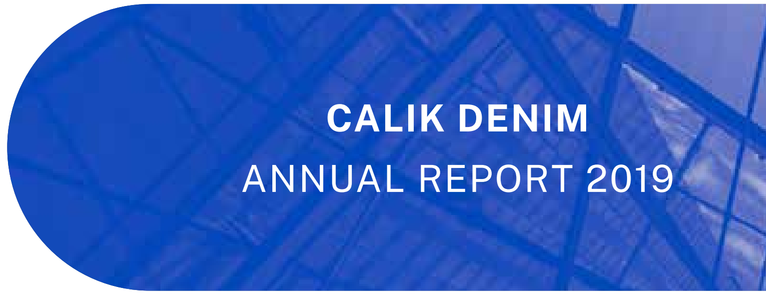
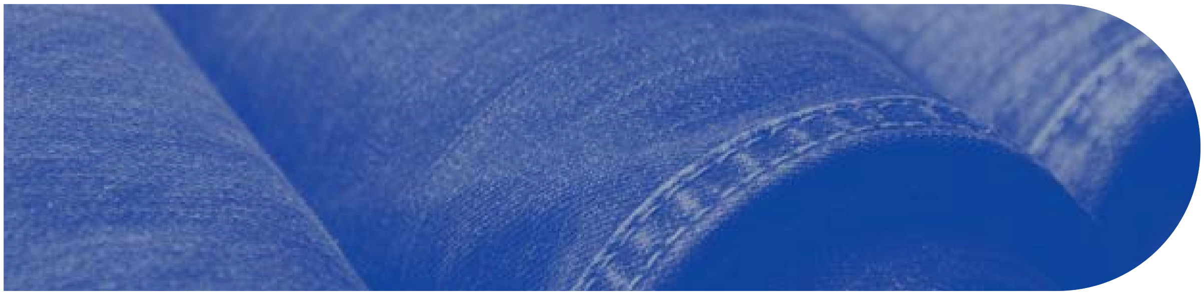
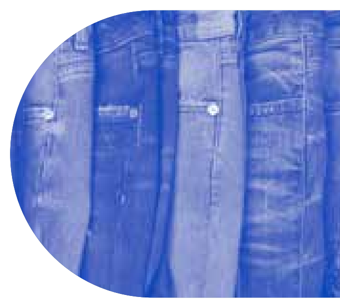






CALIK DENIM

Contents

TO BE CONTINUED...

Calik Denim exports about 85% of its production, directly and indirectly. We raise the world's awareness of high quality Turkish goods by continuously bolstering our presence globally.

As a world class brand, we account for a 10% share in the value added global market for premium denim fabric. We continuously improve our performance to ensure that our success is long term and sustainable.

Calik Denim invests steadily in advanced technology and innovation. Regardless of economic conditions, we invest in and guide the fashion of tomorrow with our forward-looking innovations. As a result, Calik Denim is the business partner of the world's leading brands.

CALIK DENIM

Calik Denim in Brief

Founded in Malatya 33 years ago, Calik Denim manufactures in a covered area of 398,368 m^2 with an annual capacity of 52 million meters and employs 2,580 people.

DATE OF ESTABLISHMENT

1987

NUMBER OF COUNTRIES WE EXPORT

40+

Calik Denim's journey set off in Malatya in 1987, as the first industrial investment of Calik Holding. Having another meaning in the Group history, Calik Denim was established with an investment of USD 111 million. Today it manufactures in a covered area of 398,368 m^2 with an annual capacity of 52 million meters and employs 2,580 people.

Initiating denim fabric production in 1996, Calik Denim continued to grow with steady steps and commenced its ring spinning business in 1997. Continuing to increase its market share and brand awareness globally with its efficient production and marketing strategies, Calik Denim transformed into an integrated facility as of 2003 and continues to develop its product range, which also includes gabardine/velvet products.

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 fabrics that add vision 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 in the Sales and Marketing Center in Istanbul. Leading fashion brands such as H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Acne, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, GAP, Good American, Mother, True Religion, AG Jeans, J Crew, Guess, G Star, Pepe Jeans, Scotch & Soda, Supreme, Edwin, Lucky Brand, M&S, Massimo Dutti, Jack & Jones, Hugo Boss and Banana Republic 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 more than 40 countries including USA, England, Netherlands, France, Germany, Spain, Scandinavia, Far East, Portugal, Italy, Tunisia and Morocco. Obtaining its fabric revenue through direct export and realizing indirect export by making the majority of its sales to foreign brands, the 85% of Calik Denim's sales are made to foreign brands through direct and indirect export.

Calik Denim brand adds value to the economy with products that make a difference in denim and gabardine fabric range. In addition, Calik Denim is included to 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 it has included to its product portfolio.

Highlights in Figures

2019 ENVIRONMENTAL INVESTMENTS

4.1

Million TL

OHS TRAINING PER EMPLOYEE

12.3

hours

WATER SAVING PER PRODUCT

11%

Highlights in Calik Denim

Became one of the participants of the United Nations Global Compact - UNGC.

Approximately 2% of the turnover was allocated to R&D.

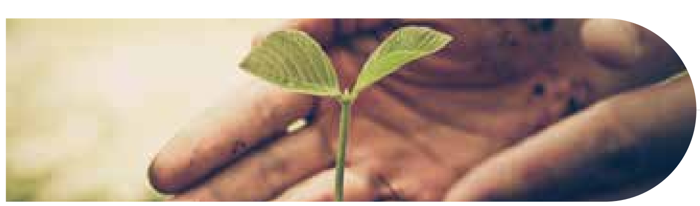
Training hours per employee increased to 16 hours by 45% in 2019 compared to 2017.

Occupational health and safety training hours per employee doubled in 2019 to 12.3 hours compared to 2017.

The percentage of products with Better Cotton Initiative (BCI) increased to 20.1%.

The amount of water used per product decreased by 11% in the last three years.

The electric energy produced from solar energy increased to 10 MWh in 2019.



TL 4.1 million was allocated to environmental investment and expenditures.

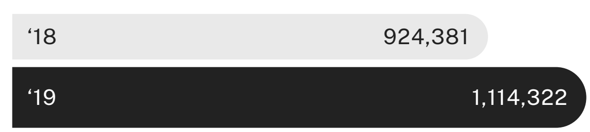
Basic Financial and Operational Indicators

Exporting to more than 40 countries in financial and operational year of 2019 Calik Denim achieved successful financial and operational results as of the end of the year by making more than TL 1.1 billion net sales.

Thousand TL	2018	2019
Net Sales	924,381	1,114,322
Gross Profit	337,897	272,291
Operating Profit	213,696	112,089

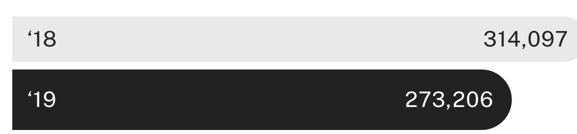
NET SALES

1,114,322
Thousand TL



EXPORTS

273,206
Thousand TL



Countries Exported to (Gross)

Consolidated Sales	(Thousand TL)	%
Tunisia	56,614	0.06
Italy	41,870	0.04
Germany	37,285	0.04
Hong Kong	21,607	0.02
USA	15,599	0.02
Morocco	11,024	0.01
Vietnam	9,339	0.01
Bangladesh	8,640	0.01
Portugal	8,552	0.01
China	8,178	0.01
France	6,501	0.01
South Korea	6,381	0.01
Indonesia	6,060	0.01
Egypt	5,054	0.01
Romania	4,668	0.00
Estonia	3,614	0.00
Serbia	3,374	0.00
Denmark	2,851	0.00
Spain	2,389	0.00
Mauritius	1,912	0.00
India	1,399	0.00
Austria	987	0.00
England	668	0.00
Cambodia	614	0.00
Sri Lanka	584	0.00
Mexico	468	0.00
Belgium	295	0.00
Bulgaria	268	0.00
Japan	157	0.00
Greece	654	0.00
Ukraine	135	0.00
Australia	50	0.00
Brazil	33	0.00
Pakistan	25	0.00
Sweden	7	0.00
United Arab Emirates	5	0.00

Our Mission, Vision and Corporate Values

MISSION

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

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 Centricity: 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.

Commitment to 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 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 to 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

Calik Denim differentiates with its sustainability awareness, innovative approach, extensive know-how and experience. However, our responsibility to Turkey makes us who we are.

Highlights in Figures

RANKING AMONG THE WORLD'S LEADING PREMIUM DENIM MANUFACTURERS

Calik Denim is a source of pride for our Group, the textile industry and our country.

NUMBER OF EMPLOYEES

2,580

NET SALES

1.1

Billion TL

Esteemed Business Partners and Valued Employees,

2019 saw economic uncertainty across the global due to trade wars between the USA and China, volatility in financial markets, growing economic protectionism and Eurozone instability from the Brexit process. Countries and enterprises that were most adept at reading and analyzing the world environment and responding effectively to fast-changing developments have thrived.

Turkey has experienced difficult times due to the negative impact of the election environment, strained relations with the USA and global economic uncertainty on the domestic economy. Thanks to the timely and appropriate actions taken by government decision-makers, effective macroeconomic measures and the unified response of all national economic stakeholders, Turkey's economy rebounded in the second half of the year. As a result of rallying around a common goal, Turkey closed the year with positive economic growth unlike many other countries.

Although forecasts for 2020 initially pointed to a moderate recovery in the global economy, the novel coronavirus (Covid-19) outbreak in China in late 2019 resulted in downward revisions of early projections. Today's world is highly interdependent, highly integrated and increasingly globalized thanks to instant communications and extensive transportation links. As a result, the struggle against the Covid-19 crisis will be a serious test for companies as well as for governments in the coming year. This unprecedented event is certain to change global dynamics. I would like to let all our stakeholders know that we are prepared for this period of uncertainty with our sound finances, dynamic risk management approach and diversified business lines.

During this time of uncertainty and volatility, Calik Group continued to move forward. We expanded our annual production capacity to 52 million meters. We boosted our sales while creating employment opportunities, welcoming new colleagues to the Company. Ranking among the world's leading premium denim manufacturers, Calik Denim is a source of pride for our Group, the textile industry and our country. During the year, we were delighted to have increased our environmental added value in addition to our industrial and economic added value.

For many years, Calik Denim has conducted numerous efforts to manufacture environmentally friendly and locally sourced sustainable products. We aim to further extend our product range and implement new approaches with our innovation drive. However, I think we will all have a new responsibility from this year onward.

Besides being an industrial and economic leader, Calik Denim undertakes social leadership in the textile industry and the regions where its production centers are located. Similarly, we provide economic as well as industrial and social contributions to our business partners, suppliers and stakeholders.

Calik Denim differentiates with its sustainability awareness, innovative approach, extensive know-how and experience. However, our responsibility to Turkey makes us who we are. I am confident that we will successfully fulfill our corporate responsibility in the coming year as usual.

Calik Denim is one of the most valuable members of Calik Group. Over the years, we have played a vital role in the Group's overall success. In 2019, Calik Denim continued to be a source of pride and motivation for us all with its many successes. I would like to express my gratitude to all our business partners, stakeholders and especially our colleagues who have played a major part in this ongoing success story.

Kind regards,

Ahmet ÇALIK
Chairman of the Board

Besides being an industrial and economic leader, Calik Denim undertakes social leadership in the textile industry and the regions where its production centers are located.

Board of Directors

Ahmet Çalık
Chairman of the Board

Ahmet Çalık is a member of a family that has been actively involved in the textile industry since 1930. Ahmet Çalık launched his first business initiative in this sector in 1981. He laid the foundations of Calik Holding, one of the leading companies in Turkey and the nearby geography. Calik Holding operates in in the energy, construction, mining, textile, telecoms, finance and digital sectors.

Ahmet Çalık 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.

After the Turkic Republics gained their independence in the 1990s, Mr. Çalık started up commercial enterprises in these countries and became one of the first foreign businessmen to invest in Turkmenistan by setting up textile factories there.

With a vision to create significant added value and enrich countries in which the Group companies operate, Mr. Çalık, established Calik Holding in 1997 to bring all of them together under a single banner. Today, the Holding conducts business operations with more than 23 thousand employees across 20 countries, in seven main areas. Calik Holding is the first Turkish company that became a member of the Japan Business Federation.

Calik Holding focuses on the projects that generate value for society and human with visionary investments. The Holding is also widely recognized globally thanks to its strong reputation, credibility, sound financial structure and long-standing partnerships with international companies as part of its operations in different regions of the world.

Fields of Operation
- Energy
- Construction
- Mining
- Textile
- Telecom
- Finance
- Digital

Significant Investments
- Ortadoğu Tekstil, 1981
- Gap Güneydoğu Tekstil (known as Calik Denim), 1987
- Gap Pazarlama, 1994
- Gap İnşaat, 1996
- Calik Holding, 1997
- Calik Enerji, 1998
- Aktif Bank, 1999
- TTK, Turkmenistan Textile Investment, 2000
- E-Kent, 2002
- Bursagaz, 2004
- BKT, 2006
- Kayserigaz, 2007
- ALBtelecom, 2007
- Lidya Madencilik, 2010
- Yeşilırmak Elektrik Dağıtım (YEDAŞ), 2010
- Calik Gayrimenkul, 2010
- Kosova Elektrik Dağıtım (KEDS), 2012
- Aras Elektrik Dağıtım (Aras EDAŞ), 2013
- Calik Petrol, 2017
- Calik 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

Social Responsibility Projects
- Malatya Educational Foundation
- Mahmut Çalık Education Complex
- Malatya Hasan Çalık Hospital
- Ankara Oncology Hospital
- Significant social aid projects in Van, Pakistan and Somali
- “İftarımızı Anadolu’da Açıyoruz” Activity
- “El Ele Elden Eve” Aid Campaign
- Restoration of Atatürk Köşkü, Yalova
- “İlk İşim Girişim” Competition
- Renovations at the Geomatics Department, Faculty of Civil Engineering at Istanbul Technical University.
- Renovation of the Precious Metals Laboratory at İTU Mining Faculty
- Boğaziçi University Faculty of Engineering - Hydraulic Laboratory renovation

Missions at the State Level
- Bursa Honorary Consulate of Republic of Kazakhstan, 2012

Personal
- 1958, Malatya
- Married with four children

Mehmet Ertuğrul Gürler
Deputy Chairman

Mehmet Ertuğrul Gürler was born in 1958 and graduated from Marmara University, Department of Business Administration. In his professional career spanning 37 years, Mr. Gürler served as Deputy Refinery Manager at BP Overseas Refining Company Ltd. from 1983 to 1987. From 1987 to 1994, he worked at different posts at Dow Türkiye A.Ş. and acted as the Financial Affairs Manager and Board of Directors Member. Gürler, assumed the position of Assistant General Manager at Total Oil Türkiye A.Ş. between 1994 and 1998 and joined Calik Holding A.Ş. in 1998 as the General Manager. Mehmet Ertuğrul Gürler still acts as the Deputy Chairman of the Board of Directors at Calik Holding, Banka Kombetare Tregtare, Albtelecom, Calik Denim, Başak Yönetim Sistemleri, Cetel Telekom, Calik Finansal Hizmetler, Calik Hava Taşımacılık, Irmak Yönetim Sistemleri, Kentsel Dönüşüm İnşaat, Malatya Boya and Aras Elektrik Dağıtım. Acting as a Board Member at Aktif Bank, Gap İnşaat, Gap Pazarlama, Calik Emlak ve Gayrimenkul, Calik İnşaat and Doğu Akdeniz Petro Kimya, he is the Chairman of the Board at YEDAŞ.

Board of Directors

Tarık Başara
Board Member
Born in 1961, Tarık Başara is a graduate of Istanbul University, Faculty of Business Administration. Having 30 years of banking experience, Başara started his banking career in Türkiye İş Bankası as an Inspector in 1986. As the manager responsible for the organization, accounting and data processing units at İşbank GmbH, which operates in Germany, he took part in the structuring and data processing projects between 1993 and 2005. Başara returned to Turkey and his former workplace Türkiye İş Bankası in 2005 and worked as a Unit Manager between 2005-2007 in Subsidiaries Department, as a Branch Manager between 2007-2012 in various branches and as a Department Head between 2012-2017 in Banking Basic Operations Department and retired afterwards. Başara acts as a Board Member at Calik Denim as of September 2019 in addition to his role as a Board Member and Audit Committee Member at Aktif Bank which he occupies since April 2019.

Ahmet Erdal Gürcan
Board Member
Born in 1969, Ahmet Erdal Güncan is graduated from Istanbul Technical University, Civil Engineering Department and received his master's degree on "Construction Management" in the same university. With 23 years of experience in banking, Güncan is serving as a Board Member of Calik Denim as of September 2019 in addition to his role as the Deputy General Manager of Corporate Banking in Aktif Bank where he joined in 2008.

Mahmut Can Çalık
Board Member
Born in 1991, Mahmut Can Çalık graduated from the Faculty of Economy in Universiteti Mesdhetar. He has been acting as the Board Member of ALBtelecom company since 2013, Chairman of Enrich Cotton company since 2017, Chairman of Enrich Technology company since 2019 and continues working as a Board Member in Calik Denim since 2019. Çalık is also a member of the Turkish Industry and Business Association (TUSIAD).

Ender Hıdıroğlu
Advisor to the Chairman
Ender Hıdıroğlu graduated from Middle East Technical University's Department of Mechanical Engineering, and held various positions at a range of companies, including GATEKS, UPISAS, SANKO, SASA, YURTAS, Paktaş and ISKO. After joining Calik Holding in 1992, Mr. Hıdıroğlu worked at Gap Pazarlama as CEO for three years. Hıdıroğlu continued his career for 10 years as a General Manager, Project Manager and Board Member at Gap İnşaat respectively. Acting in senior executive roles and as the Member of the Board at Group companies of Calik Holding, Hıdıroğlu currently serves as the Advisor to the Chairman of Calik Holding.

Message from the General Manager

In 2019, our total investments reached USD 300 million, with some USD 226 million invested over the last decade.

Highlights in Figures

PRODUCTION CAPACITY

52

million meters

INCREASE IN NET SALES – 2019

21%

GROSS PROFIT

272

Million TL

Esteemed Business Partners and Valued Employees,

2019 was a year when the Calik Denim family performed well financially, as well as in terms of future investments, workforce expansion, sustainability and innovation.

For this reason I would like to thank you all for your invaluable support, efforts and contributions.

During the year, our total investments reached USD 300 million, with some USD 226 million invested over the last decade. Meanwhile, we expanded our annual production capacity to 52 million meters. Our capacity expansion drove our sales performance, which grew 21% year-on-year. Our workforce at our Istanbul and Malatya-based facilities climbed to 2,580 employees. In 2019, we achieved 76% of our sales budget targets.

Our financial success made us and our stakeholders very happy. In fact, we are now motivated to do even better in the future. However, the steps we took during the year for the sustainability of our business, our industry and our planet have made us as happy as reaching our financial targets.

Calik Denim has divided its sustainability efforts around three main themes: Decreasing our impact on the environment; exchanging information and opinions with our stakeholders; and engaging in sustainable innovation. These efforts are designed to ensure that Calik Denim continues to operate in the future well beyond our current era.

Environmental sustainability and the appropriate and effective use of resources are critically important issues to the textile industry. Calik Denim engages in ongoing efforts to use our country's resources appropriately and to lead the industry while setting an example. In 2019, 87% of the water we used at our production centers as well as our wastes were recycled and recovered as reusable resources.

We are well aware that the main drivers of our success are our business partners and stakeholders. With this perspective, we undertook numerous efforts in 2019 with stakeholders on learning, developing and improving together. Sharing the extensive know-how and experience we have acquired in many areas – especially our sustainability approach – in addition to benefitting from our stakeholders' experiences, will provide a competitive advantage and play a vital role in Calik Denim's corporate development.

For decades, even centuries, the world has witnessed many companies or brands that are the leaders of their industries become complacent and left behind by young, dynamic and, most importantly, more innovative enterprises. At Calik Denim, we are always on the lookout for the new, the best, the most appropriate, the most effective. This approach is one of the reasons behind our success. In 2019, innovation was one of our strategic priorities. Calik Denim is proud of its achievements in this key area. I can proudly say that our R&D studies, testing efforts and innovative approaches yielded positive results in 2019. By year-end 2020, Calik Denim will be using 100% domestic cotton. We are happy to be supporting regional development with the domestic cotton production we have initiated at our facility in Şanlıurfa where we produce cotton equivalent to American cotton.

In 2019, Calik Denim also focused on digitalization. During May, we introduced our mobile app, which was immediately well received and highly valued by our customers. Thanks to this innovative application – launched after a lengthy target population analysis, design, procurement and technological R&D process – Calik Denim customers can access every detail about our products while closely monitoring our business processes.

We perform sustainability-related work around three main themes to help us become a bigger global player. Our participation in 12 fairs with global importance in the denim industry was one example of this effort in 2019. I would also like to emphasize that we also created a very positive perception about Turkey at these fairs. These events presented us with the opportunity to introduce our new collections and innovative products to current and prospective customers in Europe, the USA and the Far East. In parallel, we conducted cooperation projects at the Liberty Fairs – Las Vegas in February and August to consolidate our presence in the USA – one of our target markets.

Ten years ago, Turkey had the capability to produce 300 million meters of denim per year. Today, the country's annual production capacity has climbed to 900 million meters. This capacity expansion consolidated the global competitiveness of Turkey's denim production industry. Our high-quality production processes, skilled workforce and the country's strategic location have prompted many world famous brands to invest in Turkey. These investments are certain to increase in the future. There are many opportunities ahead for the denim industry in our country.

Calik Denim's greatest supporters are its employees, suppliers and stakeholders. They support our Company as well as the economic development and well-being of our society. With the certainty and the strength of knowing that your support and belief in us will continue for many years, I would like to express my gratitude to you all on behalf of the Calik Denim Family along with my deepest sincerity and respect.

Kind regards,

Fatih Doğan
General Manager

In 2019, Calik Denim focused on digitalization. Thanks to an innovative mobile application we introduced, our customers can access every detail about our products while closely monitoring our business processes.

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 Calik 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 completed his higher education 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.

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 A.Ş. 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 assigned as a Regional Manager in 2015. He continues working as the European Sales Director at Calik Denim since 2019.

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

Rahmi Ataş
Trade and Administration Director
Born in 1973 in Malatya, Rahmi Ataş graduated from Istanbul University, Department of Geological Engineering. Working in Calik Denim since 1996, Ataş worked in different departments under 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 in Calik Denim in 1999, Kalalı currently works as a Technical Director.

We are a privately held company that invests in the future

We know how important effective and ongoing investment is to ensure sustainable success. Our total investments have reached USD 300 million over the last 10 years. We are proud to have expanded our annual production capacity to 52 million meters. Our next annual production target is 60 million meters.

Ceren Çiçekçioğlu
Foreign Sales Manager

PRODUCTION CAPACITY

52
Million meters

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^2, including 398,368 m^2 of covered area in Malatya with new technologies.

LIFE CYCLE ASSESSMENT (LCA)

Calik Denim aims to make the sustainability of each quality measurable with the Life Cycle Assessment approach. The environmental impacts at all production stages from cotton production and raw material supply to final product have become measurable.

TRANSPARENCY MONITORING SYSTEM (TMS)

With the “Transparency Monitoring System” (TMS) established in 2019 with a focus on measurable targets, it is aimed to measure the production inputs and to ensure the resource utilization optimization in production processes.

Attaching great importance to innovation studies to increase productivity in production, Calik Denim introduced significant changes this year in order to integrate sustainability efforts into its production activities.

TOTAL PRODUCTION AREA

777,152

m^2

2019 YEAR-END PRODUCTION CAPACITY

52

million meters

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^2, including 398,368 m^2 of covered area in Malatya with new technologies.

What Have Been Done This Year to Make Production More Efficient?

Increasing its product quality day by day, Calik Denim continues working for an environmentally friendly and sustainable production infrastructure. Attaching great importance to innovation studies to increase productivity in production, Calik Denim implemented 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.
- By conducting Life Cycle Assessment study, rendered the environmental impacts at all production stages from cotton production and raw material supply to final product measurable.
- By calculating the environmental effects on a product basis, a road map is determined to reduce the environmental effects of the products.
- It is able to specifically calculate how the environmental impacts of qualities that use recycle cotton or organic cotton decrease.
- Since Life Cycle Assessment approach covers the supply chain of the product, it can also calculate the effects of suppliers on products numerically.
- Therefore, when the products are introduced to the 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.
- Adhering to transparency and accuracy principles, it is planned to have the Life Cycle Assessment studies verified by independent verifiers. Therefore, the accuracy of each data shared will be 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 will be 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, completed in 2019, 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.

Production

Calik Denim increases its brand value with state-of-the-art machines it procured this year. This ensures higher quality production while increasing its ability to respond accurately to today’s needs.

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

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Within the scope of the commitment to the United Nations principles which we 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 2019 in order to provide product based sustainability easier and in a more convenient way. These arrangements are as follows:

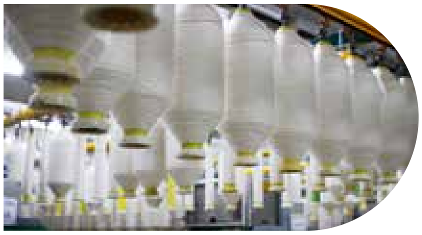
- Article-based LCA studies were made in product groups.
- New product groups that include recycle and other cellulosic raw materials were created.
- D-Clear technology and Denethic concept with low energy and water consumption were developed. Such technologies and concepts were included in the collection.
- 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.

Developments in Calik Denim Integrated Facility

Calik Denim increases its brand value with state-of-the-art machines it procured this year. This ensures higher quality production while increasing its ability to respond accurately to today’s needs. The machines and systems acquired by Calik Denim in 2019 are as follows:

- Indigo-3 machine installation.
- 22 rope opening machine installation.
- 2 rope winding machine installation
- 4 cauterization machine installation.
- 4 pentek machine installation.
- Monalisa machine installation.
- 3 slashing machine installation.
- 2 Direct warping Appalachian tension system installation.
- Quality control machine installation.
- Quality control machine fabric shaking system installation.
- Shaking system installation.
- Sizing pick-up measurement system installation.
- Recirculating fluidized-bed coal boiler (2x35 ton/hour) installation.
- Main steam line revision.
- Indigo-1 32 rope revision.
- Calik-1 interior air installation revision.
- Slasher 3 pick-up measurement system.

CALIK DENIM PRODUCTION STEP-BY-STEP



1. Yarn Facilities

In 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-slub techniques (exclusive program to make slub).

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 appear 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 two 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 (Dornier, 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 checks, 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

33,330,000 kg
Yarn

71,000,000 mt
Warp Dyeing

62,040,616 mt
Raw Cloth (Final Product)

52,734,523 mt
Finishing

52,734,523 mt
Finished Fabric

Certifications

Calik Denim, which continues to work with the aim of being a company that is beneficial to the world, proves that it has been providing its customers with world-class products and services with the certificates it has obtained so far.

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, it 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 has the following certifications:

- ISO 9001 Quality Management System Certificate
- ISO 14001 Environmental Management System Certificate
- OHSAS 18001 Occupational Health and Safety Management System Certificate
- ISO 50001 Energy Management System Certificate
- ISO 27001 Information Security Management System Certificate
- BCI Membership
- Oeko-Tex Standard 100
- GOTS
- OCS
- GRS
- RCS
- Cotton USA
- Nordic Swan Ecolabel
- EU Ecolabel


STRATEGIC TAKE
IMPLODED
SHIFTING
THE
INFORMAL

Sales and Marketing

Ranking among the world's top premium denim manufacturers, Calik Denim holds a strong and prestigious position among the upper segment fabric manufacturers.

CALIK DENIM "IN PREMIUM LEAGUE"

Among the top upper segment denim fabric manufacturers called the "premium league," Calik Denim is a dynamic and reliable supplier for global brands such as; H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Acne, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, Benetton, G Star, Salsa, Next, Jack & Jones, VF, Inditex, Ahlers, Scotch & Soda, Hugo Boss, J Brand, Banana Republic, Acne, Mother, 7 for Allmankind and Zerres.

SUSTAINABILITY CATALOG (GREEN PRINT BOOK)

In 2019, Calik Denim prepared a special catalog that includes all production practices regarding sustainability approach. The catalog named Green Print Book that represents the "ecological footprint," consists of three main sections: raw materials, processes and certificates.

EVER EVOLVING TALKS BY CALIK DENIM

Calik Denim organized the second edition of Ever Evolving Talks by Calik Denim event in 2019 in Amsterdam. In 2018, Apple's former Creative Director, Ken Segall, one of the main speakers of the event explained the future of simplicity and innovation, while Matthew Drinkwater shared his views on the wearable technology trends that will affect the future of the fashion industry.

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 presents global trends in the world of denim while allows the users to match these trends with Calik Denim fabrics and request samples besides many other features.

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.

Among the top upper segment fabric manufacturers called the "premium league," Calik Denim is a dynamic and reliable supplier for global brands such as H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Acne, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, Benetton, G Star, Salsa, Next, Jack & Jones, VF, Inditex, Ahlers, Scotch & Soda, Hugo Boss, J Brand, Banana Republic, Acne, Mother, 7 for Allmankind and Zerres.

Producing 44 million meters of fabric in 2019, Calik Denim is among the world's leading denim fabric manufacturers. Exporting over 40 countries, the Company's key export destinations include Germany, Spain, the USA, the UK, the Netherlands, France, Scandinavia, the Far East, Portugal and Italy.

Calik Denim is one of the two denim suppliers of H&M, which is of the most important fashion brands in the world, and was selected as Gold Supplier by H&M. Also, the Company is the only denim company among 20 strategic partners chosen by the Ann Taylor brand in all product groups in the US market. Additionally, the Company is one of the two denim companies that possess the Nordic Swan certificate, a very important certificate for Northern Europe countries that is designed to establish a production chain to contribute to a sustainable consumption and to present environmentally-conscious product to the industry.

Always among the Top with Fast and High-Quality Solutions

Calik Denim uses Organic Cotton, BCI Cotton, Recycle Cotton fabric types in production. Realizing 6% of its production with Organic Cotton, 21% with BCI Cotton and 0.7% with Recycle Cotton, Calik Denim has made sustainability the number one priority in denim fabric production. Therefore, the Company once again achieved its mission of being a sustainable denim fabric manufacturer in the supply chain.

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 business partners ranks Calik Denim among the top companies in the preference list of prestigious brands.

Calik Denim maintains its identity as a manufacturer that produces the fabrics of tomorrow with the technology of the future and exceeds expectations with its rich product range.

In 2019, Calik Denim participated in the most important fairs of the industry in many regions of the world, from the USA to the Far East.

Exporting over 40 countries, Calik Denim's key export destinations include Germany, Spain, the USA, the UK, the Netherlands, France, Scandinavia, the Far East, Portugal and Italy.

Sales and Marketing

Calik Denim launched a video for the promotion of its D-Clear technology, introduced as one of the technologies that is the reflection of sustainability approach to production.

Calik Denim conducted various product marketing efforts for the Denethic product concept, launched with Spring/Summer 2021 collection, which is a real innovation with its unusual and environmentally-friendly structure and in which washing effects are applied during fabric production stage in the factory.

Fair	Region	Country
Munich Fabric Start	Europe	Germany
Kingpins Show Amsterdam	Europe	Netherlands
Denim Premiere Vision	Europe	Italy, England
Kingpins Show Hong Kong	Far East	China
Kingpins Show New York	America	USA
Premium Textile Japan	Far East	Japan
Kingpins Show China Tour	Far East	China

Collection Photo Shoots
In 2018 and 2019, Calik Denim once again worked with the American photographer, Eric Kvatek, for the outdoor photo shoots held twice a year in order to create an accurate visual perception for the products in its collections. For the shoots, cities with a natural beauty as well as an atmosphere that will have a harmony with the product concepts in the relevant collection are selected every season.

The photo shoots for Autumn/Winter 2019-2020 and Spring/Summer 2020 collections, launched in 2018 were made in Dubrovnik/Croatia and Perth/Australia respectively. Cape Town/South Africa was selected as the shooting location for Autumn/Winter 2020-2021 collection in 2019 while Hawaii was selected as the location for Spring/Summer 2021 collection.

Denethic Marketing Campaign
Calik Denim conducted various product marketing efforts for the Denethic product concept, launched with Spring/Summer 2021 collection, which is a real innovation with its unusual and environmentally-friendly structure and in which washing effects are applied during fabric production stage in the factory.

For the promotion of Denethic fabrics, which allows considerable water savings in fabric production processes while allowing less water and time to be spent during the garment phase, Calik Denim partnered with a creative agency based in Amsterdam and prepared a video underlining the contribution of these products to the environment. Additionally, a brochure explaining all technical features of the related fabrics as well as the advantages of these fabrics in terms of sustainability was shared with the customers.

D-Clear Technology Marketing Campaign
Calik Denim launched a video for the promotion of its D-Clear technology, introduced as one of the technologies that is the reflection of sustainability approach to production. In addition to a video which highlights the ecological features of D-Clear technology which provides significant water saving during Dyeing and Finishing stages and decreases the consumption of chemicals during Finishing stage, a brochure was also prepared. The relevant video was shown in the sustainability-oriented Smart Creation trend area of the London Fair, held in December 2019 by the Denim Premiere Vision fair management.

Sustainability Catalog - Green Print Book

In 2019, Calik Denim prepared a special catalog that includes all production practices regarding sustainability approach. The catalog named Green Print Book that represents the "ecological footprint," consists of three main sections: raw materials, technologies and certificates. In addition to raw materials that support sustainability such as organic cotton, recycled polyester, information about environmental technologies such as Better Dye, Oxygene and D-Clear developed by Calik Denim is also included in the catalog. As the Green Print Book is a main resource that reflects the activities of Calik Denim in bringing the sustainability approach to production and is one of the rare studies prepared with this contents, it has received quite positive feedback from customers. Calik Denim updates its sustainability catalog in every collection season.

Munich Fabric Start Fair - HighTex Award Exhibition

Thanks to the product features such as ultra-lightness and softness, ability to keep the shape of the first day, high flexibility and compact structure, 71380D coded fabric from Calik Denim's Fly Jean product concept, was entitled to be exhibited in the HighTex Award section, where innovative products were featured at the Munich Fabric Start Fair held in September.

Kingpins Show - Top 10 Sustainable Products List

Calik Denim was selected in the list of 10 most sustainable products selected by Kingpins Show among certain participating companies with its Denethic product concept in October 2019 edition in which Spring-Summer 2021 collection was announced.

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Sales and Marketing

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.

Calik Denim brought a breath of fresh air to the textile industry by organizing a different event for its industry. Many global brands who are not customers of Calik Denim got to know the Company, and the Company’s brand image has gained considerable value.

EVENTS

Always Further with “Ever Evolving”

It was revealed through internal and external brand analysis, which took place during the brand identity transformation process, that the essence of the brand is an explorer. With the motto “Ever Evolving”; the Company 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. Another purpose of Calik Denim in this journey is to move forward not only its own brand but also its industry.

Calik Denim brought a breath of fresh air to the textile industry by organizing a different event for its industry. Ever Evolving Talks by Calik Denim platform, established with the participation of leading names of the industry in addition to experts of different disciplines and industries brought a breath of fresh air to the industry and provided inspirational speeches. Thanks to this platform, many global brands who are not customers of Calik Denim got to know the Company, and the Company’s brand image has gained considerable value.

Ever Evolving Talks by Calik Denim 2018-2019

Calik Denim held the first Ever Evolving platform event in 2018 and the second in 2019 in Amsterdam. The first event, where issues such as trends that will shape the future of the sector, innovation, technology and sustainability etc. concepts were discussed with the participation of expert speakers from different disciplines and industries was held in October 23, 2018.

One of the main speakers of the event held in Theater Amsterdam, Apple’s former Creative Director, Ken Segall, explained the future of Simplicity and Innovation, while Matthew Drinkwater, Director of Fashion Innovation Agency of London College of Fashion shared his views on the Wearable Technology trends that will affect the future of the fashion industry. Founder of Whetston Strategic Foresight Company, Thimon de Jong provided information on the purchasing preferences and behaviors of Generations Y and Z.

Furthermore, sessions in which G-Star Raw Denim and Sustainability Specialist Adriana Galijasevic, Sardin.co founder Rune Orloff, Wrangler Sustainability Director Roian Atwood and Zedonk founder Marcia Lazar shared their opinions on ‘Sustainability Brand’as a Brand Value”; ALYX brand’s founder Matthew Williams, The Brooklyn Circus Creative Director Ouigi Theodore and Art Comes First brand’s founders Sam Lambert and Shaka Maidoh shared their opinions on ‘The Future of Fashion’ and Highsnobeity Digital Fashion Editor Alec Leach, Ex Infinitas founder and designer Lukas Vincent, Willy Chavarria founder and designer Willy Chavaria and Avery Dennison Creative and Brand Collaboration Specialist Izzy Joly shared their opinions on ‘The Power of Collaboration’ were held.

Ever Evolving Talks by Calik Denim 2019 was held in Theater Amsterdam on October 22. The event hosted valuable speakers and attracted great participation internationally. Besides the trends that will shape the future of the industry, concepts such as Blockchain system, consumption patterns of Z generation and climate change were discussed in the event.

Millennium and Z generation expert Matt Britton, one of the main speakers of Ever Evolving Talks by Calik Denim 2019 revealed the Future of the Consumer in his speech addressing the consumption habits and trends of the generation that has been born since 2000, which is called Generation Z. Provenance Founder and CEO Jessi Baker meanwhile explained what needs to be done for a transparent supply chain through blockchain technology. Blockchain technology is at the forefront in order to eliminate the frauds in the fashion industry in recent years. As the textile and fashion industry becoming more transparent due to this technology, fraudulent supply chain networks and the issues faced regarding brand positioning are being eliminated. Thanks to this technology used to renew the textile industry, customers around the world can access the attractive product range. It also provides convenience in accessing products, customizing mobile products, instant delivery and easy returns. At the same time, production is becoming faster than ever, due to increased computerization in areas such as sewing, pattern making and knitting.

The event also featured the former NFL player and NASA astronaut Leland Devon Melvin and Co-Founder of The Bear Scouts and WGSN Denim & Sustainability Director Dio Kurazawa and they made a discussion on “Overcoming Climate : A Glimpse into Our Future.” In the session titled “How can Business can be a force for good with B Corp?” life and goodness get together with BCorp?’, Mud Jeans Founder and CEO Bert Van Son and B LAB Europe Director Nathan Gilbert met the audience while Fashion Revolution Special Event Curator Tamsin Blanchard, Founder and Creative Director of Bethany Williams brand Bethany Williams, Co-founder of Ahluwalia Studio Creative Director Priya Ahluwalia and Founder of Wright Le Chapelain, Wright Imogen exchanged opinions in the session named “The Future is Female: A Coversation with Women Who Create Responsibly” session.

As the textile and fashion industry becoming more transparent due to the blockchain technology, fraudulent supply chain networks and the issues faced regarding brand positioning are being eliminated.

Sales and Marketing

Calik Denim attaches great importance to future generations and continues to cooperate with universities in this context. Established in 2017 in cooperation with Calik Denim, the denim department of Parsons School of Design, one of the most established fashion schools in the world, gave its new graduates in 2019.

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.

UNIVERSITY COLLABORATIONS

Parsons x Calik Denim

Calik Denim attaches great importance to future generations and continues to cooperate with universities in this context. Established in 2017 in cooperation with Calik Denim, the denim department of Parsons School of Design, one of the most established fashion schools in the world, produced its new graduates this year. 12 designers who completed their education this year have exhibited their collections with Calik Denim fabrics. The top three designers selected by the jury selection among the students presenting their final projects received training at the Calik Denim factory in Summer 2019 and had the opportunity to exhibit their collections at the Munich Fabric Start Fair. Designers also had the opportunity to experience the garment processes in Baykanlar's factory during their internship in Calik Denim factory. 2019 education term completed as of December. Designers held jury presentations with the collections they prepared with Calik Denim fabrics. The designers ranked among the top five were announced after being selected in January.

ITU x 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. The program aims to contribute to the development of sector employees, including managers, and a two-day program is presented to 106 managers and employees of the brands in denim industry in which all stages of denim, from cotton to production, are examined and their usage areas are discovered in a total of five programs that took place until 2018. Theoretical information regarding denim was provided to the participants who are experts academicians of ITU, and then practical information was 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. It is aimed to organize the training sessions twice a year in the future, and to include foreign customers in the training.

DESIGNER COLLABORATIONS

Art Comes First x Calik Denim

Calik Denim has made a collaboration with Art Comes First, an English fashion brand which was established as a brand consultant and later become one of the most interesting and creative brands in men wear in the last 10 years. In addition to the importance it gives to sustainability, Art Comes First's innovative collection approaches created by addressing cultural issues such as art and music coincided with the DNA of Calik Denim, ensuring that the collaboration formed on even stronger foundations. The first collection of the collaboration, Rebel in a Blue Jeans was introduce for the first time on November 3-4, 2018 in ComplexCon, the festival concept fair hosting world-leading brands of the USA. Collection was introduced in Milano, Paris and Copenhagen afterwards within 2019. Calik Denim's collaboration with the brand continues with a new collection preparation.

One Square Meter x Calik Denim

Aiming to design original denim collections with innovative approaches, Calik Denim collaborates with the leading brands and designers as well as local artisans and attaches great importance to this matter. In this context, the most recent collaboration was made with One Square Meter, a domestic ready-wear brand which gives a new meaning to 'Slow Fashion' movement, adopts sustainable and responsible fashion principles. The brand produced its new collection designs with Calik Denim fabrics in their workshop in Gömeç/Balıkesir. Achieving a new success story in the fashion world, the brand exhibited its first denim collection it has designed with great devotion in its workshops, under Denim Days in Amsterdam, one of the world's leading denim festivals last October and received great admiration from the festival's visitors.

Willy Chavarria x Calik Denim

Calik Denim made a collaboration with Willy Chavarria, a New York based men's clothing design brand which has a cinematic approach in its designs and presentations and which prioritizes sustainability since its foundation. The Dirty Willy Denim collection, designed from fabrics created with sustainable and innovative technologies of Calik Denim received a lot of attention during New York Fashion Week.

TRADESHOWS COLLABORATIONS

Liberty Fairs Las Vegas x Calik Denim

Since 2017, Calik Denim collaborates with Liberty Fairs Las Vegas, which is one of the most prestigious tradeshows in the Western USA where it aims to increase its market share. Getting together for the fifth time with Liberty Fairs as of the end of 2019, Calik Denim exhibited Selfsized and Selfsized Boost concepts in the area allocated in Indigo

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

Sales and Marketing

In order to highlight the practices of the sustainability approach at different steps of the denim clothing supply chain, Calik Denim conducted a collaboration project with Özak Tekstil and Lenzing.

As Zara, one of the important customers of the Spanish market, launched a collection prepared by Calik Denim using Fly Jean fabrics, Calik Denim brand was highlighted on the products as well.

Lounge, where the booths of important denim brands such as Hudson, Jack & Jones, Levi's, AG, PRPS were also located. With this project, Calik Denim had the opportunity to reach its current and potential customers in the USA market, especially the Western USA market and maintained the privilege of being the first and only denim fabric manufacturer to cooperate with Liberty Fairs Las Vegas.

SUPPLIER COLLABORATIONS

Lenzing x Özak Tekstil x Calik Denim
In order to highlight the practices of the sustainability approach at different steps of the denim clothing supply chain, Calik Denim conducted a collaboration project with Özak Tekstil and Lenzing. A capsule collection was prepared by Özak Tekstil with Calik Denim fabrics that include TencelTM Liyosel fiber produced with RefibraTM technology, the circular economy solution of Austrian Lenzing company. The capsule collection prepared by Özak Tekstil with environmentally friendly washing technologies and in which each product is in the low environmental impact category was demonstrated for the first time at Calik Denim booth in Denim Premiere Vision Fair held in London on December 3-4, 2019.

OTHER COLLABORATIONS

Ubi-Ind Denim x Calik Denim
In 2018, a collaboration project was made with San Francisco based Ubi-Ind Denim incorporates after 20 years of experience in denim sector. Within the scope of the project, a special collection including chef aprons and service products was prepared with the cooperation of Fly Jean fabrics featuring premium thermo-regulation of Calik Denim and the innovative and modern design approach of Ubi-Ind Denim. Therefore, a denim-focused new dimension was created for kitchen textile in terms of functionality and design. This project carried out with Ubi-Ind Denim is a first in denim industry and attracted great interest from the visitors of Liberty Las Vegas Fair.

CUSTOMER COLLABORATIONS

Baykanlar x Calik Denim
In 2018, a collaboration project that emphasizes the theme of sustainability was made. For the collection of fabrics produced with D-Clear technology, which provides significant savings in Indigo dyeing and Finishing processes, Baykanlar applied its environmentally-friendly washing techniques. Additionally, all accessories were selected as ecological. An environmentally-friendly and special collection was prepared within the scope of this collaboration project and was introduced in Kingpins Amsterdam October 2018 edition.

Zara x Calik Denim
As Zara, one of the important customers of the Spanish market, launched a collection prepared by Calik Denim using Fly Jean fabrics, Calik Denim brand was highlighted on the products as well. In addition, while the relevant collection is exhibited in stores using the name and logo of Calik Denim, a trademark registered in many countries, the advantages provided to these products were announced to the end-user in parallel with the Fly Jean marketing campaign conducted by Calik Denim.

Gonser Group x Calik Denim

Within the scope of the collaboration project implemented within the framework of sustainability approach together with Germany based Gonser Group, environmentally-friendly washing techniques were applied for the capsule collection prepared entirely with organic fabrics. A sustainable collection was developed both in terms of fabric and washing processes. This value-added collection was presented to the taste of Calik Denim customers at Munich Fabric Start Fair.

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 presents global trends in the world of denim while allows the users to match these trends with Calik Denim fabrics and request samples besides many other features. Including information regarding Calik Denim fabrics, the mobile app provides videos and photos with allows the filtering of fabrics by color, elasticity, weight, structure and coatings as well as responding sample needs in a short time.

Thanks to this mobile app which also includes a section where news about Calik Denim can be found, customers are able to contact the Company via e-mail or telephone.

Created to get global trends together with Calik Denim fabrics, and which maintains its position as the first and only in the sector, Calik Denim mobile application was introduced in Denim Premiere Vision Fair held in Milano on May 28-29. The newly developed app attracted great attention at the Calik Denim booth. Having the opportunity to introduce the app in Munich Fabric Start at September 3-4, Calik Denim made sure that customers experience the application with the iPad Kiosk set up at the booth, in the fair in which German market customers as well as the participants from Europe were hosted.

The mobile app introduced by Calik Denim presents global trends in the world of denim while allows the users to match these trends with Calik Denim fabrics and request samples besides many other features.

We take forward-looking digital steps that make a difference

In line with our digital approach that differentiates in the market, we launched the Calik Denim mobile application – the first and only one of its kind in the industry. With this innovative application which we introduced after a long development period, Calik Denim customers are able to monitor global trends, easily access detailed information about our products and order samples with a single click.

Fatih Eser Garip

Process Development and Improvement Chief

EXPORT COUNTRIES

40+


CALIK DENIM
Discover
Trends
Fabric
Featured Looks
See More +


CALIK DENIM
Discover
Trends
Fabric
Collections
Choose Your Fabric
See All


CALIK DENIM
Discover
Trends
Fabric
Woman


CALIK DENIM
Blog - NEW
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Blog Home
Editors
News
Events
Editors
Why Gen Z's Are Demanding Transparency

Investments

Producing leading and difference making products in the denim industry, Calik Denim increases its current quality level with new modernization systems and investments day by day. In this context, Calik Denim invested TL 190.8 million throughout 2019.

2019 FIXED ASSET INVESTMENTS

168.3

Million TL

2019 R&D INVESTMENTS

22.5

Million TL

2019 EXPORT REVENUE

273

Million TL

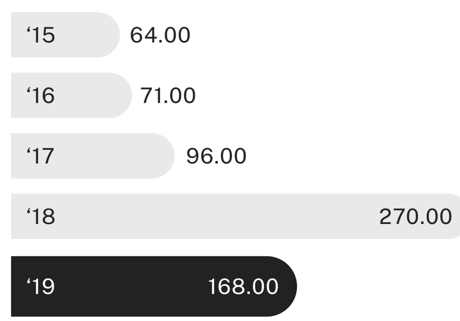
Producing leading and difference making products in the denim industry, Calik Denim increases its current quality level with new modernization systems and investments day by day. Within the framework of renovation and new investment works carried out in 2019, the following were completed:

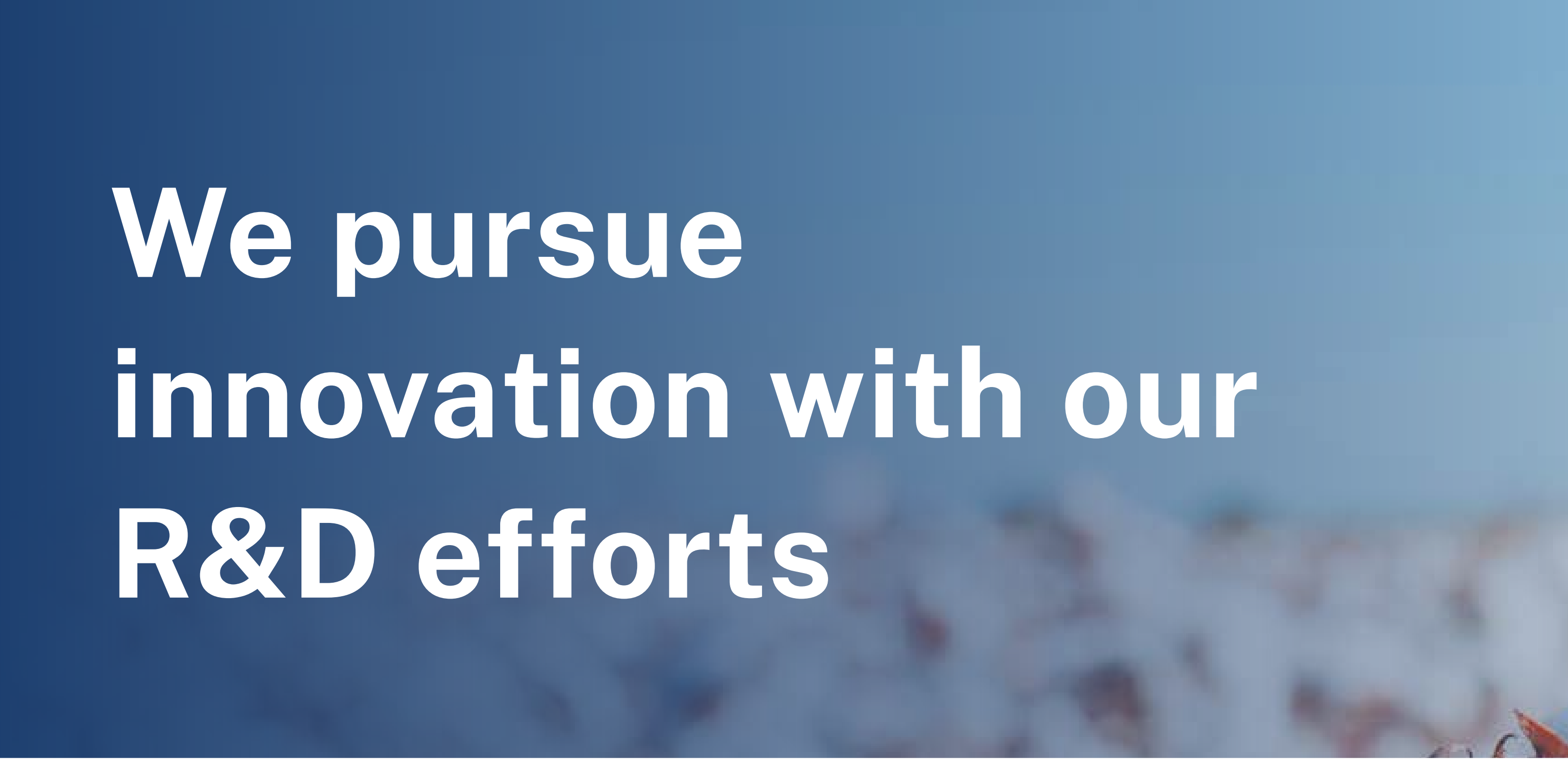
- Weaving looms and modernization investments for the Weaving Facility,
- Indigo Rope Dyeing machine and Calik Denim-designed Rope Winding and Rope Opening investments for the Warp Dyeing Facility,
- Calik Denim-designed Sanfor machine investment at the Dye Finishing Facility and machine modernization investments,
- 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,
- 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 168 million in 2019.

Also, Calik Denim spent TL 22.5 million for new research and development efforts in 2019 for its R&D center.

INVESTMENTS (MILLION TL)





We pursue innovation with our R&D efforts

Pursuing the new and continuously improving our products is a key part of our corporate culture... We know that the best way to stay ahead of the competition is to embrace R&D and innovation. As the company establishing the seventh R&D center of the textile industry in Turkey, Calik Denim regularly integrates advanced technologies into all its business operations. We take innovative steps that produce the fabric of the future with our 65-person team of R&D professionals.

Cem Ozan Sarı
R&D Research Engineer

2019 R&D INVESTMENT

22.5
Million TL

R&D and Product Development

R&D Center has a total of 223 projects in its project portfolio from the day it was established. 194 of these projects are completed while 29 projects are ongoing.

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...

R&D Center has a total of 223 projects in its project portfolio from the day it was established including 194 completed and 29 ongoing projects. Calik Denim spent TL 77.1 million on R&D for the projects conducted.

INTERNATIONAL COLLABORATIONS

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

TWO MAIN COLLECTIONS OF 2019

Calik Denim introduced AW 20/21 Eudemonia and SS 21 Gravity, two main collections designed with fabrics produced by the Product Development Center's successful 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.

Acting with the awareness that the way to remain competitive in the line of business it operates is through R&D and innovation, Calik Denim prioritized R&D and innovation works in every period and implemented many projects successfully funded either by Project Funding Institutions and Organizations or by its own resources. Within the scope of the relevant law, establishment of an R&D Center was adopted as a process in which the activities were planned more systematically and where the product, process and technology focused project development works are implemented. Leaving eight years behind with this strategy, 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 technologic 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,

Calik Denim R&D center contributes to the denim industry by producing technologic know-how, while estimating the needs of the market.

R&D and Product Development

The management has a strong will to internalize 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.

R&D PROJECTS TOTAL INVESTMENT AMOUNT

77.1

Million TL

- 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.

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 to internalize 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 it does business in, 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 223 projects in its project portfolio from the day it was established. 194 of these projects are completed while 29 projects are ongoing. A total of TL 77.1 million was spent for the 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 to the scope of exemption and a total of USD 188.6 million was generated from the sales of 44.3 million meters of R&D based denim fabric from the project outputs.

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 to the academic studies of R&D engineers at national/ international congresses.

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.

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, Fırat University, Karadeniz Technical University, Ege University, İstanbul Aydın University, Mimar Sinan Fine Arts University and Marmara University. Efforts to cooperate with universities abroad are ongoing as well.

Calik Denim also collaborates with universities and research institutes located in Italy, Spain and Germany, and continues its negotiations for collaborates 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)

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

R&D and Product Development

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.

Based on 2018 data, Calik Denim R&D Center ranked 78th 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.

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, it was ranked 78th 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.

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.

Two Main Collections of 2019:

AW 20/21 (Eudemonia) and SS 21 (Gravity)

Calik Denim introduced two main collections designed with fabrics produced by the Product Development Center's successful works.

The theme of AW 20/21 Eudemonia collection originates from the high level of sustainability, where technology creates new perspectives, significantly reduces waste and achieves water savings to contribute to natural sources. This is the responsibility journey that Calik Denim continues.

SS 21 Gravity collection takes its name from being attached to balance and soil, which is the most real lifestyle. In these two collections, technology takes the users to another level that expands new horizons.

Sustainability is at the center of all our operations

Calik Denim is committed to using the our country's resources effectively and leading the industry while setting an example. Some 87% of the water we use at our production centers as well as our wastes are recycled and recovered as reusable resources.

Selen Baltacı
Marketing Communications Executive

WATER AND WASTE RECYCLING RATE

87%

Sustainability Strategy

Within the direction of “Passion for Denim, Passion for Life” 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.

2025 TARGETS

Thinking that it needs smart targets in order to implement its sustainability strategy, Calik Denim has determined its 2025 targets under four main titles: Environmental Sustainability, Sustainable Raw Material Procurement, Innovation and Thought Leadership, Internal and External Stakeholder Rights.

SUSTAINABILITY STRATEGY INTRODUCED TO NORTHERN EUROPE

Calik Denim’s “Passion for Denim, Passion for Life” Sustainability Strategy was launched to customers in the region in collaboration with Habit Magazine, one of Scandinavia’s leading magazines. In the event held in Stockholm on October 10, the leading brands of the market such as H&M, Tiger of Sweden were hosted.

Asking its stakeholders to join its sustainability journey, Calik Denim aims to bring the sustainability transformation it has commenced with its new sustainability strategy "Passion for Denim, Passion for Life" into its corporate culture.

Among the most important topics of the 21st century, sustainability is placed at the heart of the business strategy of Calik Denim that follows the trends.

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. Company aims to bring the sustainability transformation it has commenced with its new sustainability strategy "Passion for Denim, Passion for Life" into its corporate culture.

Passion for Denim, Passion for Life

Among the most important topics of the 21st century, sustainability is placed at the heart of the business strategy of Calik Denim that follows the trends. 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 material.

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.

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

Within the scope of the commitment to the United Nations principles 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 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.

Global Challenges:

- Changing Consumer Behavior
- Technology and Digitalization
- Climate Change
- Limited Resources
- Demographic Transition

VIA

By leading innovation in **PRODUCTS**

To make a positive impact for/and with **STAKEHOLDERS**

FOCUSING ON

R&D

Product Quality and Safety

Sustainable Raw Material Procurement

Local Social and Economic Development

Occupational Health and Safety

RECEIVING STRENGTH

Innovation

Collaboration

Transparency

To reduce its impact on the **ENVIRONMENT**

Human Rights

Thought Leadership

Climate Change and Energy

Water Management

Chemicals Management

Economic Performance

Brand Management

Contribution to Sustainable Development Goals

Sustainability Strategy

Thinking 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.

A Sustainability Committee was formed to integrate the sustainability strategy with the business model, to achieve the 2025 targets and to monitor progress.

2025 Targets

Thinking 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.

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 executive selected as the 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 and Denethic Concept Introduced to Northern Europe

Calik Denim's "Passion for Denim, Passion for Life" Sustainability Strategy was launched to customers in the region in collaboration with Habit Magazine, one of Scandinavia's leading magazines. In the event held in Stockholm on October 10 and important brands of the market such as H&M and Tiger of Sweden were hosted, the Denethic concept, which will bring a new breath of air to the industry in the theme of sustainability, which is expected to be the future of denim, was introduced in the event.

Human Resources

The pillars of Calik Denim's human resources policy include establishing a long-term cooperation with personnel to ensure the sustainability of the corporate culture.

TOTAL NUMBER OF EMPLOYEES

2,580
People

AVERAGE TENURE OF CALIK DENIM EMPLOYEES

5.66

A significant increase was achieved in personnel trainings after Calik Denim Academy was launched. Trainings provided to employees increased to 38,958 man-hours in 2019, with a 76% increase from 2017.

Becoming a brand that steers the industry in a short time, Calik Denim provides services with 2,580 employees through its integrated production facility in Malatya, its R&D center, its sales & marketing center in Istanbul, and its sales team providing services across more than 40 countries.

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 always open for new ideas. At Calik Denim successfully applies its leading and innovative approach in production activities to human resources strategies as well and internalizes this approach by blending with the corporate culture.

Starting from recruitment, processes regarding employee trainings, 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 it is aimed to increase the rate of employees, which is 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,
• Providing career planning with the right job appointments,
• Establishing a long-term cooperation with personnel to ensure the sustainability of the corporate culture.

Every member of 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.

Calik Denim Academy

Training and development programs are included to the priority areas of Calik Denim Academy, which is 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 the mid-level and senior managers are being developed. It is also aimed to design title and position specific trainings, creating an internal instructor pool, establishing a coaching system and blue collar mentorship program through the academy.

A significant increase was achieved in personnel trainings after the Academy was launched. Trainings provided to employees increased to 38,958 man-hours in 2019, with a 76% increase from 2017. Training duration per person increased by 45% in the same period to approximately 16 hours. The total training provided to subcontractors increased 3.5 times and reached 366 man-hours.

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 criterion are graduated from the Academy. White collar employees are given basic competency trainings including communication, time management, overcoming stress, teamwork, interview techniques and labor law trainings under the Calik Denim Academy.

Calik Denim Academy Library including personal development books was opened at the end of 2019. There are approximately 80 books in the Library. Newly released books are tracked closely and the efforts for the enrichment of the library are ongoing. Additionally; articles, videos and book recommendations are published related to the topic of the month in Calik Denim Academy on a regular basis.

Education 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, Fırat 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 presentation, the suitable candidates are recruited. In 2018, 11 out of 36 interns who have finalized their projects are employed under Calik Denim.

Within the scope of the collaborations made with Gaziantep University, Fırat 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.

Number of Employees	**2017**	**2018**	**2019**
Malatya Factory	1,857	1,996	2,505
Istanbul Head Office	68	74	75
Total	**1,925**	**2,070**	**2,580**

Employee Breakdown/ Malatya Factory	**2017**			**2018**			**2019**		
	White Collar	**Blue Collar**	**Average**	**White Collar**	**Blue Collar**	**Average**	**White Collar**	**Blue Collar**	**Average**
Average Age	37	35	35	37	35	36	36	35	35.5
Average Tenure	9.4	7.27	7.48	6.1	5.47	5.78	6.1	5.25	5.67

Employee Breakdown/Istanbul Head Office	**2017**	**2018**	**2019**
Average Age	35	36	36
Average Tenure	6.24	6.95	7.03

Occupational Health and Safety

In 2019, 262 white collar employees were provided 10,320 hours of training; which is equal to an average of 39.4 hours. Meanwhile 1,942 blue collar employees were provided 51,473 hours of training; with an average of 32 hours.

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

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

Company implements modern policies and practices regarding occupational health and safety with the active participation of its employees. It also places great importance on the continuity of quality, people, environment and energy-oriented systems effectively and making the necessary modernizations. In this direction, the Company employs full time Occupational Safety Specialists 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 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 were tested and inspected.

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 2019, 262 white collar employees were provided 10,320 hours of training; which is equal to an average of 39.4 hours. 1,942 blue collar employees were provided 51,473 hours of training; with an average of 32 hours.

- Simulation room studies are ongoing in order to make trainings more effective.
- The trainings provided can be summarized as personal development, sustainability, ISO, Executive Development, Occupational Health and Safety, Digital Marketing, Microsoft Office, 6 Sigma, Internal Instructor Program.
- Two 6 Sigma projects are executed for decreasing the work accidents.
- WSA mobile notification program started to be used.

Finalized Projects
According to 2 projects finalized by Calik Denim;

- Indigo Dyeing department work accident weight rate decreased by 44.5% from 132.1 to 73.3 and work accident frequency rate decreased by 76.3% from 10.68 to 2.53.
- In spinning facility, work accident frequency rate decreased by 46.6% from 12.3 to 6.58 and work accident weight rate decreased by 71.5% from 151.8 to 43.2.

With the efforts carried out in 2015, Calik Denim was awarded OHSAS 18001 Occupational Health and Safety Certificate approved by the international company SGS.

Environment

Calik Denim executed numerous policies in addition to waste management and greenhouse gas emission monitoring and reporting projects to minimize the environmental impacts that may arise within the scope of its production activities.

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.

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, it 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 (Collection and storage of hazardous and non-hazardous wastes at source and transfer to licensed companies)
- SEOS (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.

Major projects carried out by Calik Denim for environmental protection:

- Heat recovery,
- Cooling water recovery,
- Caustic and indigo dye recovery with storage tanks,
- Electrostatic filter usage,
- Participation in ZDHC and detox programs and
- Automatic Warehouse Project

Calik Denim's major policies in addition to waste management and greenhouse gas emission monitoring and reporting projects to minimize the environmental impacts that may arise within the scope of its production activities are as follows:

- Collection based LCA (Life Cycle Analysis) studies were carried out.
- EPD certificate applications will be made. EPD applications were finalized for 8 of the products and their validation process is ongoing.
- 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 commissioned.
- Necessary calculations were made for corporate carbon footprint reporting.

- The products were categorized according to energy, water and chemical waste.
- By making the definition of sustainable product, follow-up on sustainable products has been initiated.

The activities carried out by Calik Denim regarding emission and waste management in 2019 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.

To leave a beautiful world to the generations to come...

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,
- Separate collection and recycling of papers in the office environment,
- Recycling of machine oils and vegetable waste oils,
- Removal of filter bags in coal boiler.

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

- Solar energy panels are started to be installed with the collaboration of Calik Enerji and Calik İplik-1. Project is ongoing.
- 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 for 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 (SEÖS) as of 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 waste recycling, Calik Denim applied for Edie awards with a cost-effective and environmentally friendly way to recover dye and fiber from waste denim fabrics and reached the finals.

Furthermore, a preliminary application for the “MANUNET 2020 International Collaboration” was made with “Innovative Textile Systems for Conventional/Sustainable Temporary Shelters Used in Emergencies in the Context of Circular Economy-Emer-Con-Tex” project and the process is ongoing.

Within the scope of waste recycling, Calik Denim applied for Edie awards with a cost-effective and environmentally friendly way to recover dye and fiber from waste denim fabrics and reached the finals.

Environmentally Friendly Production Technologies from the R&D Center

With the D-Clear technology it has developed, Calik Denim consumes 40% less water during indigo dyeing and 83% less water during finishing compared to traditional denim.

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

With Better Cotton (BCI) membership, the Company 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 fabric produced with recycled polyester,
- “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.

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 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 2019 by Calik Denim are:

- Soft & Comfy
- Denethic
- High Retro
- Selfsized
- Selfsized Boost
- Color art
- Puff up
- Smart Stretch
- Summer Slim
- D-Clear

D-Clear

Thanks to this technology, Calik Denim consumes 40% less water during indigo dyeing and 83% less water during finishing compared to traditional denim. In other words, water consumption per meter is decreased from 10 liters to 6 liters, and the chemical used per meter is decreased from 150 gr to 9 gr.

Denethic

Another sustainable technologic development in 2019 was Denethic. 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) appearance, 15% for rinse + enzyme appearance and 32% for bleached fabrics.

With this 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 are available.

Two Main Collections from Fabrics Produced by R&D Centers

Calik Denim launched two main collections in 2019. First is Eudemonia, which is launched for Autumn-Winter 2020-2021 and the other is Gravity, launched for Spring-Summer 2021. Designed with the fabrics produced with the technologies developed by the Company's R&D facilities, these collections attracted great interest due to the fact they are sustainable and decrease water consumption during production stage.

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.

Energy

As a result of the electric energy saving projects implemented by Calik Denim, an annual energy saving of 2,549 MWh is achieved. That prevents 1,178 tons of CO_2 emissions, therefore 3,536 trees are saved.

In line with the ISO 50001 Energy Management System established in 2015, Calik Denim is able to clearly track the energy applications during business processes in the factory.

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

Within the framework of the aim for maximum production with minimum energy, the energy directors under 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 31,000 TEP (Ton Equivalent Petroleum) annually and to increase efficiency.

Calik Denim makes detailed energy surveys every four years. Electric, steam, air and water consumptions are surveyed on facility and machine basis, the issues that are expected to increase in terms of consumption and efficiency are planned and executed.

Making an Energy Consumption Monitoring System installation, Calik Denim is able to monitor electric, steam, air and water consumptions online via 349 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 group, dye and finishing 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, it does not have a fire accelerator effect in fire environments and has 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. Electric-electronic equipment are replaced with new technologies and the highly efficient motors and drivers, automation and SCADA systems are used.

Energy Consumption Monitoring System installation of Calik Denim has been completed in the 2019 activity period. Furthermore, by completing the Electric infrastructure, lighting and machine installations of the new warp lines (Rope Winding, Rope Opening and Rope Dyeing);

- Eight rope winding, 34 rope opening and one rope dyeing machine was installed.
- A 2,000 kVA transformer facility for the warp lines, 880 kVA generator for the dyeing machines and emergency loads and two 200 kVA uninterruptible power supply (UPS) are used.
- The main energy distribution line and machine supply lines are designed to include BUS BAR.
- Electrical infrastructure, lighting and machine assemblies for the new sizing machines were completed and three Sizing machines were installed.

- The new boiler room electrical infrastructure and lighting installations have been completed.
- One 2,500 kVA transformer facility and one 1,250 kVA network synchronous generator were used. (In normal generators, when the electricity is out and on again, it stops twice. In synchronous generators it stops once.)
- Compensation systems to be modernized were determined by measuring the energy quality in substations. Active harmonic filter will be applied to two Transformer facility in Stage 1. (July 2020)
- Executed together with Calik Enerji, Calik İplik-1 completed the installation of a ÇGES (rooftop solar power plant) with an installed capacity of 820 kWe on the yarn warehouse roof, on May 1, 2020. The energy produced is used in the facilities.

Energy saving efforts performed in Calik Denim are as follows:

- All lighting in the newly installed warp lines and in the boiler room are LED lighting. (All lighting in the facilities installed since 2013 are LEDs.)
- Old type lightings are replaced gradually, depending on the depreciation period.
- 100% of the old type lighting in the weaving facility and 70% of the lights in the finishing facility have been replaced with LED lighting.
- Sanfor 3 and Burning 4 machines in the finishing facility were modernized. The modernization process of Sanfor 2, Burning 2 and Tension 1 machines were commenced. (Highly efficient motors and drivers - frequency inverter - are used in all modernized machines.)
- In December 2019, an agreement was signed with an authorized EVD company for a “Detailed Energy Study” which is mandatory every four years. Studies were carried out in the last two weeks of February 2020. Report is being prepared.
- VAP Project applications will be made in a way that will not exceed five in quantity or TL 5 million in amount, which will be determined and determined after the survey.

Electric, steam, air and water consumptions are surveyed on facility and machine basis, the issues that are expected to increase in terms of consumption and efficiency are planned and executed.

We support social responsibility projects

Calik Denim established the Denim Anatomy training program in collaboration with Istanbul Technical University Continuing Education Center. With this innovative program, we provide detailed denim training to our business partners, on key topics ranging from cotton to quality control. In addition, we have built permanent facilities in Turkey to serve the wider public good, such as schools and hospitals.

Merve Erkoç
R&D Research Engineer

PEOPLE TRAINED UNDER DENIM ANATOMY PROGRAM

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People

Corporate Social Responsibility and Community

Continues 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 the society they live in.

Continues 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 the society they live in. Under the light of this principle, Calik Denim employees voluntarily support corporate social responsibility activities.

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 customers, Denim Anatomy was established in 2015, combining theoretical and practical education with the cooperation of Istanbul Technical University (ITU). With this organization aiming to contribute to the development of sector professionals, a two-day 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 was provided to the participants who are experts academicians of ITU, and then practical information was given by showing denim production processes at the Calik Denim Malatya Factory. At the end of the program, participants are granted their certificates by ITU.

Calik Volunteers in Kars

Kars Çığırgan Village Primary School hosted Calik Volunteers on January 7-8, 2018. The clothing, stationary and toys collected within the scope of the corporate social responsibility project were given to the students of the village school in need.

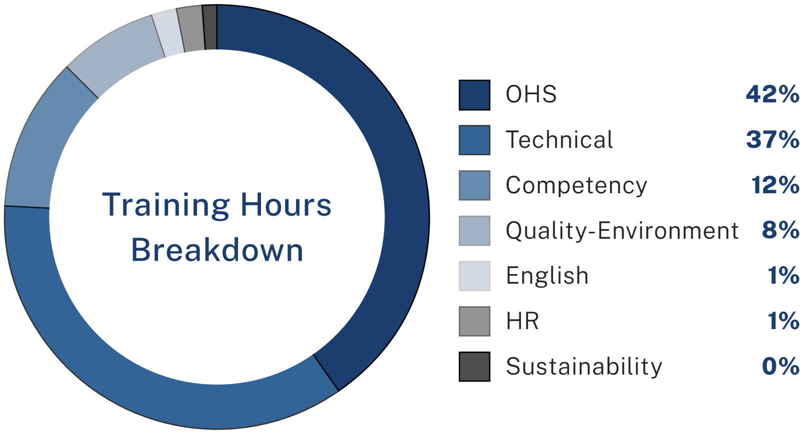
Calik Denim supports and provides scholarships to the students who need economic assistance through the Malatya Education Foundation, being aware of the importance of the younger generation in terms of our future.

More Books to Create a Better Future
During the first half of 2018, approximately 2,000 books consisting of world classics were acquired by the Company for schools in the Ahlat district of Bitlis. Setting out with the motto “More books to create a better future,” the aim is for the habit of reading to be instilled among the new generations who will shape the future and for the literacy rate to be increased as well.

Malatya Educational Foundation
Calik Denim supports and provides scholarships to the students who need economic assistance through the Malatya Education Foundation, being aware of the importance of the younger generation in terms of our future. The children of the employees are also able to benefit from the scholarships given through the foundation.

100% Support to Education
Mahmut Calik Education Complex Anatolian High School was opened in 2012 which was built as part of the 100% Support to Education project. The complex, built over an area of 40,000 m^2, includes a nursery and houses both a secondary school and high school.

45 Hours of Training to White Collars and 32 Hours of Training to Blue Collars
Calik Denim continues providing training to its employees in many areas. In this context, 193 white collar employees were provided 8,779 hours of training; which is equal to an average of 45 hours. 1,942 blue collar employees were provided 51,473 hours of training; with an average of 32 hours. Training hours breakdown is as follows:



CALIK DENIM TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 WITH INDEPENDENT AUDITOR'S REPORT

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi

and its Subsidiaries

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working world

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its subsidiaries

A) Report to 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 ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

2) Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Other matters

The audit of the consolidated financial statements of the Group, which was prepared in accordance with IFRS as of 31 December 2018, was carried out by another audit company. The firm in question expressed an unqualified opinion in the audit report dated 22 May 2019.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as whole. The supplementary information included in Appendix I is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. The US Dollar amounts presented in Appendix I are solely for the convenience of the reader as additional analysis and have not been subjected to the audit procedures applied in the audit of the basic consolidated financial statements. Accordingly, we do not express an opinion on this supplementary information.

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4) 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
Deferred Tax Assets Related to Investment Incentives	
The Group has received a total investment incentive certificate amounting to TL 430.549 within the scope of the "Council of Ministers Decision on State Assistance in Investments" which regulates investment incentives. As of December 31, 2019, within the scope of the investment documents, investment expenditure amounting to TL 109.144 has been made. In addition, the Group has made an estimate of the recoverable amount of deferred tax assets reflected in the financial statements for the future financial losses based on the taxable profits for the future financial years and the periods in which the past losses can be deducted from the tax base. As of 31 December 2019, deferred tax asset were recognized amounting to TL 169.254 thousand, including TL 39.055 thousand deferred tax asset recognized in current period. The evaluation process is based on estimates and assumptions, therefore, it is a key audit matter to measure the measurement and recoverability of deferred revenue assets. Explanations on deferred tax assets are presented in Note 17.	- In order to examine the deferred tax asset deferred tax assets related to investment incentives, the audit team 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. - Within the scope of our audit, the key assumptions used by the Company management in the business plans for the following 5 years related to the subject have been examined and its suitability has been evaluated. - Within the scope of our audit, the key assumptions used by the Company management in the business plans related to the subject have been examined and its suitability has been evaluated. - The amounts of investment expenditures within the period that constitute the basis of deferred tax asset calculations are verified by accounting records. - In addition, the compliance of the disclosures in the notes to the financial statements in accordance with "Turkish Accounting Standards 12" (TAS 12) were also evaluated.

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5) 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 IFRSs, 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 Group or to cease operations, or has no realistic alternative but to do so.

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

6) 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 ISAs 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 ISAs, 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.

Building a better working world

- 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.

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

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

Tolga Kırelli, SMMM
Partner

March 31, 2020
İstanbul, Turkey

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Financial Position
As at 31 December 2019

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

		Current Period	Prior Period
		Audited	Audited
	Note	31 December 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	10	8.261	8.265
Trade receivables	16	345.144	297.523
- Trade receivables from related parties	*28*	*927*	*270*
- Trade receivables from third parties	*16.1*	*344.217*	*297.253*
Other receivables	22	66.319	487
- Other receivables from related parties	*28*	*63.076*	*37*
- Other receivables from third parties		*3.243*	*450*
Inventories	12	423.563	277.332
Prepaid expenses	19	29.642	27.373
Current tax assets	17	241	9.994
Other current assets	20	69.475	45.968
Subtotal		**942.645**	**666.942**
Assets held for sale	9	81.620	66.683
Total current assets		**1.024.265**	**733.625**
Non- current assets			
Other receivables	22	89	89
- Other receivables from third parties	22	89	*89*
Financial investments	11	4.497	4.472
Investment properties	15	22.904	22.286
Property, plant and equipment	13	847.394	739.999
Right of use assets	14	4.543	-
Intangible assets	14	797	1.053
Prepaid expenses	19	8.570	38.998
Deferred tax assets	17	*168.795*	132.184
Other non-current assets		3	1
Total non-current assets		**1.057.592**	**939.082**
Total assets		**2.081.857**	**1.672.707**

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

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Financial Position
As at 31 December 2019

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

	Note	Current Period Audited 31 December 2019	Prior Period Audited 31 December 2018
LIABILITIES			
Current liabilities			
Short term bank borrowings	21	337.464	602.423
Short term portion of long-term bank borrowings	21	450.893	378.244
Trade payables	16	134.850	130.833
- Trade payables from related parties	*28*	77	*19.777*
- Trade payables from third parties	*16.2*	134.773	*111.056*
Payables related to employee benefits	25	7.752	5.381
Other payables	22	9.150	7.069
- Other payables from related parties	*28*	215	*3.123*
- Other payables from third parties		8.935	*3.946*
Deferred revenue	23	2.381	665
Current year tax liabilities		114	-
Short term provisions		9.040	6.511
- Provisions for employee benefits	*24,25*	5.813	*4.844*
- Other short-term provisions	*24*	3.227	*1.667*
Other short-term liabilities	20	5.390	3.456
Subtotal		**957.034**	**1.134.582**
Liabilities held for sale	9	49.614	34.777
Total current liabilities		**1.006.648**	**1.169.359**
Non-current liabilities			
Long term bank borrowings	21	739.949	102.079
Long term provisions		27.827	18.466
-Long term employee benefits	*24,25*	*27.827*	*18.466*
Total non-current liabilities		**767.776**	**120.545**
Total liabilities		**1.774.424**	**1.289.904**
EQUITY			
Equity attributable to the shareholders			
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			
- Actuarial losses on defined benefit plans		(7.947)	(2.614)
Other comprehensive income that is or may be reclassified to profit or loss			
- Foreign currency translation differences		18.384	17.486
Accumulated losses		(174.082)	(11.917)
Net loss for the period		(70.747)	(162.165)
Total equity attributable to the shareholders		**307.384**	**382.566**
Total non-controlling interests		**49**	**237**
Total equity		**307.433**	**382.803**
Total equity and liabilities		**2.081.857**	**1.672.707**

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

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 2019

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

		Current Period	Prior Period
		Audited	Audited
PROFIT OR LOSS	**Note**	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Revenue	5	1.114.323	924.381
Cost of sales (-)	5	(842.032)	(586.484)
Gross profit		**272.291**	**337.897**
General and administrative expenses (-)	6	(53.108)	(43.517)
Selling, marketing and distribution expenses (-)	6	(75.880)	(64.529)
Research and development expenses (-)	6	(31.215)	(16.155)
Other operating income	6	36.773	102.450
Other operating expenses (-)	6	(7.511)	(253.617)
Operating profit		**141.350**	**62.529**
Gains from investing activities	7	655	186
Losses from investing activities (-)	7	(1.130)	(64)
Operating profit before financial expense		**140.875**	**62.651**
Financial income	8	932	1.145
Financial expense	8	(247.912)	(291.077)
Net financial expense		**(246.980)**	**(289.932)**
Loss before tax from continuing operations		**(106.105)**	**(227.281)**
Tax income from continuing operations		**35.170**	**65.005**
Tax expense	17	(108)	--
Deferred tax income	17	35.278	65.005
Total tax income from continuing operations		**35.170**	**65.005**
Loss for the period from continuing operations		**(70.935)**	**(162.276)**
Loss for the period		**(70.935)**	**(162.276)**
Total net loss for the period attributable to:			
Owners of the parent		(188)	(111)
Non-controlling interests		(70.747)	(162.165)
Net loss for the period		**(70.935)**	**(162.276)**

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

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 2019

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

	Notes	Audited Current Period 1 January- 31 December 2019	Audited Prior Period 1 January- 31 December 2018
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- Defined benefit obligation actuarial loss	25	*(6.666)*	*(1.658)*
- Tax on defined benefit obligation actuarial loss	17	*1.333*	*332*
Items that are or may be reclassified to profit or loss			
- Foreign currency translation differences		*898*	*2.777*
Other comprehensive (income)/expense		**(4.435)**	**1.451**
Total comprehensive expense		**(75.370)**	**(160.825)**
Total comprehensive income attributable to:			
Non-controlling interests		(188)	65
Owners of the parent		(75.182)	(160.890)
Total comprehensive expense		**(75.370)**	**(160.825)**

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

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

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

	Equity attributable to the shareholders								
			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					
	Share capital	*Legal reserves*	*Actuarial losses on defined benefit plans*	*Foreign currency translation differences*	*Accumulated losses*	*Net loss for the period*	*Total*	*Non-controlling interests*	*Total equity*
Balances at 1 January 2018	**510.000**	**31.354**	**(1.288)**	**14.885**	**(9.441)**	**6.164**	**551.674**	**172**	**551.846**
Loss for the period	--	--	--	--	--	(162.165)	(162.165)	(111)	(162.276)
Foreign currency translation differences	--	--	--	2.601	--	--	2.601	176	2.777
Defined benefit obligation actuarial loss	--	--	(1.326)	--	--	--	(1.326)	--	(1.326)
Total comprehensive income	**--**	**--**	**(1.326)**	**2.601**	**--**	**(162.165)**	**(160.890)**	**65**	**(160.825)**
Transactions with shareholders registered in shareholders equity									
Transfers	--	422	--	--	5.742	(6.164)	--	--	--
Change in other reserves	--	--	--	--	(8.218)	--	(8.218)	--	(8.218)
Balances at 31 December 2018	**510.000**	**31.776**	**(2.614)**	**17.486**	**(11.917)**	**(162.165)**	**382.566**	**237**	**382.803**
Balances at 1 January 2019	**510.000**	**31.776**	**(2.614)**	**17.486**	**(11.917)**	**(162.165)**	**382.566**	**237**	**382.803**
Loss for the period	--	--	--	--	--	(70.747)	(70.747)	(188)	(70.935)
Foreign currency translation differences of foreign operations and reporting currency translation differences	--	--	--	898	--	--	898	--	898
Defined benefit obligation actuarial differences, net of tax	--	--	(5.333)	--	--	--	(5.333)	--	(5.333)
Total comprehensive income	--	--	**(5.333)**	**898**	--	**(70.747)**	**(75.182)**	**(188)**	**(75.370)**
Transactions with shareholders registered in shareholders equity									
Transfers	--	--	--	--	(162.165)	162.165	--	--	--
Balances at 31 December 2019	**510.000**	**31.776**	**(7.947)**	**18.384**	**(174.082)**	**(70.747)**	**307.384**	**49**	**307.433**

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

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

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

	Note	Audited Current Period 1 January- 31 December 2019	Audited Prior Period 1 January- 31 December 2018
Cash flows used in operations			
Loss for the period		**(70.935)**	**(162.276)**
Adjustments to reconcile loss for the period			
Adjustments for impairment of receivables	16	34	1.443
Adjustments for provision for employee benefits	25	4.895	3.505
Adjustments for vacation pay liability	25	969	1.119
Adjustments for impairment/(cancellation) on inventories	6,12	(476)	2.462
Adjustments for change in fair value of investment properties	7,15	(618)	(149)
Adjustments for depreciation and amortization	6,13,14	59.990	43.752
Dividend income	7	(37)	(37)
Adjustments for the losses on sales of property and equipment, net	7	1.130	64
Adjustments for lawsuit provisions, net	6,24	1.560	(1.740)
Adjustments for write off of receivables	6	-	247.143
Unrealized foreign exchange losses and translation differences	21	128.613	53.334
Interest expenses, net	6,8	146.503	100.132
Other adjustments for financing activities	8	14.573	2.533
Rediscount expenses, net	6	134	374
Tax benefit	17	(35.170)	(65.005)
Adjustments to reconcile cash flow generated from operating activities:		**251.165**	**226.654**
Changes in working capital			
Adjustments for change in deferred income		1.717	(2.290)
Adjustments for change in prepaid expenses		(2.269)	8.071
Adjustments for change in assets held for sale		(101)	(7.933)
Adjustments for change in other assets		(11.632)	(14.139)
Adjustments for change in inventories		(145.754)	(34.156)
Adjustments for change in trade receivables		(47.615)	(87.236)
Adjustments for change in payables related to employee benefits		2.361	(1.799)
Adjustments for change in trade payables		4.017	36.696
Adjustments for change in other liabilities		540	(623)
		52.429	**123.245**
Employee termination benefit paid	25	(2.200)	(2.130)
Taxes paid		(9.861)	(5.031)
Cash Flows from Operating Activities		**40.368**	**116.084**
Dividend received	7	37	37
Interest received		1.289	535
Dividend payment		--	(8.218)
Capital increase in subsidiaries	11	25	--
Proceeds from sales of property and equipment and intangible assets		2.401	1.615
Acquisition of property, plant and equipment	13	(139.394)	(263.192)
Acquisition of intangible assets	14	(313)	(13)
Cash Flows Used in Investing Activities		**(135.955)**	**(269.236)**
Interest paid, net		(147.791)	(83.131)
Change in other receivables		(65.832)	(7.910)
Change in other payables		2.082	(4.808)
Other repayments for financing activities		(11.812)	(2.533)
Proceeds from borrowings, net		318.936	232.628
Cash Flows from Financing Activities		**95.583**	**150.066**
Net Decrease in Cash and Cash Equivalents		**(4)**	**(3.086)**
Cash and Cash Equivalents at The Beginning of The Period	10	8.265	11.351
Cash and Cash Equivalents at The End of The Period	10	**8.261**	**8.265**

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

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019

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

1 Reporting entity

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 2019, the number of employees of the Group is 3.308 (31 December 2018: 3.062).

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

As at 31 December 2019, Çalık Denim has 3 (31 December 2018: 3) subsidiaries ("the Subsidiaries"), and 1 (31 December 2018:1) associate (''the Associate'') (referred to as ''the Group'' herein and after). The consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2018 comprise Çalık Denim, its subsidiaries and the Group's interest in its associate.

As of 31 December 2019 and 31 December 2018, the subsidiaries and associate included in the consolidation scope of Çalık Denim, their country of incorporation and nature of business are as follows:

Company Name	Type of partnership	Country	Ownership rate%	
			2019	2018
Malatya Boya Emprime Fabrikaları A.Ş.	Subsidiary	Turkey	100.00	100.00
Çalık Denim B.V	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 Consolidated Financial Statements For the Year Ended 31 December 2019

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

2- Basis of preparation

2.1 Basic principles on presentation of the financial statements

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Approval of financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 31 March 2020. General Assembly has the authority to modify the financial statements.

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 consolidated financial statements have been prepared on the basis of the going concern

Comparative Information and Reclassification of Prior Period Financial Statements

Financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current period financial statements, comparative information is reclassed if necessary. As of 31 December 2018, TL 1.443 recognized under impairment losses on trade receivables have been reclassified to other operating expenses.

Reclassification on profit or loss for the year ended 31 December 2018

	31 December 2018	2018 Reclassification effect	31 December 2018 (excluding effects)
Inventories	(253.617)	(1.443)	(252.174)
Impairment losses on trade receivables (-)	-	1.443	(1.443)

c) Functional and presentation currency

The accompanying consolidated financial statements are presented in TL which is Çalık Denim's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

Functional currency of foreign associate is as follows:

	Functional currency
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	US Dollars

Functional currency of foreign subsidiaries is as follows:

	Functional currency
Çalık Alexandria For Readymade Garments	US Dollars
Çalık Denim B.V.	EUR

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 **Basis of preparation *(continued)***

d) Use of estimates and judgements

<u>Critical judgments in applying the entity's accounting policies</u>

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:

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.

Allowance 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.

Provision for legal claims

As disclosed in Note 24, the Group management has made provision amounting to TL 3.227 (31 December 2018: TL 1.667) 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 and equipment and intangible assets
- Note 12 – Impairment on inventories
- Note 25 – Provision for employee termination benefits
- Note 24 – Provisions, commitments, contingent assets and liabilities
- Note 17 – Deferred tax asset

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 Consolidated Financial Statements
For the Year Ended 31 December 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of preparation *(continued)*

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognised the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16:

The Group has applied IFRS 16 with a simplified retrospective approach. The Group has preferred to apply this Standard to contracts that it has previously defined as lease by applying IAS 17 Leases and IFRS Interpretation 4 to determine whether an agreement includes leases. Therefore, the Group has applied this Standard to contracts that it has not previously defined as lease in accordance with IAS 17 and IFRS Comment 4.

The Group has benefited from the facilitation practices provided for leases and lesser value leases that will expire in a period of 12 months or less as of the transition date. The Group's office equipment leases (such as personal computers, photocopiers) are considered as low-value leases.

The Group adopted IFRS 16 using the modified retrospective approach.

Impact on the consolidated statement of financial position increase/(decrease) as at 1 January 2019:

	January 1, 2019
Assets	
Right of use of asset	5.070
Liabilities	
Lease liabilities	5.070

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of preparation *(continued)*

2.2 The new standards, amendments and interpretations *(continued)*

The standard is applied for annual periods beginning on or after 1 January 2019. The Group disclosed the impact of the standard on financial position or performance of the Group in Note 14.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

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:

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

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

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.

(a) fixed payments,
(b) 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,
(c) Amounts expected to be paid by the Group within the scope of residual value commitments,
(d) If the Group is reasonably sure that it will use the purchase option, the price of use of this option and

Penal payments for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

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.

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019

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

2 Basis of preparation *(continued)*

2.2 The new standards, amendments and interpretations *(continued)*

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

(a) Increases the book value to reflect the interest on the lease obligation and,
(b) 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.

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.

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of preparation *(continued)*

2.2 The new standards, amendments and interpretations *(continued)*

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019

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

2 Basis of preparation *(continued)*

2.2 The new standards, amendments and interpretations *(continued)*

IFRS 17 - The new Standard for insurance contracts

The ISB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

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

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

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

Overall, the Group expects no significant impact on its balance sheet and equity.

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
For the Year Ended 31 December 2019

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

2 Basis of preparation *(continued)*

2.2 The new standards, amendments and interpretations *(continued)*

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

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7. Overall, the Group expects no significant impact on its balance sheet and equity.

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

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

2.3 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

Basis of Consolidation

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.

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2 Basis of preparation *(continued)*

2.3 Significant accounting policies (continued)

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; and
- 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.

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2 Basis of preparation *(continued)*

2.3 Significant accounting policies (continued)

Foreign currency

Foreign currency transactions

Foreign currency transitions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the statements of profit or loss.

Foreign currency exchange rates used by the Group for the reporting dates as below:

	TL/ US Dollar	TL/EUR
31 December 2019	5,9402	6,6506
31 December 2018	5,2609	6,0280

Effect of Exchange Difference

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 (attributed to non-controlling interests as appropriate).

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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 amortized cost of the Group include the loans given to trade receivables and associates and the liability to a manager within the other long-term financial assets.

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.

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3 Significant accounting policies *(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.

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3 Significant accounting policies *(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

Tangible fixed 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 initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

	Useful lives
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.

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.

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3 Significant accounting policies *(continued)*

The cost of the right of use asset includes:

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

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

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.

(a) Fixed payments,
(b) 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,
(c) Amounts expected to be paid by the Group within the scope of residual value commitments,
(d) If the Group is reasonably sure that it will use the purchase option, the price of use of this option and Penal payments for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.
(e) 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.

Penal payments for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

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:

(c) Increases the book value to reflect the interest on the lease obligation and,
(d) 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.

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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.

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3 Significant accounting policies *(continued)*

Long-term Employee Benefits

Retirement benefits

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 liabilities and contingent 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 recognizes a contract with its customer as revenue when all of the following conditions are met:

a) Ownership of the Group's right to collect goods or services,

b) The ownership of the property of the customer,

c) Transfer of the possession of the goods or services,

d) Ownership of significant risks and rewards arising from the ownership of the goods or services,

e) 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.

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3 Significant accounting policies *(continued)*

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.

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 tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint ventures and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and incentives and deductable temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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3 Significant accounting policies *(continued)*

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i. has control or joint control over the reporting entity;
- ii. has significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself 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 (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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).

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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.

Consolidated financial statements during the disposal of assets or asset groups that comprise discontinued operations.

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 footnote.

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.

Fixed assets or groups of assets that meet the classification criteria for sale are at fair value.

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 31 December 2019 are TL 7.020 on a consolidated basis (January 1 - December 31, 2018: TL 6.295).

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5 Revenue and cost of sales

For the years ended 31 December, revenue comprised the following:

	1 January-December 31 2019	**1 January-December 31 2018**
Domestic sales	831.318	623.457
Export sales	298.433	314.097
Other sales	1.324	877
Sales discounts (-)	(9.275)	(5.395)
Sales returns (-)	(7.477)	(8.655)
Revenue	**1.114.323**	**924.381**
Cost of sales (-)	(842.032)	(586.484)
Gross profit	**272.291**	**337.897**

For the years ended 31 December 2019 and 2018, cost of sales comprised the following:

	1 January-31 December 2019	**1 January-31 December 2018**
Changes in raw materials and trading goods	533.319	374.206
Personnel expenses	133.029	86.143
Electricity, gas and water expenses	88.848	62.573
Depreciation and amortization expenses (Note 6)	46.690	35.066
Subcontractor expenses	8.918	6.115
Maintenance and repair expenses	6.556	4.319
Insurance expenses	3.564	2.477
Consultancy expenses	1.488	3.708
Transportation and customs expenses	1.206	971
Rent expenses	950	1.185
Travel and accommodation expenses	710	316
Taxes, duties and fees	140	724
Legal expenses	133	--
Representation and accommodation expenses	108	161
Training expenses	78	300
Communication expenses	13	12
Information services expenses	26	4
Other	16.256	8.204
Total	**842.032**	**586.484**

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6 Operating expenses and other income and expenses from operating activities

	1 January-31 December 2019	**1 January-31 December 2018**
Selling, marketing and distribution expenses	75.880	64.529
General and administrative expenses	53.108	43.517
Research and development expenses	31.215	16.155
Total	**160.203**	**124.201**

General and administrative expenses

For the years ended 31 December 2019 and 2018, general and administrative expenses comprised the following:

	1 January-31 December 2019	**1 January-31 December 2018**
Personnel expenses	22.668	17.950
Çalık Holding A.Ş. share expenses	9.160	7.011
Consultancy expenses	3.036	3.231
Depreciation and amortization expenses (Note 6)	2.716	2.448
Information services expenses	2.455	2.760
Travel and accommodation expenses	1.991	1.373
Subcontracting expenses	1.770	1.235
Representation expenses	1.553	1.103
Insurance expenses	1.347	660
Maintenance and repair expenses	1.284	942
Training expenses	1.070	1.446
Taxes, duties and fees	447	592
Rent expenses	503	1.120
Transportation expenses	202	-
Communication and information expenses	120	152
Advertising, promotion and fair expenses	44	-
Other	2.742	1.494
Total	**53.108**	**43.517**

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

For the years ended 31 December 2019 and 2018, selling, marketing and distribution expenses comprised the following:

	1 January-31 December 2019	**1 January-31 December 2018**
Personnel expenses	19.601	17.241
Sample expenses	10.149	6.570
Consultancy expenses	8.910	6.360
Transportation expenses	8.323	6.661
Commission expenses	8.311	8.421
Advertising and promotion expenses	6.476	5.223
Travel and accommodation expenses	4.603	3.891
Depreciation and amortization expenses (Note 6)	2.603	2.073
Insurance expenses	1.796	1.368
Subcontracting expenses	1.562	1.146
Rent expenses	1.498	2.155
Representation expenses	849	860
Communication and information expenses	156	155
Maintenance and repair expenses	41	449
Çalık Holding A.Ş. share expenses	-	145
Other	1.002	1.811
Total	**75.880**	**64.529**

Research and development expenses

For the years ended 31 December 2019 and 2018, research and development expenses comprised the following:

	1 January-31 December 2019	**1 January-31 December 2018**
Depreciation and amortization expenses	7.981	4.165
Personnel expenses	7.254	5.702
Sample product expenses	3.461	2.012
Consultancy expenses	2.096	1.472
Travel and accommodation expenses	1.519	757
Representation expenses	179	24
Subcontracting expenses	146	83
Electricity, gas and water expenses	25	30
Rent expenses	21	122
Spare parts and consumable expenses	-	1.176
Other	8.533	612
Total	**31.215**	**16.155**

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

Expenses by nature

For the years ended 31 December 2019 and 2018, expenses by nature comprised the following:

	1 January-31 December 2019	1 January-31 December 2018
Changes in raw materials and trading goods, and auxiliary expenses	533.319	374.206
Personnel expenses	182.552	127.036
Electricity, gas and water expenses	88.848	63.180
Depreciation and amortization expenses	59.990	43.752
Consultancy expenses	15.530	14.771
Sample expenses	13.609	8.582
Subcontracting expenses	12.397	8.578
Transportation expenses	9.781	6.838
Çalık Holding A.Ş. share expenses	9.160	7.011
Travel and accommodation expenses	8.823	6.337
Commission expenses	8.311	8.421
Maintenance and repair expenses	7.901	5.796
Insurance expenses	6.788	4.551
Advertising and promotion expenses	6.476	5.504
Rent expenses	2.779	4.583
Representation expenses	2.690	2.148
Information services expenses	2.507	2.763
Training expenses	1.262	1.841
Taxes, duties and fees	689	1.504
Communication and information expenses	495	332
Spare parts and consumable expenses	-	1.176
Other	28.328	11.775
Total	**1.002.235**	**710.685**

For the years ended 31 December 2019 and 2018, personnel expenses comprised the following:

	1 January-31 December 2019	1 January-31 December 2018
Wages and salaries	130.023	95.417
Premiums and bonuses	21.910	16.401
Social security expenses	15.751	11.184
Defined contribution expenses	9.361	-
Severance expenses	2.217	1.807
Provision for vacation pay liability	970	1.119
Other personnel expenses	2.320	1.108
	182.552	**127.036**

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

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

	1 January- 31 December 2019	**1 January- 31 December 2018**
Cost of sales	46.690	35.066
Research and development expenses	7.981	4.165
General and administrative expenses	2.716	2.448
Selling, marketing and distribution expenses	2.603	2.073
Total	**59.990**	**43.752**

Other income from operating activities

For the years ended 31 December 2019 and 2018, other income from operating activities comprised the following:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Foreign exchange gains from main activities, net	18.960	88.167
Turquality income	8.360	2.487
Reclamation income	1.882	2.030
Rent income	1.632	1.256
Provisions no longer required (Note 12)	476	-
Rediscount income	40	481
Lawsuit provision income (Note 24)	-	1.827
Other income	5.423	6.202
Total	**36.773**	**102.450**

Other expense from operating activities

For the years ended 31 December 2019 and 2018, other income from expenses activities comprised the following:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Commission expenses	3.598	-
Donation expenses	1.838	1.548
Lawsuit provision expenses	1.560	87
Rediscount expenses	174	855
Doubtful allowance expenses	34	1.443
Receivable write off expenses (*)	-	247.143
Other expenses	307	2.541
Total	**7.511**	**253.617**

(*) Receivable from Anateks Anadolu Tekstil Fabrikaları Anonim Şirketi amounting to TL 265.643 was recognized as expense since the Group waived the receivable. Interest income amounting to TL 18.500 was recognized as net amount in receivable write off expenses for the period ended 31 December 2018.

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7 Gains and losses from investing activities

For the years ended 31 December 2019 and 2018, gains from investing activities comprised the following:

	1 January-31 December 2019	1 January-31 December 2018
Investment property fair value increase	618	37
Dividend income	37	149
Total	**655**	**186**

For the years ended 31 December 2019 and 2018, losses from investing activities comprised the following:

	1 January-31 December 2019	1 January-31 December 2018
Loss on sale of property, plant and equipment	1.130	64
Total	**1.130**	**64**

8 Financial income and expenses

For the years ended 31 December 2019 and 2018, financial income and expenses comprised the following:

	1 January-31 December 2019	1 January-31 December 2018
Interest income	680	1.058
Exchange gain from loans and financing	252	87
Total	**932**	**1.145**

For the years ended 31 December 2019 and 2018, financial expenses comprised the following:

	1 January-31 December 2019	1 January-31 December 2018
Interest expense on borrowings	147.791	98.024
Foreign exchange losses on loans and borrowings	79.883	180.564
Letters of guarantee expenses	6.264	6.255
Interest expense due to related parties	5.665	3.701
Bank commission expenses	4.865	1.477
Other financial expenses	3.444	1.056
Total	**247.912**	**291.077**

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9 Disposal group held for sale and discontinued operation

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 81.620 and TL 49.614 (31 December 2018: TL 66.683 and TL 34.777), respectively, and details are as follows:

Assets held for sale	**31 December 2019**	**31 December 2018**
Property, plant and equipment	53.813	47.281
Inventories	24.812	18.118
Intangible assets	180	56
Prepaid expenses	1.762	888
Other current assets	1.008	288
Other non-current assets	43	38
Cash and cash equivalents	2	14
	81.620	**66.683**

Liabilities held for sale		
Trade and other payables	49.614	34.777
	49.614	**34.777**

10 Cash and cash equivalents

At 31 December 2019 and 2018, cash and cash equivalents comprised the following:

	31 December 2019	**31 December 2018**
Cash on hand	180	144
Cash at banks	8.081	8.121
-Demand deposits	*8.081*	*8.121*
Cash and cash equivalents	**8.261**	**8.265**

The Group's exposure to credit and currency risks related to cash and cash equivalents are disclosed in Note 27.

At 31 December 2019, there is no restricted balances (2018: None).

11 Financial Investments

At 31 December 2019 and 2018, financial investments comprised the following:

Fair value through other comprehensive income

Non-current assets	**31 December 2019**	**31 December 2018**
-Financial assets measured at cost not traded in organized markets	4.497	4.472
	4.497	**4.472**

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11 Financial Investments *(continued)*

As of 31 December 2019 and 2018, financial assets measured at cost that are not traded in an active market comprised the following:

	31 December 2019		31 December 2018	
	Ownership rate (%)	**Carrying amount**	**Ownership rate (%)**	**Carrying amount**
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	150
Çalık Enerji Dağıtım Sanayi ve Ticaret A.Ş.	0,20	95	0,20	95
Other		24		24
		4.497		**4.472**

The movements in financial investments during the years ended 31 December 2019 and 2018 were as follows:

	2019	**2018**
As at 1 January	4.472	4.472
Additions through capital increases	25	--
As at 31 December	**4.497**	**4.472**

12 Inventories

As at 31 December 2019 and 2018, inventories comprised the following:

	31 December 2019	**31 December 2018**
Raw materials	221.582	133.121
Finished goods	140.254	96.656
Work in process	67.036	53.070
Trading goods	196	47
Other inventories	527	946
Total	**429.595**	**283.840**
Allowance for impairment in value of inventories (-)	(6.032)	(6.508)
Total inventories	**423.563**	**277.332**

As at 31 December 2019, total insurance coverage on inventories is TL 352.482 (31 December 2018: TL 243.608).

As at 31 December 2019, there is no pledges or mortgages on inventories (31 December 2018: None).

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

	2019	**2018**
Beginning balance	6.508	4.046
Current year provision/(provision no longer required)	(476)	2.462
Closing balance	**6.032**	**6.508**

For the year ended 31 December 2019, a provision for impairment in value of inventories amounting to TL 6.032 were provided considering the evaluation of obsolete inventories and net realizable value (31 December 2018: TL 6.508).

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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 2019 were as follows:

	Land, land improvements and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2019	305.096	519.686	6.766	34.070	219	94.570	3.242	963.649
Additions	901	1.986	39	3.064	-	163.534	298	169.822
Transfers	26.690	88.581	-	1.906	-	(117.177)	-	-
Disposals	(103)	(5.882)	(403)	(536)	-	-	-	(6.924)
Balance at 31 December 2019	**332.584**	**604.371**	**6.402**	**38.504**	**219**	**140.927**	**3.540**	**1.126.547**
Accumulated depreciation								
Balance at 1 January 2019	36.597	168.016	2.776	14.409	219	-	1.633	223.650
Current year depreciation	7.913	44.427	1.156	4.619	-	-	779	58.894
Disposals	(87)	(2.443)	(385)	(476)	-	-	-	(3.391)
Balance at 31 December 2019	**44.423**	**210.000**	**3.547**	**18.552**	**219**	**-**	**2.412**	**79.153**
Net carrying value at								
1 January 2019	**268.499**	**351.670**	**3.990**	**19.661**	**-**	**94.570**	**1.609**	**739.999**
31 December 2019	**288.161**	**394.371**	**2.855**	**19.952**	**-**	**140.927**	**1.128**	**847.394**

As at 31 December 2019, total insurance coverage on property, plant and equipment is TL 1.256.997 (31 December 2018: TL 1.036.786).

As at 31 December 2019, there is mortgage over property, plant and equipment acquired from Anateks Anadolu Tekstil Fabrikaları Anonim Şirketi amounting to TL 163.696 (31 December 2018: TL 163.696).

As at 31 December 2019, carrying amount of machinery purchased under finance lease amounting to TL 157.256 (31 December 2018: TL 151.099). During the year ended 31 December 2019, the Group has acquired machinery through finance lease amounting to TL 173.279. 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 at 31 December 2019, the change in advances given for the purchase of property, plant and equipment is TL 30.428 (31 December 2018: 70.920 TL).

As at 31 December 2019, the total value of the tangible fixed assets, which are fully amortized, is TL 189.356.

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 2018 were as follows:

	Land, land improvements and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2018	**230.704**	**310.397**	**5.127**	**26.268**	**219**	**64.234**	**2.518**	**639.467**
Additions	36.330	9.368	3.363	3.948	--	280.379	724	334.112
Transfers	38.305	203.316	--	8.422	--	(250.043)	--	--
Disposals	(243)	(3.395)	(1.724)	(4.568)	--	--	--	(9.930)
Balance at 31 December 2018	**305.096**	**519.686**	**6.766**	**34.070**	**219**	**94.570**	**3.242**	**963.649**
Accumulated depreciation								
Balance at 1 January 2018	**32.213**	**136.934**	**2.307**	**15.767**	**219**	**--**	**890**	**188.330**
Current year depreciation	4.445	33.865	1.379	3.140	--	--	743	43.572
Disposals	(61)	(2.783)	(910)	(4.498)	--	--	--	(8.252)
Balance at 31 December 2018	**36.597**	**168.016**	**2.776**	**14.409**	**219**	**--**	**1.633**	**223.650**
Net carrying value at								
1 January 2018	**198.491**	**173.463**	**2.820**	**10.501**	**--**	**64.234**	**1.628**	**451.137**
31 December 2018	**268.499**	**351.670**	**3.990**	**19.661**	**--**	**94.570**	**1.609**	**739.999**

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14 Intangible assets

Movements of intangible assets and related accumulated amortization during the years ended 31 December 2019 and 2018 were as follows:

	Rights	Other intangibles	Total
Cost			
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**
Accumulated amortization			
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
Net carrying value			
1 January 2019	**699**	**354**	**1.053**
31 December 2019	**619**	**178**	**797**

	Rights	Other intangibles	Total
Cost			
Balance at 1 January 2018	**1.953**	**4.491**	**6.444**
Additions	--	13	13
Disposals	(3)	(183)	(186)
Balance at 31 December 2018	**1.950**	**4.321**	**6.271**
Accumulated amortization			
Balance at 1 January 2018	**1.126**	**4.097**	**5.223**
Additions	127	53	180
Disposals	(2)	(183)	(185)
Balance at 31 December 2018	**1.251**	**3.967**	**5.218**
Net carrying value			
1 January 2018	**827**	**394**	**1.221**
31 December 2018	**699**	**354**	**1.053**

There is no pledge or mortgage on intangible assets as at 31 December 2019 (31 December 2018: None).

As at 31 December 2019, there is no internally generated intangible asset (31 December 2018: None).

	Right of use assets		
	Land	**Vehicles**	**Total**
1 January 2019	-	-	-
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**

(*) As a lessee, the Group included the right of use, which represents the right to use the underlying asset, and the lease obligations, which represent the lease payments, which it is liable to pay. The transition effect of the Group in accordance with IFRS 16 Leases standard is explained in Note 2.2.

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15 Investment properties

As at 31 December 2019 and 2018, investment property comprised the following:

	31 December 2019	31 December 2018
Investment property (*)	22.904	22.286
Total	22.904	**22.286**

(*) 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 22.904 (31 December 2018: TL 22.286).

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

	2019	2018
1 January 2019	22.286	22.137
Change in fair value of investment property (Note 7)	618	149
Closing balance	**22.904**	**22.286**

16 Trade receivables and payables

16.1 Short-term trade receivables

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

	31 December 2019	31 December 2018
Due from third parties	344.217	297.253
Due from related parties (Note 28)	927	270
Total	**345.144**	**297.523**

The Group's average collection term is 104 days (2018: 100 days).

As at 31 December 2019 and 2018, short-term trade receivables from third parties comprised the following:

	31 December 2019	31 December 2018
Accounts receivable	162.322	157.666
Cheques receivable	181.895	142.600
Doubtful receivables	3.140	3.106
	347.357	**303.642**
Allowances for doubtful trade receivables (-)	(3.140)	(3.106)
Discount on trade receivables (-)	-	(3.013)
Total	**344.217**	**297.253**

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

	31 December 2019	31 December 2018
Up to 3 months	15.258	19.198
3 to 6 months	1.923	2.749
Over 6 months	908	1.170
Total	**18.089**	**23.117**

Movements of allowance for doubtful receivables for the years ended at 31 December 2019 and 2018 were as follows:

	2019	2018
Balance at 1 January	3.106	**1.663**
Allowance for the year	34	1.443
Total	**3.140**	**3.106**

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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 2019	31 December 2018
Due to third parties	134.773	111.056
Due to related parties (Note 28)	77	19.777
Total	**134.850**	**130.833**

The Group's average payment term is 37 days (2017: 35 days).

As at December 31, 2019, average rediscount rates for Euro, US Dollars and Turkish Lira are 0,27%, 2,00% and 10,85% respectively (31 December 2018: 0,65%, 3,46%, %32).

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

	31 December 2019	31 December 2018
Accounts payables	134.947	111.056
Rediscounts on payables	(174)	-
Total	**134.773**	**111.056**

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.

75% 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 2018. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2019 will be calculated using 50%.

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.

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.

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 and for a total investment of USD 19.640 thousand and TL 7.270 for the certificate numbered 103629 dated 1 December 2011. 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.

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17 Taxation *(continued)*

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 103656 dated 1 December 2011 has been completed on 8 February 2018 with a certificate numbered H 103656 amounting to TL 86.240. Investment certificate numbered 103629 dated 1 December 2011 has been completed on 8 February 2018 with a certificate numbered G 103629 amounting to TL 28.960. As at 31 December 2019, investment amounting to TL 115.200 has been made and deferred tax amounting to TL 115.200 has been recognized (31 December 2018: TL 62.934). The Group has utilized investment incentive amounting to TL 425 for the year ended 31 December 2018. The Group has not utilized any investment incentive since to the Company has not taxable profit as at 31 December 2019.

Investment certificates numbered A 133865 dated 22 November 2017 amounting to TL 15.813, EUR 15.381 and investment certificate numbered A133866 dated 22 November 2018 amounting to TL 4.259, EUR 17.027 and investment certificate numbered A 134280 dated 11 December 2018 amounting to TL 174.868, EUR 37.761 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 2019 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 2019, investment expenditures amounting to TL 109.144 has been realized and deferred tax amounting to TL 39.055 has been recognized.

Investment certificates belongs to subsidiary of the Group, Malatya Boya, numbered A 135098 dated 25 January 2019 amounting to TL 15.467, USD 6.695 and investment certificate numbered A 138154 dated 29 June 2019 amounting to TL 2.602, USD 6.362 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 2019, expenditure amounting to TL 109.144 has been made and deferred tax amounting to TL 39.055 has been recognized.

Research and development incentive

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 2019 and 2018, there is no balance Group can deduct from corporate tax in the following years.

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17 Taxation *(continued)*

Income tax expense

Income tax expense/benefit for the years ended 31 December comprised the following items:

Continuing operations	**31 December 2019**	**31 December 2018**
Corporate tax expense	(108)	--
Deferred tax income	35.278	65.005
Tax income / (expense) recognised in profit or loss	**35.170**	**65.005**
Deferred tax income recognised in other comprehensive income	1.333	332
Total tax income / (expense)	**36.503**	**65.337**

Current tax assets

As at 31 December, current tax assets comprised the following:

	31 December 2019	**31 December 2018**
Corporation taxes asset	241	9.994
Current tax assets, net	**241**	**9.994**

Reconciliation of effective tax rate

The reported income tax benefit for the years ended 31 December 2019 and 2018 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	31 December 2019		**31 December 2018**	
	Amount	**%**	**Amount**	**%**
Loss before taxation	**(106.105)**		**(162.276)**	
Tax income	35.170		65.005	
Taxes on loss per statutory tax rate	**(141.275)**		**(227.281)**	
Taxes on reported profit per statutory tax rate of the Group	31.080	(22)	50.002	(22)
Disallowable expenses	(1.073)	26	(59.691)	26
Tax rate change effect	--	--	(79)	--
Effect of deferred tax on unrecognized current year tax losses	(28.311)	(22)	(2.563)	1
Investment incentives effect	39.055	--	66.839	(30)
Utilized investment incentives	--	--	6.679	(2)
Utilized research and development incentive	--	--	3.912	(2)
Effect of foreign subsidiaries not subject to tax	(587)	--	(362)	--
Others, net	(4.994)	--	268	--
Tax income	**35.170**		**65.005**	

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17 Taxation *(continued)*

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.

The details of the financial losses of as 31 December 2019 and 2018 carried out are as follows:

Date of expire	31 December 2019	31 December 2018
2023	11.650	11.650
2024	117.037	-
	128.687	**11.650**

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 at 31 December 2019, the Group has unrecognized deferred tax asset amounting to TL 28.311 (31 December 2018: 2.563). The Group has not recognized deferred tax over current year tax losses amounting to TL 117.037 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, 2019.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2019 and 2018 are attributable to the items detailed in the table below:

	Asset		Liability		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Trade and other receivables	502	367	-	-	502	367
Inventories	1.163	1.639	-	-	1.163	1.639
Property, plant and equipment and intangible asset	-	453	(6.278)	(6.191)	(6.278)	(5.738)
Right of use asset	-	-	(107)	-	(107)	-
Provision for severance payment	5.754	3.693	-	-	5.754	3.693
Provisions	1.988	1.906	-	-	1.988	1.906
Investment incentives	169.254	130.199	-	-	169.254	130.199
Loans and borrowings	-	-	(3.703)	(462)	(3.703)	(462)
Other temporary differences	222	580	-	-	222	580
Subtotal	**178.883**	**138.837**	**(10.088)**	**(6.653)**	**168.795**	**132.184**
Net off deferred tax liability	(10.088)	(6.653)	10.088	6.653	-	-
Total deferred tax assets	**168.795**	**132.184**	-	-	**168.795**	**132.184**

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17 Taxation *(continued)*

Deferred tax assets and liabilities *(continued)*

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
Total deferred tax assets	**132.184**	**35.278**	**1.333**	**168.795**

Movements in deferred tax balances during the year ended 31 December 2018 were as follow:

	1 January 2018	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2018*
Trade and other receivables	470	(103)	--	367
Inventories	914	725	--	1.639
Property, plant and equipment and intangible asset	(2.248)	(3.490)	--	(5.738)
Provision for severance payment	3.087	274	332	3.693
Investment incentives	63.360	66.839	--	130.199
Provisions	1.569	337	--	1.906
Loans and borrowings	(379)	(83)	--	(462)
Other temporary differences	74	506	--	580
Total deferred tax assets	**66.847**	**65.005**	**332**	**132.184**

18 Investments accounted by using 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 2019, the Group holds 34,8% ownership in TJK. 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.

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19 Prepaid expenses

Short-Term Prepaid Expenses

As at 31 December, current portion of prepayments comprised the following:

	31 December 2019	31 December 2018
Advances given (*)	24.509	22.559
Prepaid expenses	2.741	2.606
Job advances	2.392	2.208
Total	**29.642**	**27.373**

(*) The balance mainly consists of advances given for inventory purchases.

Long-Term Prepaid Expenses

As at 31 December, non-current prepayments comprised the following:

	31 December 2019	31 December 2018
Advances given (**)	7.687	37.708
Prepaid expenses	883	1.290
Total	**8.570**	**38.998**

(**) 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 2019 and 2018, other current asset comprised the following:

	31 December 2019	31 December 2018
Deferred Value Added Tax ("VAT")	69.475	40.252
Receivables from tax office	-	5.689
Other	-	27
	69.475	**45.968**

Other short-term liabilities

As at 31 December 2019 and 2018, other short-term liabilities comprised the following:

	31 December 2019	31 December 2018
Taxes and duties payable other than on income	5.359	3.433
Other current liabilities	31	23
	5.390	**3.456**

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21 Bank borrowings

As at 31 December, loans and borrowings comprised the following:

Short term loans and borrowings	31 December 2019	31 December 2018
Short term bank borrowings	313.089	591.775
Current portion of long-term loans and borrowings	399.701	333.983
Short term portion of long-term finance lease liabilities	51.192	44.261
Factoring payables	24.375	10.648
Total	**788.357**	**980.667**

Long term loans and borrowings	31 December 2019	31 December 2018
Long term bank borrowings	697.074	39.925
Finance lease liabilities	42.875	62.154
Total	**739.949**	**102.079**

Terms and repayment schedules

As at 31 December 2019, 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
				1.540.415	**1.528.306**

As at 31 December 2018, the terms and conditions of outstanding loans and borrowings were as follows:

31 December 2018	Currency	Nominal interest rate (%)	Maturity date	Nominal value	Carrying amount
Secured bank borrowings (*)	USD	3,17 - 3,89	2019-2020	156.713	155.464
Secured bank borrowings (*)	EUR	0,65	2019	51.780	51.588
Unsecured bank borrowings	TL	16,20 – 37	2019-2023	441.681	458.626
Unsecured bank borrowings	USD	4,66 - 9,00	2019-2020	155.162	157.459
Unsecured bank borrowings	EUR	6,72 - 8,25	2019	139.479	142.546
Factoring payables	TL	30,62-33,12	2019	10.648	10.648
Finance lease liabilities	TL	3,85-6,5	2019	260	260
Finance lease liabilities	EUR	3,85-6,5	2019-2022	106.155	106.155
				1.061.878	**1.082.746**

(*) Letter of bank guarantees amounting to USD 59.048 thousand and EUR 17.567 thousand given for Exim Bank loans (31 December 2018: USD 28.808 thousand).

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21 Loans and borrowings *(continued)*

The repayment terms of the loans and borrowings are as follows:

	31 December 2019	31 December 2018
Less than 3 months	106.343	143.935
3-12 months	682.014	836.732
1-5 years	739.949	102.079
Total	**1.528.306**	**1.082.746**

As 31 December 2019, payment plan of the long-term loans are as follows:

	31 December 2019
1-2 years	649.500
2-3 years	17.607
3-4 years	13.679
More than 4 years	16.288
Total	**697.074**

31 December 2019 and 2018, reconciliation of short term and long-term financial liabilities were as follows:

	1 January 2019	*Principal additions, payments, net*	*Interest expense*	*Interest paid*	*Unrealized currency translation difference*	*31 December 2019*
Bank borrowing	965.683	348.074	153.908	(172.222)	114.421	1.409.864
Financial lease liabilities	106.415	(26.541)	4.182	(4.182)	14.192	94.066
Factoring payables	10.648	13.727	3.816	(3.815)	-	24.376
	1.082.746	**335.260**	**161.906**	**(180.219)**	**128.613**	**1.528.306**

	1 January 2018	*Principal additions, payments, net*	*Interest expense*	*Interest paid*	*Unrealized currency translation difference*	*31 December 2018*
Bank borrowing	628.098	281.430	94.597	(77.061)	38.619	965.683
Financial lease liabilities (*)	48.320	46.157	2.397	(2.397)	11.938	106.415
Factoring payables	3.784	6.864	1.030	(1.030)	--	10.648
	680.202	**334.451**	**98.024**	**(80.488)**	**50.557**	**1.082.746**

(*) During the year ended December 31, 2019, the Group has purchased tangible assets through financial leasing amounting to TL 16.324 (December 31, 2018: TL 101.823).

As 31 December 2019 and 2018, maturity of finance lease liability was as follows:

	2019			**2018**		
	Future minimum lease payable	Interest	Total future minimum lease payable	Future minimum lease payable	Interest	Total future minimum lease payable
Less than 1 year	51.192	1.668	52.860	44.261	4.791	49.052
1-5 years	42.875	2.391	45.266	62.154	3.256	65.410
	94.067	**4.059**	**98.126**	**106.415**	**8.047**	**114.462**

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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 2019	31 December 2018
Deposits and guarantees given	1.710	450
Due from related parties (Note 28)	63.076	37
Receivables from tax office	1.533	--
	66.319	**487**

Other long-term receivables

	31 December 2019	31 December 2018
Deposits and guarantees given	89	89
	89	**89**

22 Other receivables and other payables *(continued)*

Other short-term payables

As at 31 December, other short-term payables comprised the following:

	31 December 2019	31 December 2018
Due to related parties (Note 28)	215	3.123
Deposits and guarantees received	8.910	3.946
Other payables	25	-
Total	**9.150**	**7.069**

23 Prepayments and deferred revenue

Short-term deferred revenue

As at 31 December 2019 and 2018, short-term portion of deferred revenue comprised the following:

Short term deferred revenue	31 December 2019	31 December 2018
Advances received	2.381	665
Total	**2.381**	**665**

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24 Provisions, contingent assets and liabilities

As at 31 December 2019 and 2018, provisions comprised the following items:

	31 December 2019	31 December 2018
Short term provisions		
Short-term employee benefits (Note 25)	5.813	4.844
Provision for litigations	3.227	1.667
Total short-term provisions	**9.040**	**6.511**
Long term provisions		
Long-term employee benefits (Note 25)	27.827	18.466
Total long-term provisions	**27.827**	**18.466**
Total provisions	**36.867**	**24.977**

For the years ended 31 December, the movements in the provision for litigations were as follows:

	1 January 2019	Current year provision	31 December 2019
Provision for litigations	1.667	1.560	3.227
	1.667	**1.560**	**3.227**

	1 January 2018	Current year provision	Reversal	31 December 2018
Provision for litigations	3.407	87	(1.827)	1.667
	3.407	**87**	**(1.827)**	**1.667**

Litigations against to the Group

As at 31 December 2019, the expected cash outflow amount for the pending litigations against to the Group is TL 3.227 (31 December 2018: TL 1.667).

Contingent assets and liabilities

As of December 31, 2019 and December 31, 2018 the details of the CPMB's given by the Group are listed below;

		31 December 2019		31 December 2018	
	Currency	Currency amount	TL Equivalent	Currency amount	TL Equivalent
A. Total amount of CPMB's given in the name of its own legal personality	*USD*	62.417	370.770	59.063	310.726
	EUR	63.076	419.494	18.047	108.785
	TL	3.872	3.872	4.250	4.250
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
Total			**980.118**		**609.743**

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24 **Provisions, contingent assets and liabilities *(continued)***

	31 December 2019	31 December 2018
Guarantee letter	794.136	423.761
Mortgage	185.982	185.982
Total	**980.118**	**609.743**

The ratio of other CPMs given by the Group to the equity of the Group is 0% as of 31 December 2019 (31 December 2018: 0%).

The mortgage given to third parties as of December 31, 2019 and 2018 consists of the mortgage given to the banks on the real estates that the Group has received from Anateks Anadolu Tekstil Fabrikası A.Ş.

25 Employee benefits

Payables related to employee benefits

As at 31 December 2019 and 2018, payables related to employee benefits comprised the following:

	31 December 2019	31 December 2018
Due to personnel	4.519	3.130
Social security premiums payable	3.233	2.251
	7.752	**5.381**

Short-term provisions

For the years ended 31 December, the balance in the reserve for employee severance indemnity were as follows:

	31 December 2019	31 December 2018
Vacation pay liability	5.813	4.844
Total	**5.813**	**4.844**

For the years ended 31 December 2019 and 2018, the movements in the reserve for employee severance indemnity were as follows:

	2019	2018
Opening balance at 1 January	**4.844**	**3.725**
Current period provision	969	1.119
Closing balance at 31 December	**5.813**	**4.844**

Long-term provisions

	31 December 2019	31 December 2018
Provision for retirement pay liability	27.827	18.466
Total	**27.827**	**18.466**

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.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2019, the ceiling amount was TL 6.730 (31 December 2018: TL 5.434).

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees.

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25 Employee benefits *(continued)*

The principal 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 rate after adjusting for the anticipated effects of future inflation.

Actuarial valuation methods were developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2019	2018
Expected rate of salary/limit increase	9,20%	10,00%
Interest rate	12,10%	14,50%

Reserve for employee severance indemnity

Movements in the provision for employment termination benefits are as follows:

	31 December 2019	31 December 2018
1 January	**18.466**	**15.433**
Interest cost	2.678	1.698
Service cost	2.217	1.807
Paid during the year	(2.200)	(2.130)
Actuarial loss	6.666	1.658
31 December	**27.827**	**18.466**

Actuarial difference arises due to the change in interest rate and expected salary increase. In addition, the employees who will receive severance pay in retirement also have a high actuarial difference due to the retirement pay prior to retirement. Actuarial difference is recognized in other comprehensive income.

26 Capital and reserves

Paid in 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 2018: 20.400.000) having par value of full TL 25 (31 December 2018: TL 25) each.

As at 31 December, the shareholder structure of the Company is presented below:

	31 December 2019		*31 December 2018*	
	TL	%	TL	%
Çalık Holding A.Ş.	508.584	99	508.584	99
Ahmet Çalık	1.416	1	1.416	1
Total	**510.000**	**100**	**510.000**	**100**

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 2019 (31 December 2018: 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 – Fair values and risk management

Financial risk 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 of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was as follows:

31 December 2019	Receivables				
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	Cash at banks
Maximum credit risk exposure at reporting date (A+B+C+D)	**927**	**344.217**	**63.076**	**3.332**	**8.081**
Portion of maximum risk covered by guarantees	-	76.878		-	-
A. Carrying value of financial assets that are neither past due nor impaired	927	326.128	63.076	3.332	8.081
B. Carrying value of financial assets that are past due but not impaired	-	18.089	-	-	-
C. 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 (-)	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-

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27 Financial instruments – Fair values and risk management *(continued)*

Credit risk*(continued)*

31 December 2018	Receivables				Cash at banks
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at reporting date (A+B+C+D)	**270**	**297.253**	**37**	**539**	**8.121**
Portion of maximum risk covered by guarantees	--	66.153	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	270	274.136	37	539	8.121
B. Carrying value of financial assets that are past due but not impaired	--	23.117	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--
Past due (gross carrying amount)	--	3.106	--	--	--
Impairment (-)	--	(3.106)	--	--	--
The part of net value under guarantee with collateral etc	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--
Impairment (-)	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--

Liquidity risk

	31 December 2019					
Contractual maturities	**Carrying amount**	**Total contractual cash flows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	1.409.864	1.584.860	315.481	428.476	823.664	17.239
Finance lease liabilities	94.067	100.431	14.017	41.109	45.305	--
Trade payables-due to related parties	77	77	77	--	--	--
Trade payables-due to third parties	134.773	134.947	134.947	--	--	--
Other payables-due to related 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	--	--	--
	1.655.683	**1.837.217**	**481.423**	**469.585**	**868.969**	**17.239**

	31 December 2018					
Contractual maturities	**Carrying amount**	**Total contractual cash flows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	965.683	1.054.613	135.638	867.106	51.869	--
Finance lease liabilities	106.415	114.463	12.827	36.226	65.410	--
Trade payables-due to related parties	19.777	19.777	19.777	--	--	--
Trade payables-due to third parties	111.056	111.280	111.280	--	--	--
Other payables-due to related parties	3.123	3.123	3.123	--	--	--
Other payables-due to third parties	3.946	3.946	3.946	--	--	--
Payables related to employee benefits	5.381	5.381	5.381	--	--	--
	1.215.381	**1.304.536**	**290.586**	**899.927**	**114.023**	**--**

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27 Financial instruments – Fair values and risk management *(continued)*

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.

	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
4. Current assets (1+2+3)	**304.470**	**16.466**	**31.073**	**11**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	**304.470**	**16.466**	**31.073**	**11**
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	-	-	-	-
13. Short term liabilities (10+11+12)	**(595.616)**	**(49.499)**	**(43.730)**	**(10.747)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(375.977)	(1.978)	(54.722)	(293)
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Long term liabilities (14+15+16)	**(375.977)**	**(1.978)**	**(54.722)**	**(293)**
18. Total liabilities (13+17)	**(971.593)**	**(51.477)**	**(98.452)**	**(11.040)**
19. Net position of off statement of financial position derivate instruments (19a+19b)	**-**	**-**	**-**	**-**
19a. Total hedged assets	**-**	**-**	**-**	**-**
19b. Total hedged liabilities	**-**	**-**	**-**	**-**
20. Net statement of financial position	**(667.123)**	**(35.011)**	**(67.379)**	**(11.029)**
21. Net statement of monetary items (=1+2a+5+6a+10+11+12a+14+15+16a)	**1.275.978**	**67.939**	**129.516**	**11.047**

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27 Financial instruments – Fair values and risk management *(continued)*

Currency risk (continued)

	31 December 2018			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	180.841	8.311	22.746	--
2a. Monetary financial assets (including cash on hand, bank deposits)	7.712	231	1.078	1
2b. Other monetary assets	--	--	--	--
3. Other	444	--	74	--
4. Current assets (1+2+3)	**188.997**	**8.542**	**23.898**	**1**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	**--**	**--**	--	--
9. Total assets (4+8)	**188.997**	**8.542**	**23.898**	**1**
10. Trade payables	(64.155)	(10.093)	(1.826)	(50)
11. Financial liabilities	(537.029)	(56.814)	(39.505)	--
12a. Other monetary liabilities	(7.009)	(1.319)	(5)	(43)
12b. Other non-monetary liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**(608.193)**	**(68.226)**	**(41.336)**	**(93)**
14. Trade payables	--	--	--	--
15. Financial liabilities	(76.185)	(2.667)	(10.311)	--
16a. Other monetary liabilities	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**(76.185)**	**(2.667)**	**(10.311)**	--
18. Total liabilities (13+17)	**(684.378)**	**(70.893)**	**(51.647)**	**(93)**
19. Net position of off statement of financial position derivate instruments (19a+19b)	--	--	--	--
19a. Total hedged assets	--	--	--	--
19b. Total hedged liabilities	--	--	--	--
20. Net statement of financial position	**(495.381)**	**(62.351)**	**(27.749)**	**(92)**
21. Net statement of monetary items (=1+2a+5+6a-10+11+12a+14+15+16a)	**872.931**	**79.435**	**75.471**	**94**

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27 Financial instruments – Fair values and risk management *(continued)*

Sensitivity analysis

A 10% strengthening/weakening of the TL against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) as of 31 December 2019 and 2018 as follows

	Profit / (Loss)	
31 December 2019	**Weakening of TL**	**Strengthening of TL**
Increase/(decrease) 10% of US Dollar parity		
1-US Dollar net asset / liability	(20.797)	(20.797)
2-Hedged portion of US Dollar amounts (-)	-	-
3-Net effect of US Dollar (1+2)	**(20.797)**	**(20.797)**
Increase/(decrease) 10% of EUR parity		
4-EUR net asset / liability	(44.812)	(44.812)
5-Hedged portion of EUR amounts (-)	-	-
6-Net effect of EUR (4+5)	**(44.812)**	**(44.812)**
Increase/(decrease) 10% of other parities	**-**	**-**
7-Other foreign currency net asset / liability	(1.103)	(1.103)
8-Hedged portion of other foreign currency amounts (-)	-	-
9-Net effect of other foreign currencies (7+8)	**(1.103)**	**(1.103)**
TOTAL (3+6+9)	**(66.721)**	**(66.712)**

	Profit / (Loss)	
31 December 2018	**Weakening of TL**	**Strengthening of TL**
Increase/(decrease) 10% of US Dollar parity		
1-US Dollar net asset / liability	(32.802)	32.802
2-Hedged portion of US Dollar amounts (-)	-	-
3-Net effect of US Dollar (1+2)	**(32.802)**	**32.802**
Increase/(decrease) 10% of EUR parity		
4-EUR net asset / liability	(16.727)	16.727
5-Hedged portion of EUR amounts (-)	-	-
6-Net effect of EUR (4+5)	**(16.627)**	**16.727**
Increase/(decrease) 10% of other parities		
7-Other foreign currency net asset / liability	(9)	9
8-Hedged portion of other foreign currency amounts (-)	-	-
9-Net effect of other foreign currencies (7+8)	**(9)**	**9**
TOTAL (3+6+9)	**(49.538)**	**49.538**

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27 Financial instruments – Fair values and risk management *(continued)*

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Current Period	Prior Period
Fixed rate instruments		
Financial assets	63.076	37
Financial liabilities	1.528.306	1.082.746

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

Capital management

The Group's objectives when managing capital include:

- to comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

The Group's debt to equity ratio at the end of year was as follows:

	31 December 2019	31 December 2018
Total liabilities	1.774.424	1.289.904
Less: cash and cash equivalents	(8.261)	(8.265)
Net debt	**1.766.163**	**1.281.639**
Equity	307.433	382.803
Debt to equity ratio at 31 December	**5,74**	**3,35**

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27 Financial instruments – Fair values and risk management *(continued)*

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables				
Cash and cash equivalents	8.261	8.261	8.265	8.265
Trade receivables	345.144	345.144	297.523	297.523
Other receivables	66.408	66.408	576	576
Total loans and receivables	**419.813**	**419.813**	**306.364**	**306.364**
Other financial liabilities				
Loans and borrowings	1.528.306	1.528.306	1.082.746	1.082.746
Trade payables	134.850	134.850	130.833	130.833
Other payables	9.150	9.150	7.069	7.069
Total other financial liabilities	**1.672.306**	**1.672.306**	**1.220.648**	**1.220.648**

The Group estimated that the carrying values of financial assets and liabilities approximate their fair values due to mainly their short-term nature.

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28 Related party disclosures

Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

	31 December 2019	31 December 2018
Trade receivables		
Ontk Tekstil San. ve Tic. A.Ş.	175	99
Gap Pazarlama A.Ş. (2)	505	171
Çalık Pamuk Doğal ve Sentetik Elyaf Tic. A.Ş. (2)	57	-
White Construction N.V.	84	-
Amethsyt Holding N.V.	84	-
Çalık Enerji San. Tic. A.Ş. (2)	22	-
Total	**927**	**270**
Other receivables		
Çalık Holding A.Ş (1) (*)	63.076	-
Çalık Elektrik Dağıtım A.Ş.	-	37
Total	**63.076**	**37**

	31 December 2019	31 December 2018
Trade payables		
Enrich Teknoloji Yazılım A.Ş.	70	-
Çalık Taşımacılık San ve Tic. A.Ş (2)	7	-
Çalık Pamuk Doğal ve Sentetik Elyaf Tic. A.Ş. (2)	-	19.074
Sigortayeri Sigorta Ve Reasürans Brokerlığı A.Ş.	-	645
Gap Pazarlama A.Ş. (2)	-	58
Yeşilırmak Elektrik Perakende A.Ş.	-	-
Total	**77**	**19.777**
Other payables		
Çalık Holding A.Ş. (**)	215	3.123
Total	**215**	**3.123**
Loans and borrowings		
Aktifbank Yatırım Bankası A.Ş. (***)	705.468	441.816
	705.468	**441.816**

(*) As of 31 December 2019, the due date of the receivable from Çalık Holding A.Ş. is 90 days. Monthly interest charge is applied to the receivable at an annual interest rate of 7% over USD and EUR, and 21% over TRY.

(**) As at 31 December 2019, there is no specific maturity for the payables due to Çalık Holding and the Çalık Holding charges the interest to the Group monthly with the annual interest rate of 27% (2018: %16,04).

(***) As of December 31, 2019, the maturity of the debt to Aktifbank Yatırım Bankası A.Ş is 31/12/2020 and the annual interest rate on debt is 11.79%.

No impairment losses have been recognised against balances outstanding as at 31 December 2019 (31 December 2018: None).

1) Parent company
(2) Subsidiary of the parent company

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28 Related party disclosures *(continued)*

Related party transactions

For the year ended 31 December, related party transactions comprised the following:

	1 January-31 December 2019		1 January-31 December 20198	
	Income	**Expense**	**Income**	**Expense**
Gap Pazarlama A.Ş. (*)	1.500	1.862	4.291	445
Çalık Holding A.Ş. (***)	--	10.942	3.864	14.825
Çalık Pamuk Doğal Sentetik Elyaf San ve Tic. A.Ş. (**)	--	423	469	50.123
Çalık Finansal Hizmetler A.Ş(2)	--	4.113	--	--
UPT Ödeme Hizmetleri Anonim Şirketi	--	--	38	--
Çalık Elektrik Dağıtım A.Ş.	--	--	37	--
Çalık Enerji San. Tic. A.Ş.	--	--	1	--
Ontk Tekstil San. ve Tic. Ltd. Şti.	634	51	--	--
Çalık Cotton FZE (2)	--	38	--	--
Gap Pazarlama Dubai FZE	--	--	--	--
Çalık İnşaat A.Ş.	--	--	--	--
Gap İnşaat Yatırım Ve Dış Tic. A.Ş.	--	--	--	20
Enrich Pamuk Tekstil San ve Tic. A.Ş.	--	149.722	--	--
Enrich Teknoloji Yazılım A.Ş.	--	75	--	--
Aktifbank Yatırım Bankası A.Ş. (****)	--	92.269	--	40.921
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	--		--	--
Çalık Hava Taşımacılık Turizm San. ve Tic. A.Ş.	--	209	--	191
Yeşilırmak Elektrik Perakende A.Ş.	--	--	--	149
	2.134	**259.704**	**8.700**	**106.674**

(*) The balance consists of inventory sales to Gap Pazarlama A.Ş.
(**) The balance consists of cotton purchased from Çalık Pamuk and common area expenses for İstanbul Office.
(***) The balance consists of contributions to Çalık Holding's common area expenses and interest expenses.
(****) The interest expense of the Group amounting to TL 40.921 related with the loans obtained from Aktif Yatırım Bankası.
(****) Group provided electricity through Yepaş in 2018.

1) Parent company
(2) Subsidiary of the parent company

29 Subsequent events

The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China and spreading in various jurisdictions, may negatively affect economic conditions regionally as well as globally, disrupt operations situated in countries particularly exposed to the contagion. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Group cannot reasonably estimate the impact on Group's operations.

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Appendix 1

USD presentation - Other information not required in IFRS

The consolidated financial statements and the consolidated statement of profit or loss and other comprehensive income expressed in USD ("USD") were presented on the following pages. Financial statements which are prepared for the Group are translated from TL using the following methods:

a) Assets and liabilities in the consolidated financial statements are translated from TL consolidated financial statements using the official TL exchange rate of 5,9402 TL/ prevailing on 31 December 2019 (31 December 2018: TL 5,2609 = 1 USD).

b) Consolidated statement of profit or loss and other comprehensive income are translated from TL using TL average exchange rate 5,6712 TL/USD prevailing on for the year ended 31 December 2019 (31 December 2018: TL 4,8301= $ 1).

c) All exchange differences arising from the conversion to USD presentation currency are presented as foreign currency translation differences.

d) Such translation should not be constructed as a representation that the TL amounts have been converted into USD pursuant to the requirements of IFRSs or Generally Accepted Accounting Principles in the United States of America or in any other country.

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	Note	31 December 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	10	1.391	1.571
Trade receivables	16	58.103	56.554
- Due from related parties	*28*	*156*	*51*
- Due from third parties	*16.1*	*57.947*	*56.502*
Other receivables	22	11.164	93
- Due from related parties	*28*	*10.618*	*7*
- Due from third parties		*546*	*86*
Inventories	12	71.305	52.716
Prepayments	19	4.990	5.203
Current tax assets	17	41	1.900
Other current assets	20	11.696	8.738
Subtotal		**158.690**	**126.773**
Assets held for sale	9	13.740	12.675
Total current assets		**172.430**	**139.449**
Non- current assets			
Other receivables	22	15	17
- Due from third parties	*22*	*15*	*17*
Financial investments	11	757	850
Investment property	15	3.856	4.236
Property, plant and equipment	13	142.654	140.660
Right of use assets	14	765	-
Intangible assets	14	134	200
- Other intangible assets	*14*	*134*	*200*
Prepayments	19	1.443	7.413
Deferred tax assets	17	*28.416*	25.126
Other non-current assets		1	-
Total non-current assets		**178.041**	**178.502**
Total assets		**350.471**	**317.951**

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
For the Year Ended 31 December 2019

(Amounts expressed in thousands of US Dollars ("USD") unless otherwise stated.)

	Note	**31 December 2019**	**31 December 2018**
LIABILITIES			
Current liabilities			
Short term loans and borrowings	21	56.810	114.509
Short term portion of long-term loans and borrowings	21	75.905	71.897
Trade payables	16	22.701	24.869
- Due to related parties	*28*	*13*	*3.759*
- Due to third parties	*16.2*	*22.688*	*21.110*
Payables related to employee benefits	25	1.305	1.023
Other payables	22	1.540	1.344
- Due to related parties	*28*	*36*	*594*
- Due to third parties		*1.504*	*750*
Deferred revenue	23	401	126
Current year tax liabilities		19	-
Short term provisions		1.522	1.238
-Short term employee benefits	*24,25*	*979*	*921*
- Other short-term provisions	*24*	*543*	*317*
Other short-term liabilities	20	907	657
Subtotal		**161.110**	**215.663**
Liabilities held for sale	9	8.352	6.610
Total current liabilities		**169.462**	**222.274**
Non-current liabilities			
Long term loans and borrowings	21	124.566	19.403
Long term provisions		4.685	3.510
-Long term employee benefits	*24,25*	*4.685*	*3.510*
Total non-current liabilities		**129.251**	**22.913**
Total liabilities		**298.713**	**245.187**
EQUITY			
Equity attributable to the owners of the Company			
Share capital	26	183.676	183.676
Legal reserves	26	13.327	13.327
Other comprehensive income that will never be reclassified to profit or loss		(1.338)	(859)
Other comprehensive income that is or may be reclassified to profit or loss		(102.699)	(91.972)
Accumulated losses		(29.306)	86
Loss for the year		(11.910)	(33.574)
Total equity attributable to the owners of the Company		**51.750**	**70.684**
Total non-controlling interests		**8**	**2.080**
Total equity		**51.758**	**72.764**
Total equity and liabilities		**350.471**	**317.951**

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
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(Amounts expressed in thousands of US Dollars ("USD") unless otherwise stated.)

PROFIT OR LOSS	**Note**	**1 January- December 31, 2019**	**1 January- December 31, 2018**
Revenue	5	196.488	191.378
Cost of sales (-)	5	(148.475)	(121.422)
Gross profit		**48.013**	**69.956**
General and administrative expenses (-)	6	(9.365)	(9.009)
Selling, marketing and distribution expenses (-)	6	(13.380)	(13.360)
Research and development expenses (-)	6	(5.504)	(3.345)
Other income	6	6.484	21.211
Other expenses (-)	6	(1.324)	(52.508)
Operating profit		**24.924**	**12.946**
Gains from investing activities	7	115	39
Losses from investing activities (-)	7	(199)	(13)
Operating profit before finance costs		**24.840**	**12.971**
Finance income	8	164	237
Finance expense (-)	8	(43.714)	(60.263)
Net finance expense		**(43.550)**	**(60.026)**
Profit/(Loss) before tax from continuing operations		**(18.710)**	**47.055**
Current tax expense (-)	17	(19)	-
Deferred tax income	17	6.221	13.458
Total tax income from continuing operations		**6.202**	**13.458**
Loss for the year from continuing operations		**(12.508)**	**(33.597)**
Loss for the year		**(12.508)**	**(33.597)**
Loss for the year attributable to:			
Non-controlling interests		(598)	(23)
Owners of the Company		(11.910)	(33.574)
Net loss for the year		**(12.508)**	**(33.597)**

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
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(Amounts expressed in thousands of US Dollars ("USD") unless otherwise stated.)

	Notes	1 January-31 December 2019	1 January-31 December 2018
Other comprehensive income			
Items that will never be reclassified to profit or loss			
- Defined benefit obligation actuarial differences	25	*(1.175)*	(343)
- Tax on defined benefit obligation actuarial differences	17	*235*	*69*
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		*(158)*	(39.704)
Total other comprehensive loss		**(1.098)**	**(39.978)**
Total comprehensive loss		**(13.606)**	**(73.575)**
Total comprehensive loss attributable to:			
Non-controlling interests		(598)	(23)
Owners of the Company		(13.008)	(73.552)
Total comprehensive loss		**(13.606)**	**(73.575)**

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