

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

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

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

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.

a) Other income from related parties

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Transactions with joint ventures:				
PUEM	1.592.144	1.333.914	601.991	769.343
	1.592.144	1.333.914	601.991	769.343

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NOTE 5 - RELATED PARTY TRANSACTIONS

(ii) Significant Transactions with Related Parties:

b) Purchases of goods or services

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Transactions with joint ventures:				
Hitit Bilgisayar	68.816.480	26.173.247	33.483.371	13.498.026
PUEM	-	9.422.906	-	4.314.285
Transactions with other related parties:				
Alarm Sağlık	222.926	205.648	111.463	170.083
Esasburda	5.110.872	3.093.140	3.109.013	1.847.193
	74.150.278	38.894.941	36.703.847	19.829.587

c) Rent expenses

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Esasburda(*)	10.214.751	6.542.383	5.139.096	3.271.192
	10.214.751	6.542.383	5.139.096	3.271.192

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

d) Commission expenses

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Esas Holding	9.470.785	8.399.427	5.038.331	4.306.260
	9.470.785	8.399.427	5.038.331	4.306.260

(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 2023 and 30 June 2022 are as follows:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Salaries and other short term benefits	125.598.526	42.107.690	114.642.592	36.500.839
Other long term benefits	275.256.543	9.694.873	275.256.543	9.694.873
	400.855.069	51.802.563	389.899.135	46.195.712

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term trade receivables

The details of short term trade receivables as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Trade receivables	1.319.621.728	863.921.651
Credit card receivables	827.220.258	348.232.690
Income accruals	38.025.098	11.208.507
	2.184.867.084	1.223.362.848
Less: Allowance for impairment	(67.416.259)	(48.315.178)
	2.117.450.825	1.175.047.670

The average collection period of trade receivables is approximately 27 days (31 December 2022: 19 days).

Short term trade payables

The details of short term trade payables as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Trade payables	1.385.658.201	2.218.777.564
Accrued direct operational costs	5.050.820.256	1.702.183.668
Other accrued expenses (Note 5)	13.788.844	9.595.784
	6.450.267.301	3.930.557.016

The average credit period of trade payables is approximately 47 days (31 December 2022: 33 days).

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term other receivables

The details of short term other receivables as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Deposits and guarantees given(*)	144.646.771	23.340.153
Receivables from pilots for flight training	27.438.247	47.775.128
Receivables from pilots tax office	18.406.022	113.873.497
Other receivables	7.780.352	2.852.861
	198.271.392	187.841.639

(*) The amount of TL 100.328.385 in deposits given, consists of guarantees given to the banks regarding the valuation of derivative transactions.

Long term other receivables

The details of long term other receivables as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Receivables from pilot trainings	141.633.923	169.825.358
Deposits given	701.063.300	516.648.851
	842.697.223	686.474.209

Short term other payables

	30 June 2023	31 December 2022
Taxes payables	141.711.398	268.261.332
Deposits received	145.202.131	208.522.947
	286.913.529	476.784.279

NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

The details of prepaid expenses as of 30 June 2023 and 31 December 2022 are as follows:

Short term prepaid expenses

	30 June 2023	31 December 2022
Advances on aircraft purchases	6.609.608.412	3.582.029.083
Advances to suppliers	2.915.308.098	1.680.841.293
Prepaid insurance expenses	161.323.827	245.762.328
Other prepaid expenses	247.949.804	105.757.118
	9.934.190.141	5.614.389.822

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NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

Long term prepaid expenses

	30 June 2023	31 December 2022
Advances on aircraft purchases	1.656.844.787	2.656.767.113
Prepaid maintenance expenses	7.617.860.576	4.369.136.241
Other prepaid expenses	225.672.010	91.005.498
	9.500.377.373	7.116.908.852

Deferred Revenue

Contract Liabilities

The details of passenger flight liabilities as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Flight liability from ticket sales	8.128.695.193	3.113.826.918
Passenger airport fees received from customers (*)	1.600.492.431	878.789.793
Flight liability from flight points	432.745.349	322.300.710
	10.161.932.973	4.314.917.421

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

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	30 June 2023	31 December 2022
Advances received from customers	843.724.270	293.980.382
Other deferred income	181.377.113	414.872.922
	1.025.101.383	708.853.304

Long term deferred income

	30 June 2023	31 December 2022
Income relating to deferred periods	2.550.432.402	1.233.022.744
	2.550.432.402	1.233.022.744

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NOTE 8 - PROPERTY AND EQUIPMENT

30 June 2023	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Construction in progress	Total
Cost:							
Opening	455.640.098	349.627.476	632.787.660	274.988.427	4.224.535.938	232.154.809	6.169.734.408
Additions	69.411.330	18.874.948	19.836.671	1.148.488	676.606.385	108.528.281	894.406.103
Transfers (*)	163.682.370	-	-	-	(975.850.241)	(163.682.370)	(975.850.241)
Currency translation differences	274.346.424	150.166.072	267.218.688	101.629.598	1.647.036.557	65.941.150	2.506.338.489
Closing	963.080.222	518.668.496	919.843.019	377.766.513	5.572.328.639	242.941.870	8.594.628.759
Accumulated depreciation:							
Opening	(222.188.743)	(147.055.884)	(497.562.637)	(269.887.379)	(1.518.444.770)	-	(2.655.139.413)
Depreciation for the year	(24.779.279)	(16.948.038)	(11.889.656)	(1.941.704)	(108.629.590)	-	(164.188.267)
Currency translation differences	(99.505.251)	(66.032.273)	(208.932.991)	(99.694.811)	(558.617.821)	-	(1.032.783.147)
Closing	(346.473.273)	(230.036.195)	(718.385.284)	(371.523.894)	(2.185.692.181)	-	(3.852.110.827)
Net book value	616.606.949	288.632.301	201.457.735	6.242.619	3.386.636.458	242.941.870	4.742.517.932

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

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NOTE 8 - PROPERTY AND EQUIPMENT

30 June 2022	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned Aircraft	Construction in progress	Total
Cost:								
Opening	328.051.474	240.358.784	420.770.320	201.310.205	2.300.278.226	-	62.237.743	3.553.006.752
Additions	3.699.241	25.154.532	14.402.682	-	286.401.166	-	-	329.657.621
Disposals	-	(24.170.165)	(133.382)	-	-	-	-	(24.303.547)
Transfers (*)	-	-	-	-	(273.340.149)	-	-	(273.340.149)
Currency translation difference	63.749.869	46.569.008	82.538.377	38.936.728	446.123.761	-	(1.264.270)	676.653.473
Closing	395.500.584	287.912.159	517.577.997	240.246.933	2.759.463.004	-	60.973.473	4.261.674.150
Accumulated depreciation:								
Opening	(134.047.329)	(107.894.471)	(337.140.263)	(196.327.306)	(922.746.496)	-	-	(1.698.155.865)
Depreciation for the year	(16.322.304)	(9.770.118)	(16.359.021)	(1.340.439)	(120.316.267)	-	-	(164.108.149)
Disposals	-	16.400.296	85.770	-	2.723	-	-	16.488.789
Currency translation difference	(27.247.495)	(20.332.177)	(66.525.064)	(38.081.398)	(188.208.201)	-	-	(340.394.335)
Closing	(177.617.128)	(121.596.470)	(419.938.578)	(235.749.143)	(1.231.268.241)	-	-	(2.186.169.560)
Net book value	217.883.456	166.315.689	97.639.419	4.497.790	1.528.194.763	-	60.973.473	2.075.504.590

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

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NOTE 9 - INTANGIBLE ASSETS

Software	30 June 2023	30 June 2022
Cost:		
Opening	839.518.220	518.723.852
Additions	105.364.173	36.954.867
Currency translation differences	342.856.172	103.319.576
Closing	1.287.738.565	658.998.295
Accumulated amortization:		
Opening	(552.566.578)	(334.778.125)
Amortization for the year	(59.593.313)	(37.294.366)
Currency translation differences	(246.814.736)	(67.768.857)
Closing	(858.974.627)	(439.841.348)
Net book value	428.763.938	219.156.947

NOTE 10 – RIGHT OF USE ASSETS

30 June 2023	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	283.893.559	148.455.626	82.964.106.462	6.206.993	83.402.662.640
Additions	-	-	7.591.988.207	-	7.591.988.207
Disposals	-	-	(4.652.292.638)	-	(4.652.292.638)
Transfers(*)	-	-	262.791.078	-	262.791.078
Currency translation difference	117.048.470	61.207.813	35.279.878.001	2.559.125	35.460.693.409
Closing	400.942.029	209.663.439	121.446.471.110	8.766.118	122.065.842.696
Accumulated depreciation:					
Opening	(163.725.209)	(74.916.774)	(24.406.278.019)	(6.206.993)	(24.651.126.995)
Depreciation for the period	(32.796.886)	(11.360.975)	(2.779.869.523)	-	(2.824.027.384)
Disposals	-	-	4.652.292.638	-	4.652.292.638
Currency translation difference:	(77.956.232)	(34.508.860)	(8.980.275.555)	(2.559.125)	(9.095.299.772)
Closing	(274.478.327)	(120.786.609)	(31.514.130.459)	(8.766.118)	(31.918.161.513)
Net book value	126.463.702	88.876.830	89.932.340.651	-	90.147.681.183
30 June 2022	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	138.769.727	93.447.393	49.776.169.379	4.571.527	50.012.958.026
Additions	-	-	7.477.044.228	-	7.477.044.228
Disposals	-	-	(1.192.116.893)	-	(1.192.116.893)
Transfers	-	-	(1.822.974.823)	-	(1.822.974.823)
Currency translation difference:	26.840.363	18.074.274	10.135.822.766	884.209	10.181.621.612
Closing	165.610.090	111.521.667	64.373.944.657	5.455.736	64.656.532.150
Accumulated depreciation:					
Opening	(89.200.663)	(39.421.550)	(17.184.460.525)	(4.571.527)	(17.317.654.265)
Depreciation for the period	(15.934.687)	(6.871.132)	(1.935.031.843)	-	(1.957.837.662)
Disposals	-	-	846.373.715	-	846.373.715
Transfers	-	-	930.975.438	-	930.975.438
Currency translation difference:	(18.542.048)	(8.180.675)	(3.336.566.584)	(884.209)	(3.364.173.516)
Closing	(123.677.398)	(54.473.357)	(20.678.709.799)	(5.455.736)	(20.862.316.290)
Net book value	41.932.692	57.048.310	43.695.234.858	-	43.794.215.860

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NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 102.775.983 as of 30 June 2023 (31 December 2022: TL 76.324.018). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 23.724.995 (31 December 2022: TL 17.992.364) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

Tax Inspection

The Group's VAT transactions regarding loyalty card practices in year 2018 have been examined in 2020. The Company have been notified with a report stating "no subject to be examined have been found" in May 2021. However the judgement commission has objected this verdict and TL 1.780.660,72 million tax assessment has been declared to the Company. Against the assessment, the Company filed a tax lawsuit on September 6, 2021, the petition of the counter party was received on October 25, 2021 and the petition was answered on November 23, 2021. The 7th Tax Court of Istanbul decided to accept our case and reject all assessments on June 29, 2022, and the defendant Revenue Administration objected to the decision in August and submitted the petition of appeal to the Tax Court. The petition of appeal was notified to Company on September 28, 2022 and this petition answered within one month. Following the rejection of the opposite party's appeal, this time an appeal was made, and the defendant's appeal was served in April 2023. This petition was also answered by the Company within the time limit. The said lawsuit continues as of June 30, 2022. The Company has not recorded any provision in the financial statements in line with the opinions received from its lawyers regarding the aforementioned case.

Passenger Service Fee

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

NOTE 12 - COMMITMENTS

Purchase Commitments

	30 June 2023	31 December 2022
Commitments to purchase aircraft	168.499.166.064	136.528.186.673
	168.499.166.064	136.528.186.673

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NOTE 12 - COMMITMENTS

Purchase Commitments

As of 30 June 2023, the Group holds firm orders for 42 aircraft. In accordance to with agreement the expected deliveries are 10 aircraft in 2023, 21 aircraft in 2024, 11 aircraft in 2025. The purchase commitments for these aircraft were calculated based on their list prices and actual buying prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 8.268.218.793 (31 December 2022: TL 6.238.796.196) and TL 6.609.608.412 TL of this amount is reclassified under short term, TL 1.658.610.381 of this amount is reclassified under long term prepaid expenses (31 December 2022: TL 3.582.029.083 of this amount is reclassified under short term, TL 2.656.767.113 of this amount is reclassified under long term prepaid expenses).

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 30 June 2023 is as follows:

30 June 2023		TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity						
	-Collateral	1.704.541.170	48.172.763	12.199.799	68.239.400	48.858.553
	-Pledge	-	-	-	-	-
	-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation						
	-Collateral	-	-	-	-	-
	-Pledge	-	-	-	-	-
	-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations						
	-Collateral	-	-	-	-	-
	-Pledge	-	-	-	-	-
	-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given						
i. Total amount of CPM given on behalf of the Parent						
	-Collateral	-	-	-	-	-
	-Pledge	-	-	-	-	-
	-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C						
	-Collateral	-	-	-	-	-
	-Pledge	-	-	-	-	-
	-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C						
	-Collateral	-	-	-	-	-
	-Pledge	-	-	-	-	-
	-Mortgage	-	-	-	-	-
		1.704.541.170	48.172.763	12.199.799	68.239.400	48.858.553

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NOTE 12 - COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

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

The other CPMs (in the scope of item D) given by the Company constitute 0% of the Company’s equity as of 30 June 2022.

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

31 December 2022	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.801.907.497	74.312.141	9.477.775	191.406.235	32.052.059
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	1.801.907.497	74.312.141	9.477.775	191.406.235	32.052.059

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

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

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NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years periods 30 June 2023 and 31 December 2022 are as follows:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Jet fuel expenses	7.634.349.909	5.351.767.928	4.341.552.216	3.784.461.432
Depreciation and amortisation expenses	3.047.808.964	2.159.240.177	1.572.244.605	1.183.157.501
Personnel expenses	3.231.145.917	1.421.003.944	1.876.317.267	773.953.712
Handling and station fees	1.843.549.179	932.592.804	1.129.843.289	556.348.500
Navigation expenses	1.614.180.964	783.807.049	1.045.460.190	463.781.314
Maintenance expenses	564.088.071	647.798.209	217.618.784	382.526.983
Landing expenses	889.043.434	381.554.032	563.193.090	228.163.777
Passenger service and catering expenses	224.241.301	85.722.631	112.830.232	51.008.831
Commission expenses	255.516.035	133.591.245	150.724.314	80.856.864
Operating lease expenses	241.860.343	-	168.132.323	-
Advertising expenses	153.934.718	66.769.917	104.973.429	44.378.674
Other expenses	1.298.485.019	665.690.145	650.510.012	385.169.511
	20.998.203.854	12.629.538.081	11.933.399.751	7.933.807.099

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

The Company's shareholding structure as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023		31 December 2022	
Shareholders:	(%)	TL	(%)	TL
Esas Holding	56,65	57.959.838	56,65	57.959.838
Publicly held	41,53	42.482.689	41,53	42.482.689
Emine Kamışlı	0,61	619.060	0,61	619.060
Ali İsmail Sabancı	0,61	619.060	0,61	619.060
Kazım Köseoğlu	0,30	309.530	0,30	309.530
Can Köseoğlu	0,30	309.530	0,30	309.530
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 2022: 102.299.707 shares). All issued shares are fully paid in cash.

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NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 30 June 2023 and 31 December 2022 are as follows:

Sales:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Scheduled flight and service revenue	23.521.280.697	11.968.795.619	14.846.493.880	7.990.277.308
<i>International flight revenue</i>	<i>12.996.853.050</i>	<i>6.549.072.248</i>	<i>8.586.402.832</i>	<i>4.630.502.649</i>
<i>Domestic flight revenue</i>	<i>2.700.677.932</i>	<i>1.881.873.773</i>	<i>1.564.088.663</i>	<i>1.247.460.912</i>
<i>Service revenue</i>	<i>7.823.749.715</i>	<i>3.537.849.598</i>	<i>4.696.002.385</i>	<i>2.112.313.747</i>
Charter flight and service revenue	291.719.864	384.343.061	218.058.685	318.312.965
<i>Charter flight revenue</i>	<i>291.719.864</i>	<i>384.343.061</i>	<i>218.058.685</i>	<i>318.312.965</i>
Other revenue	89.448.549	61.861.349	44.455.846	42.410.078
	23.902.449.110	12.415.000.029	15.109.008.411	8.351.000.351

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

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

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Europe	9.503.703.451	4.625.738.878	6.601.873.587	3.331.686.394
Domestic	2.700.677.932	1.881.873.773	1.564.088.663	1.247.460.912
Other	3.493.149.599	1.923.333.370	1.984.529.245	1.298.816.255
	15.697.530.982	8.430.946.021	10.150.491.495	5.877.963.561

Cost of sales:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Jet fuel expenses	7.634.349.909	5.351.767.928	4.341.552.216	3.784.461.432
Depreciation and amortisation expenses	2.932.657.000	2.078.153.951	1.519.599.497	1.140.912.684
Personnel expenses	2.904.825.697	1.268.967.744	1.680.637.812	727.980.637
Handling and station fees	1.843.549.179	932.592.804	1.129.843.289	556.348.500
Navigation expenses	1.614.180.964	783.807.049	1.045.460.190	463.781.314
Maintenance expenses	564.088.071	647.798.209	217.618.784	382.526.983
Landing expenses	889.043.434	381.554.032	563.193.090	228.163.777
Passenger service and catering expenses	224.241.301	85.722.631	112.830.232	51.008.831
Insurance expenses	197.108.516	121.034.080	99.690.621	58.527.225
Operating lease expenses	241.860.343	-	168.132.323	-
Other expenses	707.467.293	349.592.379	324.088.683	201.003.119
	19.753.371.707	12.000.990.807	11.202.646.737	7.594.714.502

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Marketing expenses	578.495.908	309.649.146	360.653.108	186.756.504
General administrative expenses	666.336.239	318.898.128	370.099.906	152.336.093
	1.244.832.147	628.547.274	730.753.014	339.092.597

The details of general administrative expenses and marketing expenses for the periods ended 30 June 2023 and 30 June 2022 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Personnel expenses	247.837.302	113.257.713	142.963.549	35.188.877
Depreciation and amortisation expenses	92.121.571	64.868.981	42.116.086	33.795.854
IT expenses	137.522.133	81.743.358	78.742.612	46.492.070
Consultancy expenses	27.075.882	13.933.203	20.418.058	9.700.638
Communication expenses	20.887.297	3.404.631	13.485.618	2.656.539
Legal and notary expenses	18.230.307	9.993.564	8.467.012	7.448.890
Office utility expenses	14.012.326	4.825.211	6.001.391	2.571.933
Travel expenses	49.489.080	4.330.217	27.548.932	3.333.754
Training expenses	2.234.212	1.952.956	1.238.931	1.477.305
Other expenses	56.926.129	20.588.294	29.117.717	9.670.233
	666.336.239	318.898.128	370.099.906	152.336.093

Marketing expenses:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Commission expenses	255.516.035	133.591.245	150.724.314	80.856.864
Advertising expenses	153.934.718	66.769.917	104.973.429	44.378.674
Call center expenses	52.252.771	19.136.398	31.710.117	9.097.777
Personnel expenses	78.482.918	38.778.487	52.715.906	10.784.198
Depreciation and amortisation expenses	23.030.393	16.217.245	10.529.022	8.448.963
Other expenses	15.279.073	35.155.854	10.000.320	33.190.028
	578.495.908	309.649.146	360.653.108	186.756.504

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods ended 30 June 2023 and 30 June 2022 are as follows:

Other operating income:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Reversal of doubtful cash and cash equivalents	-	229.706	-	977.936
Other	432.429	79.651	432.429	27.386
	432.429	309.357	432.429	1.005.322

Other operating expenses:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Foreign exchange loss from operating activities	490.743.788	76.399.490	519.918.661	51.987.674
Penalty expense	2.626.794	4.198.640	881.677	3.547.138
Cash and cash equivalents allowance expense	3.112.961	-	2.571.770	-
Financial investments allowance expense	1.462.134	11.740.343	8.231.428	5.738.560
Doubtful receivable allowance expense	7.697.998	37.982.536	3.316.281	35.795.950
Donations (*)	8.000.000	-	-	-
Other	36.743.229	3.778.432	12.990.882	576.173
	550.386.904	134.099.441	547.910.699	97.645.495

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

NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended 30 June 2023 and 30 June 2022 are as follows:

Income from investing activities:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Gain from eurobond sales (*)	7.533.176	-	5.780.717	-
Interest income from eurobond	216.687.348	56.696.151	132.247.402	11.232.284
Interest income from currency protected instruments	460.806.290	45.156.070	406.803.536	45.156.070
Incomes arising from aircraft sale	-	1.141.164	-	28.729.293
Foreign exchange gain from investing activities	-	116.249.447	-	-
Other income	6.954.252	14.947.643	6.381.350	14.472.891
	691.981.066	234.190.475	551.213.005	99.590.538

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

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NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

Expense from investing activities:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Financial investments allowance expense	92.154.371	3.950.200	99.196.045	(1.063.484)
	92.154.371	3.950.200	99.196.045	(1.063.484)

NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the periods ended 30 June 2023 and 30 June 2022 are as follows:

Financial income:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Foreign exchange gain	586.306.599	-	144.695.743	-
Interest income	116.225.505	106.774.841	41.661.265	52.673.358
Gain on derivative contracts	4.787.908	-	4.787.908	-
	707.320.012	106.774.841	191.144.916	52.673.358

Financial expenses:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Interest expense on leases	1.455.907.219	504.180.492	820.461.264	274.005.875
Interest expense on bank loans	124.453.581	136.483.740	57.870.047	81.831.667
Interest expense on issued debt instruments	373.113.856	264.813.975	211.176.070	135.130.505
Foreign exchange loss	-	826.096.256	-	684.056.003
Losses from derivative contracts	-	24.497.660	-	339.628
Other commission expenses	338.671.781	215.859.090	194.731.540	131.314.796
	2.292.146.437	1.971.931.213	1.284.238.921	1.306.678.474

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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 2023 and 30 June 2022 are as follows:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Net profit/(loss)	1.326.900.310	(1.890.121.274)	1.925.019.893	(790.502.899)
Weighted average number of shares issued in the year	102.299.707	102.299.707	102.299.707	102.299.707
Loss per share	12,97	(18,48)	18,82	(7,73)

NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 June 2023		31 December 2022	
	Asset	Liability	Asset	Liability
Short term	6.995.762	121.123.604	267.091.000	-
Long term	-	98.409.407	86.308.409	-
	6.995.762	219.533.011	353.399.409	-

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Short term

	30 June 2023	31 December 2022
Financial investments measured at amortized cost	6.217.152.864	504.461.690
Financial assets recognized at fair value through profit or loss	1.602.936.998	1.171.307.715
Time Deposit (*)	1.904.673.452	595.321.449
Less: Allowance for impairment under TFRS 9	(85.567.970)	(9.737.616)
	9.639.195.344	2.261.353.238

(*) This amount represents time deposit and currency protection time deposits between three months and one year.

Long term

	30 June 2023	31 December 2022
Financial investments measured at amortized cost	1.423.901.615	4.311.901.672
Less: Allowance for impairment under TFRS 9	(52.188.283)	(34.840.749)
	1.371.713.332	4.277.060.923

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments measured at amortized cost

Company issuing security	30 June 2023	31 December 2022
T.C Hazine Müsteşarlığı	5.231.878.445	3.120.197.275
Türkiye İş Bankası	655.531.685	476.045.583
Türkiye İhracat Kredi Bankası	58.131.441	929.384.975
Vakıfbank	394.082.863	290.735.529
Citibank	517.674.836	-
BNP Paribas	783.755.209	-
Eurobond (*)	7.641.054.479	4.816.363.362

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

Financial investments at fair value through other comprehensive income

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

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
Türkiye İhracat Kredi Bankası	XS1496463297	5,40	USD	155.733.972	24.10.2023
Türkiye İhracat Kredi Bankası	XS1917720911	8,26	USD	257.371.835	24.01.2024
T.C Hazine Müsteşarlığı	XS2523929474	9,47	USD	538.675.375	13.11.2025
Türkiye İhracat Kredi Bankası	US900123CF53	5,85	USD	651.155.816	22.03.2024
				1.602.936.998	

Company issuing security	30 June 2023	31 December 2022
T.C Hazine Müsteşarlığı	538.675.375	912.151.942
Türkiye İhracat Kredi Bankası	1.064.261.623	220.957.643
Yapı ve Kredi Bankası	-	38.198.130
Eurobond (*)	1.602.936.998	1.171.307.715

(*) The fair value difference is related to the bonds contained in financial assets reflected to other comprehensive income. The securities in question are denominated in Euros and US Dollars and must pay fixed interest every year and every six months, respectively.

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments measured at amortized cost

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

Company issuing security	30 June 2023	31 December 2022
T.C Hazine Müsteşarlığı	5.306.974.073	3.141.846.828
Türkiye İş Bankası	664.082.366	480.856.725
Türkiye İhracat Kredi Bankası	58.040.242	951.904.479
Vakıfbank	414.387.684	298.671.131
Citibank	563.305.103	-
BNP Paribas	841.703.945	-
	7.848.493.413	4.873.279.163

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

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Carrying Amount	Call Date
T.C Hazine Müsteşarlığı	US900123CF53	5,75	USD	2.488.806.037	22.03.2024
T.C Hazine Müsteşarlığı	US900123AW05	7,38	USD	1.534.055.426	05.02.2025
Türkiye İş Bankası	XS1578203462	6,13	USD	655.531.685	25.04.2024
Türkiye İhracat Kredi Bankası	XS1814962582	6,13	USD	58.131.441	03.05.2024
T.C Hazine Müsteşarlığı	XS1917720911	8,25	USD	1.209.016.982	24.01.2024
Vakıfbank	XS1970705528	8,13	USD	394.082.863	27.03.2024
Citibank	XS2618428317	8,90	USD	517.674.836	20.06.2024
BNP Paribas	XS2506542864	9,85	USD	783.755.209	27.06.2024
				7.641.054.479	

Financial Liabilities

The details of financial liabilities as of 30 June 2023 and 31 December 2022 are as follows:

Short term financial liabilities	30 June 2023	31 December 2022
Short term bank borrowings	4.683.001.164	2.119.867.677
	4.683.001.164	2.119.867.677
Short term portion of long term financial liabilities	30 June 2023	31 December 2022
Short term portion of long term bank borrowings	19.569.516	504.717.325
Principal and interest of bonds issued	848.194.803	614.486.515
Discount and commissions of bonds issued	(30.847.113)	(22.336.144)
Lease liabilities	10.658.525.075	6.669.837.262
<i>Short term portion of long term operating lease obligations</i>	<i>1.361.039.621</i>	<i>502.189.408</i>
<i>Short term portion of long term financial lease obligations</i>	<i>9.297.485.454</i>	<i>6.167.647.854</i>
	11.495.442.281	7.766.704.958

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Long term financial liabilities	30 June 2023	31 December 2022
Issued debt instruments (*)	8.990.074.689	6.511.102.655
Discount and commissions of bonds issued	(56.623.446)	(52.076.861)
Lease liabilities	65.900.589.534	44.654.342.098
<i>Long term operating lease obligations</i>	<i>4.457.404.415</i>	<i>3.554.654.889</i>
<i>Long term financial lease obligations</i>	<i>61.443.185.119</i>	<i>41.099.687.209</i>
	74.834.040.777	51.113.367.892

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

The bonds are traded on the Irish Stock Exchange (Euronext Dublin). There are some financial covenants in the Terms and Conditions of the notes. The covenants of the notes are; negative pledge, limitation in indebtedness, publication of financial information, limitations on transactions with affiliates, minimum liquidity, merger, consolidation and sale of substantially all assets, limitation on asset sales, limitation on restricted payments. As of 30 June 2023, the Group complied with such covenants and restrictions.

Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short and long term bank borrowings as of 30 June 2023 and 31 December 2022 are as follows :

30 June 2023	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	7,34	Euro	166.351.028	4.683.001.164
				4.683.001.164

31 December 2022	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	5,73	Euro	106.145.268	2.119.867.677
				2.119.867.677

30 June 2023	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term portion of long term bank borrowings	19,56	TL	19.569.504	19.569.516
				19.569.516

31 December 2022	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term portion of long term bank borrowings	19,56	Euro	46.742.248	46.742.255
Short term portion of long term bank borrowings	2,94	TL	22.973.532	457.975.070
				504.717.325

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Lease Liabilities

The details of financial and operating lease liabilities as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Less than 1 year	14.404.998.664	8.913.916.797
Between 1 - 5 years	41.684.775.756	32.570.254.924
Over 5 years	38.203.063.373	24.943.631.599
	94.292.837.793	66.427.803.320
Less: Future interest expenses	(17.733.723.184)	(15.103.623.960)
	76.559.114.609	51.324.179.360

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

	30 June 2023	31 December 2022
Less than 1 year	10.658.525.075	6.669.837.262
Between 1 - 5 years	33.599.404.942	23.134.858.035
Over 5 years	32.301.184.592	21.519.484.063
	76.559.114.609	51.324.179.360

The Group acquire certain of its handling equipment and aircraft through lease arrangements. The average lease term is 6,22 years. For the period ended 30 June 2023, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 47.935.656.839 TL, is 4,39% (31 December 2022: 2,36%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 11.113.583.478, is 6,57% (31 December 2022: 5,38%).

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

Financial Risk Factors

Market risk

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

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.

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

Financial Risk Factors

Foreign currency risk management

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 30 June 2023 and 31 December 2022 are as follows:

30 June 2023	TL Total	USD	TL	GBP	Other
1. Trade receivables	1.576.876.962	9.039.355	938.405.163	1.811.139	345.628.507
2a. Monetary financial assets	17.116.659.935	489.075.679	2.996.417.782	15.925.349	968.319.507
2b. Non monetary financial assets	-	-	-	-	-
3. Other	375.611.669	10.348.205	100.990.550	189.398	1.184.693
4. CURRENT ASSETS	19.069.148.566	508.463.239	4.035.813.495	17.925.886	1.315.132.707
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.371.713.311	53.119.622	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	226.416.744	7.880.605	625.654	1.000	22.256.631
8. NON CURRENT ASSETS	1.598.130.055	61.000.227	625.654	1.000	22.256.631
9. TOTAL ASSETS	20.667.278.621	569.463.466	4.036.439.149	17.926.886	1.337.389.338
10. Trade payables	2.658.164.664	62.107.959	1.004.055.745	72.116	47.922.930
11. Financial liabilities	4.849.556.871	186.742.798	27.278.924	-	-
12a. Other liabilities, monetary	3.166.800.903	62.542.173	1.448.844.410	187.998	96.755.942
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	10.674.522.438	311.392.930	2.480.179.079	260.114	144.678.872
14. Trade payables	-	-	-	-	-
15. Financial liabilities	30.883.134.338	1.195.144.885	20.788.458	-	-
16a. Other liabilities, monetary	3.691.009.279	142.934.399	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	34.574.143.617	1.338.079.284	20.788.458	-	-
18. TOTAL LIABILITIES	45.248.666.055	1.649.472.214	2.500.967.537	260.114	144.678.872
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	(20.922.313)	88.377.120	-	(70.200.000)	-
19.a Off-balance sheet foreign currency derivative assets	2.282.171.207	88.377.120	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	2.303.093.520	-	-	70.200.000	-
20. Net foreign currency asset/(liability) position	(24.581.387.434)	(1.080.008.748)	1.535.471.612	17.666.772	1.192.710.466
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(24.581.387.434)	(1.080.008.748)	1.535.471.612	17.666.772	1.192.710.466

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

Financial Risk Factors

Foreign currency risk management

31 December 2022	TL Total	USD	TL	GBP	Other
1. Trade receivables	904.659.934	11.359.231	405.626.090	2.338.427	234.046.183
2a. Monetary financial assets	8.011.021.953	347.310.899	1.141.562.050	2.173.085	326.465.577
2b. Non monetary financial assets	-	-	-	-	-
3. Other	324.326.814	1.209.583	296.242.473	188.853	1.220.042
4. CURRENT ASSETS	9.240.008.701	359.879.713	1.843.430.613	4.700.365	561.731.802
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	4.277.060.941	228.740.631	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	283.639.643	12.018.294	42.403.538	1.000	16.491.949
8. NON CURRENT ASSETS	4.560.700.584	240.758.925	42.403.538	1.000	16.491.949
9. TOTAL ASSETS	13.800.709.285	600.638.638	1.885.834.151	4.701.365	578.223.751
10. Trade payables	2.444.807.016	91.154.711	636.182.811	777.787	86.694.265
11. Financial liabilities	3.120.881.560	164.041.779	53.579.164	-	-
12a. Other liabilities, monetary	1.908.977.901	33.040.880	1.259.393.554	88.892	29.776.951
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	7.474.666.477	288.237.370	1.949.155.529	866.679	116.471.216
14. Trade payables	-	-	-	-	-
15. Financial liabilities	20.635.392.471	1.102.266.949	24.874.379	-	-
16a. Other liabilities, monetary	3.353.463.049	179.345.879	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	23.988.855.520	1.281.612.828	24.874.379	-	-
18. TOTAL LIABILITIES	31.463.521.997	1.569.850.198	1.974.029.908	866.679	116.471.216
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(17.662.812.712)	(969.211.560)	(88.195.757)	3.834.686	461.752.535
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(17.662.812.712)	(969.211.560)	(88.195.757)	3.834.686	461.752.535

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

Financial Risk Factors

Foreign currency risk management

Foreign currency sensitivity

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

Foreign currency sensitivity tables as of 30 June 2023 and 31 December 2022 are as follows:

30 June 2023	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(2.788.917.390)	2.788.917.390	-	-
Part of hedged from USD risk	228.217.121	(228.217.121)	-	-
USD net effect	(2.560.700.269)	2.560.700.269	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	153.547.161	(153.547.161)	2.699.891.200	(2.699.891.200)
Part of hedged from TL risk	-	-	-	-
TL net effect	153.547.161	(153.547.161)	2.699.891.200	(2.699.891.200)
Effect of 10% change in GBP rate				
GBP net asset / liability	57.960.439	(57.960.439)	-	-
Part of hedged from GBP risk	(230.309.352)	230.309.352	-	-
GBP net effect	(172.348.913)	172.348.913	-	-
31 December 2022				
	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(1.812.260.851)	1.812.260.851	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(1.812.260.851)	1.812.260.851	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(8.819.576)	8.819.576	1.776.202.380	(1.776.202.380)
Part of hedged from TL risk	-	-	-	-
TL net effect	(8.819.576)	8.819.576	1.776.202.380	(1.776.202.380)
Effect of 10% change in GBP rate				
GBP net asset / liability	8.623.902	(8.623.902)	-	-
Part of hedged from GBP risk	-	-	-	-
GBP net effect	8.623.902	(8.623.902)	-	-

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

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

Fair Value of Financial Instruments

30 June 2023	Financial assets and liabilities at amortized cost	Derivative instruments which are recognized at fair value in shareholders' equity	Derivative instruments which are recognized at fair value in profit/loss	Carrying amount	Note
Financial assets					
Cash and cash equivalents	15.917.049.520	-	-	15.917.049.520	27
Trade receivables	2.117.450.825	-	-	2.117.450.825	6
- <i>Other</i>	2.117.450.825	-	-	2.117.450.825	6
Other receivables	1.040.968.615	-	-	1.040.968.615	
- <i>Related party</i>	443.313	-	-	443.313	5
- <i>Other</i>	1.040.525.302	-	-	1.040.525.302	
Financial investments	9.753.166.865	1.602.936.998	-	11.010.908.676	
Derivative financial assets	-	-	6.995.762	6.995.762	21
Financial liabilities					
Bank borrowings	4.702.570.680	-	-	4.702.570.680	22
Issued debt instruments	9.940.757.401	-	-	9.750.798.933	
Trade payables	6.450.267.301	-	-	6.450.267.301	6
- <i>Related party</i>	13.788.844	-	-	13.788.844	5
- <i>Other</i>	6.436.478.457	-	-	6.436.478.457	
Other payables	286.913.529	-	-	286.913.529	

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

Fair Value of Financial Instruments

31 December 2022	Financial assets and liabilities at amortized cost	Derivative instruments which are recognized at fair value in shareholders' equity	Derivative instruments which are recognized at fair value in profit/loss	Carrying amount	Note
Financial assets					
Cash and cash equivalents	10.558.266.871	-	-	10.558.266.871	27
Trade receivables	1.175.047.670	-	-	1.175.047.670	6
- <i>Other</i>	1.175.047.670	-	-	1.175.047.670	6
Other receivables	874.315.848	-	-	874.315.848	
- <i>Related party</i>	603.250	-	-	603.250	5
- <i>Other</i>	873.712.598	-	-	873.712.598	
Financial investments	5.468.600.612	1.171.307.715	-	6.538.414.161	
Derivative financial assets	-	353.399.409	-	353.399.409	21
Financial liabilities					
Bank borrowings	2.624.585.002	-	-	2.624.585.002	22
Obligations under financial leases	7.269.758.941	-	-	7.051.176.165	
Trade payables	3.930.557.016	-	-	3.930.557.016	6
- <i>Related party</i>	9.595.784	-	-	9.595.784	5
- <i>Other</i>	3.920.961.232	-	-	3.920.961.232	
Other payables	476.784.279	-	-	476.784.279	

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

Fair Value of Financial Instruments

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique
	30 June 2023	31 December 2022		
Fuel purchase option contracts	(219.533.011)	353.399.409	Level 2	Discounted cash flow method
Currency forward contracts	6.995.762	-	Level 2	Discounted cash flow method
	Currency forward contracts	Fuel purchase option contracts	Interest rate swap contracts	Total
30 June 2023				
Fair value:				
Opening	-	353.399.409	-	353.399.409
Fair value increase				-
Recognized in equity	-	(572.932.420)	-	(572.932.420)
Recognized in profit or loss	6.995.762	-	-	6.995.762
Closing	6.995.762	(219.533.011)	-	(212.537.249)
Assets	6.995.762	-	-	6.995.762
Liabilities	-	(219.533.011)	-	(219.533.011)
Total net assets and liabilities	6.995.762	(219.533.011)	-	(212.537.249)

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

Fair Value of Financial Instruments

31 December 2022	Fuel purchase option contracts	Interest rate swap contracts	Total
Fair value:			
Opening	163.569.088	(211.337)	163.357.751
Fair value increase / (decrease)			
Recognized in equity	189.830.321	-	189.830.321
Recognized in profit or loss	-	211.337	211.337
Closing	353.399.409	-	353.399.409
Assets	353.399.409	-	353.399.409
Total net assets and liabilities	353.399.409	-	353.399.409

The Group has forward fuel purchase option contracts, which are subject to hedge accounting, at a rate of 41.7% and 23.9% of the total fuel consumption estimated to occur in a period shorter than 1 year and more than 1 year, respectively. In line with its hedging policy, the Group can conclude contracts with maturities up to 24 months. As of the balance sheet period, the contracts last until June 2025. The total nominal value of these contracts is USD 407,1 million, and the weighted average price is in the range of USD 64-84. The ineffective portion of the hedge is not material as of 30 June 2023. In the current period, the income that is reclassified from hedging gain/(losses) fund under shareholders' equity to fuel expenses in the profit and loss statement is TL 85.965.457 (30 June 2022: TL 615.243.126 derivative expenses are charged to finance expenses).

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

- Amendments were made to the Corporate Tax Law No. 5520 with a Law submitted to the Grand National Assembly of Turkey on 5 July 2023 and published in the Official Gazette dated 15 July 2023. According to this; the corporate tax rate has been increased from 20% to 25%, starting from the declarations that will be submitted as of 1 October 2023. Efforts to determine the effects of these changes on current and deferred tax amounts continue.
- In line with fleet planning strategy targeting a young fleet with low fuel consumption by Group, low unit cost performance and low carbon emissions, reached an agreement bywith Airbus S.A.S. to amend the Airbus Order, initially executed in 2012 and later amended in 2017, 2021 and 2022 to cover a total of 114 new aircraft, by placing a firm order for additional 36 Airbus 321neo aircraft. The delivery of the 36 Airbus A321neo aircraft, which is in addition to the previously disclosed Airbus Order contracted for future deliveries, is expected to take place until the end of 2029.

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NOTE 26 – INCOME TAX EXPENSE

The Group is subject to corporate tax applicable in Turkey. The corporate tax rate in Turkey is applied as 23% for the corporate earnings of the 2022 taxation period and 20% for the 2023 taxation period. While calculating deferred tax on temporary differences, the Company takes into account the tax rates applicable at the date of closing of the temporary differences. As of 30 June 2023, 20% tax rate has been used in the deferred tax calculation. However, as explained in Note 25, this rate will be applied as 25% due to the regulation that came into force after the balance sheet date. The tax expense components of 30 June 2023 and 30 June 2022 are presented below:

	1 January- 30 June 2023	1 January- 30 June 2022
Tax income/(expense)		
- Deferred tax income/(expense)	(49.996.201)	90.122.908
Total tax income/(expense)	(49.996.201)	90.122.908

The Group's earnings from investments tied to an incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operational, until the investment contribution amount is reached. In this context, tax advantage amounting to TL 4.450.052.876 (31 December 2022: TL 3.110.006.651) that the Group will benefit from in the foreseeable future as of 30 June 2023 is reflected in the consolidated financial statements as a deferred tax asset. As a result of the recognition of the mentioned tax advantage as of 30 June 2023, deferred tax income amounting to 43.830.388 TL has occurred in the consolidated profit or loss statement for the period 1 January - 30 June 2023.

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

In the sensitivity analysis carried out as of 30 June 2023, when the inputs in the basic macroeconomic and sectoral assumptions that make up the business plans are increased/decreased by 10%, the foreseen period of deferred tax assets regarding investment incentives has not changed.

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NOTE 27 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Cash on hand	3.287.422	1.774.148
Cash at banks	15.921.318.509	10.560.936.173
- Demand deposits	980.504.237	509.428.327
- Time deposits	14.940.814.272	10.051.507.846
Less: Allowance for impairment under TFRS 9	(7.556.411)	(4.443.450)
	15.917.049.520	10.558.266.871

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

30 June 2023	Weighted average interest rates	Total
USD deposits	2,55 %	4.807.513.157
EUR deposits	3,79 %	7.848.490.640
TL deposits	36,75 %	1.869.228.554
GBP deposits	0,22 %	415.581.921
		14.940.814.272

31 December 2022	Weighted average interest rates	Total
USD deposits	2,87 %	4.976.475.456
EUR deposits	1,00 %	4.503.344.518
TL deposits	18,37 %	533.403.104
GBP deposits	1,24 %	38.284.768
		10.051.507.846

All of the time deposits as of 30 June 2023 and 31 December 2022 have maturities less than 90 days.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

APPENDIX : EURO SELECTED NOTES

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

Revenue

	Euro 1 January- 30 June 2023	Euro 1 January- 30 June 2022	Euro 1 April - 30 June 2023	Euro 1 April - 30 June 2022
Scheduled flight and service revenue	1.082.005.430	747.493.335	645.603.650	483.176.170
<i>International flight revenue</i>	<i>595.150.705</i>	<i>410.233.743</i>	<i>371.848.256</i>	<i>280.973.350</i>
<i>Domestic flight revenue</i>	<i>124.913.716</i>	<i>116.926.574</i>	<i>68.250.948</i>	<i>74.952.333</i>
<i>Service revenue</i>	<i>361.941.009</i>	<i>220.333.018</i>	<i>205.504.446</i>	<i>127.250.487</i>
Charter flight and service revenue	13.053.568	22.655.672	9.425.829	18.533.161
<i>Charter flight revenue</i>	<i>13.053.568</i>	<i>22.655.672</i>	<i>9.425.829</i>	<i>18.533.161</i>
Other revenue	4.629.839	3.925.236	2.256.818	2.538.984
	1.099.688.837	774.074.243	657.286.297	504.248.315

Expenses by Nature

	Euro 1 January- 30 June 2023	Euro 1 January- 30 June 2022	Euro 1 April - 30 June 2023	Euro 1 April - 30 June 2022
Jet fuel expenses	349.807.317	323.924.806	187.036.878	223.826.421
Depreciation and amortisation expenses	142.757.235	133.199.158	69.811.087	70.713.002
Personnel expenses	141.885.952	85.758.429	76.082.611	45.412.884
Handling and station fees	82.380.067	56.728.054	47.279.406	32.818.565
Navigation expenses	69.389.002	47.070.452	41.472.206	27.012.312
Maintenance expenses	30.530.079	39.811.504	11.699.886	22.831.349
Landing expenses	39.561.376	23.237.151	23.521.616	13.476.968
Commission expenses	10.774.339	8.036.838	5.684.356	4.703.270
Advertising expenses	7.015.603	4.066.506	4.610.886	2.649.000
Passenger service and catering expenses	10.545.810	5.211.798	5.186.278	3.006.366
Operating lease expenses	11.215.275	-	7.556.799	-
Other expenses	63.078.730	43.772.461	30.395.899	24.647.744
	958.940.785	770.817.157	510.337.908	471.097.881