

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

**PEGASUS HAVA TAřIMACILIĐI
ANONİM řİRKETİ AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
NINE MONTH INTERIM PERIOD ENDED
30 SEPTEMBER 2023

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2023

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

		Current period (Not reviewed) 30 September 2023	Prior period (Audited) 31 December 2022	(*) EUR 30 September 2023	(*) EUR 31 December 2022
Notes					
ASSETS					
Current assets		46.532.023.592	20.717.301.827	1.602.866.764	1.039.247.843
Cash and cash equivalents	27	22.372.651.545	10.558.266.871	770.660.221	529.637.313
Financial assets	22	10.531.943.249	2.261.353.238	362.788.903	113.436.899
Trade receivables	6	2.263.725.814	1.175.047.670	77.977.500	58.944.247
<i>Trade receivables from third parties</i>		<i>2.263.725.814</i>	<i>1.175.047.670</i>	<i>77.977.500</i>	<i>58.944.247</i>
Other receivables	6	96.741.848	187.841.639	3.332.421	9.422.753
<i>Other receivables from related parties</i>	5	<i>4.491.338</i>	<i>603.250</i>	<i>154.711</i>	<i>30.261</i>
<i>Other receivables from third parties</i>		<i>92.250.510</i>	<i>187.238.389</i>	<i>3.177.710</i>	<i>9.392.492</i>
Derivative financial instruments	21	339.016.321	267.091.000	11.677.936	13.398.161
Inventories		919.199.253	501.705.715	31.663.225	25.167.205
Prepaid expenses	7	9.882.676.174	5.614.389.822	340.423.905	281.636.217
Current income tax assets		12.496.324	8.816.150	430.455	442.247
Other current assets		113.573.064	142.789.722	3.912.198	7.162.801
Non-Current assets		115.126.718.546	75.085.744.611	3.965.715.922	3.766.546.965
Financial assets	22	1.482.302.265	4.277.060.923	51.060.170	214.551.411
Other receivables	6	1.128.618.139	686.474.209	38.876.979	34.435.799
<i>Other receivables from third parties</i>		<i>1.128.618.139</i>	<i>686.474.209</i>	<i>38.876.979</i>	<i>34.435.799</i>
Derivative financial instruments	21	-	86.308.409	-	4.329.513
Investments accounted by using the equity method	3	543.819.419	365.909.936	18.732.692	18.355.243
Property and equipment	8	8.906.388.820	3.514.594.995	306.794.108	176.303.241
Intangible assets	9	471.169.515	286.951.642	16.230.155	14.394.436
Right of use assets	10	92.079.335.557	58.751.535.645	3.171.813.629	2.947.169.820
Prepaid expenses	7	10.515.084.831	7.116.908.852	362.208.189	357.007.502
TOTAL ASSETS		161.658.742.138	95.803.046.438	5.568.582.686	4.805.794.808

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2023

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

		Current period (Not reviewed) 30 September 2023	Prior period (Audited) 31 December 2022	(*) EUR 30 September 2023	(*) EUR 31 December 2022
	Notes				
LIABILITIES					
Current liabilities		36.903.872.472	20.759.664.303	1.271.210.364	1.041.372.884
Short term borrowings	22	4.866.612.404	2.119.867.677	167.637.912	106.339.519
Short term portion of long term borrowings	22	961.045.268	1.096.867.696	33.104.675	55.022.483
Short term portion of long term lease liabilities	22	10.926.138.247	6.669.837.262	376.367.553	334.580.924
Trade payables	6	7.204.982.891	3.930.557.016	248.186.662	197.169.638
<i>Trade payables to related parties</i>	5	19.219.643	9.595.784	662.050	481.356
<i>Trade payables to third parties</i>		7.185.763.248	3.920.961.232	247.524.612	196.688.282
Employee benefit obligations		967.714.270	219.603.277	33.334.399	11.016.021
Other payables	6	398.367.059	476.784.279	13.722.363	23.917.064
<i>Other payables to third parties</i>		398.367.059	476.784.279	13.722.363	23.917.064
Passenger flight liabilities	7	8.504.589.592	4.314.917.421	292.953.604	216.450.417
Derivative financial instruments	21	30.850.974	-	1.062.709	-
Deferred income	7	968.251.285	708.853.304	33.352.897	35.558.408
Short term provisions		2.075.320.482	1.222.376.371	71.487.590	61.318.410
<i>Short term provisions for employee benefits</i>		1.092.839.964	676.745.918	37.644.545	33.947.796
<i>Other short term provisions</i>		982.480.518	545.630.453	33.843.045	27.370.614
Non-Current liabilities		89.274.736.664	56.998.638.816	3.075.204.929	2.859.238.761
Long term borrowings	22	9.760.490.010	6.459.025.794	336.215.016	324.005.929
Long term lease liabilities	22	70.557.646.128	44.654.342.098	2.430.466.100	2.240.008.332
Deferred income	7	2.673.360.568	1.233.022.744	92.087.996	61.852.467
Long term provisions		4.906.166.838	3.927.476.098	169.000.426	197.015.089
<i>Long term provisions for employee benefits</i>		865.167.338	574.013.046	29.802.013	28.794.378
<i>Other long term provisions</i>		4.040.999.500	3.353.463.052	139.198.413	168.220.711
Deferred tax liabilities		1.377.073.120	724.772.082	47.435.391	36.356.944
SHAREHOLDERS' EQUITY		35.480.133.002	18.044.743.319	1.222.167.393	905.183.163
Paid-in share capital	14	102.299.707	102.299.707	60.544.134	60.544.134
Share premiums on capital stock		455.687.025	455.687.025	194.089.305	194.089.305
Other comprehensive income/expense not to be reclassified to profit or loss					
Actuarial losses on defined benefit plans		(108.512.177)	(74.584.475)	(3.737.868)	(3.741.402)
Currency translation differences		19.944.704.120	11.667.935.448	-	-
Other comprehensive income/expense to be reclassified to profit or loss					
Currency translation differences		326.561.871	165.445.988	9.283.651	8.071.040
Hedge fund		271.213.063	282.719.523	9.342.349	14.182.139
Gain on financial assets measured at fair value		23.647.229	26.847.705	814.565	1.346.769
Restricted profit reserves		20.459.941	20.459.941	4.047.406	4.047.406
Retained earnings		5.397.932.457	(1.702.212.691)	626.643.772	195.884.759
Net income/(loss) for the period		9.046.139.766	7.100.145.148	321.140.079	430.759.013
TOTAL LIABILITIES AND EQUITY		161.658.742.138	95.803.046.438	5.568.582.686	4.805.794.808

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

		Current period (Not reviewed)	Prior period (Not reviewed)	Current period (Not reviewed)	Prior period (Not reviewed)	(*) EUR	(*) EUR	(*) EUR	(*) EUR
		1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Profit or loss	Notes								
Sales	15	51.974.988.971	30.255.091.277	28.072.539.861	17.840.091.248	2.061.478.639	1.774.250.019	961.789.802	1.000.175.776
Cost of sales (-)	15	(37.062.135.745)	(22.097.485.147)	(17.308.764.038)	(10.087.540.655)	(1.498.308.353)	(1.287.310.010)	(592.068.184)	(555.342.837)
Gross profit/(loss)		14.912.853.226	8.157.606.130	10.763.775.823	7.752.550.593	563.170.286	486.940.009	369.721.618	444.832.939
General administrative expenses (-)	16	(1.224.782.495)	(715.537.631)	(558.446.256)	(396.639.503)	(49.910.378)	(42.576.587)	(21.664.399)	(22.467.465)
Marketing expenses (-)	16	(975.604.221)	(635.982.013)	(397.108.313)	(326.332.867)	(38.325.197)	(37.039.311)	(13.870.560)	(18.298.449)
Other operating income	17	15.967.399	171.129.156	20.110.065	247.495.310	667.888	10.166.567	861.439	15.195.641
Other operating expenses (-)	17	(477.689.542)	(84.926.637)	68.122.267	(36.456.392)	(19.578.384)	(5.061.069)	5.919.368	(2.453.225)
Operating gain/(loss)		12.250.744.367	6.892.289.005	9.896.453.586	7.240.617.141	456.024.215	412.429.609	340.967.466	416.809.441
Income from investing activities	18	945.019.765	363.414.455	253.038.699	129.223.980	34.286.538	21.461.484	8.233.453	7.203.571
Expenses from investing activities (-)	18	(76.782.534)	(9.844.277)	15.371.837	(5.894.077)	(2.702.732)	(584.877)	657.121	(341.197)
Share of investments income accounted for using the equity method	3	6.485.049	9.512.803	(1.120.411)	6.512.752	270.150	565.183	(86.084)	380.116
Operating gain/(loss) before financial expense		13.125.466.647	7.255.371.986	10.163.743.711	7.370.459.796	487.878.171	433.871.399	349.771.956	424.051.931
Financial income	19	392.717.759	202.354.069	276.492.254	95.579.228	17.079.252	11.703.201	7.596.604	5.207.862
Financial expense (-)	19	(4.173.885.236)	(4.382.226.084)	(2.472.833.306)	(2.410.294.871)	(171.396.815)	(260.819.158)	(94.687.623)	(138.186.619)
Profit/(Loss) before tax		9.344.299.170	3.075.499.971	7.967.402.659	5.055.744.153	333.560.608	184.755.442	262.680.937	291.073.174
Tax income/(expense)		(298.159.404)	(127.828.082)	(248.163.203)	(217.950.990)	(12.420.529)	(7.594.642)	(10.078.743)	(13.154.125)
Deferred tax income/(expense)	26	(298.159.404)	(127.828.082)	(248.163.203)	(217.950.990)	(12.420.529)	(7.594.642)	(10.078.743)	(13.154.125)
Profit/(Loss) for the period		9.046.139.766	2.947.671.889	7.719.239.456	4.837.793.163	321.140.079	177.160.800	252.602.194	277.919.049
Income/(loss) per share (TL) / (EUR)	20	88,43	28,81	75,46	47,29	3,14	1,73	2,47	2,72

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

	Current period (Not reviewed) 1 January- 30 September 2023	Prior period (Not reviewed) 1 January- 30 September 2022	Current period (Not reviewed) 1 July - 30 September 2023	Prior period (Not reviewed) 1 July - 30 September 2022	(*) EUR 1 January- 30 September 2023	(*) EUR 1 January- 30 September 2022	(*) EUR 1 July - 30 September 2023	(*) EUR 1 July - 30 September 2022
Other comprehensive income								
Items not to be reclassified to profit or loss								
Actuarial (losses) / gains on defined benefit plans	(42.409.628)	(35.962.986)	(8.294.577)	(13.902.728)	4.418	(1.825.149)	(149.153)	(728.701)
Deferred tax effect	8.481.926	7.192.597	1.658.915	2.780.546	(884)	365.030	29.831	145.740
Currency translation differences	8.276.768.672	1.692.007.798	447.030.881	283.411.513	-	-	-	-
Items to be reclassified to profit or loss								
Currency translation differences	161.115.883	94.284.218	41.054.145	39.758.119	1.212.611	3.764.050	1.064.123	3.764.050
Gain on financial assets measured at fair value	(4.000.595)	-	11.648.904	-	(665.255)	-	382.058	-
Cash flow hedge	(14.383.088)	113.920.225	558.549.332	(832.239.125)	(6.049.738)	4.341.567	19.475.514	(47.850.943)
Deferred tax effect	3.676.747	(26.201.661)	(114.039.652)	191.415.000	1.342.999	(998.561)	(3.971.515)	11.005.717
Other comprehensive income	8.389.249.917	1.845.240.191	937.607.948	(328.776.675)	(4.155.849)	5.646.937	16.830.858	(33.664.137)
Total comprehensive income	17.435.389.683	4.792.912.080	8.656.847.404	4.509.016.488	316.984.230	182.807.737	269.433.052	244.254.912

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

			Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss				Retained earnings		
	Paid in share capital	Share premiums on capital stock	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Currency translation differences	Hedge reserve	Gain on financial assets measured at fair value	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Shareholders' equity
As at 1 January 2022	102.299.707	455.687.025	(11.780.564)	7.812.992.040	66.452.418	125.948.205	-	20.459.941	270.265.658	(1.972.478.349)	6.869.846.081
Transfers	-	-	-	-	-	-	-	-	(1.972.478.349)	1.972.478.349	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	2.947.671.889	2.947.671.889
Other comprehensive income / (expense)	-	-	(28.770.389)	1.692.007.798	94.284.218	87.718.564	-	-	-	-	1.845.240.191
As at 30 September 2022	102.299.707	455.687.025	(40.550.953)	9.504.999.838	160.736.636	213.666.769	-	20.459.941	(1.702.212.691)	2.947.671.889	11.662.758.161
As at 1 January 2023	102.299.707	455.687.025	(74.584.475)	11.667.935.448	165.445.988	282.719.523	26.847.705	20.459.941	(1.702.212.691)	7.100.145.148	18.044.743.319
Transfers	-	-	-	-	-	-	-	-	7.100.145.148	(7.100.145.148)	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	9.046.139.766	9.046.139.766
Other comprehensive income / (expense)	-	-	(33.927.702)	8.276.768.672	161.115.883	(11.506.460)	(3.200.476)	-	-	-	8.389.249.917
As at 30 September 2023	102.299.707	455.687.025	(108.512.177)	19.944.704.120	326.561.871	271.213.063	23.647.229	20.459.941	5.397.932.457	9.046.139.766	35.480.133.002

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

		Current period (Not Reviewed) 1 January- 30 September 2023	Prior period (Not Reviewed) 1 January- 30 September 2022	(*) EUR 1 January- 30 September 2023	(*) EUR 1 January- 30 September 2022
	Notes	30 September 2023	30 September 2022	30 September 2023	30 September 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES					
Income/(loss) for the period		9.046.139.766	2.947.671.889	321.140.079	177.160.800
Adjustments to reconcile the income/(loss)					
Depreciation and amortization	8-9-10	5.295.507.769	3.327.846.987	220.596.763	197.717.073
Adjustments related with impairments		80.707.058	37.197.876	2.866.217	2.210.034
Provision for doubtful receivable		3.924.524	27.353.599	163.485	1.625.157
Adjustments related with financial investment impairments		76.782.534	9.844.277	2.702.732	584.877
Adjustments related with provisions		573.923.458	187.788.462	19.078.875	9.247.509
Provision for employee benefits		669.723.682	527.562.259	23.069.657	29.434.602
Legal provision		10.088.875	5.898.788	420.276	350.464
Change in redelivery provision		(105.889.099)	(345.672.585)	(4.411.058)	(20.537.557)
Interest and commission income		2.715.802.590	1.453.743.090	115.066.333	87.606.341
Adjustments related with fair value expense (income)		4.000.587	(32.964.571)	137.806	(1.850.402)
Adjustments related with fair value expense (income) of financial assets		4.000.587	(32.964.571)	137.806	(1.850.402)
Gain on equity investments accounted for using the equity method	3	(6.485.049)	(9.512.803)	(270.150)	(565.183)
Current tax expense		298.159.404	127.828.082	12.420.529	7.594.642
Adjustments for (income)/expense caused by sale or changes in share of joint ventures		-	(80.626.933)	-	(5.190.558)
Other provisions related with investing or financing activities		125.439.820	2.446.784.923	5.242.489	145.397.385
Changes in working capital					
Increase in trade receivables		(460.824.877)	(1.250.985.973)	(19.196.738)	(74.324.717)
Increase in other receivables, prepaid expenses and other assets		(1.710.302.143)	(631.535.686)	(71.554.803)	(37.545.903)
Increase in inventories		(155.939.388)	(291.830.867)	(6.496.020)	(17.338.521)
Increase in trade payables		1.224.682.732	1.239.553.594	51.017.024	73.645.486
Increase in deferred income, other payables and other current liabilities		2.185.394.728	2.606.907.413	104.959.389	176.934.390
Net cash generated from operating activities		19.216.206.455	12.077.865.483	755.007.793	740.698.376
Payment for the employee benefits provisions		(381.084.313)	(225.174.585)	(16.087.136)	(13.378.277)
Payment for other provisions		(424.563)	(168.169)	(17.686)	(9.991)
		18.834.697.579	11.852.522.729	738.902.971	727.310.108
B. CASH FLOWS FROM INVESTING ACTIVITIES					
Cash inflows caused by share sales of joint ventures		-	35.622.514	-	2.230.116
Net cash changes from acquisition and sale of debt instruments of other entities		(805.950.206)	(1.232.325.692)	(36.316.812)	(71.542.690)
Net cash changes from purchase and sale of property, equipment and intangible assets		(313.568.002)	588.219.881	(13.062.409)	36.923.982
Interest received from financial investment		603.195.603	186.659.012	25.183.648	11.024.815
Changes in cash advances and payables		(1.478.974.790)	(2.813.889.983)	(61.610.155)	(167.181.392)
Other cash changes		(1.421.955.000)	(220.803.352)	(46.000.000)	(4.500.000)
		(3.417.252.395)	(3.456.517.620)	(131.805.728)	(193.045.169)
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		4.736.735.930	1.885.514.180	209.150.000	110.214.805
Repayment of borrowings		(3.737.697.215)	(3.660.692.170)	(165.500.000)	(217.000.638)
Repayment of principal in lease liabilities		(6.415.927.657)	(2.830.002.488)	(267.270.475)	(194.378.421)
Interest and commission paid		(3.079.916.048)	(1.434.042.426)	(139.932.150)	(85.971.394)
Interest received		309.633.201	180.135.949	14.339.401	10.702.401
		(8.187.171.789)	(5.859.086.955)	(349.213.224)	(376.433.247)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)		7.230.273.395	2.536.918.154	257.884.019	157.831.692
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS		4.584.111.279	2.160.738.269	(16.861.111)	18.344.200
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		11.814.384.674	4.697.656.423	241.022.908	176.175.892
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
AT THE BEGINNING OF THE PERIOD	27	10.558.266.871	6.976.779.772	529.637.313	475.183.028
CASH AND CASH EQUIVALENTS					
AT THE END OF THE PERIOD (A+B+C+D+E)	27	22.372.651.545	11.674.436.195	770.660.221	651.358.920

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

	30 September 2023	31 December 2022
Esas Holding A.Ş. (“Esas Holding”)	56,65%	56,65%
Publicly held	41,53%	41,53%
Sabancı Family Members	1,82%	1,82%
Total	100,00%	100,00%

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

The Group’s total number of full time employees as of 30 September 2023 is 7.430 (31 December 2022: 6.765). 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 consolidated financial statements as of 30 September 2023 and delegated authority for publishing it on 8 November 2023. General shareholders’ meeting has the authority to modify the financial statements. The Group has prepared its financial statements in accordance with the going concern principle.

COVID-19 Effects

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

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

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

Functional and Presentation Currency

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

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

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

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

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Euro Amounts in the Financial Statements

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

Comparative Information and Reclassification of Prior Period Financial Statements

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

- In the statement of changes in equity dated 30 September 2022, TL 94.284.218 of the foreign currency translation differences account to be reclassified to profit or loss has been reclassified to foreign currency translation differences that will not be reclassified to profit or loss.

Basis of Consolidation

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

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.2 Changes in Accounting Estimates

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

2.3 The new standards, amendments and interpretations

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA. This change has no impact on the financial position and performance of the Group.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

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

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

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

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

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 The new standards, amendments and interpretations

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

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

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

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

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

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

2.4 Seasonality on Operations

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 September 2023	31 December 2022
Joint ventures		
Hitit Bilgisayar	504.345.833	327.481.600
PUEM	39.473.586	38.428.336
	543.819.419	365.909.936

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

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Hitit Bilgisayar	20.119.229	6.435.327	1.583.901	4.314.053
PUEM	(13.634.180)	3.077.476	(2.704.312)	2.198.699
Net profit	6.485.049	9.512.803	(1.120.411)	6.512.752

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

PUEM

	30 September 2023	31 December 2022
Current assets	80.031.537	23.544.164
Non-current assets	290.160	64.944.400
Current liabilities	(380.178)	(3.373.631)
Non-current liabilities	(35.475)	(7.324.780)
Net assets of joint venture	79.906.044	77.790.153
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	39.473.586	38.428.336

PUEM	1 January- 30 September 2023	1 January- 30 September 2022
Revenue	-	13.893.277
Depreciation&amortisation expense	(1.662.900)	(5.706.161)
Interest income/(expense), net	3.050.099	777.825
Profit for the year	(27.599.554)	6.229.709
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	(13.634.180)	3.077.476

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Hitit Bilgisayar

	30 September 2023	31 December 2022
Current assets	584.034.013	460.418.880
Non-current assets	969.108.810	572.104.574
Current liabilities	(123.742.985)	(103.706.250)
Non-current liabilities	(68.679.654)	(45.579.500)
Net assets of joint venture	1.360.720.184	883.237.704
Group's ownership interest in the joint venture	36,82%	36,82%
Goodwill	3.328.661	2.273.477
Group's share in the net assets of the joint venture	504.345.833	327.481.600

	1 January- 30 September 2023	1 January- 30 September 2022
Revenue	422.986.102	206.707.267
Depreciation&amortisation expense	(67.884.938)	(37.749.026)
Interest income/(expense), net	60.786.441	19.311.878
Profit for the year	88.103.882	16.605.485
Other equity changes	(33.461.762)	-
Group's weighted average ownership interest	36,82%	39,67%
Group's share in the net profit of the joint venture	20.119.229	6.435.327

NOTE 4 - SEGMENT REPORTING

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

NOTE 5 - RELATED PARTY TRANSACTIONS

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 5 - RELATED PARTY TRANSACTIONS

(i) Balances with Related Parties:

a) Other receivables from related parties

	30 September 2023	31 December 2022
Balances with joint ventures:		
PUEM	6.271	603.250
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	4.485.067	-
	4.491.338	603.250

b) Trade payables to related parties

	30 September 2023	31 December 2022
Balances with joint ventures:		
Hitit Bilgisayar	19.159.199	8.828.375
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş. (Esasburda)	-	706.969
Alarm Sağlık Hizmetleri San. ve Tic. A.Ş.(Alarm Sağlık)	60.444	60.440
	19.219.643	9.595.784

(ii) Significant Transactions with Related Parties:

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

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

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

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

The Group receives health services from Alarm Sağlık.

a) Other income from related parties

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Transactions with joint ventures:				
PUEM	2.030.586	2.240.177	438.442	906.263
	2.030.586	2.240.177	438.442	906.263

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

(ii) Significant Transactions with Related Parties:

b) Purchases of goods or services

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Transactions with joint ventures:				
Hitit Bilgisayar	111.278.104	45.172.628	42.461.624	18.999.381
PUEM	-	13.893.277	-	4.470.371
Transactions with other related parties:				
Alarm Sağlık	443.598	411.611	220.672	205.963
Esasburda	8.706.473	5.107.263	3.595.601	2.014.123
	120.428.175	64.592.386	46.277.897	25.697.445

c) Rent expenses

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Esasburda(*)	15.390.542	9.818.309	5.175.791	3.275.926
	15.390.542	9.818.309	5.175.791	3.275.926

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

d) Commission expenses

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Esas Holding	16.066.679	11.677.177	6.595.894	3.277.750
	16.066.679	11.677.177	6.595.894	3.277.750

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 30 September 2023 and 30 September 2022 are as follows:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Salaries and other short term benefits	37.560.024	49.970.294	16.013.474	7.862.604
Other long term benefits	67.714.016	56.100.313	-	46.405.440
	105.274.040	106.070.607	16.013.474	54.268.044

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Short term trade receivables

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

	30 September 2023	31 December 2022
Trade receivables	1.672.242.441	863.921.651
Credit card receivables	629.158.430	348.232.690
Income accruals	29.397.018	11.208.507
	2.330.797.889	1.223.362.848
Less: Allowance for impairment	(67.072.075)	(48.315.178)
	2.263.725.814	1.175.047.670

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

Short term trade payables

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

	30 September 2023	31 December 2022
Trade payables	2.072.576.492	2.218.777.564
Accrued direct operational costs	5.113.186.756	1.702.183.668
Other accrued expenses (Note 5)	19.219.643	9.595.784
	7.204.982.891	3.930.557.016

The average credit period of trade payables is approximately 40 days (31 December 2022: 33 days).

Short term other receivables

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

	30 September 2023	31 December 2022
Deposits and guarantees given	46.121.683	23.340.153
Receivables from pilots for flight training	14.916.312	47.775.128
Receivables from pilots tax office	18.406.022	113.873.497
Other receivables	17.297.831	2.852.861
	96.741.848	187.841.639

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES AND OTHER RECEIVABLES

Long term other receivables

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

	30 September 2023	31 December 2022
Receivables from pilot trainings	253.237.046	169.825.358
Deposits given	875.381.093	516.648.851
	1.128.618.139	686.474.209

Short term other payables

	30 September 2023	31 December 2022
Taxes payables	43.346.635	268.261.332
Deposits received (*)	355.020.424	208.522.947
	398.367.059	476.784.279

(*) The amount of TL 197.201.993 in deposits received, consists of guarantees received from the banks regarding the valuation of derivative transactions.

NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

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

Short term prepaid expenses

	30 September 2023	31 December 2022
Advances on aircraft purchases	6.446.107.093	3.582.029.083
Advances to suppliers	3.125.036.810	1.680.841.293
Prepaid insurance expenses	93.848.989	245.762.328
Other prepaid expenses	217.683.282	105.757.118
	9.882.676.174	5.614.389.822

Long term prepaid expenses

	30 September 2023	31 December 2022
Advances on aircraft purchases	1.505.952.016	2.656.767.113
Prepaid maintenance expenses	8.788.463.569	4.369.136.241
Other prepaid expenses	220.669.246	91.005.498
	10.515.084.831	7.116.908.852

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NOTE 7 - PREPAID EXPENSES, DEFERRED INCOME AND CONTRACT LIABILITIES

Deferred Revenue

Contract Liabilities

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

	30 September 2023	31 December 2022
Flight liability from ticket sales	6.020.484.678	3.113.826.918
Passenger airport fees received from customers (*)	1.957.226.433	878.789.793
Flight liability from flight points	526.878.481	322.300.710
	8.504.589.592	4.314.917.421

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

Deferred Revenue (Excluding Passenger Flight Liabilities)

Short term deferred income

	30 September 2023	31 December 2022
Advances received from customers	827.068.582	293.980.382
Other deferred income	141.182.703	414.872.922
	968.251.285	708.853.304

Long term deferred income

	30 September 2023	31 December 2022
Income relating to deferred periods	2.673.360.568	1.233.022.744
	2.673.360.568	1.233.022.744

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NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2023	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned Aircraft	Construction in progress	Total
Cost:								
Opening	455.640.098	349.627.476	632.787.660	274.988.427	4.224.535.938	-	232.154.809	6.169.734.408
Additions	61.710.320	40.543.931	46.577.873	1.291.354	1.118.671.791	-	130.219.455	1.399.014.724
Transfers (*)	163.682.370	-	-	-	(1.424.344.007)	7.813.742.955	(163.682.370)	6.389.398.948
Currency translation differences	292.275.405	167.503.967	298.469.256	113.247.489	1.864.683.411	-	61.718.747	2.797.898.275
Closing	973.308.193	555.257.881	977.834.789	389.527.270	5.783.547.133	7.813.742.955	260.410.641	16.753.628.862
Accumulated depreciation:								
Opening	(222.188.743)	(147.055.884)	(497.562.637)	(269.887.379)	(1.518.444.770)	-	-	(2.655.139.413)
Depreciation for the year	(67.414.986)	(27.916.439)	(26.047.516)	(3.105.077)	(180.131.019)	-	-	(304.615.037)
Disposals	-	2.417.493	-	-	-	-	-	2.417.493
Transfers (*)	-	-	-	-	-	(3.733.004.393)	-	(3.733.004.393)
Currency translation differences	(115.489.186)	(72.434.254)	(232.473.103)	(111.212.653)	(625.289.496)	-	-	(1.156.898.692)
Closing	(405.092.915)	(244.989.084)	(756.083.256)	(384.205.109)	(2.323.865.285)	(3.733.004.393)	-	(7.847.240.042)
Net book value	568.215.278	310.268.797	221.751.533	5.322.161	3.459.681.848	4.080.738.562	260.410.641	8.906.388.820

(*) Transfers in components represent delivery maintenance provisions and transfer to aircraft. Transfers in owned aircraft include transfers from right-of-use assets.

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NOTE 8 - PROPERTY AND EQUIPMENT

30 September 2022	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Construction in progress	Total
Cost:							
Opening	328.051.474	240.358.784	420.770.320	201.310.205	2.300.278.226	62.237.743	3.553.006.752
Additions	4.557.381	40.970.125	34.989.913	-	695.678.956	-	776.196.375
Disposals	-	(29.126.956)	(138.490)	-	-	-	(29.265.446)
Transfers (*)	-	-	-	-	(368.184.969)	-	(368.184.969)
Currency translation differences	72.708.133	53.823.897	95.139.603	44.436.243	529.192.014	2.099.659	797.399.549
Closing	405.316.988	306.025.850	550.761.346	245.746.448	3.156.964.227	64.337.402	4.729.152.261
Accumulated depreciation:							
Opening	(134.047.329)	(107.894.471)	(337.140.263)	(196.327.306)	(922.746.496)	-	(1.698.155.865)
Depreciation for the year	(25.414.036)	(15.654.528)	(25.515.808)	(2.087.490)	(188.598.562)	-	(257.270.424)
Disposals	-	21.059.560	89.055	-	2.828	-	21.151.443
Currency translation differences	(31.237.554)	(23.465.483)	(76.068.134)	(43.471.756)	(215.916.706)	-	(390.159.633)
Closing	(190.698.919)	(125.954.922)	(438.635.150)	(241.886.552)	(1.327.258.936)	-	(2.324.434.479)
Net book value	214.618.069	180.070.928	112.126.196	3.859.896	1.829.705.291	64.337.402	2.404.717.782

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

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NOTE 9 - INTANGIBLE ASSETS

Software	30 September 2023	30 September 2022
Cost:		
Opening	839.518.220	518.723.852
Additions	194.459.396	66.856.480
Disposals	(31.424.835)	-
Currency translation differences	417.171.455	118.837.577
Closing	1.419.724.236	704.417.909
Accumulated amortization:		
Opening	(552.566.578)	(334.778.125)
Amortization for the year	(118.967.440)	(59.571.767)
Currency translation differences	(277.020.703)	(77.761.712)
Closing	(948.554.721)	(472.111.604)
Net book value	471.169.515	232.306.305

NOTE 10 – RIGHT OF USE ASSETS

30 September 2023	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	283.893.559	148.455.626	82.964.106.462	6.206.993	83.402.662.640
Additions	-	-	13.106.969.109	-	13.106.969.109
Disposals	-	-	(5.233.433.349)	-	(5.233.433.349)
Transfers	-	-	(7.813.742.954)	-	(7.813.742.954)
Currency translation differences	129.530.735	67.735.127	39.634.560.828	2.832.035	39.834.658.725
Closing	413.424.294	216.190.753	122.658.460.096	9.039.028	123.297.114.171
Accumulated depreciation:					
Opening	(163.725.209)	(74.916.774)	(24.406.278.019)	(6.206.993)	(24.651.126.995)
Depreciation for the period	(57.621.795)	(19.267.197)	(4.795.036.300)	-	(4.871.925.292)
Disposals	-	-	5.260.629.829	-	5.260.629.829
Transfers	-	-	3.733.004.387	-	3.733.004.387
Currency translation differences	(86.764.271)	(38.215.179)	(10.560.549.058)	(2.832.035)	(10.688.360.543)
Closing	(308.111.275)	(132.399.150)	(30.768.229.161)	(9.039.028)	(31.217.778.614)
Net book value	105.313.019	83.791.603	91.890.230.935	-	92.079.335.557
30 September 2022	Field Rental	Building	Aircraft	Other	Total
Cost:					
Opening	138.769.727	93.447.393	49.776.169.379	4.571.527	50.012.958.026
Additions	-	-	12.787.910.705	-	12.787.910.705
Disposals	-	-	(2.957.784.527)	-	(2.957.784.527)
Transfers	-	-	(607.498.242)	-	(607.498.242)
Currency translation differences	30.631.359	20.627.126	11.624.840.464	1.009.097	11.677.108.046
Closing	169.401.086	114.074.519	70.623.637.779	5.580.624	70.912.694.008
Accumulated depreciation:					
Opening	(89.200.663)	(39.421.550)	(17.184.460.525)	(4.571.527)	(17.317.654.265)
Depreciation for the period	(25.092.192)	(10.760.491)	(2.975.152.113)	-	(3.011.004.796)
Disposals	-	-	2.036.075.537	-	2.036.075.537
Transfers	-	-	306.256.818	-	306.256.818
Currency translation differences	(21.317.441)	(9.399.750)	(3.888.531.194)	(1.009.097)	(3.920.257.482)
Closing	(135.610.296)	(59.581.791)	(21.705.811.477)	(5.580.624)	(21.906.584.188)
Net book value	33.790.790	54.492.728	48.917.826.302	-	49.006.109.820

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NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 122.175.936 as of 30 September 2023 (31 December 2022: TL 76.324.018). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 27.656.694 (31 December 2022: TL 17.992.364) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

Tax Inspection

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

Passenger Service Fee

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

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NOTE 12 - COMMITMENTS

Purchase Commitments

	30 September 2023	31 December 2022
Commitments to purchase aircraft	335.324.788.699	136.528.186.673
	335.324.788.699	136.528.186.673

As of 30 September 2023, the Group holds firm orders for 75 aircraft. In accordance to with agreement the expected deliveries are 6 aircraft in 2023, 17 aircraft in 2024, 11 aircraft in 2025, 8 aircraft in 2026, 11 aircraft in 2027, 11 aircraft in 2028, 11 aircraft in 2029. The purchase commitments for these aircraft were calculated based on their list prices and actual buying prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 7.952.059.109 (31 December 2022: TL 6.238.796.196) and TL 6.446.107.093 TL of this amount is reclassified under short term, TL 1.505.952.016 of this amount is reclassified under long term prepaid expenses (31 December 2022: TL 3.582.029.083 of this amount is reclassified under short term, TL 2.656.767.113 of this amount is reclassified under long term prepaid expenses).

Collaterals-Pledges-Mortgages(“CPM”)

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

30 September 2023	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
-Collateral	1.675.968.534	43.631.998	11.994.404	68.239.400	65.025.469
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
-Collateral	-	-	-	-	-
-Pledge	-	-	-	-	-
-Mortgage	-	-	-	-	-
	1.675.968.534	43.631.998	11.994.404	68.239.400	65.025.469

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NOTE 12 - COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

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

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

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

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

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

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

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NOTE 13 - EXPENSES BY NATURE

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

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Jet fuel expenses	15.069.238.405	10.586.406.806	7.434.888.496	5.234.638.878
Depreciation and amortisation expenses	5.295.507.769	3.327.846.987	2.247.698.805	1.168.606.810
Personnel expenses	5.804.023.343	2.888.579.941	2.572.877.426	1.467.575.997
Handling and station fees	3.441.063.845	1.732.716.080	1.597.514.666	800.123.276
Navigation expenses	2.949.521.174	1.423.266.278	1.335.340.210	639.459.229
Maintenance expenses	1.129.473.731	1.098.359.110	565.385.660	450.560.901
Landing expenses	1.695.979.172	707.009.709	806.935.738	325.455.677
Passenger service and catering expenses	532.105.420	176.012.511	307.864.119	90.289.880
Commission expenses	399.796.866	311.605.625	144.280.831	178.014.380
Operating lease expenses	534.115.140	-	292.254.797	-
Advertising expenses	273.459.670	99.377.313	119.524.952	32.607.396
Other expenses	2.138.237.926	1.097.824.431	839.752.907	423.180.601
	39.262.522.461	23.449.004.791	18.264.318.607	10.810.513.025

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

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

	30 September 2023		31 December 2022	
Shareholders:	(%)	TL	(%)	TL
Esas Holding	56,65	57.959.838	56,65	57.959.838
Publicly held	41,53	42.482.689	41,53	42.482.689
Emine Kamışlı	0,61	619.060	0,61	619.060
Ali İsmail Sabancı	0,61	619.060	0,61	619.060
Kazım Köseoğlu	0,30	309.530	0,30	309.530
Can Köseoğlu	0,30	309.530	0,30	309.530
TL historic capital	100,00	102.299.707	100,00	102.299.707

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

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NOTE 15 - SALES AND COST OF SALES

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

Sales:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Scheduled flight and service revenue	51.099.449.350	29.199.866.148	27.578.168.653	17.231.070.529
<i>International flight revenue</i>	30.208.220.674	17.948.389.334	17.211.367.624	11.399.317.086
<i>Domestic flight revenue</i>	5.754.583.768	3.891.018.176	3.053.905.836	2.009.144.403
<i>Service revenue</i>	15.136.644.908	7.360.458.638	7.312.895.193	3.822.609.040
Charter flight and service revenue	717.499.069	930.809.048	425.779.205	546.465.987
<i>Charter flight revenue</i>	717.499.069	930.809.048	425.779.205	546.465.987
Other revenue	158.040.552	124.416.081	68.592.003	62.554.732
	51.974.988.971	30.255.091.277	28.072.539.861	17.840.091.248

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

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

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Europe	22.753.412.190	12.725.032.580	13.249.708.739	8.099.293.702
Domestic	5.754.583.768	3.891.018.176	3.053.905.836	2.009.144.403
Other	7.454.808.484	5.223.356.754	3.961.658.885	3.300.023.384
	35.962.804.442	21.839.407.510	20.265.273.460	13.408.461.489

Cost of sales:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Jet fuel expenses	15.069.238.405	10.586.406.806	7.434.888.496	5.234.638.878
Depreciation and amortisation expenses	5.052.056.301	3.199.603.374	2.119.399.301	1.121.449.423
Personnel expenses	5.218.753.472	2.411.476.617	2.313.927.775	1.142.508.873
Handling and station fees	3.441.063.845	1.732.716.080	1.597.514.666	800.123.276
Navigation expenses	2.949.521.174	1.423.266.278	1.335.340.210	639.459.229
Maintenance expenses	1.129.473.731	1.098.359.110	565.385.660	450.560.901
Landing expenses	1.695.979.172	707.009.709	806.935.738	325.455.677
Passenger service and catering expenses	532.105.420	176.012.511	307.864.119	90.289.880
Insurance expenses	277.400.214	166.578.645	80.291.698	45.544.565
Operating lease expenses	534.115.140	-	292.254.797	-
Other expenses	1.162.428.871	596.056.017	454.961.578	237.509.953
	37.062.135.745	22.097.485.147	17.308.764.038	10.087.540.655

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Marketing expenses	975.604.221	635.982.013	397.108.313	326.332.867
General administrative expenses	1.224.782.495	715.537.631	558.446.256	396.639.503
	2.200.386.716	1.351.519.644	955.554.569	722.972.370

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

General administrative expenses:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Personnel expenses	445.475.978	367.860.978	197.638.676	254.603.265
Depreciation and amortisation expenses	194.761.174	102.594.890	102.639.603	37.725.909
IT expenses	251.611.474	135.572.445	114.089.341	53.829.087
Consultancy expenses	51.230.403	22.922.501	24.154.521	8.989.298
Communication expenses	50.464.718	11.252.354	29.577.421	7.847.723
Legal and notary expenses	34.274.674	26.221.780	16.044.367	16.228.216
Office utility expenses	23.144.223	8.041.124	6.717.845	3.215.913
Travel expenses	97.043.611	7.717.850	29.311.466	3.387.633
Training expenses	5.368.817	3.254.064	3.134.605	1.301.108
Other expenses	71.407.423	30.099.645	35.138.411	9.511.351
	1.224.782.495	715.537.631	558.446.256	396.639.503

Marketing expenses:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Commission expenses	399.796.866	311.605.625	144.280.831	178.014.380
Advertising expenses	273.459.670	99.377.313	119.524.952	32.607.396
Call center expenses	77.392.831	29.270.745	25.140.060	10.134.347
Personnel expenses	139.793.893	109.242.346	61.310.975	70.463.859
Depreciation and amortisation expenses	48.690.294	25.648.723	25.659.901	9.431.478
Other expenses	36.470.667	60.837.261	21.191.594	25.681.407
	975.604.221	635.982.013	397.108.313	326.332.867

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

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

Other operating income:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Foreign exchange gain from operating activities	-	171.060.128	-	247.459.618
Reversal of doubtful cash and cash equivalents	10.321.864	-	13.434.825	-
Reversal of trade receivable impairment	5.213.106	-	6.675.240	-
Other	432.429	69.028	-	35.692
	15.967.399	171.129.156	20.110.065	247.495.310

Other operating expenses:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Foreign exchange loss from operating activities	350.479.658	-	(140.264.130)	-
Penalty expense	3.055.827	7.632.472	429.033	3.433.832
Cash and cash equivalents allowance expense	-	288.832	-	518.538
Financial investments allowance expense	-	18.242.609	-	6.502.266
Doubtful receivable allowance expense	11.717.542	41.732.907	4.019.544	3.750.371
Donations (*)	8.000.000	-	-	-
Other	104.436.515	17.029.817	67.693.286	22.251.385
	477.689.542	84.926.637	(68.122.267)	36.456.392

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

NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

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

Income from investing activities:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Gain from eurobond sales (*)	10.018.619	-	2.485.443	-
Interest income from eurobond	385.047.146	105.807.939	168.359.798	49.111.788
Interest income from currency protected instruments	537.709.107	92.973.072	76.902.817	47.817.002
Incomes arising from aircraft sale	-	30.631.126	-	29.489.962
Foreign exchange gain from investing activities	-	116.249.447	-	-
Other income	12.244.893	17.752.871	5.290.641	2.805.228
	945.019.765	363.414.455	253.038.699	129.223.980

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

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NOTE 18 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

Expense from investing activities:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Financial investments allowance expense	76.782.534	9.844.277	(15.371.837)	5.894.077
	76.782.534	9.844.277	(15.371.837)	5.894.077

NOTE 19 - FINANCIAL INCOME AND EXPENSES

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

Financial income:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Interest income	392.717.759	202.354.069	276.492.254	95.579.228
	392.717.759	202.354.069	276.492.254	95.579.228

Financial expenses:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Interest expense on leases	2.616.946.239	791.535.806	1.161.039.020	287.355.314
Interest expense on bank loans	194.990.527	238.864.328	70.536.946	102.380.588
Interest expense on issued debt instruments	621.774.117	437.231.985	248.660.261	172.418.010
Foreign exchange loss	106.833.739	2.495.380.256	693.140.338	1.669.284.000
Losses from derivative contracts	35.774.895	31.967.658	40.562.803	7.469.998
Other commission expenses	597.565.719	387.246.051	258.893.938	171.386.961
	4.173.885.236	4.382.226.084	2.472.833.306	2.410.294.871

NOTE 20 - EARNINGS / LOSS PER SHARE

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 30 September 2023 and 30 September 2022 are as follows:

	1 January- 30 September 2023	1 January- 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Net profit/(loss)	9.046.139.766	2.947.671.889	7.719.239.456	4.837.793.163
Weighted average number of shares issued in the year	102.299.707	102.299.707	102.299.707	102.299.707
Loss per share	88,43	28,81	75,46	47,29

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	30 September 2023		31 December 2022	
	Asset	Liability	Asset	Liability
Short term	339.016.321	30.850.974	267.091.000	-
Long term	-	-	86.308.409	-
	339.016.321	30.850.974	353.399.409	-

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Short term

	30 September 2023	31 December 2022
Financial investments measured at amortized cost	6.546.820.485	504.461.690
Financial assets recognized at fair value through profit or loss	1.751.864.240	1.171.307.715
Time Deposit (*)	2.295.386.638	595.321.449
Less: Allowance for impairment under TFRS 9	(62.128.114)	(9.737.616)
	10.531.943.249	2.261.353.238

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

Long term

	30 September 2023	31 December 2022
Financial investments measured at amortized cost	1.542.558.567	4.311.901.672
Less: Allowance for impairment under TFRS 9	(60.256.302)	(34.840.749)
	1.482.302.265	4.277.060.923

Financial investments accounted at amortized cost

Company issuing security	30 September 2023	31 December 2022
T.C Hazine Müsteşarlığı	5.446.091.994	3.120.197.275
Türkiye İş Bankası	704.613.656	476.045.583
Türkiye İhracat Kredi Bankası	119.337.827	929.384.975
Vakıfbank	406.485.387	290.735.529
Citibank	561.488.817	-
BNP Paribas	851.361.371	-
Eurobond (*)	8.089.379.052	4.816.363.362

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

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments at fair value through other comprehensive income

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

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Asset Value	Call Date
Türkiye İhracat Kredi Bankası	XS1496463297	5,38	USD	32.479.178	24.10.2023
Türkiye İhracat Kredi Bankası	XS1917720911	8,21	USD	268.717.225	24.01.2024
T.C Hazine Müsteşarlığı	US900123CF53	5,79	USD	687.075.599	22.03.2024
T.C Hazine Müsteşarlığı	XS2523929474	9,36	USD	591.005.249	13.11.2025
Yapı ve Kredi Bankası	XS2445343689	9,19	USD	137.024.713	16.10.2028
Türkiye İhracat Kredi Bankası	XS2395576437	9,20	USD	35.562.276	31.01.2026
				1.751.864.240	

Company issuing security	30 September 2023	31 December 2022
T.C Hazine Müsteşarlığı	1.278.080.848	912.151.942
Türkiye İhracat Kredi Bankası	336.758.679	220.957.643
Yapi ve Kredi Bankası	137.024.713	38.198.130
Eurobond (*)	1.751.864.240	1.171.307.715

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

Financial investments measured at amortized cost

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

Company issuing security	30 September 2023	31 December 2022
T.C Hazine Müsteşarlığı	5.626.258.548	3.141.846.828
Türkiye İş Bankası	704.035.677	480.856.725
Türkiye İhracat Kredi Bankası	61.532.128	951.904.479
Vakıfbank	439.318.568	298.671.131
Citibank	597.195.334	-
BNP Paribas	892.343.537	-
	8.320.683.792	4.873.279.163

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Assets

Financial investments measured at amortized cost

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

Company issuing security	ISIN Code	Coupon Interest Rate (%)	FX Type	Carrying Amount	Call Date
T.C Hazine Müsteşarlığı	US900123CF53	5,75	USD	2.593.386.251	22.03.2024
T.C Hazine Müsteşarlığı	US900123AW05	7,38	USD	1.604.874.095	5.02.2025
Türkiye İş Bankası	XS1578203462	6,13	USD	704.613.656	25.04.2024
Türkiye İhracat Kredi Bankası	XS1814962582	6,13	USD	62.742.932	3.05.2024
T.C Hazine Müsteşarlığı	XS1917720911	8,25	USD	1.247.831.648	24.01.2024
Vakıfbank	XS1970705528	8,13	USD	406.485.387	27.03.2024
Citibank	XS2618428317	8,90	USD	561.488.817	20.06.2024
BNP Paribas	XS2506542864	9,85	USD	851.361.371	27.06.2024
Türkiye İhracat Kredi Bankası	XS2395576437	9,38	USD	56.594.895	31.01.2026
				8.089.379.052	

Financial Liabilities

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

Short term financial liabilities	30 September 2023	31 December 2022
Short term bank borrowings	4.866.612.404	2.119.867.677
	4.866.612.404	2.119.867.677
Short term portion of long term financial liabilities	30 September 2023	31 December 2022
Short term portion of long term bank borrowings	73.030.554	504.717.325
Principal and interest of bonds issued	920.717.666	614.486.515
Discount and commissions of bonds issued	(32.702.952)	(22.336.144)
Lease liabilities	10.926.138.247	6.669.837.262
Short term portion of long term operating lease obligations	1.368.833.268	502.189.408
Short term portion of long term financial lease obligations	9.557.304.979	6.167.647.854
	11.887.183.515	7.766.704.958
Long term financial liabilities	30 September 2023	31 December 2022
Long term bank borrowings	62.830.362	-
Issued debt instruments (*)	9.749.446.803	6.511.102.655
Discount and commissions of bonds issued	(51.787.155)	(52.076.861)
Lease liabilities	70.557.646.128	44.654.342.098
Long term operating lease obligations	4.427.498.767	3.554.654.889
Long term financial lease obligations	66.130.147.361	41.099.687.209
	80.318.136.138	51.113.367.892

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

(*) The Group issued bonds to qualified investors abroad on 29 April 2021, which are issued under the "Rule 144A" and/or "Regulation S" format, have a nominal value of US\$ 375.000.000, at % 9,25 interest rate and the maturity is 5 years with an early payment option as of the third and fourth years. The bonds are traded on the Irish Stock Exchange (Euronext Dublin). There are some financial covenants in the Terms and Conditions of the notes. The covenants of the notes are; negative pledge, limitation in indebtedness, publication of financial information, limitations on transactions with affiliates, minimum liquidity, merger, consolidation and sale of substantially all assets, limitation on asset sales, limitation on restricted payments. As of 30 September 2023, the Group complied with such covenants and restrictions.

Bank Borrowings

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

30 September 2023	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	7,14	Euro	168.585.642	4.866.612.404
				4.866.612.404

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

30 September 2023	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term portion of long term bank borrowings	19,56	TL	5.012.390	5.012.390
Short term portion of long term bank borrowings	6,99	Euro	2.342.990	68.018.164
				73.030.554

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

30 September 2023	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Long term bank borrowings	6,99	Euro	2.164.288	62.830.362
				62.830.362

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NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Lease Liabilities

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

	30 September 2023	31 December 2022
Less than 1 year	14.766.758.128	8.913.916.797
Between 1 - 5 years	44.600.720.056	32.570.254.924
Over 5 years	40.165.181.090	24.943.631.599
	99.532.659.274	66.427.803.320
Less: Future interest expenses	(18.048.874.899)	(15.103.623.960)
	81.483.784.375	51.324.179.360

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

	30 September 2023	31 December 2022
Less than 1 year	10.926.138.247	6.669.837.262
Between 1 - 5 years	36.048.494.448	23.134.858.035
Over 5 years	34.509.151.680	21.519.484.063
	81.483.784.375	51.324.179.360

The Group acquire certain of its handling equipment and aircraft through lease arrangements. The average lease term is 6,30 years. For the period ended 30 September 2023, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 52.253.778.603 TL, is 4,39% (31 December 2022: 2,36%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 11.359.550.904, is 7,68% (31 December 2022: 5,38%).

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

Financial Risk Factors

Market risk

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

Foreign currency risk management

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

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

Financial Risk Factors

Foreign currency risk management

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

30 September 2023	TL Total	USD	TL	GBP	Other
1. Trade receivables	1.641.426.720	8.533.638	1.045.722.144	2.890.402	265.306.445
2a. Monetary financial assets	22.525.236.749	625.877.561	3.752.237.364	21.300.088	925.376.134
2b. Non monetary financial assets	-	-	-	-	-
3. Other	211.064.682	5.492.800	53.165.643	189.407	1.182.652
4. CURRENT ASSETS	24.377.728.151	639.903.999	4.851.125.151	24.379.897	1.191.865.231
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.482.302.278	54.144.666	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	343.854.260	11.677.447	625.653	1.000	23.505.162
8. NON CURRENT ASSETS	1.826.156.538	65.822.113	625.653	1.000	23.505.162
9. TOTAL ASSETS	26.203.884.689	705.726.112	4.851.750.804	24.380.897	1.215.370.393
10. Trade payables	3.226.505.244	67.646.121	1.262.313.335	481.346	96.148.114
11. Financial liabilities	4.995.570.570	181.993.140	13.198.974	-	-
12a. Other liabilities, monetary	3.835.052.961	57.883.652	2.157.058.034	184.757	87.145.591
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	12.057.128.775	307.522.913	3.432.570.343	666.103	183.293.705
14. Trade payables	-	-	-	-	-
15. Financial liabilities	32.170.948.331	1.174.443.757	18.553.929	-	-
16a. Other liabilities, monetary	4.040.999.511	147.607.254	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	36.211.947.842	1.322.051.011	18.553.929	-	-
18. TOTAL LIABILITIES	48.269.076.617	1.629.573.924	3.451.124.272	666.103	183.293.705
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	28.924.901	37.012.640	-	(29.400.000)	-
19.a Off-balance sheet foreign currency derivative assets	1.013.283.941	37.012.640	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	984.359.040	-	-	29.400.000	-
20. Net foreign currency asset/(liability) position	(22.065.191.928)	(923.847.812)	1.400.626.532	23.714.794	1.032.076.688
21. Net foreign currency asset / (liability) position of monetary items (1+2a+3+5+6a+7-10-11-12a-14-15-16a)	(22.065.191.928)	(923.847.812)	1.400.626.532	23.714.794	1.032.076.688

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

Financial Risk Factors

Foreign currency risk management

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

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

Financial Risk Factors

*Foreign currency risk management*Foreign currency sensitivity

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

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

30 September 2023	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(2.529.190.439)	2.529.190.439	-	-
Part of hedged from USD risk	101.328.394	(101.328.394)	-	-
USD net effect	(2.427.862.045)	2.427.862.045	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	140.062.653	(140.062.653)	3.520.891.994	(3.520.891.994)
Part of hedged from TL risk	-	-	-	-
TL net effect	140.062.653	(140.062.653)	3.520.891.994	(3.520.891.994)
Effect of 10% change in GBP rate				
GBP net asset / liability	79.400.925	(79.400.925)	-	-
Part of hedged from GBP risk	(98.435.904)	98.435.904	-	-
GBP net effect	(19.034.979)	19.034.979	-	-
31 December 2022	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(1.812.260.851)	1.812.260.851	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(1.812.260.851)	1.812.260.851	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	(8.819.576)	8.819.576	1.776.202.380	(1.776.202.380)
Part of hedged from TL risk	-	-	-	-
TL net effect	(8.819.576)	8.819.576	1.776.202.380	(1.776.202.380)
Effect of 10% change in GBP rate				
GBP net asset / liability	8.623.902	(8.623.902)	-	-
Part of hedged from GBP risk	-	-	-	-
GBP net effect	8.623.902	(8.623.902)	-	-

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

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

Fair Value of Financial Instruments

30 September 2023	Derivative instruments			Carrying amount	Note
	Financial assets and liabilities at amortized cost	which are recognized at fair value in shareholders' equity	Derivative instruments which are recognized at fair value in profit/loss		
Financial assets					
Cash and cash equivalents	22.372.651.545	-	-	22.372.651.545	27
Trade receivables	2.263.725.814	-	-	2.263.725.814	6
- Other	2.263.725.814	-	-	2.263.725.814	6
Other receivables	1.225.359.987	-	-	1.225.359.987	
- Related party	4.491.338	-	-	4.491.338	5
- Other	1.220.868.649	-	-	1.220.868.649	
Financial investments	10.616.070.430	1.751.864.240	-	12.014.245.514	
Derivative financial assets	-	339.016.321	-	339.016.321	21
Financial liabilities					
Bank borrowings	5.002.473.320	-	-	5.002.473.320	22
Issued debt instruments	10.523.182.621	-	-	10.585.674.362	
Trade payables	7.204.982.891	-	-	7.204.982.891	6
- Related party	19.219.643	-	-	19.219.643	5
- Other	7.185.763.248	-	-	7.185.763.248	
Other payables	398.367.059	-	-	398.367.059	
Derivative financial liabilities	-	-	30.850.974	30.850.974	21

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

Fair Value of Financial Instruments

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

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

Fair Value of Financial Instruments

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

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

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique
	30 September 2023	31 December 2022		
Fuel purchase option contracts	339.016.321	353.399.409	Level 2	Discounted cash flow method
Currency forward contracts	(30.850.974)	-	Level 2	Discounted cash flow method
30 September 2023			Currency forward contracts	Fuel purchase option contracts
Fair value:				Total
Opening			-	353.399.409 353.399.409
Fair value increase				-
Recognized in equity			-	(14.383.088) (14.383.088)
Recognized in profit or loss			(30.850.974)	- (30.850.974)
Closing			(30.850.974)	339.016.321 308.165.347
Assets			-	339.016.321 339.016.321
Liabilities			(30.850.974)	- (30.850.974)
Total net assets and liabilities			(30.850.974)	339.016.321 308.165.347

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

Fair Value of Financial Instruments

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

The Group has forward fuel purchase option contracts, which are subject to hedge accounting, at a rate of 39.9% and 16% of the total fuel consumption estimated to occur in a period shorter than 1 year and more than 1 year, respectively. In line with its hedging policy, the Group can conclude contracts with maturities up to 23 months. As of the balance sheet period, the contracts last until August 2025. The total nominal value of these contracts is USD 400,9 million, and the weighted average price is in the range of USD 64-84. The ineffective portion of the hedge is not material as of 30 September 2023. In the current period, the income that is reclassified from hedging gain/(losses) fund under shareholders' equity to fuel expenses in the profit and loss statement is TL 205.013.049 (30 September 2022: TL 871.954.462 derivative expenses are charged to finance expenses).

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

Not available.

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NOTE 26 – INCOME TAX EXPENSE

The Group is subject to corporate tax applicable in Turkey. The corporate tax rate in Turkey is applied as 23% for the corporate earnings of the 2022 taxation period and 20% for the 2023 taxation period. While calculating deferred tax on temporary differences, the Company takes into account the tax rates applicable at the date of closing of the temporary differences. As of 30 September 2023, 20% tax rate has been used in the deferred tax calculation. This rate will be applied as 25% due to the regulation that will come into force after the balance sheet date.

The tax expense components of 30 September 2023 and 30 September 2022 are presented below:

	1 January- 30 September 2023	1 January- 30 September 2022
Tax income/(expense)		
- Deferred tax income/(expense)	(298.159.404)	(127.828.082)
Total tax income/(expense)	(298.159.404)	(127.828.082)

The Group's earnings from investments tied to an incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operational, until the investment contribution amount is reached. In this context, tax advantage amounting to TL 5.780.258.223 (31 December 2022: TL 3.110.006.651) that the Group will benefit from in the foreseeable future as of 30 September 2023 is reflected in the consolidated financial statements as a deferred tax asset. As a result of the recognition of the mentioned tax advantage as of 30 September 2023, deferred tax income amounting to 1.034.672.455 TL has occurred in the consolidated profit or loss statement for the period 1 January - 30 September 2023.

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

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

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NOTE 27 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

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

	30 September 2023	31 December 2022
Cash on hand	3.145.151	1.774.148
Cash at banks	22.363.627.980	10.560.936.173
- Demand deposits	1.223.289.708	509.428.327
- Time deposits	21.140.338.272	10.051.507.846
Less: Allowance for impairment under TFRS 9	5.878.414	(4.443.450)
	22.372.651.545	10.558.266.871

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

30 September 2023	Weighted average interest rates	Total
USD deposits	3,63 %	8.676.185.626
EUR deposits	3,67 %	9.673.307.528
TL deposits	35,16 %	2.100.844.821
GBP deposits	0,26 %	690.000.297
		21.140.338.272

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

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

APPENDIX : EURO SELECTED NOTES

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

Revenue

	Euro 1 January- 30 September 2023	Euro 1 January- 30 September 2022	Euro 1 July - 30 September 2023	Euro 1 July - 30 September 2022
Scheduled flight and service revenue	2.027.118.967	1.713.731.975	945.113.537	966.238.640
<i>International flight revenue</i>	1.184.856.492	1.050.471.670	589.705.787	640.237.927
<i>Domestic flight revenue</i>	229.617.422	229.104.146	104.703.706	112.177.572
<i>Service revenue</i>	612.645.053	434.156.159	250.704.044	213.823.141
Charter flight and service revenue	27.664.763	52.977.403	14.611.195	30.321.731
<i>Charter flight revenue</i>	27.664.763	52.977.403	14.611.195	30.321.731
Other revenue	6.694.909	7.540.641	2.065.070	3.615.405
	2.061.478.639	1.774.250.019	961.789.802	1.000.175.776

Expenses by Nature

	Euro 1 January- 30 September 2023	Euro 1 January- 30 September 2022	Euro 1 July - 30 September 2023	Euro 1 July - 30 September 2022
Jet fuel expenses	606.255.673	613.825.491	256.448.356	289.900.685
Depreciation and amortisation expenses	220.596.763	197.717.073	77.839.528	64.517.915
Personnel expenses	229.256.275	165.983.657	87.370.323	80.225.228
Handling and station fees	137.871.278	100.951.795	55.491.211	44.223.741
Navigation expenses	114.703.376	82.046.543	45.314.374	34.976.091
Maintenance expenses	48.625.405	62.204.736	18.095.326	22.393.232
Landing expenses	67.516.762	41.221.618	27.955.386	17.984.467
Commission expenses	15.955.564	18.087.358	5.181.225	10.050.520
Advertising expenses	11.221.206	5.881.851	4.205.603	1.815.345
Passenger service and catering expenses	18.477.865	10.191.659	7.932.055	4.979.861
Operating lease expenses	21.256.275	-	10.041.000	-
Other expenses	94.807.486	68.814.127	31.728.756	25.041.666
	1.586.543.928	1.366.925.908	627.603.143	596.108.751