

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

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
THREE-MONTH INTERIM PERIOD ENDED  
31 MARCH 2021

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 31 March 2021	Prior period (Audited) 31 December 2020	(*) EUR 31 March 2021	(*) EUR 31 December 2020
Notes					
<b>ASSETS</b>					
<b>Current assets</b>					
		<b>5.858.954.699</b>	<b>5.358.554.832</b>	<b>599.436.746</b>	<b>594.872.815</b>
Cash and cash equivalents	26	3.888.665.456	3.605.570.830	397.854.069	400.267.635
Trade receivables	6	207.806.798	197.485.020	21.260.965	21.923.536
<i>Trade receivables from third parties</i>	6	207.806.798	197.485.020	21.260.965	21.923.536
Other receivables		80.436.347	91.118.025	8.229.540	10.115.346
<i>Other receivables from related parties</i>	5	165.534	227.927	16.936	25.303
<i>Other receivables from third parties</i>		80.270.813	90.890.098	8.212.604	10.090.043
Derivative financial instruments	21	71.743.790	7.599.668	7.340.194	843.667
Inventories		89.768.306	91.488.340	9.184.304	10.156.456
Prepaid expenses	7	1.407.163.522	1.269.928.689	143.968.603	140.979.439
Current income tax assets		8.275.095	6.629.247	846.635	735.937
Other current assets		105.095.385	88.735.013	10.752.436	9.850.799
<b>Non-Current assets</b>					
		<b>26.060.981.959</b>	<b>23.712.117.959</b>	<b>2.665.297.611</b>	<b>2.631.335.983</b>
Financial assets		259.332.970	234.035.538	26.532.670	25.981.143
Other receivables	6	238.682.799	205.188.513	24.419.926	22.778.729
<i>Other receivables from third parties</i>		238.682.799	205.188.513	24.419.926	22.778.729
Investments accounted by using the equity method	3	80.466.785	77.210.982	8.232.654	8.571.474
Property and equipment	8	1.477.434.610	1.432.548.082	151.156.777	159.030.906
Intangible assets	9	120.415.397	111.125.949	12.319.845	12.336.499
Right of use assets	10	22.122.335.898	19.788.996.107	2.262.331.312	2.195.817.353
Prepaid expenses	7	1.762.313.500	1.863.012.788	180.304.427	206.819.879
<b>TOTAL ASSETS</b>					
		<b>31.919.936.658</b>	<b>29.070.672.791</b>	<b>3.264.734.357</b>	<b>3.226.208.798</b>

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 31 March 2021	Prior period (Audited) 31 December 2020	(*) EUR 31 March 2021	(*) EUR 31 December 2020
Notes					
<b>LIABILITIES</b>					
<b>Current liabilities</b>		<b>7.809.052.602</b>	<b>6.505.674.770</b>	<b>798.953.625</b>	<b>722.218.769</b>
Short term financial liabilities	22	2.576.681.630	1.741.716.857	263.623.416	193.354.373
Short term portion of long term financial liabilities	22	2.504.052.160	2.154.972.636	256.192.607	239.231.412
Trade payables	6	919.534.036	910.641.319	94.078.640	101.093.631
<i>Trade payables to related parties</i>	5	22.189.162	22.159.362	2.270.200	2.459.992
<i>Trade payables to third parties</i>		897.344.874	888.481.957	91.808.440	98.633.639
Employee benefit obligations		26.713.876	30.178.231	2.733.129	3.350.196
Other payables		21.008.389	30.346.928	2.149.394	3.368.888
<i>Other payables to third parties</i>	6	21.008.389	30.346.928	2.149.394	3.368.888
Passenger flight liabilities	7	688.655.920	513.935.986	70.457.221	56.989.123
Derivative financial instruments	21	878.506	90.228.333	89.881	10.016.578
Deferred income	7	198.901.815	212.201.390	20.349.885	23.622.049
Short term provisions		872.552.047	821.336.124	89.271.858	91.179.534
<i>Short term provisions for employee benefits</i>		62.939.320	55.106.089	6.439.398	6.117.529
<i>Other short term provisions</i>		809.612.727	766.230.035	82.832.460	85.062.005
Other current liabilities		74.223	116.966	7.594	12.985
<b>Non-Current liabilities</b>		<b>19.119.353.525</b>	<b>17.178.580.383</b>	<b>1.956.124.198</b>	<b>1.907.057.181</b>
Long term financial liabilities	22	16.772.935.643	15.115.403.578	1.716.059.345	1.678.016.361
Derivative financial instruments	21	-	3.838.005	-	426.071
Deferred income	7	319.558.843	316.272.170	32.694.452	35.110.533
Long term provisions		1.374.689.391	1.138.088.518	140.646.135	126.343.378
<i>Long term provisions for employee benefits</i>		99.415.264	99.124.346	10.171.296	11.004.157
<i>Other long term provisions</i>		1.275.274.127	1.038.964.172	130.474.839	115.339.221
Deferred tax liabilities		652.169.648	604.978.112	66.724.266	67.160.838
<b>SHAREHOLDERS' EQUITY</b>		<b>4.991.530.531</b>	<b>5.386.417.638</b>	<b>509.656.534</b>	<b>596.932.848</b>
<b>Equity attributable to shareholders' of the parent</b>		<b>4.991.530.531</b>	<b>5.386.417.638</b>	<b>509.656.534</b>	<b>596.932.848</b>
Paid-in share capital	14	102.299.707	102.299.707	60.544.134	60.544.134
Share premiums on capital stock		455.687.025	455.687.025	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss					
Actuarial losses on defined benefit plans		(2.972.061)	(2.972.061)	(304.075)	(329.939)
Currency translation differences		5.021.634.561	4.609.042.699	-	-
Other comprehensive income/expense to be reclassified to profit or loss					
Hedge fund		57.395.030	(68.365.331)	5.872.155	(7.589.486)
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		270.265.658	2.235.362.715	346.171.428	556.776.109
Net (loss) / profit for the period		(933.239.330)	(1.965.097.057)	(100.763.819)	(210.604.681)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>31.919.936.658</b>	<b>29.070.672.791</b>	<b>3.264.734.357</b>	<b>3.226.208.798</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 1 January- 31 March 2021	Prior period (Not reviewed) 1 January- 31 March 2020	(*) EUR 1 January- 31 March 2021	(*) EUR 1 January- 31 March 2020
Profit or loss	Notes				
Sales	15	1.089.931.621	1.878.316.894	122.534.556	286.719.207
Cost of sales (-)	15	(1.659.946.611)	(1.959.276.549)	(182.607.514)	(289.583.813)
<b>Gross loss</b>		<b>(570.014.990)</b>	<b>(80.959.655)</b>	<b>(60.072.958)</b>	<b>(2.864.606)</b>
General administrative expenses (-)	16	(63.930.918)	(66.086.806)	(7.146.459)	(9.210.679)
Marketing expenses (-)	16	(36.349.002)	(71.198.900)	(3.969.376)	(10.389.608)
Other operating income	17	502.625	2.892.842	56.499	497.897
Other operating expenses (-)	17	(14.792.229)	(14.061.504)	(1.660.621)	(2.106.047)
<b>Operating loss</b>		<b>(684.584.514)</b>	<b>(229.414.023)</b>	<b>(72.792.915)</b>	<b>(24.073.043)</b>
Income from investing activities	18	638.889	150.932	71.878	22.980
Share of investments income accounted for using the equity method	3	1.686.315	4.597.054	189.580	683.552
<b>Operating loss before financial expense</b>		<b>(682.259.310)</b>	<b>(224.666.037)</b>	<b>(72.531.457)</b>	<b>(23.366.511)</b>
Financial income	19	21.988.795	26.300.522	2.415.737	3.851.078
Financial expense (-)	19	(306.909.436)	(295.430.114)	(34.463.784)	(42.670.117)
<b>Loss before tax</b>		<b>(967.179.951)</b>	<b>(493.795.629)</b>	<b>(104.579.504)</b>	<b>(62.185.550)</b>
<b>Tax expense</b>		<b>33.940.621</b>	<b>92.290.597</b>	<b>3.815.685</b>	<b>13.582.092</b>
Deferred tax income / (expense)		33.940.621	92.290.597	3.815.685	13.582.092
<b>Loss for the period</b>		<b>(933.239.330)</b>	<b>(401.505.032)</b>	<b>(100.763.819)</b>	<b>(48.603.458)</b>
Loss per share (TL) / (EUR)	20	(9,12)	(3,92)	(0,98)	(0,48)
<b>Other comprehensive income</b>					
<b>Items not to be reclassified to profit or loss</b>					
Currency translation differences		412.591.862	508.422.903	-	6.884.734
<b>Items to be reclassified to profit or loss</b>					
Cash flow hedge		157.200.457	(645.453.552)	16.827.052	(95.974.754)
Deferred tax effect		(31.440.096)	141.999.782	(3.365.410)	21.160.366
<b>Other comprehensive income</b>		<b>538.352.223</b>	<b>4.969.133</b>	<b>13.461.642</b>	<b>(67.929.654)</b>
<b>Total comprehensive income</b>		<b>(394.887.107)</b>	<b>(396.535.899)</b>	<b>(87.302.177)</b>	<b>(116.533.112)</b>

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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 CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

			Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss		Retained earnings		
	Paid in share capital	Share premiums on capital stock	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Shareholders' equity
<b>As at 1 January 2020</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(3.904.009)</b>	<b>2.574.427.009</b>	<b>(42.163.181)</b>	<b>18.542.287</b>	<b>903.911.251</b>	<b>1.333.369.118</b>	<b>5.342.169.207</b>
Transfers	-	-	-	-	-	-	1.333.369.118	(1.333.369.118)	-
Total comprehensive income	-	-	-	508.422.903	(503.453.770)	-	-	(401.505.032)	(396.535.899)
<b>As at 31 March 2020</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(3.904.009)</b>	<b>3.082.849.912</b>	<b>(545.616.951)</b>	<b>18.542.287</b>	<b>2.237.280.369</b>	<b>(401.505.032)</b>	<b>4.945.633.308</b>
<b>As at 1 January 2021</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(2.972.061)</b>	<b>4.609.042.699</b>	<b>(68.365.331)</b>	<b>20.459.941</b>	<b>2.235.362.715</b>	<b>(1.965.097.057)</b>	<b>5.386.417.638</b>
Transfers	-	-	-	-	-	-	(1.965.097.057)	1.965.097.057	-
Total comprehensive income	-	-	-	412.591.862	125.760.361	-	-	(933.239.330)	(394.887.107)
<b>As at 31 March 2021</b>	<b>102.299.707</b>	<b>455.687.025</b>	<b>(2.972.061)</b>	<b>5.021.634.561</b>	<b>57.395.030</b>	<b>20.459.941</b>	<b>270.265.658</b>	<b>(933.239.330)</b>	<b>4.991.530.531</b>

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

**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 1 January- 31 March 2021	Prior period (Not reviewed) 1 January- 31 March 2020	(*) EUR 1 January- 31 March 2021	(*) EUR 1 January- 31 March 2020
	Notes				
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss for the period		(933.239.330)	(401.505.032)	(100.763.819)	(48.603.458)
Adjustments to reconcile the loss					
Depreciation and amortization	8-9-10	584.897.408	428.247.054	65.755.550	63.677.558
Adjustments related with impairments		3.965.504	(1.594.442)	445.811	(220.990)
Provision for doubtful receivable		3.965.504	(1.594.442)	445.811	(220.990)
Adjustments related with provisions		37.756.472	18.684.324	4.131.674	2.595.357
Provision for employee benefits		10.240.897	18.118.948	1.047.759	2.511.289
Legal provision		543.267	565.376	61.075	84.068
Change in redelivery provision		26.972.308	-	3.022.840	-
Interest and commission income	19	187.585.671	119.678.768	21.105.206	17.795.457
Gain on equity investments accounted for using the equity method	3	(1.686.315)	(4.597.054)	(189.580)	(683.552)
Current tax expense		(33.940.621)	(92.290.597)	(3.815.685)	(13.582.092)
Other provisions related with investing or financing activities		(131.497)	87.000.857	(14.783)	12.625.822
<b>Changes in working capital</b>					
Increase in trade receivables		1.928.083	272.275.790	216.760	36.823.758
Increase in other receivables, prepaid expenses, other and financial assets		(3.524.881)	(820.615.848)	(382.572)	(120.650.760)
Increase in inventories		8.647.319	(6.264.706)	972.152	(880.793)
Increase in trade payables		(20.672.924)	105.913.333	(2.324.099)	14.890.619
Increase in deferred income, other payables and other current liabilities		285.099.273	(274.526.171)	19.771.028	(38.126.558)
<b>Net cash generated from operating activities</b>		<b>116.684.162</b>	<b>(569.593.724)</b>	<b>4.907.643</b>	<b>(74.339.632)</b>
Payment for the employee benefits provisions		(2.116.748)	(1.409.671)	(223.388)	(209.609)
Payment for other provisions		(86.428)	(120.231)	(9.716)	(17.878)
		<b>114.480.986</b>	<b>(571.123.626)</b>	<b>4.674.539</b>	<b>(74.567.119)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, equipment and intangible assets		281.017	281.933	31.593	41.922
Cash outflows from purchase of property, equipment and intangible assets		(12.059.539)	(15.031.691)	(1.355.762)	(2.225.306)
Changes in cash advances and payables		(66.132.969)	(793.930.351)	(7.434.825)	(106.010.713)
		<b>(77.911.491)</b>	<b>(808.680.109)</b>	<b>(8.758.994)</b>	<b>(108.194.097)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in borrowings		956.193.147	550.096.960	97.829.278	76.243.515
Repayment of borrowings		(326.520.550)	-	(36.400.000)	-
Repayment of principal in lease liabilities		(565.753.295)	(381.343.144)	(63.603.323)	(56.809.874)
Interest and commission paid		(156.655.101)	(106.773.485)	(23.596.073)	(16.034.429)
Interest received		22.475.283	22.791.178	2.526.724	3.350.575
		<b>(70.260.516)</b>	<b>84.771.509</b>	<b>(23.243.394)</b>	<b>6.749.787</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>					
<b>BEFORE TRANSLATION EFFECT (A+B+C)</b>		<b>(33.691.021)</b>	<b>(1.295.032.226)</b>	<b>(27.327.849)</b>	<b>(176.011.429)</b>
<b>D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS</b>		316.785.647	417.326.664	24.914.283	5.109.116
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>283.094.626</b>	<b>(877.705.562)</b>	<b>(2.413.566)</b>	<b>(170.902.313)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>	26	3.605.570.830	4.187.316.581	400.267.635	629.614.859
<b>CASH AND CASH EQUIVALENTS</b>					
<b>AT THE END OF THE PERIOD (A+B+C+D+E)</b>	26	<b>3.888.665.456</b>	<b>3.309.611.019</b>	<b>397.854.069</b>	<b>458.712.546</b>

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

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

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

The shareholders and their respective holdings in the Company as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Esas Holding A.Ş. (“Esas Holding”)	62,91%	62,91%
Publicly held	34,53%	34,53%
Sabancı Family Members	2,56%	2,56%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

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

The Group’s total number of full time employees as of 31 March 2021 is 6.067 (31 December 2020: 6.130). The address of its principal executive office is Aeropark Yenışehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

#### Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 31 March 2021 and delegated authority for publishing it on 10 May 2021. General shareholders’ meeting has the authority to modify the financial statements.

#### COVID-19 Effects and Impairment Analysis

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

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

- Payroll cost is being tried to be optimized with short-term employment allowance provided by the Government's support package,
- Permanent discounts and/or deferral of payments are targeted in contracts with all suppliers in order to support cash flow management,
- Fixed costs are decreased through remote working scheme in 2020. Further permanent savings are targeted with remote working.
- Aircraft maintenance activities are optimized and updated according to the current flight schedules,
- General expenditure budgets are reviewed continually and accordingly savings are tried to be achieved both with cost control and cash management perspectives. Therefore, non-urgent projects and investments are postponed.
- During the pandemic period, new credit lines from various banks are obtained in order to better manage the Group's cash flow.

Although the company's flights have resumed partly in June 2020, there are still some risks and uncertainties regarding the development of the COVID-19 outbreak. If these risks occur, the Group’s operations may be adversely affected. The Management of the Group closely monitors all action plans on daily basis through various business scenarios.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

**COVID-19 Effects and Impairment Analysis**

Based on current market conditions and depending on the progress of the vaccination in the world and in Turkey, the Company's main scenario is to approach circa 85% of 2019 "Available Seat Kilometers" (ASK) levels during the 3rd quarter of 2021, which is the high tourism season of Turkey. For the whole year 2021, its expected that ASK production will be approximately 70-75% of those realized in 2019. Parallel to these expectations, no growth at the fleet is planned in 2021(2020:93; 2021:91). Capacity expectations are all subject to review depending on the evolution of COVID-19 and travel restrictions. The main objective of the group is to utilize the fleet in the routes that generate positive cash. Under current circumstances and production plans the Group foresees that the current liquidity levels are enough throughout 2021.

On the other hand, as of March 31, 2021, the Group evaluated whether there is any risk of impairment on aircraft, tangible fixed assets, and intangible assets due to the effects of the COVID-19 outbreak, and in the light of the analysis made, it is concluded that there is not any impairment risk regarding the determination of the value-in-use of the assets. In the impairment tests, the Group used some estimates such as number of passengers, passenger load factor, fuel prices and discount rates. The Group management will continue to make these analyses regularly.

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

**2.1 Basis of Presentation**

**Statement of Compliance with TAS**

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

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

The Group has prepared the condensed financial statements and its notes for the interim period ended 31 March 2021 in accordance with TAS 34 "Interim Financial Reporting". These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore, these financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2020.

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 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

**2.1 Basis of Presentation**

**Functional and Presentation Currency**

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

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

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

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

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

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey ("TCMB") Euro buying rate prevailing at the balance sheet date; 31 March 2021: 1 Euro (€) = TL 9,7741, (31 December 2020: 1 Euro (€) = TL 9,0079).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions.

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

**Euro Amounts in the Financial Statements**

Euro amounts shown in the consolidated balance sheet prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official Euro bid rates announced by the TCMB on 31 March 2021 of TL 9,7741 = EUR 1, and Euro amounts shown in the condensed consolidated statements of income, comprehensive income and cash flow have been translated from TL, as a matter of arithmetic computation only, Euro bid rates calculated from the official daily bid rates announced by the TCMB.

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

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

**2.1 Basis of Presentation**

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

Consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current period consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has made several reclassifications in the prior period consolidated financial statements in order to maintain consistency with current year 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 financial position, TL 20.470.400 that was previously presented in passenger flight liabilities has been reclassified and reported in deferred income.
- In the statement of profit or loss, TL 148.448.685 of foreign exchange gain from operating activities that was previously presented in other operating income has been reported by netting off other operating expenses and financial expenses.
- In the statement of profit or loss, TL 117.199.295 of expenses from fair value differences of derivative instruments that was previously presented in other operating expense has been reclassified and reported in financial expenses.
- In the statement of cash flows, TL 108.972.277 that was previously presented cash flows from operating activities has been reclassified and reported in cash flows from investing activities.

**Basis of Consolidation**

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2021 and 31 December 2020:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2021</u>	<u>31 December 2020</u>	
PHT	Simulator technical support and maintenance	100%	100%	Turkey

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 31 March 2021 and 31 December 2020:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2021</u>	<u>31 December 2020</u>	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	50%	50%	Turkey

**2.2 Significant Accounting Policies and Changes**

The same presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2020.

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

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

**2.3 Changes in Accounting Estimates**

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

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

The accounting policies adopted in preparation of the condensed consolidated financial statements as at March 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:**

**Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS - 16 Interest Rate Benchmark Reform – Phase 2**

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR), amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

**Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform**

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

**Relief from discontinuing hedging relationships**

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

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AS OF 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

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

**i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows :**

**Relief from discontinuing hedging relationships**

- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

**Separately identifiable risk components**

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

**Additional disclosures**

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The standard does not have an impact on the 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.

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

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

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

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

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(Amounts are expressed in TL unless otherwise stated.)

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

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

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

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

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

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

**Amendments to TFRS 16 – Covid-19 Rent Related Concessions**

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

**Annual Improvements – 2018–2020 Cycle**

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

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

## Annual Improvements – 2018–2020 Cycle

- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

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

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

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

	31 March 2021	31 December 2020
<b>Joint ventures</b>		
Hitit Bilgisayar	60.452.886	58.812.540
PUEM	20.013.899	18.398.442
	<b>80.466.785</b>	<b>77.210.982</b>

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

	1 Ocak- 31 Mart 2021	1 Ocak- 31 Mart 2020
Hitit Bilgisayar	1.640.349	4.347.530
PUEM	45.966	249.524
<b>Net profit</b>	<b>1.686.315</b>	<b>4.597.054</b>

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

## PUEM

	31 March 2021	31 December 2020
Current assets	11.704.893	10.538.605
Non-current assets	31.997.276	29.586.485
Current liabilities	(3.056.027)	(3.081.385)
Non-current liabilities	(132.176)	200.104
<b>Net assets of joint venture</b>	<b>40.513.966</b>	<b>37.243.809</b>
Group's ownership interest in the joint venture	49,40%	49,40%
<b>Group's share in the net assets of the joint venture</b>	<b>20.013.899</b>	<b>18.398.442</b>



# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

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

#### PUEM

	1 January- 31 March 2021	1 January- 31 March 2020
Revenue	2.213.605	2.782.145
Depreciation&amortisation expense	(960.489)	(720.265)
Interest income/(expense), net	(109.620)	(77.081)
Profit for the year	93.049	505.108
Group's ownership interest	49,40%	49,40%
<b>Group's share in the net profit of the joint venture</b>	<b>45.966</b>	<b>249.524</b>

#### Hitit Bilgisayar

	31 March 2021	31 December 2020
Current assets	96.978.848	78.284.911
Non-current assets	89.279.432	86.917.669
Current liabilities	(57.622.439)	(41.905.233)
Non-current liabilities	(9.515.094)	(7.457.291)
<b>Net assets of joint venture</b>	<b>119.120.747</b>	<b>115.840.056</b>
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
<b>Group's share in the net assets of the joint venture</b>	<b>60.452.886</b>	<b>58.812.540</b>
	1 January- 31 March 2021	1 January- 31 March 2020
Revenue	23.268.254	26.296.019
Depreciation&amortisation expense	(3.534.377)	(2.213.848)
Interest income/(expense), net	(86.745)	67.677
Profit for the year	3.280.698	8.695.060
Group's weighted average ownership interest	50%	50%
<b>Group's share in the net profit of the joint venture</b>	<b>1.640.349</b>	<b>4.347.530</b>

### NOTE 4 - SEGMENT REPORTING

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

## NOTE 5 - RELATED PARTY TRANSACTIONS

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

## (i) Balances with Related Parties:

## a) Other receivables from related parties

	31 March 2021	31 December 2020
<b>Balances with joint ventures and subsidiaries:</b>		
PUEM	165.202	227.595
<b>Balances with other related parties:</b>		
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş.	332	332
	<b>165.534</b>	<b>227.927</b>

## b) Trade payables to related parties

	31 March 2021	31 December 2020
<b>Balances with parent company:</b>		
Esas Holding	5.150.532	8.498.505
<b>Balances with joint ventures and subsidiaries:</b>		
Hitit Bilgisayar	4.742.104	4.517.471
PUEM	8.636.953	7.800.677
<b>Balances with other related parties:</b>		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	3.609.543	1.300.124
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.	50.030	42.585
	<b>22.189.162</b>	<b>22.159.362</b>

## (ii) Significant Transactions with Related Parties:

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 5 - RELATED PARTY TRANSACTIONS**

**a) Other Income from Related Parties**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
<b>Transactions with joint ventures and subsidiaries:</b>		
PUEM	370.519	320.321
	<b>370.519</b>	<b>320.321</b>

**b) Purchases of goods or services**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
<b>Transactions with joint ventures and subsidiaries:</b>		
Hitit Bilgisayar	6.612.456	5.623.795
PUEM	2.213.605	2.782.145
<b>Transactions with other related parties:</b>		
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.	140.530	234.764
Esasburda	721.448	695.821
	<b>9.688.039</b>	<b>9.336.525</b>

**c) Rent expenses**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Esasburda(*)	3.051.494	2.539.231
	<b>3.051.494</b>	<b>2.539.231</b>

(\*)Rent expenses are recorded as depreciation and interest under TFRS 16 new leases standard.

**d) Commission expenses**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Esas Holding	2.366.577	2.716.708
	<b>2.366.577</b>	<b>2.716.708</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

## NOTE 5 - RELATED PARTY TRANSACTIONS

## (iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 31 March 2021 and 2020 are as follows:

	1 January- 31 March 2021	1 January- 31 March 2020
Salaries and other short term benefits	2.113.590	18.069.483
Other long term benefits	-	7.543.970
	<b>2.113.590</b>	<b>25.613.453</b>

## NOTE 6 – TRADE AND OTHER RECEIVABLES AND PAYABLES

## Short term trade receivables

The details of short term trade receivables as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Trade receivables	196.931.738	202.685.663
Credit card receivables	43.197.449	24.900.433
Income accruals	2.952.789	1.208.598
	<b>243.081.976</b>	<b>228.794.694</b>
Less: Allowance for doubtful receivables	(35.275.178)	(31.309.674)
	<b>207.806.798</b>	<b>197.485.020</b>

The average collection period of trade receivables is approximately 31 days (31 December 2020: 39 days).

## Short term trade payables

The details of short term trade payables as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Trade payables	577.772.957	606.442.333
Accrued direct operational costs	319.571.917	282.039.624
Other accrued expenses	22.189.162	22.159.362
	<b>919.534.036</b>	<b>910.641.319</b>

The average credit period of trade payables is approximately 50 days (31 December 2020: 49 days).

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**NOTE 6 - TRADE AND OTHER RECEIVABLES AND PAYABLES**

**Short term other receivables**

The details of short term other receivables as of 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Deposits and guarantees given	15.928.628	31.762.390
Receivables from pilots for flight training	62.598.025	54.457.337
Due from related parties (Note 5)	165.534	227.927
Other receivables	1.744.160	4.670.371
	<b>80.436.347</b>	<b>91.118.025</b>

**Long term other receivables**

The details of long term other receivables as of 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Receivables from pilot trainings	117.275.340	117.180.175
Deposits given	121.407.459	88.008.338
	<b>238.682.799</b>	<b>205.188.513</b>

**Short term other payables**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Taxes payables	1.022.861	26.485.120
Deposits received	19.985.528	3.861.808
	<b>21.008.389</b>	<b>30.346.928</b>

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

The details of prepaid expenses as of 31 March 2021 and 31 December 2020 are as follows:

**Short term prepaid expenses**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Advances on aircraft purchases	1.047.351.068	841.904.079
Advances to suppliers	228.482.706	271.147.552
Prepaid insurance expenses	105.615.250	130.892.966
Prepaid advertising expenses	674.452	61.461
Other prepaid expenses	25.040.046	25.922.631
	<b>1.407.163.522</b>	<b>1.269.928.689</b>

**Long term prepaid expenses**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Advances on aircraft purchases	809.347.112	1.033.436.154
Prepaid maintenance expenses	945.175.231	811.729.181
Other prepaid expenses	7.791.157	17.847.453
	<b>1.762.313.500</b>	<b>1.863.012.788</b>

**Deferred Revenue**

**Contract Liabilities**

The details of passenger flight liabilities as of 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Flight liability from ticket sales	457.405.566	323.546.489
Passenger airport fees received from customers	141.328.909	105.883.089
Flight liability from flight points	89.921.445	84.506.408
	<b>688.655.920</b>	<b>513.935.986</b>

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

**Short term deferred income**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Advances received from customers	103.451.411	122.080.709
Other deferred income	95.450.404	90.120.681
	<b>198.901.815</b>	<b>212.201.390</b>

**Long term deferred income**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Income relating to future periods	319.558.843	316.272.170
	<b>319.558.843</b>	<b>316.272.170</b>

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**NOTE 8 - PROPERTY AND EQUIPMENT**

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

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**NOTE 8 - PROPERTY AND EQUIPMENT**

<b>31 March 2020</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Components, spare engine and repairables</b>	<b>Aircraft</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Opening	<b>146.516.118</b>	<b>109.456.942</b>	<b>179.887.996</b>	<b>91.186.916</b>	<b>1.307.799.047</b>	<b>706.740.318</b>	<b>59.903.487</b>	<b>2.601.490.824</b>
Additions	4.632.079	277	520.569	(1.554)	14.932.936	-	424.427	20.508.734
Disposals	-	(144.256)	(245.149)	-	-	-	-	(389.405)
Currency translation differences	12.771.346	9.278.526	15.286.167	7.738.421	112.073.215	34.909.140	5.114.589	197.171.404
<b>Closing</b>	<b>163.919.543</b>	<b>118.591.489</b>	<b>195.449.583</b>	<b>98.923.783</b>	<b>1.434.805.198</b>	<b>741.649.458</b>	<b>65.442.503</b>	<b>2.818.781.557</b>
<b>Accumulated depreciation:</b>								
Opening	<b>(33.888.233)</b>	<b>(32.235.123)</b>	<b>(123.135.870)</b>	<b>(80.374.835)</b>	<b>(263.103.059)</b>	<b>(392.852.037)</b>	-	<b>(925.589.157)</b>
Depreciation for the year	(3.426.165)	(2.191.800)	(3.953.705)	(2.072.011)	(17.611.997)	(8.712.857)	-	(37.968.535)
Disposals	-	98.935	159.469	-	-	-	-	258.404
Currency translation differences	(3.125.415)	(2.888.029)	(10.726.177)	(6.971.863)	(23.610.687)	(28.200.109)	-	(75.522.280)
<b>Closing</b>	<b>(40.439.813)</b>	<b>(37.216.017)</b>	<b>(137.656.283)</b>	<b>(89.418.709)</b>	<b>(304.325.743)</b>	<b>(429.765.003)</b>	-	<b>(1.038.821.568)</b>
<b>Net book value</b>	<b>123.479.730</b>	<b>81.375.472</b>	<b>57.793.300</b>	<b>9.505.074</b>	<b>1.130.479.455</b>	<b>311.884.455</b>	<b>65.442.503</b>	<b>1.779.959.989</b>



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**NOTE 9 - INTANGIBLE ASSETS**

<b>31 March 2021</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>		
Opening	<b>278.616.682</b>	<b>278.616.682</b>
Additions	9.082.641	9.082.641
Currency translation differences	24.005.747	24.005.747
<b>Closing</b>	<b>311.705.070</b>	<b>311.705.070</b>
<b>Accumulated amortization:</b>		
Opening	<b>(167.490.733)</b>	<b>(167.490.733)</b>
Amortization for the year	(9.230.770)	(9.230.770)
Currency translation differences	(14.568.170)	(14.568.170)
<b>Closing</b>	<b>(191.289.673)</b>	<b>(191.289.673)</b>
<b>Net book value</b>	<b>120.415.397</b>	<b>120.415.397</b>
<b>31 March 2020</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>		
Opening	<b>177.603.372</b>	<b>177.603.372</b>
Additions	9.389.733	9.389.733
Currency translation differences	16.240.222	16.240.222
<b>Closing</b>	<b>203.233.327</b>	<b>203.233.327</b>
<b>Accumulated amortization:</b>		
Opening	<b>(97.812.366)</b>	<b>(97.812.366)</b>
Amortization for the year	(6.283.688)	(6.283.688)
Currency translation differences	(8.765.408)	(8.765.408)
<b>Closing</b>	<b>(112.861.462)</b>	<b>(112.861.462)</b>
<b>Net book value</b>	<b>90.371.865</b>	<b>90.371.865</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 10 – RIGHT OF USE ASSETS

31 March 2021	Field Rental	Building	Aircraft	Other	Total
<b>Cost:</b>					
Opening	41.931.946	33.382.305	29.611.398.064	2.804.728	29.689.517.043
Additions	-	-	1.131.036.217	-	1.131.036.217
Currency translation differences	3.566.675	2.839.454	2.621.111.336	238.566	2.627.756.031
<b>Closing</b>	<b>45.498.621</b>	<b>36.221.759</b>	<b>33.363.545.617</b>	<b>3.043.294</b>	<b>33.448.309.291</b>
<b>Accumulated depreciation:</b>					
Opening	(41.417.507)	(15.924.537)	(9.840.374.164)	(2.804.728)	(9.900.520.936)
Depreciation for the period	(5.972.937)	(2.246.428)	(522.644.071)	-	(530.863.436)
Currency translation differences	(4.113.208)	(1.576.529)	(888.660.718)	(238.566)	(894.589.021)
<b>Closing</b>	<b>(51.503.652)</b>	<b>(19.747.494)</b>	<b>(11.251.678.953)</b>	<b>(3.043.294)</b>	<b>(11.325.973.393)</b>
<b>Net book value</b>	<b>(6.005.031)</b>	<b>16.474.265</b>	<b>22.111.866.664</b>	<b>-</b>	<b>22.122.335.898</b>
<b>31 March 2020</b>	<b>Field Rental</b>	<b>Building</b>	<b>Aircraft</b>	<b>Other</b>	<b>Total</b>
<b>Cost:</b>					
Opening	30.958.669	24.646.405	18.000.762.823	2.070.755	18.058.438.652
Additions	-	-	297.231.522	-	297.231.522
Currency translation differences	2.627.293	2.091.606	1.569.606.467	175.733	1.574.501.099
<b>Closing</b>	<b>33.585.962</b>	<b>26.738.011</b>	<b>19.867.600.812</b>	<b>2.246.488</b>	<b>19.930.171.273</b>
<b>Accumulated depreciation:</b>					
Opening	(11.686.083)	(6.718.403)	(6.131.858.564)	(1.420.637)	(6.151.683.687)
Depreciation for the period	(4.130.419)	(1.698.452)	(377.807.329)	(358.631)	(383.994.831)
Currency translation differences	(1.292.527)	(693.841)	(549.490.574)	(146.506)	(551.623.448)
<b>Closing</b>	<b>(17.109.029)</b>	<b>(9.110.696)</b>	<b>(7.059.156.467)</b>	<b>(1.925.774)</b>	<b>(7.087.301.966)</b>
<b>Net book value</b>	<b>16.476.933</b>	<b>17.627.315</b>	<b>12.808.444.345</b>	<b>320.714</b>	<b>12.842.869.307</b>

### 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 40.753.599 as of 31 March 2021 (31 December 2020: TL 38.124.393). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 10.215.588 (31 December 2020: TL 9.785.749) 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.

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

**Tax Inspection**

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

In the aforesaid process, all of the lawsuits filed with the demand for rescission of such fined value added tax assessments imposed in the name of the Company as per respective monthly periods of year 2010, with the claim that the rate of value added tax required to be calculated over corporation tax withholdings claimed as being payable over such leasing payments with respect to aircraft subject matter of financial leasing with the purpose of acquiring the same from companies with legal domiciles as well as principal places of business abroad being 18% are concluded, and such lawsuits filed in tax courts are concluded in favor of the Company. A part of the judgments were subject to appeal by Major Taxpayers Tax Office before Istanbul Tax Court due to their amounts, but in respect of judgment of İstanbul Regional Administrative Court, the appeals has been rejected and lawsuits were concluded in favor of the Company. The decision was appealed by the Tax Office and the decision of the first instance court was approved as a result of the appeal. The Tax Office has applied for the correction of the decision and our response to this application has been submitted to the file. In March 2020, the decision for the correction of the decision was rejected and the decision to lift the penalty for the corporate tax (withholding tax) corresponding to the payments made against financial leases was finalized. The Court decided to partially reject (for the TL 9.103 part) the decision to disrupt the appeal at the stage of appeal and the VAT amount, which is limited only for this amount, to be reversed at the appeal stage and sent to the local Court for renegotiation.

As can be seen from the explanations above, all the lawsuits filed for the Corporate Tax Review Report, Corporate Tax Withholding Review Report and Value Added Tax Withholding Review Report (excluding VAT lawsuit with the amount of TL 9.103) resulted positively.

**NOTE 12 - COMMITMENTS**

**Purchase Commitments**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Commitments to purchase aircraft	65.581.033.477	59.718.587.974
	<b>65.581.033.477</b>	<b>59.718.587.974</b>

As of 31 March 2021, the Group holds firm orders for 54 aircraft. In accordance to with agreement the expected deliveries are 4 aircraft in 2021, 20 aircraft in 2022, 17 aircraft in 2023, 10 aircraft in 2024, 3 aircraft in 2025. The purchase commitments for these aircraft were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 1.856.698.180 (31 December 2020: TL 1.875.340.233) and TL 1.047.351.068 of this amount is reclassified under short term, TL 809.347.112 of this amount is reclassified under long term prepaid expenses (31 December 2020: TL 841.904.079 of this amount is reclassified under short term, TL 1.033.436.154 of this amount is reclassified under long term prepaid expenses).

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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### NOTE 12 - COMMITMENTS

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

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

31 March 2021	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.458.006.494	140.749.121	26.739.393	13.377.687	11.398.124
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	<b>1.458.006.494</b>	<b>140.749.121</b>	<b>26.739.393</b>	<b>13.377.687</b>	<b>11.398.124</b>

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

The other CPMs given by the Company constitute 0% of the Company’s equity as of 31 March 2021.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts are expressed in TL unless otherwise stated.)

### NOTE 12 - COMMITMENTS

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

The details of the CPMs given by the Group as of 31 December 2020 is as follows:

31 December 2020	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.308.894.933	141.376.684	27.464.393	13.452.807	10.270.071
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	<b>1.308.894.933</b>	<b>141.376.684</b>	<b>27.464.393</b>	<b>13.452.807</b>	<b>10.270.071</b>

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

The other CPMs given by the Company constitute 0% of the Company’s equity as of 31 December 2020.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 13 - EXPENSES BY NATURE**

The details of expenses by nature for the years periods 31 March 2021 and 2020 are as follows:

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Depreciation and amortisation expenses	584.897.408	428.247.054
Jet fuel expenses	376.858.344	668.859.106
Personnel expenses	226.785.604	349.028.258
Handling and station fees	115.215.680	153.846.213
Navigation expenses	105.725.916	131.338.774
Maintenance expenses	128.715.382	105.401.624
Landing expenses	42.849.921	63.013.199
Passenger service and catering expenses	9.571.595	19.590.056
Advertising expenses	7.928.066	16.361.826
Commission expenses	12.344.833	37.924.691
Other expenses	149.333.782	122.951.454
	<b>1.760.226.531</b>	<b>2.096.562.255</b>

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

The Company's shareholding structure as of 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021</b>		<b>31 December 2020</b>	
<b>Shareholders:</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>TL</b>
Esas Holding	62,91	64.353.570	62,91	64.353.570
Publicly held	34,53	35.321.707	34,53	35.321.707
Emine Kamışlı	0,85	874.810	0,85	874.810
Ali İsmail Sabancı	0,85	874.810	0,85	874.810
Kazım Köseoğlu	0,43	437.405	0,43	437.405
Can Köseoğlu	0,43	437.405	0,43	437.405
<b>TL historic capital</b>	<b>100,00</b>	<b>102.299.707</b>	<b>100,00</b>	<b>102.299.707</b>

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2020: 102.299.707 shares). All issued shares are fully paid in cash.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the periods ended 31 March 2021 and 2020 are as follows:

Sales:

	1 January- 31 March 2021	1 January- 31 March 2020
Scheduled flight and service revenue	1.056.962.903	1.850.696.939
<i>International flight revenue</i>	350.115.915	801.098.838
<i>Domestic flight revenue</i>	309.333.011	391.324.735
<i>Service revenue</i>	397.513.977	658.273.366
Charter flight and service revenue	4.401.062	8.060.791
<i>Charter flight revenue</i>	4.401.062	7.742.038
<i>Service revenue</i>	-	318.753
Other revenue	28.567.656	19.559.164
	<b>1.089.931.621</b>	<b>1.878.316.894</b>

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

	1 January- 31 March 2021	1 January- 31 March 2020
Europe	210.748.163	509.064.268
Domestic	309.333.011	391.324.735
Other	139.367.752	292.034.570
	<b>659.448.926</b>	<b>1.192.423.573</b>

Cost of sales:

	1 January- 31 March 2021	1 January- 31 March 2020
Depreciation and amortisation expenses	562.504.819	410.318.110
Jet fuel expenses	376.858.344	668.859.106
Personnel expenses	206.546.708	321.560.404
Handling and station fees	115.215.680	153.846.213
Navigation expenses	105.725.916	131.338.774
Maintenance expenses	128.715.382	105.401.624
Landing expenses	42.849.921	63.013.199
Passenger service and catering expenses	9.571.595	19.590.056
Other expenses	111.958.246	85.349.063
	<b>1.659.946.611</b>	<b>1.959.276.549</b>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Marketing expenses	36.349.002	71.198.900
General administrative expenses	63.930.918	66.086.806
	<b>100.279.920</b>	<b>137.285.706</b>

The details of general administrative expenses and marketing expenses for the periods ended 31 March 2021 and 2020 are as follows (there are no research & development expenses in the periods ended in respective dates):

**General administrative expenses:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Depreciation and amortisation expenses	17.914.071	14.343.155
Personnel expenses	15.686.506	20.311.960
IT expenses	15.431.252	16.218.325
Consultancy expenses	3.070.396	2.003.732
Communication expenses	2.505.346	730.933
Legal and notary expenses	1.512.080	2.421.164
Office utility expenses	1.303.331	1.318.465
Travel expenses	180.996	622.363
Training expenses	50.231	563.125
Other expenses	6.276.709	7.553.584
	<b>63.930.918</b>	<b>66.086.806</b>

**Marketing expenses:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Commission expenses	12.344.833	37.924.691
Advertising expenses	7.928.066	16.361.826
Call center expenses	6.092.963	5.077.862
Personnel expenses	4.552.390	7.155.894
Depreciation and amortisation expenses	4.478.518	3.585.789
Other expenses	952.232	1.092.838
	<b>36.349.002</b>	<b>71.198.900</b>



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

The details of other operating income and expenses for the periods ended 31 March 2021 and 2020 are as follows:

**Other operating income:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Reversal of doubtful cash and cash equivalents	312.637	688.176
Reversal of doubtful provision	-	1.583.727
Other	189.988	620.939
	<b>502.625</b>	<b>2.892.842</b>

**Other operating expenses:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Foreign exchange loss from operating activities	8.834.159	11.109.808
Doubtful receivable allowance expense	3.965.504	1.396.388
Penalty expense	466.133	712.535
Other	1.526.433	842.773
	<b>14.792.229</b>	<b>14.061.504</b>

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

The details of income from investing activities for the periods ended 31 March 2021 and 2020 are as follows:

**Income from investing activities:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Income from sale of fixed assets	357.872	-
Other income	281.017	150.932
	<b>638.889</b>	<b>150.932</b>

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**NOTE 19 - FINANCIAL INCOME AND EXPENSES**

The details of financial income and expenses for the periods ended 31 March 2021 and 2020 are as follows:

**Financial income:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Interest income	21.857.300	21.238.092
Gain on derivative contracts	131.495	5.062.430
	<b>21.988.795</b>	<b>26.300.522</b>

**Financial expenses:**

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Interest expense on leases	132.937.101	108.679.524
Interest expense on bank loans	54.229.096	5.693.352
Other commission expenses	22.276.774	26.543.984
Expenses from fair value differences of derivative instruments	-	117.199.295
Foreign exchange loss	97.466.465	37.313.959
	<b>306.909.436</b>	<b>295.430.114</b>

**NOTE 20 - EARNINGS / LOSS PER SHARE**

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 31 March 2021 and 2020 are as follows:

	<b>1 January- 31 March 2021</b>	<b>1 January- 31 March 2020</b>
Loss attributable to the shareholders of the parent	(933.239.330)	(401.505.032)
Weighted average number of shares issued in the year	102.299.707	102.299.707
<b>Loss per share</b>	<b>(9,12)</b>	<b>(3,92)</b>

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**NOTE 21 - DERIVATIVE INSTRUMENTS**

**Fair Value of Derivative Instruments**

	<b>31 March 2021</b>		<b>31 December 2020</b>	
	<b>Asset</b>	<b>Liability</b>	<b>Asset</b>	<b>Liability</b>
Short term	71.743.790	878.506	7.599.668	90.228.333
Long term	-	-	-	3.838.005
	<b>71.743.790</b>	<b>878.506</b>	<b>7.599.668</b>	<b>94.066.338</b>

Explanations related to derivative instruments are disclosed in Note 23.

**NOTE 22 - FINANCIAL INSTRUMENTS**

**Financial Liabilities**

The details of financial liabilities as of 31 March 2021 and 31 December 2020 are as follows:

<b>Short term financial liabilities</b>	<b>31 March 2021</b>	<b>31 December 2020</b>
Short term bank borrowings	2.316.681.630	1.741.716.857
Issued debt instruments (*)	260.000.000	-
Lease liabilities	2.504.052.160	2.154.972.636
<i>Short term portion of long term operating lease obligations</i>	783.250.584	679.665.846
<i>Short term portion of long term financial lease obligations</i>	1.720.801.576	1.475.306.790
	<b>5.080.733.790</b>	<b>3.896.689.493</b>

(\*)The Group has domestic bonds issued to the qualified investors without public offering amounting to TL 260.000.000 with 365-day maturity, 3-month coupon payments with floating interest of 300 bps over the benchmark (TLREF Index, BIST overnight interest rate) and principal payment at maturity date of 11 February 2022.

<b>Long term financial liabilities</b>	<b>31 March 2021</b>	<b>31 December 2020</b>
Long term bank borrowings	679.355.916	805.508.577
Lease liabilities	16.093.579.727	14.309.895.001
<i>Long term operating lease obligations</i>	1.698.026.209	1.667.930.667
<i>Long term financial lease obligations</i>	14.395.553.518	12.641.964.334
	<b>16.772.935.643</b>	<b>15.115.403.578</b>

**PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 22 - FINANCIAL INSTRUMENTS****Financial Liabilities**Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short and long term bank borrowings as of 31 March 2021 and 31 December 2020 are as follows :

<b>31 March 2021</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	4,97%	Euro	167.315.120	1.635.354.714
Short term bank borrowings	16,00%	TL	656.275.031	656.275.031
Short term bank borrowings	6,50%	US Dollar	3.008.874	25.051.885
				<b>2.316.681.630</b>

<b>31 December 2020</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short term bank borrowings	4,62%	Euro	138.400.000	1.246.695.357
Short term bank borrowings	15,54%	TL	473.000.000	473.000.000
Short term bank borrowings	6,50%	US Dollar	3.000.000	22.021.500
				<b>1.741.716.857</b>

<b>31 March 2021</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Long term bank borrowings	4,97%	Euro	51.590.000	504.245.819
Long term bank borrowings	16,00%	TL	175.110.097	175.110.097
				<b>679.355.916</b>

<b>31 December 2020</b>	<b>Weighted average interest rate (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Long term bank borrowings	4,62%	Euro	69.440.000	625.508.577
Long term bank borrowings	15,54%	TL	180.000.000	180.000.000
				<b>805.508.577</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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#### NOTE 22 - FINANCIAL INSTRUMENTS

##### Financial Liabilities

##### Lease Liabilities

The details of financial and operating lease liabilities as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Less than 1 year	3.032.826.913	2.682.166.703
Between 1 - 5 years	9.894.305.378	9.002.019.440
Over 5 years	8.828.773.736	7.848.676.463
	21.755.906.027	19.532.862.606
Less: Future interest expenses	(3.158.274.140)	(3.067.994.969)
	<b>18.597.631.887</b>	<b>16.464.867.637</b>

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

	31 March 2021	31 December 2020
Less than 1 year	2.504.052.160	2.154.972.636
Between 1 - 5 years	7.992.599.769	7.185.705.564
Over 5 years	8.100.979.958	7.124.189.437
	<b>18.597.631.887</b>	<b>16.464.867.637</b>

The Group purchases certain of its handling equipment and aircraft through lease arrangements. The average lease term is 5,82 years. For the period ended 31 March 2021, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 11.797.619.232, is 1,11% (31 December 2020: 1,17%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 2.176.981.631, is 2,97% (31 December 2020: 2,97%).

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

##### Financial Risk Factors

##### *Foreign currency risk management*

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

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the years ended 31 March 2021 and 31 December 2020 are as follows:

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

**Financial Risk Factors**

***Foreign currency risk management***

<b>31 March 2021</b>	<b>TL Total</b>	<b>USD</b>	<b>TL</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	192.582.758	10.238.094	68.544.647	882.210	28.709.963
2a. Monetary financial assets	2.690.562.057	216.862.901	791.449.881	3.529.495	53.161.064
2b. Non monetary financial assets	-	-	-	-	-
3. Other	182.319.942	257.399	177.945.081	89.563	1.207.837
<b>4. CURRENT ASSETS</b>	<b>3.065.464.757</b>	<b>227.358.394</b>	<b>1.037.939.609</b>	<b>4.501.268</b>	<b>83.078.864</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	163.708.984	19.662.381	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	153.749.581	17.672.495	281.509	1.000	6.315.446
<b>8. NON CURRENT ASSETS</b>	<b>317.458.565</b>	<b>37.334.876</b>	<b>281.509</b>	<b>1.000</b>	<b>6.315.446</b>
<b>9. TOTAL ASSETS</b>	<b>3.382.923.322</b>	<b>264.693.270</b>	<b>1.038.221.118</b>	<b>4.502.268</b>	<b>89.394.310</b>
10. Trade payables	541.647.197	31.547.154	272.074.632	549.848	624.879
11. Financial liabilities	2.447.115.648	215.090.153	656.275.031	-	-
12a. Other liabilities, monetary	888.388.397	101.778.681	33.596.944	141.239	5.767.454
12b. Other liabilities, non monetary	-	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>3.877.151.242</b>	<b>348.415.988</b>	<b>961.946.607</b>	<b>691.087</b>	<b>6.392.333</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	4.800.547.385	555.541.351	175.110.097	-	-
16a. Other liabilities, monetary	1.275.274.129	153.167.683	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>6.075.821.514</b>	<b>708.709.034</b>	<b>175.110.097</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>9.952.972.756</b>	<b>1.057.125.022</b>	<b>1.137.056.704</b>	<b>691.087</b>	<b>6.392.333</b>
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(6.570.049.434)	(792.431.752)	(98.835.586)	3.811.181	83.001.977
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(6.570.049.434)	(792.431.752)	(98.835.586)	3.811.181	83.001.977

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

#### Financial Risk Factors

#### *Foreign currency risk management*

31 December 2020	TL Total	USD	TL	GBP	Other
1. Trade receivables	212.376.311	12.065.543	101.470.363	334.373	19.013.891
2a. Monetary financial assets	2.054.167.015	246.117.870	149.798.906	5.888.115	39.189.646
2b. Non monetary financial assets	-	-	-	-	-
3. Other	188.137.472	13.107	185.943.989	89.563	1.206.676
4. CURRENT ASSETS	2.454.680.798	258.196.520	437.213.258	6.312.051	59.410.213
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	144.331.708	19.662.381	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	149.009.259	19.500.573	341.073	1.000	5.514.286
8. NON CURRENT ASSETS	293.340.967	39.162.954	341.073	1.000	5.514.286
9. TOTAL ASSETS	2.748.021.765	297.359.474	437.554.331	6.313.051	64.924.499
10. Trade payables	563.378.666	7.151.551	497.346.897	186.316	11.683.120
11. Financial liabilities	1.416.899.835	128.587.948	473.000.000	-	-
12a. Other liabilities, monetary	917.402.135	106.365.614	127.431.455	85.662	8.342.085
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	2.897.680.636	242.105.113	1.097.778.352	271.978	20.025.205
14. Trade payables	-	-	-	-	-
15. Financial liabilities	4.461.206.972	583.230.975	180.000.000	-	-
16a. Other liabilities, monetary	1.038.964.136	141.538.606	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	5.500.171.108	724.769.581	180.000.000	-	-
18. TOTAL LIABILITIES	8.397.851.744	966.874.694	1.277.778.352	271.978	20.025.205
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	(5.649.829.980)	(669.515.221)	(840.224.021)	6.041.073	44.899.294
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(5.649.829.980)	(669.515.221)	(840.224.021)	6.041.073	44.899.294

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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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 31 March 2021 and 31 December 2020 are as follows:

31 March 2021	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)	(659.778.677)	659.778.677	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(659.778.677)</b>	<b>659.778.677</b>	<b>-</b>	<b>-</b>
Effect of 10% change in TL rate				
TL net asset / (liability)	(9.883.559)	9.883.559	493.413.550	(493.413.550)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>(9.883.559)</b>	<b>9.883.559</b>	<b>493.413.550</b>	<b>(493.413.550)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	4.357.095	(4.357.095)	-	-
Part of hedged from GBP risk	-	-	-	-
<b>GBP net effect</b>	<b>4.357.095</b>	<b>(4.357.095)</b>	<b>-</b>	<b>-</b>



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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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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

31 December 2020	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(491.457.648)	491.457.648	-	-
Part of hedged from USD risk	-	-	-	-
<b>USD net effect</b>	<b>(491.457.648)</b>	<b>491.457.648</b>	<b>-</b>	<b>-</b>
Effect of 10% change in TL rate				
TL net asset / (liability)	(84.022.402)	84.022.402	538.433.239	(538.433.239)
Part of hedged from TL risk	-	-	-	-
<b>TL net effect</b>	<b>(84.022.402)</b>	<b>84.022.402</b>	<b>538.433.239</b>	<b>(538.433.239)</b>
Effect of 10% change in GBP rate				
GBP net asset / liability	4.868.624	(4.868.624)	-	-
Part of hedged from GBP risk	(8.505.547)	8.505.547	-	-
<b>GBP net effect</b>	<b>(3.636.923)</b>	<b>3.636.923</b>	<b>-</b>	<b>-</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2021**

(Amounts are expressed in TL unless otherwise stated.)

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

**Fair Value of Financial Instruments**

31 March 2021	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
<b>Financial assets</b>						
Cash and cash equivalents	3.888.665.456	-	-	-	3.888.665.456	26
Trade receivables	207.806.798	-	-	-	207.806.798	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	207.806.798	-	-	-	207.806.798	6
Other receivables	319.119.146	-	-	-	319.119.146	
- <i>Related party</i>	165.534	-	-	-	165.534	5
- <i>Other</i>	318.953.612	-	-	-	318.953.612	
Financial investments(**)	259.332.970	-	-	-	259.332.970	
Derivative financial assets	-	71.743.790	-	-	71.743.790	21
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	2.996.037.546	2.996.037.546	22
Issued debt instruments	-	-	-	260.000.000	260.000.000	22
Obligations under leases	-	-	-	18.597.631.887	18.597.631.887	22
Trade payables	-	-	-	919.534.036	919.534.036	6
- <i>Related party</i>	-	-	-	22.189.162	22.189.162	5
- <i>Other</i>	-	-	-	897.344.874	897.344.874	
Derivative financial liabilities	-	-	878.506	-	878.506	21

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

(\*\*) As of 31 March 2021 market prices of financial investments amounting to TL 263.872.394.

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

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

**Fair Value of Financial Instruments**

31 December 2020	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
<b>Financial assets</b>						
Cash and cash equivalents	3.605.570.830	-	-	-	3.605.570.830	26
Trade receivables	197.485.020	-	-	-	197.485.020	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	197.485.020	-	-	-	197.485.020	6
Other receivables	296.306.538	-	-	-	296.306.538	
- <i>Related party</i>	227.927	-	-	-	227.927	5
- <i>Other</i>	296.078.611	-	-	-	296.078.611	
Financial investments(**)	234.035.538	-	-	-	234.035.538	
Derivative financial assets	-	7.599.668	-	-	7.599.668	21
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	2.547.225.434	2.547.225.434	22
Obligations under financial leases	-	-	-	16.464.867.637	16.464.867.637	22
Trade payables	-	-	-	910.641.319	910.641.319	6
- <i>Related party</i>	-	-	-	22.159.362	22.159.362	5
- <i>Other</i>	-	-	-	888.481.957	888.481.957	
Derivative financial liabilities	-	93.056.335	1.010.003	-	94.066.338	21

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

(\*\*)As of 31 December 2020 market prices of financial investments amounting to TL 236.539.169.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**
**Fair Value of Financial Instruments**

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique
	31 March 2021	31 December 2020		
Fuel purchase option contracts	42.480.839	(93.056.335)	Level 2	Discounted cash flow method
Fuel purchase forward contracts	29.262.951	7.599.668	Level 2	Discounted cash flow method
Interest rate swap contracts	(878.506)	(1.010.003)	Level 2	Discounted cash flow method
	Fuel purchase forward contracts	Fuel purchase option contracts	Interest rate swap contracts	Total
<b>31 March 2021</b>				
<b>Fair value:</b>				
Opening	7.599.668	(93.056.335)	(1.010.003)	(86.466.670)
Fair value increase				
Recognized in equity	21.663.283	135.537.174	-	157.200.457
Recognized in profit or loss	-	-	131.497	131.497
<b>Closing</b>	<b>29.262.951</b>	<b>42.480.839</b>	<b>(878.506)</b>	<b>70.865.284</b>
Assets	29.262.951	42.480.839	-	71.743.790
Liabilities	-	-	(878.506)	(878.506)
<b>Total net assets and liabilities</b>	<b>29.262.951</b>	<b>42.480.839</b>	<b>(878.506)</b>	<b>70.865.284</b>

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in TL unless otherwise stated.)

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

#### Fair Value of Financial Instruments

31 December 2020	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
<b>Fair value:</b>					
Opening	(11.321.989)	(42.733.371)	(584.353)	61.239	(54.578.474)
Fair value increase / (decrease)					
Recognized in equity	18.921.657	(50.322.964)	-	-	(31.401.307)
Recognized in profit or loss	-	-	584.353	(1.071.242)	(486.889)
<b>Closing</b>	<b>7.599.668</b>	<b>(93.056.335)</b>	<b>-</b>	<b>(1.010.003)</b>	<b>(86.466.670)</b>
Assets	7.599.668	-	-	-	7.599.668
Liabilities	-	(93.056.335)	-	(1.010.003)	(94.066.338)
<b>Total net assets and liabilities</b>	<b>7.599.668</b>	<b>(93.056.335)</b>	<b>-</b>	<b>(1.010.003)</b>	<b>(86.466.670)</b>

### NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

The book building process for the debt securities to be issued for sale to qualified investors outside of Turkey within the format of "Rule 144A" and/or "Regulation S" is completed. The nominal value of the notes to be issued is USD 375,000,000 and the maturity of the notes will be 5 years with an early redemption option at three and four years. The notes will be admitted to trade on the Irish Stock Exchange (Euronext Dublin). The sale transaction has been completed on April 29, 2021, following the execution of the agreement for issuance and the Capital Markets Board approval for the tranche issuance document.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2020**

(Amounts are expressed in TL unless otherwise stated.)

**NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW**

The details of cash and cash equivalents as of 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Cash on hand	988.843	644.756
Cash at banks	3.889.170.523	3.606.732.620
- Demand deposits	321.800.833	55.355.224
- Time deposits	3.567.369.690	3.551.377.396
Less: Allowance for impairment under TFRS 9	(1.493.910)	(1.806.546)
	<b>3.888.665.456</b>	<b>3.605.570.830</b>

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

<b>31 March 2021</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	%1,12	1.795.241.431
EUR deposits	%0,69	1.188.671.214
TL deposits	%18,60	546.020.690
GBP deposits	%0,13	37.436.355
		<b>3.567.369.690</b>

<b>31 December 2020</b>	<b>Weighted average interest rates</b>	<b>Total</b>
USD deposits	%1,55	1.795.008.276
EUR deposits	%1,20	1.541.353.532
TL deposits	%18,76	147.679.943
GBP deposits	%0,14	57.804.150
CHF deposits	%0,02	9.531.495
		<b>3.551.377.396</b>

All of the time deposits as of 31 March 2021 and 31 December 2020 have maturities less than 90 days.

# PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

## APPENDIX : EURO SELECTED NOTES

(Amounts are expressed in TL unless otherwise stated.)

### Revenue

	<b>Euro</b> <b>1 January-</b> <b>31 March 2021</b>	<b>Euro</b> <b>1 January-</b> <b>31 March 2020</b>
Scheduled flight and service revenue	118.933.813	282.636.655
<i>International flight revenue</i>	39.399.791	123.509.443
<i>Domestic flight revenue</i>	34.881.960	59.365.781
<i>Service revenue</i>	44.652.062	99.761.431
Charter flight and service revenue	491.836	1.218.449
<i>Charter flight revenue</i>	491.836	1.170.237
<i>Service revenue</i>	-	48.212
Other revenue	3.108.907	2.864.103
	<b>122.534.556</b>	<b>286.719.207</b>

### Expenses by Nature

	<b>Euro</b> <b>1 January-</b> <b>31 March 2021</b>	<b>Euro</b> <b>1 January-</b> <b>31 March 2020</b>
Jet fuel expenses	42.256.925	99.840.938
Depreciation and amortisation expenses	65.755.550	63.677.558
Personnel expenses	24.615.762	50.478.312
Handling and station fees	12.805.569	22.848.721
Navigation expenses	11.669.956	19.137.397
Maintenance expenses	11.919.464	14.549.295
Landing expenses	4.744.856	9.366.493
Commission expenses	1.337.989	5.482.916
Advertising expenses	868.502	2.437.398
Passenger service and catering expenses	1.076.956	2.932.317
Other expenses	16.671.820	18.432.755
	<b>193.723.349</b>	<b>309.184.100</b>