

CALIK DENIM  
ANNUAL REPORT 2020

# annual report

—  
FOR A SUSTAINABLE  
FUTURE...

CALIK DENIM



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## GLOBAL PREMIUM DENIM MANUFACTURER

Since our incorporation in 1987, we aimed to be a denim fabric manufacturer that creates value in environmental, social and economic fields. While taking our place among the world's leading premium denim fabric manufacturers we became one of Turkey's largest exporting companies by selling our products to approximately 40 countries.





## OUR PASSION FOR DENIM AND LIFE

As Calik Denim, we create positive values while managing the impacts of the denim industry on life in line with our sustainability strategy, "Passion for Denim, Passion for Life." As part of our strategy, we develop innovative products, establish stakeholder collaborations and minimize our environmental impact. We aim to be a company that leads the sustainability transformation in the denim industry.





## SUSTAINABLE AND INNOVATIVE TECHNOLOGIES

We are aware of our responsibility to use natural resources in the most efficient way and to minimize environmental impacts. At Calik Denim, we allocate 2% of our turnover to R&D and innovation studies. Thanks to Washpro, Dyepro, E-Denim and many more new technologies and products, we reduce water and energy consumption throughout the value chain and use recycled raw materials.





## DIGITAL TRANSFORMATION WITH COLLABORATIONS

We believe in the power of growing together with our stakeholders in our ecosystem. We transform all business processes, from raw material procurement to denim production and customer sales, with an Industry 4.0 perspective. In this journey, we collaborate with the private sector and academies.



CALIK DENIM IN BRIEF

# THE WORLD'S LEADING PREMIUM DENIM FABRIC MANUFACTURER

Calik Denim manufactures in a covered area of 379,322 m<sup>2</sup> with an annual capacity of 55 million meters and employs 2,435 people.

1987

Date of Establishment

55

Million Meters Annual Production Capacity

Established in Malatya in 1987 with an investment of USD 111 million, Calik Denim has a special place in the Group's history as the first industrial investment of Çalık Holding. As of the end of 2020, the Company manufactures in a covered area of 379,322 m<sup>2</sup> with an annual capacity of 55 million meters and employs 2,435 people.

Initiating denim fabric production in 1996, Calik Denim continued to grow with steady steps and commenced its ring spinning business in 1997. Having transformed into an integrated facility as of 2003, Calik Denim continues to increase its market share and brand awareness globally day by day with its effective production and marketing strategies. Continuing to expand its product range, to which later adding gabardine fabric products, Calik Denim is currently among the top segment denim fabric manufacturers called the "premium league" in the sector.

Calik Denim continues to consolidate its well-established accumulation in the industry with R&D efforts and new technologies and is known for its R&D center, which has become a science center in the industry.

Producing innovative fabrics that add value to the Turkish and global textile industry, Calik Denim successfully carries out its operations in its production facility and R&D Center in Malatya and its Sales and Marketing Center in Istanbul. Leading fashion brands such as Acne, J Brand, GAP, Supreme, PRPS, Scotch & Soda, Polo Ralph Lauren, Banana Republic, Mother, Hugo Boss, Lucky Brand, Uterque, Massimo Dutti, H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode,

Benetton, G Star, Salsa, Next, Jack & Jones, VF and 7 for AllManKind are among the names that prefer the products of Calik Denim.

As one of the first companies that come to mind when it comes to denim fabric, Calik Denim exports to around 40 countries, especially Germany, Spain, USA, England, Netherlands, France, Scandinavia, Far East, Portugal and Italy. Obtaining its fabric revenue through direct export and realizing indirect export by making the majority of its sales to foreign brands, Calik Denim obtains 82% of its fabric revenues and 70% of all its sales including yarn through its direct and indirect exports.

Calik Denim brand adds value to the economy with products that make a difference in the denim and gabardine fabric range. Also, Calik Denim is in the Turquality Support Program and sets an example with GOTS, OCS, GRS, RCS, OEKO-TEX, Nordic Swan Ecolabel and EU ecolabel certificates, which are indicators of the priority the company gives to the environment in its activities. The Company also supports a nature-friendly approach in the textile industry with sustainable and organic denim fibers included in the product portfolio.

Positioning sustainability at the center of its business model within the scope of its sustainability strategy called "Passion for Denim, Passion for Life" Calik Denim adopts this approach not only in its products but in all its business processes. In this context and in all of its activities, the Company has made sustainability an important part of its way of doing business in every project the Company is in contact with its partners. With the Sustainability Targets 2025 set by Calik Denim, all teams have adopted and internalized the sustainability principles in this journey that includes all Company departments.

## EXPORTS TO ABOUT 40 COUNTRIES

Calik Denim exports to about 40 countries, especially Germany, Spain, USA, England, Netherlands, France, Scandinavia, Far East, Portugal and Italy.



## BASIC FINANCIAL AND OPERATIONAL INDICATORS

# CONTRIBUTION TO THE TURKISH ECONOMY THROUGH EXPORT ACTIVITIES

Exporting to about 40 countries, Calik Denim increased its net sales to TL 1.1 billion and its export revenue to TL 286 million in 2020.

**1.1**  
TL Billion  
Net Sales

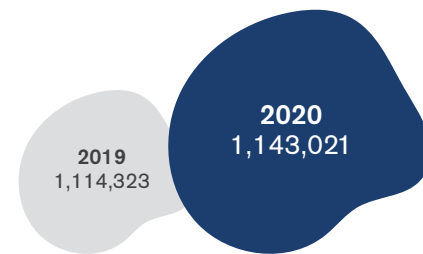
**312**  
TL Million  
Gross Profit

**286**  
TL Million  
Exports

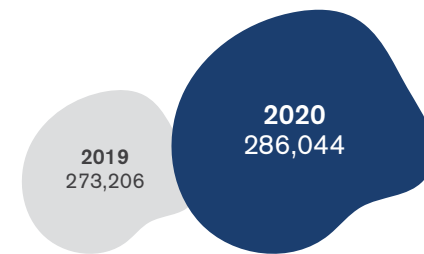
## Basic Consolidated Financial Indicators

TL Thousand	2019	2020
Net Sales	1,114,323	1,143,021
Gross Profit	272,291	311,853
Operating Profit	112,089	150,032

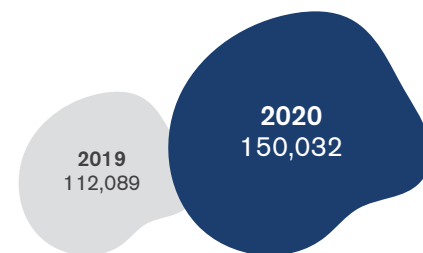
Net Sales  
TL Thousand



Exports  
TL Thousand



Operating Profit  
TL Thousand

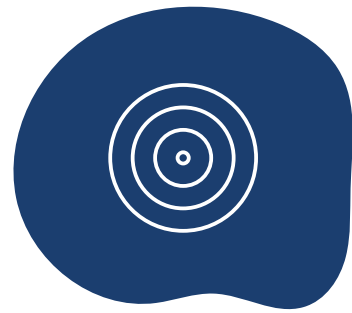


## Countries Exported to (Gross)

Consolidated Sales	(TL Thousand)	(%)
Tunisia	61,273	0.05
Germany	41,297	0.04
Italy	28,331	0.03
Hong Kong	18,278	0.02
Portugal	17,326	0.02
Morocco	10,539	0.01
China	9,775	0.01
South Korea	9,572	0.01
USA	5,735	0.01
France	4,364	0.00
Bangladesh	4,208	0.00
Estonia	4,087	0.00
Egypt	3,797	0.00
Denmark	3,087	0.00
Spain	3,005	0.00
Indonesia	2,454	0.00
Vietnam	2,221	0.00
Mexico	2,191	0.00
Romania	1,939	0.00
Pakistan	1,878	0.00
Austria	1,539	0.00
Mauritius	1,369	0.00
Sri Lanka	1,088	0.00
Belgium	944	0.00
Japan	827	0.00
Greece	308	0.00
Bulgaria	298	0.00
UK	136	0.00
Poland	52	0.00
Australia	44	0.00
Sweden	40	0.00
United Arab Emirates	36	0.00
Ukraine	9	0.00
India	9	0.00
Netherlands	2	0.00
Canada	1	0.00

OUR MISSION, VISION AND CORPORATE VALUES

# VISION OF BEING A LEADING DENIM BRAND WITH PASSION FOR SUSTAINABILITY



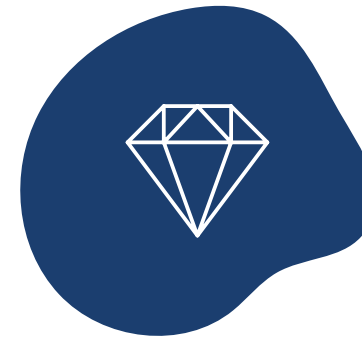
## Our Mission

Providing added value to the denim industry, environment and people to make a positive impact for a better life, for a sustainable world.



## Our Vision

Becoming a leading denim brand that passionately creates change for a better life; by leading innovation, making positive impact for stakeholders and sustaining the environment.



## Our Corporate Values

**Denim Passion:** We acknowledge the significance of denim fabric in the textile sector. We passionately create positive change and impact in the denim world.

**Leading Innovation:** We invest in leading innovations in denim industry; we develop innovative products to fulfill our customers' needs, while promoting sustainability consciously. Our goal, as Calik Denim, is always to be "the first to come to mind" in the denim world.

**Customer Oriented:** We focus on creating positive experiences for our customers, providing them added value. We consider customer needs as our main source of motivation. We provide excellent responses to customer needs through our diverse range of products, high quality standards in customer service and our effectiveness in time and cost management.

**Passion for Sustainability:** We act consciously to make a positive impact for a sustainable world. We declare and own our responsibilities towards humanity and towards the planet we live in. We prioritize sustainability in our business model and processes.

**Collaboration:** We believe in collaboration to create shared value for/with our stakeholders. We collaborate to fulfill our corporate and sustainability vision.

**Empowering Our Stakeholders:** We see our employees, suppliers and customers as our fundamental building blocks, and we encourage them to express themselves and their ideas freely and openly. We provide "added value" for our employees through development activities and for our other stakeholders through original projects.

**Transparency and Consistency:** We are honest, transparent and consistent in all our relationships and business processes.

**Respect for Rights and Ideas:** We are a fair-minded company that recognizes and embraces the value in every idea, implements equality of opportunity, favors diversity and open communication at every level and respects ethical values.



## MESSAGE FROM THE CHAIRMAN

# DYNAMIC AND ALWAYS INNOVATIVE APPROACHES

Since our establishment in 1987, Calik Denim continues to lead the sector with its innovative projects in the light of our corporate values.

**1.8%**  
Turkish Economy  
Growth Rate in 2020

Dear Stakeholders,

Throughout 2020, developments about the coronavirus pandemic and the vaccination process continued to be the main item of the global economy agenda. With its a profound impact on health, social, cultural and economic areas throughout the world, the COVID-19 pandemic increased the pace of digitalization in almost every field in 2020. Looking at the global economy, many sectors in the world, especially the service sector, entered a long-term standstill due to the restrictions applied by the countries.

The Turkish economy, which went through a difficult economic and social period like many other countries due to the negative impacts of the pandemic, regained its economic growth in the third quarter of the year thanks to rapidly taken measures, incentives and policies implemented. The policies implemented and the acceleration of foreign investment enabled the growth trend to be regained. The Turkish economy grew by 5.9% on an annual basis in the last quarter of 2020 and by 1.8% throughout 2020. While consumption and investment expenditures supported growth throughout the year, the slowdown in exports and construction due to international restrictions caused growth to be lower than expected.

Thanks to our strong infrastructure and our agility, one of our corporate values, as Çalık Group, we successfully managed this period, we went through under the influence of the pandemic. And thanks to the measures and practices implemented early and quickly, we left behind a year in which we fulfilled all our commitments and reached our targets both at home and in other countries where we operate. In this period, when

we started many new practices for the protection of the health of our employees and partners, our company Calik Denim became one of the first companies in Turkey entitled to receive the "COVID-19 Safe Production Certificate" from the Turkish Standards Institution.

Thanks to our success in crisis management, our agility and the fact that we set digitalization as a strategic target long ago, we successfully grew even more in 2020. Receiving 62% of its revenues from international activities, our Group achieved an average annual consolidated turnover of USD 2.5 billion with its global projects for the last five years.

Calik Denim continued its successful projects with its global business partners in 2020 and while taking an important step within the scope of its branding strategy with Bocconi University, the Company eliminated the risk of buying the wrong jean size at online shopping thanks to its Selsized concept developed. In this context, its collaboration with Good American came into the forefront in the sector.

On the other hand, our Company continued to offer convenience to its customers via Calik Denim Mobile App launched in 2019 by means of its proactive structure in this period when life was moved to digital and also attracted great interest for the pioneering products and technologies developed in 2020, especially for its anti-bacterial and anti-microbial products.

As Çalık Holding, we believe that creating value is possible with a sustainability-oriented approach. Our Calik Denim company, a participant in the United Nations Global Compact, which proposes universal principles to create a common development culture in the business world, also carries out all its activities with a focus on sustainability.



Calik Denim, a premium denim fabric manufacturer that makes large investments in the circular economy, continues to lead the industry in this context as one of the companies that signed the international "Denim Deal" coalition. Reducing water consumption and preventing waste water generation through the Blue-H concept and Dyepro technology, our Company created E-Denim, the most ambitious sustainable product of the industry. Significant progress was achieved in the Sustainability Targets 2025 that Calik Denim set last year as part of its "Passion for Denim, Passion for Life" strategy. In 2020, new literature reviews and research were carried out for the targets reached and new targets were set by taking into account the industrial dynamics and global sustainability trends.

We are a group that has made it our mission to contribute to an increasing prosperity through the generation of solutions that provide value to human life in all regions we operate. Our sustainability approach and goals also shape our social responsibility approach. In this context, we developed and continue to develop projects

in many fields from education to culture and from supporting entrepreneurship up to health. Our project to rebuild a school damaged by the earthquake in Malatya in 2020 is one of them.

Since our establishment in 1987, Calik Denim continues to lead the sector with its innovative projects in the light of our corporate values. Today, while providing added value to the economy with its products that make a difference in the denim and gabardine fabric range, the Company leads the sector with its sustainable business model and facilitates the lives of its customers with its digital transformation projects.

I would like to express my gratitude to all our partners and stakeholders, especially our colleagues, who helped Calik Denim take successful steps towards becoming the leading premium denim manufacturer globally.

Best regards,

**AHMET ÇALIK**  
Chairman of the Board

OUR FOCUS IS ON  
SUSTAINABILITY AND  
DIGITALIZATION



## BOARD OF DIRECTORS



### AHMET ÇALIK Chairman of the Board

Ahmet Çalik is a member of a prominent family operating in the textile industry since the 1930s. Ahmet Çalik launched his first business initiative in this sector in 1981. He laid the foundations of Çalik Holding, one of the leading companies in Turkey and the nearby geography. Çalik Holding operates in energy, construction, mining, textile, telecommunications, finance, and digital industries.

Ahmet Çalik made the first large private sector industrial investment in Eastern Anatolia in the second half of the 1980s by founding Calik Denim in Malatya. The Company is among the largest premium denim fabric producers in the world today.

Following the Turkic Republics gained their independence in the 1990s, Mr. Çalik commenced establishing business operations in these countries and became one of the first foreign business people to invest in Turkmenistan by setting up textile factories in the country.

With the purpose of generating added value and enriching the geographies in which the Group companies operates, Mr. Çalik, founded Çalik Holding in 1997 to unite all of them together under a single banner. Today, the Holding conducts business operations with more than 15 thousand employees across 22 countries, in seven main areas. Çalik Holding is the first Turkish company to become a member of the Japanese Business Federation Keidanren.

Focusing on projects that benefit society through his visionary investments, Ahmet Çalik is known for his integrity, reliability, strong financial assets and long-term collaborations with international companies throughout his activities in diverse regions of the world.

#### Fields of Operation

- » Energy
- » Construction
- » Mining
- » Textile
- » Telecommunications
- » Finance
- » Digital

#### Significant Investments

- » Ortadoğu Tekstil, 1981
- » Calik Denim, 1987
- » Gap Pazarlama, 1994
- » Gap İnşaat, 1996
- » Çalik Holding, 1997
- » Çalik Enerji, 1998
- » Aktif Bank, 1999
- » TTK, Turkmenistan Textile Investment, 2000
- » E-Kent, 2002
- » Bursagaz, 2004
- » BKT, 2006
- » Kayserigaz, 2007
- » ALBtelecom, 2007
- » Lidya Madencilik, 2010
- » Yeşilirmak Elektrik Dağıtım (YEDAŞ), 2010
- » Çalik Gayrimenkul, 2010
- » Kosova Elektrik Dağıtım (KEDS), 2013
- » Aras Elektrik Dağıtım (Aras EDAŞ), 2013
- » Çalik Petrol, 2017
- » Çalik Digital, 2017
- » BKT Kosovo, 2018

#### Awards and Honors

- » Order of State of Turkmenistan, 1997
- » Mahdum Guli Award, 1997
- » Entrepreneur of the Year Award, Para Magazine, 1997
- » Best Industrial Enterprise of the Year, GESIAD, 1997
- » İpek Yolu Foundation Service Award, 1998
- » Turkmenistan "Gayrat" Medal, 1999
- » Order of Merit of the Turkish Republic, 1999
- » Turkmenistan Golden Century Medal, 2001

- » Order of Merit of the Ministry of Foreign Affairs of the Turkish Republic, 2002
- » National Productivity Center Businessman of the Year Award, 2004
- » Faculty of Business Administration, Istanbul University, Dünya Newspaper National Business Manager of the Year, 2005
- » Order of Merit of Turkish Grand National Assembly, 2006
- » Dünya Newspaper National Business Manager of the Year, 2006
- » Turgut Özal Economy Award, 2008
- » Turkey in Europe-Franco Nobili, 2010
- » Turkish Red Crescent, Gold Medal Certificate, 2012
- » Matsumoto Dental University, Japan, Honorary PhD Title, 2014
- » USA Ellis Island Medal of Honor, 2014
- » Albania Tiran University, Honorary PhD Title, 2014
- » Turkmenistan "Garaşsyz, Baky, Bitarap Turkmenistan" Medal Certificate, 2015
- » Japan Kindai University, Honorary PhD Title, 2016
- » Order of State of Japan (Order of the Rising Sun, Gold Rays with Neck Ribbon) – 2019
- » Malatya Turgut Özal University, Honorary PhD Title, 2020

#### Social Responsibility Projects

- » Malatya Educational Foundation
- » Mahmut Çalik Education Complex
- » Malatya Hasan Çalik Hospital
- » Ankara Oncology Hospital
- » Significant social aid projects in Van, Pakistan and Somali
- » "İftarımızı Anadolu'da Açıyoruz" Activity
- » Restoration of Atatürk Köşkü, Yalova
- » "İlk İşim Girişim" Competition, 2014-2019
- » Renovations at the Geomatics Department, Faculty of Civil Engineering at Istanbul Technical University
- » Renovation of the Precious Metals Laboratory at ITU Mining Faculty
- » Boğaziçi University Faculty of Engineering - Hydraulic Laboratory Renovation
- » Malatya Textiles Museum

#### Missions at the State Level

- » Bursa Honorary Consulate of Republic of Kazakhstan, 2012

#### Personal

- » 1958, Malatya
- » Married with four children



### Ahmet Erdal Güncan Member of the Board of Directors

Born in 1969, Ahmet Erdal Güncan has graduated from Istanbul Technical University, Civil Engineering Department and received his master's degree on "Construction Management" at the same university. With 25 years of experience in banking, Güncan is serving as a Board Member at Aktif Bank and its subsidiaries in addition to his role as the Deputy General Manager of Corporate Banking in Aktif Bank he joined in 2008.



### Mahmut Can Çalik Member of the Board of Directors

Born in 1991, Mahmut Can Çalik graduated from the Faculty of Business Administration in New York DeVry University. He has been acting as the Board Member of ALBtelecom since 2013 and the Chairman of Calik Denim, Çalik Digital since 2019. He is also the Chairman of Çalik Petrol, Çalik Pamuk, Çalik Tarım and Enrich Technology, and a member of the Turkish Industry and Business Association (TUSIAD).



### Hasan Arat Member of the Board of Directors

Hasan Arat graduated from Business Administration at Istanbul University Faculty of Management. He worked in companies operating in textile and real estate investment for many years. He was the President of TGSD – Turkish Clothing Manufacturing Association and the former President of the International Apparel Federation (IAF). He is currently Vice President of TNOC - Turkish National Olympic Committee, Marketing Committee Member of IOC - International Olympic Committee and Board Member of EOC – European Olympic Committee and Executive Board Member of World Athletics. Arat continues to be a Member of Calik Denim Board of Directors since March 11, 2020.



MESSAGE FROM THE GENERAL MANAGER

# DYNAMIC AND ALWAYS AN INNOVATION LEADER



As a Company that has adopted a dynamic and always innovative working method, we are among the leading organizations in the sector in terms of digital transformation in line with our globalization goals. In 2020 due to the pandemic, there was a slowdown in the denim sector and in parallel with the textile sector and a temporary interruption in production, as has been in the whole world. As Calik Denim, we had a much easier time adapting to the new normal with our current and strong technological infrastructure. Due to the practices and measures we have taken to protect the health of our employees and partners during this adaptation period, we were awarded the "COVID-19 Safe Production Certificate" from the Turkish Standards Institution. We are the first company to obtain the TSE Safe Work certificate in our region.

I may say that, with the appearance of the COVID-19 virus, we were one of the fastest and most proactive companies in Turkey. In this time when travel is restricted, many brands do not accept physical meetings and even people continue to work remotely, we continue to present global denim trends to our customers and bring these trends together with Calik Denim fabrics through our mobile app launched in 2019 based on our leading role and which is the first and only in the industry. We saw once again that our application, which allows our customers to request samples with a single tap, has significantly facilitated and accelerated the processes, especially during this pandemic.

Dear Business Partners and Valued Employees,

Having influenced the whole world in 2020 and threatening human life, COVID-19 has also been the driving force in changing the habits mankind developed throughout history. In this context, we go through a period where we are more connected to digital technologies and experience radical changes in the ways we work, produce and consume.

100%

The increase rate of energy produced from renewable sources

With digitalization, our e-commerce figures grew approximately three times. In 2020, we also adapted to e-tender and remote working systems.

We are on the way to rapidly become the leading company of the sector in the field of digital transformation. We established a team working only on digital transformation at the Company and we started implementations by analyzing all our end-to-end processes starting from raw materials over production up to delivery with an Industry 4.0 perspective. In this context, we aim to make our processes fully transparent and fully traceable, minimize losses, achieve savings, and increase quality. We also aim to simultaneously involve the organization, culture and human aspects in the transformation of production and technology by realizing the smart workforce plan.

Even before the pandemic, companies were trying to adapt to changes caused by the global climate crisis, as well as technological developments. However, with the COVID-19 pandemic, this change has gained great importance for all sectors, including the fashion industry. This period, defined as the "new normal," forces companies to take measures to produce responsibly. Since the COVID-19 pandemic the concept that has been at the forefront of the world's new normal is "sustainability." As Calik Denim, we have already integrated sustainability into the center of our business model with our future projection and our "Passion for Denim, Passion for Life" sustainability strategy. In line with this approach, we continue to focus on innovations blended with responsible fashion.

We are focused on improvements in all our business processes within the scope of the Sustainability Targets 2025 we set in order to realize our Passion for Denim Passion for Life Sustainability Strategy. By the end of 2020, we have completed some of these targets and replaced them with new targets.

In this context, we achieved a 100% increase in energy produced from renewable sources compared to 2018. Thanks to the use of renewable energy for electricity generation with the Solar Panel Project we implemented in our

factory, we reduced the use of conventional resources. The Rooftop Solar Power Plant, which we put into operation on 1 May 2020, has an installed power of 820 kWe and an annual electricity generation capacity of 1,343,000 kWh. With this project, we will provide all of the annual electricity consumption of rope dyeing machines with solar energy. With our SPP project, we have prevented an annual emission of 792.05 tons of CO<sub>2</sub> equivalent into the atmosphere. Within the scope of our 2025 Goals, we aim to both increase the purchase of renewable energy to 50% and reduce overall greenhouse gas emissions by increasing renewable energy production by 10% compared to this year.

In line with our targets for sustainable raw material supply, we audited 30% of our suppliers and updated our new targets to cover 60% of suppliers. We have ensured that all chemicals we supply are 100% certified and set a new target for them to be 95% GOTS certified. In this context, we also support domestic and 100% cotton production by realizing all cotton purchase through Çalık Cotton. We significantly increased our revenue from the sustainable product category in a short time, reaching 20% of the total turnover and set our new target as 60%. Thus, we continue to reduce both our operational impact and our customers' environmental footprint.

Within the scope of our Transformation Lab projects along with our leading role in the sector, we believe in the importance of inter-sectoral collaborations and carry out activities in this context. Also projects we realize as part of collaboration with non-sector stakeholders in order to find solutions to global environmental problems such as climate change, plastic waste reaching a point of crisis around the world, and rapid consumption of resources create quite important values in terms of sustainability.

On the other hand, our collaboration with Bocconi University this year is also very important. Based on the research studies we have conducted with SDA Bocconi, one of the world's leading universities, we are planning new and pioneering projects in the sector in line with our branding strategy.

END TO END ANALYSIS OF ALL PROCESSES WITH INDUSTRY 4.0 PERSPECTIVE

BEING CUSTOMERS' SOLUTION PARTNER WITH CALIK DENIM MOBILE APP

SUSTAINABILITY PROJECTS THAT CREATE VALUE



MESSAGE FROM THE GENERAL MANAGER

As Calik Denim, we continue to develop the latest technologies that will provide solutions to the water consumption of brands, ready-made clothing and end users.

IMPORTANT  
COLLABORATIONS  
WITH GLOBAL  
BRANDS

In this context, we signed an important and successful collaboration in 2020. We collaborated for the new sustainable collection "Always Fits" of Good American, one of the leading brands in the world with its collections specially developed for women. In this period when e-commerce becomes increasingly important due to the pandemic, this collaboration collection produced using our Selfsized concept, which eliminates the risk of buying wrong size jeans in online shopping thanks to its special technology and our sustainable Denethic technology, which provides resource optimization, continues to attract great attention since the day it was launched globally.

As Calik Denim, we continue to contribute to the economy by creating innovative products, concepts and collections and following customer needs, current market dynamics, world trends and the latest technological developments at the highest level.

Considering the increasing need for hemp content recently, we prepared the Blue H concept, which breaks new ground in sustainability. While blindly used resources, excessive water consumption and consumption frenzy lead the world into a dead end, investing in fiber, the most important building block and raw material of textile, comes into prominence. Our concept, which includes products with different elasticity alternatives containing 20% hemp, keeps the clothing clean for a longer time thanks to the anti-microbial feature of hemp while preventing the formation of bacteria that cause odor.

Thanks to E-Denim, which is a candidate to be the most ambitious sustainable product of the industry among our products, we ensure that the product is traceable as well as forever sustainable with a post-consumer recycled content positioned in the center of the fiber through a circular design approach.

Being aware that denim fabric production is one of the most striking sectors in industrial water consumption, it has now become inevitable that sector stakeholders take action to minimize water consumption. With serious investments in this field and as Calik Denim, we continue to develop the latest technologies that will provide solutions to the water consumption of brands, ready-made clothing and end users. We developed our brand new technology Dyepro this season, breaking new ground not only with our concepts but also with our technologies. In the indigo dyeing phase, which is the most water-consuming step in the denim fabric production process, we use almost no water thanks to the Dyepro technology we specially developed and thus prevent the formation of waste water.

As Calik Denim, we take sustainability as a basis in all our products and business processes and continue our work in accordance with the United Nations Sustainable Development Goals. We aim to continue our future projects with this determination and to set an example in the sector for a more livable world with these works we carry out and our leading role in this regard.



TECHNOLOGIES  
PROVIDING  
RESOURCE  
OPTIMIZATION

Although there are still many uncertainties for the upcoming period, as Calik Denim, we use our extensive experience and passion for innovation and sustainability to guide our customers to a better future. Accordingly, we devote more time and resources to our R&D studies. Since its establishment, our R&D Center sets current and future needs respecting the environment and emphasizing consumer expectations as a target for itself and continues its activities in order to design, develop and manufacture products, that comply with standards and make a difference in competition.

As a brand that breaks new ground in the denim world every season with its collections, we left behind another successful year with Calik Denim's environmentally friendly products, which keep up with the digital age. I would like to express my gratitude to all our employees, who have worked tirelessly in these difficult times experienced by the whole world and who continue to work with diligence and devotion, both from Istanbul and our Malatya factory, and to our suppliers and all our stakeholders for their support and belief in us.

Best regards,

**FATİH DOĞAN**  
General Manager

**20%**  
Income rate from  
the sustainable  
product category



## EXECUTIVE MANAGEMENT

### Fatih Doğan

#### General Manager

Born in 1976, Fatih Doğan graduated from İnönü University, Faculty of Economics and Administrative Sciences, Economy Department and also received his master's degree from the same department. Continuing his academic career for a while following his graduation, Doğan started his business life in 2000 as an Accounting Specialist in Calik Denim. Assuming high-level duties in Çalık Alexandria, he was appointed as Calik Denim Financial and Administrative Affairs Director in 2009 and later as Deputy General Manager as of June 2016. Fatih Doğan was appointed as the General Manager in 2019 and still occupies this position.

### Ahmet Serhat Karaduman

#### Technical and R&D Deputy General Manager

Born in Muş in 1972, Ahmet Serhat Karaduman graduated from Selçuk University, Department of Mechanical Engineering and received his master's degree in Çukurova University, Faculty of Business Administration, Organization Department in June 2016. He started his career in 1996 as a Weaving Engineer at Calik Denim. Assuming various positions within the company until 2003, Karaduman was appointed as R&D Manager in 2013 and as the Factory Manager in 2014. Having assigned as the Factory and R&D Manager in 2015, Ahmet Serhat Karaduman occupies the Technical and R&D Deputy General Manager position as of 2019.

### Tolga Özkurt

#### Sales and Marketing Deputy General Manager

Born in 1972, Tolga Özkurt graduated from Istanbul University, Department of English Teaching. Started working in 1991 at Arsal Cam, Özkurt started his career at Calik Denim in 2000. Working as a Regional Sales Manager as of 2000, Özkurt continues his duty as Deputy General Manager of Sales and Marketing by proxy since 2019.

### Deniz Özkul

#### Spinning Mills Deputy General Manager

Born in 1970 in Malatya, Deniz Özkul graduated from Yıldız Technical University, Department of Electrical and Electronic Engineering. Started working at Calik Denim in 1996, Özkul worked in various departments. Özkul continues to act as the Spinning Mills Deputy General Manager of Calik Denim.

### Aysun Şengür

#### Financial Affairs Director

Born in Istanbul, Aysun Şengür graduated from Istanbul University, Faculty of Science, Department of Mathematics. After starting her career in 1997 at Yalova Elyaf ve İplik A.Ş., she started working at Calik Denim in 2001. Assuming different positions within Calik Denim, Şengür continues to act as the Financial Affairs Director of the company.

### Kubilayhan Kalaycı

#### Far East & USA & Domestic Market Sales Director

Kubilayhan Kalaycı, born in Istanbul, completed his university education as a Leather Technologies Engineer at University of Northampton, Nene College, in the United Kingdom. Mr. Kalaycı started his professional career at Erlüks Deri Sanayii in 1991. In 2010, he joined the Calik Denim sales department, serving in various positions. Kubilayhan Kalaycı is currently working as Calik Denim Far East & USA & Domestic Market Sales Director.

### Mehmet Serdar Özcan

#### European Sales Director

Born in 1980, Mehmet Serdar Özcan graduated from Çukurova University, Department of Textile Engineering. Starting his career at Calik Denim in 2004, Serdar Özcan assumed different positions in the Sales and Marketing department and was assigned as a Regional Manager in 2015. He continues working as the European Sales Director at Calik Denim since 2019.

### Rahmi Ataş

#### Trade and Administration Director

Born in 1973 in Malatya, Rahmi Ataş graduated from Istanbul University, Department of Geological Engineering. Working at Calik Denim since 1996, Ataş worked in different departments at Calik Denim. He continues to act as the Trade and Administration Director of Calik Denim.

### İsmet Kalalı

#### Technical Director

Born in 1974 in Malatya, İsmet Kalalı graduated from Dokuz Eylül University, Department of Industrial Engineering. Started working at Calik Denim in 1999, Kalalı currently works as a Technical Director.

### İbrahim Yoldakalan

#### Information Technologies Director

Born in 1973 in Elazığ, İbrahim Yoldakalan graduated from Hacettepe University, Department of Geological Engineering. Started working at Calik Denim in 2002, Yoldakalan continues to act as the Information Technologies Director.

### Caner Çolak

#### Strategy and Process Development Director

Born in Lucerne in 1984, Caner Çolak completed his undergraduate and graduate studies at Istanbul University, Department of Industrial Engineering. Çolak, who started working at Calik Denim in 2008 and held various positions within Calik Denim, continues to act as the Strategy and Process Development Director.



# PRODUCTION

Calik Denim maintains its competitiveness in the industry with its sustainable production policy and constantly develops its integrated facilities built on a total area of 777,152 m<sup>2</sup> in Malatya with new technologies.

## **LIFE CYCLE ASSESSMENT (LCA) & ENVIRONMENTAL PRODUCT DECLARATION (EPD)**

Calik Denim registers the environmental impacts of its products throughout their life cycles by having them verified by independent verifiers. The environmental impacts at all production stages from cotton production and raw material supply to final product have become measurable with the Life Cycle Assessment approach. The visual weight design of the LCA reports was made and the EPD documents, which are summary documents for the results, were prepared, approved and published for eight types of fabrics. In addition, approval process continues for 10 qualities whose EPD studies were completed.

## **TRANSPARENCY MONITORING SYSTEM (TMS)**

With the "Transparency Monitoring System (TMS)" established in 2019 focusing on measurable targets, the aim is to measure production inputs and to ensure resource utilization optimization in production processes.

## **ARTICLE-BASED ENVIRONMENTAL IMPACTS (CRADLE-TO-GATE) CATEGORIZATION**

Based on the LCA studies, an article-based environmental impacts categorization process was carried out based on eight impact categories: product carbon footprint, water consumption, acidification, land use, energy demand, eutrophication, photochemical oxidation and ozone layer depletion. The process of notifying the customer of the categorization results obtained via QR code started as of April 2021.



## PRODUCTION

# SUSTAINABLE AND INNOVATIVE PRODUCTION INFRASTRUCTURE

Increasing its product quality day by day, Calik Denim continues working for a sustainable and innovative production infrastructure.

## 777

Thousand M<sup>2</sup>  
Total Area

## 55

Million Meters  
Annual Production  
Capacity

One of the leading names in the world denim industry, Calik Denim maintains its competitiveness in the industry with its sustainable production policy and constantly develops its integrated facilities built on a total area of 777,152 m<sup>2</sup>, including 379,322 m<sup>2</sup> of covered area, in Malatya with new technologies.

### Efforts to Increase Efficiency in Production

Increasing its product quality day by day, Calik Denim continues working for a sustainable and innovative production infrastructure. Attaching great importance to innovation studies to increase productivity in production, Calik Denim continues the Life Cycle Assessment (LCA) project this year in order to integrate sustainability efforts into its production activities. In this context, Calik Denim aims to make the sustainability of each quality measurable with the Life Cycle Assessment approach.

- » Conducting Life Cycle Assessment, Calik Denim rendered the environmental impacts measurable at all production stages from cotton production and raw material supply to final product.
- » Calculating the environmental impacts on a product basis, Calik Denim determined a road map to reduce the environmental impacts of the products.
- » Calik Denim is able to specifically calculate how the environmental impacts of qualities, that use sustainable fibers such as recycle cotton, organic cotton, ecovero, repet, hemp, etc., decrease.
- » Since the Life Cycle Assessment approach covers the product's supply chain, Calik Denim can also numerically calculate the impacts of suppliers on products.

- » When the products are introduced to its customer, it is able to compare their environmental impacts in addition to technical features.
- » Life Cycle Assessment study shows the specific environmental impacts of the final product such as carbon footprint and total water consumption. In addition, article-based environmental impacts categorization is also offered to customers based on 8 impact categories.
- » Always adhering to transparency and accuracy principles, it has its Life Cycle Assessment studies verified by independent verifiers. Thus, the verification of each shared data is ensured.
- » By using the verified outputs of the Life Cycle Assessment studies, the applications to publish EPD - Environmental Product Declaration were completed through The International EPD System. Therefore, the environmental impacts of the product are recorded and made available to all stakeholders.

With the Transparency Monitoring System (TMS) established with a focus on measurable targets, it is aimed to measure the production inputs and to ensure the resource utilization optimization in production processes. With TMS, it is aimed to contribute to the textile sector in order to create a transparent and more sustainable production line.

By activating the online tracking system TMS, Calik Denim is able to track the consumption on a real time basis and also determines and categorizes the most sustainable types with real-time energy monitoring made from the energy consumption screen.



Calik Denim organizes monthly meetings and innovation studies regarding sustainability and tracks its product-based and corporate carbon footprint.

Within the scope of the commitment to the United Nations principles, to which Calik Denim became a voluntary participant in 2019, studies on human rights, labor standards, environmental protection and anti-corruption are ongoing. With these main areas determined, Calik Denim also contributes to the United Nations Sustainable Development Goals.

### Sustainability Developments Based on Product Groups

Calik Denim made some arrangements in 2020 in order to provide product based sustainability easier and in a more convenient way. These arrangements are as follows:

- » Article-based LCA studies were made in product groups.
- » Process and product-based EPD studies were carried out.
- » New product groups that include recycle and other cellulosic raw materials were created.

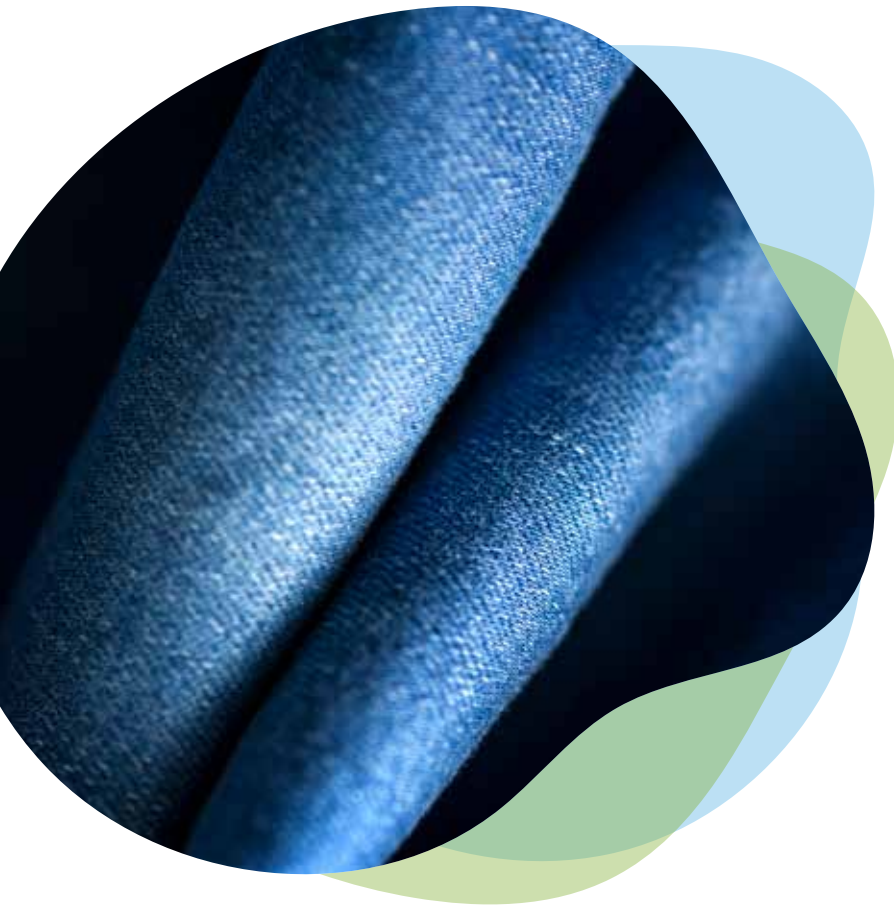
- » Although the Denethic concept and D-Clear technology with low energy and water consumption were developed in 2019, they were heavily applied also in 2020 to increase sustainability. Such technologies and concepts were included in the collection.
- » Dyepro dyeing technology, which saves water and chemicals to a great extent, was developed and applied to new collection types.
- » Innovative and sustainable products, that make a significant difference in the sector, such as Blue H, E-Denim, Fuctionage, Washpro were developed.
- » New types of BCI, organic and recycle cotton, recycle modal and recycle viscose were prioritized.
- » Collections including sustainable raw materials that consume less water during production such as linen and hemp were created.
- » Article-based EU and Nordic Ecolabel certificates were received.
- » Six projects within the scope of sustainability are ongoing at the R&D center. The projects are evaluated taking into account the categories of reducing resource use and researching alternative sustainable materials under the environmental sustainability topic.

FULL SUPPORT  
FOR SUSTAINABLE  
DEVELOPMENT  
GOALS



PRODUCTION

Calik Denim increases its brand value and reinforces its position as an innovation leader in the sector through innovative products incorporated within the year and produced with last technology machinery that will break new ground in the denim world.



of viruses from adhering to the fabric by adding anti-bacterial/anti-viral properties to the fabrics thanks to the ViralOff® process. It can completely neutralize the COVID-19 virus on the fabric within two hours.

**Developments in Calik Denim Integrated Facility**

Calik Denim increases its brand value and reinforces its position as an innovation leader in the sector through innovative products incorporated within the year and produced with last technology machinery that will break new ground in the denim world. The machines and systems acquired by Calik Denim in 2020 are as follows:

- » One rope winding machine installation,
- » One Slasher Weko-Neo installation,
- » Slasher preparatory dye recovery project,
- » Three quality control machines installations,
- » One quality cutting machine installation,
- » Sanfor-2 machine modernization,
- » Two Weko-Sigma humidification units installations,
- » One Stenter Weko-Neo installation,
- » One Stenter machine natural gas saving device installation,
- » Sizing-5 machine installation,
- » Mercerizing burning revision,
- » Pad steam 1 and 2 machine shaking system installations.

**New Products and Technologies**

**Dyepro:** A new warp dyeing technology that does not consume water, and saves chemicals.

**E-Denim:** New yarn technology where recycled fiber ratio is greatly increased.

**Blue-H:** Fabrics where hemp fiber, known as sustainable natural fiber, is used.

**Functionage ViralOff®:** A concept that allows adding anti-odor, anti-bacterial and anti-viral properties to fabrics upon request.

**Washpro:** In addition to being a technology designed to reduce the need for washing by the end user, it is a technology that prevents 99%

INNOVATIVE  
R&D PROJECTS

**CALIK DENIM PRODUCTION STEP-BY-STEP**



**1. Yarn Facilities**

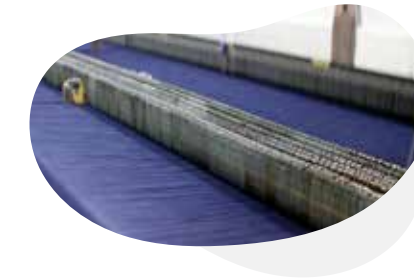
At the beginning of the production journey of Calik Denim comes the yarn production which is the raw material of fabric. Thanks to its professional expert team, Calik Denim has the capability to carry out the production and finishing processes of its own yarn and fabric. Calik Denim's unique designs in yarn come to life in ring-spinning machines through multi-twist, multicount and draw-your-slab techniques (exclusive program to make slab).

Cotton from Urfa (Turkey), the Aegean region and the USA, as well as BCI (Better Cotton Initiative) and organic cotton are the raw materials most widely used. Calik Denim's diverse production range includes yarns with a wide variety of folds and twists, as well as straight, core-spun, dual-core yarns and twisted yarns with a range of between NE 6-30, along with open-end rotor, ring and indigo colored yarn.



**2 Indigo Facilities**

The unique and original colors of Calik Denim's fabrics emerge as a result of detailed studies in indigo facilities. The Indigo facilities, rendered more efficient by renovation works in 2014, feature three rope dyeing and three warp dyeing lines. Warp dyeing operations offer a wide range, including indigo, reactive, pigment, sulfur, bottom and topping.



**3. Weaving Facilities**

These facilities feature three types of looms (Domier, Sulzer and Picanol) as well as standard weaves, along with more complex variations such as plain weave, scotch plaid, herringbone, piqué, skipping, double-layer, gabardine fabric and technical textures in multilayer constructions. Calik Denim's wide product portfolio is brought to life at its weaving facilities.



**4. Finishing Facilities**

Products delivered to the finishing facilities undergo three operations: pre-finishing, dyeing and finishing. Operations such as cauterization, desizing, mercerization, bleaching, dyeing, extension, sanforization, coating and calendaring optionally take place in these facilities.



**5. Quality Control**

Before a product is shipped, it must undergo a detailed control at Calik Denim quality control facilities. The controls to which a 100% quality product under Calik Denim brand is subjected are as follows:

- » Visual inspection, scoring for any fabric deficiencies, and determination of quality categories,
- » Washing the pieces from orders according to standard instructions or customers' instructions,
- » Color assessment and color classification processes, testing and controls at physical laboratories.

**Annual Production Capacity**

55,019  
Thousand Meters  
Product Capacity

55,019  
Thousand Meters  
Finishing

65,675  
Thousand Meters  
Raw Cloth

71,250  
Thousand Meters  
Warp Dyeing

45  
Thousand Tons  
Yarn

(10,000 Thousand Tons  
Open-end, 35 Thousand Ring  
Yarn)



CERTIFICATES

# SUPERIOR QUALITY WITH INTERNATIONAL CERTIFICATES

International certificates received by Calik Denim, that aims to be a company that is beneficial to the world while working to provide world-class products and services, demonstrate its determination and competency in this area.

WELL MANAGED  
SOCIAL AND  
ENVIRONMENTAL  
PERFORMANCE

Adopting the motto "Passion for Denim, Passion for Life" sustainability purpose in all its activities, Calik Denim is focused on producing leading innovative products, creating positive impact with its stakeholders and decreasing its impact on the environment. Aiming to provide world-class products and services, Calik Denim aims to be a company that is beneficial to the world. International certificates received by Calik Denim demonstrate its determination and competency in this area.

Calik Denim, which became a SEDEX member in 2021 to assess social workforce performance and practices and identify leadership areas and improvement opportunities, aims to better manage its social and environmental performance and to protect people working in the supply chain.

Calik Denim has the following certifications:

- » ISO 9001 Quality Management Systems Certificate
- » ISO 14001 Environmental Management Systems Certificate
- » ISO 45001 Occupational Health and Safety Management Systems Certificate
- » ISO 50001 Energy Management Systems Certificate
- » ISO 27001 Information Security Management Systems Certificate
- » ISO 10002 Customer Complaints Management Systems
- » BCI Membership
- » HIGG INDEX FEM (Environment) - FSLM (Social) Membership
- » SEDEX Membership
- » CTPAT Criteria Compliance
- » OEKO-TEX
- » GOTS
- » OCS
- » GRS
- » RCS
- » COTTON USA
- » Nordic Swan Ecolabel
- » EU Ecolabel
- » COVID-19 Safe Production Certificate







## SALES AND MARKETING

Continuing its activities with the mission of being the solution partner of its customers, Calik Denim continues to carry out sales and marketing activities in very close contact with global brands.



SALES AND MARKETING

# TRUSTED PARTNER FOR GLOBAL FASHION BRANDS

Creating quick and high-quality solutions to the demands and expectations of its business partners ranks Calik Denim among the top companies in the preference list of prestigious brands.

PREMIUM SALES SERVICES WITH ITS RICH RANGE OF PRODUCTS

KNOW-HOW AND PRODUCTION SUPPORT TO PARTNER BRANDS

**Leading Denim Fabric Brand in Sustainability and Innovation**

Leading the sector with its sustainable and innovative approaches, Calik Denim exports to about 40 countries, especially Germany, Spain, USA, England, Netherlands, France, Scandinavia, Far East, Portugal and Italy.

With its customer-oriented efforts, Calik Denim is a dynamic supplier and reliable partner for global brands in the premium denim market, such as Acne, J Brand, GAP, Supreme, PRPS, Scotch & Soda, Polo Ralph Lauren, Banana Republic, Mother, Hugo Boss, Lucky Brand, Uterque, Massimo Dutti, H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, Benetton, G Star, Salsa, Next, Jack & Jones, VF and 7 for AllManKind.

**Solutions Respecting Nature and the Humans**

As a reliable global solution partner with its customer-oriented, innovative and flexible approach, Calik Denim provides know-how service to its partner brands in addition to fabric production. Creating quick and high-quality

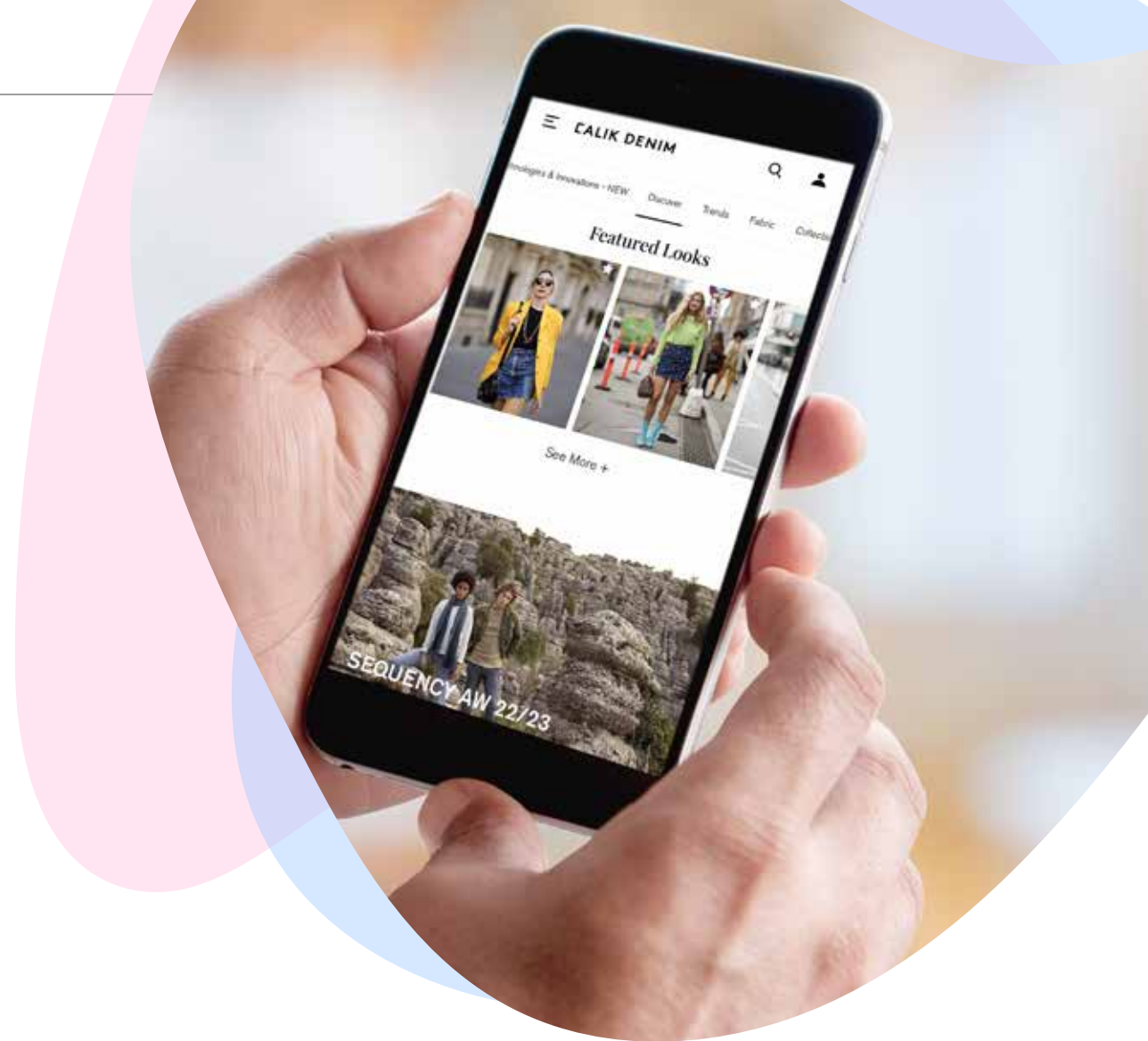
solutions to the demands and expectations of its business partners ranks Calik Denim among the top companies in the preference list of prestigious brands.

Calik Denim strengthens its identity as a manufacturer producing fabrics of tomorrow with the technology of the future and exceeds expectations with its rich product range. Serving with a sustainable and nature-friendly production approach, Calik Denim uses less water and chemicals in production with the processes designed, chooses to use chemicals that do not harm the environment and people, and contributes to the circular economy by using recycled fibers.

Having produced 27% organic cotton, 26% BCI cotton and 13% recycle cotton fabric in 2020, Calik Denim successfully maintains its mission as a sustainable denim fabric manufacturer. In addition, the Company shares with its partners the Life Cycle Assessment (LCA) reports, which include carbon emission, water consumption, energy consumption, etc. values of its products, with all its transparency.

Calik Denim also participated in online fairs as many fairs were physically canceled in 2020 due to the pandemic.

Fair Name	Region	Country
Munich Fabric Start (Physical)	Europe	Germany
Kingpins24 Amsterdam (Online)	Europe	Netherlands
Kingpins24 US (Online)	America	USA
Premium Textile Japan (Physical)	Far East	Japan



**DIGITALIZATION AT CALIK DENIM**

**Calik Denim Mobile App**

Calik Denim aims to provide innovative, sustainable, practical and advantageous solutions to its stakeholders and customers. The mobile app introduced by the Company in this context in 2019 presents global trends in the world of denim and allows, among many other features, its users to match these trends with Calik Denim fabrics and request samples. Including information regarding Calik Denim fabrics, the mobile app provides access to the filtering of fabrics by color, elasticity, weight, structure and coatings through videos and photos as well as replying to sample needs in a short time.

The mobile app once again reinforces the innovative and leading position of premium denim fabric manufacturer Calik Denim in the sector and has become one of the most important tools of Calik Denim in the rapidly digitalizing world during the pandemic. Calik Denim was caught prepared

for the pandemic period thanks to its digital infrastructure and is in constant contact with its partners via its mobile app and social media communication.

In the days when travel was restricted globally and social isolation became mandatory, Calik Denim presented its collections to its customers in a much easier and more effective way through its mobile application. Acting with the mission of being the solution partner of its customers, Calik Denim offers its customers the opportunity to examine products digitally, analyze global trends, and order samples from Calik Denim, thanks to the mobile app.

In this period, two new modules were added to the Calik Denim's mobile app in 2020, which maintains its leading position with its feature of being the first and only in the sector. Unlike the other tabs of the mobile app, the two newly developed sections were developed without a password to reach all denim lovers.

EFFECTIVE COLLECTION PRESENTATIONS WITH MOBILE APP



## SALES AND MARKETING

With the “New Technologies and Innovations” tab, which is another new step in digitalization, the aim is to have Calik Denim mobile app users access information about technologies and innovations produced in the digitalization era brought by the COVID-19 period, with a single tap.

CALIK'S BLOG,  
SECTORAL  
NEWS SOURCE  
IN THE WORLD  
OF FASHION AND  
DENIM

**Calik's Blog**

A blog module was also developed under the Calik Denim mobile app, which set out with a vision for leading innovations, digital transformations and contributing to the denim world in the sector. Calik's Blog module, where the latest news from the world of fashion and denim are shared with users every week with different leading editors and bloggers of the denim world, was launched. The module, which also includes news about Calik Denim and important developments in the sector, is positioned as a sectoral news source as well.

**New Technologies and Innovations**

With the “New Technologies and Innovations” tab, which is another new step in digitalization, the aim is to have Calik Denim mobile app users access information about technologies and innovations produced in the digitalization era brought by the COVID-19 period, with one click.

**Online Collection Launch**

In 2020, Calik Denim launched its collections, which is realized physically in April and October every season, on the online platform due to the COVID-19 outbreak.

Online events introducing the Loxodrome AW 21/22 and Bluephilia SS'22 collections were completed each in two days in two separate seasons with the participation of Calik Denim Sales and Marketing and P&D teams, foreign offices and representatives.

**BRANDING****Branding Journey in Collaboration with SDA Bocconi University**

Calik Denim established a valued collaboration with SDA Bocconi, one of the world's leading universities. Based on the research studies conducted, the Company plans new and pioneering projects in the sector in line with its branding strategy.

**COLLABORATIONS WITH BRANDS****Good American**

With its collections developed specifically for women, Calik Denim has started a collaboration for a sustainable and innovative collection with the world's leading American brand Good American, owned by Khloe Kardashian and Emma Grede. The collection “Always Fits” combines the innovative and sustainable fabrics of Calik Denim and Good American's promise of “perfect fit.”

The Always Fits Collection has been attracting great attention globally since its launch thanks to fabrics specially developed for Good American and made use of the combination of Calik Denim's Selfsized concept, which breaks new ground in the sector with its unique features, and the Denethic technology. Since the collection is produced with Selfsized fabric and Denethic concept, it reduces energy and water usage and minimizes the risk of purchasing the wrong size jeans.



Calik Denim aims this collaboration with Good American on sustainable and perfect fit jeans production to set an example for the industry as a partnership established on digitalization and sustainability.

Through the Marketing Campaign for the launch of the Always Fits Collection, the news of the Good American and Calik Denim collaboration reached millions of people on social media and received hundreds of thousands of likes. And nearly 2 million people were reached with the global press reflections of the collaboration.

**Edwin**

Calik Denim continues its global brand collaborations with the innovative technologies developed. Edwin, one of the leading brands in America, created a new collection with the

Selfsized concept, which breaks new ground in the sector by minimizing the risk of buying wrong size jeans in online shopping and ensures that a one-size jean fits perfectly in a wide range of different sizes thanks to Calik Denim's ultra-high elasticity and cotton that provides maximum comfort and softness. With the collection prepared in a wide range with different fits and colors, this collaboration attracts great attention in the sector.

**Zara**

Zara, one of the important brands of the fast fashion industry, presented the new collection prepared with Calik Denim's Fly Jean fabrics under the name FITHIT, in collaboration with Calik Denim. The collection, which is available in Zara stores globally under the name FITHIT, has been presented to the end user with the Calik Denim logo on its inner labels and hangtags.

INNOVATIVE  
COLLECTIONS  
OFFERED TO  
BUSINESS  
PARTNERS



## SALES AND MARKETING

Aiming to design original denim collections with innovative approaches, Calik Denim collaborates with leading brands and designers as well as local artisans and attaches great importance to this matter.



## COLLABORATIONS WITH FAMOUS DESIGNERS

### Flannel Bay Napoli

Calik Denim has realized a collaboration project with the Italian company Flannel Bay Napoli, headquartered in Naples and specialized in tailor-made menswear, in which Royal Denim fabrics with silk and cashmere fibers are included in its composition. Two different jacket models were designed and produced by Flannel Bay Napoli. This collaboration between the two companies and the related product features are also emphasized in the premium care labels prepared by Calik Denim and placed on the products.

### Taka Q/Grand Back

For Grand-Back, a sub-brand of the department store Taka Q selling also products from different brands along with its own brand in Japan and in order to be placed on the products in its stores Calik Denim prepared a label work emphasizing the features of the Selfsized product group. This work not only contributes to Calik Denim's brand awareness in the Japanese market but also highlights the advantages that Calik Denim products provide to the end user.

### Baykan Denim

Calik Denim prepared special care labels for the products prepared by Baykan Denim among those in the Autumn/Winter 2021-2022 collection indicating the collaboration of the two companies. In addition to these labels, Calik Denim also prepared a label work inside the belt.

## DESIGNER COLLABORATIONS

### One Square Meter

Aiming to design original denim collections with innovative approaches, Calik Denim collaborates with leading brands and designers as well as local artisans and attaches great importance to this matter. In this context, in 2019, the Company made its first collaboration with One Square Meter, a local ready-wear brand which gives a new meaning to the "Slow Fashion" movement and adopts sustainable and responsible fashion principles. The brand produced its first collection with Calik Denim fabrics in its workshops in Balıkesir Gömeç and introduced it at Denim Days Amsterdam the previous year. The collaboration continued in 2020 as well. One Square Meter's brand new sustainable collection, which is produced using mostly Denethic fabrics of Calik Denim, attracts great attention in the sector.



### Ahluwalia

Calik Denim first came together with the Ahluwalia brand, founded by Priya Ahluwalia who is also the design director, at the "Ever Evolving Talks by Calik Denim" held in 2019 and realized two more brand collaborations after the project. As the outcome of this collaboration, Ahluwalia's Frequency AW'20 and Traces AW'21 collections featured denim products designed with Calik Denim's innovative and sustainable fabrics. Calik Denim and Ahluwalia collaboration continues for the 2021 spring-summer season as well.

## UNIVERSITY COLLABORATIONS

### Parsons

Calik Denim attaches great importance to future generations and continues to cooperate with universities in this context. Every year at the Parsons School of Design, which is one of the most established fashion schools in the World, designers at the Denim Department, which was founded with the cooperation of Calik Denim

in 2017, prepare a collection with Calik Denim fabrics. The collection of the top five students in 2020 was introduced in the sector at the KP24 Amsterdam fair, which is the organization of the Kingpins Show and was held digitally on April 22-23 due to the pandemic.

### ITU - Denim Anatomy

Denim Anatomy was established in 2015 within the scope of the collaboration made with Istanbul Technical University (ITU), with the mission of becoming the solution partner of companies. In the program, the aim is to contribute to the development of sector employees, including managers. Theoretical information regarding denim is provided to the participants who are expert academicians at ITU, and then practical information is given by showing denim production processes at the Malatya Factory. At the end of the program, the participants were awarded the certificate given by ITU. Here the aim is to organize training sessions twice a year in the future and to include foreign customers in the training.

## UNIVERSITY COLLABORATIONS FOR FUTURE GENERATIONS



## SALES AND MARKETING

Calik Denim maintains the privilege of being the first and only denim fabric manufacturer to collaborate with Liberty Fairs Las Vegas.

COLLABORATIONS  
WITH  
PRESTIGIOUS  
FAIRS TO  
RAISE BRAND  
AWARENESS

IMPORTANT  
SUPPLIER  
COLLABORATIONS  
FOR INNOVATIVE  
PRODUCTS

**TRADESHOW COLLABORATIONS****Liberty Fairs Las Vegas**

Since 2017, Calik Denim collaborates with Liberty Fairs Las Vegas, which is one of the most prestigious tradeshows in the Western USA, where the Company aims to increase its market share. Getting together for the sixth time with Liberty Fairs as of 2020, Calik Denim exhibited fabrics and pieces such as trousers, jackets and skirts from the Denethic concept, which draws attention with its sustainability features and makes its voice heard as a real innovation in the sector, in the area allocated at the Indigo Lounge, where booths of important denim brands such as Levi's, J Brand, Jack & Jones, AG, PRPS were located.

With this project, Calik Denim raised its brand awareness in the American market in a prestigious way. Also, Calik Denim maintains the privilege of being the first and only denim fabric manufacturer to collaborate with Liberty Fairs Las Vegas.

**SUPPLIER COLLABORATIONS****Lenzing**

In the capsule collection project called Black Label, which is created from fabrics containing TENCEL™ Modal fiber with Eco Color technology, the Lenzing company brought together some fabric manufacturers; Calik Denim's related fabrics were also included. This special collection, which aims to create a positive and sustainable impact on the fashion and textile industries, was promoted to the entire sector through Lenzing's social media channels.

Calik Denim collaborated with Lenzing on many projects during 2020 and frequently took part in the company's platform called Carved in Blue with interviews and product/technology videos.

**Polygiene**

With the increase in demand for anti-microbial products in many sectors during the pandemic, Calik Denim preferred ViralOff® Polygiene technology for some of its products in its Spring/Summer 2022 collection. Anti-microbial features have been added to the fabrics related to this technology. In order to feature the added value that technology provides to the related products and to underline the collaboration between the two companies, Calik Denim has added special labels designed to the related products in its new collection.

**CAMPAIGNS****Collection Photo Shoots**

In 2020, Calik Denim once again worked with American photographer Eric Kvatek at outdoor photo shoots held twice a year for its collection products. Locations suitable for the product concepts in the relevant collection were chosen in both seasons for the shoots.

Calik Denim performed the photo shoots for the Fall/Winter 2021-2022 and Spring/Summer 2022 collections launched in 2020 in California/USA and around Turkey's Marmaris, respectively.

The resulting photos of the shoots were included in environments such as fairs, events, advertisements, newsletters and social media, where the collection was communicated during both seasons.

**E-Denim Technology Marketing Campaign**

Calik Denim showed the importance attached to circular design by introducing the environmentally friendly yarn technology called E-Denim in its Spring/Summer 2022 collection. This yarn technology, which maximizes the recycled fiber content in the composition of the products, supports the production of more premium looking and sustainable fabrics by supporting high quality production. A special introductory video was prepared highlighting the technical and sustainable features of E-Denim technology, and this video was shared with the whole industry at the Kingpins24 online fair, along with a special interview broadcast. In addition, a presentation booklet detailing the structure of E-Denim technology and its contribution to circularity was prepared and shared with customers.

**Dyepro Technology Marketing Campaign**

Calik Denim has implemented the new indigo dyeing method Dyepro technology as another result of its sensitivity on sustainable production, and with this technology, it provides indigo dyeing without using water. Calik Denim supports environmentally friendly production by providing significant resource savings with this dyeing process that does not create any chemical wastes and prepared a special video on this technology.

**Washpro Technology Marketing Campaign**

Washpro technology, one of Calik Denim's sustainability-oriented innovations, promises long-term freshness for denim clothing. With Washpro technology, which was first introduced with the Fall/Winter 2021-2022 collection, end users need fewer washes throughout the life cycle of their denim clothing. Thus, significant water and energy savings are achieved. In addition, Washpro technology also helps reduce microfiber pollution in the oceans and extend the life of denim clothing, as it reduces the number of household washes needed. Calik Denim prepared a video and presentation booklet containing all these advantages of the technology in order to support the effective introduction of this innovation to its customers. At the Kingpins24 online fair, which was held exclusively for the American market in June, this presentation and introductory video was streamed and presented to customers.

**Green Print Book and Sustainability Video**

Calik Denim continued to publish its sustainability catalog which was first introduced in 2019 and includes all production practices related to the sustainability approach in 2020, as well. The catalog named Green Print Book represents



the ecological footprint and consists of three main sections: raw materials, processes and certificates. In addition to raw materials that support sustainability such as organic cotton, recycled polyester, cottonized hemp, information about environmental technologies such as E-Denim, Dyepro, Denethic, Washpro, Better Dye, Oxygene and D-Clear developed by Calik Denim is also included in the catalog. As the main resource that reflects the activities of Calik Denim in bringing the sustainability approach to production and which has the feature of being one of the rare studies prepared with this content, the Green Print Book was in high demand from customers in this year as well. In addition to this, Calik Denim prepared a video this year summarizing its practices for sustainability in production.

**Royal Denim Product Marketing Works**

In order to introduce the Royal Denim product concept to its customers, which includes valuable fibers such as cashmere, silk and linen in its composition, Calik Denim implemented many product marketing activities.

STRONG  
CAMPAIGNS THAT  
BRING INNOVATIVE  
PRODUCTS TO  
THE MARKET



## SALES AND MARKETING

Calik Denim has been the denim category sponsor of the Habit Fashion Awards, which is considered the most prestigious award in Scandinavia, for many years and becomes a sponsor again in 2020.

“EVER EVOLVING”  
MOTTO WITH THE  
EVER EVOLVING  
TALKS BY  
CALIK DENIM

The company prepared a special capsule collection, which consists of seven men and nine women, totaling 16 fits and in which each product was designed with a tailor-made concept, and held photo shoots for these products.

Calik Denim also prepared a specially designed lookbook with product photos and concept stories. Additionally, the Company prepared a presentation booklet that includes the technical specifications of the products. Besides, in order to elegantly present the customers with the 17 qualities that not included in the capsule collection, the Company prepared a special catalog showcasing these qualities.

Calik Denim launched the Royal Denim product group at its stand, which was prepared with a tailor-made sewing concept, at the Çalık Holding Managers' Meeting held at the beginning of March.

### EVENTS

**Always Further with “Ever Evolving”**  
With the motto “Ever Evolving,” Calik Denim adopts continuous development as a principle and continues to progress towards becoming a leader in its area and a brand known by the end consumer; the Company aims to move forward not only its own brand but also its sector. Established with the participation of leading names of the industry in addition to experts of different disciplines and industries, Ever

Evolving Talks by Calik Denim platform added a breath of fresh air into the industry and provided inspirational speeches. Thanks to the platform, that was developed with Calik Denim's leading role in the industry and will carry the industry into the future, many global brands who are not customers of Calik Denim get to know the Company, and the Company's brand image gains considerable value.

### SPONSORSHIP

#### Habit Fashion Awards

Calik Denim has been the denim category sponsor of the Habit Fashion Awards, which is considered the most prestigious award in Scandinavia, for many years and becomes a sponsor again in 2020. Due to the pandemic, the award ceremony was held online for the first time this year. In the ceremony watched by 182 participants online, Calik Denim awarded Weekday, one of the leading brands in Northern Europe, with the “Best Scandinavian Denim Brand of the Year” title.

SPONSORING  
SCANDINAVIA'S  
MOST  
PRESTIGIOUS  
AWARD  
CEREMONY







## INVESTMENTS

Calik Denim, which continues its investments without slowing down in order to increase its existing service quality for continuous development, invested a total of TL 675 million in the last five years.



INVESTMENTS

# RISING SERVICE QUALITY WITH NEW MODERNIZATION INVESTMENTS

Producing products creating a difference by leading the denim industry, Calik Denim increases its current quality level with new modernization systems and investments day by day.

**70**  
TL Million  
Investments in 2020

**19**  
TL Million  
New Investments for Research and Development Initiatives

Producing products creating a difference by leading the denim industry, Calik Denim increases its current quality level with new modernization systems and investments day by day. Within the framework of renovation and new investment works carried out in 2020, the following were completed:

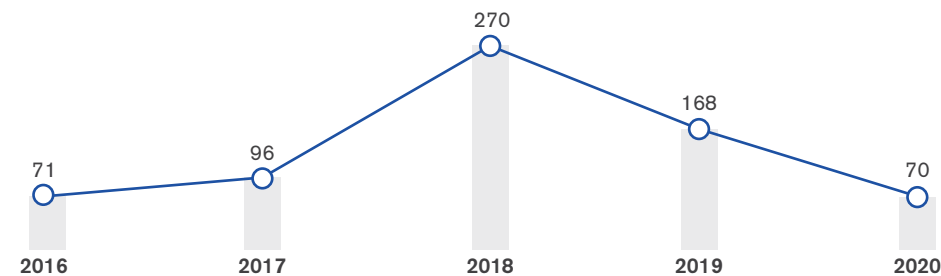
- » Investments in Calik Denim designed rope winding machines,
- » Rope opening machines investments,
- » Machine modernization investments for Dye Finishing Facility,
- » Quality control and quality cutting machines investments for the quality control department
- » Two new boiler investments to better provide service to businesses,
- » Ring Yarn, Draw-Frame and Mixing line machines and modernization investments for the Yarn Facility,

- » SPP (Solar Energy System) investments,
- » Within the scope of Industry 4.0 investments, the Company undertook investments for monitoring the electricity, steam, air and water consumption of all facilities and machines.

Also investing in the business within the scope of energy saving, information systems and modernization, Calik Denim invested TL 70 million in 2020.

In addition, TL 19 million was spent for the new research and development efforts carried out by the Calik Denim R&D Center in 2020.

Investments  
TL Million





# R&D AND PRODUCT DEVELOPMENT

Attaching great importance to R&D and innovation studies in its business line, Calik Denim successfully implemented many projects within the scope of both project funding institutions and organizations and its own equity.

## **CALIK DENIM R&D CENTER**

As the owner of the seventh R&D center of Turkish textile industry, Calik Denim plays a leading role in the denim industry with new technologies and fabric types produced with its R&D team of 65 people.

## **PRODUCTIVITY, INNOVATION AND INVESTMENTS**

The R&D Center has a total of 265 projects in its project portfolio from the day it was established including 226 completed and 39 ongoing projects. Calik Denim spent TL 94.6 million on R&D for all these projects for the duration of its operation.

## **INTERNATIONAL COLLABORATIONS**

Calik Denim already collaborates with universities and research institutes located in Italy, Spain and Germany and continues its negotiations for collaborations with universities and research institutions located in Belgium, France, Portugal and the UK.



## R&amp;D AND PRODUCT DEVELOPMENT

# PRODUCT, PROCESS AND TECHNOLOGY FOCUSED PROJECT DEVELOPMENT WORKS

Attaching great importance to R&D activities since its establishment, Calik Denim continues to make a difference in international markets while adding value to the national economy with its studies.

## 95

TL Million

Amount Spent for All  
R&D Projects

Attaching great importance to R&D and innovation studies in its business line, Calik Denim successfully implemented many projects within the scope of both project funding institutions and organizations and its own equity. With the establishment of an R&D Center under the relevant law, the activities were planned more systematically and the product, process and technology focused project development works are implemented. Leaving nine years behind as of the end of 2020, the R&D Center successfully consolidated its corporate identity structure and successfully completed its activities in the monitored activity period.

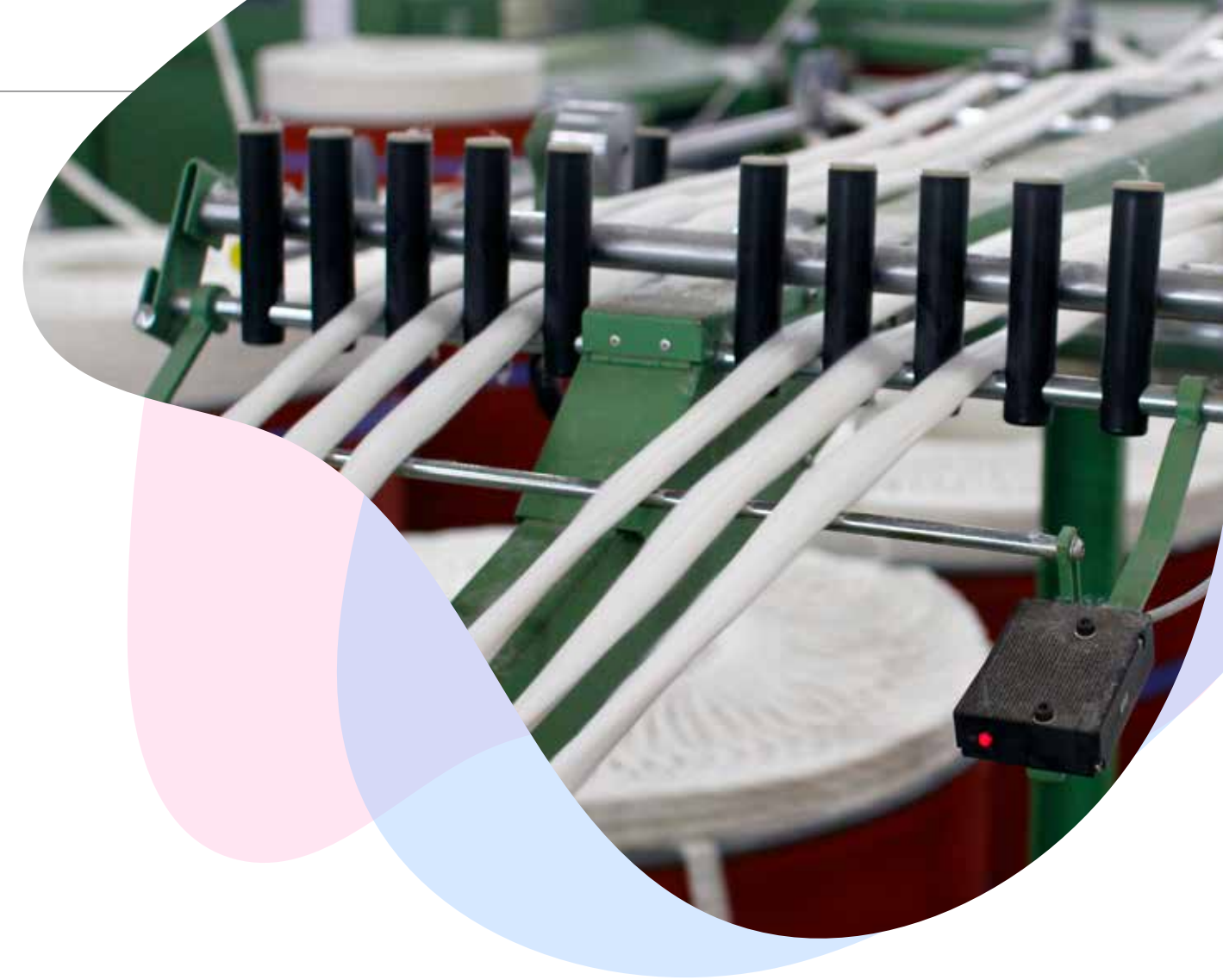
Opening its R&D center in 2011 with the certificate obtained by the Ministry of Science, Industry and Technology, Calik Denim demonstrates its experience in the industry with innovative products and new production methods. As the owner of the seventh R&D center of Turkish textile industry, Calik Denim plays a leading role in the denim industry with new technologies and fabric types produced with its R&D team of 65 people.

Attaching great importance to R&D activities since its establishment, Calik Denim continues to make a difference in international markets while adding value to the national economy with its studies. Calik Denim R&D center contributes to the denim industry by producing know-how while estimating the needs of the market. The Company was deemed worthy of R&D and R&D Leaders awards due to its innovative works up to date.

The primary strategies and goals of Calik Denim's R&D Center are:

- » Increasing the number of quality projects with potential to receive support from the institutions and organizations (the Ministry of Science, Industry and Technology, TÜBİTAK, related Ministries, EU funds, etc.) that provide project funding,
- » Further increasing the number of activities (trainings, participation in seminars/symposiums/congresses, participation in fairs/exhibitions/project markets) in order to enhance the quality and the competence of personnel at the R&D Center,
- » Increasing trainings provided for R&D personnel,
- » Identifying new national and international stakeholders for cooperation within the field (universities, research institutes, R&D centers, firms, technology development centers, etc.), and increasing the frequency of activities organized to further develop existing collaborations,
- » Strengthening the physical and technological infrastructure of the R&D Center, including the existing data system and database; and enhancing competence in designing high quality R&D projects,
- » Preparing projects within the context of EU Framework Programs, Horizon 2020, etc. with stakeholders at national and international levels (suppliers, customers, support units, etc.), and providing support as a project partner.

LEADING ROLE IN  
DENIM INDUSTRY  
WITH NEW  
TECHNOLOGIES  
AND FABRIC  
TYPES



The long-term strategy and goals of Calik Denim's R&D Center are;

- » Increasing the commercialization rate of R&D-based products manufactured from completed, ongoing or future projects at the R&D Center and raising the share of these products in the Company's turnover,
- » Increasing the number of projects supported by project funding institutions and organizations, and reducing the equity capital ratio in R&D spending.

The management has a strong will towards internalizing R&D and innovation under Calik Denim and making them a part of the corporate culture while continuing the activities and initiatives in this area. With the driving force of this will, the funding allocated to R&D is increased and therefore more qualified projects are carried out. The outputs to be generated from these projects contribute to the production of products with higher added value and protection of the competitive edge in the area of activity. Creating a

significant employment in the area of operations, the Company contributes significantly to the region in order to close the development gap between regions with the driving force brought by R&D activities.

R&D Center has a total of 265 projects in its project portfolio from the day it was established. 226 of these projects are completed while 39 projects are ongoing. A total of TL 94.6 million was spent for R&D projects that are completed and ongoing. As a result of these R&D expenditures, gains that will contribute to the Company have been achieved by commercializing the project outputs. More than 84% of the expenditures were included in the scope of exemption and a total of USD 40 million was generated from the sales of 10.1 million meters of R&D based denim fabric from the project outputs.

INCLUDED IN  
THE PROJECT  
PORTFOLIO OF THE  
R&D CENTER  
265 PROJECTS



## R&amp;D AND PRODUCT DEVELOPMENT

With the COVID-19 pandemic in 2020, Calik Denim R&D Center took action for what can be done in textile and turned to medical textiles that can be developed in the field of health, as well as antibacterial fabric studies and mask development.



NEARLY 97%  
WATER SAVINGS  
IN FINISH  
PROCESSES

Realizing project investments in the fields of water and energy saving, new product development, digitalization, technical textiles and medical textiles in 2020, Calik Denim spent a total of TL 19.4 million on R&D.

With the COVID-19 pandemic in 2020, Calik Denim R&D Center took action for what can be done in textile and turned to medical textiles that can be developed in the field of health, as well as antibacterial fabric studies and mask development. In this context, Calik Denim R&D Center acquired know-how in a field where the Company had no previous experience.

As part of its sustainability studies, Calik Denim provides nearly 97% water savings in finish processes with its special efforts in the sanfor machine in 2020.

Participating in conferences, congresses, fairs and seminars at national and international levels, Calik Denim provides sponsorship support for some of these activities as well as tracking the latest developments and technologies related to the industry. Furthermore, within the scope of these activities, the academic and scientific achievements of Calik Denim have made an impression on the academic studies of R&D engineers at national/international congresses.

For the Autex international science congress, which was planned to be held in Portugal in 2020, four academic publication applications from the Calik Denim R&D Center were accepted but were suspended during the pandemic. In 2021, one academic publication of Calik Denim was accepted at the International Conference on Natural Fiber (ICNF) congress, and three academic publications for the Autex 2021 program are at the application stage.

The R&D Center, which aims to increase international collaborations and international project collaborations supported within the scope of European framework programs in 2021, plans to focus on technical textiles and digital transformation. The Center also aims to increase the number of patents applied within the scope of FSMH compared to the previous year and thus contribute to the brand value.

#### R&D Success Inspired from Technologic Developments

Calik Denim R&D Center conducts joint projects with 18 universities across the country including Çukurova University, Dokuz Eylül University, Erciyes University, Gaziantep University, Gaziosmanpaşa University, Hacettepe University, İnönü University, Istanbul Technical University,

Süleyman Demirel University, Sütçü İmam University, Tunceli University, Uludağ University, Firat University, Karadeniz Technical University, Ege University, İstanbul Aydın University, Mimar Sinan Fine Arts University and Marmara University. Efforts to collaborate with universities abroad are ongoing as well.

Calik Denim collaborates with universities and research institutes located in Italy, Spain and Germany, and continues its negotiations for possible collaborations with universities and research institutes located in Belgium, France, Portugal and the UK.

The R&D Center focuses on four main areas:

1. Commercial Products
2. Technological/Mechanical Products (Many projects involving machine designs and modifications, process development and improvement have been conducted.)
3. Intellectual Property Rights (Numerous patent applications have been filed both in Turkey and abroad.)
4. Scientific Journals/Papers (The R&D Center has performed numerous oral/poster presentations and published papers about projects in various national and international academic programs and platforms.)

According to the performance indices of the R&D centers operating under the oversight of Ministry of Science, Industry and Technology, Calik Denim Tekstil San. ve Tic. A.Ş. R&D Center is reported to perform above the average of all R&D centers in terms of the basic components of input, process and output. Based on 2018 data, the Company ranked 78<sup>th</sup> among 250 R&D Centers that spent the most on R&D in the R&D indexes of Turkish Time Economy and Business World Portal magazine; in the research based on 2019 data, Calik Denim rose to 65<sup>th</sup> place.

It is also indicated that the Center performs better than the general average in the subcategories of R&D expenditure intensity, project capacity, commercialization and intellectual property competency, and requires further development in R&D personnel employment as well as cooperation and interaction.



#### Product Development Center Aims to Produce Innovative Products

Calik Denim Product Development Center continues its studies to create innovative products, concepts and collections by following the market and customer needs, current market dynamics, world trends and the latest technological developments at the highest level and the following are included within its activities, strategies and goals:

- » Conducting innovative product studies for markets,
- » Creating innovative products and concepts,
- » Producing solutions for market and customer product needs,
- » Maximizing the sales performance of the products in the collection,
- » Making trend trips to investigate market dynamics, make customer analysis and technical product researches.

SOLUTIONS  
SPECIFIC TO  
MARKET AND  
CUSTOMER  
PRODUCT NEEDS



# DIGITAL TRANSFORMATION

Continuing its digital transformation projects in its production operations rapidly, Calik Denim sees the digital transformation journey as inevitable and stands out in its sector with the importance attached to the subject.

CALIK DENIM





DIGITAL TRANSFORMATION

# DIGITAL TRANSFORMATION IN ALL BUSINESS PROCESSES

Calik Denim analyzed all end-to-end processes from raw material to production, from production to delivery, with a perspective on digital transformation and Industry 4.0 and started implementations.

3,099

Thousand Tons/Year  
Amount of Carbon  
Emission Reduction  
Targeted by the  
Energy Management  
Study

Starting to accelerate its digital transformation projects in its production operations as of 2018, Calik Denim sees the digital transformation journey as inevitable and stands out in its sector with the importance attached to the subject.

In this context, Calik Denim analyzed all end-to-end processes from raw material to production, from production to delivery, with a perspective on digital transformation and Industry 4.0 and started implementations. In this process, the Company collaborates with the pioneering companies of Industry 4.0 and leading universities in the world.

In this context, Calik Denim continues its digital transformation efforts in areas that will contribute to energy management, product traceability, integration of operational and information technologies, and end-to-end operational excellence. The Company also collaborated with Bosch in the field of digital energy management.

In line with the Company's vision and expectations, Calik Denim continues its efforts to achieve its goals of its digital transformation perspective by gaining the advantages offered by the Industry 4.0 approach and technologies. In this context, Calik Denim determined the focus areas by carrying out current situation analysis of all in-house operations, and created a digital transformation roadmap.

Having completed seven projects on the areas prioritized in 2020, the Company continues to add value with new digital transformation projects that were analyzed and prioritized in 2021 as well.

Calik Denim aims to reduce carbon emissions by 3,099.06 tons/year with its energy management work, one of the projects implemented in 2020.

Continuing its projects without slowing down during the pandemic and with its digital transformation and Industry 4.0 approaches, Calik Denim plans;

- » To make its processes fully transparent and traceable,
- » To minimize losses,
- » To achieve savings,
- » To increase quality,
- » To simultaneously involve the organization, culture and human aspects in the transformation of production and technology by realizing its smart workforce plan.

Focusing on R&D studies and innovative approaches in line with its sustainability strategy, Calik Denim accelerates its efforts to become a pioneer in its sector on digital transformation as well. In this context and in addition to collaboration efforts with strong partners, Calik Denim has established an in-house team working only on digital transformation.

COLLABORATIONS  
WITH PIONEERING  
COMPANIES OF  
INDUSTRY 4.0  
AND LEADING  
UNIVERSITIES





A photograph of three models standing in a lush, green forest. On the left, a woman with long brown hair wears a blue denim jacket over a black top and a striped skirt. In the center, a man with a beard wears a light beige blazer over a blue striped polo shirt and blue jeans. On the right, a woman with large black dreadlocks wears a light green t-shirt and denim shorts. The background features a waterfall and dense foliage.

## SUSTAINABILITY

Among the most important topics of the 21<sup>st</sup> century, sustainability is placed at the heart of the business strategy of Calik Denim that leads the trends in the industry.



## SUSTAINABILITY STRATEGY

# “PASSION FOR DENIM, PASSION FOR LIFE”

Calik Denim, which has placed sustainability at the center of its business model, continued to maintain its leading position in the sector thanks to the processes implemented long ago, especially during the pandemic.

## DENIM BRAND LEADING THE TRANSFORMATION IN SUSTAINABILITY

Calik Denim believes that it should grow together with every institution and organization with which it is in contact and asks its stakeholders to join its sustainability journey. The Company aims to bring the sustainability transformation it has commenced with its sustainability strategy “Passion for Denim, Passion for Life” into its corporate culture.

Calik Denim, which has placed sustainability at the center of its business model, continued to maintain its leading position in the sector thanks to the processes implemented long ago, especially during the pandemic.

### Passion for Denim, Passion for Life

Among the most important topics of the 21<sup>st</sup> century, sustainability is placed at the heart of the business strategy of Calik Denim that leads the trends in the industry. Knowing that it is indispensable for its position as a leading denim brand to adapt to the changing world conditions by taking the right actions against global challenges such as climate change, changing consumer trends and limited resources, Calik Denim has determined its sustainability strategy as Passion for Denim, Passion for Life in order to contribute to a better life. Calik Denim’s passion makes it a leading denim brand that drives the sustainability transformation in the industry.

Within the direction of its sustainability strategy, Calik Denim aims to become a company that can create positive value and provide benefit while managing the impact of denim on life.

The sustainability strategy covers its products, stakeholders and environment as three basic areas. The important subjects under these areas are;

**To lead innovation in products:** R&D, product quality and safety and sustainable raw materials.

**To make a positive impact for/and with stakeholders:** Local social and economic development, occupational health and safety, human rights and thought leadership.

**To reduce its impact on the environment:** Climate change and energy, water management and chemicals management.

Calik Denim advances by focusing on sub-areas related to priority issues under each main area. The Company focuses on R&D, product quality and safety and sustainable raw material procurement under the area “to lead innovation in products”; on local social and economic development, occupational health and safety, human rights and thought leadership under “to make a positive impact for/and with stakeholders” and on climate change and energy, water management and chemicals management under “to reduce its impact on the environment.” Additionally, “receiving strength” from facilitators such as innovation, collaboration, transparency, economic performance and brand management the goals are achieved.

### Sustainability Works in 2020

In line with its commitment to the United Nations principles, to which Calik Denim became a voluntary participant in 2019 and continues its studies on human rights, labor standards, environmental protection and anti-corruption. With these main areas determined, the Company also contributes to the United Nations Sustainable Development Goals.



Acting in line with the vision of “Passion for Denim, Passion for Life,” Calik Denim has become one of the companies that signed the international “Denim Deal” coalition established by the Dutch Ministry of Infrastructure and Innovation in order to create a positive impact for a better life. The collaboration, which also includes global brands such as Mud Jeans, Kuyichi, KOI, Scotch & Soda, is focused on the production of recycled products at sustainable standards. Calik Denim, a premium denim fabric manufacturer that invests greatly in the circular economy, contributes to circularity as a part of the international collaboration established through this vision.

In 2020, Calik Denim prepared a film to share the vision of the Company with all its partners, along with the Passion for Denim, Passion for Life Sustainability Strategy, and broadcast it to the entire industry. Also renewing its website based on this vision, the Company has completed some of its 2025 targets by the end of 2020 and set new targets.

### 2025 Targets

Believing that one of the key steps in implementing a sustainability strategy is to set smart targets, Calik Denim has set the 2025 Targets under four main titles: Environmental Sustainability, Sustainable Raw Material Procurement, Innovation and Thought Leadership, Internal and External Stakeholder Rights.

Production targets include reducing the amount of energy, water, waste and reducing the carbon footprint; increasing the rate of use of certified and recycled raw materials and increasing the share of profit and investment of innovative products. Calik Denim’s targets regarding its stakeholders include increasing employee loyalty and customer satisfaction while providing effective talent management.

## CRITICAL TARGETS FOR SUSTAINABILITY STRATEGY



## SUSTAINABILITY STRATEGY

Increasing the sales of sustainable products, Calik Denim reduces both its operational impact and the environmental footprint of its customers.

50% TARGET:  
SHARE OF  
RENEWABLE  
ENERGY  
PURCHASES IN  
TOTAL ENERGY  
CONSUMPTION

60% TARGET:  
SHARE OF  
REVENUE FROM  
THE SUSTAINABLE  
PRODUCT  
CATEGORY WITHIN  
TURNOVER

Calik Denim has worked tirelessly from the first day in order to follow the progress of its 2025 targets and achieved some of its targets by making significant progress in 2020 with the intensive collaborations of all departments throughout the Company. The Company performed new literature reviews and research for the targets achieved and set new targets by taking into account the industrial dynamics and global sustainability trends. The goals achieved in this context are grouped under three topics:

#### Sustainable Raw Materials Procurement

- » Calik Denim has ensured that its procured chemicals are 100% certified as per MRSL ZDHC version 1.0. This target has been updated to cover the new 2.0 version.
- » Calik Denim successfully audited 30% of its suppliers on environmental and social issues and updated this target to cover 60% of its suppliers by 2025, taking into account its strong value chain management.
- » Taking a big step towards the prevention of environmental pollution during the production phase and regarding the latest developments in the textile industry, Calik Denim has set a new target to ensure that the chemicals procured are 95% GOTS certified.

#### Environmental Sustainability

- » In order to further mitigate its environmental impact, Calik Denim realized the target of "100% increase in energy produced from renewable sources compared to 2018" and set two new targets. The new goals focus on both increasing the purchase of renewable energy to 50% and reducing overall greenhouse gas emissions by increasing renewable energy production by 10% compared to 2020.

#### Innovation and Thought Leadership

- » Increasing the sales of sustainable products, Calik Denim reduces both its operational impact and the environmental footprint of its customers. Increased its revenue from the sustainable product category in a short time and having reached 20% of its total turnover, the Company updated its new target to 60%.

#### Sustainability Committee

A Sustainability Committee was formed to integrate the sustainability strategy with the business model, to achieve the 2025 targets and to monitor progress. Under the leadership of executives selected as Sustainability Committee members, there are five different workgroups including Environmental Sustainability, Sustainable Raw Material Procurement, Innovation and Thought Leadership, and Internal and External Stakeholder Rights. Employees from different departments are working in these workgroups and each workgroup has a group leader. Regular meetings are held by the workgroups on a monthly basis. A report on the Committee's sustainability efforts is also submitted to senior management on a quarterly basis.

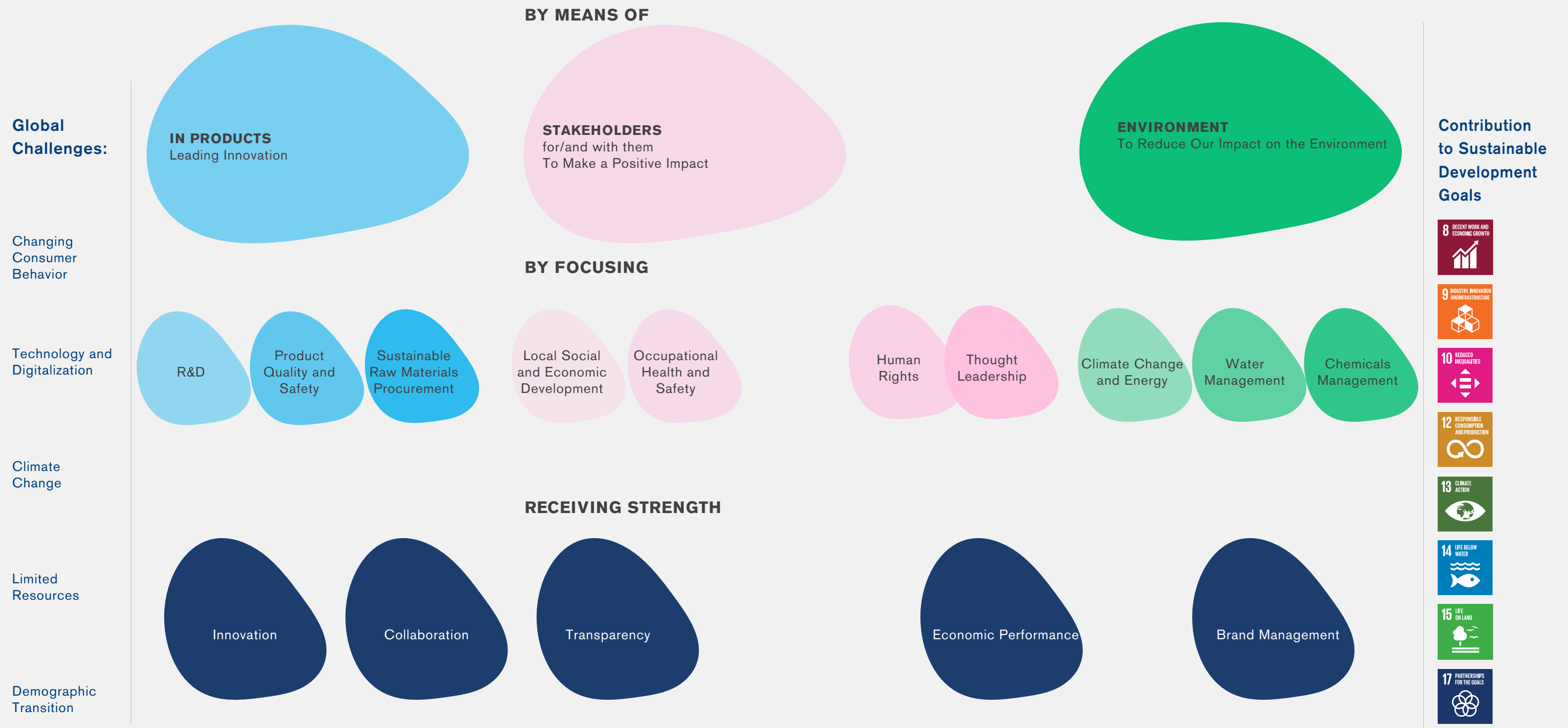




SUSTAINABILITY STRATEGY

**PASSION FOR DENIM, PASSION FOR LIFE**

With our goal “Passion for Denim, Passion for Life,” we are creating a positive impact for a better life. This passion encourages us to become a leading denim brand that makes a difference in the industry.





## HUMAN RESOURCES

# MODERN HUMAN RESOURCES APPROACH AND MANAGEMENT

Every member of the Calik Denim Family adopts the corporate mission, vision and goals of the Company and, in conjunction with their own personal goals, works towards their achievement.

**19.45**  
Average Training  
Hours for White  
Collar Employees

Calik Denim, which has become a brand that steers the sector in a short time, provides services with its integrated production facility in Malatya, its R&D Center, its sales and marketing center in Istanbul, its sales team serving over 40 countries and its 2,435 employees.

- » Providing career planning and talent management for employees,
- » Establishing a long-term cooperation with personnel to ensure the sustainability of the corporate culture.

Every member of the Calik Denim Family adopts the corporate mission, vision and goals of the Company and, in conjunction with their own personal goals, works towards their achievement.

**19.44**  
Average Training  
Hours for Blue  
Collar Employees

Caring about employee satisfaction and supporting employee development, Calik Denim aims at a transparent and sharing working environment within the framework of ethical rules that are always open to new ideas. At Calik Denim, which successfully maintains its leading and innovative stance in its production activities in its human resources strategies, modern human resources practices are blended with the corporate culture and incorporated across the Company.

#### Calik Denim Academy

Training and development programs are included in the priority areas of Calik Denim Academy, which was established in 2018. In this context, in addition to increasing the professional knowledge of employees and their ability to adapt to new technologies, management programs and development programs for mid-level and senior managers are being developed. The aim is to design title- and position-specific trainings, to create an internal trainers' pool, establish a coaching system and a blue collar mentorship program through the academy.

A significant increase was achieved in personnel trainings after the Academy was launched.

Technical Training	35.35%
OHS Trainings	54.33%
Sustainability	0.30%
HR	3.43%
Quality - Environment	6.30%
English	0.27%

Starting from employment, processes related to employee training, career planning and social rights are managed within the scope of the Human Resources Procedure. Programs are created for employees within the framework of talent management, and the aim is aim to increase the rate of employees, who are included in the talent management processes, from 10.4% to 16% by 2025.

The pillars of Calik Denim's human resources policy include:

- » Placing the right people in the right position with a customer-oriented approach,
- » Making the best use of existing high potential personnel,
- » Measuring employee performance with the performance management system,

CONSTANT  
SUPPORT FOR  
EMPLOYEE  
DEVELOPMENT

#### Mid-Level Employees are Trained with the Stars of the Field Program

With the Stars of The Field (Sahanın Yıldızları) program executed by Calik Denim Academy, it is aimed to improve the management skills of technicians, foremen and supervisors who are mid-level managers of blue collar employees. 241 employees have participated in the training series, which lasts six months and consists of 13 modules. The employees who are successful in the exam and meeting the participation criteria graduate from the Academy. White collar employees are given basic competency trainings including communication, time management, overcoming stress, teamwork, interview techniques and labor law trainings at Calik Denim Academy.

The Calik Denim Academy Library consisting of personal development books was opened at the end of 2019. There are 115 books in the library. Newly released books are tracked closely and the efforts for the enrichment of the library are ongoing. Each month articles, videos and book recommendations are published related to the topic of the month in Calik Denim Academy on a regular basis.

#### Training Collaboration with Mimar Sinan University

For the development of R&D and Product Development teams, training programs were designed with the collaboration of Mimar Sinan University Textile Fashion Design Application and Research Center. In the Program consisting of 10 different modules such as sustainability in design, fashion-style history, innovative developments in design, technical drawing and pattern preparation in garment design, product fits and model pattern studies are executed by the employees in addition to theoretical trainings.

Additionally, in order to attract new talents and support the development of university students, collaboration projects are organized with universities.

Within the scope of the collaborations made with Gaziantep University, Firat University, Gazi University, Marmara University and İnönü University, the students selected by interview are given the right to have an internship period at Calik Denim Malatya Factory for four months. Following the two-week general orientation program, the interns are able to start working on projects given by departments. All interns are included to a project and present their project at the closing meeting with the participation of senior management at the end of the internship period. After the presentations, the suitable candidates are recruited. As a result of this cooperation which started in 2018, 11 out of 36 interns who completed their projects were employed by Calik Denim.

#### Developments in 2020

Due to the COVID-19 pandemic in 2020, Calik Denim benefited from the short-time working practice at a rate of one-third, and before the short-time working practice and carried out its business processes via remote working. Being the first company to obtain the TSE Safe Work certificate in its region, Calik Denim canceled the planned business trips during this period and held all its meetings on online platforms.

Carrying out its training plans for the first three months of 2020, the Company had to suspend training for a certain period due to the pandemic. However, the Company started to provide online training in November-December.

Having realized an "Employee Satisfaction Survey" with the participation of all employees in November 2020, Calik Denim also performed a Behavioral Tendency Inventory together with Towers Watson for Assistant Experts and higher positions.

INTERNSHIP  
OPPORTUNITIES  
FOR UNIVERSITY  
STUDENTS

FIRST COMPANY  
TO OBTAIN THE  
TSE SAFE WORK  
CERTIFICATE IN  
ITS REGION

Number of Employees	2018	2019	2020
Malatya Factory	1,996	2,505	2,435
Istanbul Head Office	74	75	79
<b>Total</b>	<b>2,070</b>	<b>2,580</b>	<b>2,435</b>

#### Employee Breakdown/ Malatya Factory

	2018			2019			2020		
	White Collar	Blue Collar	Average	White Collar	Blue Collar	Average	White Collar	Blue Collar	Average
Average Age	37	35	36	36	35	35.5	36.6	36.15	36.40
Average Tenure	7.97	5.47	5.78	7.39	5.25	5.67	7.22	6.43	6.82

Employee Breakdown/Istanbul Head Office	2018	2019	2020
Average Age	36	36	36
Average Tenure	6.95	7.03	7.61



## OCCUPATIONAL HEALTH AND SAFETY

# EXEMPLARY PRACTICES ON OCCUPATIONAL HEALTH AND SAFETY

Calik Denim implements modern policies and practices regarding occupational health and safety with the active participation of its employees. The Company places great importance on the effective continuity of quality, people, environment and energy-oriented systems and realization of necessary modernizations.

## 12.1%

Decline in Accident Frequency Rates

Adopting the philosophy of sustainability in all aspects of its activities, Calik Denim prioritizes quality, people, environment and energy usage in all business processes.

The Company implements modern policies and practices regarding occupational health and safety with the active participation of its employees. Calik Denim also places great importance on the effective continuity of quality, people, environment and energy-oriented systems and realization of necessary modernizations. In this direction, the Company employs full time Occupational Safety Experts as well as Workplace Physicians responsible for following and developing current practices within the Company.

With the efforts carried out in 2015, Calik Denim was awarded OHSAS 18001 Occupational Health and Safety Certificate approved by the international company SGS. As of this date, the Company continues to manage all related activities in accordance with the certification. With the audit carried out by SGS in December 2020, ISO 45001 Occupational Health and Safety Management System version transition was performed.

With this certificate:

- » Risk assessment and follow-up of measures,
- » Occupational Health and Safety training activities,
- » Root cause analysis and follow-up measures in work accidents,
- » OHS audits and follow-up,
- » Working environment surveillance and measurement; noise, dust, gas, vibration and lighting,
- » Emergency plan and drills,
- » Tests and inspections at the start of employment and those applied periodically,

- » Recommendations and near miss reports,
- » Selection of PPE suitable for the work done and usage control,
- » OHS board periodic meetings,
- » OHS statistics and reporting,
- » Subcontractor and visitor controls,
- » Lifting and transmitting vehicles' tests and inspections are ensured.

The work accident frequency rate, which was 6.93 last year, improved by 12.1% and 2020 was completed with 6.09. The work accident weight rate, which was 60.53 in 2019, improved by 10.3% and 2020 was completed with 54.29.

The audit conducted by TSE on 02.06.2020 was successfully completed and the COVID-19 Safe Production Certificate was obtained. The measures taken with this certificate are as follows:

### Hygiene

- » Hand disinfectants have been placed at the necessary places and service vehicles of the business.
- » Soap machines and paper towel machines with automatic sensors were placed in the lavatories.
- » Hands were ensured to be washed and disinfected following use of all common devices, equipment and items.
- » Personal Hygiene Materials Waste Boxes were placed to dispose of used protective materials, such as masks and gloves.
- » Portable lavatories with pedals were placed in suitable places of the business, reducing the personnel density in the lavatories and encouraging the personnel to wash their hands more frequently.
- » Periodic cleaning frequency of water dispensers has been increased.
- » A disinfectant cabinet was set up at the facility entrance. Our employees enter the factory by passing through the disinfectant cabinet.



- » The spread of the virus through feet was prevented by placing feet disinfectants at the entrances of the facility and cafeteria.
- » A Disinfection Team of 6 people was formed within the scope of fighting the COVID-19 pandemic, and increased routine and/or professional disinfection measures are being carried out effectively in all areas and service vehicles.

### Cafeteria

- » Disposable trays, forks, spoons, salt and napkins are now being used.
- » Cafeteria staff was ensured to use masks, gloves and face shields while serving meals in closed trays.
- » The number of people sitting in the cafeteria at the same time has been limited.
- » Water has been given in closed packages.
- » In cafeterias, the dining tables have been separated by screens.

### Service and Factory Vehicles

- » The number of personnel taken to the service vehicles does not exceed half of the carrying capacity.
- » Body temperature is measured in all personnel who board the service vehicle.
- » Employees' records are recorded in the Service Vehicle Information form prepared in accordance with the seating arrangement in the vehicles, and if necessary, it is used for filiation tracking.
- » Personnel making use of service and company vehicles must wear personal protective equipment (mask and gloves).

### Training

- » COVID-19 training was provided online to all personnel using the zoom program.
- » The trainings are held in small groups, in the open air, in short periods, observing social distance.
- » An information brochure about COVID-19 pandemic was prepared, and awareness was raised by distributing it to all employees.
- » COVID-19 information posters were prepared and hung in various parts of the factory.

FIRST COMPANY TO OBTAIN THE TSE SAFE WORK CERTIFICATE IN ITS REGION



## OCCUPATIONAL HEALTH AND SAFETY

After the completion of 16 hours' training, the new recruits start working as part of the realized Occupational Health and Safety trainings and projects.

**11.2**  
Persons/Hour  
OHS Employee  
Trainings

**Meeting**

- » Face-to-face meetings were not held throughout the Company unless it was inevitable, and a distance of 1.5 meters between the participants was ensured in the meetings to be held.
- » Interviews and meetings are held using remote communication programs (such as Skype, Zoom, Microsoft Teams).

**Production**

- » The capacity of the existing change rooms has been reduced by 50%.
- » The number of people to be present in the rest rooms at the same time has been limited.
- » Face shields have been used in works that require close contact.
- » Sensors were placed on exterior doors of the facility and some interior doors, such as those for lavatories and prayer room, to open them automatically.
- » Gloves are ensured to be used during the use of common equipment in the production area.

**Other**

- » Personnel who were over 60 years old and had a chronic illness were put on leave.
- » The thermal camera placed at the facility entrances instantly measures the body temperatures of the personnel entering the facility.
- » Signs indicating social distance were put at the entrance of the factory, cafeteria, change room, rest room etc.
- » The use of masks has been made mandatory in the production area and offices.
- » An isolation room was set up where the personnel with symptoms of COVID-19 will be kept waiting until they are transferred to a healthcare facility.

Calik Denim's Occupational Health and Safety Policy is as follows:

- » Fulfilling compliance obligations,
- » Preventing work accidents and occupational diseases,
- » Making investment choices in due consideration of

Occupational Health and Safety concerns,

- » Supporting designs that improve Occupational Health and Safety performance,
- » Being an organization that manufactures without compromising on Occupational Health and Safety,
- » Continuous improvement of management systems to improve Occupational Health and Safety performance,
- » Allocating the necessary resources for the protection of Occupational Health and Safety personnel and processes.

**Training Courses and Projects Executed**

The trainings and projects executed by Calik Denim within the scope of Occupational Health and Safety are as follows:

- » After the completion of 16 hours' training, the new recruits start working.
- » In 2020, an average of 2,480 employees were given 11.2 hours of training per person, and an average of 715 support team employees were given 5.35 hours of training per person.
- » In order to provide more effective training the work in the simulation room made was completed and its active use was ensured.
- » Basic, technical and health trainings, working at height, working indoors, safe driving, safe working with chemicals are provided in accordance with legal regulations.
- » First aid, firefighting, search and rescue, evacuation and CBRN training are provided to support team employees.

**Projects**

The number of users in the WSA mobile notification program was increased. In order to encourage the use of WSA, the number of notifications was included in the OHS goals.

In order to ensure that OHS documentation activities are carried out in electronic environment in accordance with legal regulations and to prepare the infrastructure for the requirements of the Occupational Safety Information Management System, the use of the OHS roadmap, which is the Occupational Health and Safety program accredited by the ministry, has started.



CONTINUOUSLY  
IMPROVED  
MANAGEMENT  
SYSTEMS



## ENVIRONMENT

# GOAL TO MINIMIZE ENVIRONMENTAL IMPACT

In all stages of its activities from the procurement of raw materials to final goods shipment, Calik Denim continues studies to minimize the environmental impact.

## LEADING PRACTICES IN ENVIRONMENTAL SUSTAINABILITY

In all stages of its activities from the procurement of raw materials to final goods shipment, Calik Denim continues studies to minimize the environmental impact. Set out to improve business processes for employees, customers, society and the future, anticipate and prevent its negative effects, Calik Denim carries out many studies in this context. Within this framework, the Company continues its R&D, system development and product development works that contribute to the detection of environmental impacts and risks of its activities and the management of such risks. Setting an example with leading applications in environmental sustainability, Calik Denim also demonstrates its competence in this field with international certificates.

The main policies Calik Denim implemented to manage the environmental impacts that may occur within the scope of its production activities are:

- » Waste Management (Separation and storage of hazardous and non-hazardous wastes at source and transfer to licensed companies),
- » CEMS (Continuous control of emission values with the Continuous Emission Measurement System),
- » Waste water discharge permit and waste water control in certain periods,
- » Storage of chemicals according to their risk classes,
- » Protection of the environment, including pollution prevention,
- » Fulfillment of compliance obligations,
- » Making choices considering the environmental factors in investments,
- » Supporting designs for improving environmental performance,

- » Production without compromising on environmental protection,
- » Continuous improvement of management systems to improve environmental performance,
- » Allocating the necessary resources for environmental protection,
- » Energy monitoring and measurement.

Major projects carried out by Calik Denim for environmental protection:

- » Heat recovery,
- » Cooling water recovery,
- » Caustic and indigo dye recovery with storage tanks,
- » Tank automation for the recovery of sulfur dyes,
- » Use of electrostatic filters for dust emission,
- » Reducing flue gas sulfur emissions by using high Ph treatment water in the chimney,
- » Participation in ZDHC and detox programs,
- » Storing fabric rolls with RFID technology and autonomous ASRS system,
- » Minimizing the blanket cooling water used in sanfor machines,
- » Reducing the amount of natural gas in the tension machine.

The main policies Calik Denim implemented to manage environmental impacts that may occur within the scope of its production activities are as follows:

- » Collection based LCA (Life Cycle Analysis) studies were carried out.
- » EPD certificates were obtained and published for 8 products in 2020. Applications for 10 products have already been completed and are awaiting verification.

- » The Company is a ZDHC Gateway member and its chemicals are 100% compliant with ZDHC MRSL Version 2.0.
- » Product based energy, water and chemical waste monitoring program was activated.
- » Necessary calculations were made for corporate carbon footprint reporting.
- » In line with LCA parameters, fabrics are categorized based on global fabric production average values. After categorization, the fabrics receive an environmental impact score, and these scores are reported to the customer with a QR code.
- » By making the definition of sustainable product, follow-up on sustainable products has been initiated.
- » Near zero waste studies were started.

The activities carried out by Calik Denim regarding emission and waste management in 2020 are as follows:

- » The greenhouse gas emission report is prepared annually and verified via independent audits.
- » All wastes are monitored and waste declarations are made.
- » Waste is transferred to licensed companies.
- » Waste is decomposed at its source.
- » Improvement studies and projects are carried out to reduce waste.
- » With Higg FEM and Higg FSLM information is shared with customers and verification audits are performed.

Calik Denim attaches great importance on using natural resources in the most efficient way both in administrative works and in the production and service processes. For this purpose, numerous environmentally-friendly projects were prepared and put into practice, such as:

- » Waste heat recovery in drying machines,
- » Reducing the amount of salt used in the water softening system,
- » Coal boiler waste flue gas recovery economizer,
- » Saving applications in lighting,
- » Caustic recovery,
- » Indigo dye recovery,
- » Trainings on environment and water saving,
- » Trainings on sustainability awareness,
- » Trainings on chemical management,
- » Separate collection and recovery of papers in the office environment,
- » Recycling of machine oils and vegetable waste oils,
- » Removal of filter bags in coal boiler.



## EFFICIENT USE OF NATURAL RESOURCES

The projects carried out by Calik Denim by managing the natural resources in the most efficient and productive way are as follows:

- » The SPP system installed on the Çalık İplik-1 roof was commissioned as of April 2020.
- » Solar energy panels were installed at the facility entrance.
- » With D-Clear and Denethic processes, savings on water, chemical, energy and time were ensured.

### Emission and Waste Management

Showing great sensitivity to the issue of carbon emission, Calik Denim monitors the flue gas emission values in accordance with the regulation via online measurements within the scope of the Continuous Emission Measurements System (CEMS) since 2015.

Accurate management of the wastes arising from company activities and preventing environmental damage is prioritized. By making waste water analyses, compliance with parameters are ensured and successful projects regarding the minimization of water usage are conducted.

Within the scope of emission and waste management studies in 2020, Calik Denim:

- » published article-based EPD certificates,
- » developed waterless dyeing processes within the scope of emission and waste management,
- » started near zero waste studies.



## ENVIRONMENTALLY FRIENDLY PRODUCTION TECHNOLOGIES FROM THE R&amp;D CENTER

# PRODUCTS THAT PROTECT NATURE AND HUMAN HEALTH

Calik Denim continues to design nature-friendly products for a better future and comes up with new inventions.

## SUPPORT FOR SUSTAINABILITY IN COTTON SUPPLY WITH BETTER COTTON MEMBERSHIP

With Better Cotton (BCI) membership, Calik Denim supports environmental, economic and societal sustainability in cotton procurement.

Among the products manufactured by the Company to protect nature and human health are:

- » Denim fabric produced with recycled cotton,
- » Denim fabrics produced with recycled polyester,
- » Fabrics in which hemp fiber, which has become popular as sustainable natural fiber, is included in the composition,
- » "Paper Denim" fabrics produced via the transformation of waste paper into yarn,
- » Denim/gabardine fabrics produced with raw materials manufactured with fewer natural resources (e.g. crailar flax, linen, etc.),
- » Denim/gabardine fabrics produced with organic materials and BCI,
- » Denim/gabardine fabrics produced with zero emissions and zero use of chemicals,
- » Natural denim/gabardine fabrics produced exclusively from completely natural raw material,
- » Denim/gabardine fabrics produced from more environmentally-friendly chemicals equivalent to chemicals currently used,
- » Fabrics dyed with Dyepro dyeing technology, which saves water and chemicals,
- » Anti-microbial fabrics equipped with ViralOff® Polygiene technology,
- » Fabrics that provide thermo-regulation by keeping body temperature at 37,5 degrees Celsius.

### Environmentally Friendly Production Technologies

Calik Denim continues to design nature-friendly products for a better future and comes up with new inventions. Developing D-Clear technology, Dyepro dyeing technology, E-Denim Recycle content yarn

technology, Blue-H hemp fiber-containing fabric concept and Denethic concept in this context, Calik Denim contributes to the protection of both nature and human health with these products.

### Sustainability Projects

The projects developed by the Company in terms of sustainability include projects aimed at reducing the amount of harmful waste released to the environment by recovering dyes and chemicals used in order to reduce the consumption of water in production processes.

The innovative products developed in 2020 by Calik Denim are as follows:

- » Denovated
- » Blue-H
- » D-Leisure
- » E-Denim
- » Denethic
- » Selfsized
- » Functionage
- » Skinlithe
- » Dyepro
- » Fix-Fit
- » Retrosoft
- » Denichrome
- » Weaveland

### Denovated

In this concept, Calik Denim regains the denim looks the consumer is familiar with by adapting them to the current age and obtains rigid, comfort and highly elastic fabrics with authentic look, distinctive twills combined with the advantages of modern technologies. There are also purple and dark blue color options that provide an authentic effect with washing.



### Blue-H

Calik Denim added hemp fiber, which has significant advantages, to its raw material portfolio in line with its sustainable raw material supply goals. The production of hemp fiber, which looks like cotton and provides a cotton feeling, and has strength and UV resistance, requires less water compared to cotton production and appears to be the most sustainable raw material among natural fibers.

### D-Leisure

Especially with the curfews due to COVID-19, consumers have started to prefer more comfortable and casual clothing. In this context, fabrics with draped, soft, modal and tencel supported constructions were produced in the D-Leisure concept, which was developed for ease of movement. In addition to authentic fabrics in rigid and comfort elasticities, fabrics treated with CBD oil, which is a strong antioxidant with important properties such as pain relief and soothing effect, are also offered.

### E-Denim

With E-denim technology, there is a significant amount of recycled fiber in the core yarn while the remaining recycled fiber is in the outer layer of the yarn. This special yarn structure supports high quality production and enables higher quality fabrics to be obtained.

### Denethic

Launched in 2019, sustainable technological development Denethic continued to be applied to products in 2020. Thanks to this concept, post-sewing jean washing process is eliminated and fabrics with wash look are able to be obtained with this technology. Customers who purchase denim fabric produced with Denethic technology can get to the sewing stage without washing, therefore saving water and energy. Thus, thanks to the innovative technologies developed by Calik Denim, the reduction of resource consumption is supported in the later stages of the supply chain as well. With this technology, 44% water saving is provided for rinse (water wash)look, 15% for rinse + enzyme look and 32% for bleached fabrics.

## NEW AND INNOVATIVE PRODUCTS



## ENVIRONMENTALLY FRIENDLY PRODUCTION TECHNOLOGIES FROM THE R&amp;D CENTER

Since there is a great demand for products with anti-microbial effect, Calik Denim has added ViralOff® Polygiene technology to some of its products.



## SIGNIFICANT RESOURCES SAVINGS WITH WASHPRO TECHNOLOGY

Denethic technology:

- » Taking into account the entire supply chain of denim clothing production, it is a groundbreaking innovation with a sustainability approach.
- » Fabrics can be produced in the factory with rinse, enzyme and bleached appearance.
- » Materials produced can be used even in the cutting and sewing process to obtain clean looking parts.
- » By using less water, less chemicals and less energy, further wash look can be achieved.
- » It is one of the best choices for new washing technologies within the scope of resource efficiency.

- » While it provides significant efficiency in fabric production and part washing stages, it also contributes to the protection of the planet.
- » Alternatives such as hard, comfort stretch and stretch are available.

### Selfsized

All products in the Selfsized concept with high elasticity were developed to eliminate the concept of size. A jeans made of selfsized fabric fits perfectly to users of various sizes and eliminates the problem of buying the wrong size, especially in online shopping, which has become more common with the pandemic.

### Functionage

Comfortable, highly elastic products, suitable for both daily life and active life, are equipped also with thermo-regulating features apart from Washpro and ViralOff® technologies.

### Functionage - Washpro Technology

Thanks to the advantage provided by the Washpro technology, end users need fewer washes for the life cycle of their denim clothing. Washpro featured fabrics save a significant amount of resources, as each home wash requires a lot of water and energy. In addition, Washpro technology helps reduce microfiber pollution in the oceans and reduces the amount of wastewater as it reduces the number of required household washes. The cleaning feature offered by Washpro is long-lasting even after industrial washing processes.

### Functionage - ViralOff® Polygiene Technology

Since there is a great demand for products with anti-microbial effect, Calik Denim has added ViralOff® Polygiene technology to some of its products. ViralOff® applied fabrics protect themselves from contamination without interfering with the skin's natural bacterial flora. It is recommended that fabrics be washed only when necessary to achieve optimal performance and promote sustainability. Thanks to its foresighted



structure, Calik Denim offered these fabrics with this technology, which it started to develop before, to consumers during the pandemic.

### Skinlithe

The Skinlithe concept combines the denim look with the comfort of tights. Products in the Skinlithe concept, which offer fabrics that can be adapted to body shape with very high elasticity and ultra-flexibility, offer freedom of movement and do not make feel any pressure. There are also zero cotton alternatives in these products, which are developed with innovative yarn technology and contain various fibers to provide natural softness.

### Dyepro

Calik Denim's new sustainability-focused dyeing method Dyepro does not contain water, and it does not create any chemical waste during dyeing as chemicals are reused. Dyepro supports environmentally friendly production as it saves a significant amount of resources.

### Fix Fit

Fix Fit fabrics, developed for skinny and slim fit, offer high elasticity and softness, as well as an original denim view. Thanks to Calik Denim's Smart Stretch technology, some products in this concept also have regional shaping feature. There are also products developed with environmentally friendly Roica™ V550, which can decompose faster in microbiologically active soil compared to normal spandex.

### Two Main Collections from Fabrics Produced by R&D Centers

Calik Denim launched two main collections in 2020. First is Loxodrome, which is launched for Autumn-Winter 2021-2022 and the other is Bluephilia, launched for Spring-Summer 2022. Designed with fabrics produced with the technologies developed by the Company's R&D facilities, these collections attracted great interest due to the fact that they are sustainable and decrease water consumption during the production stage.

## NEW COLLECTIONS WITH SUSTAINABLE FABRICS



## ENERGY

# MAXIMUM PRODUCTION GOAL WITH LESS ENERGY

In line with the ISO 50001 Energy Management System, Calik Denim is able to clearly track energy applications during business processes in the factory and to realize necessary improvements in energy performance, efficiency and consumption continuously and successfully.

## MONITORING OF ENERGY CONSUMPTIONS WITH ONLINE MEASUREMENT SYSTEMS

915,362  
KWH ENERGY GENERATION WITH ROOFTOP SOLAR POWER PLANT

In line with the ISO 50001 Energy Management System established in 2015, Calik Denim is able to clearly track energy applications during business processes in the factory and to realize necessary improvements in energy performance, efficiency and consumption continuously and successfully.

Within the framework of the aim for maximum production with minimum energy, the energy directors at the Company carry out "Energy Reviews." Calik Denim tracks energy consumptions with online measurement systems and carries out continuous improvement efforts to reduce the consumption of around 31 thousand TEP (Ton Equivalent Petroleum) annually and to increase efficiency.

Calik Denim has a detailed energy audit, which is mandatory to be done every four years, done by an authorized EVD firm and sends the final report to the Ministry of Energy. The Company surveys electric, steam, air and water consumptions based on facility and machines, plans issues that are expected to increase savings and efficiency and executes implementation works.

Through the installed Energy Consumption Monitoring System, Calik Denim is able to monitor electric, steam, air and water consumptions online via 371 gauges on facility, department, and group/machine basis and make surveys with these reports. (Energy consumptions of yarn, warp preparation, weaving and quality machines are monitored on a group basis, dye and finishing on a machine basis.) Gauge installations are ongoing where needed as a result of facility or machine additions.

Additionally, the power requirements of the newly installed large facilities and machines are satisfied with Dry Type Transformer and BUSBAR systems since they do not have a risk of explosion, they are environmentally-friendly and fire-resistant, they do not have a fire accelerator effect in fire environments and have a low loss rate.

In order for the efficient use of energy and the healthy management of loss/leakage rates, the machines exceeding 15 years of age are subjected to modernization works. Their electric-electronic equipment are replaced with new technologies and highly efficient motors and drivers, automation and SCADA systems are used.

On 1 May 2020, Calik Denim completed the installation of the rooftop solar power system carried out in collaboration with Çalik Enerji and started to use the energy produced. As part of the project, ÇGES (rooftop solar power plant) with an installed power of 820 kWe was installed on the roof of Çalik İplik-1 yarn warehouse and 915,362 kWh of energy was produced. Calik Denim also produced 9,300 kWh of energy from the solar power panels on the roof of the main entrance throughout 2020.

After determining the compensation systems to be modernized by measuring energy quality in transformer centers, Calik Denim has implemented active harmonic filters for two transformer facilities in the first stage on 01 July 2020. With this system, the efficiency of the electrical energy used is increased, and electrical and electronic card malfunctions due to harmonics are minimized.



Calik Denim achieved an energy recovery of 2,780,732 kWh in 2020 with the Boiler Room Flash Steam Heat Recovery System Project and an energy recovery of 11,304,359 kWh with the Business Flash Steam Heat Recovery System Project. With the Water Preparation Facility Resin Backwash Recovery Project, the Company saved 11,265 kW of energy as well as 4,320 m<sup>3</sup> of water. Similarly, Calik Denim saved 57,471 kW of energy and 22,040 m<sup>3</sup> of water with the Sanfor Blankets Cooling Basin Water Savings Project.

Calik Denim continues to transform old-style lighting into LED lighting, depending on the amortization period, as part of its energy saving efforts realized during the production phase. As of the end of 2020, the Company has achieved a transformation of 95% in the warp preparation and dyeing businesses, 100% in the weaving business, and 85% in the dye finishing business.

Calik Denim uses high efficiency motors and drivers (frequency inverter) in all the machines that were modernized and also modernized the Sanfor machine number 2 in the Dye Finishing Facility in 2020.

## SIGNIFICANT RESOURCE SAVINGS WITH DEVELOPED PROJECTS



CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITY

# CREATING ADDED VALUE FOR THE COMMUNITY

Continuing to work to strengthen the country's economy, Calik Denim believes that organizations can only grow and develop together with the society they live in.

EFFECTIVE CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Continuing to work to strengthen the country's economy, Calik Denim acts with the principle of "Creating Added Value for the Society" in its corporate social responsibility projects. Carrying out important activities, especially in the field of education, Calik Denim believes that organizations can only grow and develop together with the society they live in. Calik Denim employees voluntarily support corporate social responsibility activities in the light of this principle as well.

**Denim Anatomy**

At Calik Denim, collaborations with customers are made within the scope of the vision of leading the industry's sustainability transformation. In order to act as a solution partner for its customers, Denim Anatomy was established in 2015, combining theoretical and practical education with the collaboration of Istanbul Technical University (ITU). With this organization aiming to contribute to the development of sector professionals, a two-days program is presented to the managers and employees of the brands in the industry, in which all stages of denim, from cotton to production, are examined and their usage areas are explained. Within the scope of the program, theoretical information regarding denim is provided to the participants who are experts academicians of ITU, and then practical information is given by showing denim production processes at the Calik Denim Malatya Factory. At the end of the program, participants are issued their certificates by ITU.

**Malatya Educational Foundation**

Aware of the importance of the younger generation in terms of future, Calik Denim supports and provides scholarships to the university students who need economic assistance through the Malatya Educational

Foundation. The children of Calik Denim employees also benefit from the scholarships given through the foundation. In this context, as of the end of 2020, 266 students from employee children are given scholarships throughout their education through MEV.

**100% Support to Education**

Mahmut Çalık Education Complex Anatolian High School, which was built as part of the 100% Support to Education Project, was opened in 2012 and continues its education in the complex established on an area of 40 thousand m<sup>2</sup>.

Calik Denim also carries out the work of demolishing the Sümer High School in the center of Malatya, which was damaged by the 6.8 magnitude earthquake in Elazığ Sivrice on 24 January 2020 and of building it as "Diniye Çalık Anatolian High School" on behalf of Çalık Holding.

Calik Denim, which provided approximately 800 portions of ready meals per day to 5 different schools for the disabled in 2020, provides stationery aid to all the school children of Company employees at the beginning of each school year.

**Calik Denim Academy**

In-company trainings carried out within Calik Denim Academy continued in 2020, even though they were interrupted due to the COVID-19 outbreak.

EMPLOYEE TRAININGS WITH CALIK DENIM ACADEMY

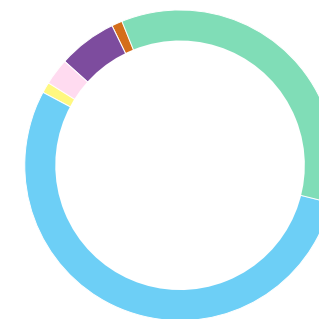


**Average 19 Hours of In-Company Training**

Calik Denim continues providing training to its employees in many areas. In this context, 204 white-collar employees were trained for an average of 19 hours, a total of 4,369.71 hours in 2020. And 2,136 blue-collar employees were trained for an average of 19 hours, a total of 41,724.96 hours. The distribution of training contents is as follows:

**Environment**

As part of the project, which was initiated by the Republic of Turkey Ministry of Agriculture and Forestry in 2019 and aims to green Turkey with a record number of planting more than 11 million saplings, Calik Denim contributed to nature by planting 11,111 saplings on 11<sup>th</sup> November in 2020, like in the previous year.



- OHS Trainings **54.35%**
- Technical Training **35.35%**
- Quality - Environment **6.30%**
- HR **3.43%**
- Sustainability **0.30%**
- English **0.27%**

CONTRIBUTION TO NATURE WITH 11,111 SAPLINGS DONATION ON NOVEMBER 11<sup>TH</sup>



ÇALIK DENİM TEKSTİL SANAYİ VE TİCARET  
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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**CONVENIENCE TRANSLATION INTO  
ENGLISH OF CONSOLIDATED FINANCIAL  
STATEMENTS AS OF DECEMBER 31,  
2020 TOGETHER WITH INDEPENDENT  
AUDITORS' REPORT  
(ORIGINALLY ISSUED IN TURKISH)**



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**Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**

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Güney Bağımsız Denetim ve SMMM A.Ş.  
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Ticaret Sicil No : 479920  
Mersis No: 0-4350-3032-6000017

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi

### A) Report on the Audit of the Consolidated Financial Statements

#### 1) Opinion

We have audited the consolidated financial statements of Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for opinion

We conducted our audit in accordance with Independent Auditing Standards (IAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our audit addressed the key audit matter
<b>Deferred tax assets related to investment incentives</b>	
The Group has received a total investment incentive certificate amounting to TL 450,450, USD 180,189 and Euro 85,847 within the scope of "Council of Ministers Decision on State Assistance in Investments" which regulates investment incentives. As of December 31, 2020, within the scope of the investment documents, investment expenditure amounting to TL 383,989 has been made. The Group limits the deferred tax assets accounted over investment incentives based on taxable profits expected to be generated in foreseeable future. As of December 31, 2020, deferred tax asset were recognized amounting to TL 169,254.	<ul style="list-style-type: none"> <li>- In order to examine the deferred tax asset related to investment incentives, we have received the support of the tax experts of another institution included in the same audit network. The measurement of the related deferred tax assets was made for the review and evaluation of tax experts.</li> <li>- Estimates of taxable profits based on business plans for the next 5 years approved by the management have been questioned in terms of the recoverability of the related deferred tax asset.</li> <li>- Within the scope of our audit, the key assumptions used by the Group management in the business plans related to the subject have been examined and its suitability has been evaluated.</li> <li>- The amounts of investment expenditures within the period that constitute the basis of deferred tax asset calculations are verified by accounting records.</li> <li>- In addition, the compliance of the disclosures in the notes of the consolidated financial statements in accordance with TAS 12 were also been evaluated.</li> </ul>
The evaluation process is based on estimates and assumptions, therefore, it is a key audit matter to measure the measurement and recoverability of deferred tax assets.	
Explanations on deferred tax assets are presented in Note 17.	

#### 4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.





## 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of Article 402 of the Turkish Commercial Code ("TCC"), no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January 2020 - 31 December 2020 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Tolga Kirelli.

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



Tolga Kirelli, SMMM  
Partner

July 6, 2021  
Istanbul, Turkey



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Financial Position

As at 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Current Period	Prior Period
		Audited	Audited
		31 December	31 December
	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	13.863	8.261
Trade receivables	16	402.352	345.144
- Trade receivables from related parties	28	11.190	927
- Trade receivables from third parties	16.1	391.162	344.217
Other receivables	22	15.974	66.319
- Other receivables from related parties	28	8.047	63.076
- Other receivables from third parties		7.927	3.243
Inventories	12	497.253	423.563
Prepaid expenses	19	36.683	29.642
Current income tax assets	17	37	241
Other current assets	20	73.171	69.475
<b>Subtotal</b>		<b>1.039.333</b>	<b>942.645</b>
Assets held for sale	9	122.296	81.620
<b>Total current assets</b>		<b>1.161.629</b>	<b>1.024.265</b>
<b>Non-current assets</b>			
Other receivables	22	89	89
- Other receivables from third parties	22	89	89
Financial investments	11	4.492	4.497
Investment properties	15	27.138	22.904
Property, plant and equipment	13	844.117	847.394
Right of use assets	14	2.825	4.543
Intangible assets	14	948	797
Prepaid expenses	19	2.428	8.570
Deferred tax assets	17	176.337	168.795
Other non-current assets		1	3
<b>Total non-current assets</b>		<b>1.058.375</b>	<b>1.057.592</b>
<b>Total assets</b>		<b>2.220.004</b>	<b>2.081.857</b>

The accompanying notes form an integral part of these consolidated financial statement

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Financial Position

As at 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Current Period	Prior Period
		Audited	Audited
		31 December	31 December
	Note	2020	2019
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term financial liabilities	21	220.820	337.464
Short term portion of long-term financial liabilities	21	713.134	450.893
Trade payables	16	135.657	134.850
- Trade payables to related parties	28	4.332	77
- Trade payables to third parties	16.2	131.325	134.773
Payables related to employee benefits	25	5.714	7.752
Other payables	22	11.019	9.150
- Other payables to related parties	28	-	215
- Other payables to third parties		11.019	8.935
Deferred revenue	23	1.134	2.381
Current income tax liabilities		-	114
Short term provisions		11.682	9.040
- Provisions for employee benefits	24,25	7.636	5.813
- Other short-term provisions	24	4.046	3.227
Other current liabilities	20	8.288	5.390
<b>Subtotal</b>		<b>1.107.448</b>	<b>957.034</b>
Liabilities held for sale	9	87.323	49.614
<b>Total current liabilities</b>		<b>1.194.771</b>	<b>1.006.648</b>
<b>Non-current liabilities</b>			
Long term financial liabilities	21	851.027	739.949
Long term provisions		35.130	27.827
- Provisions employee benefits	24,25	35.130	27.827
Other non-current liabilities		2.827	-
<b>Total non-current liabilities</b>		<b>888.984</b>	<b>767.776</b>
<b>Total liabilities</b>		<b>2.083.755</b>	<b>1.774.424</b>
<b>EQUITY</b>			
<b>Equity attributable to the shareholders</b>			
Share capital	26	510.000	510.000
Legal reserves	26	31.776	31.776
Other comprehensive expense that will not be reclassified to profit or loss			
- Losses on remeasurement of defined benefit plans		(11.916)	(7.947)
Other comprehensive income to be reclassified to profit or loss			
- Currency translation differences		20.219	18.384
Accumulated losses		(244.829)	(174.082)
Net loss for the year		(168.773)	(70.747)
<b>Total equity attributable to the shareholders</b>		<b>136.477</b>	<b>307.384</b>
<b>Total non-controlling interests</b>		<b>(228)</b>	<b>49</b>
<b>Total equity</b>		<b>136.249</b>	<b>307.433</b>
<b>Total equity and liabilities</b>		<b>2.220.004</b>	<b>2.081.857</b>

The accompanying notes form an integral part of these consolidated financial statement



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Current Period	Prior Period
		Audited	Audited
		1 January- 31 December 2020	1 January- 31 December 2019
	Notes		
<b>PROFIT OR LOSS</b>			
<b>Continuing activities</b>			
Revenue	5	1.143.021	1.114.323
Cost of sales (-)	5	(831.168)	(842.032)
<b>Gross profit</b>		<b>311.853</b>	<b>272.291</b>
General administrative expenses (-)	6	(54.326)	(53.108)
Selling, marketing and distribution expenses (-)	6	(78.584)	(75.880)
Research and development expenses (-)	6	(28.911)	(31.215)
Other operating income	6	69.584	36.773
Other operating expenses (-)	6	(3.890)	(7.511)
<b>Operating profit</b>		<b>215.726</b>	<b>141.350</b>
Gain from investing activities	7	7.173	655
Expense from investing activities (-)	7	(280)	(1.130)
<b>Operating profit before financial expense</b>		<b>222.619</b>	<b>140.875</b>
Financial income	8	266	932
Financial expense	8	(398.485)	(247.912)
<b>Net financial expense</b>		<b>(398.219)</b>	<b>(246.980)</b>
<b>Loss before tax from continuing operations</b>		<b>(175.600)</b>	<b>(106.105)</b>
<b>Tax income from continuing operations</b>		<b>6.550</b>	<b>35.170</b>
Current tax expense	17	-	(108)
Deferred tax income	17	6.550	35.278
<b>Loss for the period from continuing operations</b>		<b>(169.050)</b>	<b>(70.935)</b>
<b>Loss for the period</b>		<b>(169.050)</b>	<b>(70.935)</b>
<b>Total net loss for the period attributable to:</b>			
Owners of the parent		(277)	(188)
Non-controlling interests		(168.773)	(70.747)
<b>Net loss for the period</b>		<b>(169.050)</b>	<b>(70.935)</b>

The accompanying notes form an integral part of these consolidated financial statement

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Current Period	Prior Period
		Audited	Audited
		1 January- 31 December 2020	1 January- 31 December 2019
	Note		
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
- - Actuarial gain/loss on defined benefit plans	25	(4.961)	(6.666)
- - Tax effect of actuarial loss on defined benefit plans	17	992	1.333
<b>Items that will be reclassified to profit or loss</b>			
- Foreign currency translation differences		1.835	898
<b>Other comprehensive (income)/expense</b>		<b>(2.134)</b>	<b>(4.435)</b>
<b>Total comprehensive expense</b>		<b>(171.184)</b>	<b>(75.370)</b>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests		(277)	(188)
Owners of the parent		(170.907)	(75.182)
<b>Total comprehensive expense</b>		<b>(171.184)</b>	<b>(75.370)</b>

The accompanying notes form an integral part of these consolidated financial statement



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes Equity  
For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Equity attributable to the shareholders					Total equity		
	Share capital	Legal reserves	Other comprehensive expense that will never be reclassified to profit or loss	Other comprehensive income that is or may be reclassified to profit or loss	Birikmiş zararlar			
			Foreign currency translation differences	Actuarial losses on defined benefit plans	Accumulated losses	Net loss for the period	Non-controlling interests	Total equity
Balances at 1 January 2019	510.000	31.776	(2.614)	17.486	(11.917)	(162.165)	237	382.803
Loss for the period	-	-	-	898	-	(70.747)	(188)	(70.935)
Foreign currency translation differences	-	-	-	898	-	-	-	898
Defined benefit obligation actuarial loss	-	-	(5.333)	-	-	-	-	(5.333)
Total comprehensive income	-	-	(5.333)	898	-	(70.747)	(188)	(75.370)
Transactions with shareholders registered in shareholders equity	-	-	-	-	(162.165)	162.165	-	-
Change in other reserves	-	-	-	-	-	-	-	-
Balances at 31 December 2019	510.000	31.776	(7.947)	18.384	(174.082)	(70.747)	49	307.433
Balances at 1 January 2020	510.000	31.776	(7.947)	18.384	(174.082)	(70.747)	49	307.433
Loss for the period	-	-	-	-	-	(168.773)	(277)	(169.050)
Foreign currency translation differences of foreign operations and reporting currency translation differences	-	-	-	1.835	-	-	-	1.835
Defined benefit obligation actuarial differences, net of tax	-	-	(3.969)	-	-	-	-	(3.969)
Total comprehensive income	-	-	(3.969)	1.835	-	(168.773)	(277)	(171.184)
Transactions with shareholders registered in shareholders equity	-	-	-	-	(70.747)	70.747	-	-
Transfers	-	-	-	-	(244.829)	(168.773)	(228)	(136.249)
Balances at 31 December 2020	510.000	31.776	(11.916)	20.219	(244.829)	(168.773)	(228)	136.249

The accompanying notes form an integral part of these consolidated financial statement

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Cash Flows  
For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Current Period		Prior Period
	Audited		Audited
	1 January-31 December 2020	1 January-31 December 2019	
	Notes		
<b>Cash flows used in operations</b>			
Loss for the period		(169.050)	(70.935)
Adjustments to reconcile loss for the period			
Adjustments for impairment of receivables	16	981	34
Adjustments for provision for employee benefits	25	6.523	4.895
Adjustments for vacation pay liability	25	1.823	969
Adjustments for impairment/(cancellation) on inventories	6,12	(526)	(476)
Adjustments for change in fair value of investment properties	7,15	(4.234)	(618)
Adjustments for depreciation and amortization	6,13,14	71.158	59.990
Dividend income	7	(60)	(37)
Adjustments for the losses on sales of property and equipment, net	7	2.471	1.130
Adjustments for lawsuit provisions, net	6,24	819	1.560
Adjustments for write off of receivables	6	2.774	527
Unrealized foreign exchange losses and translation differences	21	136.485	128.613
Interest expenses, net	6,8	216.774	146.503
Other adjustments for financing activities	8	11.151	14.573
Rediscount expenses, net	6	174	134
Tax benefit	17	(6.550)	(35.170)
<b>Adjustments to reconcile cash flow generated from operating activities:</b>		<b>270.713</b>	<b>251.692</b>
<b>Changes in working capital</b>			
Adjustments for change in deferred income		(1.247)	1.717
Adjustments for change in prepaid expenses		(899)	27.632
Adjustments for change in assets held for sale		(2.967)	(101)
Adjustments for change in other assets		(3.490)	(11.632)
Adjustments for change in inventories		(73.164)	(145.754)
Adjustments for change in trade receivables		(58.363)	(47.615)
Adjustments for change in payables related to employee benefits		(2.038)	2.361
Adjustments for change in trade payables		807	4.017
Adjustments for change in other liabilities		5.611	540
		<b>134.963</b>	<b>82.857</b>
Employee termination benefit paid	25	(4.181)	(2.200)
Taxes paid		-	(9.861)
<b>Cash Flows from Operating Activities</b>		<b>130.782</b>	<b>70.796</b>
Dividend received	7	60	37
Interest received		266	1.289
Capital increase in subsidiaries	11	5	25
Change in right of use assets		(1.056)	-
Proceeds from sales of property and equipment and intangible assets		735	2.401
Acquisition of property, plant and equipment	13	(70.747)	(169.822)
Acquisition of intangible assets	14	(491)	(313)
<b>Cash Flows Used in Investing Activities</b>		<b>(71.228)</b>	<b>(166.383)</b>
<b>Cash flows from financing activities</b>			
Interest paid, net		(132.956)	(147.791)
Change in other receivables		50.345	(65.832)
Change in other payables		1.869	2.082
Other repayments for financing activities		(11.151)	(11.812)
Proceeds from borrowings, net		37.941	318.936
<b>Cash Flows from Financing Activities</b>		<b>(53.952)</b>	<b>95.583</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>5.602</b>	<b>(4)</b>
<b>Cash and Cash Equivalents at The Beginning of The Period</b>	10	<b>8.261</b>	<b>8.265</b>
<b>Cash and Cash Equivalents at The End of The Period</b>	10	<b>13.863</b>	<b>8.261</b>

The accompanying notes form an integral part of these consolidated financial statement



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 1 Organization and Operations of the Group

Çalık Denim Tekstil Sanayi ve Ticaret A.Ş. (the “Company” or “Çalık Denim”) and its subsidiaries (“the Group”) were established in 1987 to provide open-end thread, ring and uneven thread and denim production in the factory located in Malatya. Çalık Denim has a branch, named Gap Güneydoğu Mersin Free Zone and it is engaged in the import and export of textile products.

Çalık Denim’s registered address is as follows:

Keresteciler Sitesi Fatih Caddesi

Ladin Sokak No:17

34169 Merter İstanbul/Turkey.

As at 31 December 2020, the number of employees of the Group is 3.308 (31 December 2019: 3.062).

The main shareholder of the Group is Çalık Holding Anonim Şirketi.

As of 31 December 2020, the Company has 3 (31 December 2019: 3) subsidiaries (“Subsidiaries”) and 1 (31 December 2019: 1) associates (“Affiliate”). As of 31 December 2020 and 2019, the subsidiaries and affiliates of the Company and their countries, activities, fields of activity and partnership ratios are as follows:

Company name	Type of partnership	Country	Ownership rate %	
			2020	2019
Malatya Boya Emprime Fabrikaları A.Ş.	Subsidiary	Turkey	100,00	100,00
Çalık Denim BV	Subsidiary	Netherlands	100,00	100,00
Çalık Alexandria For Readymade Garments	Subsidiary	Egypt	94,00	94,00
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	Associate	Turkmenistan	34,80	34,80

#### Çalık Alexandria For Readymade Garments (“Çalık Alexandria”)

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures. The Group reclassified assets and liabilities of Çalık Alexandria as “Assets/liabilities held for sale” based on the decision made by the management and all assets and liabilities of these entities except the cash and cash equivalents.

#### Gap Türkmen -Türkmenbaşı Jeans Kompleksi (“TJK”)

TJK has been established as a joint venture of Çalık Denim and the Ministry of Textiles Industry of Turkmenistan in 1995 within the frame of Turkmenistan regulations for the purpose of yarn and denim fabric production and marketing. TJK has a denim fabric and jean factory and makes domestic and foreign sales to USA and European countries.

#### Çalık Denim B.V

Çalık Denim B.V has been established in February 2018 in Amsterdam, for the purpose of expanding in the European Zone by making marketing activities.

#### Malatya Boya Emprime Fabrikaları A.Ş. (“Malatya Boya”)

Malatya Boya has established in 9 July 1997 in Malatya Turkey. Malatya Boya maintains fabric dyeing process since 1997. Malatya Boya has been acquired from Anateks Group for a consideration equal to the Group’s receivables from Anateks Group on 31 August 2018.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 2. Basis of presentation of consolidated financial statements

##### 2.1 Basis of preparation

##### a) Statement of compliance

Group entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting principles per Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation. Group’s foreign entities maintain their books of accounts and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislations applicable in the countries they operate.

The Companies which are subject to independent audit in Turkey, prepares their financial statements in accordance with TCC and Turkish Accounting standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”). The accompanying financial statements have been prepared in accordance with Turkish Accounting standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”).

Financial statements and footnotes are presented in accordance with the 2019 Taxonomy announced by the POA with the principle decision dated April 15, 2019.

Consolidated financial statements have been prepared from statutory financial statements and presented in Turkish Lira with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA.

##### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment properties measured at fair value.

##### Going Concern

The Group has prepared its consolidated financial statements on the assumption that the business will continue its operations in the foreseeable future. As it can be seen in the consolidated financial statement as of December 31, 2020, the Group's short-term liabilities exceed its current assets by TL 33.142. Group's net loss for the period is TL 169.050 (31 December 2019 net loss for the period: TL 70.935), while the total comprehensive expense was TL 171.184 (December 31, 2019: TL 75.370), and the equity of the Group was TL 136.249. (31 December 2019: 307,433 TL).

In the “Communique Amending the Communiqué on Procedures and Principles Regarding the Implementation of Article 376 of the TCC” numbered 6102 (“Communiqué”) dated 26 December 2020, regarding the loss of capital status under Article 376 of the TCC, in calculations, the exchange rate losses arising from foreign currency liabilities that have not been realised yet, half of amortization expenses, personnel expenses and rent expenses may not be taken into account. Within the scope as of December 31, 2020, when foreign currency losses arising from foreign currency liabilities that have not been realized yet, half of amortization expenses, personnel expenses and rent expenses is not taken into consideration during the calculation the technical bankruptcy of the Group is avoided according to TCC.

The majority of the resources used by the Group to finance its investments and presented as financial liabilities in the consolidated statement of financial position are in foreign currency, and the Group's future income from these investments is also foreign currency sensitive. According to the short and medium-term projections made by the Group management by evaluating both the production capacity, current market conditions and future market expectations, the cash to be obtained from the activities of the Group meets the cash needs arising from financing activities. For this reason, the Group management does not foresee a risk regarding the continuity of the business.



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 2 Basis of presentation of consolidated financial statements

##### b) Functional and presentation currency

The financial statements of each business of the Group are presented in the currency of the main economic environment in which they operate (the functional currency). Unless otherwise stated, all financial information presented in TL has been rounded to the nearest thousand TL. The functional currency of the foreign subsidiary is as follows:

Functional currency of foreign associate is as follows:

	<b>Functional currency</b>
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	US Dollars (“USD”)

Functional currency of foreign subsidiaries is as follows:

	<b>Functional currency</b>
Çalık Alexandria For Readymade Garments	USD
Çalık Denim B.V.	Euro

##### (d) Declaration of conformity with TAS

The accompanying consolidated financial statements have been prepared in accordance with the Turkish Accounting Standards (“TAS”) put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and their annexes and interpretations.

Financial statements and footnotes are presented in accordance with the 2019 Taxonomy announced by the POA with the principle decision dated April 15, 2019.

##### Approval of financial statements:

The consolidated financial statements of the Group are authorized for issue by the management of the Company on July 6, 2021. The General Assembly has the power to amend the statutory financial statements after issue.

##### (e) Significant accounting judgments, estimates and assumptions

##### Critical decisions taken by the Group in applying the accounting policies

In the process of applying the entity’s accounting policies, which are described in Note 2.1, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 2 Basis of presentation of consolidated financial statements (continued)

##### 2.1 Basis of preparation (continued)

##### Deferred Tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carryforwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; dates of loss carryforwards and other tax assets expiring and tax-planning strategies that would, if necessary, be implemented. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are recognized.

##### Provision for Doubtful Receivables

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

##### Litigation

As disclosed in Note 24, the Group management has made provision amounting to TL 4.046 (31 December 2019: TL 3.227) for legal cases with probability of cash outflow as of the report date.

Significant estimations and assumptions which are presented at the balance sheet date or which may cause significant adjustments in the book value of assets and liabilities in the subsequent reporting period are stated as follows:

- Note 3, 13 and 14 – Useful lives of property, plant and equipment and other intangible assets
- Note 12 – Impairment of inventories
- Note 17 – Deferred tax assetbi
- Note 24 – Commitments, contingent assets and liabilities
- Note 25 – Provisions for employee termination benefits

##### Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. Significant accounting errors detected are applied retrospectively and the financial statements of prior period are restated. There has been no significant change during the period.



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 2 Basis of presentation of consolidated financial statements (continued)

##### 2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020.

##### Standards issued but not yet effective and not early adopted:

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 – The new Standard for insurance contracts
- Amendments to TAS 1– Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

##### Annual Improvements - 2018-2020 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities
- TAS 41 Agriculture – Taxation in fair value measurements

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

- Amendments in TFRS 9, TAS 39 and TFRS 7-Indicative Interest Rate Reform

The above new standards, amendments and interpretations did not have a significant impact on the consolidated financial statements of the the Group.

The accounting policies described below have been consistently applied by all companies of the Group in all periods presented in the accompanying consolidated financial statements.

##### **Summary of Significant Accounting Policies**

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group:

- Has power over the invested company/asset;
- Is open to, or entitled to, variable returns from the invested company/asset
- To be able to use the power to have an effect on returns/gains

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 2 Basis of presentation of consolidated financial statement (continued)

##### 2.3 Summary of significant accounting policies

##### Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non- controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 “Financial Instruments: Recognition and Measurement”, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties,
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 2 Basis of presentation of consolidated financial statement (continued)

##### 2.3 Significant accounting policies (continued)

###### Foreign Currency

*Transactions in foreign currency*

Transactions in foreign currencies are translated into TL based on the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, which are expressed in foreign currency in the balance sheet accounts, are translated into TL using the exchange rates on the balance sheet date. Exchange differences arising as a result of these transactions are reflected in the related income statement.

The exchange rates used by the Group at the end of the specified year are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Euro / TL	9,0079	6,6506
USD / TL	7,3405	5,9402

###### Effects of Currency Change

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings.,

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into TL using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies

##### Financial Instruments

*Financial Assets*

The Group performs its reclassifications related to the financial assets during the acquisition of the related assets and reviews them on a regular basis.

*Financial assets measured at amortized cost (debt instruments)*

The Group measures financial assets at amortized cost when both of the following conditions are met:

- the retention of the financial asset in the context of a business model aimed at collecting contractual cash flows, and
- The contractual terms of the financial asset lead to cash flows that include interest payments on principal and principal balance on certain dates.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. If assets are derecognised, altered or impaired, gains and losses are recognized in profit or loss.

*Financial assets measured at fair value through other comprehensive income (debt instruments)*

The Group measures a financial asset by reflecting the fair value change in other comprehensive income if both conditions are met:

- the retention of the financial asset based on a business model aimed at collecting the contractual cash flows and selling the financial asset,
- The contractual terms of the financial asset lead to cash flows that include interest payments on principal and principal balance on certain dates.

For debt instruments measured at fair value through profit or loss, interest income, foreign exchange losses and impairment losses are recognized in the statement of profit or loss and are calculated in the same way as financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. When excluded from the statement of financial position, cumulative fair value changes recognized in other comprehensive income are transferred to profit or loss.

The Group's borrowings which are measured at fair value through other comprehensive income include investments in listed stock exchanges under other long-term financial assets.

*Assets defined as fair value changes reflected in other comprehensive income (equity instruments)*

After the initial recognition, the Group can irrevocably choose the equity as the financial instruments determined from the fair value unless it meets the definition of equity and is held for trading purposes in accordance with IAS 32 Financial Instruments: Presentation. Classification is determined on the basis of vehicle.

Gains and losses on these financial assets are never recorded in profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right to payment is established, except for the recoverable portion of the cost of the financial asset. The recovered amount is recognized in other comprehensive income. Equity instruments which are defined as fair value changes reflected in other comprehensive income are not subject to impairment assessment.

The Group has chosen to irrevocably classify capital investments that are not quoted in this category.



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Financial Instruments (continued)

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets that are acquired in order to profit from the fluctuations in prices and similar items in the short term, or which are part of a portfolio to provide profit in the short term, irrespective of the reason for the acquisition. The related financial assets are accounted with their fair values in the balance sheet following the initial recognition and recognition. Gains and losses resulting from the valuation are recognized in the consolidated statement of profit or loss.

Financial assets at fair value through profit or loss are measured at fair value in the consolidated financial statements. Fair value differences are recognized in the statement of profit or loss.

This category includes derivatives that are not reclassified from fair value through other comprehensive income, and investments recorded on the stock exchange. Dividends on paid-in capital investments are recognized as other income in the statement of profit or loss when the right to pay is established

*Initial recognition and measurement*

Financial liabilities are initially classified as financial liabilities, loans, liabilities or derivatives designated as effective hedges of financial assets at fair value through profit or loss.

All financial liabilities are initially recognized at fair value and are netted off directly from transaction costs in the case of loans and liabilities.

The Group's financial liabilities include trade and other payables, as well as loans and borrowings, including bank loans and derivative financial instruments.

*Hedging of net foreign investments*

The effective portion of the gain or loss arising from the hedging instrument for net investments in foreign subsidiaries and joint ventures is recognized directly in the shareholders' equity and the ineffective portion is recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instrument that is directly attributable to the hedging instrument that is relevant to the effective portion of the hedging transaction is recognized in profit or loss during the disposal of the foreign entity.

##### Derecognition of financial assets and liabilities

*Financial assets*

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised when: These situations:

The right to cash flow from the financial asset is terminated; or; Although the Group is entitled to cash flow from the financial asset, it is required to make a payment obligation to third parties without postponing all of the amount obtained; the transfer of the right to provide cash flows from the financial asset; and the transfer of the risks and rewards of the asset to a large extent;

When the Group transfers the right to cash flow from a financial asset but retains substantially all the risks and rewards of ownership and does not transfer control of the asset, the asset is recognized to the extent that the Group is in a continuing relationship with the asset. If the continuing relationship with the transferred asset is in the form of collaterals for the asset, the asset is measured at the lower of it carrying amount and the maximum amount required to be paid by the Group.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Derecognition of financial assets and liabilities (continued)

*Financial liabilities*

Financial liabilities are derecognized when the liabilities arising from these liabilities have been eliminated, canceled or expired. In the event that an existing debt is replaced by the same lender under completely different terms with a new obligation, or if the terms of the ongoing obligation are substantially changed, the first obligation is derecognised and the new obligation is recognized. The difference between the two liabilities is recognized as profit or loss.

##### Property, plant and equipment

Property, plant and equipment assets are initially recorded at their cost value and are carried over their adjusted values until 31 December 2004 by converting them with the appropriate inflation correction coefficient for the year of purchase. Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

The cost value of the property, plant and equipment; The purchase price consists of import duties and non-refundable fixed assets and expenses incurred to prepare the property, plant and equipment for use.

Depreciation is provided for property, plant and equipment on a straight-line basis. Depreciation periods for tangible assets are as follows:

	<b>Useful Life</b>
Buildings	10 - 50 years
Land improvements	6 – 25 years
Machinery and equipments	4 – 25 years
Vehicles	4 – 25 years
Furniture and Fixtures	5 – 17 years
Leasehold improvement	4 – 50 years

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Repairs and maintenance are charged to the income statements during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset.

An asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The cost of the right-of-use asset includes:

- the first measurement of the lease obligation,
- the amount obtained by deducting all lease incentives received from all lease payments made before or before the lease actually started and,
- All initial costs incurred by the Group.

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably certain, the Group depreciates the right-of-use asset from the date the lease actually commences to the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

##### Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

- Fixed payments,
- Variable lease payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
- Amounts expected to be paid by the Group under residual value commitments
- If the Group is reasonably confident that it will exercise the call option, the exercise price of that option; and
- At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group measures the lease obligation after the lease actually starts as follows:

- Increases the book value to reflect the interest on the lease obligation and
- It reduces the book value to reflect the rent payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight-line basis. The depreciation period for investment property is 50 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

##### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

##### Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position (balance sheet) and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements

#### For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Long-term Employee Benefits

###### *Retirement Benefit:*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”).

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. All actuarial gains/losses arising from remeasurements are recognized in other comprehensive income.

##### Defined contribution plans:

The Group is obliged to pay social insurance contributions to the Social Insurance Institution. No other obligation exists as long as the Group pays these premiums. These premiums are reflected in personnel expenses in the period they are accrued.

##### Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the related cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of receivable can be measured reliably.

##### Revenue

Revenue is recognized when customers are in control of goods or services related to performance obligations, such as goods or services transfer commitments. The sale of goods will be transferred assets when the existence of the control into the hands of customers and revenue is recognized. This usually happens when the asset is delivered to the customer. However, in cases where an asset with no alternative use is created for the Group and the Group has a legally enforceable right to pay against the action to be completed up to that date, the Group transfers the control of the goods over time and records its revenue as time spread as production takes place.

Revenue related to performance obligations, which are the transfer of goods or services, is recognized when the control of goods or services is in the hands of customers.

The Group evaluates the transfer of control of the goods or services sold to the customer.

- Ownership of the Group's right to collect goods or services,
- The ownership of the property of the customer,
- Transfer of the possession of the goods or services,
- Ownership of significant risks and rewards arising from the ownership of the goods or services,
- It takes into account the conditions for the customer to accept the goods or services.

The Group assesses at the beginning of the contract whether there are different performance obligations that must be allocated. The Group does not have an important service component identified in customer contracts. If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements

#### For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax. The Group is subject to income taxes in Turkey, Netherlands, Egypt and Turkmenistan. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

###### *Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

###### *Deferred Tax*

Deferred income tax is calculated over the temporary differences between the amounts calculated according to the tax legislation of the assets or liabilities at the balance sheet date and their carrying values in accordance with TFRS, using the balance sheet liability method. Deferred tax liability is calculated over all taxable temporary differences.

Deferred tax credit is recognized over all deductible temporary differences, unused tax credits and tax losses, if it is anticipated that such deductible temporary differences and carried unused tax credits and losses can be deducted from taxable income in the future.

The carrying value of the deferred tax receivables is examined at each balance sheet date, and a provision is made in cases where it is not possible to generate taxable income in the future, in line with the management's interpretation. Deferred tax receivables that are not reflected in the financial statements are examined at each balance sheet date and are reflected in the financial statements when it is possible to generate taxable income in the future.

Deferred tax receivables and liabilities are calculated over the effective tax rate that is expected to be valid when the related asset is realized or the liability will be fulfilled, or based on the tax rates (and tax laws) valid at the balance sheet date.

A deferred tax credit or liability can be offset if and only if there is a legal requirement to offset current year tax assets from current year tax liabilities or if the deferred tax is associated with the same taxable entity or tax authority.



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Related Parties

A related party is a person or entity that is related to the entity that prepares its financial statements (the reporting entity).

- a) A person or a close member of that person's family is considered related to the reporting entity if:
- (i) if it has a significant impact on the business,
  - (iii) is a member of the key management personnel of the reporting entity or a parent of the reporting entity.
- (b) An entity is associated with a reporting entity if any of the following conditions exist:
- (i) If the entity and the reporting entity are members of the same group (ie, each parent, subsidiary and other subsidiary is related to the others).
  - (ii) If the entity is an associate or joint venture of the other entity (or a member of a group of which the other entity is a member).
  - (iii) If both businesses are joint ventures of the same third party.
  - (iv) If one of the entities is a joint venture of a third entity and the other entity is an associate of that third entity.
  - (v) If the entity has post-employment benefit plans for employees of the reporting entity or an entity associated with the reporting entity.  
If the reporting entity itself has such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in subparagraph (i) of clause a) has significant influence over the entity or is a member of the key management personnel of that entity (or its parent).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

##### Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

##### Cash Flow Reporting

In the consolidated statement of cash flows, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities represent the cash flows that are used in or generated from sales.

Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed assets and financial investments).

Cash flows related to financing activities represent the cash flows from the Group's financing activities and the repayment of these funds.

Cash and cash equivalents include cash and bank deposits as well as short-term, highly liquid investments that are readily convertible into cash and whose maturities are 3 months or less (Note 10).

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 3 Significant accounting policies (continued)

##### Trade Receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

The "simplified approach" is applied within the scope of impairment calculations of trade receivables that are recognized at amortized cost in the financial statements and do not contain a significant financing component (with a maturity of less than 1 year). With this approach, in cases where trade receivables are not impaired for certain reasons (except for the impairment losses incurred), the provisions for losses related to trade receivables are measured at an amount equal to "lifelong expected credit losses".

If the amount of the impairment subsequently decreases due to partial/full collection, the release of the provision is credited to operating income in the current period.

The Group collects some of its receivables through factoring. The receivables subject to factoring transactions continue to be carried in the trade receivables account in the consolidated financial statements since the collection risk of the Group continues, and the advance received from the factoring company in return for these receivables is shown as debts from the factoring transactions under the account of "Borrowings" in the consolidated financial statements.

##### Assets held for sale and discontinued operations

Discontinued operation is planned or disposed of within the framework of a business coordinated plan. It refers to the geographical part of the main business lines / activities held for purpose.

Details of profit or loss before tax and post-tax profit or loss of discontinued operations reflected in the tables are explained in the footnotes. In addition, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the relevant note.

Fixed asset groups are classified as fixed asset groups held for sale when they are to be recovered through the sale transaction, not by using them. Liabilities directly associated with these assets are grouped similarly.

It is measured by the lower of the carrying value and the lower of the carrying value. Through these assets depreciation is not separated.

#### 4 Transaction with key management personnel

Expenses related to benefits provided to senior personnel included in general administrative expenses for the year ended December 31, 2020 are TL 5.100 on a consolidated basis (January 1 - December 31, 2019: TL 7.020).

**Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**
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*(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)*
**5 Revenue and cost sales**

For the years ended 31 December 2020 and 2019, revenue and cost of sales are as follows:

	1 January- December 31 2020	1 January- December 31 2019
<b>Revenue</b>	<b>1.143.021</b>	<b>1.114.323</b>
Domestic sales	870.332	831.318
Export sales	286.044	298.433
Sales discounts (-)	(5.019)	(9.275)
Sales returns (-)	(9.353)	(7.477)
Other sales	1.017	1.324
<b>Cost of sales (-)</b>	<b>(831.168)</b>	<b>(842.032)</b>
<b>Gross Profit</b>	<b>311.853</b>	<b>272.291</b>

For the years ended 31 December 2020 and 2019, cost of sales comprised the following:

	1 January- December 31 2020	1 January- December 31 2019
Changes in raw materials and trading goods	523.225	533.319
Personnel expenses	113.875	133.029
Electricity, gas and water expenses	79.454	88.848
Depreciation and amortization expenses (Note 6)	56.654	46.690
Subcontractor expenses	12.556	8.918
Maintenance and repair expenses	10.192	6.556
Insurance expenses	4.142	3.564
Consultancy expenses	1.361	1.488
Transportation and customs expenses	1.054	1.206
Other	28.655	18.414
<b>Total</b>	<b>831.168</b>	<b>842.032</b>

**6 Operating expenses and other income and expenses from operating activities**
**Operating expenses**

	1 January- December 31 2020	1 January- December 31 2019
Selling, marketing and distribution expenses	78.584	75.880
General administrative expenses	54.326	53.108
Research and development expenses	28.911	31.215
<b>Total</b>	<b>161.821</b>	<b>160.203</b>

**Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**
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For the Year Ended 31 December 2020**
*(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)*
**6 Operating expenses and other income and expenses from operating activities (continued)**
**General and administrative expenses**

For the years ended 31 December 2020 and 2019, general administrative expenses are as follows:

	1 January- December 31 2020	1 January- December 31 2019
<b>General administrative expenses</b>		
Personnel expenses	21.527	22.668
Çalık Holding A.Ş. share expenses	12.287	9.160
Depreciation and amortization expenses (Note 6)	3.899	2.716
Subcontractor expenses	2.661	1.770
Consultancy expenses	2.408	3.036
Information services expenses	2.167	2.455
Maintenance and repair expenses	1.561	1.284
Insurance expenses	1.280	1.347
Representation expenses	1.161	1.553
Other	5.375	7.119
<b>Total</b>	<b>54.326</b>	<b>53.108</b>

**Selling, marketing and distribution expenses**

For the years ended 31 December 2020 and 2019, selling, marketing and distribution expenses are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
<b>Selling, marketing and distribution expenses</b>		
Personnel expenses	19.152	19.601
Consultancy expenses	13.732	8.910
Commission expenses	13.631	8.311
Sample expenses	7.904	10.149
Transportation expenses	7.605	8.323
Advertising and promotion expenses	4.887	6.476
Depreciation and amortization expenses (Note 6)	3.945	2.603
Rent expenses	2.023	1.498
Travel and accommodation expenses	1.330	4.603
Subcontracting expenses	1.249	1.562
Insurance expenses	1.204	1.796
Other	1.922	2.048
<b>Total</b>	<b>78.584</b>	<b>75.880</b>



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 6 Operating expenses and other income and expenses from operating activities (continued)

##### Research and development expenses

For the years ended 31 December 2020 and 2019, research and development expenses comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
<b>Research and development expenses</b>		
Depreciation and amortization expenses (Note 6)	9.435	7.981
Personnel expenses	6.633	7.254
Sample expenses	3.659	3.461
Consultancy expenses	3.562	2.096
Travel and accommodation expenses	365	1.519
Representation expenses	245	179
Transportation and custom expenses	203	-
Insurance expenses	110	-
Subcontractor expenses	96	146
Advertising and promotion expenses	16	-
Other	4.587	8.579
<b>Total</b>	<b>28.911</b>	<b>31.215</b>

##### Expenses by nature

For the years ended 31 December 2020 and 2019, expenses by nature comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Changes in raw materials and trading goods, and auxiliary expenses	523.225	533.319
Personnel expenses	161.187	182.552
Electricity, gas and water expenses	79.454	88.848
Depreciation and amortization expenses	73.933	59.990
Consultancy expenses	21.063	15.530
Subcontractor expenses	16.562	12.397
Commission expenses	13.631	8.311
Çalık Holding A.Ş. share expenses	12.287	9.160
Maintenance and repair expenses	11.753	7.901
Sample expenses	11.563	13.609
Transportation and transportation expenses	8.862	9.781
Insurance expenses	6.736	6.788
Advertising and promotion expenses	4.903	6.476
Travel and accommodation expenses	1.695	8.823
Rent expenses	2.023	2.779
Representation expenses	1.406	2.690
Information services expenses	2.167	2.507
Other	40.539	30.774
<b>Total</b>	<b>992.989</b>	<b>1.002.235</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 6 Operating expenses and other income and expenses from operating activities (continued)

For the years ended 31 December 2020 and 2019, personnel expenses comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Wages and salaries	117.643	130.023
Premiums and bonuses	21.280	21.910
Social security expenses	14.220	15.751
Severance expenses	4.577	2.217
Provision for vacation pay liability	1.823	970
Defined contribution expenses	1.017	9.361
Other personnel expenses	627	2.320
<b>Total</b>	<b>161.187</b>	<b>182.552</b>

For the years ended 31 December,2020 and 2019 depreciation and amortization expenses comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
<b>Depreciation and amortization expenses</b>		
Cost of sales	56.653	46.690
Research and development expenses	9.435	7.981
General administrative expenses	3.899	2.716
Selling, marketing and distribution expenses	3.945	2.603
<b>Total</b>	<b>73.932</b>	<b>59.990</b>

##### Other income from operating activities

For the years ended 31 December 2020 and 2019, other income from operating activities comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange gains from main activities, net	51.220	18.960
Turquality income	3.832	8.360
Rent income	1.785	1.632
Reclamation income	47	1.882
Rediscount income	-	40
Other income	12.700	5.899
<b>Total</b>	<b>69.584</b>	<b>36.773</b>

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**6 Operating expenses and other income and expenses from operating activities (continued)**

**Other expense from operating activities**

For the years ended 31 December 2020 and 2019, other expense from operating activities comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Donation expenses	1.260	1.838
Doubtful allowance expenses (Note 16)	981	34
Lawsuit provision expenses (Note 24)	819	1.560
Rediscount expenses	174	174
Commission expenses	-	3.598
Other expenses	656	307
<b>Toplam</b>	<b>3.890</b>	<b>7.511</b>

**7 Gains and losses from investing activities**

For the years ended 31 December 2020 and 2019, gains from investing activities comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Investment property fair value increase (Note 15)	4.234	618
Gain on sale of property, plant and equipment	2.751	-
Dividend income	60	37
Other	128	-
<b>Total</b>	<b>7.173</b>	<b>655</b>

For the years ended 31 December 2020 and 2019, losses from investing activities comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Loss on sale of property, plant and equipment	280	1.130
<b>Total</b>	<b>280</b>	<b>1.130</b>

**Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**

**Notes to the Consolidated Financial Statements  
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**8 Financial income and expenses**

**Financial income**

For the years ended 31 December 2020 and 2019, financial income comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Exchange gain from loans and financing	-	252
Interest income	266	680
<b>Total</b>	<b>266</b>	<b>932</b>

**Financial expense**

For the years ended 31 December 2020 and 2019, financial expense comprised the following:

	1 January- 31 December 2020	1 January- 31 December 2019
Interest expense on borrowings	209.166	147.791
Foreign exchange losses on loans and borrowings	160.785	79.883
Interest expense due to related parties	7.874	5.665
Bank commission expenses	5.861	4.865
Letters of guarantee expenses	5.290	6.264
Other financial expenses	9.509	3.444
<b>Total</b>	<b>398.485</b>	<b>247.912</b>

**9 Assets held for sale and discontinued operations**

The Group has reclassified assets and liabilities of Çalık Alexandria as “Disposal group held for sale” as the Group plans to sell its production and retail facilities of these subsidiaries. All assets and liabilities of these entities except the cash and cash equivalents have been classified as “Assets held for sale” and “Liabilities held for sale” in the financial statements, respectively.

As at 31 December 2019, assets held for sale and liabilities held for sale are TL 122.296 and TL 87.323 (31 December 2018: TL 81.620 and TL 49,614), respectively, and details are as follows:

	31 December 2020	31 December 2019
<b>Assets held for sale</b>		
Property, plant and equipment	70.348	53.813
Inventories	35.852	24.812
Intangible assets	194	180
Trade receivables	14.393	-
Prepaid expenses	-	1.762
Other current assets	1.454	1.008
Other non-current assets	55	43
Cash and cash equivalents	-	2
	<b>122.296</b>	<b>81.620</b>
<b>Liabilities held for sale</b>		
Trade and other payables	87.323	49.614
	<b>87.323</b>	<b>49.614</b>



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 10 Cash and cash equivalents

At 31 December 2020 and 2019, cash and cash equivalents comprised the following:

	31 December 2020	31 December 2019
Cash on hand	365	180
Cash at banks	13.498	8.081
-Demand deposits	13.498	8.081
<b>Cash and cash equivalents</b>	<b>13.863</b>	<b>8.261</b>

Credit exchange rate, interest rate risks and sensitivity analyzes for the Group's financial assets are presented in Note 27.

As of 31 December 2020, there is no blocked deposits on the Group's cash and cash equivalents related to its continuing operations (31 December 2019 – None).

#### 11 Financial Investment

At 31 December 2020 and 2019, financial investments comprised the following:

##### Fair value through other comprehensive income

	31 December 2020	31 December 2019
Shares		
- Not traded in organized markets	4.492	4.497
	<b>4.492</b>	<b>4.497</b>

As of 31 December 2020 and 2019, financial assets measured at cost that are not traded in an active market comprised the following:

	31 December 2020		31 December 2019	
	Ownership rate (%)	Carrying Value	Ownership rate (%)	Carrying Value
Aktif Yatırım Bankası A.Ş.	0,30	4.203	0,30	4.203
Malatya Teknokent Teknoloji Gelişme Bölgesi A.Ş.	5,00	175	5,00	175
Çalık Enerji Dağıtım Sanayi ve Ticaret A.Ş.	0,20	95	0,20	95
Other	--	19	--	24
		<b>4.492</b>		<b>4.497</b>

The movements in financial investments for the year ended 31 December were as follows:

	2020	2019
<b>As at 1 January</b>	4.497	4.472
Capital decrease/increase	(5)	25
<b>As at 31 December</b>	<b>4.492</b>	<b>4.497</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“USD”) unless otherwise stated.)

#### 12 Inventories

As at 31 December 2020 and 2019, inventories comprised the following

	31 December 2020	31 December 2019
Raw materials	298.985	221.582
Work in process	52.006	67.036
Finished goods	149.272	140.254
Trading goods	496	196
Other inventories	2.000	527
	<b>502.759</b>	<b>429.595</b>
Allowance for impairment in value of inventories (-)	(5.506)	(6.032)
<b>Total inventories</b>	<b>497.253</b>	<b>423.563</b>

As at 31 December 2020, total insurance coverage on inventories is TL 331.388 (31 December 2019: TL 352.482).

As at 31 December 2020, there is no pledges or mortgages on inventories (31 December 2019: None).

Movements of impairment in value of inventories for the years ended at 31 December were as follows

	2020	2019
Opening balance	6.032	6.508
Current year provision/(provision no longer required)	(526)	(476)
<b>Closing balance</b>	<b>5.506</b>	<b>6.032</b>

For the year ended 31 December 2020, a provision for impairment in value of inventories amounting to TL 5.506 were provided considering the evaluation of obsolete inventories and net realizable value (31 December 2019: TL 6.032).

**Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**

**Notes to the Consolidated Financial Statements  
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**13 Property, plant and equipment**

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December 2020 were as follows:

Cost	Land, land improvements and buildings		Machinery and equipment		Vehicles		Furniture and fixtures		Other tangible assets		Construction in progress		Leasehold improvements		Total
Balance at 1 January 2020	332.584	604.371	6.402	3.547	38.504	219	140.927	3.540	1.126.547						
Additions	-	748	3.015	1.446	4.188	-	61.670	1.126	70.747						
Transfers	2.883	113.072	-	(749)	3.345	-	(119.300)	-	-						
Disposals	-	(895)	(1.737)	4.244	(2.867)	219	-	-	(5.499)						
<b>Balance at 31 December 2020</b>	<b>335.467</b>	<b>717.296</b>	<b>7.680</b>	<b>3.547</b>	<b>43.170</b>	<b>219</b>	<b>83.297</b>	<b>4.666</b>	<b>1.191.795</b>						
<b>Accumulated depreciation</b>															
Balance at 1 January 2020	44.423	210.000	3.547	18.552	18.552	219	-	2.412	279.153						
Current year depreciation	8.653	53.723	1.446	5.603	5.603	-	-	1.393	70.818						
Disposals	-	(430)	(749)	(1.114)	(1.114)	-	-	-	(2.293)						
<b>Balance at 31 December 2020</b>	<b>53.076</b>	<b>263.293</b>	<b>4.244</b>	<b>23.041</b>	<b>23.041</b>	<b>219</b>	<b>-</b>	<b>3.805</b>	<b>347.678</b>						
<b>Net carrying value at</b>															
<b>1 January 2020</b>	<b>288.161</b>	<b>394.371</b>	<b>2.855</b>	<b>19.952</b>	<b>19.952</b>	<b>-</b>	<b>140.927</b>	<b>1.128</b>	<b>847.394</b>						
<b>31 December 2020</b>	<b>282.391</b>	<b>454.003</b>	<b>3.436</b>	<b>20.129</b>	<b>20.129</b>	<b>-</b>	<b>83.297</b>	<b>861</b>	<b>844.117</b>						

As of 31 December 2020, the total insurance amount on property, plant and equipment is TL 4.479.431 (31 December 2019: TL 1.256.997).

As at 31 December 2020, there is mortgage over property, plant and equipment acquired from Anateks Anadolu Tekstil Fabrikaları Anonim Şirketi amounting to TL 163.696 (31 December 2019: TL 163.696).

As of 31 December 2020, carrying value of the machinery purchased under financial lease amounting to TL 145.549 (December 31, 2019: TL 157.256).

Construction in progress comprised of additional building constructed, machinery and equipment purchased for the expansion of the production capacity.

Depreciation and amortization expenses according to their function are disclosed in Note 6.

As of 31 December 2020, the change in the advances given for the purchase of property, plant and equipment is TL 5.982 (December 31, 2019 is 30.428 TL).

As at 31 December 2019, the Group has not capitalized financial expense on property and equipment.

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**13 Property, plant and equipment (continued)**

Movements of tangible assets and related accumulated amortization during the years ended 31 December 2019 were as follows:

Cost	Land, land improvements and buildings		Machinery and equipment		Vehicles		Furniture and fixtures		Other tangible assets		Construction in progress		Leasehold improvements		Total
Balance at 1 January 2019	305.096	519.686	6.766	34.070	34.070	219	94.570	3.242	963.649						
Additions	901	1.986	39	3.064	3.064	-	163.534	298	169.822						
Transfers	26.690	88.581	-	1.906	1.906	-	(117.177)	-	-						
Disposals	(103)	(5.882)	(403)	(536)	(536)	-	-	-	(6.924)						
<b>Balance at 31 December 2019</b>	<b>332.584</b>	<b>604.371</b>	<b>6.402</b>	<b>38.504</b>	<b>38.504</b>	<b>219</b>	<b>140.927</b>	<b>3.540</b>	<b>1.126.547</b>						
<b>Accumulated depreciation</b>															
Balance at 1 January 2019	36.597	168.016	2.776	14.409	14.409	219	-	1.633	223.650						
Current year depreciation	7.913	44.427	1.156	4.619	4.619	-	-	779	58.894						
Disposals	(87)	(2.443)	(385)	(476)	(476)	-	-	-	(3.391)						
<b>Balance at 31 December 2019</b>	<b>44.423</b>	<b>210.000</b>	<b>3.547</b>	<b>18.552</b>	<b>18.552</b>	<b>219</b>	<b>-</b>	<b>2.412</b>	<b>279.153</b>						
<b>Net carrying value at</b>															
<b>1 January 2019</b>	<b>268.499</b>	<b>351.670</b>	<b>3.990</b>	<b>19.661</b>	<b>19.661</b>	<b>-</b>	<b>94.570</b>	<b>1.609</b>	<b>739.999</b>						
<b>31 December 2019</b>	<b>288.161</b>	<b>394.371</b>	<b>2.855</b>	<b>19.952</b>	<b>19.952</b>	<b>-</b>	<b>140.927</b>	<b>1.128</b>	<b>847.394</b>						



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#### 14 Intangible assets

Movements of intangible assets and related accumulated amortization during the years ended 31 December 2020 were as follows:

	Rights	Other intangibles	Total
<b>Cost</b>			
Balance at 1 January 2020	1.975	4.609	6.584
Additions	298	193	491
Balance at 31 December 2020	2.273	4.802	7.075
<b>Accumulated amortization</b>			
Balance at 1 January 2020	1.356	4.431	5.787
Additions	320	20	340
Balance at 31 December 2020	1.676	4.451	6.127
<b>Net carrying value</b>			
1 January 2020	619	178	797
31 December 2020	597	351	948

Movements of intangible assets and related accumulated amortization during the years ended 31 December 2019 were as follows:

	Rights	Other intangibles	Total
<b>Cost</b>			
Balance at 1 January 2019	1.950	4.321	6.271
Additions	25	288	313
Balance at 31 December 2019	1.975	4.609	6.584
<b>Accumulated amortization</b>			
Balance at 1 January 2019	1.251	3.967	5.218
Additions	105	464	569
Balance at 31 December 2019	1.356	4.431	5.787
<b>Net carrying value</b>			
1 January 2019	699	354	1.053
31 December 2019	619	178	797

There is no pledge or mortgage on intangible assets as at 31 December 2020 (31 December 2019: None).

As at 31 December 2020, there is no internally generated intangible asset (31 December 2019: None).

	Right of use assets		Total
	Land	Vehicles	
<b>1 January 2019</b>	-	-	-
Effect of changes in accounting policies (*)	1.053	4.017	5.070
Current period depreciation	(88)	(439)	(527)
31 December 2019	965	3.578	4.543
1 January 2020	965	3.578	4.543
Additions	-	1.056	1.056
Current period depreciation	(678)	(2.096)	(2.774)
31 December 2020	287	2.538	2.825

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#### 15 Investment properties

As at 31 December 2020 and 2019, investment property comprised the following:

	31 December 2020	31 December 2019
Investment property (*)	27.138	22.904
<b>Total</b>	<b>27.138</b>	<b>22.904</b>

(\*) Investment property consists of property acquired from Anateks Anadolu Tekstil Fabrikası A.Ş. in exchange for Group's receivables from Anateks. As at 31 December 2019, there are mortgages over investment property amounting to TL 27.138 (31 December 2019: TL 22.904).

As at 31 December 2019 and 2018, investment property movement table following:

	2020	2019
1 January 2020	22.904	22.286
Change in fair value of investment property (Note 7)	4.234	618
31 December 2020	27.138	22.904

#### 16 Trade Receivables and payables

##### 16.1 Short-term Trade receivables

As at 31 December 2020 and 2019, short-term trade receivables comprised the following

	31 December 2020	31 December 2019
Due from third parties	391.162	344.217
Due from related parties (Note 28)	11.190	927
<b>Total</b>	<b>402.352</b>	<b>345.144</b>

As of 31 December 2020, the average collection period of the Group's trade receivables is 130 days (31 December 2019: 104 days).

As at 31 December 2020 and 2019, short-term trade receivables from third parties comprised the following:

	31 December 2020	31 December 2019
Accounts receivable	219.181	162.322
Cheques receivable	183.171	181.895
Doubtful receivables	4.121	3.140
<b>Sub-total</b>	<b>406.473</b>	<b>347.357</b>
Allowances for doubtful trade receivables (-)	(4.121)	(3.140)
<b>Total</b>	<b>402.352</b>	<b>344.217</b>

As at 31 December, net book value of the overdue and not impaired financial assets comprised the following:

	31 December 2020	31 December 2019
Up to 3 months	21.365	15.258
3 to 6 months	-	1.923
Over 6 months	18	908
<b>Total</b>	<b>21.383</b>	<b>18.089</b>

Movements of allowance for doubtful receivables for the years ended at 31 December 2020 and 2019 were as follows:

	2020	2019
Balance at 1 January	3.140	3.106
Allowance for the year	981	34
<b>Balance at 31 December</b>	<b>4.121</b>	<b>3.140</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

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#### 16 Trade receivables and payables (continued)

##### 16.2 Short-term Trade payables

As at 31 December 2019 and 2018, short-term trade payables comprised the following:

	31 December 2020	31 December 2019
Due to third parties	131.325	134.773
Due to related parties (Note 28)	4.332	77
	<b>135.657</b>	<b>134.850</b>

As of 31 December 2020, the Group's average payment term for trade payables is 63 days (31 December 2019: 37 days).

As of 31 December 2020, average discount rates are 0.55%, 0.19% and 17.95% for Euro, USD and TL, respectively (31 December 2019: average 0.27%, 2.00% and 10,85%).

As at 31 December 2019 and 2018, due to third parties comprised the following:

	31 December 2020	31 December 2019
Accounts payables	135.656	134.947
Rediscounts on payables	-	(174)
<b>Total</b>	<b>135.656</b>	<b>134.773</b>

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 27.

#### 17 Taxation

##### Turkey

In Turkey, corporate tax rate is 22% as of 31 December 2019 (2018: 22%). According to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2018 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2019, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

50% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2019.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue reassessments based on their findings.

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#### 17 Taxation (continued)

##### Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 22,5% (31 December 2018: 22,5%). Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

##### Holland

Dutch corporate income tax is levied at a part of 20% of the taxable income up to and including EUR 200,000. Corporate income tax is levied at 25% for taxable income over EUR 200,000. Companies can distribute some of their profits as dividend to their shareholders. Dividends are subject to tax and the tax rate to be applied over dividend is 15%. Withheld dividend tax can be deducted from the balance payable of the corporate income tax. In addition, Tax losses can be carried back one year and carried forward nine years according to Dutch Tax legislation.

Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Companies must file their tax returns within six months following the close of the tax year to which they relate, unless the Group applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue reassessments based on their findings.

##### Income Withholding Tax

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Allocating previous years' profits to capital is not considered as profit distribution. Therefore, it is not subject to withholding tax.

##### Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

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#### 17 Taxation (continued)

##### Regional government grants

In accordance with the investment decision to be included in the 1st Industrialized Industrial Zone, the Investment Incentive Certificate application has been approved by the Ministry of Industry and Technology and Foreign Investment General Directorate for a total investment of USD 73.456 thousand and TL 41.810 for the certificate numbered 103656 dated 1 December 2011, for a total investment of USD 19.640 thousand and TL 7.270 for the certificate numbered 103629 dated 1 December 2011 and for a total investment of TL 872 and USD 193 for the certificate numbered 103496 dated 24 January 2012. According to these investments incentive certificates 55% of the investment is going to be compensated by the government. The government is not going to pay this balance in cash, but instead the tax rate applied to the income generated from this investment is going to be lower (2% instead of 20%). Since the corporate tax discount rate of the investment incentives is 90%, corporate tax rate is going to be 2%, (20% (20%\*90%=2%). Hereunder, the discounted tax rate is going to be applied and the Company is going to make tax savings until the income generated from these investments reach to 55% of the investment. When the uncollected tax amount reaches to the government contribution, the standard tax rate will be applied.

According to the Article 32 / A of the Corporate Tax Law, the gains derived from the investments linked to the incentive certificate by the Under secretariat of Treasury are stated to be subject to corporate tax at discounted rates until the investment contribution amount is reached to the investment amount starting from the fiscal period starting from the beginning of the operation. In Article 12 of the Communiqué, the date of commencement of operation is stated as the date of completion of the incentive certificate for other investments.

Investment certificate numbered A 133865 dated 22 November 2017 amounting to TL 15.813, Euro 15.381, investment certificate numbered A 133866 dated 22 November 2017 amounting to TL 4.258 and Euro 17.027, investment certificate numbered A 134280 dated 11 December 2017 amounting to TL 296.141 and Euro 53.439, investment certificate numbered 502804 dated 26 March 2019 amounting to TL 5.691 and USD 5.583, investment certificate numbered 502950 dated 3 April 2019 amounting to TL 40.143 and USD 45.548, investment certificate numbered 503286 dated 26 April 2019 amounting to TL 14.223 and USD 22.713, investment certificate numbered 509061 dated 26 February 2020 amounting to TL 3.904 has been approved. Investment expenditure still continue for the aforementioned investment certificates. According to these investments incentive certificates 50% of the investment is going to be compensated by the government by paying 90% discounted corporate tax. Within the scope of the incentive certificates issued for the manufacturing industry, the tax reduction rate for the expenditures made in 2018, 2019 and 2020 will be applied as 100%, and the authority to extend this period up to 5 years has been given to the president. At the same time, investment contribution rates were increased by 15 points (for ongoing investment incentive certificates). For example investment contribution rate increased from 50% to 70%. As at 31 December 2020, investment expenditures amounting to TL 373.553.

Investment certificates belongs to subsidiary of the Group, Malatya Boya, numbered A 138154 dated 29 June 2018 amounting to TL 2.602 and USD 6.362 and numbered A 135098 dated 25 January 2018 amounting to TL 17.622, USD 6.695 have been approved. Investment expenditure still continue for the aforementioned investment certificates. According to these investments incentive certificates 50% of the investment is going to be compensated by the government by paying 90% discounted corporate tax. Within the scope of the incentive certificates issued for the manufacturing industry, the tax reduction rate for the expenditures made in 2018, 2019 and 2020 will be applied as 100%, and the authority to extend this period up to 5 years has been given to the president. At the same time, investment contribution rates were increased by 15 points (for ongoing investment incentive certificates). For example investment contribution rate increased from 50% to 70%. As at 31 December 2020, expenditure amounting to TL 10.436 has been made and deferred tax amounting to TL 169.254 has been recognized.

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#### 17 Taxation (continued)

##### Research and Development Discount

The research and development deduction regulated in Income and Corporation Tax Law, the regulations are introduced under the Law no. 5746. Within the context of this law, in technology centers, research and development centers, public institutions and bodies and research and development and innovation projects supported by foundations established by law or international funds, in pre-competition cooperation projects; all innovation and research and development expenditures made by beneficiaries of technopreneurship capital support and in research and development centers which employ full time equivalent of 500 or more research and development personnel, and also half of the increase in current year's research and development and innovation expenditures compared to previous years, are deemed as matters of allowance in the identification of public body earnings as per article 10 of the Cooperation Tax Law.

As at 31 December 2020 and 2019, there is no balance Group can deduct from corporate tax in the following years.

Income tax expense/benefit for the years ended 31 December comprised the following items:

	31 December 2020	31 December 2019
<b>Continuing operations</b>		
Corporate tax expense	-	(108)
Deferred tax income	6.550	35.170
<b>Tax income / (expense) recognised in profit or loss</b>	<b>6.550</b>	<b>35.170</b>
Deferred tax income recognised in other comprehensive income	992	1.333
<b>Total tax income / (expense)</b>	<b>7.542</b>	<b>36.503</b>

##### Current tax assets

	2020	2019
Current tax-related assets	37	241
<b>Current tax assets, net</b>	<b>37</b>	<b>241</b>

##### Reconciliation of the effective tax rate

The reported income tax benefit for the years ended 31 December 2020 and 2019 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	31 December 2020		31 December 2019	
	Amount	%	Amount	%
<b>Period loss</b>	<b>(169.050)</b>		<b>(70.935)</b>	
Tax income	6.550		35.170	
<b>Loss before tax</b>	<b>(175.600)</b>		<b>(106.105)</b>	
Taxes on reported profit per statutory tax rate of the Group	38.632	(22)	23.343	(22)
Disallowable expenses	(2.698)		(1.073)	
Effect of deferred tax on unrecognized current year tax losses	(27.467)		(28.311)	
Investment incentives effect	--		39.055	
Effect of foreign subsidiaries not subject to tax	(861)		(587)	
Other	(1.056)		2.743	
<b>Tax income</b>	<b>6.550</b>		<b>35.170</b>	

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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**17 Taxation (continued)**

As of 31 December 2020 and 31 December 2019, the details of the carried tax loss of the Group for which no deferred tax asset has been recognized are as follows:

Date of Expiry	31 December 2020	31 December 2019
2023	11.650	11.650
2024	109.888	109.888
2025	124.848	-
	<b>246.386</b>	<b>121.538</b>

**Deferred tax assets and liabilities**

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

**Unrecognized deferred tax assets and liabilities**

As of 31 December 2020, the Group has unrecorded deferred tax assets amounting to TL 49.277 (31 December 2019: TL 24.307). The Group has not recognized deferred tax over current year tax losses amounting to TL 246.386 since it is not probable that there will be taxable profit to utilize the tax losses. Therefore the Group did not recognize deferred tax assets over tax losses as at 31 December 31, 2020.

**Recognized deferred tax assets and liabilities**

Deferred tax assets and deferred tax liabilities at 31 December 2020 and 2019 are attributable to the items detailed in the table below:

	Asset		Liability		Net	
	2020	2019	2020	2019	2020	2019
Trade and other receivables	312	502	-	-	312	502
Inventories	1.124	1.163	-	-	1.124	1.163
Property, plant and equipment and intangible asset	-	-	(8.159)	(6.278)	(8.159)	(6.278)
Right of use asset	117	-	-	(107)	117	(107)
Provision for severance payment	7.026	5.754	-	-	7.026	5.754
Provisions	2.336	1.988	-	-	2.336	1.988
Investment incentives	169.254	169.254	-	-	169.254	169.254
Loans and borrowings	4.352	-	-	(3.703)	4.352	(3.703)
Other temporary differences	-	222	(25)	-	(25)	222
<b>Subtotal</b>	<b>184.521</b>	<b>178.883</b>	<b>(8.184)</b>	<b>(10.088)</b>	<b>176.337</b>	<b>168.795</b>
Net off deferred tax liability	(8.184)	(10.088)	<b>8.184</b>	10.088	-	-
<b>Total deferred tax assets</b>	<b>176.337</b>	<b>168.795</b>	-	-	<b>176.337</b>	<b>168.795</b>

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**17 Taxation (continued)**
**Deferred tax assets and liabilities (continued)**
**Recognized deferred tax assets and liabilities (continued)**

Movements in deferred tax balances during the year ended 31 December 2020 were as follow:

	1 January 2020	Recognised in profit or loss	Recognised in other	
			comprehensive income	31 December 2020
Trade and other receivables	502	(190)	-	312
Inventories	1.163	(39)	-	1.124
Property, plant and equipment and intangible asset	(6.278)	(1.881)	-	(8.159)
Provision for severance payment	5.754	280	992	7.026
Right of use asset	(107)	224	-	117
Investment incentives	169.254	-	-	169.254
Provisions	1.988	348	-	2.336
Loans and borrowings	(3.703)	8.055	-	4.352
Other temporary differences	222	(247)	-	(25)
<b>Total deferred tax assets</b>	<b>168.795</b>	<b>6.550</b>	<b>992</b>	<b>176.337</b>

Movements in deferred tax balances during the year ended 31 December 2019 were as follow:

	1 January 2019	Recognised in profit or loss	Recognised in other	
			comprehensive income	31 December 2019
Trade and other receivables	367	135	-	502
Inventories	1.639	(476)	-	1.163
Property, plant and equipment and intangible asset	(5.738)	(540)	-	(6.278)
Provision for severance payment	3.693	728	1.333	5.754
Right of use asset	-	(107)	-	(107)
Investment incentives	130.199	39.055	-	169.254
Provisions	1.906	82	-	1.988
Loans and borrowings	(462)	(3.241)	-	(3.703)
Other temporary differences	580	(358)	-	222
<b>Total deferred tax assets</b>	<b>132.184</b>	<b>35.278</b>	<b>1.333</b>	<b>168.795</b>



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#### 18 Investment accounted by equity method

##### Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It is assumed that the significant influence exists in the condition of ownership between 20-50% in an organization. Associates were accounted by using the equity method in these consolidated financial statements.

As at 31 December 2020, the Group holds 34,8% ownership in in Gap Türkmen-Türkmenbaşı Jeans Complex. Since the equity of equity accounted investee remains uncovered due to recurring losses, the Group's interests in the equity accounted investees are reduced to nil. Due to the fact that the Group does not have any commitment for the equity accounted investee, incremental losses over the Group's interests are not recognized. In case of income generation subsequent to the reporting date, excess portion of income over accumulated losses, which were not recognized, are to be accounted in the consolidated financial statements as monitored per each period-end.

#### 19 Prepaid expenses

##### Short-Term Prepaid Expenses

As at 31 December, short term prepaid expenses comprised the following

	31 December 2020	31 December 2019
Advances given (*)	33.915	24.509
Prepaid expenses	2.362	2.741
Job advances	406	2.392
<b>Total</b>	<b>36.683</b>	<b>29.642</b>

(\*) The balance mainly consists of advances given for inventory purchases.

##### Long-Term Prepaid Expenses

As at 31 December, long term prepaid expenses comprised the following:

	31 December 2020	31 December 2019
Advances given (**)	1.705	7.687
Prepaid expenses	723	883
<b>Total</b>	<b>2.428</b>	<b>8.570</b>

(\*\*) The balance mainly consists of advances given for property, plant and equipment purchase.

#### 20 Other assets and liabilities

##### Other current assets

As at 31 December 2020 and 2019, other current asset comprised the following:

	31 December 2020	31 December 2019
Deferred Value Added Tax ("VAT")	73.059	69.475
Other	112	-
<b>Total</b>	<b>73.171</b>	<b>69.475</b>

##### Other short-term liabilities

As at 31 December 2020 and 2019, other short-term liabilities comprised the following:

	31 December 2020	31 December 2019
Taxes and duties payable other than on income	8.098	5.359
Other current liabilities	190	31
<b>Total</b>	<b>8.288</b>	<b>5.390</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

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#### 21 Borrowings

As at 31 December 2020 and 2019, loans and borrowings comprised the following:

	31 December 2020	31 December 2019
<b>Short term loans and borrowings</b>		
Short term bank borrowings	202.239	313.089
Current portion of long-term loans and borrowings	672.499	399.701
Short term portion of long-term finance lease liabilities	40.635	51.192
Factoring payables	18.581	24.375
<b>Total</b>	<b>933.954</b>	<b>788.357</b>
<b>Long term loans and borrowings</b>		
Long term bank borrowings	824.930	697.074
Finance lease liabilities	26.097	42.875
<b>Total</b>	<b>851.027</b>	<b>739.949</b>

##### Terms and repayment schedules

As at 31 December 2020, the terms and conditions of outstanding loans and borrowings comprised the following:

	31 December 2020				
	Currency	Nominal interest rate (%)	Maturity date	Nominal value	Carrying amount
Secured bank borrowings (*)	USD	1,05%	2021	60.633	60.220
Secured bank borrowings (*)	EUR	0,60% - 0,80%	2021	193.670	192.930
Unsecured bank borrowings	TL	7,50% - 28,00%	2021-2029	1.235.046	1.299.655
Unsecured bank borrowings	USD	3,36% - 7,75%	2021-2022	100.068	100.198
Unsecured bank borrowings	EUR	5,75%	2021	46.950	46.666
Finance lease liabilities	EUR	4,25% - 8,10%	2021 - 2024	63.320	63.320
Factoring payables	TL	14,80%	2021	8.000	8.000
Factoring payables	EUR	6,30%	2021	10.582	10.582
Right of use liability -IFRS 16	TL	21,00%	2022	2.959	2.959
Right of use liability -IFRS 16	EUR	2,76%	2021	69	69
Right of use liability -IFRS 16	JPY	2,00%	2021	383	383
				<b>1.721.680</b>	<b>1.784.982</b>

As at 31 December 20219, the terms and conditions of outstanding loans and borrowings comprised the following:

	31 December 2019				
	Currency	Nominal interest rate (%)	Maturity date	Nominal value	Carrying amount
Secured bank borrowings (*)	USD	2,64%- 3,89%	2020	151.039	150.533
Secured bank borrowings (*)	EUR	1%	2020	175.509	175.160
Unsecured bank borrowings	TL	11,55% - 29%	2020- 2029	662.675	652.642
Unsecured bank borrowings	USD	5,16%- 8,25%	2020 - 2021	68.884	68.947
Unsecured bank borrowings	EUR	1,80%- 7,25%	2020 - 2021	363.867	362.582
Finance lease liabilities	EUR	3,00%- 5,00%	2020- 2024	90.008	90.008
Factoring payables	TL	12,7%- 21,29%	2020	3.870	3.870
Factoring payables	EUR	3,45%- 3,55%	2020	20.505	20.505
Right of use liability -IFRS 16	TL	19%	2020 - 2021	3.262	3.262
Right of use liability -IFRS 16	EUR	3%	2020 - 2021	119	119
Right of use liability -IFRS 16	JPY	3%	2020 - 2021	677	678
				<b>1.540.415</b>	<b>1.528.306</b>

(\*) Letter of bank guarantees amounting to USD 9.092 thousand and EUR 23.615 given for Exim Bankloans (31 December 2019: USD 59.048 and EUR 17.567)

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## 21 Loan and borrowings (continued)

The maturity of the Group's borrowings as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Less than 3 months	242.874	106.343
3-12 months	691.081	682.014
1-5 years	851.027	739.949
<b>Total</b>	<b>1.784.982</b>	<b>1.528.306</b>

As 31 December 2020, payment plan of the long-term loans are as follows:

	31 December 2020
1-2 years	215.388
2-3 years	174.632
3-4 years	140.774
More than 4 years	294.136
<b>Total</b>	<b>824.930</b>

31 December 2020 and 2019, movement of short term and long-term financial liabilities were as follows:

	1 January 2020	Principal additions, payments, net	Interest expense	Interest paid	Unrealized currency translation difference	31 December 2020
<b>Bank borrowing</b>	1.409.864	92.984	162.876	(126.057)	160.000	1.699.668
<b>Financial lease liabilities</b>	94.066	(51.595)	4.554	(4.554)	24.261	66.732
<b>Factoring payables</b>	24.376	(3.448)	-	(2.345)	-	18.582
	<b>1.528.306</b>	<b>37.941</b>	<b>167.430</b>	<b>(132.956)</b>	<b>184.261</b>	<b>1.784.982</b>

	1 January 2019	Principal additions, payments, net	Interest expense	Interest paid	Unrealized currency translation difference	31 December 2019
<b>Bank borrowing</b>	965.683	348.074	153.908	(172.222)	114.421	1.409.864
<b>Financial lease liabilities (*)</b>	106.415	(26.541)	4.182	(4.182)	14.192	94.066
<b>Factoring payables</b>	10.648	13.727	3.816	(3.815)	-	24.376
	<b>1.082.746</b>	<b>335.260</b>	<b>161.906</b>	<b>(180.219)</b>	<b>128.613</b>	<b>1.528.306</b>

As 31 December 2020 and 2019, maturity of finance lease liability was as follows:

	2020		2019		
	Future minimum lease payable	Interest	Total future minimum lease payable	Future minimum lease payable	Interest
Less than 1 year	35.832	2.134	37.966	51.192	1.668
1-5 years	21.818	1.192	23.010	42.875	2.391
	<b>57.650</b>	<b>3.326</b>	<b>60.976</b>	<b>94.067</b>	<b>4.059</b>
					<b>98.126</b>

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## 22 Other receivables and other payables

## Other short-term receivables

As at 31 December, other short-term receivables comprised the following:

	31 December 2020	31 December 2019
Other receivables from related parties (Note 28)	8.047	63.076
Receivables from the tax office	4.645	1.533
Deposits and guarantees given	2.052	1.710
Receivables from employee	849	-
Other receivables	381	-
<b>Total</b>	<b>15.974</b>	<b>66.319</b>

## Other long-term receivables

	31 December 2020	31 December 2019
Deposits and guarantees given	89	89
<b>Total</b>	<b>89</b>	<b>89</b>

## Other short-term payables

As at 31 December, other short-term payables comprised the following:

	31 December 2020	31 December 2019
Deposits and guarantees received	11.019	8.910
Due to related parties (Note 28)	-	215
Other payables	-	25
<b>Total</b>	<b>11.019</b>	<b>9.150</b>

## 23 Deferred revenues

As at 31 December 2020 and 2019, deferred revenue comprised the following:

	31 December 2020	31 December 2019
Advances received	1.134	2.381
<b>Total</b>	<b>1.134</b>	<b>2.381</b>

## 24 Provisions, commitments, contingent assets and liabilities

## Provisions

As at 31 December 2020 and 2019, provisions comprised the following items:

	31 December 2020	31 December 2019
Short-term employee benefits (Note 25)	7.636	5.813
Provision for litigations	4.046	3.227
<b>Total short-term provisions</b>	<b>11.682</b>	<b>9.040</b>
Long-term employee benefits (Note 25))	35.130	27.827
<b>Total long-term provisions</b>	<b>35.130</b>	<b>27.827</b>
<b>Total provisions</b>	<b>46.812</b>	<b>36.867</b>



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## 24 Provisions, commitments, contingent assets and liabilities (continued)

For the years ended 31 December, the movements in the provision for litigations were as follows:

	1 January 2020	Current year provision	31 December 2020
Provision for litigations	3.227	819	4.046
<b>Total</b>	<b>3.227</b>	<b>819</b>	<b>4.046</b>

	1 January 2019	Current year provision	31 December 2019
Provision for litigations	1.667	1.560	3.227
<b>Total</b>	<b>1.667</b>	<b>1.560</b>	<b>3.227</b>

## Litigations against the Group

As at 31 December 2020, the expected cash outflow amount for the pending litigations against the Group is TL 4.046 (31 December 2019: TL 3.227).

## Commitments, contingent assets and liabilities

As of 31 December 2020 and 2019, the tables regarding the collateral, pledge and mortgage ("CPM") position for the main partner of the Group and the partnerships included in the scope of consolidation are as follows:

	Currency	31 December 2020		31 December 2019	
		Currency amount	TL Equivalent	Currency amount	TL Equivalent
A. Total amount of CPMB's given in the name of its own legal personality	USD	127.378	935.020	62.417	370.770
	Euro	409.186	3.685.903	63.076	419.494
	TL	9.480	9.480	3.872	3.872
B. Total amount of CPMB's given on behalf of the fully companies	--	--	--	--	--
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	--	--	--	--	--
D. Total amount of other CPMB's given	--	--	--	--	--
i. Total amount of CPMB's given on behalf of the majority shareholder	--	--	--	--	--
ii. Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	--	--	--	--	--
iii. Total amount of CPMB's given on behalf of third parties which are not in scope of C.	TL	185.982	185.982	--	185.982
<b>Total</b>			<b>4.816.385</b>		<b>980.118</b>

	31 December 2020	31 December 2019
Guarantee letter	4.630.403	794.136
Mortgage	185.982	185.982
<b>Total</b>	<b>4.816.385</b>	<b>980.118</b>

The ratio of other CPMs given by the Group to the equity of the Group is 0% as of 31 December 2020 (31 December 2019: 0%).

The mortgage given to third parties as of December 31, 2020 and 2019 consists of the mortgage given to the banks on the real estates that the Group has received from Anateks Anadolu Tekstil Fabrikası A.Ş..

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## 25 Employee Benefits

## Payables related to employee benefits

As of 31 December 2020 and 2019, payables within the scope of employee benefits are as follows:

	31 December 2020	31 December 2019
Due to personnel	3.387	4.519
Social security premiums payable	2.327	3.233
<b>Total</b>	<b>5.714</b>	<b>7.752</b>

## Provisions for employee benefits

## Short term provisions

For the years ended 31 December, short term provisions within the scope of employee benefits were as follows:

	31 December 2020	31 December 2019
Vacation pay liability	7.636	5.813
<b>Total</b>	<b>7.636</b>	<b>5.813</b>

As of 31 December 2020 and 2019, the movements of short-term provisions within the scope of employee benefits is as follows.

	2020	2019
<b>Opening balance at 1 January</b>	<b>5.813</b>	<b>4.844</b>
Current period provision	1.823	969
<b>Closing balance at 31 December</b>	<b>7.636</b>	<b>5.813</b>

## Long term provisions

	2020	2019
Provision for retirement pay liability	35.130	27.827
<b>Total</b>	<b>35.130</b>	<b>27.827</b>

In accordance with the existing labor law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

These payments are calculated based on the rate on the day of retirement or termination per year worked, with a maximum of 7.11 TL over the 30-day salary as of 31 December 2020 (31 December 2019: 6.7 TL). The provision for severance pay is calculated on a current basis and is reflected in the consolidated financial statements. Provision is calculated by estimating the present value of the Group's future probable obligation arising from the retirement of its employees. The calculation is based on the severance pay ceiling announced by the Government.

Severance pay liability is calculated by estimating the present value of the possible future obligation of the Group arising from the retirement of its employees. TMS requires the Group's liabilities to be calculated using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are given below.

The basic assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As a result, the liabilities in the accompanying consolidated financial statements as of 31 December 2020 and 2019 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of December 31, 2020 and December 31, 2019, the calculation of severance pay was made by an independent actuarial institution specialized in their field.

The provision for severance pay is not legally subject to any funding.

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#### 25 Employee Benefit (continued)

The actuarial assumptions were used in the calculation of the total liability as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Salary increase rate	10,00%	9,20%
Discount rate	12,40%	12,10%

The Group management has discounted the benefits of the employees who will be entitled to receive severance pay, based on the information obtained from their past experiences, using the government bond rates valid at the end of the reporting period and reflected them in the consolidated financial statements over their discounted net values. As of 31 December 2020 and 31 December 2019, the movement of the severance pay provision account is presented below:

	31 December 2020	31 December 2019
<b>1 January</b>	<b>27.827</b>	<b>18.466</b>
Interest cost	3.359	2.678
Service cost	3.164	2.217
Paid during the year	(4.181)	(2.200)
Actuarial loss	4.961	6.666
<b>31 December</b>	<b>35.130</b>	<b>27.827</b>

The actuarial difference arises due to the change in the interest rate and expected salary increase rate. In addition, employees who will receive severance pay in retirement, leaving the job by receiving severance pay before retirement also caused a high actuarial difference. The actuarial difference is recognized in other comprehensive income.

#### 26 Capital, reserves and other equity items

##### Capital

As at 31 December 2019, the Company's statutory nominal value of authorized and paid-in share capital consists of 20.400.000 registered shares (31 December 2019: 20.400.000) having par value of full TL 25 (31 December 2019: TL 25) each.

As at 31 December, the shareholder structure of the Company is presented below:

	31 December 2020		31 December 2019	
	TL	%	TL	%
<b>Shareholders</b>				
Çalık Holding A.Ş.	508.584	99	508.584	99
Ahmet Çalık	1.416	1	1.416	1
<b>Total</b>	<b>510.000</b>	<b>100</b>	<b>510.000</b>	<b>100</b>

##### Legal reserves

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's Turkish entities' statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying consolidated financial statements, the total of the legal reserves amounted to TL 31.776 as at 31 December 2020 (31 December 2019: TL 31.766).

##### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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#### 27 Financial instruments and the nature and level of risks arising from financial instruments

##### Financial Risk and management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

##### Credit Risk:

Credit risk is the risk that counterparties cannot fulfill their obligations in contracts to which the Group is a party. The Group controls the credit risk basically by limiting the total risk from a single counterparty by determining credit evaluations and credit limits to counterparties, and receivables insurance is made.

The maximum exposure to credit risk at 31 December was as follows:

31 December 2020	Receivables				Cash at banks
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
<b>Maximum credit risk exposure at reporting date (A+B+C+D)</b>	<b>11.190</b>	<b>391.162</b>	<b>8.048</b>	<b>8.015</b>	<b>13.863</b>
Portion of maximum risk covered by guarantees	-	<b>100.288</b>	-	-	-
<b>A.</b> Carrying value of financial assets that are neither past due nor impaired	11.190	365.516	8.048	8.015	13.863
<b>B.</b> Carrying value of financial assets that are past due but not impaired	-	25.646	-	-	-
<b>C.</b> Carrying value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	4.121	-	-	-
Impairment (-)	-	(4.121)	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
<b>D.</b> Elements including credit risk on off statement of financial position	-	-	-	-	-



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## 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

## Credit Risk (continued)

31 December 2019	Receivables				Cash at banks
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
<b>Maximum credit risk exposure at reporting date (A+B+C+D)</b>	<b>927</b>	<b>344.217</b>	<b>63.076</b>	<b>3.332</b>	<b>8.081</b>
Portion of maximum risk covered by guarantees	-	76.878	-	-	-
<b>A.</b> Carrying value of financial assets that are neither past due nor impaired	927	326.128	63.076	3.332	8.081
<b>B.</b> Carrying value of financial assets that are past due but not impaired	-	18.089	-	-	-
<b>C.</b> Carrying value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	3.140	-	-	-
Impairment (-)	-	(3.140)	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
<b>D.</b> Elements including credit risk on off statement of financial position	-	-	-	-	-

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## 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

## Liquidity risk (continued)

	31 December 2020					
	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	1.699.668	2.651.227	212.697	723.202	979.442	735.886
Finance lease liabilities	66.732	70.999	17.999	25.480	27.521	-
Trade payables-due to related parties	4.332	4.332	4.332	-	-	-
Trade payables-due to third parties	131.324	131.324	131.324	-	-	-
Other payables-due to third parties	11.019	11.019	11.019	-	-	-
Payables related to employee benefits	5.715	5.715	5.715	-	-	-
<b>Total</b>	<b>1.918.790</b>	<b>2.874.616</b>	<b>383.086</b>	<b>748.682</b>	<b>1.006.963</b>	<b>735.886</b>

	31 December 2019					
	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Krediler	1.409.864	1.584.860	315.481	428.476	823.664	17.239
Loans and borrowings	94.067	100.431	14.017	41.109	45.305	-
Finance lease liabilities	77	77	77	-	-	-
Trade payables-due to related parties	134.773	134.947	134.947	-	-	-
Trade payables-due to third parties	215	215	215	-	-	-
Other payables-due to third parties	8.935	8.935	8.935	-	-	-
Payables related to employee benefits	7.752	7.752	7.752	--	--	--
<b>Total</b>	<b>1.655.683</b>	<b>1.837.217</b>	<b>481.424</b>	<b>469.585</b>	<b>868.969</b>	<b>17.239</b>

## Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## (i) Currency risk

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

The Group is exposed to currency risk through the impact of rate changes as a result of presenting consolidated financial statements in TL.

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## 27 Financial instruments and the nature and level of risks arising from financial instruments (devamı)

## Piyasa riski (continued)

## (i) Currency Risk (continued)

As of December 31, 2020, the carrying amounts of the Group's foreign currency denominated assets and liabilities are as below:

	31 December 2020			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	392.580	12.879	33.087	-
2a. Monetary financial assets (including cash on hand, bank deposits)	9.687	210	903	8
2b. Other monetary assets	-	-	-	-
3. Other	30	4	-	-
<b>4. Current assets (1+2+3)</b>	<b>402.297</b>	<b>13.093</b>	<b>33.990</b>	<b>8</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>402.297</b>	<b>13.093</b>	<b>33.990</b>	<b>8</b>
10. Trade payables	(154.235)	(15.560)	(3.371)	(9.648)
11. Financial liabilities	(444.696)	(21.303)	(31.965)	(383)
12a. Other monetary liabilities	(11.044)	(1.500)	(4)	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>(609.975)</b>	<b>(38.363)</b>	<b>(35.340)</b>	<b>(10.031)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(29.672)	(551)	(2.845)	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>(29.672)</b>	<b>(551)</b>	<b>(2.845)</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>(639.647)</b>	<b>(38.914)</b>	<b>(38.185)</b>	<b>(10.031)</b>
<b>19. Net position of off statement of financial position derivate instruments (19a+19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Amount of foreign currency derivative products with active character and not in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Amount of foreign currency derivative products with passive character</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset/ (liability) position (9+18+19)</b>	<b>(237.350)</b>	<b>(25.821)</b>	<b>(4.195)</b>	<b>(10.023)</b>
<b>21. Monetary items net foreign currency asset / (liability) position (1+2a+5+6a-10+11+12a+14+15+16a)</b>	<b>(237.380)</b>	<b>(25.825)</b>	<b>(4.195)</b>	<b>(10.023)</b>
<b>22. Total fair value of financial instruments used for currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Amount of hedged portion of foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount of hedged part of foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements  
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## 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

## Market Riks (continued)

## (i) Currency (devamı)

As of December 31, 2019, the carrying amounts of the Group's foreign currency denominated assets and liabilities are as below:

	31 December 2019			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	272.400	12.157	30.100	4
2a. Monetary financial assets (including cash on hand, bank deposits)	31.985	4.305	964	3
2b. Other monetary assets	-	-	-	-
3. Other	85	4	9	4
<b>4. Current assets (1+2+3)</b>	<b>304.470</b>	<b>16.466</b>	<b>31.073</b>	<b>11</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>304.470</b>	<b>16.466</b>	<b>31.073</b>	<b>11</b>
10. Trade payables	(93.624)	(12.993)	(961)	(10.054)
11. Financial liabilities	(492.865)	(34.970)	(42.769)	(693)
12a. Other monetary liabilities	(9.127)	(1.536)	-	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>(595.616)</b>	<b>(49.499)</b>	<b>(43.730)</b>	<b>(10.747)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(375.977)	(1.978)	(54.722)	(293)
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>(375.977)</b>	<b>(1.978)</b>	<b>(54.722)</b>	<b>(293)</b>
<b>18. Total liabilities (13+17)</b>	<b>(971.593)</b>	<b>(51.477)</b>	<b>(98.452)</b>	<b>(11.040)</b>
<b>19. Net position of off statement of financial position derivate instruments (19a+19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Amount of foreign currency derivative products with active character and not in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Amount of foreign currency derivative products with passive character</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset/ (liability) position (9+18+19)</b>	<b>(667.123)</b>	<b>(35.011)</b>	<b>(67.379)</b>	<b>(11.029)</b>
<b>21. Monetary items net foreign currency asset / (liability) position (1+2a+5+6a-10+11+12a+14+15+16a)</b>	<b>(667.208)</b>	<b>(35.015)</b>	<b>(67.388)</b>	<b>(11.033)</b>
<b>22. Total fair value of financial instruments used for currency hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Amount of hedged portion of foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount of hedged part of foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements  
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(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

## 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

## Market Risk (continued)

## (i) Currency Risk (continued)

A 10% strengthening/weakening of the TL against the other currencies below would have increased/ (decreased) the profit/loss (excluding the tax effect) as of 31 December 2020 and 2019 as follows:

This analysis assumes that all other variables remain constant, especially interest rates, and ignores the effects of other variables. The analysis was made for 2019 on the same basis.

Foreign Currency Sensitivity Analysis		
31 December 2020		
	Gain/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation/loss of US Dollar against TL		
1- US dollar net asset/liability	(18.954)	(18.954)
2- The portion hedged against the USD risk (-)	-	-
<b>3- US dollar net effect (1+2)</b>	<b>(18.954)</b>	<b>(18.954)</b>
In case of 10% appreciation/loss of Euro against TL		
4- Euro net asset/liability	(3.779)	(3.779)
5- Part protected from Euro risk (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>(3.779)</b>	<b>(3.779)</b>
In case of 10% appreciation/loss of other exchange rates against TL		
7- Other FX net asset/liability	(1.002)	(1.002)
8- Part hedged from other foreign currency risk (-)	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(1.002)</b>	<b>(1.002)</b>
<b>TOTAL (3+6+9)</b>	<b>(23.735)</b>	<b>(23.735)</b>

Foreign Currency Sensitivity Analysis		
31 December 2019		
	Gain/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation/loss of US Dollar against TL		
1- US dollar net asset/liability	(20.797)	(20.797)
2- The portion hedged against the USD risk (-)	-	-
<b>3- US dollar net effect (1+2)</b>	<b>(20.797)</b>	<b>(20.797)</b>
In case of 10% appreciation/loss of Euro against TL		
4- Euro net asset/liability	(44.812)	(44.812)
5- Part protected from Euro risk (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>(44.812)</b>	<b>(44.812)</b>
In case of 10% appreciation/loss of other exchange rates against TL		
7- Other FX net asset/liability	(1.103)	(1.103)
8- Part hedged from other foreign currency risk (-)	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(1.103)</b>	<b>(1.103)</b>
<b>TOTAL (3+6+9)</b>	<b>(66.712)</b>	<b>(66.712)</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements  
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(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

## 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

## Market Risk (continued)

## (ii) Interest Rate risk

The Group is exposed to interest rate risk from the effect of changes in interest rates on interest bearing assets and liabilities. The Group manages this risk with a natural precaution by balancing its assets and liabilities that are sensitive to interest rates.

The Group's interest component table is as follows:

Interest Position Table		
	Current Period	Prior Period
<b>Fixed rate instruments</b>		
Financial assets	8.048	63.076
Financial liabilities	1.699.668	1.528.306

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

## Capital management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way. Group's capital structure; payables including loans and cash and cash equivalents, paid-in capital, reserves and retained earnings.

The Board of Directors monitors the Group's net operating income, return on capital and dividend policies.

The Group monitors capital using the net debt/total equity ratio. This ratio is found by dividing total liabilities by total equity.

As of 31 December 2020 and 31 December 2019, the debt/equity ratio of the Group is as follows:

	31 December 2020	3 December 2019
Total liabilities	2.083.757	1.774.424
Less: cash and cash equivalents	(13.863)	(8.261)
<b>Net debt</b>	<b>2.069.894</b>	<b>1.766.163</b>
Equity	136.250	307.433
<b>Debt to equity ratio at 31 December</b>	<b>15,19</b>	<b>5,74</b>

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 27 Financial instruments and the nature and level of risks arising from financial instruments (devamı)

##### Fair value information

As of 31 December 2020 and 2019. The book value and fair value of the Group's financial assets and liabilities are as follows:

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Loans and receivables</b>				
Cash and cash equivalents	13.863	13.863	8.261	8.261
Trade receivables	402.352	416.746	345.144	345.144
Other receivables	16.063	16.063	66.408	66.408
<b>Total loans and receivables</b>	<b>432.278</b>	<b>446.672</b>	<b>419.813</b>	<b>419.813</b>
<b>Other financial liabilities</b>				
Loans and borrowings	1.784.982	1.784.982	1.528.306	1.528.306
Trade payables	135.656	135.656	134.850	134.850
Other payables	11.019	31.172	9.150	9.150
<b>Total other financial liabilities</b>	<b>1.931.657</b>	<b>1.951.810</b>	<b>1.672.306</b>	<b>1.672.306</b>

The carrying values of the Group's financial assets and liabilities have been accepted as fair values since they are mostly short-term.

## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 28 Related party disclosures

##### Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

	31 December 2020	31 December 2019
<b>Trade receivables</b>		
Gap Pazarlama A.Ş. (2)	11.171	505
Ontk Tekstil San. ve Tic. A.Ş.	19	175
Çalık Pamuk Doğal ve Sentetik Elyaf Tic. A.Ş. (2)	-	57
White Construction N.V.	-	84
Amethsy Holding N.V.	-	84
Çalık Enerji San. Tic. A.Ş. (2)	-	22
<b>Total</b>	<b>11.190</b>	<b>927</b>
<b>Other receivables</b>		
Çalık Holding A.Ş. (1)(*)	8.047	63.076
<b>Total</b>	<b>8.047</b>	<b>63.076</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Trade payables</b>		
Enrich Teknoloji Yazılım A.Ş.	12	70
Çalık Hava Taşımacılık San ve Tic. A.Ş. (2)	-	7
CLK İpekyolu Lojistik A.Ş.	48	-
Gap İnşaat Yatırım Ve Dış Tic. A.Ş.	48	-
Sigortayeri Sigorta Ve Reasürans	60	-
Çalık Enerji San. Tic. A.Ş.	4.164	-
<b>Total</b>	<b>4.332</b>	<b>77</b>
<b>Other payables</b>		
Çalık Finansal Hizmetler A.Ş. (2)	-	-
Çalık Holding A.Ş. (**)(1)	-	215
<b>Total</b>	<b>-</b>	<b>215</b>
<b>Loans and borrowings</b>		
Aktifbank Yatırım Bankası A.Ş. (***)	899.458	705.468
<b>Total</b>	<b>899.458</b>	<b>705.468</b>

(\*) As of 31 December 2020, the receivable from Çalık Holding A.Ş. does not have any maturity, but the annual interest rate is 6.03% on USD, 5% on Euro and 15.22% on TL. (31 December 2019: USD and Euro 7% and TL 21%).

(\*\*) As of 31 December 2020, the debt to Çalık Holding A.Ş. has no maturity, and the annual interest rate is 6.03% on USD, 5% on Euro and 15.22% on TL. Çalık Holding charges the interest to the Group monthly. (31 December 2019: 27%).

(\*\*\*) As of 31 December 2020, the maturity of the debt to Aktifbank Yatırım Bankası A.Ş. is between 2021 and 2027, and the annual interest rate on the debt is 7.75% for USD, 5.75% over Euro and 5.75% over TL. It is in the range of 17.80-20.15%.

For the year ended 31 December 2020, there is no impairment for the balances of the Group to related parties (31 December 2019: None).

(1) Parent company

(2) Subsidiary of the parent Company



## Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("USD") unless otherwise stated.)

#### 28 Related Party disclosures (continued)

##### Related Party transactions

Income and expenses arising from the Group's transactions with related parties for the years ended 31 December are summarized below:

	1 January- 31 December 2020		1 January- 31 December 2019	
	Income	Expense	Income	Expense
Gap Pazarlama A.Ş. (*) (2)	13.543	4.063	1.500	1.862
Çalık Holding A.Ş. (***) (1)	23	20.972	-	10.942
Çalık Pamuk Doğal Sentetik Elyaf San ve Tic. A.Ş. (**) (2)	780	35.477	-	423
Çalık Finansal Hizmetler A.Ş. (2)	16	-	-	4.113
Çalık Elektrik Dağıtım A.Ş. (2)	60	-	-	-
Çalık Enerji San. Tic. A.Ş. (2)	19	-	-	-
Ontk Tekstil San. ve Tic. Ltd. Şti.	-	-	634	51
Çalık Cotton FZE (2)	-	-	-	38
Gap İnşaat Yatırım ve Dış Tic. A.Ş. (2)	-	33	-	-
Enrich Pamuk Tekstil San ve Tic. A.Ş.	-	-	-	149.722
Aktifbank Yatırım Bankası A.Ş. (****)	16	82.352	-	92.269
Enrich Teknoloji Yazılım A.Ş.	-	-	-	75
Çalık Hava Taşımacılık Turizm San. ve Tic. A.Ş. (2)	-	313	-	209
	<b>14.393</b>	<b>143.194</b>	<b>2.134</b>	<b>259.704</b>

(\*) The balance consists of inventory sales to Gap Pazarlama A.Ş.

(\*\*) The expense balance consists of cotton purchased from Çalık Pamuk. The income balance consists of revenues consists of the building and common area expense reflection revenues.

(\*\*\*) Contribution to Çalık Holding expenses and interest expenses.

(\*\*\*\*) Interest expenses related to the loans used by the Group from Aktif Yatırım Bankası

(1) Parent company

(2) Subsidiary of parent company

#### 29 Subsequent events

At the Extraordinary General Assembly of the Company held on March 29, 2021, the Company's Board of Directors was authorized to issue debt instruments up to TL 500,000,000 with a maturity of up to 10 years to be sold to qualified investors and/or on a dedicated basis. With the decision of the Board of Directors taken in April 2021, it was unanimously decided to issue the debt instruments in the country to qualified investors and/or for private placement.

In accordance with the law No: 7316 on the Procedure for the Collection of Public Receivables and Law Amending Certain Laws published in the Official Gazette dated in April 22, 2021 with the numbered 31462, the corporate tax rate has been increased to 25% for the year 2021 and 23% for the year 2022. These rates will be applied to the earnings of the accounting period starting in the relevant year for the companies with a special accounting period.





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