

CALIK DENIM

2022

ANNUAL  
REPORT



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As we were preparing our 2022 Annual Report, our country was struck by two devastating earthquakes on the morning of 6 February 2023, affecting Kahramanmaraş and 10 surrounding cities. This tragedy plunged us and our country into a state of deep grief. Considered as the disaster of the century, tens of thousands of our citizens lost their lives, thousands more were injured, and devastating material damage occurred.

We were deeply saddened to have lost two valuable members of the Calik Denim Family, Hasan Can Kalkan and Alper Gündüz, in the earthquake that also struck the province of Malatya, where our production facilities were established. We would like to take this opportunity to wish God's mercy on the souls all our citizens who lost their lives in this major disaster, while wishing forbearance and condolences to their relatives and our entire nation.

In the aftermath of the earthquake that struck our country, Calik Denim focused on fulfilling the requirements of being a responsible corporate citizen. With the support of Çalık Holding, we mobilized all our resources and continued to assist those in the area affected by the earthquake in cooperation with authorized units such as the Municipality, Governorship, District Governorate, Red Crescent, AFAD (Disaster and Emergency Management Authority) and the Union.

In this direction, after having completed the necessary security measures in the first stage, we opened the doors of our Calik Denim factory to offer shelter and basic needs of those in need in the region and provided round-the-clock uninterrupted support. With the effective communication network which we developed, we participated in aid activities with nearly 200 volunteers among Çalık Group employees to support those in need in regions where transportation was difficult. In order to solve the problem of shelter and meet the basic needs, we sent 200 trucks carrying tents of various sizes, blankets, beds, water, food,

hygiene materials, consumables, thermal clothing, heaters, more than 50 generators of various capacities and fuel.

We established four mobile kitchens in the region able to cater to 4,600 people, providing hot meals for 5,000 people daily along with round-the-clock water and tea. We built living space for 5,000 people with 1,100 containers for permanent shelter.

In addition to these efforts, the Ahmet Çalık Foundation provided cash aid to aid organizations working in the region, especially AFAD and the Red Crescent, and Çalık Holding donated TL 20 million to the "Turkey One Heart" campaign. The total value of in-kind and cash aid from Çalık Holding and Group companies reached TL 200 million.

We are aware that a long and hard road awaits to heal the wounds of the disaster and to redevelop the region. We believe that with social solidarity, we will together overcome this difficult period.

Going forward, we will maintain our mobilization by producing permanent solutions, and will continue to work with determination to support the rapid development of our cities affected by the disaster with the coordination of public institutions and aid organizations.

While we hope that such a tragic disaster will never happen again, either in our country or in the world, we would like to underline that on behalf of all Çalık Group Companies operating in different sectors, we will always support our country.

We would like to thank all of those who wholeheartedly offered their support and cooperation during this process, especially our valuable business partners.

Sincerely.

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# CALIK DENIM AT A GLANCE

CALIK DENIM IS ONE OF THE LEADING PLAYERS IN THE GLOBAL PREMIUM DENIM SECTOR WITH ITS STRONG GOVERNANCE MODEL, HEALTHY GROWTH PERFORMANCE, SUSTAINABLE INNOVATION PERCEPTION AND TREND-SETTING RECOGNITION.



# BRIEFLY CALIK DENIM

Calik Denim has carved out a solid and prestigious position in the sector by successfully implementing its strategies shaped by an approach aimed at continuous improvement.

Çalık Denim Tekstil Sanayi ve Ticaret A.Ş., Çalık Holding's first industrial investment, was established in Malatya in 1987 in an investment of USD 111 million.

With its head office in Istanbul, Calik Denim carries out all its production activities from its integrated production facility in Malatya.

The Company has representative offices in many European countries, primarily in Germany, the UK, Spain and Sweden, as well as in the USA and the Far East.

Calik Denim, which has been producing denim fabrics at its factory in Malatya since its establishment, commissioned the ring spinning mill in 1997.

Having transformed the factory into an integrated facility in 2003 built on a total area of 777,152 m<sup>2</sup>, Calik Denim has been continuously developing its facilities in Malatya with the addition of new technologies. The facilities currently have an enclosed area of 409,355 m<sup>2</sup> and an open area of 367,797 m<sup>2</sup>.

As of the end of 2022, Calik Denim was carrying out its activities with qualified human resources of 1,657 employees, consisting of 262 white-collar and 1,395 blue-collar employees.



USD **111** million

Establishment  
investment of Calik  
Denim

**777,152** m<sup>2</sup>

Total area of  
the integrated  
production facility  
located in Malatya

**1,657**

Number of human  
resources employed



## R&D CENTER

Calik Denim's R&D Center develops innovative products that meet the requirements of the sector at the highest level by focusing on sustainable denim fabric production with a reduced environmental footprint.

### R&D and Innovation Activities

Calik Denim views R&D and innovation, which are vital to sustainable growth, as key planks of its corporate culture. The Company is leading the sector and strengthens its position by reflecting its qualified accumulated knowledge and experience to effective and long-term R&D activities and the production of new technology.

Calik Denim's R&D Center, which has been operating for more than 10 years, has become a scientific center for the sector with its successful projects. The R&D Center works on a number of projects including sustainable products, carbon neutral activities, energy efficiency, reducing the consumption of natural resources and the digital transformation of production technologies.

Calik Denim's R&D Center develops innovative products that meet the requirements of the sector at the highest level by focusing on sustainable denim fabric production with a reduced environmental footprint.

The Company was awarded its official R&D Center certificate in 2011 within the scope of Law No. 5746 on Supporting Research and Development Activities, as the 99<sup>th</sup> company in Turkey and the 7<sup>th</sup> in the textile industry to be awarded the certificate and started to carry out R&D activities in a more systematic manner under the supervision of the General Directorate of Science and Technology under the Ministry of Science, Industry and Technology.

Calik Denim, which has implemented a number of widely renowned R&D projects (such as TUBITAK and TEYDEB) since 2007, had already designed and completed 26 R&D projects successfully with its own resources before receiving the R&D Center certificate.

Since its establishment, the R&D Center has expanded the total number of projects in its portfolio to 324, with 282 of these projects having been completed. Of the 71 projects set out in the eleventh activity period, 33 have been completed and work on 38 projects continues.

The following activities are being carried out at the R&D Center, which was established to expand Calik Denim's R&D and innovation competence.

- R&D-based design and development activities (product innovation) in the existing product range,
- R&D-supported new product design and development activities (product innovation),
- Improvement and modernization activities (process innovation) on existing production infrastructure and processes in terms of quality, efficiency and cost,
- Design and development of alternative processes (process innovation) in addition to existing processes.

Detailed information on R&D and innovation is provided on the... pages of this report.



### Stable Growth with Strategic Steps

Calik Denim is steadily increasing its market share and brand awareness all over the world with its effective production and marketing strategies. Continuously expanding and enriching its product range, the Company exports to around 40 countries worldwide, principally Germany, Spain, the USA, the UK, the Netherlands, France, Scandinavian countries, the Far East, Portugal and Italy.

Calik Denim carries out indirect exports by realizing the majority of its sales to foreign brands, and also obtains 82% of its fabric revenues and 70% of its total sales including yarn through its direct and indirect exports.

The Company sets an example in the textile industry by displaying an environmentally friendly approach with the addition of its CmiA (Cotton made in Africa), Higg FEM, Higg MSI and Higg FSLM/SLCP modules and sustainable, organic denim fabrics added to its wide product portfolio, serving as an indication of the priority which it places on the environment.

Contributing to the national economy with products that set themselves apart in the denim and gabardine fabric range, Calik Denim is also included in the Turquality Support Program.

Calik Denim's high value-added, innovative fabrics, produced for the Turkish and world textile industry, are preferred by world-renowned fashion brands such as Acne, J Brand, GAP, Supreme, PRPS, Scotch & Soda, Polo Ralph Lauren, Banana Republic, Mother, Hugo Boss, Lucky Brand, Uterque, Massimo Dutti, H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, Benetton, G Star, Salsa, Next, Jack & Jones, VF and 7 for AllManKind.

### Calik Denim's National and International Corporate Memberships

- PERYÖN (People Management Association of Türkiye)
- TEGEP (Training and Development Platform)
- United Nations Global Compact - Participant Company
- Fashion Impact Fund
- Ellen MacArthur Foundation - Jeans Redesign
- Denim Deal (Coalition established by the Dutch Ministry of Infrastructure and Innovation, bringing Dutch Brands and Turkish Denim Manufacturers together)



### Awards Received in 2022

#### Global Business Excellence Awards

Calik Denim won first prize in the "Outstanding Event" category for the Ever Evolving Talks by Calik Denim event.

#### TİM Export Leaders

Calik Denim ranked 616<sup>th</sup> among Turkey's top 1,000 exporters.

#### ISO 500 - Turkey's Top 500 Industrial Enterprises List

Calik Denim took 262<sup>nd</sup> place in the ISO 500 Turkey's largest 500 industrial enterprises list of 2021, rising 13 row.

#### Turkish Time R&D Investment Research

Calik Denim has been included among the 250 companies that carry out the highest amount of R&D investment in Turkey as follows:

- 105<sup>th</sup> in the overall ranking.
- 3<sup>rd</sup> among the top 10 companies in the textile and raw materials sector.

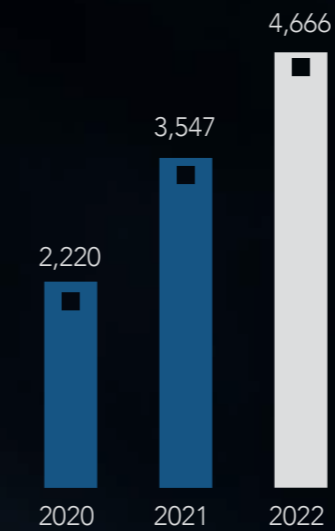
# KEY FINANCIAL INDICATORS

Calik Denim is the leading premium denim fabric manufacturer in Turkey and in the world, with a turnover of USD 211 million in 2022 and an annual production capacity of 55 million meters.

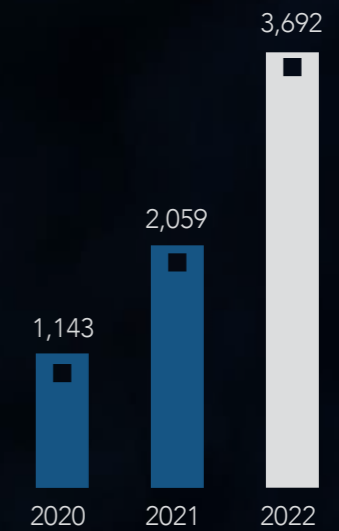
Commanding a share of 11% in total denim fabric production and 20% in the premium market in Turkey, the Company is one of the biggest players in its sector.

(TL thousand-consolidated)	2020	2021	2022
Total Assets	2,220,004	3,547,442	4,666,220
Property, Plant and Equipment	844,117	832,804	789,579
Intangible Assets	948	566	516
Trade Receivables	402,352	877,401	1,012,441
Equity	136,249	603,593	1,492,553
Total Sales	1,143,021	2,059,353	3,691,843
Operating Profit	215,726	830,946	856,453
Net Profit/(Loss) for the Period	(169,050)	268,685	862,594

Total Assets (TL million)



Total Sales (TL million)



Equity (TL million)



Operating Profit (TL million)



11%

Share in total denim fabric production in Turkey

55

million meters

Annual production capacity of denim fabric

# VALUES

# 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.

# MISSION

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

## 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, by providing them with 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 our Stakeholders

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

## Transparency and Consistency

We are honest, transparent and consistent in all our relationships and business processes.

## Respect for Rights and Ideas

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



# CORPORATE STRATEGY

Calik Denim has determined its initiatives to be implemented over the next 3 years within the framework of the growth road map which it has set out, and it has stepped up its work in this direction.



The textile sector entered a process of recovery in 2021, when the effects of the pandemic began to recede, and the sector continued to grow in 2022. With a growing population, an ever-expanding denim and fashion world and the introduction of a wide range of innovative products, the global jeans market is expected to grow with increasing momentum until 2025, with the market volume expected to reach USD 101 billion.

Positioned as a denim fabric manufacturer with the competence to provide global solutions in the market, Calik Denim aims to play an active role in this growth with the business model and strategies which it has determined.

Calik Denim is a member of Çalık Holding, which acts with common values and a corporate culture, focusing on sustainable growth by developing innovative business models in all sectors and geographical areas it operates in. Calik Denim has gained a significant competitive advantage with the power, dynamism, know-how and synergy provided by this membership.

Calik Denim prioritizes that the business processes it develops in line with the principles of justice, transparency, accountability and responsibility, which are shared by all Group companies, and adding the highest value to its employees, customers, stakeholders and society as a whole.

Calik Denim has succeeded in constantly raising its market share and awareness all over the world with its effective production and marketing strategies. It successfully represents the "Çalık" brand and corporate values on national and international platforms. The Company aims to grow sustainably by undertaking investments that will generate added value in new and attractive markets, which will create synergy with its existing activities.

Calik Denim has long shaped its investments in line with the importance it attaches to innovation and R&D. Serving as a pioneer in the textile industry by developing new technologies, the Company closely monitors investment opportunities and implements applications.

## Competitive Advantages

Calik Denim offers a number of competitive advantages that ensure the success of the Company's work, which is always carried out with the aim of providing superior quality and efficiency.

- Deep-rooted experience in the sector and a pioneering identity in innovation
- A global sales and service network
- Innovative power and market recognition
- Product quality and a strong brand image
- The opportunity to reach international premium brands more easily thanks to a brand awareness and value enhanced by investments in its brand identity
- Sustainability policy
- Regular investments focused on R&D and production

As one of Türkiye's leading denim manufacturers, Calik Denim sets itself apart both in Türkiye and in the international arena with its consistent success in sustainable denim fabric production and its ability to hold prestigious certificates confirming the Company's quality standards and environmentally friendly approaches.

## Credit Rating

Calik Denim was evaluated by JCR Eurasia, an internationally acclaimed rating organization, on 25 May 2022.

As a result of the evaluation, the Company's Long-Term National Institution Credit Rating was revised from "BBB+ (tr)" to "A- (tr)", with all of the Company's ratings as follows:

Long Term National ICR (Issuer Credit Profile)	A- (tr) / (Stable)
Short Term National ICR (Issuer Credit Profile)	J2 (tr) / (Stable)
Long Term International FC ICR (Issuer Credit Profile)	BB / (Stable)
Short Term International FC ICR (Issuer Credit Profile)	J3 / (Stable)
Long Term International LC ICR (Issuer Credit Profile)	BB / (Stable)
Short Term International LC ICR (Issuer Credit Profile)	J3 / (Stable)
Long Term National ISR (Issuer Specific Profile)	A- (tr)
Short Term National ISR (Issuer Specific Profile)	J2 (tr)

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# GOVERNANCE

CALIK DENIM ADDS VALUE TO ITS EMPLOYEES, CUSTOMERS, STAKEHOLDERS AND SOCIETY WITH THE BUSINESS PROCESSES IT DEVELOPED IN LINE WITH THE PRINCIPLES OF JUSTICE, TRANSPARENCY, ACCOUNTABILITY AND RESPONSIBILITY.



# CORPORATE GOVERNANCE

Committed to compliance with national and international laws, practices and regulations for the sector in all aspects, Calik Denim has adopted a fair, transparent, responsible and accountable corporate governance approach that revolves around risk management.

Calik Denim acts with a focus on creating permanent value in every geographical region it conducts business. The Company prioritizes its corporate values that allow it to maintain a strong and reliable stance in all of its current and future operations.

The Company deems adhering to legal rules and ethical values, producing accurate and reliable results and respecting nature and the environment as indispensable elements in building its production, commercial and employment processes.

Calik Denim successfully reflects the image of being a fair and reputable company that respects these values and rules in all of its activities and continues to strengthen its corporate governance mechanisms.

Calik Denim attaches considerable importance to transparency, one of the main building blocks of strong management, in its corporate strategies. The Company shares information about its values, activities and sustainability performance with its stakeholders in a transparent and open manner.

The Calik Denim Board of Directors and senior management team lead and guide the Company in terms of business management. The Board of Directors regularly reviews and updates corporate governance practices in line with the changing legal framework and developing market conditions.

## Corporate Governance Activities

Calik Denim has developed and implemented its policies, principles and practices within the scope of corporate governance. At Calik Denim, the main corporate governance activities, which are carried out under the direction and management of the Board of Directors, include the following:

- developing the cultures of risk, compliance and ethics,
- determining and implementing strategies and goals,
- identifying and eliminating risks that may affect the business.

Brand reputation and perception, which are among the most important material issues, are also affected by corporate governance. Calik Denim has created an effective brand perception by developing corporate governance practices which are compatible with ethical principles.

Calik Denim regularly monitors operational and commercial risks that may occur in the textile industry and takes the necessary precautions accordingly and measures market risks on a daily basis through its credit risk management unit. The majority of the Company's receivables are placed under receivables insurance.

Calik Denim's ability to sell to a number of countries around the world helps minimize its vulnerability to any economic crises that may arise in any region.

## Committees

Calik Denim carefully evaluates any risks and possible impacts that may compromise its ability to meet its sustainable growth targets or jeopardize its development in strategic, operational and financial terms, and creates and develops internal control systems. In this context, the Company has established 11 committees, which are listed below.

1. OHS Board Committee
2. Audit Committee
3. Disciplinary Board (Malatya)
4. Price Committee
5. Sustainability Committee
6. Human Resources Committee
7. Risk Assessment and Elimination Committee
  - 7.1 Business Continuity and Emergency Committee
  - 7.2 Financial Risk Committee
  - 7.3 Strategic Risk Committee
  - 7.4 Commercial Risk Committee
  - 7.5 Operational Risk Committee
  - 7.6 Infrastructure Risk Committee
8. Disciplinary Board (White Collar)
9. Early Detection of Risk Committee
10. Purchasing Committee
11. Customer Credit Risk Assessment Committee

## Policies and Procedures

Calik Denim carries out its activities within the scope of various policies and strategies that guide the production and trade cycle as well as stakeholder relations. The Company implements a system that includes a code of ethics and professional standards, documented policies and processes in accordance with legal or regulatory requirements.

Calik Denim has publicly disclosed the policies and procedures listed below and published them on its website:

- Integrated Management System Policy
- The Çalik Group Personal Data Protection and Processing Policy
- Customer Complaint and Satisfaction Procedure
- Information on the Protection of Personal Data for Employees
- Information on the Protection of Personal Data for the Candidate Employees

All of Calik Denim's policies and procedures can be accessed at [www.calikdenim.com/corporate/policies](http://www.calikdenim.com/corporate/policies).



# MESSAGE FROM THE CHAIRMAN

Adopting the principle of leading the markets in which it operates since 1987, Calik Denim supports the sustainable future with the innovative technologies it has developed.



Dear Stakeholders,

In February 2023, we experienced earthquakes that caused a tough process for our country. The earthquakes have affected 11 provinces, including Malatya, where our Calik Denim factory is established. Calik Denim and the entire Çalık Group, which provides economic development with high employment in the region, have mobilized all their resources since the first day of the earthquake. Today, we continue our active work to provide all kinds of support to our citizens in the region.

We work intensively to develop the region and produce higher added value for the Turkish economy by strengthening our business in the Eastern Anatolia region, where we have provided high level of employment since the first day of our establishment.

During the post-pandemic opening process in 2022, we have witnessed many global and local economic developments. In 2022, our country achieved a high growth rate of 5.6%. With this performance, Türkiye managed to become the 3<sup>rd</sup> country that recorded the highest growth among G-20 member countries. Despite the generally troubling outlook in the world economy and the major earthquake disaster in Türkiye, we estimate that the Turkish economy would continue to grow in 2023 in light of the great trust we have in our country.

**By leading innovations with its young and dynamic organization as well as its deep-rooted experience in the sector, Calik Denim carries the Turkish manufacturer's brand perception to higher levels in the global premium denim sector.**

Being a company that leads change with its innovative vision, Calik Denim has achieved many firsts in the global premium denim sector to date. Our technology and innovations, trend-setting and sustainable products, which we developed together with our young and dynamic team powered by our deep-rooted experience of more than 35 years in the sector, gained great appreciation and were in high demand this year, as always.

Our unique biodegradable innovation, which we launched in 2022 and that has started a brand new era in terms of circularity in denim, was highly appreciated and made an overwhelming impression in the sector. Emerged as a result of our intensive R&D and P&D studies and which we call as B210, this technology includes a unique process that enables even synthetic fiber-containing products, which take centuries to decompose in nature, to be almost completely biodegradable within 210 days.

We design and implement many projects in line with our goals of minimizing the impact of our production activities on the environment by reducing our carbon footprint, leading the positive transformation of the sector within the scope of the circular economy, taking part in all stages of the value chain and growing the collaboration ecosystem. With global business partnerships, which is based on circularity in denim, we carry out projects that will minimize the environmental impacts of the denim sector.

On the other hand, within the scope of the European Green Deal, we are taking significant steps for strategic projects and sectoral collaborations that will increase the production and use of recycled fiber.

We have been making considerable investments in sustainable raw material production and supply for many years. We continue our BCI, organic and regenerative cotton supply through our organizations in Sanliurfa by supporting local production.

We continued the investments we made within the framework of our 'Ever Evolving' strategy with modernization and improvement work in order to increase our efficiency and reduce our costs in 2022. As of the end of 2022, the amount of investment we have made in our innovative projects which contribute to sustainability has approached USD 3 million.

## MESSAGE FROM THE CHAIRMAN

Within the scope of our sustainability goals, we continue to reduce the amount of energy, water, waste and carbon footprint in production by taking into account all our environmental impacts in our activities and new investments.

### **Calik Denim closed the year 2022 with successful results as a consequence of its activities supporting sustainable growth and social development.**

2022 was a year in which the winds of change were accelerated on a global scale. In 2022, the importance of acting in a planned and patient manner and being able to rapidly adapt to changing conditions came forward.

At Calik Denim, we have demonstrated a successful operational and financial performance thanks to our risk-sensitive and proactive management approach, our strategies to strengthen our market presence and new product development competency. In 2022, our turnover amounted to USD 211 million, and we once again proved our presence among the leading premium denim fabric manufacturers in Türkiye and the world with our annual production capacity of 55 million meters.

As of the end of the year, we received an 11% share of the total denim fabric production in the domestic market and a 20% share of the premium market. We achieved a 79% growth in our total sales with our successful performance in such a period when stagnation prevailed due to globally high inflation and energy crisis.

### **We continue to produce projects that touch people and nature for a better future.**

Our sustainability strategy called as "Passion for Denim, Passion for Life", in which we determine our 2025 targets, encourages positive transformation and provides leadership to the entire industry, especially Calik Denim's business partners.

Within the scope of our sustainability targets, we aim to reduce the amount of energy, water, waste and carbon footprint in production by taking into account all our environmental impacts in our activities and new investments. We continue to increase the use of certified and recycled raw materials and to raise the profit share of innovative and sustainable products at full speed.

We are taking our Solar Power Plant (SPP) investment, which is a crucial step in our transition to renewable energy, to the next stage by further expanding it. In addition to the solar panels installed on our Malatya production facility roofs, we have started to work on installing solar power plants on the land in order to produce our own electrical energy. This initiative was taken within the framework of the law published in 2022, which allows companies to establish solar power plants on suitable non-agricultural lands.

As we celebrate the 100<sup>th</sup> anniversary of our Republic, we will continue to add value to our stakeholders and our country in the future by maintaining our character of being a company focused on sustainable profitable growth.

### **All our strategies, goals and business plans that we determine focus on strengthening our position as the industry leader.**

By fulfilling the requirements of our leading position in the global premium denim sector, we will continue to maintain our position as a company that is a pioneer of innovation in our sector, which contributes greatly to the growth and deepening of the market, has a competitive advantage, realizes the investments of the future today, and focuses on sustainable profitable growth.

As we celebrate the 100<sup>th</sup> anniversary of our Republic, we will continue to add value to our stakeholders and our country in the future.

After completing 2022 successfully, I would like to thank our business partners for their trust in us, our valuable employees who provide their outstanding efforts, and all our stakeholders.

**Ahmet ÇALIK**  
Chairman of the Board

# MESSAGE FROM THE GENERAL MANAGER

Calik Denim maintained its successful performance in 2022 by rapidly adapting to extraordinary conditions in volatile markets and a shaky conjuncture.



Dear Business Partners and Colleagues,

Before I start my message about my opinions and assessments of the year 2022, I would like to express our deep sadness following the tragic earthquake which occurred in Kahramanmaraş and which affected ten surrounding cities on 6 February 2023, as we were preparing our report for publication.

Two consecutive earthquakes struck the region including Malatya, which is home to our production facilities. The earthquakes inflicted great devastation and loss of life. Calik Denim started to work tirelessly immediately after the disaster to meet the needs of our employees and all other citizens affected by the earthquake, and to heal the wounds as quickly as possible.

On this occasion, I would like to wish God's mercy on our citizens who lost their lives in the disaster, especially our esteemed teammates, Alper Gürbüz and Hasan Can Alkan. I extend my condolences to their relatives and to our country.

**The global economy continued to face various challenges in 2022, and economic activity slowed down at a rate much faster than had been anticipated.**

Challenges such as rising inflation in many countries, a tightening in financial conditions, the ongoing war between Russia and Ukraine and a resurgence in Covid-19 cases in China continued to weigh on the global economic outlook throughout 2022.

These issues led to disruption and a breakage in supply chains on a global scale, along with higher, more volatile commodity and energy prices and supply-demand imbalances. These developments drove global inflation to levels unseen for several decades, causing a tightening in monetary policies and a decline in purchasing power all over the world.

Integrated with the world in many respects, Türkiye has inevitably been affected by these negative developments. The surge in energy prices and soaring inflation figured conspicuously on the country's agenda.

**The textile industry, which has traditionally occupied a prominent position in the Turkish economy, demonstrated a robust performance in both production and exports in 2022.**

Rising input costs around the world, the fall in the Euro against the USD to a 20-year low with resultant exchange rate volatility, the tightening steps taken on a global scale and energy crises have all slowed the rate of growth in the Turkish textile industry.

Despite these headwinds, the sector succeeded in realizing a total of USD 34.1 billion in exports in 2022, with the textile and raw materials sector accounting for USD 12.9 billion of this amount and the ready-made clothing and apparel industry accounting for the remaining USD 21.2 billion. These figures once again stood as testament to our industry's ability to take quick actions against risk factors and turn the crisis into an opportunity.

The Turkish textile industry has undergone a major evolution in order to keep up with the digital and ecological change taking place around the world and has adapted quickly and steadfastly to this transformation.

The European Green Deal looms large on the agenda for the whole world. The first work on the transformation was initiated in the textile sector

within the framework of the European Green Deal. This marks a major step taken towards maintaining the advantageous position of Turkish textiles. Observing environmental sensitivities, especially in the production carried out for major Western brands, is of the highest priority in upholding the sustainability of our country's textile sector.

**In 2022, we achieved successful financial and operational results on the back of our efforts within the scope of our efficient and sustainable growth target.**

Calik Denim maintained its successful performance in 2022 by rapidly adapting to extraordinary conditions in volatile markets and a shaky conjuncture backed by its long-standing market experience, strong financial structure and competence in risk management.

The surge in commodity and energy prices and elevated rates of inflation, especially in the last quarter of 2022, precipitated a slump in orders, in marked contrast to the demand boom we experienced a year ago in the sector. Against this backdrop, we adopted the strategy of keeping stocks to a minimum in order to manage cash flow in line with turnover. While striving to reducing our expenses, we set sales targets that will provide effective capacity management to ensure higher income and we have implemented these targets.

Our Company's approach to quality production, supported by its strategic organizational structure and management systems, and its ability to lead change, have been the most important pillars in achieving results in line with our year-end targets.

At the end of 2022, our total assets stood at TL 4,666 million and our shareholders' equity stood at TL 1,493 million. In the same period, our total turnover reached TL 3,692 million, and we recorded a net profit of TL 863 million. We commanded a share of 11% in total denim fabric production and a 20% share of premium market in Türkiye.

## MESSAGE FROM THE GENERAL MANAGER

Serving as a scientific hub and point of reference for the sector, our R&D Center has worked on a total of 324 projects, with 282 projects completed since its establishment.

### **We focused on meeting the innovative product needs of the premium market with our advanced and internalized R&D and P&D culture.**

Sustainability, the green economy, technology and the digital transformation are the priority areas for us. We are going to great lengths to integrate R&D, innovation and the design culture into our industry in order to develop the ecosystem in the textile sector.

By establishing the textile industry's 7<sup>th</sup> R&D Center in 2011, we have started to carry out our activities under a more systematic structure. Our R&D Center serves as a scientific hub and point of reference for the sector. Our R&D Center has worked on a total of 324 projects, with 282 projects completed since its establishment.

With its strong P&D organization and Sales & Marketing teams that analyze the market in depth, Calik Denim places priority on anticipating stakeholder expectations and meeting these expectations quickly and correctly, directing the denim and fashion industry with the most innovative products and leading the sector in every field as strategic goals.

In 2022, we launched our biodegradable technology, which we introduced in line with these goals which we attach significant importance to. Aware of the hundreds of years it takes for products containing synthetic fibers to completely degrade in nature, we have drawn on our strong R&D and P&D infrastructure to develop a process in which even the products containing synthetic fibers will be almost completely broken down in nature within 210 days.

This technology, which we refer to as B210, is implemented with a technique specific to Calik Denim, which is applied in the yarn and finishing processes and can also be used in all requested synthetic fiber fabrics. In the process which we have developed, we have ensured that the products are more than 99% biodegradable. The reliability and authenticity of our technology has been upheld through tests conducted by independent international laboratories.

In addition to the D-Clear, Dyepro and Denethic technologies we have developed and introduced to the industry in recent years, we have developed innovative technologies with our vision of being a solution partner for our customers. These technologies include E-Denim, with recycled fiber content, Re/J with 100% recycled pre- and post-consumer raw material, and E-Last, which minimizes shrinkage, the most important problem in the process of producing jeans. These technologies continued to attract significant demand in 2022.

We introduced two main collections to the global fashion and denim industry in 2022; the Autumn-Winter 2023-2024 Togetherness Collection and the Spring-Summer 2024 Blue Coalescence Collection. These collections included fabrics produced with the technologies emerged as a result of P&D activities. Both collections attracted wide acclaim thanks to the raw material savings achieved during the production phase and by being trendsetters.

We seek to support every link of the value chain by focusing on developing the collaboration ecosystem, generating technology and sharing know-how in Environmental, Social and Governance (ESG) topic.

### **We strive to exist in every part of the economic cycle and reflect our effectiveness to every link of the value chain.**

The textile sector, where we operate, contains a very large ecosystem with a multi-layered cycle that goes from the farmer to the producer, from the transporter to the exporter and the final consumer. All stakeholders involved in this cycle have to act together for the common good.

With the responsibility bestowed upon us by our position as a sector leader, we at Calik Denim shape our work in a way that will improve ecosystem cooperation in all our applications and accelerate the transition to a circular economy.

We believe all of our stakeholders should adopt and take on board the Environmental, Social and Governance (ESG) criteria as well as financial sustainability. In line with this approach, we seek to support every link of the value chain by focusing on developing the collaboration ecosystem, generating technology and sharing know-how.

Accordingly, we contribute to both our own brand and its sub-brands and the Turkish brand thanks to our long-term collaborations with national and international brands, designers, suppliers and universities to achieve success and gain a competitive advantage in the global market.

One of the innovative activities we carry out in this context is to produce denim with cotton that is obtained from regenerative agriculture. We have

set up a system that will follow a process on an end-to-end basis extending from the seed to the store. We also provide financial support to the farmers we work with in the Sanliurfa region when necessary, and we proceed with a strategy of purchasing all of the products they produce.

We also provide various training programs on regenerative agriculture to our farmers. We have carried out a number of very significant studies on contamination, which is one of the most pressing problems in cotton agriculture. We have provided training on the cleaning of waste such as polyester fiber and aluminum in the field before picking cotton. Through activities such as this, we succeeded in reducing the rate of foreign matter in the fiber by 80%.

We decided to participate in The Jeans Redesign project, carried out by the international Ellen MacArthur Foundation, within the framework of our plans to lead our industry in the transition to a circular economy. The guidelines that scale circular applications, which are included in the project, encourage leading brands, factories and manufacturers to change the way denim is produced. We therefore see this project as a guide in our journey towards a circular economy. In addition to this project, we continue to uphold our commitment to "creating a positive impact for a better life" in terms of sustainability with sectoral collaborations through the Denim Deal coalition, which brings together Dutch brands and Turkish manufacturers in line with the sustainable production model.

## MESSAGE FROM THE GENERAL MANAGER

With our ongoing efforts to review and renew our strategies and goals, we aim to lead the positive transformation of the sector and fashion world in the face of new conditions.

On the other hand, we promoted our competence in producing technology and our wide range of product portfolio to the entire world at various events, fairs and seminars which we have attended both within our country and abroad. In particular, we held our “Ever Evolving Talks by Calik Denim” event for the third time this year in Amsterdam. During this event, we hosted speakers who are globally acclaimed in their fields and discussed topics which will broaden the horizons of the participants, such as the future of fashion, sustainability, new innovations and technologies around the world, and our planet. Ever Evolving Talks once again drew crowds in the global fashion and denim industry.

We pressed ahead with our digitalization efforts in 2022, which we have invested in for many years. We have gradually introduced digitalization throughout our production and commerce cycle, and in this context, enhanced our Calik Denim mobile app, the first and only of its kind in the sector, with the addition of a new filtering feature that our customers can easily access for their specific fabric needs and a “New Technologies and Innovations” module.

### **The climate crisis is increasingly weighing on the transformation of production and consumption patterns on a global scale.**

Along with most business lines, the climate crisis and its consequences direct and shape the textile sector in which we operate. Developing products based on innovative and alternative raw materials, using of alternative fuels in production processes and designing the value chain from end-to-end around an Environmental, Social and Governance (ESG) approach are key topics on a global basis.

As a company that places sustainability at the heart of its business model, we aim to create added value and contribute to the positive transformation of the planet by successfully managing the effects of denim production on the environment in line with the strategy we have set out.

We have put forward our 2025 Sustainability Targets in line with the “Passion for Denim, Passion for Life” strategy, which we launched in 2018. We established a Sustainability Committee responsible for integrating and monitoring the strategy into our business model.

We have collected these targets under four main headings. They include a wide range of areas such as reducing carbon emissions per unit of production by 20%, water use by 30% and waste generated in production processes by 30%, and increasing the use of electricity generated from renewable resources by 10% and raising the amount of electricity purchased from renewable resources to 50% by 2025.

In 2022, we carried out studies to review and renew our strategies and goals by taking into account the rapid change in conditions around the world in the wake of the pandemic, climate action, which has taken on ever greater importance with the global climate crisis, the global efforts towards achieving net carbon zero and sectoral developments. With these ongoing efforts, we aim to lead the positive transformation of the sector and fashion world in the face of new conditions.

While shaping the denim and fashion sector by creating a niche market with the industry’s most innovative products, we will continue to generate and share value in the coming periods by taking the common interests of all our stakeholders into account.

We are focused on increasing our contribution towards tackling climate change and global warming, deemed to be the biggest risks to humanity, with our strong infrastructure and superstructure, as well as the new investments we are undertaking. We are expanding our Solar Power Plant, taking our investment to the next level as a crucial step in our transition to renewable energy.

The solar panels installed on the facility roofs currently meets around 1.2% of our energy needs. We generated 1,122,154 kWh of electricity in this way in 2022. Within the framework of the law enacted in the middle of the year, which allows companies to set up solar power plants on suitable non-agricultural land, we have started to work on installing solar power plants on the land to generate our own electricity in synergistic cooperation with our group companies.

### **We will work tirelessly in 2023 and subsequent years to advance our identity as a pioneer in our industry to the future with new and contemporary technologies.**

Analysis carried out strongly indicates a variable course for the global economy in 2023 and beyond. In this process, a risk-oriented and agile management, a sustainable and solid financial structure and an innovation-oriented development approach will remain vital components in achieving success.

At Calik Denim, we aim to focus on sustainable profitability, efficiency and savings, seek opportunities for optimization at every stage of our activities and further develop our presence in the export and domestic markets with a balanced approach.

As always, we will place R&D and innovation at the heart of our business model going forward. Our main focus will be to design, develop and produce high value-added products which are environmentally friendly, meet current and future needs, comply with standards and set themselves apart from the competition.

We will continue to improve the total value we offer to our human resources, who are the architects of our success, and always prioritize occupational health and safety.

While shaping the denim and fashion sector by creating a niche market with the industry’s most innovative products, we will continue to generate and share value in the coming periods by taking the common interests of all our stakeholders into account.

Finally, I would like to take this opportunity to express my respects to and thank our local and foreign business partners, customers, suppliers, the Çalik Group and our Board of Directors for their support, and especially our colleagues who contributed greatly to the successful results we achieved in 2022 with their performances.

Ahmet Serhat KARADUMAN  
General Manager



# BOARD OF DIRECTORS



**Ahmet ÇALIK**  
Chairman of the Board

Ahmet Çalık, one of the important business leaders of Turkey and the nearby geography, is the Chairman of Çalık Holding, which is currently operating in the energy, construction, mining, finance and textile sectors.

As a member of a family operating in the field of textiles since 1930, Ahmet Çalık started his personal

initiatives in this field in 1981 and established a denim factory which is one of the largest industrial investment in Eastern Anatolia.

Çalık, who started his commercial ventures abroad in Central Asia following the independence of the Turkic Republics in the 1990s, has made investments in all sectors in which the Holding operates, aiming sustainable growth.

Acting with the aim of producing added value for the operation countries, Ahmet Çalık established Çalık Holding in 1997 to unite all Group companies under one roof. The Holding operates in five main sectors in 30 countries with its 15 thousand employees. Çalık Holding is the first Turkish company to become a member of the Japanese Business Federation Keidanren.

Focusing on projects that benefit people and society with its visionary investments, Ahmet Çalık prioritizes diversity, sustainability and resilience while investing in all sectors and geographies. At the same time, he acts with the principle of equality for all cultures, beliefs, ethnicities and genders, he adopts a business approach that respects the environment, and he supports social responsibility projects.

Ahmet Çalık established the Ahmet Çalık Foundation in 2022 to promote scientific research, educational studies, intellectual activities that will enable young people, scientists and entrepreneurs to participate in technology development processes in education, science and social fields, and to contribute to the development of the entrepreneurship ecosystem.



**Mahmut Can ÇALIK**  
Board Member

Born in 1991 and completing his university education in the USA, Mahmut Can Çalık started his career at Çalık Pamuk in 2011 and worked as a Board Member at ALBtelecom between 2013-2022. He has been a Board Member at Calik Denim since 2019 and is also the Chairman of Çalık Petrol, Çalık Pamuk, and Çalık Tarım companies. Besides being the Vice Chairman of Ahmet Çalık Foundation and a TÜSİAD member, as of 2023, Çalık is serving as a Çalık Holding Board Member, Chairman of Gap Pazarlama and Board Member of Lidya Madencilik, Kayserigaz and Bursagaz.



**Ahmet Erdal GÜNCAN**  
Board Member and Textile Industry Group Head

Born in 1969, Ahmet Erdal Güncan graduated from Istanbul Technical University, Department of Civil Engineering, and he completed his master's degree in "Construction Management" at the same university. Güncan, with a 27-year of banking experience, started to work at Aktif Bank in 2008. He is a Board Member of Aktif Bank and its subsidiaries besides his duties as Corporate Banking Deputy Director General. Güncan also continues to work as the Textile Industry Group Head as of 2022.



**Mehmet GÖÇMEN**  
Board Member

After graduating from Galatasaray High School and Middle East Technical University, Department of Industrial Engineering, Mehmet Göçmen completed his master's degree in Industrial Engineering at Syracuse University in 1983. Between 1983-1995, he worked at Çelik Halat ve Tel Sanayi A.Ş., and he held various positions in Lafarge Turkey between 1996 and 2003. Mehmet Göçmen, who served as the General Manager of Akçansa Çimento Sanayi ve Ticaret A.Ş. between 2003-2008 and who was appointed as the Head of Sabancı Holding's Human Resources Group in 2008, continued his duty as the Head of Sabancı Holding's Cement Group between 2009-2014. Göçmen, who became the Head of Energy Group in 2014, served as the CEO and Member of the Board of Directors at Sabancı Holding between 2017-2019. Mehmet Göçmen has been serving as a Member of the Board of Directors at Çalık Holding as of 2020.

## Fields of Operation

- Energy
- Construction
- Mining
- Finance
- Textile

## Significant Investments

- Ortadoğu Tekstil, 1981
- Calik Denim, 1987
- Gap Pazarlama, 1994
- Gap İnşaat, 1996
- Çalık Holding, 1997
- Çalık Enerji, 1998
- Aktif Bank, 1999
- BKT, 2006
- ALBtelecom, 2007-2022
- Lidya Madencilik, 2010
- Yeşilirmak Elektrik Dağıtım A.Ş. (YEDAŞ), 2010
- Yeşilirmak Elektrik Perakende Satış A.Ş. (YEPAŞ), 2012
- Kosova Elektrik Dağıtım (KEDS), 2013
- Aras Elektrik Dağıtım A.Ş. (Aras EDAŞ), 2013

- Aras Elektrik Perakende Satış A.Ş. (Aras EPSAŞ), 2013
- Çalık Petrol, 2017
- BKT Kosova, 2017

## Awards and Honors

- Order of State of Turkmenistan - 1997
- Turkmenistan Mahdum Guli Award - 1997
- Order of Merit of the Turkish Republic - 1999
- Order of Merit of the Turkish Republic, Ministry of Foreign Affairs - 2002
- Order of Merit of the Grand National Assembly of Turkey - 2006
- Honorary Consul of the Republic of Kazakhstan in Bursa - 2012
- USA Ellis Island Medal of Honor - 2014
- Honorary Ph.D. from Albania Tiran University - 2014
- Honorary Ph.D. from Matsumoto Dental University, Japan - 2014
- Turkmenistan "Garaşsyz, Baky, Bitarap Turkmenistan" Medal - 2015

- Honorary Ph.D. from Kindai University, Japan - 2016
- Order of State of Japan (Order of the Rising Sun, Gold Rays with Neck Ribbon) - 2019
- Honorary Ph.D. from Malatya Turgut Özal University - 2020
- Order of the Knight of the Flag of Albania - 2022

## Social Responsibility Projects

- Ahmet Çalık Foundation
- Mahmut Çalık Education Complex
- Malatya Hasan Çalık Hospital
- Ankara Oncology Hospital
- Restoration of Atatürk Mansion (Walking Mansion), Yalova
- Renovations at Istanbul Technical University (ITU)-Civil Engineering Faculty-Geomatics Department
- Renovation of ITU Mining Faculty-Precious Metals Laboratory
- Renovation of Boğaziçi University-Faculty of Engineering-Hydraulic Laboratory
- Malatya Textiles Museum
- Malatya Diniye Çalık Primary School

# EXECUTIVE MANAGEMENT

## Ahmet Serhat KARADUMAN General Manager

Born in Muş in 1972, Ahmet Serhat Karaduman graduated from the Mechanical Engineering Department of Selçuk University and received his master's degree from Çukurova University, Faculty of Business Administration, Department of Management and Organization in June 2016. Karaduman started his career at Calik Denim in 1996 as a Weaving Engineer. Karaduman, who took on various duties within the Company until 2003, was appointed as the R&D Manager in 2013 and assumed the position of Factory Manager in 2014. Ahmet Serhat Karaduman, who was appointed as Factory and R&D Director in 2015 and Technical and R&D Assistant General Manager in 2019, started to work as General Manager as of December 2021.

## Mehmet Serdar ÖZCAN European Sales Director

Born in Adana in 1980, Mehmet Serdar Özcan graduated from Çukurova University, Department of Textile Engineering. Özcan, who started his career at Calik Denim in 2004, worked in various positions in the Sales and Marketing department, then became the Regional Manager in 2015 and started to work as the European Sales Director in 2019.

## İsmet KALALI Technical Director

Born in Malatya in 1974, İsmet Kalalı graduated from Dokuz Eylül University, Department of Industrial Engineering. Kalalı, who started his career at Calik Denim in 1999, is currently working as the Technical Director.

## Caner ÇOLAK Strategy and Process Development Director

Born in Lucerne in 1984, Caner Çolak graduated from Istanbul University, Department of Industrial Engineering and received his master's degree from the same university and department. Çolak, who started his career at Calik Denim in 2008 and held various positions within Calik Denim, continues his duty as Strategy and Process Development Director.

## Mehmet Faruk AVCI Planning and Quality Control Director

Born in Malatya in 1980, Mehmet Faruk Avcı graduated from Gazi University, Department of Industrial Engineering. Avcı, who started his career at Calik Denim in 2004 and worked in various departments, has been serving as the Planning and Quality Control Director as of May 2021.

## Işıl ÇAKIROĞLU KULAKSIZ Financial Affairs Director

Born in Istanbul in 1983, Işıl Çakıroğlu graduated from Galatasaray University and received her master's degree from University Paris Dauphine. Işıl Çakıroğlu Kulaksız, who started her career at Deloitte in 2008 and gained experience in many sectors, started to work as Financial Affairs Director at Calik Denim as of 2022.

## Hüseyin YILDIZ Yarn Director

Born in Gaziantep in 1985, Hüseyin Yıldız graduated from Kahramanmaraş Sütçü İmam University Textile Engineering Department and he continues his master's degree studies at the same university. Having gained management experience in İskur Tekstil and Şirikçioğlu Mensucat companies, Yıldız started to work as the Yarn Production Director at Calik Denim as of 2022.

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# ACTIVITIES

CALIK DENIM INCREASES ITS MARKET SHARE AND BRAND AWARENESS ALL OVER THE WORLD ON EVERY EVOLVING DAY WITH ITS EFFECTIVE PRODUCTION, SALES AND MARKETING STRATEGIES.



# PRODUCTION

Calik Denim maintains its competitive advantage in the sector with its sustainable production policy. The Company constantly develops its integrated production facility in Malatya, which was established on an area of 777,152 m<sup>2</sup> using state-of-the-art technologies.

Calik Denim increases its brand value with the innovative products it manufactures through the state-of-the-art machinery that will revolutionize the denim world and unwaveringly advances in the field of sustainable innovation. The Company continued to develop and increase the added value it created in every aspect by conducting modernization work on its production machines and equipment in 2022.



## Capacities as of 2022

**55 million meters** Fabric

**55 million meters** Finishing

**66 million meters** Greige Fabric

**71 million meters** Warp Dyeing

**45 thousand tons** Yarn  
(10 thousand tons Open-End, 35 thousand tons Ring Yarn)

Calik Denim aims to minimize its impact on the environment by increasing the efficiency of its production processes. In line with this goal, the Company is working intensively in the following areas:

- Optimization of Electricity Consumption
- Optimization of Steam Consumption
- Optimization of Water Consumption
- Optimization of Air Consumption
- Optimization of Chemicals Consumption
- Optimization of Workforce



## Sustainable Products and Technologies

Calik Denim develops environmentally friendly and sustainable products by using innovative technologies in order to minimize the environmental impacts arising from its production activities.

The Company has developed a number of technologies in this area, including D-Clear technology, which revolutionizes the use of water and chemicals, Dyepro technology, which eliminates the use of water in indigo dyeing and entirely prevents chemical waste, the special E-Denim technology with recycled yarn, the 100% Recycled Re/J technology consisting of the pre- and post-consumption recycled materials, the B210 technology with its unique biodegradable properties, the Blue-H concept, which contains hemp fiber, as an alternative to cotton, and Denethic concept which saves resources in production with its washed denim look\*.

Moving forward with its environmentally oriented product design in 2022, Calik Denim aims to protect both the environment and human health with these products.

## Sustainability-related Production Activities

### Life Cycle Assessment (LCA) & Environmental Product Declaration (EPD)

The environmental impacts of Calik Denim's products throughout their life cycles are verified by independent auditors and the products are registered. The environmental impacts of each product at all stages, from the production of cotton and supply of raw material to the final product, can be measured under the Life Cycle Assessment approach. The visual design work for the LCA reports was carried out. EPD documents, which are summary documents containing the results, were prepared, approved and published.

### Transparency Monitoring System (TMS)

The "Transparency Monitoring System" (TMS) was created in 2019 by focusing on measurable targets. Under the TMS, the Company aims to measure inputs in production and optimize resource use in the production processes.

### Article-Based Environmental Impact (Cradle-to-Gate) Categorization

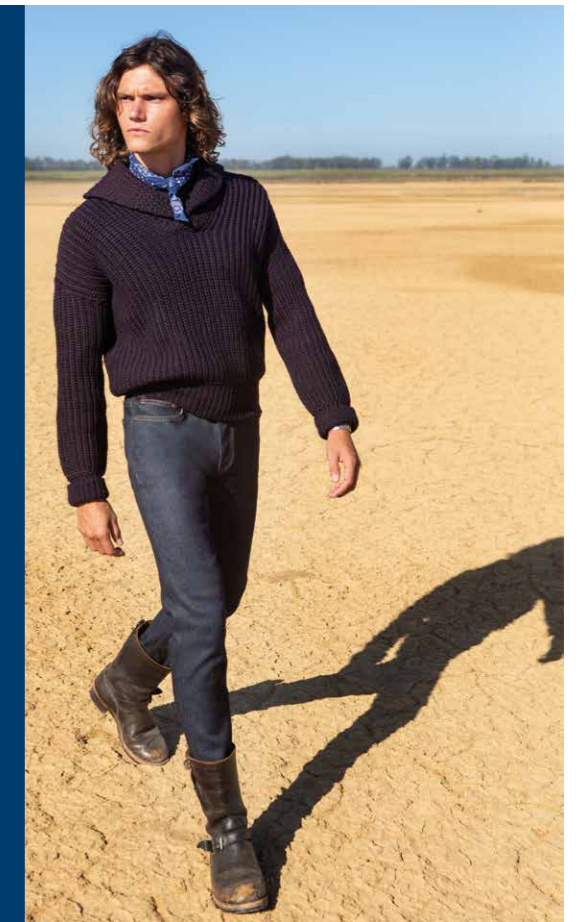
As per the LCA studies, article-based environmental impact categorization was conducted on eight impact categories: product carbon footprint, water consumption, acidification, land use, energy demand, eutrophication, photochemical oxidation and ozone layer depletion. The process of reporting the categorization results to customers through QR codes started in April 2021.

\* Detailed information on the products is presented in the "Eco-Friendly Production Technologies from the R&D Center" section.



# PRODUCTION EFFICIENCY

Calik Denim provides resource optimization by measuring production inputs at every stage with the Transparency Monitoring System.



## Efficiency Increasing Activities

Calik Denim tirelessly strives to create sustainable and innovative production infrastructure while ceaselessly improving its product quality. The Company is focusing on innovation projects to achieve a high level of efficiency in production and pressed ahead with its Life Cycle Assessment (LCA) activities in 2022 as it sought to integrate sustainability into its production activities.

Within this scope, Calik Denim carries out the following steps:

- With the Life Cycle Assessment approach, the Company aims to ensure that the sustainability of every grade is measurable.
- By carrying out the Life Cycle Assessment study, the Company ensured that the environmental impacts of the products in all stages of production from the production of cotton and raw material procurement to the final product could be measured.

- The Company creates a roadmap to reduce the environmental impacts of its products by calculating the environmental impact on a product basis.
- The Company is able to specifically calculate the reduction in the environmental impact of grades using sustainable fibers, such as recycled cotton, organic cotton, ecovero, repet and hemp.
- Since the Life Cycle Assessment approach also covers the product's supply chain, the Company may also numerically calculate the impacts of suppliers on the products.
- When introducing products to its customers, the Company offers the opportunity to compare not only technical features but also environmental impacts.
- The Life Cycle Assessment study indicates certain environmental impacts of the final product, such as its carbon footprint and total water consumption. In addition, article-based environmental impact categorization based on 8 impact categories is also offered to customers.

- Always adhering to the principle of transparency and accuracy, the Company's Life Cycle Assessment studies are verified by independent auditors, thus ensuring the verification of all data which is shared.
- Using the verified outputs of the Life Cycle Assessment studies, the Company completed its applications to issue the Environmental Product Declaration (EPD) through The International EPD System. The environmental impacts of the product are thus recorded and made available to all stakeholders.

Calik Denim aims to contribute to the textile sector by carrying out transparent and more sustainable production with its online tracking system, the Transparency Monitoring System (TMS). The Company monitors its energy consumption through the TMS, and identifies and categorizes the most sustainable energy types with instant monitoring on the energy consumption screen.

## Carbon Footprint Measurement

The TS EN ISO 14064-1 standard is the most widely used standard in carbon footprint reporting. It covers the principles and requirements for calculating and reporting greenhouse gas emissions and their disposal at the organizational level. This standard also includes requirements for the design, development, management, reporting and verification of an organization's greenhouse gas inventory. Calik Denim has initiated corporate carbon footprint calculations within the framework of the standard.

Calik Denim continues its work on human rights, labor standards, environmental protection and anti-corruption in line with its commitment to the principles of the United Nations Global Compact, which the Company became a voluntary participant of in 2019. Calik Denim also contributes to the United Nations Sustainable Development Goals (SDGs) with its activities in these key areas.

## PRODUCTION

At Calik Denim, the production process begins with yarn production and ends after a detailed check in quality control facilities.

### The Steps of Calik Denim's Production



#### 1. Yarn Facilities

At the very beginning of the production journey comes yarn production which is the raw material of the fabric. Thanks to its professional expert team, Calik Denim can carry out the production and finishing processes of its yarn and fabric. The yarns designed particularly for Calik Denim are manufactured at the ring spinning machines using the multitwist, multi-count, and draw your slab technique.

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

#### 2. Indigo Facilities

The unique and original colors of Calik Denim's fabrics emerge as a result of detailed studies in indigo facilities. There are three rope dyeing and three warp dyeing lines at the indigo facilities which continue to operate effectively. 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.

#### 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 be controlled at Calik Denim Quality Control Facilities. The controls that Calik Denim fabrics are subjected to are as follows:

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

### THE COMPONENTS OF MALATYA INTEGRATED FACILITY

- Yarn
- Indigo
- Weaving
- Finishing
- Quality Control

# SALES AND MARKETING

Calik Denim offers a range of value-added products, which it has developed in line with its market-oriented approach, to domestic and international markets. While raising the recognition of its brand on international platforms on one hand, it also contributes to its sector and the Turkish economy on the other.

## Sales Activities in 2022

The world grappled with a whole gamut of multidimensional challenges in 2022 due to the global recession, the ongoing war between Russia and Ukraine and the energy crisis. The textile sector, along with other industries, was affected by these problems in a multitude of diverse ways. However, with the support of its value-added production skills, Calik Denim succeeded in maintaining its competitive edge in both domestic and foreign markets in 2022.



The Company worked in close cooperation with its business partners in the domestic market to most correctly manage the supply chain value system in which it operates and maintained its position as a reliable business partner by supporting its business partners with innovative and solution-oriented products.

Calik Denim provides services based on its know-how to the brands it is in partnership with by going beyond its manufacturer identity. The Company meets the demands and expectations of its business partners with rapid and high-quality solutions. This is the most important factor behind the Company's popularity among prestigious brands.

Calik Denim's products are preferred by world-famous fashion brands such as Acne, J Brand, GAP, Supreme, PRPS, Scotch & Soda, Polo Ralph Lauren, Banana Republic, Mother, Hugo Boss, Lucky Brand, Uterque, Massimo Dutti, H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, Benetton, G Star, Salsa, Next, Jack & Jones, VF and 7 for AllManKind.

Calik Denim has implemented a risk-sensitive and proactive process with the tools and studies which it carries out in accordance with current conditions. It expanded its total sales by 79% with the support of the demand growth in the domestic market.



The global economy started 2022 with a rapid recovery after three years of disruption because of the pandemic, before entering a period of stagnation due to fallout of the war between Russia and Ukraine, changes in the supply/demand curve and a surge in global inflation, and the energy crisis.

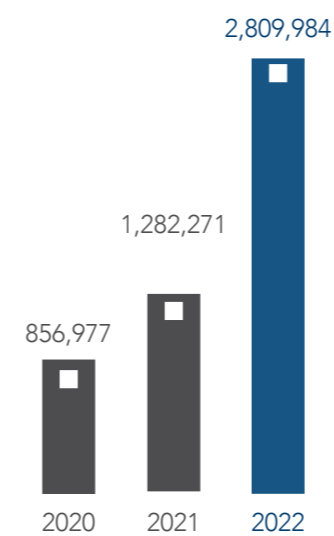
Calik Denim seized the opportunities which emerged despite all of these adverse conditions with the aid of careful analytical studies which it had carried out. It recorded export sales of TL 881.9 million in 2022 thanks to its proactive planning and action.

The Company exports to about 40 countries, principally Germany, Spain, the USA, the UK, the Netherlands, France, Portugal and Italy as well as Scandinavian countries and the Far East.

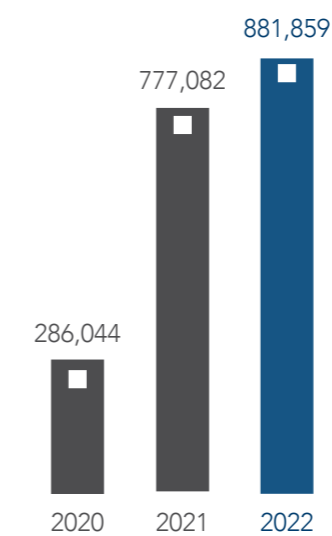
Calik Denim currently stands as one of the leading global actors operating in denim fabric production. The Company is one of Türkiye's leading 200 exporters based on 2021 figures announced in 2022.

As a global player in denim fabric production, Calik Denim ranked 588<sup>th</sup> in the general ranking and 21<sup>st</sup> place in the Textile and Raw Materials sector ranking in the list of Türkiye's "Top 1,000 Exporters", compiled by TİM (Turkish Exporters Assembly) each year and was announced in 2022.

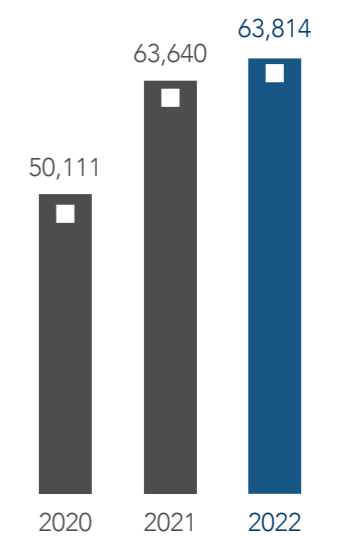
**Domestic Sales (TL thousand)**



**Exports (TL thousand)**



**Quantity (thousand meters)**





## SOLUTION PARTNER

The ability to meet the demands and expectations of its business partners with rapid and high-quality solutions ensures that Calik Denim is consistently one of the most popular suppliers for prestigious brands.



Calik Denim's export markets and its export amount to each country in 2022 are provided in the table below.

Country	Amount (TL)	Country	Amount (TL)
Tunisia	286,720,830	Jordan	3,851,464
Italy	99,410,167	Austria	3,670,658
Germany	88,180,139	Belgium	1,605,716
Egypt	69,788,445	Paraguay	1,282,321
Portugal	53,205,123	Japan	1,131,208
USA	36,435,298	Serbia	980,049
Hong Kong	32,650,160	Mauritius	812,714
China	31,473,218	United Arab Emirates	708,145
Morocco	28,012,596	Sweden	595,109
South Korea	22,633,703	Romania	531,707
France	21,098,494	Ukraine	446,951
Spain	16,468,510	Bulgaria	402,298
Indonesia	14,227,721	Australia	336,399
Pakistan	11,875,545	United Kingdom	307,742
Estonia	10,501,990	Lithuania	268,616
Denmark	9,912,903	Poland	166,493
Bangladesh	9,840,134	Greece	25,491
Vietnam	9,263,521	Colombia	7,348
Sri Lanka	7,302,335	Hungary	2,980
Mexico	5,724,346	<b>Total</b>	<b>881,858,589</b>

### Work Focused on International Markets

Calik Denim is a reliable and solid solution partner on a global scale with its customer-oriented, innovative and flexible approach. The ability to meet the demands and expectations of its business partners with rapid and high-quality solutions ensures that the Company is consistently one of the most popular suppliers for prestigious brands.

The main activities focused on international markets carried out by Calik Denim in 2022 are listed below:

- The third "Ever Evolving Talks by Calik Denim" event, which is Calik Denim's vision project, was held in Amsterdam. The event had a significant impact in the industry, attracting the acclaim of both local and global participants, and has gradually gained a "cult" status.
- With an awareness of the hundreds of years needed for synthetic fibers to degrade in nature, Calik Denim launched the B210 technology at the Kingpins Show Amsterdam, one of the most important global fairs in the sector. B210 technology reduces the dissolution time of products containing synthetic fibers to just 210 days. The world's first and only denim fabric, which can dissolve in the natural environment in 210 days, was introduced to global industry professionals and fashion giants for the first time during the fair.

Calik Denim aims to initiate a new positive transformation in the usage habits and mindsets of the denim industry and end users with its B210 technology, thus attracting acclaim in the fields of tackling the global climate crisis, reducing waste in the sector and promoting sustainability.

- The Company worked towards achieving its growth goal in the American and Far Eastern markets.
- Calik Denim collaborated strategically with many brands in order to become a prestigious "ingredient brand" and to ensure producer trust. In this context, the Company collaborated with Forever 21, known as America's Gen-Z brand, on the Selfsized concept. The jeans produced from the Selfsized concept started to be sold in stores under the "CALIK DENIM x FOREVER 21" label.
- Products integrated with 100% recycled cotton in the Re/J concept and with the waterless dyeing technology Dyepro were presented to consumers in cooperation with Calik Denim x MUD Jeans x Van Gogh Museum. These technologies were developed with the principle of sustainable production.
- A conference was held where denim production processes were explained to the students of the FIDM design institute in Los Angeles, which trains the designers of the future. During the conference, students used Calik Denim fabrics in their design work.



Calik Denim aims to provide its customers with transparent information by porting its work processes, including supply and production processes ranging from cotton production to customer relations, to a digital environment.

### New Sales Practices

Following a sustainable and eco-friendly production approach, Calik Denim produces the fabrics of tomorrow with the technology of the future, exceeding expectations with its wide product range.

The phenomenon of digitalization, which has gained significant momentum in the wake of the Covid-19 pandemic, is one of the most basic concepts of sustainability. In this vein, Calik Denim aims to provide its customers with transparent information by porting its work processes, including supply and production processes ranging from cotton production to customer relations, to a digital environment. In this respect, the Company has integrated the QR Code and blockchain systems which it has developed to assess the environmental impacts of all stages of the production process, from the production of the cotton to the end-of-life cycle, for each product. Work in this area continues.

The Salesforce and SAP integration was completed in order to increase effectiveness, speed and efficiency in areas such as sales, service providing and marketing. The software was brought into active use by all Sales and Marketing teams.

### Customer Satisfaction

Calik Denim's strong sales team goes to great lengths to maintain product and service quality in order to raise customer satisfaction to levels which go beyond expectations.

Conducting surveys with a focus on absolute customer satisfaction, Calik Denim swiftly meets the service-related needs of the customers responding with a satisfaction rate of below 75% in a bid to ensure customer loyalty.



## Digitalization in Marketing Activities

### The Calik Denim Mobile App

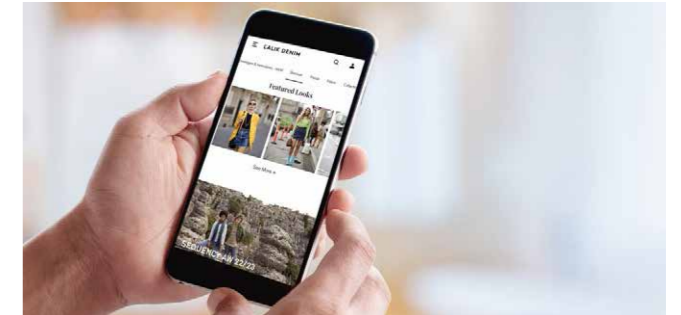
Calik Denim aims to offer its stakeholders and customers innovative, sustainable, practical and advantageous solutions developed in light of the latest technological developments. The Company's mobile app, which was launched in 2019 for this purpose, offers an array of distinctive features as well as keeping users up-to-date on global trends in the denim world.

The App's filtering feature allows users to sort Calik Denim fabrics on the basis of color, elasticity, weight, structure and coating and to access this information through videos and photographs.

The mobile app has become one of Calik Denim's most important communication tools in the rapidly digitalizing world during the pandemic period. It has once again reinforced the Company's innovative and leading position in the sector. Thanks to its strong digital infrastructure, Calik Denim emerged strongly from the pandemic period, having successfully remained in constant communication with its business partners through its mobile app and social media channels.

During this period, in 2021, the self-registration method was added to the Calik Denim mobile app, which maintained its leading position as the first and only one of its kind in the industry. The mobile app was made available to all denim enthusiasts.

Users of the app were treated to a brand-new feature in 2022. With the developed "Select by Collection" module, users were able to filter by color, elasticity, weight, fabric structure and finishing features, allowing them to easily find the fabrics they are looking for. The module helps users manage time effectively by allowing them to find the fabric they are looking for in a few taps.



### Calik's Blog

The Calik's Blog module, which keeps users up-to-date with the latest sectoral news and developments prepared by leading editors and bloggers in the fashion and denim world every week, was brought into use. The module, which also features news about Calik Denim, is positioned as a source of news in the sector.

### New Technologies and Innovations

Taking another step towards digitalization, the Calik Denim mobile app introduced the "New Technologies and Innovations" tab, which allows users to access technological and innovative information regarding digital production, an area which has rapidly expanded during the pandemic, with a single tap.

## Expectations and Goals for 2023

The entire world is expected to remain under a shadow of economic stagnation in 2023 due to the change in purchasing behavior which has emerged with the Covid-19 pandemic, the war between Russia and Ukraine which broke out after the pandemic, the energy crisis, global recession and inflation. It is anticipated that "Fast Fashion" brands will continue their search for strong suppliers in this period with these brands continuing their efforts to extend and expand their supply base.

Calik Denim aims to maintain its position as a reliable business partner and dynamic supplier for its stakeholders in 2023 with its innovative, sustainable products and transparent production approach.

Calik Denim designs unique denim collections with innovative approaches and collaborates with local artisans as well as the world's leading brands and designers.

**National and International Collaborations**



**Brand Collaborations**

**Calik Denim x Mud Jeans - Netherlands**

Mud Jeans, the world's first circular denim brand, launched its collection depicting Van Gogh, which was developed by Calik Denim with fabrics made of recycled content. The collection displays the sustainable business model at every stage and the designs are created by quoting handwritings from Van Gogh's letters. The collection was introduced to the fashion and denim world at the Van Gogh Museum in Amsterdam.

**Calik Denim x Forever 21 - The USA**

Calik Denim collaborated with the American Forever 21 brand for sales to be realized by brand. Special hangtags were prepared emphasizing the features of Calik Denim's Selfsized product group.

**Calik Denim x Plac Jeans - South Korea**

As part of the cooperation in sales of the South Korean Plac Jeans brand, special hangtags were added to the products indicating Calik Denim's position as a premium fabric manufacturer.

**Calik Denim x Mavi - Türkiye**

A hangtag was created with mood board work carried out within the scope of the joint activities carried out with Mavi for the Rawtech product group. This work underlined the advantages of Calik Denim's fabrics for the end user.

**Calik Denim x River Island - The UK**

A document setting out the added value offered by Calik Denim's Taylor Black Od Black grade was prepared for the UK-based River Island.

**Collaborations with Designers**

**Calik Denim x One Square Meter - Türkiye**

Calik Denim designs unique denim collections with innovative approaches and collaborates with local artisans as well as some of the world's leading brands and designers. In this vein, the Company first came together with One Square Meter in 2019. One Square Meter is a domestic ready-made clothing brand which gives new meaning to the "Slow Fashion" movement and adopts sustainable and responsible fashion principles.

As part of the collaboration, which is still ongoing, the brand uses Calik Denim fabrics in production at its ateliers in Balıkesir Gomec. The brand's first collection was introduced at Denim Days Amsterdam in 2019. One Square Meter's brand-new sustainable collection, which was produced mainly by using Calik Denim's Denethic fabrics, has attracted considerable attention in the sector.



**Calik Denim x Ahluwalia - The UK**

Calik Denim collaborated with the Ahluwalia brand where Priya Ahluwalia is the founder and design director, with which it was first introduced to in the "Ever Evolving Talks by Calik Denim" in 2019. Calik Denim and Ahluwalia made two more collaborations in the continuation of the project.

This collaboration resulted in denim products designed with Calik Denim's innovative and sustainable fabrics being included in the Frequency AW'20 and Traces AW'21 collections launched by Ahluwalia. The cooperation between Calik Denim and Ahluwalia continued in the following seasons.

**Collaborations with Suppliers**

**Calik Denim x Meidea x Lenzing x Officina 39 - Italy/Austria**

Calik Denim became the fabric supplier of the "The Circle Book 3" project, which was developed by Meidea x Lenzing x Officina 39 with the aim of achieving sustainable production on an end-to-end basis.

**Calik Denim x Denim Dudes - The USA**

Calik Denim was included in "The Denim Directory 3" report with its fabrics which stood out in the Spring/Summer 2023 collection. The report was prepared by Denim Dudes, a key figure in the industry. The report includes current denim fabric, fiber and finish innovations, containing over 400 fabrics and including 35 manufacturers as participants.

**Calik Denim x Lenzing - Austria**

A capsule garment collection was prepared with fabrics containing Lenzing's Indigo Modal fiber, which stands out in the area of sustainability. This collection was introduced to the industry by both Calik Denim and Lenzing.

**Calik Denim x Denim Premiere Vision x Fade Out Label - France/Germany**

Calik Denim collaborated with the Berlin-based Fade Out Label, which was founded by two Italian designers. Within the framework of this collaboration, uniforms were designed by using the Calik Denim fabrics for the exhibition team at the Denim Premiere Vision fair. Labels emblazoned with the Calik Denim logo were prominently placed on the uniforms of the entire fair team.

Calik Denim is a reliable business partner and dynamic supplier for its stakeholders with its innovative, sustainable products and transparent production approach.

### Calik Denim x Jeanologia - Spain

Through its collaboration with Jeanologia, which produces innovative and sustainable technologies for the textile industry, Calik Denim designed a collection digitally. Calik Denim produced the collection physically using Jeanologia's eDesigner software.

The "Phygital Collection" capsule collection was prepared using Calik Denim fabrics that are sustainable in both the fabric and washing stages. The collection was launched at the DPV Berlin fair.

Calik Denim and Jeanologia joined forces for the second time in May for the Phygital Collection project, which they already implemented.

Also in 2022, the Phygital 2.0 Collection was launched at the DPV Milano fair. The collection has had a positive impact on the transformation of the sector with the added value it has provided to the sampling process, which is the most waste-intensive stage of the textile industry.

### Calik Denim x Transformers ED Turkey - The USA

The Transformers ED Turkey seminar was organized by the USA based Transformers Foundation, which aims to achieve positive change in the denim supply chain and that supports ethical and sustainable innovation in the industry. The opening presentation of the seminar was performed by Calik Denim. The seminar was held between 9-11 May 2022, where professionals at various stages of the denim supply chain participated as speakers. Calik Denim took part in the seminar with a presentation on the topic of "How Denim is Made?"

### Calik Denim x Kingpins New York - The USA

With the "In Conversation: Denim Changemakers" panel, Calik Denim participated in the Conscious Fashion and Lifestyle Network seminar, which was held at the Kingpins New York fair under the moderation of Kerry Bannigan, who is from the United Nations.

### Calik Denim x Itochu - Japan

Collaborating with Itochu, Calik Denim performed a presentation explaining the added value to be provided by Renu technology to its fabrics. In the presentation, the positive effects that polyester yarn, which is used in recycled fabrics, can have on the final product were explained. Calik Denim and Itochu logos were included in the work.

### Calik Denim x Aware - Netherlands

Under the collaboration developed specifically for Dyepro technology with the Aware Company, which is one of the Company's partners in the field of traceability, Calik Denim prepared a presentation setting in detail the advantages provided by the mutual use of Dyepro and Aware technologies.

Attaching importance to the education of future generations, Calik Denim continued its cooperation with the world's most prestigious schools in 2022.

## Collaborations with Universities

### Calik Denim x Jean School

Calik Denim continued its global collaborations with universities in 2022. The Company has become a partner in the Stretch Yourself project developed for Jean School Amsterdam students with the theme "Which Denim Does Generation Z Design for Their Own Generation?" by House of Denim, an independent and non-profit organization with the mission of taking the denim industry towards a brighter blue. The designs developed by students of the Jean School using Calik Denim's Selfsized fabrics with lycra technology were exhibited at the Kingpins Show Amsterdam fair.

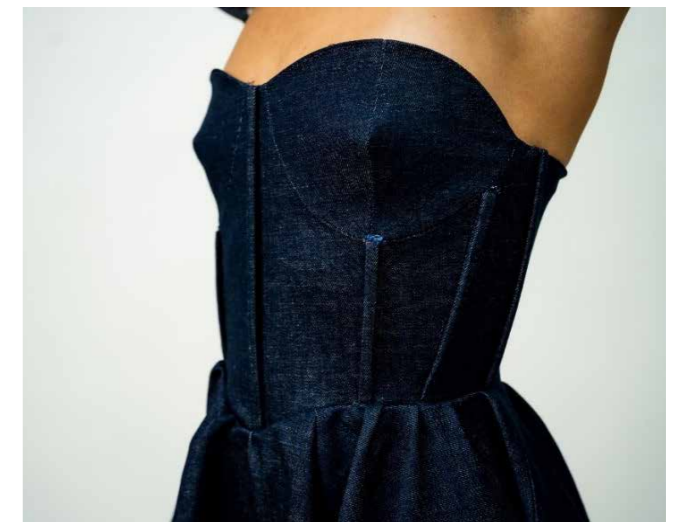
### Calik Denim x Parsons New School

Every year, designers prepare collections with Calik Denim fabrics in the Denim Department established in 2017 by the Parsons Design School, one of the most established fashion schools in the world.

### Calik Denim x ITU-Denim Anatomy

Denim Anatomy was established in 2015 with the mission of becoming a solution partner for customers within the scope of cooperation with the Istanbul Technical University (ITU). The aim of the program is to contribute to the development of sector employees, including managers.

Within the scope of the program, ITU academics who are specialized in their fields provide theoretical information about denim to the participants. Practical information is then provided by observing the denim production processes at the Calik Denim's Malatya Factory. At the end of the program, participants are eligible to receive a certificate awarded by ITU.



Calik Denim carried out photo shoots in Cape Town in South Africa for the Autumn/Winter 2023-2024 collection and then in Hawaii in the USA for the Spring/Summer 2024 collection, which were launched in 2022.

### Sales and Marketing Campaigns in 2022

#### Sustainability Catalogue (Green Print Book)

Calik Denim once again published its sustainability catalogue in 2022. The catalogue includes all production practices related to sustainability and was first implemented in 2019.

Representing the "ecological footprint", the catalogue was entitled the "Green Print Book". The catalogue consists of three main chapters - raw materials, processes and certificates. The catalogue also contains information on environmentally friendly technologies such as B210, E-Denim, Dyepro, Denethic, Washpro, Better Dye, Oxygene and D-Clear, which were developed by Calik Denim, as well as raw materials that support sustainability such as organic cotton, recycled polyester and cottonized hemp.

The Green Print Book serves as a valuable resource on how Calik Denim reflects its understanding of sustainability in its production activities and is one of the rare such volumes to be prepared with this content in the industry. The catalogue continued to attract a high level of demand from customers in 2022.

#### Photo Shoots for the Collections

Calik Denim carries out outdoor photo shoots twice a year for the products in its collections. The Company again collaborated with the American photographer, Eric Kvatek, in 2022. The cities deemed suitable for the product concepts in the relevant collection were selected for shooting in both seasons.

The Company carried out photo shoots in Cape Town in South Africa for the Autumn/Winter 2023-2024 collection and then in Hawaii in the USA for the Spring/Summer 2024 collection, which were launched in 2022.

The photographs obtained from the photo shoots were used in various media such as fairs, events, advertisements, newsletters and social media content for two seasons.

#### Catalogue

Calik Denim has prepared catalogues for all of the product concepts included in its collections. The catalogues included descriptive information and visuals about product properties, along with the story of the collections.

#### Informative Labels

Calik Denim designed informative labels to emphasize product properties for the concepts which the Company sought to highlight in both seasons.

#### Color Catalogue

A detailed color catalogue was prepared, containing samples of all of its fabrics.

#### Marketing Activities for E-Last Technology

Calik Denim aims to effectively promote E-Last, its groundbreaking technology in the production of high-elasticity denim fabric, to its customers. In this vein, the Company has presented an animated video

Calik Denim promotes its newest products and technologies to the sector by crowning them with Sales and Marketing campaigns.

and a presentation booklet setting out the features of the technology such as its very low and stable weft draw values as in rigid fabrics, offering a premium and perfected appearance to the end user and crucial advantages such as reducing the variety of sizes in the clothing production stage and minimizing the number of patterns.

#### Marketing Work for B210 Technology

As an indication of the sensitivity the Company shows towards carrying out sustainable production, Calik Denim has implemented its B210 technology, the only one of its kind and a milestone in the production of environmentally friendly denim.

Calik Denim's B210 technology allows it to perform environmentally friendly production without leaving any waste. The B210 technology allows the production of fabric which is more than 99% biodegradable in as little as 210 days. The Company prepared a special animated video, presentation booklet and mood board to present this technology.

#### Work on Capsule Collection

Calik Denim prepared a knitted-look capsule collection specifically for the U.S. market. The sets were shared with the sales team to be used in their presentations.

The gabardine capsule collection, specially prepared for the French market, was presented to customers at the Premiere Vision Paris fair.

#### Fairs

Calik Denim physically participated in the following international fairs in 2022:

- Denim Premiere Vision - Germany
- Denim Premiere Vision - Italy
- Munich Fabric Start - Germany
- Kingpins24 Amsterdam - Netherlands
- Kingpins24 US - The USA
- Premium Textile Japan - Japan
- Premiere Vision - France
- Magic Las Vegas - The USA

Calik Denim brought together the leading names of the global fashion and denim sector with its vision project “Ever Evolving Talks by Calik Denim” event.

**Events**

**Ever Evolving Talks by Calik Denim**

Inspired by the “Ever Evolving” motto, Calik Denim developed the Ever Evolving Talks by Calik Denim event. The third event was held in Amsterdam on 19 April 2022. This event, which was the first event where the industry came together after the Covid-19 pandemic, won wide acclaim from participants.

More than 300 participants took part in this event, which has been held one day before the Kingspins Show Amsterdam since 2018. Leaders from the fashion and denim world shared the stage with world-renowned names from different disciplines and sectors at the event, shedding light on the future of the industry by conveying their experiences and different opinions on the future to audiences both from inside and outside the sector from all over the world.

As in every Ever Evolving Talks by Calik Denim event, a visionary film sharing the theme of the event was prepared for the opening in 2022.



During the event, the following keynote talks were presented, under the moderation of BJ Cunningham, Brand Consultant: “The World with/after Covid - and What It All Means for Consumers, Retail and E-Commerce” by Gerd Leonhard, the CEO of The Futures Agency GmbH; “Will the New Digital Era Radically Change Fashion: Web 3.0, Metaverse, NFTs” by the President of PwC Metaverse Technologies, Jeremy Dalton, and “What Does a Sustainable Future Look Like? The Facts and Paths for Securing the Future of Humanity” by the Director of the New Standard Institute, Maxine Bedat.

The one-to-one session was moderated by Dio Kurazawa-Responsible Advisory Board Member of Ganni, Board Member of Fashion Open Studio, Advisory Board Member of the Copenhagen Fashion Week and the Co-Founder of The Bear Scouts. During this session, the Founding Partner and CEO of the Institute of Digital Fashion, Leanne Elliot Young, who has carried out thousands of projects on the metaverse and NFTs in the fashion world, discussed “The Metaverse, a New Beginning for Responsible Fashion!”

In another panel moderated by Dio Kurazawa; the Senior Artistic Marketing Director of Reebok, Jide Osifeso-the Founder of HYMNE, and Onno Oldeman-the Managing Partner of Simon-Kucher, discussed the topic of “Consumer Behavior Underwent Dramatic and Lasting Changes During Pandemic. How Should Brands Respond?”.



**B210 - Biodegradable Launch**

Calik Denim’s unique biodegradable technology, B210, which brings a breath of fresh air to the sector, was first launched at the Kingspins Show in Amsterdam, the industry’s season opening fair.

The technology was introduced with a nature installation highlighting the features of the product, attracting wide attention from all fair participants.

The B210 launch area was the part of the fair to attract the most attention from all participants. It also garnered tremendous interest on social media where it reached wide audiences.

This breakthrough concept presented to brands such as Banana Republic, Hugo Boss, Zara, S. Oliver, Kings of Indigo, Marco Polo, Gerry Weber, Mavi and Colin’s, which are among the leading brands of the global fashion world, as well as global suppliers such as Lycra, Lenzing and Rudolf, sustainable platforms such as Circular Textile Days and leaders of the press world such as WWD, WeAr, JNC, Rivet, Fashion United and Inside Denim.

Following the Amsterdam launch, Calik Denim continued its marketing activities in the sector by introducing the B210 technology at the Denim Premiere Vision Milan fair.



Calik Denim was the only global denim partner to attend and support United Nations Conscious Fashion and Lifestyle Network meeting held at the United Nations (UN) New York Headquarters.

**Sustainability Platforms Partnership**

**United Nations Conscious Fashion and Lifestyle Network 2022**

Members of the platform’s advisory committee, representatives from the global press and fashion industry figures came together at the United Nations Conscious Fashion and Lifestyle Network meeting held at the United Nations (UN) New York Headquarters on 2 June 2022.

Focusing on confronting the climate crisis, the event focused on the future of the industry and how global stakeholders of the fashion industry can support transparent, inclusive and transformative sustainability processes. Calik Denim was the only global denim partner to attend and support this meeting.

Calik Denim highlighted the Company’s responsible production business model with the details it shared during the “Responsible Production and Consumption: Designing for Our Time” panel.

The United Nations Conscious Fashion and Lifestyle Network is a joint initiative undertaken by the United Nations Office for Partnerships, the Sustainable Development Goals Division, the United Nations Department of Economic and Social Affairs and the Fashion Impact Fund. The Network is a platform supported by the UN for textile industry stakeholders, the media, governments and UN system organizations. The platform also supports and paves the way for collaborations which accelerate the implementation of the Sustainable Development Goals (SDGs), and which achieve these goals. Calik Denim was the only global denim partner to take part on the platform.



In 2022, Calik Denim once again became the denim category sponsor of the Habit Fashion Awards, deemed to be the most prestigious award in Scandinavia.

**Sponsorships**

**Habit Fashion Awards & Seminar 2022**

In 2022, Calik Denim once again became the denim category sponsor of the Habit Fashion Awards, deemed to be the most prestigious award in Scandinavia. The seminar and award ceremony, organized as hybrid model, was held in Gothenburg on 6 October.

At the seminar attended by Northern Europe’s leading fashion brands, the Head of Denim Supply, Production and Innovation at Tommy Hilfiger, Nicolas Prophte, gave a presentation hosted by Calik Denim. During the awards ceremony held after the seminar, Calik Denim gave the award to Jeanerica, which was selected as the denim brand of the year in Scandinavia.



**Habit Sustainable Production Day 2022**

Calik Denim sponsored the Habit Sustainable Production Day event, which is held online and physically in 2022. During this seminar, held in Stockholm on 10 November and attended by industry stakeholders, Calik Denim’s B210 technology was launched. The B210 technology brings a breath of fresh air to the sector, allowing even elastane-containing denim fabrics to be degraded in nature in just 210 days.



# INVESTMENTS

Calik Denim continues to consolidate its leading position in the international arena and raise its quality to even higher levels with its investments in R&D, production and modernization.

Operating in the textile industry, characterized by its competitive conditions, Calik Denim continues to maintain its position in the domestic and foreign markets with its high added value, qualified and differentiated products. The Company continues its activities to increase its competitive clout, increase its share in the world textile trade and reach new markets and new customers.

One of the essential elements of achieve this goal is to renew old technologies by taking into account the current conditions, and to achieve the most efficient use of these technologies.

Calik Denim meticulously determines the areas that require investment within the scope of its ever evolving strategy. It continuously implements projects which reduce costs, increase efficiency and are innovative and serve sustainability. In recent years, the Company has carried out large-scale investment activities, covering the state-of-the-art technology, innovation, production optimization and efficiency.

In 2022, Calik Denim focused on modernization and improvements which increase product quality and reduce costs, investing USD 811,000 in yarn facilities and USD 2.1 million on the denim facilities. The modernization and renovation work on administrative and business buildings stood out among these investments, accounting for USD 891,000 of the investments.

Calik Denim presses ahead with its modernization investments to become a pioneer in state-of-the-art technologies.



USD **2.1** million

Modernization investment amount on denim facilities

USD **811** thousand

Modernization investment amount on yarn facilities

Calik Denim carried out the following modernization and renewal investments in 2022:

- Compressor investment for the spinning facility
- Modernization of carding machines for spinning facilities
- Auxiliary equipment investments for spinning facilities
- Investments in slub apparatus for spinning facilities
- Air conditioning modernization for spinning facilities
- Compensation system investments with harmonic filter reactors for spinning facilities
- Lighting system investments for spinning facilities
- Ring machine modernizations for spinning facilities
- Water softening system investments
- Hydrophore modernization investments
- Denim department carrier equipment investments
- Vibration analyzer investments
- Finishing department machinery modernization
- Indigo dye department machine modernization
- Modernizations of the business and administrative office building

# R&D AND PRODUCT DEVELOPMENT

Calik Denim constantly invests in technology in order to further develop its innovative and value-added production activities and to further raise the level of competence it has achieved in R&D and innovation.

Calik Denim maintains its activities in a constant search for renewal in line with the current conditions in an industry that is in a state of constant flux. It pioneers new technology development as the driving force that figures out the dynamics of the sector.

The R&D and design strategies, which are planned with the right timing and a proactive approach, have provided a great contribution to the Company's competitive position, strengthening its ability to open up a lead in the sector.

Aware that the way to remain a pioneer in the business line which it operates in is through R&D and innovation, Calik Denim has constantly prioritized work in this context. The Company has successfully implemented a wide array of projects both using its own resources and funds from project funding institutions and organizations.

Within the scope of Law No. 5746 on Supporting Research and Development Activities, the Company obtained the official R&D Center certificate in 2011 as the 99<sup>th</sup> company in Türkiye to do so and the 7<sup>th</sup> in the textile industry. Under the supervision of the Ministry of Science, Industry and Technology-General Directorate of Science and Technology, Calik Denim started to carry out R&D activities on a more systematic basis.

Calik Denim has been implementing defined R&D projects such as TUBITAK and TEYDEB projects since 2007. The Company had designed 26 R&D projects



with its own resources and successfully completed these projects before receiving the R&D Center certificate.

Since the establishment of the R&D Center, the total number of projects in its portfolio has increased to 324, of which 282 have been completed. 33 of the 71 projects defined in the eleventh activity period have been completed, while work on 38 projects is ongoing.

## Competence in Production Technologies

The following activities are carried out at the R&D Center, which was established to increase Calik Denim's competence in R&D and innovation.

- R&D-based design and development studies (product innovation) in the existing product range,

- R&D supported new product design and development activities (product innovation),
- Improvement and modernization work on existing production infrastructure and processes on the basis of quality, efficiency and cost (process innovation),
- Design and development activities for alternative processes (process innovation).

The R&D projects developed for these purposes come under the following headings:

- Prototype machine design and development,
- Energy and sustainable life cycle projects,
- Process improvement,
- Adapting new technologies to products and work processes,
- Efficiency and cost reduction efforts,

## PROACTIVE

The R&D and design strategies, which are planned with the right timing and a proactive approach, have strengthened Calik Denim's ability to open up a lead in the sector.

- Innovative product design and development projects,
- Design and development of new products (such as medical, protective and functional products) to be considered in the technical textiles category.

Calik Denim creates significant employment in the Eastern Anatolia region where its production facilities are based. The Company contributes significantly to the region in socio-economic terms with its R&D activities being the driving force behind this contribution. Calik Denim strives to eliminate differences in the levels of development between the regions.

The R&D Center, which has reinforced its corporate identity over a period of more than 10 years, continues its work in line with the strategic goals which it has determined.



Anticipating and accurately meeting customer expectations and leading the denim and fashion sector by creating a market with the most innovative products in the industry are among the strategic goals of Calik Denim R&D Center.

These goals are listed below:

- To design, develop and produce products that respect the environment, target current and future needs, comply with standards and set themselves apart from the competition.
- To improve existing collaborations and create new collaborations with national and international institutions and organizations such as universities, research institutes, R&D centers, companies and technology development centers in the field of R&D.
- To design and implement well-planned projects for the future by taking into account business needs, in order to increase the R&D quality of the work carried out at the R&D Center.
- To increase the number of qualified R&D projects that can be supported by project funding institutions and organizations such as the Ministry of Science, Industry and Technology, TÜBİTAK, relevant ministries and EU institutions.
- To anticipate and accurately meet customer expectations and to lead the denim and fashion sector by creating a market with the most innovative products in the industry.
- To improve its competence in designing qualified projects by strengthening the physical and technological infrastructure of the R&D Center, including its know-how and systemic database.
- To increase and continue the activities carried out in order to improve the quality and competence of the employees working within the R&D Center through training sessions and participation in events such as seminars, congresses, symposia, fairs and exhibitions, and project markets.

Calik Denim R&D Center works to the following long-term strategies and goals:

- To increase qualified know-how by constantly generating innovative ideas and evaluating the project outputs achieved during the process of transforming these ideas into new R&D projects within the scope of Industrial Property Rights such as patents, utility models and product registrations.
- To increase the commercialization rate of R&D-based products derived or to be derived from completed, ongoing and planned projects within the R&D Center, and to increase the share of these products in the Company's total turnover (at the end of its 11<sup>th</sup> year, this rate stood at 17%).
- To strengthen the physical infrastructure of the R&D Center technologically and to ensure the implementation of more qualified projects with high employee efficiency.
- To reduce the equity ratio in total R&D expenditure by increasing the number of projects supported by project funding institutions and organizations.
- In addition to innovative activities carried out in conventional products and processes, to design and develop R&D-based products suitable for commercialization in the field of Technical Textiles, which is included in the group of more value-added products.

Since its establishment, the Calik Denim R&D Center has intensively continued the work necessary to strengthen the three main elements that are indispensable for the R&D ecosystem.



The Company has achieved significant progress in the following issues, which constitute these three main elements:

- Qualified human resources with the R&D culture,
- Possessing the financial strength required for R&D,
- Acquiring the technical and technological infrastructure necessary or mandatory for qualified R&D activities.

Thanks to the work carried out in the recruitment of qualified R&D employees, which is the first link of the ecosystem, there has been an increase in the number of research personnel. The Company diversified activities such as training sessions, seminars, symposia, fairs and congresses which are aimed at strengthening the competence of these employees.

In particular, there has been a significant increase in the amount of training offered to each member of the research employees, in turn leading an increase in their level of competence and ensuring they are informed of current research topics. Moreover, support was extended to the postgraduate education of the employees, thus further strengthening their competence.

Considerable progress was achieved in the physical infrastructure declared in the file of establishment for the R&D Center, both in terms of the workspace allocated per person and the technical and technological equipment required to perform R&D activities. Developments on the issues mentioned in this process are regularly communicated to the relevant units of the Ministry of Science, Industry and Technology.

Looking at the projects completed by the R&D Center to date as well as the projects currently ongoing or planned for the future, it can be seen that there is a trend towards more qualified R&D projects. There are some good examples of successfully completed projects that have produced outputs which can be commercialized, especially in recent operation periods. Such R&D-based output is expected to grow over time, raising the share of innovative products in total turnover.

There is a strong management will to internalize the R&D and innovation within Calik Denim and transform it into a corporate culture, and to continue activities and initiatives in this field thereafter. With the driving force of this will, the financial resources allocated to R&D activities are constantly growing with more qualified projects being created.

The R&D projects completed and currently ongoing at Calik Denim are mainly financed with equity capital and partly with funds provided from project funding institutions. After the increase in R&D expenditures in 2022 when compared to previous years of operation, the Company strives to maintain this increase in R&D spending going forward.

As a result of these efforts, Calik Denim has become one of the biggest R&D spenders in the textile sector.

The Company spent TL 39.3 million on R&D in the 2022 operating period. The total expenditures on R&D projects completed since 2011, when the R&D Center started operations, reached nearly TL 160 million.

Calik Denim plans TL 40 million in expenditure for R&D projects in the coming period, including many activities such as developing R&D laboratory infrastructures and increasing employee competence.

## R&D AND PRODUCT DEVELOPMENT

Within the Calik Denim R&D Center, a physical area that can be used as a library and document archive, as well as a common digital area where users may access resources electronically and which can be accessed with authorization, was created.

### The R&D Center's National and International Memberships

Calik Denim R&D Center is viewed as a particularly important organization when it comes to access to information resources and documentation. In line with this position, a physical area that can be used as a library and document archive was created within the R&D Center. In addition, a common digital area where users may access resources electronically and which can be accessed with authorization, was also created. The Center contains a wealth of materials related to Calik Denim's field of activity in both physical and electronic media, and this infrastructure is constantly being enriched.

The R&D Center has become a member of various databases to provide access to digital resources. These databases include organizations such as Science Direct, WPn, WGSN, Sapub, Ntcresearch, Scirp, Niscair and UTZ. Thus, employees of the R&D Center may easily conduct the necessary literature review for the projects.

Moreover, access is also provided to national and international scientific journals closely related to the R&D Center activities, such as the following:

- Sportswear International
- Autex Research Journal
- Fibers & Textiles in Eastern Europe
- Journal of Engineered Fibers and Fabrics (JEFF)
- Textile Month International
- Turkchem
- Textile Research Journal
- Journal of Industrial Textiles
- Journal of Textile Institute
- International Dyer
- Digital Textiles
- Twist
- Textile and Engineer
- Textile and Garment
- Textile Technics
- Textile Technology
- Fiber and Yarn
- Indian Research Journal
- Fibers & Polymers
- International Fiber Journal
- Nonwovens Report International
- Knitting International
- Futura Materials

In addition, databases and library facilities at the universities where R&D Center employees carry out graduate and postgraduate study are also utilized.

The R&D Center is also a member of ARGEMIP (the R&D Centers Communication and Cooperation Platform) <https://argemip.org/>.

Calik Denim participated in the R&D and Design Centers and Technology Development Zones Summit organized by the Ministry of Science, Industry and Technology, held in Izmir on 22 December 2022. Calik Denim won third prize among in Group C, which consists of R&D centers with between 51 and 75 R&D personnel.

## DIGITAL

Calik Denim R&D Center, which is viewed as a particularly important organization when it comes to access to information resources and documentation, has become a member of various databases to provide access to digital resources.



# THE DIGITAL TRANSFORMATION

With its production capacity and R&D strength, as well as its distinguished position in national and international markets, Calik Denim has stepped up its digital transformation projects in production operations over the last five years.

Digitalization today stands as one of the trends affecting every aspect of our lives. Aware of the necessity of the digital transformation for development, Calik Denim stands out in its sector with the importance it attaches to this area.

In this context, Calik Denim analyzed all of its end-to-end processes, beginning with the raw materials to final production and delivery, from a digital transformation and Industry 4.0 perspective and it has started to implement activities in these areas.

Using its internal resources in this process, the Company has carried out a wide array of projects in a multitude of different areas through the Digital Transformation Department. Calik Denim especially focused on traceability, transparency, asset management, quality and efficiency during 2022.

## Looking Ahead to the Future

Calik Denim considers 2023 and beyond as an important period in this area and will step up its work on the digital transformation. The Company aims to take greater steps in automating business processes and increasing efficiency through the rollout of digital technologies, using digital channels more effectively to improve the customer experience and unabatedly implementing strategies to perfect its operations.



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# SUSTAINABILITY

DETERMINED ITS SUSTAINABILITY STRATEGY AS "PASSION FOR DENIM, PASSION FOR LIFE", CALIK DENIM AIMS TO LEAD THE SUSTAINABLE TRANSFORMATION IN ITS SECTOR WITH THIS PASSION.



# SUSTAINABILITY STRATEGY

Calik Denim considers sustainability as integral to its activities and focuses on operational and financial efficiency with a long-term management perspective.

Placing sustainability at the heart of its business model, Calik Denim's main goal in the area of sustainability is to be a company that generates positive value and contributes to the positive transformation of the planet by successfully managing the impacts of denim on life in line with the strategy it has set out.

Calik Denim prioritizes the implementation of innovative ideas by closely following technological developments, growing with customer-oriented solutions and contributing to the circular economy by protecting the environment and people.

## "Passion for Denim, Passion for Life"

Calik Denim recognizes that adapting to the conditions of the new world by taking the right decisions in the face of challenges such as changing consumer behavior, technology and digitalization, climate change, limited resources and demographic change is crucial to maintain its position as a leading denim brand.

With this awareness, the Company has determined its sustainability strategy as "Passion for Denim, Passion for Life" to create a positive impact for a better life. With this passion, Calik Denim aims not only to keep up with the change brought about by global trends, but also to lead the sustainable transformation in its sector.

## Sustainability Impact Areas

Calik Denim's sustainability strategy is built on three basis covering its products, stakeholders and the

environment. The Company focuses on the following priority issues in these areas and related sub-areas:

- **Pioneering innovation in products**
  - R&D
  - Product quality and safety
  - Sustainable raw material supply
- **Creating a positive impact for and with stakeholders**
  - Local social and economic development
  - Occupational health and safety
  - Human rights
  - Thought leadership
- **Reducing the impact on the environment**
  - Climate change and energy
  - Water management
  - Management of chemicals

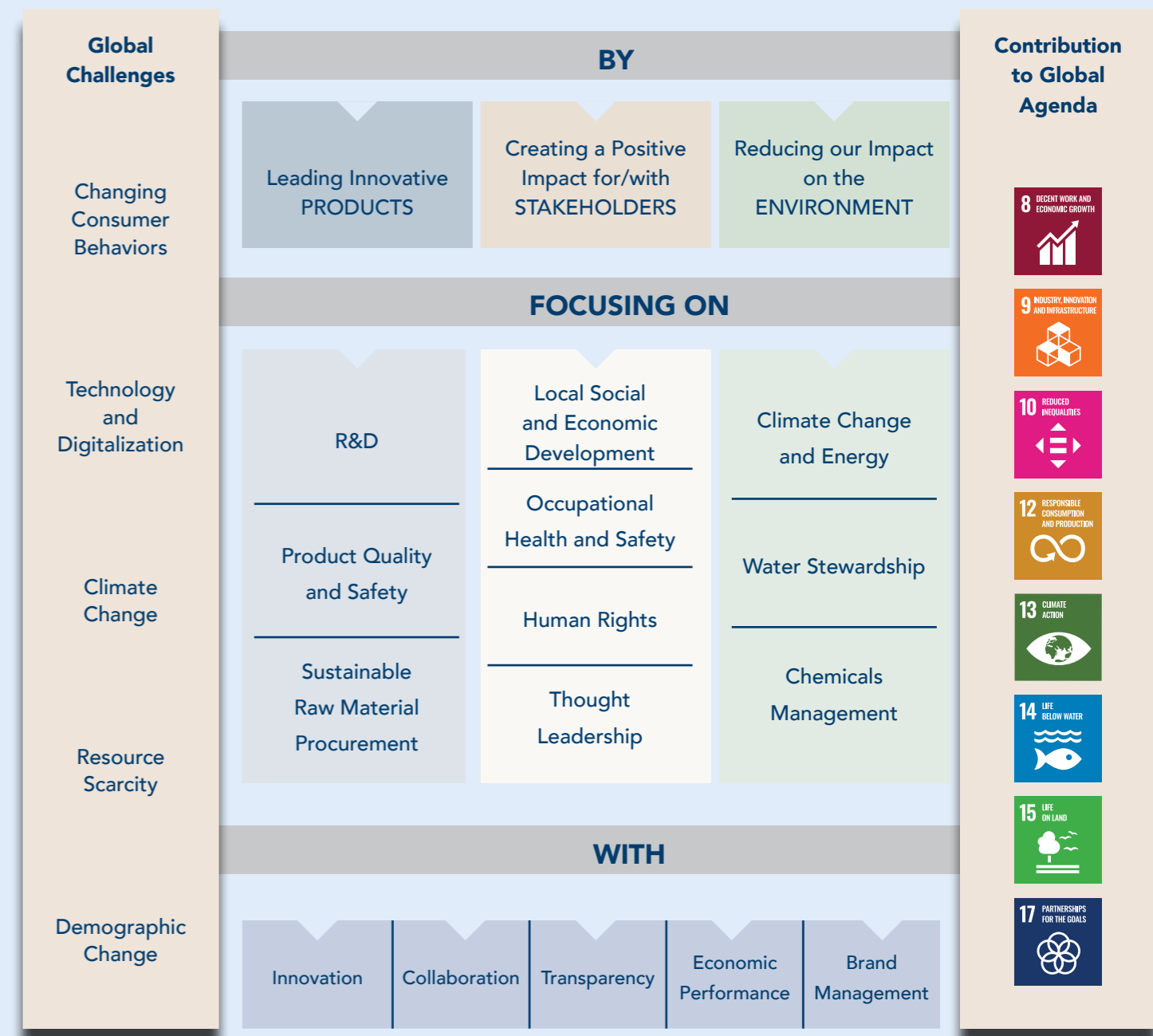
However, the goal is achieved with the enablers such as innovation, collaboration, transparency, economic performance and brand management.

The "Passion for Denim, Passion for Life" strategy successfully transfers the sustainability transformation into Calik Denim's corporate culture. This is a process in which all Company units are involved, with all teams adopting and internalizing the sustainability principles.

In addition, the Company shapes its activities to ensure that every stakeholder it cooperates with is included in its sustainability journey.

## PASSION FOR DENIM, PASSION FOR LIFE

"Passion for Denim, Passion for Life" is our purpose to make a positive impact for a better life. This passion drives us to become a leading denim brand to deliver change in the industry.



Calik Denim continues to consolidate its leading position in the international arena and raise its quality to even higher levels with its R&D, production and modernization investments.

**Sustainability Targets for 2025**

Along with the “Passion for Denim, Passion for Life” strategy which it launched in 2018, Calik Denim also determined its 2025 Sustainability Targets in the same year. In this context, Calik Denim established the Sustainability Committee in 2019. The Committee is responsible for integrating the sustainability strategy into the business model, achieving the goals and monitoring the progress.

In every period to date, most of these goals have been implemented, with new goals determined and processes advanced. Calik Denim has shared all developments in terms of the goals with its business partners through various channels such as the GRI-approved Sustainability Report, its website and social media.

Calik Denim determined its 2025 targets under four headings in line with its sustainability strategy:

- Environmental Sustainability
- Sustainable Raw Material Supply
- Innovation and Thought Leadership
- Internal and External Stakeholder Rights

Calik Denim’s production goals include the reducing the use of energy and water, reducing waste and minimizing the carbon footprint; increasing the use of certified and recycled raw materials; and increasing the profit and investment share of innovative products. When it comes to the Company’s goals for its stakeholders, increasing employee loyalty and customer satisfaction while ensuring effective talent management all stand out.

Calik Denim has been closely monitoring the achievement and progress of its 2025 goals since the very beginning. With the active participation and hard work of all departments in the Company, significant progress was achieved in 2022 and some of the goals were met.

In the same year, the Company started to review and renew its strategies and goals by taking into account factors such as the rapid shift in world conditions after the pandemic, climate action, which has become more crucial with the global climate crisis, the global efforts on net zero and sectoral developments.

With these efforts, Calik Denim aims to maintain its leading role in the positive transformation of the industry and the fashion world in the face of new conditions.

**Our Targets for 2025**

**We are passionate about actualizing what we dream and envision.**

And only when we take concrete steps can our dreams become reality. Only then can we wake to “a better life, a better future, a better world”...

We are passionate about making a positive impact and creating change for a better life, which is only possible through concrete steps and actions.

We have set goals for ourselves in 4 main categories that we have defined and embraced:

**Environmental Sustainability, Sustainable Raw Material Procurement, Innovation and Thought Leadership and Stakeholder Rights**

**ENVIRONMENTAL SUSTAINABILITY**

**Target 1:** Reducing carbon emissions by 20% per production unit

✓ **Target 2:** Achieving a 100% increase in renewable resource-generated power compared to 2018

✓ **Target 3:** Reducing water consumption 30% use per production unit

**Target 4:** Reducing wastes generated during production processes by 30%

✓ **Target 5:** Achieving a 10% increase in renewable resource-produced power compared to 2020

✓ **Target 6:** Reaching 50% of electrical energy purchased from renewable sources

**INNOVATION AND THOUGHT LEADERSHIP**

**Target 1:** Increasing the impact of R&D, Product Development and innovation investments on profitability to 20%

✓ **Target 2:** Increasing the share of revenue from the sustainable product category in the turnover to 60%

**Target 3:** Increasing the share of investments made in collaborations based on sustainability to 10%

**SUSTAINABLE RAW MATERIAL PROCUREMENT**

**Target 1:** Ensuring that the procured chemical substances are 100% certified

**Target 2:** Increasing the use of organic, BCI and recycled cotton by up to 60%

✓ **Target 3:** Increasing the number of suppliers subjected to audits concerning environmental and social issues by 60%

**Target 4:** 95% of supplied chemicals have GOTS certificate

**STAKEHOLDER RIGHTS**

**Internal Stakeholder Rights**

**Target 1:** Raising employee engagement rate to 70%

**Target 2:** Increasing the rate of employees included in skills management processes to 16%

**External Stakeholder Rights**

**Target 1:** Increasing the customer satisfaction rate to 80%

✓ Target Reached

# HUMAN RESOURCES

Employing the most qualified workforce for its operations, Calik Denim has human resources supporting its innovative and pioneering organization and quickly adapting to developing competitive conditions.

Calik Denim's Human Resources roadmap targets a happy employee experience where employees are united as a single team and contribute to the achievement of common goals with an agile organizational structure. The Company continues to take firm steps towards becoming a learning organization by strengthening its processes that support organizational development within the framework of its common values.

Human Resources processes at Calik Denim are grouped under three approaches. The strategy steps, which are collected under the headings of "Satisfaction", "Loyalty" and "Happiness", are as follows:

## Satisfaction

As a One Team HR (Tek Takim İK), common services and applications are provided to all departments. The basis is to improve working conditions, create physical workspaces that will also support women employees in the field of production, and complete traceable and measurable human resources targets with the DigitalK app. The implementation of the new working model is aimed at keeping up-to-date with market conditions and to hold meetings that enhance communication with employees.

## Loyalty

Preliminary preparations were carried out for the implementation of the Young Talent and Internship Program in order to reach the right talent, Evaluation Center Practices in the internal announcement system, promotion and recruitment processes, women's employment under the United Nations Gender Equality and Development Center practices and coaching programs

that support the talent retention process.

Training Development Programs are shaped as executive development programs, talent development programs and academies covering all employees. The Company aims to support these programs with digital learning systems to ensure equality in access.

Calik Denim continued to participate in the UN Inclusion Program workshops. Workshops were designed in cooperation with Koç University to provide future female leaders with mentoring skills. Joint project groups were formed with the participation of participants on a voluntary basis to work on software programs for internal use. The Company aims to contribute to the career management process by reinforcing the Calik DNA competencies with the "Development Journey" series, under the consultancy of Nur Ulus, for all managers and potential managers of the Company.

## Happiness

Setting out with a motto of a journey to be the best, social responsibility projects have been designed with employees to create happy employees and a happy working environment. The Company works with employees to ensure the continuity of the projects with various events to encourage employee participation.

Calik Denim plans to attract young talent through collaborations with universities and exhibition events. The Company aims to establish the Calik Koza-Suggestion System, where a suggestion pool is created by examining suggestions put forward by employees in order to improve the corporate culture, reduce costs and increase workplace efficiency. Internal training continued to be rolled out with an effective and positive feedback culture.

Creating opportunities to learn from good practices and mistakes is one of the priorities of the happiness approach.



## Human Resources Infrastructure

Calik Denim aims to maintain a fair and equitable work environment in the field of human resources, where employee rights are protected and observed, talent is developed, where there is no discrimination, equal opportunities are offered to male and female employees, and the best standards are applied in occupational health and safety.

In 2022, the Company provided services with total human resources of 1,657 employees, consisting of 262 white-collar and 1,395 blue-collar employees.

	White Collar	Blue Collar
Average Age	39.1	37.9
Average Tenure (years)	8.5	8.1
Rate of Female Employees	27.1%	0.1%

	BB	X	Y	Z
Generational Analysis	0.7%	20.6%	63.5%	15.2%
Generational Average Tenure (years)	18.62	16.98	6.42	1.44

**Training Activities**

Calik Denim attaches tremendous importance to keeping the technical, professional and personal competencies of its employees up to date and developing these competencies.

Calik Denim provided 29 hours of training to each blue-collar employee with a total of 61,580 hours of training in 2022. A total of 3,250 hours of training was provided to white-collar employees, equating to 10.8 hours of training per employee.

In order to improve the sustainability approach, training on "Water Saving Awareness" and "Sustainability Management" were provided to both blue-collar and white-collar employees.

**DEVELOPMENT**

Attaching tremendous importance to keeping the technical, professional and personal competencies of its employees up to date, Calik Denim provided 61,580 hours of training for blue-collar employees in 2022.



**1. In-House Training**

**Work Ethics and Compliance**

Face-to-face "Work Ethics and Compliance" training was provided with the participation of 1,035 employees at the Istanbul and Malatya locations.

**Performance Management**

For Performance Evaluation Management, internal training sessions were provided to employees at the supervisor and manager levels on "From Feedback to Feedforward" and "Performance Management System - SF System Usage".

**2. External Training and Development Programs**

**Weave the Future**

The "Weave the Future" Training and Development Program was implemented within the scope of the Company's collaboration with Koç University. The Program aims to contribute to the mentoring skills and development processes of female leaders. Project teams were formed, and meetings were held within the scope of the project. The Questionnaire Application software was developed with a team of female employees.

A total of 23 female employees included in the project successfully completed the program consisting of four sessions.

**The Development Journey Program**

A six-month "Development Journey" program was launched in Malatya and Istanbul under the consultancy of Nur Ulus, in line with the Learning Organization approach. The program covers the development of technical skills and the Calik DNA competencies for white and blue-collar employees and managers, organizational and individual talent management and development planning processes.

This development project aims to contribute to career and talent management. The project includes factory visits, determination of department needs, the functioning of the departments, collection of application and technical documents, keeping documentation in the corporate memory and converting them into presentation formats and video versions to be conveyed to employees through the orientation process.

**3. Master Tradesman Compensation Program**

The program is focused on the employees who hold at least a high school diploma to obtain a practical certificate or diploma from the relevant vocational high school department related to the line of business in which they work.

It is planned that a total of 145 employees in the team leader and master positions who meet the criteria will be included in the program and benefit from an incentive of 2,691,704 TL.

The program, which will be completed in 2023, is expected to bring the following benefits:

- Evaluation of blue-collar employee professional competencies and certification of their vocation,

- Tradesman certificates for the employees who complete the program, in line with the assessment of technical knowledge and skills, with the employees to be exempted from the Professional Qualification process indefinitely,
- Economic sustainability for the Company by benefiting from the incentives within the scope of the program,
- Contributing to the blue-collar promotion process.

**4. Digital Learning Systems**

The Calik Denim Academy has taken steps towards a video-education process with the introduction of new software to bring a system application to the Company. This system application will maximize efficiency in the Company's business practices by transferring information and procedure content, which will contribute to the career management and talent management of employees, to video media, keep the content in the corporate memory and transfer the content to the employees.



# OCCUPATIONAL HEALTH AND SAFETY

Being aware that its most valuable asset is its employees, Calik Denim keeps probable risks in the area of occupational health and safety under control, and closely follows up international norms and standards as well as laws and legal regulations.

Calik Denim implements modern policies and practices regarding occupational health and safety and ensures the active participation of its employees in these processes.

The Company also pays attention to the effective implementation of the quality-, people-, environment- and energy-focused systems and carries out the necessary modernization works. In this context, six full-time Occupational Safety Specialists and two Workplace Physicians are employed within the Company, who are responsible for monitoring and improving existing practices.

Calik Denim was eligible to be awarded the OHSAS 18001 Occupational Health and Safety Certificate approved by the international company SGS, with the work it carried out in 2015.

The Company also received the ISO 45001 Occupational Health and Safety Management System certificate following the audit carried out by the Turkish Standards Institute (TSI) in November 2022. From this date, Calik Denim started to manage all of its relevant activities in accordance with the certification.

There was a 20.4% improvement in the work accident frequency rate in 2022, with the work accident frequency rate standing at 6.48 and the work accident severity rate standing at 54.4.

## Calik Denim's Occupational Health and Safety Policy

- To comply with compliance obligations,
- To prevent work accidents and occupational illnesses,
- To carry out investment decisions with consideration of Occupational Health and Safety factors,
- To support designs which improve Occupational Health and Safety performance,
- To be an organization that produces without compromising Occupational Health and Safety,
- To continuously improve management systems to increase Occupational Health and Safety performance,
- To provide the resources needed to maintain Occupational Health and Safety.



## SAFETY

There was a 20.4% improvement in the work accident frequency rate in 2022, with the work accident frequency rate standing at 6.48 and the work accident severity rate standing at 54.4.

### Training

The following training programs are provided by Calik Denim within the scope of Occupational Health and Safety:

- In accordance with legislation in place, basic training, technical and health training, training sessions on working at heights, working in confined areas, safe driving, and safe working with chemicals are provided.
- Support team employees are provided with training sessions on first aid, firefighting, rescue, protection and the Chemical, Biological, Radiological and Nuclear hazards.
- Newly recruited employees are provided with 16 hours of orientation training before they start working.

During 2022; 2,929 employees were provided 13.2 h/person occupational health and safety training, 739 support team employees were provided 2.50 h/person emergency training.

Implementing modern policies and practices regarding occupational health and safety, Calik Denim prepared a psycho-social risk assessment regarding the impact of work-related social and environmental risks on the psychological health of employees.

### Prepared Projects and Activities carried out

#### Safe Working Videos

20 videos have been prepared illustrating faulty behavior in terms of occupational health and safety during the activities carried out within the factory and how the work is done correctly and reliably. The videos, prepared for use in OHS training sessions, will continue to be shown in 2023.

#### Safe Work Instruction

The safe work instructions include step-by-step photographs demonstrating how to do the job. Awareness was created among employees by stating the possible dangers and risks of each step. 60 safe work instructions were prepared in 2022, with the work to continue in 2023.

#### Preparation of Question Lists

A total of 60 question lists were created for occupational safety experts to use in field controls and to ensure that some details were not overlooked during field inspections in 2022. This practice will also continue in 2023.

#### Emergency Drills

Calik Denim carried out two evacuation drills in 2022, covering all workplaces and shifts. In addition, three rescue drills, three work accident drills, five fire extinguishing drills and one environmental accident drill were conducted to ensure that the support teams would gain experience and effectively respond to possible emergency situations.

The Company plans to continue drills in the same scope in 2023.

#### Risk Assessment

- Risk assessments were revised by considering the situations that require renewal of the risk assessment specified in the occupational health and safety regulation.
- A psycho-social risk assessment was prepared regarding the impact of work-related social and environmental risks on the psychological health of employees.
- A chemical exposure risk assessment was prepared by using the risk assessment tool, which was developed within the scope of the Regulation on the Control of Substances Hazardous to Health (COSHH) in the UK.

Risk assessments will be revised throughout the entire factory in the wake of the earthquakes which struck in 2023.

#### The WSA Mobile Notification

Rolled out in 2019, the WSA application enables the share of Unsafe Situations, Unsafe Behaviors and Near Miss incidents to be shared on mobile devices. The app was also used effectively in 2022, with the number of notifications shared over the WSA app reaching 1,598 by the end of the year - a 15% increase when compared to the previous year.

In order to increase the effectiveness and usefulness of the app in 2023, a target of 1,756 notifications was set for the entire organization.

### Projects to be carried out in 2023

#### Presenting Emergency Team Members in Digital Environment

On the one hand, the legal requirement was fulfilled by digitalizing the Emergency Team members assigned within the factory and displaying them on screens throughout the factory site, which is also intended to raise awareness among employees.

The subcontractor and visitor management section, which is the first module of the software and will consist of 3 modules, was completed.

#### Digital Display of Work Accident Sites on the Settlement Layout

The software was designed to identify the working environment and machines, where work accidents are most common, by indicating where the work accidents occur in the factory on the layout plans and to determine the priorities in tackling work accidents by classifying work accidents on the basis of various

parameters. The software was completed in general terms and has entered the testing phase.

#### Displaying Statistics Regarding Organs Affected by Work Accidents in a Digital Environment

The software was designed with the aim of digitally displaying which organs and parts of the body were affected in work accidents occurring in the factory, carrying out statistical activities and ensuring more effective use of personal protective equipment. This software was completed, and the testing process got underway.

#### Optimization of Personal Protective Equipment (6 Sigma Project)

The project will meet the legal requirements regarding the purchase, distribution, change of personal protective equipment and registration of the personal protective equipment to the worker's name. The project will ensure that all processes are properly carried out. The definition phase of the project has been completed and the measurement phase has got underway.

**OHSAS 18001 Occupational Health and Safety Certificate**  
**ISO 45001 Occupational Health and Safety Management System**

**2,929** employees were provided  
**13.2** h/person occupational  
health and safety training

**739** support team employees  
were provided **2.50** h/person  
emergency training

# ENVIRONMENT

Calik Denim takes its contribution to the textile industry to even higher levels with the strategies and policies it pursues regarding environmental management.

Climate change has become one of the most important problems facing the world with its effects felt in many areas, and sensitivity to the risks posed by climate change has increased significantly. In the current period, reducing the consumption of natural resources has become the main focus in the efforts to tackle climate change.

In this context, Calik Denim uses less water and chemicals in production thanks to the processes it has designed by considering environmental impacts. The Company uses chemicals that do not harm the environment and people, and contributes to the circular economy by using recycled fibers.

## Management of Environmental Impacts

Conducting effective risk management and continuous improvement of the Environmental Management System is a basic responsibility for Calik Denim in order to work in line with its environmental goals and targets and eliminate the uncertainty it encounters in order to meet its obligations regarding compliance. The Company's environmental sustainability goals are monitored by the Environmental Sustainability Committee.

Calik Denim aims to reduce its carbon emissions per unit of production by 20%, its water use by 30% and the waste generated in its production processes by 30%, and to increase the use of electricity generated from renewable resources by 10% and increase

the proportion of its purchased electricity which is generated from renewable resources to 50% by 2025.

In order to achieve these goals, the Company carries out a wide range of projects, such as those listed below:

- Publication of a type-based EPD (Environmental Product Declaration),
- Development of waterless dyeing processes within the scope of emission and waste management,
- Near zero waste activities,
- Carrying out activities to produce composites from waste,
- Calculation of corporate carbon footprint within the scope of the TS EN ISO 14064-1 standard,
- Realization of EMF membership.



## Controlled Management of Waste

Within the scope of waste management, Calik Denim divides its waste into two groups: hazardous and non-hazardous. Waste is first stored temporarily in disposal areas located throughout the site before being transported to separate hazardous and non-hazardous waste areas. The collected waste is then sent to licensed disposal companies on a regular basis.

In recent years, it has become mandatory for industries to carry out industrial symbiosis and circular economy activities in order to ensure their sustainability. Work in the circular economy, on the other hand, refers to a process that ensures waste is transformed into economic value by re-introducing the waste into production using appropriate methods, instead of disposing of the waste.

In 2021, Calik Denim started working on a waste management system that adopts a circular economy approach within the scope of its sustainability strategy. The Company continued to pursue the same approach in 2022.

In this context, a zero-waste team was formed within the factory to make use of waste. This team carried out a number of activities including the creation of a factory waste map, the production of composite materials from waste, and technical field visits.

The Company is also involved in the Zero Discharge of Hazardous Waste (ZDHW) and detox programs.

## Effective and Efficient Management of Natural Resources

As part of its commitment to sustainability, Calik Denim works to accelerate the transition to a circular economy in all of its practices. The Company took the decision to participate in The Jeans Redesign project being carried out by the Ellen MacArthur Foundation to achieve the transition to a circular economy and be a leading company in this area.

The guidelines included in the project, which scale circular practices, encourage leading brands, factories and manufacturers to change the way they produce denim. Calik Denim therefore considers this project as a guide in its transition to a circular economy.

Calik Denim determines the environmental impacts of its products by conducting product-based Life Cycle Assessment (LCA) activities. It monitors production-related consumption regularly every month by taking these environmental impacts into consideration. The Company ensures the accuracy of all data which it shares, and its LCA activities are verified by independent auditors.

One of the most significant steps taken by Calik Denim in tackling climate change has been to completely phase out coal-fired boilers and start using natural gas fired boilers, which were rolled out in July 2021.

## Environmental Training Provided to Employees

Calik Denim provides periodic training to its employees within the scope of the ISO 14001 Environmental Management System, as well as sustainability management training sessions. The Company also continues to offer training sessions within the framework of the training on ISO 50001 Energy Management System certification and water saving awareness.

# ENERGY

Calik Denim develops projects to reduce energy consumption within the framework of its goal of maximizing production while minimizing the consumption of energy.

Calik Denim has been monitoring its energy consumption since the establishment of the Environmental Management System, and develops and implements projects aimed at reducing its consumption of energy. Within the framework of its Life Cycle Assessment (LCA) studies, the Company uses raw materials that consume less energy and water during production.

Additionally, the Company has developed a number of processes such as E-Denim, WashPro and DyePro in line with its goal of reducing water and energy consumption.

Calik Denim's main activities carried out in the field of energy management in 2022 can be summarized as follows:

- Publication of type-based EPD documents.
- Development of waterless dyeing processes within the scope of emission and waste management.
- Initiation of near-zero waste activities.

- Continued production of composites from waste.
- Calculation of the corporate carbon footprint within the scope of the TS EN ISO 14064-1 standard.
- Modernization of the pumps and the system located in the hydrophore water systems section of Calik Denim's factory, with the entire system being brought into operation as of January 2023, paving the way for annual savings of 846,145.6 kWh in energy.
- Completion of the Purchasing-SAP and Archive Buildings Heating System, saving 146,646 kWh of energy.
- Annual energy savings of 906,923 kWh achieved through insulation work carried out for energy saving in steam systems.

The installation of rooftop solar power plants at the Malatya Factory was completed and the panels started to be used in May 2020. The panels generated 827,066 kWh of electricity in 2020, 1,247,572 kWh in 2021, and 1,122,154 kWh in 2022.



	2020	827,066 kWh
Electricity Generation in the Solar Power Plant	2021	1,247,572 kWh
	2022	1,122,154 kWh

# CERTIFICATES

Calik Denim observes a number of important standards and holds a range of certificates in the execution of all production processes and administrative activities and in the planning of its projects and investments.

The Company keeps these documents up-to-date, including processes that are all defined, measurable, traceable and can be analyzed and improved upon, in a multi-faceted and systematic manner. It carries out periodic audits and re-certification work.

## Quality Standards and Certificates

ISO 9001:2015	Quality Management System Certificate
ISO 14001:2015	Environmental Management System Certificate
ISO 45001:2018	Occupational Health and Safety Management System Certificate
ISO 50001:2018	Energy Management System Certificate
ISO 27001:2013	Information Security Management System Certificate
ISO 10002:2018	Customer Satisfaction Management System Certificate
CTPAT Criteria Compliance	American Terror Security
SEDEX:SMETA PILLAR4	Social Compliance
HIGG INDEX FEM (Environment) - FSLM (Social)	Membership
HIGG MSI	Material Sustainability Index
BCI - Better Cotton Initiative	Membership
GOTS	Global Organic Textile Standard
OCS	Organic Content Standard
GRS	Global Recycled Standard
RCS	Recycled Claim Standard
OEKO-TEX Standard 100/Fabric	No Harmful Chemicals
OEKO-TEX Standard 100/Ryc Fabric	No Harmful Chemicals
OEKO-TEX Standard 100/Org Fabric	No Harmful Chemicals
OEKO-TEX Standard 100/Ryc Yarn	No Harmful Chemicals
OEKO-TEX Standard 100/Yarn	No Harmful Chemicals
OEKO-TEX Standard 100/Org Yarn	No Harmful Chemicals
Cotton USA	USA Cotton
Cotton Trust Protocol	USA Cotton
Made in Cotton Africa	Africa Cotton
STeP by OEKO-TEX	Environmental-Social
COTTON LEADS	USA and Australia Cotton
Zero Waste	Environment Directorate
Regenagri	Regenerative Cotton
ZDHC	Chemical
Nordic Swan Ecolabel	
EU Ecolabel	
Environmental Product Declaration	EPD (Environmental Product Declaration) Certificates



## QUALITY

Calik Denim pays attention to the effective implementation of quality, human, environment and energy focused systems and making the necessary improvements.

# ENVIRONMENTALLY FRIENDLY PRODUCTION FROM THE R&D CENTER

Calik Denim designs and produces eco-friendly products using state-of-the-art technologies with the aim of a better future.

Some of the products developed by Calik Denim to protect nature and human health are listed below:

- Denim fabrics made from recycled cotton,
- Denim fabrics made from recycled polyester,
- Fabrics which include hemp fiber, which has gained popularity as a sustainable natural fiber, in the composition,
- "Paper Denim" fabrics produced by converting waste paper into yarn,
- Denim/gabardine fabrics, developed from raw materials which require fewer resources (crailar flax, linen, etc.),
- Denim/gabardine fabrics using organic materials and BCI,
- Denim/gabardine fabrics developed with zero emissions and zero chemical use,
- Natural denim/gabardine fabrics using completely natural raw materials,
- Denim/gabardine fabrics which use more environmentally friendly chemicals, equivalent to the chemical materials currently used,
- Fabrics dyed with the Dyepro dyeing technology, which saves water and chemicals,
- Anti-microbial fabrics equipped with the ViralOff® Polygiene technology,
- Fabrics that provide thermo-regulation by keeping the body temperature at 37.5°C.



## New Eco-Friendly Inventions

Calik Denim continued to design environmentally friendly products using state-of-the-art technologies and unveil new inventions for a better future in 2022. In this vein, Calik Denim developed the **D-Clear** technology, the **Dyepro** dyeing technology, the **E-Denim** technology with Recycled yarn, the fabric concept of **Blue-H** containing hemp fiber and the **Denethic** concept, thus contributing to the protection of both nature and human health.

### E-Last

The **E-Last** concept, developed by Calik Denim, has enabled customers to pattern, cut, sew and then wash in different recipes in a single pattern in garment production, thus almost 0% weft shrinkage rate has been achieved. E-Last fabrics save time and labor since there is no need for pattern optimization and conditioning time before fabric laying in pattern laying. Another advantage is that garments do not cause deformation problems such as puckering due to their high dimensional stability when their designs are worn.

### RE/J

Sustainable fabrics, which are produced by using open-end yarn technology developed by Calik Denim, were offered to customers with the **RE/J** concept. With this technology, 100% recycled content is used in the fabrics produced. In order to further contribute to the circular economy, this method uses Repreve® recycled polyester, Lycra® EcoMade fiber and Refibra™ ingredients. All fabrics are dyed with the Dyepro technology, supporting environmentally friendly production.

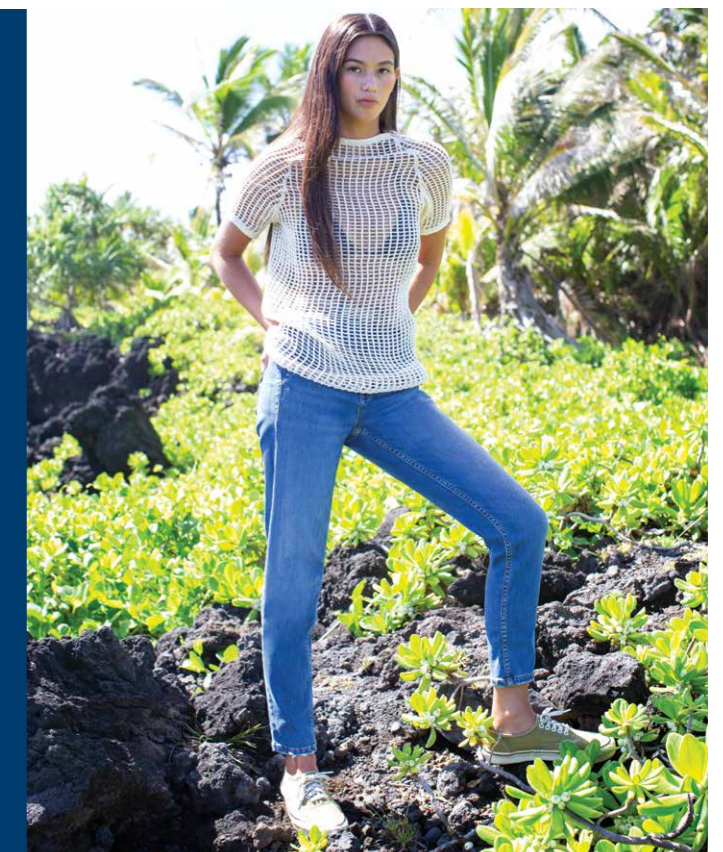
### B210

Synthetic fibers take hundreds of years to biodegrade in nature and this has led a situation where 35% of the pollution in the oceans consists of textile waste. Aware of this problem, Calik Denim developed the **B210** concept, which it launched in 2022.

The B210 concept is produced with a special technique applied in yarn and finishing processes and can be applied to all requested stretch fabrics. With the B210 concept, the Company has reduced the time it takes its products to degrade in the natural environment to just 210 days, thus minimizing environmental pollution caused by textile waste.

## B210 INNOVATION

With the B210 concept developed by Calik Denim with a special technique applied in yarn and finishing processes, the Company ensures that denim fabrics containing synthetic fibers biodegrade in nature within 210 days without causing any toxicity.



## ENVIRONMENTALLY FRIENDLY PRODUCTION FROM THE R&D CENTER

### D'enovated

With this concept, Calik Denim brings back the denim looks that consumers are familiar with by adapting them to the current era. Rigid, comfort and high elasticity fabrics are obtained with authentic looking, distinct twills combined with the advantages of modern technologies. The Company also offers purple and navy-blue color options that provide an authentic effect when washed.

### Blue-H

In line with its target of sustainable raw material supply, Calik Denim has added hemp fiber, which offers significant advantages, to its raw material portfolio. Hemp fiber offers the appearance and feel of cotton, while being durable and UV resistant. Hemp requires less water to produce than cotton and is accepted as being the most sustainable raw material among natural fibers.

### D-Leisure

Consumers started to seek more comfortable and relaxed clothing, especially in the Covid-19 lockdowns. In this context, flowing, soft fabrics with the constructions supported with modal and tencel were produced in the **D-Leisure** concept developed for ease of movement. In addition to authentic fabrics with rigid and comfort elasticities, the fabrics treated with CBD (Cannabidiol) oil, which is a powerful antioxidant and has important properties such as pain relief and sedative effects, are also offered.

### E-Denim

**E-Denim** technology involves the infusion of a significant amount of recycled fiber in the core yarn with the remaining recycled fiber is in the outer layer of the yarn. This special yarn structure supports high quality production and enables the production of higher quality fabrics.

### Denethic

**Denethic** is a sustainable technology that was launched in 2019. This technology, which continued to be applied to products in 2022, does away with the need to wash the jeans after sewing by provided fabrics with the washed appearance. Customers purchasing denim fabric produced with Denethic technology may proceed to the sewing stage without washing the fabric, thus saving water and energy. As a result, the innovative technologies developed by Calik Denim reduce the consumption of resources in the later stages of the supply chain, enabling a saving of 44% in the amount of water needed for rinse-washed look fabrics, a 15% saving for rinsed+enzyme look fabrics and 32% for bleached look fabrics.

#### Denethic Technology

- Denethic Technology is a groundbreaking innovation which prioritizes sustainability with consideration of the entire supply chain in denim clothing production.
- Fabrics can be produced in the factory with the rinsed, enzyme and bleach look.
- The materials produced can even be used in the cut-and-sew process to obtain clean-looking cuts.
- A more washed look fabric can be achieved by using less water, less chemicals and less energy.
- Denethic Technology is one of the best choices for new washing technologies when it comes to resource efficiency. While significantly improving efficiency in the fabric production and part washing steps, it also helps protect the planet.
- Rigid, comfort and high elasticity alternatives are available.

### Selfsized

All products in the **Selfsized** concept offer high elasticity and have been developed to eliminate the size range. Jeans made from Selfsized fabric easily fit users of various sizes, eliminating the worry of ordering the wrong size when shopping online, which has become more common, especially during the pandemic.

#### Functionage

Comfortable, highly stretch products suitable for both our daily and active lives come with features that also provide thermo-regulation, in addition to the **Washpro** and **ViralOff®** technologies. The **Functionage-Washpro** technology has the advantage of needing fewer washes over the life cycle of the denim garments. Given the amount of water and energy which every home-wash requires, Washpro featured fabrics therefore save a substantial amount of resources. Additionally, the Washpro technology reduces microfiber pollution and wastewater in the oceans by decreasing the number of household washes required. The cleaning feature offered by this technology is long-lasting, even after the industrial washing processes.

#### Functionage-ViralOff®

The Polygiene technology, **ViralOff®** applied fabrics protect themselves from contamination without interfering with the skin's natural bacterial flora. To achieve best performance and support sustainability, it is recommended that the fabrics are only washed when necessary.

### Skinlithe

The **Skinlithe** concept combines the look of denim with the comfort of tights. Offering very high elasticity and ultra-flexible fabrics that can be adapted to body shape, Skinlithe products offer freedom of movement and do not feel any pressure. Developed with innovative yarn technology and containing various fibers to provide natural softness, these products also include new cotton alternatives.

### Dyepro

**Dyepro**, which is Calik Denim's sustainability-oriented dyeing method, does not contain water. Additionally, since chemicals are reused, it does not create any chemical waste during the dyeing process. Dyepro supports environmentally friendly production, which also brings significant savings in terms of the resources used. Developed for skinny and slim fits, the highly stretch Fix Fit fabrics are soft and offer the original denim look. Thanks to Calik Denim's Smart Stretch technology, some products in this concept also have shaping feature where needed. There are also products developed with environmentally friendly Roica™ V550, which is able to break down more rapidly in microbiologically active soil compared to regular spandex.

## ENVIRONMENTALLY FRIENDLY PRODUCTION FROM THE R&D CENTER

### Two Collections with Eco-Friendly Fabrics

Calik Denim released two main collections in 2022 using fabrics produced in its R&D facilities. The first of these was "Togetherness", presented in the Autumn-Winter 2023-2024 season, with the other being "Blue Coalescence", a collection of the Spring-Summer 2024 season.

These collections consist of fabrics produced with the technologies developed as a result of the activities carried out in the Company's R&D facilities. The collections have attracted wide acclaim both by virtue of the water saved during the production phase and their sustainability.

### Regenerative Agriculture

Regenerative agriculture includes practices which support soil health and restore organic carbon in the soil. This type of agriculture is beneficial in restoring the health of the soil and restarting its microbiological structure where the soil has been deprived of nutrients in traditional agriculture for many years. With these practices, it is possible to reduce the frequency of tillage in the field or eliminate tillage altogether.

Additionally, cover crops can be planted to suppress weeds and increase carbon sequestration, providing natural fertilizer and a protective layer. These practices provide a significant reduction in water use and labor costs. The decreased level of cultivation of the soil reduces the level and frequency that equipment needs to be used, thus reducing carbon emissions during production.



In line with the principle of sustainable production, Calik Denim uses cotton produced with a regenerative agriculture system in its production.

The Company preserves the richness of the soil and reduces water consumption by producing regenerative cotton.





# CORPORATE SOCIAL RESPONSIBILITY AND SOCIETY

Calik Denim operates with a focus on the principle of “Creating Added Value for Society” in its corporate social responsibility projects that it has developed with a long-term approach.

The Company conducts its social responsibility activities within the framework of an inclusive and systematic model, aiming to ensure that the benefits it creates reach more people by expanding the impact area of its projects.

With a belief that institutions can only grow and develop together with the society they live in, Calik Denim has undertaken a number of important projects in the field of education, which form the main thrust of its corporate social responsibility activities. These are supported by the voluntary efforts of the Company’s employees.

## Denim Anatomy

Calik Denim has collaborated with the Istanbul Technical University (ITU) to establish Denim Anatomy, which combines theoretical and practical training. This training, which aims to support the development of sector professionals, includes a two-day program offered to managers and employees of industry

brands. The program covers and examines all stages of denim production and their areas of usage, starting from cotton production.

In the first part of the program, theoretical information about denim is provided to the participants by ITU professors, followed by practical information setting out the denim production processes at the Calik Denim Malatya Factory. At the end of the program, participants receive a certificate from ITU.

## The Malatya Education Foundation

With an awareness of the importance of young people for the future, Calik Denim offers scholarship opportunities to university students in need of economic support during their education through the Malatya Education Foundation. The children of Calik Denim employees may also benefit from these scholarships.

## 100% Support for Education

Built within the scope of the 100% Support for Education Project, the Mahmut Çalık Education Complex Anatolian High School was opened in 2012. Built on an area of 40,000 m<sup>2</sup>, the Complex continues education.

Calik Denim provides ready meals for a number of schools for the disabled on a daily basis. In addition, it provides support for stationery to children of Company employees at the beginning of each school year.

## The Environment

Calik Denim continued to contribute to nature by performing afforestation of the areas in its region of operation within the scope of a project which first initiated by the Turkish Ministry of Agriculture and Forestry in 2019 aiming to achieve the greening of Türkiye and which reached a record-breaking 11 million trees.



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# FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT AS OF 31 DECEMBER 2022



**Convenience Translation Into English of Consolidated Financial Statements  
As of December 31, 2022 together with Independent Auditors' Report**

*(Originally issued in Turkish)*

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## Independent Auditor's Report

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

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

#### 1) Opinion

We have audited the consolidated financial statements of Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for opinion

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

#### 3) Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<b>Deferred tax assets related to investment incentives</b>	
<p>The Group has received a total investment incentive certificate amounting to TL 455,368, USD 180,189 and Euro 85,890 within the scope of "Council of Ministers Decision on State Assistance in Investments" which regulates investment incentives. As of December 31, 2022, within the scope of the investment documents, investment expenditure amounting to TL 447,966 has been made. The Group limits the deferred tax assets accounted over investment incentives based on taxable profits expected to be generated in foreseeable future. As of December 31, 2022, deferred tax asset were recognized amounting to TL 153,320.</p> <p>The evaluation process is based on estimates and assumptions, therefore, it is a key audit matter to measure the measurement and recoverability of deferred tax assets.</p> <p>Explanations on deferred tax assets are presented in Note 17.</p>	<ul style="list-style-type: none"><li>- In order to examine the deferred tax asset related to investment incentives, we have received the support of the tax experts of another firm included in the same audit network. The measurement of the related deferred tax assets was made for the review and evaluation of tax experts.</li><li>- Estimates of taxable profits based on business plans for the next 5 years approved by the management have been questioned in terms of the recoverability of the related deferred tax asset.</li><li>- Within the scope of our audit, the key assumptions used by the Group management in the business plans related to the subject have been examined and its suitability has been evaluated.</li><li>- The amounts of investment expenditures within the period that constitute the basis of deferred tax asset calculations are verified by accounting records.</li><li>- In addition, the compliance of the disclosures in the notes of the consolidated financial statements in accordance with TAS 12 were also been evaluated by tax experts.</li></ul>

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 financial reporting process.

## Independent Auditor's Report

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

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

### B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of Article 402 of the Turkish Commercial Code ("TCC"), no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2022 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Kaan Birdal.

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

Kaan Birdal, SMMM  
Partner  
April 10, 2023  
Istanbul, Turkey

## Consolidated Statement of Financial Position As at 31 December 2022

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

	Note	Current Period	Prior Period
		Audited	Audited
		December 31, 2022	December 31, 2021
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	10	150.319	115.202
Financial investments	11	9.934	-
Trade receivables	16	1.012.441	877.401
- Trade receivables from related parties	28	37.494	17.420
- Trade receivables from third parties	16.1	974.947	859.981
Other receivables	22	114.562	12.002
- Other receivables from related parties	28	94.509	-
- Other receivables from third parties		20.053	12.002
Inventories	12	1.310.913	1.117.963
Prepaid expenses	19	74.350	51.103
Current income tax assets	17	26.476	-
Other current assets	20	99.276	100.334
<b>Subtotal</b>		<b>2.798.271</b>	<b>2.274.005</b>
Assets held for sale	9	-	227.497
<b>Total current assets</b>		<b>2.798.271</b>	<b>2.501.502</b>
Non-current assets			
Other receivables	22	89	89
- Other receivables from third parties	22	89	89
Financial investments	11	6.174	4.492
Investment valued by equity method	18	144.590	-
Investment properties	15	134.861	45.839
Property, plant and equipment	13	789.579	832.804
Right of use assets	14	8.041	3.149
Intangible assets	14	516	566
Prepaid expenses	19	525	620
Deferred tax assets	17	783.574	158.381
<b>Total non-current assets</b>		<b>1.867.949</b>	<b>1.045.940</b>
<b>Total assets</b>		<b>4.666.220</b>	<b>3.547.442</b>

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

## Consolidated Statement of Financial Position As at 31 December 2022

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

	Note	Current Period	Prior Period
		Audited	Audited
		December 31, 2022	December 31, 2021
<b>LIABILITIES</b>			
Current liabilities			
Short term financial liabilities	21	588.035	327.050
Short term portion of long-term financial liabilities	21	758.897	790.220
Derivative financial instruments		326	-
Trade payables	16	250.624	557.516
- Trade payables to related parties	28	9.683	21.722
- Trade payables to third parties	16.2	240.941	535.794
Payables related to employee benefits	25	17.982	14.328
Other payables	22	72.041	365.288
- Other payables to related parties	28	53.548	351.760
- Other payables to third parties		18.493	13.528
Deferred revenue	23	30.719	4.567
Current income tax liabilities		-	118
Short term provisions		17.138	15.217
- Provisions for employee benefits	24,25	10.507	9.734
- Other short-term provisions	24	6.631	5.483
Other current liabilities	20	10.547	33.458
<b>Subtotal</b>		<b>1.746.309</b>	<b>2.107.762</b>
Liabilities held for sale	9	-	9.848
<b>Total current liabilities</b>		<b>1.746.309</b>	<b>2.117.610</b>
Non-current liabilities			
Long term financial liabilities	21	1.324.719	763.740
Long term provisions		102.639	62.499
- Provisions employee benefits	24,25	102.639	62.499
<b>Total non-current liabilities</b>		<b>1.427.358</b>	<b>826.239</b>
<b>Total liabilities</b>		<b>3.173.667</b>	<b>2.943.849</b>
<b>EQUITY</b>			
Equity attributable to the shareholders			
Share capital	26	710.000	710.000
Legal reserves	26	33.761	31.776
Other comprehensive expense that will not be reclassified to profit or loss			
- Losses on remeasurement of defined benefit plans		(70.222)	(30.333)
Other comprehensive income to be reclassified to profit or loss			
- Currency translation differences		83.267	38.573
Accumulated losses		(126.847)	(414.880)
Net profit/(loss) for the year		862.594	268.888
<b>Total equity attributable to the shareholders</b>		<b>1.492.553</b>	<b>604.024</b>
<b>Total non-controlling interests</b>		<b>-</b>	<b>(431)</b>
<b>Total equity</b>		<b>1.492.553</b>	<b>603.593</b>
<b>Total equity and liabilities</b>		<b>4.666.220</b>	<b>3.547.442</b>

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

## Consolidated Statement of Profit or Loss For the Year Ended December 31, 2022

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

	Notes	Current Period	Prior Period
		Audited	Audited
		January 1- December 31, 2022	January 1- December 31, 2021
<b>PROFIT OR LOSS</b>			
<b>Continuing activities</b>			
Revenue	5	3.691.843	2.059.353
Cost of sales (-)	5	(2.699.572)	(1.282.271)
<b>Gross profit</b>		<b>992.271</b>	<b>777.082</b>
General administrative expenses (-)	6	(138.527)	(74.643)
Selling, marketing and distribution expenses (-)	6	(221.540)	(112.804)
Research and development expenses (-)	6	(55.008)	(36.050)
Other operating income	6	294.539	317.563
Other operating expenses (-)	6	(15.282)	(40.202)
<b>Operating profit</b>		<b>856.453</b>	<b>830.946</b>
Gain from investing activities	7	89.785	21.298
Expense from investing activities (-)	7	(326)	(351)
Share profits of investments accounted under equity method	9,18	47.165	-
<b>Operating profit before financial expense</b>		<b>993.077</b>	<b>851.893</b>
Financial income	8	2.515	759
Financial expense	8	(724.249)	(561.251)
<b>Net financial expense</b>		<b>(721.734)</b>	<b>(560.492)</b>
<b>Profit/(loss) before tax from continuing operations</b>		<b>271.343</b>	<b>291.401</b>
<b>Tax income from continuing operations</b>		<b>591.251</b>	<b>(22.716)</b>
Current tax expense	17	(23.980)	(156)
Deferred tax income	17	615.231	(22.560)
<b>Profit/(loss) for the period from continuing operations</b>		<b>862.594</b>	<b>268.685</b>
<b>Profit/(loss) for the period</b>		<b>862.594</b>	<b>268.685</b>
<b>Total net profit/(loss) for the period attributable to:</b>			
Owners of the parent		-	(203)
Non-controlling interests		862.594	268.888
<b>Net profit/(loss) for the period</b>		<b>862.594</b>	<b>268.685</b>

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

## Consolidated Statement of Other Comprehensive Income For the Year Ended 31 December 2022

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

	Note	Current Period	Prior Period
		Audited	Audited
		January 1- December 31, 2022	January 1- December 31, 2021
<b>Net Profit for the Period</b>		<b>862.594</b>	<b>268.685</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>		<b>(39.889)</b>	<b>(18.417)</b>
- Actuarial gain/loss on defined benefit plans	25	(49.850)	(23.021)
- Tax effect of actuarial loss on defined benefit plans	17	9.961	4.604
<b>Items that will be reclassified to profit or loss</b>		<b>44.694</b>	<b>18.354</b>
- Foreign currency translation differences		44.694	18.354
<b>Other comprehensive income/(expense)</b>		<b>4.805</b>	<b>(63)</b>
<b>Total comprehensive income/(expense)</b>		<b>867.399</b>	<b>268.622</b>
<b>Total comprehensive income/(expense) attributable to:</b>			
Non-controlling interests		-	(203)
Owners of the parent		867.399	268.825
<b>Total comprehensive income/(expense)</b>		<b>867.399</b>	<b>268.622</b>

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

## Consolidated Statement of Changes Equity For the Year Ended December 31, 2022

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

	Share capital	Legal reserves	Other comprehensive expense that will never be reclassified to profit or loss	Other comprehensive income that is or may be reclassified to profit or loss	Accumulated losses		Total	Non-controlling interests	Total equity
			Actuarial losses on defined benefit plans	Foreign currency translation differences	Accumulated losses	Net profit/(loss) for the period			
Balances on January 1, 2021	510.000	31.776	(11.916)	20.219	(244.829)	(168.773)	136.477	(228)	136.249
Profit for the period	-	-	-	-	-	268.888	268.888	(203)	268.685
Foreign currency translation differences	-	-	-	18.354	-	-	18.354	-	18.354
Defined benefit obligation actuarial loss	-	-	(18.417)	-	-	-	(18.417)	-	(18.417)
<b>Total comprehensive income</b>	-	-	<b>(18.417)</b>	<b>18.354</b>	-	<b>268.888</b>	<b>268.825</b>	<b>(203)</b>	<b>268.622</b>
<b>Transactions with shareholders registered in shareholders equity</b>									
Capital increase	200.000	-	-	-	-	-	200.000	-	200.000
Profit distribution	-	-	-	-	(1.278)	-	(1.278)	-	(1.278)
Transfers	-	-	-	-	(168.773)	168.773	-	-	-
<b>Balances on December 31, 2021</b>	<b>710.000</b>	<b>31.776</b>	<b>(30.333)</b>	<b>38.573</b>	<b>(414.880)</b>	<b>268.888</b>	<b>604.024</b>	<b>(431)</b>	<b>603.593</b>
<b>Balances on January 1, 2022</b>	<b>710.000</b>	<b>31.776</b>	<b>(30.333)</b>	<b>38.573</b>	<b>(414.880)</b>	<b>268.888</b>	<b>604.024</b>	<b>(431)</b>	<b>603.593</b>
Profit for the period	-	-	-	-	-	862.594	862.594	-	862.594
Foreign currency translation differences	-	-	-	44.694	-	-	44.694	-	44.694
Defined benefit obligation actuarial loss	-	-	(39.889)	-	-	-	(39.889)	-	(39.889)
<b>Total comprehensive income</b>	-	-	<b>(39.889)</b>	<b>44.694</b>	-	<b>862.594</b>	<b>867.399</b>	-	<b>867.399</b>
<b>Transactions with shareholders registered in shareholders equity</b>									
Subsidiary company exit	-	310	-	-	32.628	-	32.938	431	33.369
Other fixes	-	-	-	-	(11.808)	-	(11.808)	-	(11.808)
Transfers	-	1.675	-	-	267.213	(268.888)	-	-	-
<b>Balances on December 31, 2022</b>	<b>710.000</b>	<b>33.761</b>	<b>(70.222)</b>	<b>83.267</b>	<b>(126.847)</b>	<b>862.594</b>	<b>1.492.553</b>	-	<b>1.492.553</b>

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



Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries  
**Consolidated Financial Statements of Cash flows**  
**For the Year Ended December 31, 2022**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period		Prior Period	
		Audited		Audited	
		January 1-December 31, 2022	January 1-December 31, 2021		
<b>Cash flows from operating activities</b>		<b>(184.187)</b>	<b>357.530</b>		
Profit/(loss) for the period		862.594	268.685		
<b>Adjustments to reconcile profit/(loss):</b>		<b>(65.564)</b>	<b>595.741</b>		
Adjustments for depreciation and amortisation expense	6,13,14	94.312	83.974		
Adjustments for impairment loss					
- Adjustments for impairment of receivables	16	(2.045)	2.607		
- Adjustments for inventory impairment	12	7.280	2.099		
Adjustments related to provisions					
- Adjustments related to provisions for employee benefits	25	19.205	9.974		
- Adjustments for other provisions	6,24	1.148	1.437		
Adjustments related interest income and expenses					
- Adjustments related to interest incomes	8	(2.515)	(759)		
- Adjustments related to interest expenses	8	386.323	212.162		
- Deferred Financing Expense from Forward Purchases	6	-	631		
Related to Fair Value Gains of Derivative Financial Instruments Fixes	7	326	-		
Unrealized foreign exchange losses and translation differences	21	127.795	270.813		
Adjustments related to income tax	17	(591.251)	22.716		
Adjustments related to losses from disposals of fixed assets	7	(192)	(2.144)		
Adjustments for change in fair value of investment properties	7	(89.022)	(18.701)		
Dividend income	7	(89)	(102)		
Adjustments related to evaluated by equity method	9,18	(47.165)			
Other adjustments for financing activities		30.326	11.034		
<b>Changes in working capital</b>		<b>(915.794)</b>	<b>(502.829)</b>		
Adjustments related to trade receivables		(132.995)	(477.656)		
- Adjustments related to trade receivables from related parties		(20.074)	(6.230)		
- Adjustments related to trade receivables from third parties		(112.921)	(471.426)		
Increase in operations related to other receivables		(102.560)	3.972		
- Increase in other operational receivables from third parties		(8.051)	(4.075)		
- Increase in other operational receivables from related parties		(94.509)	8.047		
Adjustments related to increases in inventories		(200.230)	(622.809)		
Decrease (increase) in prepaid expenses		(23.152)	(12.612)		
Adjustments related to increase (decrease) in trade payables		(306.892)	421.859		
- Increase (decrease) in trade payables to related parties		(12.039)	17.390		
- Increase (decrease) in trade payables to third parties		(294.853)	404.469		
Adjustments for the increase in other operating-related liabilities		(293.042)	354.269		
- Increase in other operating-related payables to third parties		5.170	2.509		
- Increase in other operating payables to related parties		(298.212)	351.760		
Increase (decrease) in debts within the scope of employee benefits		3.654	8.614		
Increase (decrease) in deferred revenues		26.152	3.433		
Adjustments for other decrease in working capital		113.271	(181.899)		
- Adjustments in other assets related to operations		172.157	(209.838)		
- Adjustments in other liabilities related to operations		(58.886)	27.939		
<b>Cash Flows from Operating Activities</b>		<b>(118.764)</b>	<b>361.597</b>		
Payments Made in Scope of Provisions for Employee Benefits	25	(65.423)	(4.067)		
<b>Cash Flows Used in Investing Activities</b>		<b>(46.776)</b>	<b>(68.725)</b>		
Dividend received	7	89	102		
Proceeds from sales of property and equipment and intangible assets		6.114	10.281		
Acquisition of property, plant and equipment	13	(50.762)	(77.896)		
Acquisition of intangible assets	14	(2.217)	(1.212)		
<b>Cash flows from financing activities</b>		<b>266.080</b>	<b>(187.466)</b>		
Interest paid	21	(340.539)	(232.564)		
Interest received	8	2.515	759		
Cash inflows from issued debt instruments	21	229.000	268.000		
Cash outflows from issued debt instruments	21	(108.000)	-		
Other cash inflows related to financing activities		-	10.271		
Other cash outflows related to financing activities	21	(42.423)	(61.671)		
Cash Inflows from Borrowing	21	2.965.184	1.847.355		
Cash Outflows Related to Debt Payments	21	(2.439.657)	(2.218.338)		
Dividend paid		-	(1.278)		
Cash inflows from the issuance of shares		-	200.000		
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>35.117</b>	<b>101.339</b>		
<b>Cash and Cash Equivalents at The Beginning of The Period</b>	10	<b>115.202</b>	<b>13.863</b>		
<b>Cash and Cash Equivalents at The End of The Period</b>	10	<b>150.319</b>	<b>115.202</b>		

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

Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2022**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 1 Organization and Operations of the Group

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

Çalık Denim's registered address is as follows:

Keresteciler Sitesi Fatih Caddesi

Ladin Sokak No:17

34169 Merter İstanbul/Turkey.

As of December 31, 2022, the number of employees of the Group is 1.874 (31 December 2021: 3.961).

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

## Subsidiaries and affiliates

As of December 31, 2022, the Company has 2 (December 31, 2021: 3) subsidiaries ("Subsidiaries") and 2 (31 December 2021: 1) associates ("Affiliate"). As of December 31, 2022 and 2021, the subsidiaries and affiliates of the Company and their countries, activities, fields of activity and partnership ratios are as follows:

Company name	Type of partnership	Country	Ownership rate %	
			2022	2021
Malatya Boya Emprime Fabrikaları A.Ş.	Subsidiary	Turkey	100,00	100,00
Çalık Denim BV	Subsidiary	Netherlands	100,00	100,00
Çalık Alexandria For Readymade Garments	Associate	Egypt	47,00	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. As explained in detail in Note 9, the Group accounted for Çalık Alexandria in 2022 as investments accounted for using the equity method

## 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.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.1 Basis of preparation

##### (a) Statement of compliance

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

The Company maintains its books of account and prepares its statutory consolidated financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are prepared in accordance with the provisions of the "Communiqué Related to the Financial Reporting Principles at the Capital Markets" (Communiqué) Nr. II/14.1 of the CMB published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards/Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/TFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué. In addition, it has been presented in accordance with the TAS taxonomy published by the POA with the decision number 30 on June 2, 2016 and subsequently announced to the public on 15 April 2019, together with the changes in TFRS-15 Revenue from Customer Contracts and TFRS-16 Leasing standards.

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

##### (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 a going concern basis.

##### (c) Functional and presentation currency

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

Functional currency of foreign associate is as follows:

	Functional currency
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	US Dollars ("USD")
Çalık Alexandria For Readymade Garments	USD Dollars ("USD")

Functional currency of foreign subsidiaries is as follows:

	Functional currency
Çalık Denim B.V.	Euro

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.1 Basis of preparation (continued)

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

According to the Communiqué of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing standards Authority of Turkey ("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

##### Approval of financial statements:

The accompanying consolidated financial statements as of December 31, 2022 have been approved by the Group's Board of Directors on April 10, 2023. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statute.

##### (e) Comparative information and restatement of prior periods' financial statements

The accompanying consolidated financial statements are prepared in comparison with the previous period, to be able to indicate below the trends in the financial status, performance and flow of the Group. When the presentation or classification of the items of the consolidated financial statements changes, to ensure comparability, the previous period consolidated financial statements are also reclassified accordingly and these matters are made as painting.

##### (f) Financial reporting in hyperinflationary economy

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.1 Basis of preparation (continued)

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

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

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

###### Deferred Tax

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

###### Provision for Doubtful Receivables

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

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

###### Litigation

As disclosed in Note 24, the Group management has recorded provision amounting to TL 6.631 (31 December 2021: TL 5.483) for legal cases with probability of cash outflow as of the report date.

###### Fair value measurement of investment properties

The fair value of the Group's investment properties as of the balance sheet date has been obtained according to the valuation performed by a real estate appraisal company that is not affiliated with the Group. The fair value calculated in the valuation reports made in accordance with International Valuation Standards has been determined by income discounting methods, and various estimates and assumptions are used in these calculations. Future changes in these estimates and assumptions may have a material impact on the Group's consolidated financial statements.

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.1 Basis of preparation (continued)

##### (f) Changes in Accounting Estimates and Errors

Changes in accounting estimates are applied prospectively in the current period when the change is made, if the change is related to only one period, and both in the period when the change is made and in future periods if it is related to future periods. The significant estimates used during the preparation of the financial statements for the period ended 31 December 2022 are consistent.

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

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

##### i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

- Amendments to TFRS 3 - Reference to the Conceptual Framework
- Amendments to TAS 16 - Proceeds before intended use
- Amendments to TAS 37 - Onerous contracts - Costs of Fulfilling a Contract
- Annual Improvements - 2018-2020 Cycle

These standards did not have a significant impact on the financial position and performance of the Group.

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

- Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TAS 8 - Definition of Accounting Estimates
- Amendments to TAS 1 - Disclosure of Accounting Policies
- Amendments to TAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

The standards, amendments and improvements above are not expected to have a material impact on the Group's consolidated financial statements.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.3 Summary of Significant Accounting Policies

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

##### Consolidation principles

Consolidated financial statements include the financial statements of businesses controlled by the Group and its subsidiaries. Control is provided by the Group's fulfillment of the following conditions:

- 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.

##### 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.3 Summary of Significant Accounting Policies (continued)

##### Consolidation principles (continued)

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

##### Foreign Currency

###### Transactions in foreign currency

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

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

	31 December 2022	31 December 2021
Euro/TL	19,9349	15,0867
USD/TL	18,6983	13,3290

##### Effects of Currency Change

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### 2.3 Summary of Significant Accounting Policies (continued)

##### Effects of Currency Change (continued)

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.

### 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 (EIM). If assets are derecognised, altered or impaired, gains and losses are recognized in profit or loss.

The Group's financial assets measured at amortized cost include trade receivables and loans to associates and debt to a director in 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.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Financial Instruments (continued)

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.

##### 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.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Financial Instruments (continued)

##### *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 its carrying amount and the maximum amount required to be paid by the Group.

##### *Financial liabilities*

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

#### Property, plant and equipment

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Property, plant and equipment (continued)

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

	Useful Life
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

##### Right-of-use

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

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

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

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Lease Liabilities

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

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

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

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

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

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

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

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

#### 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.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### 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.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Long-term Employee Benefits

##### Retirement Benefit:

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

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

##### **Defined contribution plans:**

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

#### Provisions, Contingent Assets and Liabilities

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

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

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

#### Revenue

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

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

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Revenue (continued)

The Group assesses at the beginning of the contract whether there are different performance obligations that must be allocated. The Group does not have an important service component identified in customer contracts.

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

#### Income Tax

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

##### *Current tax*

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

##### *Deferred Tax*

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

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

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

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

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



## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Related Parties

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

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

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

#### Events After the Reporting Period

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

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

#### Cash Flow Reporting

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

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

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

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

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

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 3 Significant accounting policies (continued)

#### Trade Receivables

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

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

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

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

#### Assets held for sale and discontinued operations

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

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

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

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

#### 4 Transaction with key management personnel

Expenses related to benefits provided to senior personnel included in general administrative expenses for the year ended December 31, 2022 are TL 27.804 on a consolidated basis (January 1- December 31, 2021: TL 13.493).

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 5 Revenue and cost sales

For the years ended December,31 2022 and 2021, revenue and cost of sales are as follows:

	1 January- December 31 2022	1 January- December 31 2021
<b>Revenue</b>	<b>3.691.843</b>	<b>2.059.353</b>
Domestic sales	2.865.275	1.580.934
Export sales	881.859	497.240
Sales discounts (-)	(14.976)	(9.123)
Sales returns (-)	(42.746)	(11.565)
Other sales	2.431	1.867
<b>Cost of sales (-)</b>	<b>(2.699.572)</b>	<b>(1.282.271)</b>
<b>Gross Profit</b>	<b>992.271</b>	<b>777.082</b>

For the years ended December,31 2022 and 2021, cost of sales comprised the following:

	1 January- December 31 2022	1 January- December 31 2021
Changes in raw materials and trading goods	1.667.991	813.142
Electricity, gas and water expenses	499.791	148.755
Personnel expenses	360.274	191.616
Depreciation and amortization expenses	69.731	65.600
Subcontractor expenses	32.908	17.514
Maintenance and repair expenses	22.782	13.882
Insurance expenses	12.313	7.047
Consultancy expenses	2.241	1.131
Transportation and customs expenses	1.793	1.134
Other	29.748	22.450
<b>Total</b>	<b>2.699.572</b>	<b>1.282.271</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### Operating expenses

	1 January- December 31 2022	1 January- December 31 2021
Selling, marketing and distribution expenses	221.540	112.804
General administrative expenses	138.527	74.643
Research and development expenses	55.008	36.050
<b>Total</b>	<b>415.075</b>	<b>223.497</b>

#### General and administrative expenses

For the years ended 31 December 2022 and 2021, general administrative expenses are as follows:

	1 January- December 31 2022	1 January- December 31 2021
<b>General administrative expenses</b>		
Personnel expenses	59.703	31.035
Çalık Holding A.Ş. share expenses	38.127	16.432
Consultancy expenses	9.802	6.135
Subcontractor expenses	4.682	2.426
Depreciation and amortization expenses	4.345	1.791
Information services expenses	3.955	4.899
Representation expenses	2.759	1.719
Insurance expenses	2.066	426
Maintenance and repair expenses	1.417	2.003
Other	11.671	7.777
<b>Total</b>	<b>138.527</b>	<b>74.643</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### Selling, marketing and distribution expenses

For the years ended 31 December 2022 and 2021, selling, marketing and distribution expenses are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
<b>Selling, marketing and distribution expenses</b>		
Personnel expenses	49.452	30.507
Commission expenses	37.924	18.245
Transportation expenses	30.896	12.881
Sample expenses	25.958	11.572
Advertising and promotion expenses	21.824	6.938
Consultancy expenses	21.245	14.678
Travel and accommodation expenses	14.404	4.320
Subcontracting expenses	3.445	2.280
Insurance expenses	3.237	2.529
Depreciation and amortization expenses	3.202	3.647
Rent expenses	2.987	1.742
Other	6.966	3.465
<b>Total</b>	<b>221.540</b>	<b>112.804</b>

#### Research and development expenses

For the years ended 31 December 2022 and 2021, research and development expenses comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
<b>Research and development expenses</b>		
Depreciation and amortization expenses	17.034	12.936
Personnel expenses	14.805	9.152
Consultancy expenses	6.737	4.000
Sample expenses	6.449	3.709
Travel and accommodation expenses	2.748	772
Transportation and custom expenses	2.187	497
Representation expenses	550	213
Insurance expenses	408	136
Subcontractor expenses	367	138
Other	3.723	4.497
<b>Total</b>	<b>55.008</b>	<b>36.050</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

#### Expenses by nature

For the years ended 31 December 2022 and 2021, expenses by nature comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Changes in raw materials and trading goods, and auxiliary expenses	1.667.991	813.142
Personnel expenses	484.234	262.310
Electricity, gas and water expenses	499.791	148.755
Depreciation and amortization expenses	94.312	83.974
Consultancy expenses	40.025	25.944
Subcontractor expenses	41.402	22.358
Commission expenses	37.924	18.245
Çalık Holding A.Ş. share expenses	38.127	16.432
Maintenance and repair expenses	24.199	15.885
Sample expenses	32.407	15.281
Transportation and transportation expenses	34.876	14.512
Insurance expenses	18.024	10.138
Advertising and promotion expenses	21.878	6.938
Travel and accommodation expenses	17.152	5.092
Rent expenses	2.987	1.742
Representation expenses	3.309	1.932
Information services expenses	3.955	4.899
Other	52.054	38.189
<b>Total</b>	<b>3.114.647</b>	<b>1.505.768</b>

For the years ended 31 December 2022 and 2021, personnel expenses comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
<b>Labor and personnel expenses</b>		
Wages and salaries	303.041	199.691
Premiums and bonuses	66.352	31.238
Social security expenses	50.032	21.003
Severance expenses	60.275	5.457
Provision for vacation pay liability	773	2.088
Defined contribution expenses	-	12
Other personnel expenses	3.761	2.821
<b>Total</b>	<b>484.234</b>	<b>262.310</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

For the years ended 31 December, 2022 and 2021 depreciation and amortization expenses comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
<b>Depreciation and amortization expenses</b>		
Cost of sales	69.731	65.600
Research and development expenses	17.034	12.936
General administrative expenses	4.345	1.791
Selling, marketing and distribution expenses	3.202	3.647
<b>Total</b>	<b>94.312</b>	<b>83.974</b>

### Other income from operating activities

For the years ended 31 December 2022 and 2021, other income from operating activities comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange gains from main activities	266.622	286.889
Turquality income	6.577	3.717
Rent income	2.902	2.123
Provision no longer required (Note 16)	2.045	-
Reclamation income	385	150
Other income	16.008	24.684
<b>Total</b>	<b>294.539</b>	<b>317.563</b>

### Other expense from operating activities

For the years ended 31 December 2022 and 2021, other expense from operating activities comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Labor lawsuit expenses <sup>(1)</sup>	5.030	18.000
Foreign exchange loss from main activities	3.686	13.066
Lawsuit provision expenses (Note 24)	1.148	1.437
Donation expenses	735	698
Doubtful allowance expenses (Note 16)	-	2.607
Rediscount expenses	-	631
Other expenses	4.683	3.763
<b>Total</b>	<b>15.282</b>	<b>40.202</b>

<sup>(1)</sup> Within the scope of 7326 restructuring, the balance of payments made regarding labor lawsuits consists of the SGK premium paid for worker lawsuits.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 7 Gains and losses from investing activities

For the years ended 31 December 2022 and 2021, gains from investing activities comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Investment property fair value increase (Note 15)	89.022	18.701
Gain on sale of property, plant and equipment	192	2.495
Dividend income	89	102
Other	482	-
<b>Total</b>	<b>89.785</b>	<b>21.298</b>

For the years ended 31 December 2022 and 2021, losses from investing activities comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Derivative instrument losses	326	-
Loss on sale of property, plant and equipment	-	351
<b>Total</b>	<b>326</b>	<b>351</b>

### 8 Financial income and expenses

#### Financial income

For the years ended 31 December 2022 and 2021, financial income comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Interest income	2.515	759
<b>Total</b>	<b>2.515</b>	<b>759</b>

#### Financial expense

For the years ended 31 December 2022 and 2021, financial expense comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Interest expense on borrowings	386.323	212.162
Foreign exchange losses on loans and borrowings	213.773	289.099
Interest expense due to related parties	43.285	31.482
Bank commission expenses	20.046	5.485
Interest expense due to third parties <sup>(1)</sup>	15.252	-
Letters of guarantee expenses	10.280	5.549
Other financial expenses	35.290	17.474
<b>Total</b>	<b>724.249</b>	<b>561.251</b>

<sup>(1)</sup> These are the interest invoices of Akkucak Tekstil San.ve Tic. A.Ş

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 9 Assets held for sale and discontinued operations

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

	31 December 2022	31 December 2021
<b>Assets held for sale</b>		
Property, plant and equipment	-	129.840
Inventories	-	83.982
Intangible assets	-	300
Trade receivables	-	5.478
Other current assets	-	7.792
Other non-current assets	-	105
	-	<b>227.497</b>
<b>Liabilities held for sale</b>		
Trade and other payables	-	9.848
	-	<b>9.848</b>

The Company transferred its control in Çalık Alexandria to Gap Pazarlama A.Ş., one of Çalık Alexandria's other shareholder, on January 1, 2022 and did not participate in the capital increase in 2022. As a result, Çalık Denim's share in Çalık Alexandria's capital decreased from 94% to 47%. In accordance with TFRS 10 "Consolidated Financial Statements", the Group has accounted for its continuing interest in the former subsidiary at the fair value at the date of loss of control. Fair value adjustment and part of the profit of the subsidiary for the period ended December 31, 2022, corresponding to the Group, has been accounted for in the profit and loss statement as a total of TL 47.165, under the share of profits from investments valued by the equity method.

### 10 Cash and cash equivalents

At 31 December 2022 and 2021, cash and cash equivalents comprised the following:

	31 December 2022	31 December 2021
Cash on hand	111	430
Cash at banks	150.208	114.772
- Demand deposits	150.208	114.772
<b>Cash and cash equivalents</b>	<b>150.319</b>	<b>115.202</b>

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

As of December 31, 2022, there is no blocked deposits on the Group's cash and cash equivalents. (December 31, 2021 - None).

As of December 31, 2022, the details of demand deposits are respectively, TL 101.743, USD 33.061 and EUR 15.515

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 11 Financial Investment

Short-term financial assets consist of currency protected deposits and are classified as financial assets at fair value through profit/(loss).

	31 December 2022	31 December 2021
Currency protected time deposit (*)	9.934	-
<b>Total</b>	<b>9.934</b>	<b>-</b>

(\*) Currency protected deposit accounts are accounted for as financial assets at fair value through profit or loss. The Group has converted its foreign currency deposit account amounting to USD 300 and EUR 200 into "Foreign Currency Protected TL Time Deposit Accounts". Maturity of currency protected deposit accounts is 90 days. The Company has accounted for the difference of TL 482 between the book value of 9.452 and the fair value of TL 9.934 of Currency Protected Deposits under income from investment activities.

At December 31, 2022 and 2021, financial investments comprised the following:

#### Fair value through other comprehensive income

	31 December 2022	31 December 2021
Shares		
- Not traded in organized markets	6.174	4.492
	<b>6.174</b>	<b>4.492</b>

As of December 31, 2022 and 2021, financial assets measured at cost that are not traded in an active market comprised the following:

	31 December 2022		31 December 2021	
	Ownership rate (%)	Carrying Value	Ownership rate (%)	Carrying Value
Aktif Yatırım Bankası A.Ş.	0,30	4.203	0,30	4.203
300K Teknoloji A.Ş.	10,00	1.682	-	-
Malatya Teknokent Teknoloji Gelişme Bölgesi A.Ş.	5,00	175	5,00	175
Çalık Enerji Dağıtım Sanayi ve Ticaret A.Ş.	0,20	95	0,20	95
Other	-	19	--	19
		<b>6.174</b>		<b>4.492</b>

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

	2022	2021
<b>As at January 1,</b>	4.492	4.492
Additions	1.682	-
<b>As at 31 December</b>	<b>6.174</b>	<b>4.492</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 12 Inventories

As at December 31, 2022 and 2021, inventories comprised the following

	31 December 2022	31 December 2021
Raw materials	574.094	685.356
Work in process	257.087	163.647
Finished goods	476.136	257.674
Trading goods	3.032	28
Other inventories	15.449	18.863
	<b>1.325.798</b>	<b>1.125.568</b>
Allowance for impairment in value of inventories (-)	(14.885)	(7.605)
<b>Total inventories</b>	<b>1.310.913</b>	<b>1.117.963</b>

As at December 31, 2022, total insurance coverage on inventories is TL 1.483.958 (December 31, 2021: TL 842.161).

As at December 31, 2021, there is no pledges or mortgages on inventories (December 31, 2020: None).

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

	2022	2021
Opening balance	7.605	5.506
Current year provision/(provision no longer required)	7.280	2.099
<b>Closing balance</b>	<b>14.885</b>	<b>7.605</b>

For the year ended December 31, 2022, a provision for impairment in value of inventories amounting to TL 14.885 were provided considering the evaluation of obsolete inventories and net realizable value (December 31, 2021: TL 7.605).

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 13 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended December 31, 2022 were as follows:

	Land, land improvements and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
<b>Cost</b>								
Balance at January 1, 2022	393.079	756.282	6.901	53.525	491	42.270	7.596	1.260.144
Additions	61	976	108	3.832	-	43.460	2.325	50.762
Transfers	4.512	31.081	-	1.818	-	(37.411)	-	-
Disposals	-	(6.381)	(10)	(490)	-	-	-	(6.881)
<b>Balance at December 31, 2022</b>	<b>397.652</b>	<b>781.958</b>	<b>6.999</b>	<b>58.685</b>	<b>491</b>	<b>48.319</b>	<b>9.921</b>	<b>1.304.025</b>
<b>Accumulated depreciation</b>								
Balance at January 1, 2022	(64.160)	(321.426)	(4.984)	(28.959)	(236)	-	(7.575)	(427.340)
Current year depreciation	(10.137)	(66.640)	(1.029)	(7.873)	(60)	-	(2.325)	(88.064)
Disposals	-	908	-	50	-	-	-	958
<b>Balance at December 31, 2022</b>	<b>(74.297)</b>	<b>(387.158)</b>	<b>(6.013)</b>	<b>(36.782)</b>	<b>(296)</b>	<b>-</b>	<b>(9.900)</b>	<b>(514.446)</b>
<b>Net carrying value at</b>								
<b>January 1, 2022</b>	<b>328.919</b>	<b>434.856</b>	<b>1.917</b>	<b>24.566</b>	<b>255</b>	<b>42.270</b>	<b>21</b>	<b>832.804</b>
<b>December 31, 2022</b>	<b>323.355</b>	<b>394.800</b>	<b>986</b>	<b>21.903</b>	<b>195</b>	<b>48.319</b>	<b>21</b>	<b>789.579</b>

As of December 31, 2022, the total insurance amount on property, plant and equipment is TL 6.019.981 (December 31, 2021: TL 4.064.277).

As of December 31, 2022, there is no mortgage over property, plant and equipment. (December 31, 2021: None)

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 December 31, 2022, the Group has not capitalized financial expense on property and equipment.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

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

Movements of tangible assets and related accumulated amortization during the years ended December 31, 2021 were as follows:

	Land, land improvements and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
<b>Cost</b>								
Balance at January 1, 2021	335.467	717.296	7.680	43.170	218	83.297	4.666	1.191.794
Additions	3.550	865	50	5.518	2	64.981	2.930	77.896
Transfers	54.170	44.883	396	6.288	271	(106.008)	-	-
Disposals	(108)	(6.762)	(1.225)	(1.451)	-	-	-	(9.546)
<b>Balance at December 31, 2021</b>	<b>393.079</b>	<b>756.282</b>	<b>6.901</b>	<b>53.525</b>	<b>491</b>	<b>42.270</b>	<b>7.596</b>	<b>1.260.144</b>
<b>Accumulated depreciation</b>								
Balance at January 1, 2021	(53.076)	(263.293)	(4.244)	(23.041)	(218)	-	(3.805)	(347.677)
Current year depreciation	(11.084)	(58.617)	(1.275)	(6.308)	(18)	-	(3.770)	(81.072)
Disposals	-	484	535	390	-	-	-	1.409
<b>Balance at December 31, 2021</b>	<b>(64.160)</b>	<b>(321.426)</b>	<b>(4.984)</b>	<b>(28.959)</b>	<b>(236)</b>	<b>-</b>	<b>(7.575)</b>	<b>(427.340)</b>
<b>Net carrying value at</b>								
January 1, 2021	282.391	454.003	3.436	20.129	-	83.297	861	844.117
<b>December 31, 2021</b>	<b>328.919</b>	<b>434.856</b>	<b>1.917</b>	<b>24.566</b>	<b>255</b>	<b>42.270</b>	<b>21</b>	<b>832.804</b>

As of December 31, 2022, the total insurance amount on property, plant and equipment is TL 4.064.277.

As at 31 December 2020, there is no mortgage over property, plant and equipment acquired from Anateks Anadolu Tekstil Fabrikaları Anonim Şirketi. (December 31, 2021: 163.696 TL).

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 December 31, 2022, the Group has not capitalized financial expense on property and equipment.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 14 Intangible assets

Movements of intangible assets and related accumulated amortization during the years ended December 31, 2022 were as follows:

	Rights	Other intangibles	Total
<b>Cost</b>			
Balance at 1 January 2022	3.485	4.784	8.269
Additions	1.053	1.164	2.217
<b>Balance at 31 December 2022</b>	<b>4.538</b>	<b>5.948</b>	<b>10.486</b>
<b>Accumulated amortization</b>			
Balance at 1 January 2022	(3.082)	(4.621)	(7.703)
Additions	(1.456)	(811)	(2.267)
<b>Balance at 31 December 2022</b>	<b>(4.538)</b>	<b>(5.432)</b>	<b>(9.970)</b>
<b>Net carrying value</b>			
1 January 2022	403	163	566
<b>31 December 2022</b>	<b>-</b>	<b>516</b>	<b>516</b>

Movements of intangible assets and related accumulated amortization during the years ended December 31, 2021 were as follows:

	Rights	Other intangibles	Total
<b>Cost</b>			
Balance at 1 January 2021	2.273	4.802	7.075
Additions	1.212	-	1.212
Disposals	-	(18)	(18)
<b>Balance at 31 December 2021</b>	<b>3.485</b>	<b>4.784</b>	<b>8.269</b>
<b>Accumulated amortization</b>			
Balance at 1 January 2021	(1.676)	(4.451)	(6.127)
Additions	(1.406)	(189)	(1.594)
Disposals	-	18	18
<b>Balance at 31 December 2021</b>	<b>(3.082)</b>	<b>(4.621)</b>	<b>(7.703)</b>
<b>Net carrying value</b>			
1 January 2021	597	351	948
<b>31 December 2021</b>	<b>403</b>	<b>163</b>	<b>566</b>

There is no pledge or mortgage on intangible assets as at December 31, 2022 (31 December 2020: None).

As at December 31, 2021, there is no internally generated intangible asset (31 December 2020: None).

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 14 Intangible assets (continued)

Movements of right of use asset and related accumulated amortization during the years ended December 31, 2022 and 2021 were as follows:

	Right of use assets		
	Land	Vehicles	Total
January 1, 2021	287	2.538	2.825
Additions	-	1.650	1.650
Current period depreciation	(141)	(1.185)	(1.326)
December 31, 2021	146	3.003	3.149
1 January 2022	146	3.003	3.149
Additions	1.543	7.330	8.873
Current period depreciation	(703)	(3.278)	(3.981)
31 December 2022	986	7.055	8.041

### 15 Investment properties

As at December 31, 2022 and 2021, investment property comprised the following:

	December 31, 2022	December 31, 2021
Investment property <sup>(*)</sup>	134.861	45.839
<b>Total</b>	<b>134.861</b>	<b>45.839</b>

<sup>(\*)</sup> Investment property consists of property acquired from Anateks Anadolu Tekstil Fabrikası A.Ş. in exchange for Group's receivables from Anateks. As at December 31, 2022, there are no mortgages over investment property. (December 31, 2021: TL 103.000 and USD 22.000).

As at December 31, 2022 and 2021, investment property movement table following:

	2022	2021
1 January	45.839	27.138
Change in fair value of investment property (Note 7)	89.022	18.701
<b>31 December 2021</b>	<b>134.861</b>	<b>45.839</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 16 Trade Receivables and payables

#### 16.1 Short-term Trade receivables

As at December 31, 2022 and 2021, short-term trade receivables comprised the following

	December 31, 2022	December 31, 2021
Due from third parties	974.947	859.981
Due from related parties (Note 28)	37.494	17.420
	<b>1.012.441</b>	<b>877.401</b>

As of December 31, 2022, the average collection period of the Group's trade receivables is 90 days (31 December 2021: 106 days).

As at December 31, 2022 and 2021, short-term trade receivables from third parties comprised the following:

	December 31, 2022	December 31, 2021
Accounts receivable	619.418	499.670
Cheques receivable	393.023	377.731
Doubtful receivables	4.683	6.728
<b>Sub-total</b>	<b>1.017.124</b>	<b>884.129</b>
Allowances for doubtful trade receivables (-)	(4.683)	(6.728)
<b>Total</b>	<b>1.012.441</b>	<b>877.401</b>

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

	December 31, 2022	December 31, 2021
Up to 3 months	94.010	24.559
3 to 6 months	2.496	2.318
Over 6 months	-	62
	<b>96.506</b>	<b>26.939</b>

Movements of allowance for doubtful receivables for the years ended at December 31, 2022 and 2021 were as follows:

	2022	2021
January 1	6.728	4.121
Allowance/(canceled)for the year	(2.045)	2.607
<b>Balance at December 31,</b>	<b>4.683</b>	<b>6.728</b>



## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 16 Trade receivables and payables (continued)

#### 16.2 Short-term Trade payables

As at December 31, 2022 and 2021, short-term trade payables comprised the following:

	December 31, 2022	December 31, 2021
Due to third parties	240.941	535.794
Due to related parties (Note 28)	9.683	21.722
	<b>250.624</b>	<b>557.516</b>

As of December 31, 2022, the Group's average payment term for trade payables is 47 days (December 31, 2021-60days).

### 17 Taxation

#### Turkey

The Group is subject to corporate tax valid in Turkey. The corporate tax rate applied for 2022 is 23% (31 December 2021: 25%; 31 December 2020: 22%).

The corporate tax rate to be accrued on the taxable corporate income is over the remaining tax base after adding the non-deductible expenses from the tax base in the determination of the commercial income and deducting the tax-exempt gains, non-taxable incomes and other deductions (if any, previous year losses and investment allowances used if preferred) is calculated.

Losses can be carried forward for a maximum of 5 years to be deducted from the taxable profit that will occur in future years. However, the losses incurred cannot be deducted retrospectively from the profits of previous years.

There is no definitive and definitive agreement procedure regarding tax assessment in Turkey. Companies prepare their tax returns between 1-25 April of the year following the closing period of the relevant year. These declarations and the accounting records based on them can be reviewed and changed by the Tax Office within 5 years.

#### Arab Republic of Egypt

Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

#### The Netherlands

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.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 17 Taxation (continued)

#### Income Withholding Tax

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Allocating previous years' profits to capital is not considered as profit distribution. Therefore, it is not subject to withholding tax.

#### Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

#### 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 41.811 for the certificate numbered 103656 dated December 1 2011, for a total investment of USD 19.640 thousand and TL 7.270 for the certificate numbered 103629 dated December 1 2011 and for a total investment of TL 872 and USD 193 for the certificate numbered 103496 dated January 24, 2012. According to these investments incentive certificates 55% of the investment is going to be compensated by the government. The government is not going to pay this balance in cash, but instead the tax rate applied to the income generated from this investment is going to be lower (2% instead of 20%). Since the corporate tax discount rate of the investment incentives is 90%, corporate tax rate is going to be 2%, (20% (20%\*90%=2%). Hereunder, the discounted tax rate is going to be applied and the Company is going to make tax savings until the income generated from these investments reach to 55% of the investment. When the uncollected tax amount reaches to the government contribution, the standard tax rate will be applied.

According to the Article 32/A of the Corporate Tax Law, the gains derived from the investments linked to the incentive certificate by the Under secretariat of Treasury are stated to be subject to corporate tax at discounted rates until the investment contribution amount is reached to the investment amount starting from the fiscal period starting from the beginning of the operation. In Article 12 of the Communiqué, the date of commencement of operation is stated as the date of completion of the incentive certificate for other investments.

Investment certificate numbered A 133865 dated 22 November 2017 amounting to TL 15.813, Euro 15.381, investment certificate numbered A 133866 dated 22 November 2017 amounting to TL 4.258 and Euro 17.027, investment certificate numbered A 134280 dated December 11, 2017 amounting to TL 296.141 and Euro 53.502, investment certificate numbered 502804 dated March 26, 2020 amounting to TL 6.541 and USD 5.583, investment certificate numbered 502950 dated April 3, 2020 amounting to TL 42.211 and USD 45.548, investment certificate numbered 503286 dated April 26, 2020 amounting to TL 14.224 and USD 22.713, investment certificate numbered 509061 dated February 26, 2020 amounting to TL 3.904 has been approved. Investment expenditure still continue for the aforementioned investment certificates. According to these investments incentive certificates 50% of the investment is going to be compensated by the government by paying 90% discounted corporate tax. Within the scope of the incentive certificates issued for the manufacturing industry, the tax reduction rate for the expenditures made in 2018, 2019 and 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 December 31, 2022, investment expenditures amounting to TL 447.936.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 17 Taxation (continued)

#### Regional government grants (continued)

Investment certificates belongs to subsidiary of the Group, Malatya Boya, numbered A 138154 dated June 29, 2018 amounting to TL 2.602 and USD 6.362 and numbered A 135098 dated 25 January 2018 amounting to TL 19.421, USD 6.695 have been approved. Investment expenditure still continue for the aforementioned investment certificates. According to these investments incentive certificates 50% of the investment is going to be compensated by the government by paying 90% discounted corporate tax. Within the scope of the incentive certificates issued for the manufacturing industry, the tax reduction rate for the expenditures made in 2018, 2019 and 2020 will be applied as 100%, and the authority to extend this period up to 5 years has been given to the president. At the same time, investment contribution rates were increased by 15 points (for ongoing investment incentive certificates). For example investment contribution rate increased from 50% to 70%. As of December 31, 2022, deferred tax asset amounting to TL 61,733 has not been recognized since it could not be based on the profit projections that the Group predicted to obtain in the foreseeable future.

#### Research and Development Discount

The research and development deduction regulated in Income and Corporation Tax Law, the regulations are introduced under the Law no. 5746. Within the context of this law, in technology centers, research and development centers, public institutions and bodies and research and development and innovation projects supported by foundations established by law or international funds, in pre-competition cooperation projects; all innovation and research and development expenditures made by beneficiaries of technopreneurship capital support and in research and development centers which employ full time equivalent of 500 or more research and development personnel, and also half of the increase in current year's research and development and innovation expenditures compared to previous years, are deemed as matters of allowance in the identification of public body earnings as per article 10 of the Cooperation Tax Law.

As at December 31, 2022 and 2021, there is no balance Group can deduct from corporate tax in the following years.

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

Continuing operations	December 31, 2022	December 31, 2021
Corporate tax expense	(23.980)	(156)
Deferred tax income	615.231	(22.560)
<b>Tax income/(expense) recognised in profit or loss</b>	<b>591.251</b>	<b>(22.716)</b>
Deferred tax income recognised in other comprehensive income	9.961	4.604
<b>Total tax income/(expense)</b>	<b>601.212</b>	<b>18.112</b>
<b>Current tax assets</b>		
	<b>2022</b>	<b>2021</b>
Current tax-related assets	26.476	-
<b>Current tax assets, net</b>	<b>26.476</b>	<b>-</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 17 Taxation (continued)

#### Reconciliation of the effective tax rate

The reported income tax benefit for the years ended 31 December 2022 and 2021 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Period loss</b>	<b>862.594</b>		<b>268.684</b>	
Tax income	591.251		(22.715)	
<b>Loss before tax</b>	<b>271.343</b>		<b>291.400</b>	
Taxes on reported profit per statutory tax rate of the Group	(62.409)	(23)	(72.850)	(25)
Disallowable expenses	(9.191)		(32.625)	
Revaluation increase effect	719.612		-	
Tax rate change effect	(117.152)		-	
Effect of deferred tax on unrecognized current year tax losses	84.634		-	
Tax expense related to revaluation revaluation fund recognized in statutory financial statements	(23.980)		-	
Tax-exempt income/(loss)	1.040		25.558	
Effect of foreign subsidiaries not subject to tax	(464)		(773)	
Tax loss not subjected to deferred tax asset	-		57.324	
Other	(839)		652	
<b>Tax income</b>	<b>591.251</b>		<b>(22.715)</b>	

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

As of December 31, 2022 and 2021, the details of the carried tax loss of the Group for which no deferred tax asset has been recognized are as follows:

Date of Expiry	December 31, 2022	December 31, 2021
2024	-	2.172
2025	9.751	15.400
	<b>9.751</b>	<b>17.572</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 17 Taxation (continued)

#### Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

#### Unrecognized deferred tax assets and liabilities

As of December 31, 2022, the Group has unrecorded deferred tax assets amounting to TL 1.950 (December 31, 2021: TL 3.514). The Group has not recognized deferred tax over current year tax losses amounting to TL 153.320 since it is not probable that there will be taxable profit to utilize the tax losses. Group has a tax advantage of 61,733 TL in total, which can be deducted from the tax base in the coming periods and deferred tax assets are not recognized.

#### Recognized deferred tax assets and liabilities

	Asset		Liability		Net	
	2022	2021	2022	2021	2022	2021
Trade and other receivables	558	558	-	-	558	558
Inventories	3.000	1.543	-	-	3.000	1.543
Property, plant and equipment and intangible asset	-	-	(114.442)	(11.243)	(114.442)	(11.243)
Right of use asset	248	197	-	-	248	197
Provision for severance payment	20.528	12.500	-	-	20.528	12.500
Provisions	3.428	3.043	-	-	3.428	3.043
Investment incentives	153.320	153.320	-	-	153.320	153.320
Loans and borrowings	469	68	-	-	469	68
Tangible asset value increase	719.612	-	-	-	719.612	-
Other temporary differences	-	-	(3.147)	(1.605)	(3.147)	(1.604)
<b>Subtotal</b>	<b>901.163</b>	<b>171.229</b>	<b>(117.589)</b>	<b>(12.848)</b>	<b>783.574</b>	<b>158.381</b>
Net off deferred tax liability	(117.589)	(12.848)	117.589	12.848	-	-
<b>Total deferred tax assets</b>	<b>783.574</b>	<b>158.381</b>	<b>-</b>	<b>-</b>	<b>783.574</b>	<b>158.381</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 17 Taxation (continued)

#### Deferred tax assets and liabilities (continued)

#### Recognized deferred tax assets and liabilities (continued)

Deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021 are attributable to the items detailed in the table below:

Movements in deferred tax balances during the year ended December 31, 2022 were as follow:

	January 1, 2022	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2022
Trade and other receivables	558	-	-	558
Inventories	1.543	1.457	-	3.000
Property, plant and equipment and intangible asset	(11.243)	(103.199)	-	(114.442)
Provision for severance payment	12.500	(1.933)	9.961	20.528
Right of use asset	197	51	-	248
Investment incentives	153.320	-	-	153.320
Provisions	3.043	385	-	3.428
Loans and borrowings	68	402	-	469
Tangible asset value increase	-	719.612	-	719.612
Other temporary differences	(1.605)	(1.544)	-	(3.147)
<b>Total deferred tax assets</b>	<b>158.381</b>	<b>615.231</b>	<b>9.961</b>	<b>783.574</b>

Movements in deferred tax balances during the year ended December 31, 2021 were as follow:

	January 1, 2021	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2021
Trade and other receivables	312	246	-	558
Inventories	1.124	420	-	1.543
Property, plant and equipment and intangible asset	(8.159)	(3.084)	-	(11.243)
Provision for severance payment	7.026	870	4.604	12.500
Right of use asset	117	79	-	197
Investment incentives	169.254	(15.934)	-	153.320
Provisions	3.043	-	-	3.043
Loans and borrowings	4.353	(4.285)	-	68
Other temporary differences	(733)	(872)	-	(1.605)
<b>Total deferred tax assets</b>	<b>176.337</b>	<b>(22.560)</b>	<b>4.604</b>	<b>158.381</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 18 Investment accounted by equity method

#### Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It is assumed that the significant influence exists in the condition of ownership between 20-50% in an organization. Associates were accounted by using the equity method in these consolidated financial statements.

As at December 31, 2022, the Group holds 34,8% ownership in in Gap Türkmen-Türkmenbaşı Jeans Complex. Since the equity of equity accounted investee remains uncovered due to recurring losses, the Group's interests in the equity accounted investees are reduced to nil. Due to the fact that the Group does not have any commitment for the equity accounted investee, incremental losses over the Group's interests are not recognized. In case of income generation subsequent to the reporting date, excess portion of income over accumulated losses, which were not recognized, are to be accounted in the consolidated financial statements as monitored per each period-end.

As of 31 December 2022, the details of Çalık Alexandria's equity and the Company's share are as follows:

	Main Activity	Establishment and place of activity	Capital ratio	Capital ratio
			December 31, 2022	December 31, 2021
Çalık Alexandria	Textile	Egypt	47%	94%
			December 31, 2022	December 31, 2021
Capital			179.720	-
Previous years profits(losses)			(34.662)	-
Forreign currency differences			52.610	-
Current year profit/(loss)			109.972	-
<b>Çalık Alexandria total equity</b>			<b>307.640</b>	<b>-</b>
<b>Company's share in net asset of subsidiaries</b>			<b>144.590</b>	<b>-</b>
<b>Company's share in the associate's profit for the period and fair value adjustment</b>			<b>47.165</b>	

The Company transferred its control in Çalık Alexandria to Gap Pazarlama A.Ş., one of Çalık Alexandria's other shareholder, on January 1, 2022 and did not participate in the capital increase in 2022. As a result, Çalık Denim's share in Çalık Alexandria's capital decreased from 94% to 47%. In accordance with TFRS 10 "Consolidated Financial Statements", the Group has accounted for its continuing interest in the former subsidiary at the fair value at the date of loss of control. Fair value adjustment and part of the profit of the subsidiary for the period ended December 31, 2022, corresponding to the Group, has been accounted for in the profit and loss statement as a total of TL 47.165, under the share of profits from investments valued by the equity method.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 19 Prepaid expenses

#### Short-Term Prepaid Expenses

As at December 31, short term prepaid expenses comprised the following

	December 31, 2022	December 31, 2021
Advances given <sup>(1)</sup>	72.060	47.785
Prepaid expenses	2.112	2.904
Job advances	178	414
<b>Total</b>	<b>74.350</b>	<b>51.103</b>

<sup>(1)</sup> The balance mainly consists of advances given for inventory purchases.

#### Long-Term Prepaid Expenses

As at December 31, long term prepaid expenses comprised the following:

	December 31, 2022	31 December 2021
Advances given	2	-
Prepaid expenses	523	620
<b>Total</b>	<b>525</b>	<b>620</b>

### 20 Other assets and liabilities

#### Other current assets

As at December 31, 2022 and 2021, other current asset comprised the following:

	December 31, 2022	December 31, 2021
Deferred Value Added Tax ("VAT")	99.276	100.334
<b>Total</b>	<b>99.276</b>	<b>100.334</b>

#### Other short-term liabilities

As at December 31, 2022 and 2021, other short-term liabilities comprised the following:

	December 31, 2022	December 31, 2021
Taxes and duties payable other than on income	10.456	32.228
Other current liabilities	91	1.230
<b>Total</b>	<b>10.547</b>	<b>33.458</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 21 Borrowings

As at December 31, 2022 and 2021, loans and borrowings comprised the following:

	December 31, 2022	December 31, 2021
<b>Short term loans and borrowings</b>		
Short term bank borrowings	499.248	183.343
Current portion of long-term loans and borrowings	758.897	790.220
Short term portion of long-term finance lease liabilities	26.787	35.707
Bond issued <sup>(*)</sup>	62.000	108.000
<b>Total</b>	<b>1.346.932</b>	<b>1.117.270</b>
<b>Long term loans and borrowings</b>		
Long term bank borrowings	992.488	585.618
Finance lease liabilities	5.662	18.122
Bond issued <sup>(*)</sup>	326.569	160.000
<b>Total</b>	<b>1.324.719</b>	<b>763.740</b>

<sup>(\*)</sup> Within the scope of the issuance limit approved by the Capital Markets Board's decision dated August 9, 2018 and numbered 35/913, the issuance of the Group's bond with the ISIN code TRFCLKD62218 with the redemption date of 27 June 2022, to be sold to qualified investors in the country without public offering. As a result of the book-building process for the TRSCLKD62310 bond with the ISIN code of TRSCLKD62310, the total amount of the issuance is 62.000 TL, a result of the book-building process for the bond with the ISIN code TRSCLKD72517 with the redemption date of 24 June 2025 and as a result of the book-building process for the bond with the ISIN code TRSCLKD62419 with the redemption date of 24 June 2024, the total amount of the issue has been finalized as 98.000 TL and the sale transaction was completed.

### Terms and repayment schedules

As at December 31, 2022, the terms and conditions of outstanding loans and borrowings comprised the following:

	December 31, 2022				
	Currency	Nominal interest rate (%)	Maturity date	Nominal value	Carrying amount
Secured bank borrowings <sup>(*)</sup>	USD	3,60-6,75	2022-2023	37.397	37.383
Secured bank borrowings <sup>(*)</sup>	TRY	10,50-12,00	2022-2023	67.000	62.200
Unsecured bank borrowings	EUR	1,00-7,90	2023-2025	79.740	79.666
Unsecured bank borrowings	EUR	0,70-3,48	2022-2023	861.472	861.559
Unsecured bank borrowings	TRY	7,50- 24,31	2022- 2029	1.195.475	1.209.825
Finance lease liabilities	EUR	4,25- 7,36	2021- 2024	23.166	23.166
Right of use liability -IFRS 16	TRY	21,00	2024	7.482	7.482
Right of use liability -IFRS 16	JPY	3,71	2022	1.801	1.801
Bond issued	TRY	19,68	2024-2025	388.569	388.569
				<b>2.662.102</b>	<b>2.671.651</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 21 Loan and borrowings (continued)

As at December 31, 2021, the terms and conditions of outstanding loans and borrowings comprised the following:

	December 31, 2021				
	Currency	Nominal interest rate (%)	Maturity date	Nominal value	Carrying amount
Secured bank borrowings <sup>(*)</sup>	EUR	0,70%	2022	229.316	229.918
Unsecured bank borrowings	TRY	7,50- 24,31%	2022- 2029	1.111.532	1.110.778
Unsecured bank borrowings	USD	3,60-6,75%	2022	128.950	132.754
Unsecured bank borrowings	EUR	0,70-3,48%	2022-2023	78.798	85.731
Finance lease liabilities	EUR	4,25- 7,36%	2021- 2024	49.638	48.307
Right of use liability -IFRS 16	TL	21,00%	2024	1.864	3.253
Right of use liability -IFRS 16	JPY	3,71%	2021	2.269	2.269
Bond issued	TL	19,68%	2024	268.000	268.000
				<b>1.870.367</b>	<b>1.881.010</b>

<sup>(\*)</sup> Letter of bank guarantees amounting to USD 2.086, EUR 21.539 and TL 73.440 given for Exim Bankloans (December 31, 2021: USD 103 and EUR 16.340)

The maturity of the Group's borrowings as of December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Less than 3 months	506.826	297.100
3-12 months	840.106	809.473
1-5 years	1.324.719	774.437
<b>Total</b>	<b>2.671.651</b>	<b>1.881.011</b>

As December 31, 2022, payment plan of the long-term loans are as follows:

	December 31, 2022	December 31, 2021
1-2 years	556.044	182.569
2-3 years	137.868	113.435
3-4 years	194.946	2.952
More than 4 years	103.630	286.662
<b>Total</b>	<b>992.488</b>	<b>585.298</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 21 Loan and borrowings (continued)

December 31, 2022 and 2021, movement of short term and long-term financial liabilities were as follows:

	January 1, 2022	Principal additions, net payments, net	Interest expense	Interest paid	Unrealized currency translation difference	December 31, 2022
Bank borrowing	1.559.182	525.527	399.244	(340.073)	106.753	2.250.633
Financial lease liabilities	53.829	(42.423)	35	(35)	21.044	32.449
Bond	268.000	121.000	-	(431)	-	388.569
	<b>1.881.011</b>	<b>604.106</b>	<b>399.279</b>	<b>(340.539)</b>	<b>127.795</b>	<b>2.671.651</b>

	January 1, 2021	Principal additions, net payments, net	Interest expense	Interest paid	Unrealized currency translation difference	December 31, 2021
Bank borrowing	1.699.668	(370.984)	209.295	(229.383)	250.586	1.559.182
Financial lease liabilities (*)	66.732	(33.131)	2.867	(2.867)	20.228	53.829
Factoring payables	18.582	(18.268)	-	(314)	-	-
Bond	-	268.000	-	-	-	268.000
	<b>1.784.982</b>	<b>(154.383)</b>	<b>212.162</b>	<b>(232.564)</b>	<b>270.814</b>	<b>1.881.011</b>

As December 31, 2022 and 2021, maturity of finance lease liability was as follows:

	2022		2021		Interest	Total future minimum lease payable
	Future minimum lease payable	Interest	Future minimum lease payable	Interest		
Less than 1 year	23.167	784	23.951	32.106	2.034	34.140
1-5 years	-	4	4	17.532	597	18.129
	<b>23.167</b>	<b>788</b>	<b>23.955</b>	<b>49.638</b>	<b>2.631</b>	<b>52.268</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 22 Other receivables and other payables

#### Other short-term receivables

As at December 31, 2022 and 2021 other short-term receivables comprised the following:

	December 31, 2022	December 31, 2021
Other receivables from related parties (Note 28)	94.509	-
Receivables from the tax office	17.029	9.358
Deposits and guarantees given	2.476	2.096
Receivables from employee	548	548
<b>Total</b>	<b>114.562</b>	<b>12.002</b>

#### Other long-term receivables

	December 31, 2022	December, 31 2021
Deposits and guarantees given	89	89
	<b>89</b>	<b>89</b>

#### Other short-term payables

As at December 31, 2022 and 2021 other short-term payables comprised the following:

	December 31, 2022	December 31, 2021
Deposits and guarantees received	18.493	13.528
Due to related parties (Note 28)	53.548	351.760
<b>Total</b>	<b>72.041</b>	<b>365.288</b>

### 23 Deferred revenues

As at December 31 2022 and 2021, deferred revenue comprised the following:

	December 31, 2022	December 31, 2021
Advances received	30.719	4.567
<b>Total</b>	<b>30.719</b>	<b>4.567</b>

### 24 Provisions, commitments, contingent assets and liabilities

#### Provisions

As at December 31, 2022 and 2021, provisions comprised the following items:

	December 31, 2022	December 31, 2021
Short-term employee benefits (Note 25)	10.507	9.734
Provision for litigations	6.631	5.483
<b>Total short-term provisions</b>	<b>17.138</b>	<b>15.217</b>
Long-term employee benefits (Note 25))	102.639	62.499
<b>Total long-term provisions</b>	<b>102.639</b>	<b>62.499</b>
<b>Total provisions</b>	<b>119.777</b>	<b>77.716</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 24 Provisions, commitments, contingent assets and liabilities (continued)

For the years ended December 31, 2022 the movements in the provision for litigations were as follows:

	January 1, 2022	Current year provision	December 31, 2022
Provision for litigations	5.483	1.148	6.631
<b>Total</b>	<b>5.483</b>	<b>1.148</b>	<b>6.631</b>

	January 1, 2020	Current year provision	December 31, 2020
Provision for litigations	4.046	1.437	5.483
<b>Total</b>	<b>4.046</b>	<b>1.437</b>	<b>5.483</b>

#### Litigations against the Group

As at December 31, 2022, the expected cash outflow amount for the pending litigations against the Group is TL 6.631 (December 31, 2021: TL 5.483).

#### Commitments, contingent assets and liabilities

As of December 31, 2022 and 2021, the tables regarding the collateral, pledge and mortgage ("CPM") position for the main partner of the Group and the partnerships included in the scope of consolidation are as follows:

	Currency	December 31, 2022		December 31, 2021	
		Currency amount	TL Equivalent	Currency amount	TL Equivalent
A. Total amount of CPMB's given in the name of its own legal personality	USD	4.086	76.401	103	1.380
	Euro	25.849	515.297	31.940	481.871
	TL	134.036	134.036	8.015	8.015
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.	--	--	--	185.982	185.982
<b>Total</b>			<b>911.716</b>		<b>677.247</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 24 Provisions, commitments, contingent assets and liabilities (continued)

#### Commitments, contingent assets and liabilities (continued)

	December 31, 2022	December 31, 2021
Guarantee letter	725.734	491.265
Mortgage	-	185.982
<b>Total</b>	<b>725.734</b>	<b>677.247</b>

The ratio of other CPMs given by the Group to the equity of the Group is 0% as of 31 December 2022 (31 December 2021: 0%).

The mortgage given to third parties as of December 31, 2022 and 2021 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 of December 31, 2022 and 2021, payables within the scope of employee benefits are as follows:

	December 31, 2022	December, 31 2021
Due to personnel	10.645	7.797
Social security premiums payable	7.337	6.531
<b>Total</b>	<b>17.982</b>	<b>14.328</b>

#### Provisions for employee benefits

##### Short term provisions

For the years ended December 31, short term provisions within the scope of employee benefits were as follows:

	December 31, 2022	December 31, 2021
Vacation pay liability	10.507	9.734
<b>Total</b>	<b>10.507</b>	<b>9.734</b>

As of December 31, 2022 and 2021, the movements of short-term provisions within the scope of employee benefits is as follows.

	2022	2021
Opening balance at January 1	9.734	7.636
Current period provision	773	2.098
<b>Closing balance at December 31</b>	<b>10.507</b>	<b>9.734</b>

##### Long term provisions

	2022	2021
Provision for retirement pay liability	102.639	62.499
<b>Total</b>	<b>102.639</b>	<b>62.499</b>

In accordance with the existing labor law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 25 Employee Benefit (continued)

#### Payables related to employee benefits (continued)

These payments are calculated based on the rate on the day of retirement or termination per year worked, with a maximum of TL 15.371,40 over the 30-day salary as of December 31, 2022 (31 December 2021: TL 10.848,59). The provision for severance pay is calculated on a current basis and is reflected in the consolidated financial statements. Provision is calculated by estimating the present value of the Group's future probable obligation arising from the retirement of its employees. The calculation is based on the severance pay ceiling announced by the Government.

Severance pay liability is calculated by estimating the present value of the possible future obligation of the Group arising from the retirement of its employees. TMS requires the Group's liabilities to be calculated using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are given below.

The basic assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As a result, the liabilities in the accompanying consolidated financial statements as of December 31, 2022 and 2021 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of December 31, 2022 and December 31, 2021, the calculation of severance pay was made by an independent actuarial institution specialized in their field.

The provision for severance pay is not legally subject to any funding.

The actuarial assumptions were used in the calculation of the total liability as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Salary increase rate	18,90%	16,60%
Discount rate	21,44%	19,10%

The Group management has discounted the benefits of the employees who will be entitled to receive severance pay, based on the information obtained from their past experiences, using the government bond rates valid at the end of the reporting period and reflected them in the consolidated financial statements over their discounted net values. As of December 31, 2022 and December 31, 2021, the movement of the severance pay provision account is presented below:

	December 31, 2022	December 31, 2021
<b>January 1</b>	<b>62.499</b>	<b>35.130</b>
Interest cost	11.298	3.807
Service cost	7.134	4.069
Paid during the year	(65.423)	(4.067)
Reduction of benefits/loss/(gain) due to layoffs	37.281	539
Actuarial loss	49.850	23.021
<b>December 31</b>	<b>102.639</b>	<b>62.499</b>

The actuarial difference arises due to the change in the interest rate and expected salary increase rate. In addition, employees who will receive severance pay in retirement, leaving the job by receiving severance pay before retirement also caused a high actuarial difference. The actuarial difference is recognized in other comprehensive income.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 26 Capital, reserves and other equity items

#### Capital

As at December 31, 2022, the Company's statutory nominal value of authorized and paid-in share capital consists of 20.400.000 registered shares (December 31, 2021: 20.400.000) having par value of full TL 25 (December 31, 2021: TL 25) each.

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

Shareholders	December 31, 2022		December 31, 2021	
	TL	%	TL	%
Çalık Holding A.Ş.	708.584	99	708.584	99
Ahmet Çalık	1.416	1	1.416	1
<b>Total</b>	<b>710.000</b>	<b>100</b>	<b>710.000</b>	

#### Legal reserves

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's Turkish entities' statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying consolidated financial statements, the total of the legal reserves amounted to TL 33.761 as at December 31, 2022 (December 31, 2021: TL 31.776).

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

### 27 Financial instruments and the nature and level of risks arising from financial instruments

#### Financial Risk and management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### Credit Risk:

Credit risk is the risk that counterparties cannot fulfill their obligations in contracts to which the Group is a party. The Group controls the credit risk basically by limiting the total risk from a single counterparty by determining credit evaluations and credit limits to counterparties, and receivables insurance is made.



**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2022**

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

27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

Credit Risk (continued)

The maximum exposure to credit risk at December 31, was as follows:

	Receivables				Cash at banks
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
<b>December 31, 2022</b>					
<b>Maximum credit risk exposure at reporting date (A+B+C+D)</b>	<b>37.494</b>	<b>974.947</b>	<b>94.509</b>	<b>20.053</b>	<b>150.319</b>
Portion of maximum risk covered by guarantees	-	255.086	-	-	-
<b>A.</b> Carrying value of financial assets that are neither past due nor impaired	37.494	880.923	94.509	20.053	150.319
<b>B.</b> Carrying value of financial assets that are past due but not impaired	-	94.024	-	-	-
<b>C.</b> Carrying value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	4.683	-	-	-
Impairment (-)	-	(4.683)	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
<b>D.</b> Elements including credit risk on off statement of financial position	-	-	-	-	-
	Receivables				Cash at banks
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
<b>December 31, 2021</b>					
<b>Maximum credit risk exposure at reporting date (A+B+C+D)</b>	<b>17.420</b>	<b>859.981</b>	<b>-</b>	<b>12.091</b>	<b>115.202</b>
Portion of maximum risk covered by guarantees	-	170.071	-	-	-
<b>A.</b> Carrying value of financial assets that are neither past due nor impaired	17.420	832.729	-	12.091	115.202
<b>B.</b> Carrying value of financial assets that are past due but not impaired	-	27.252	-	-	-
<b>C.</b> Carrying value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	6.728	-	-	-
Impairment (-)	-	(6.728)	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
<b>D.</b> Elements including credit risk on off statement of financial position	-	-	-	-	-

**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2022**

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

27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

Liquidity risk (continued)

	December 31, 2022					
	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	2.250.633	3.185.746	510.075	842.750	1.827.612	5.309
Payables from leasing	32.449	35.128	9.078	19.634	6.417	-
Bond issued	388.569	599.198	22.025	124.279	452.894	-
Trade payables-due to related parties	9.683	9.683	9.683	-	-	-
Trade payables-due to third parties	240.941	240.941	240.941	-	-	-
Other payables-due to related parties	53.548	53.548	53.548	-	-	-
Other payables-due to third parties	18.698	18.698	18.698	-	-	-
Payables related to employee benefits	17.982	17.982	17.982	-	-	-
<b>Total</b>	<b>3.012.503</b>	<b>4.160.924</b>	<b>882.030</b>	<b>986.663</b>	<b>2.286.923</b>	<b>5.309</b>
	December 31, 2021					
	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	1.559.181	2.123.622	294.039	728.304	782.444	318.835
Payables from leasing	53.829	55.828	9.844	26.335	19.649	-
Bond issued	268.000	344.934	8.341	122.425	214.168	-
Trade payables-due to related parties	21.722	21.722	21.722	-	-	-
Trade payables-due to third parties	535.794	535.794	535.794	-	-	-
Other payables-due to related parties	351.760	351.760	351.760	-	-	-
Other payables-due to third parties	13.528	13.528	13.528	-	-	-
Payables related to employee benefits	14.328	14.328	14.328	-	-	-
<b>Total</b>	<b>2.818.142</b>	<b>3.461.516</b>	<b>1.249.356</b>	<b>877.065</b>	<b>1.016.261</b>	<b>318.835</b>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

The Group is exposed to currency risk through the impact of rate changes as a result of presenting consolidated financial statements in TL.

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

#### Market risk (continued)

##### (i) Currency Risk (continued)

As of December 31, 2022, the carrying amounts of the Group's foreign currency denominated assets and liabilities are as below:

	December 31, 2022			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	920.101	17.627	29.621	-
2a. Monetary financial assets (including cash on hand, bank deposits)	140.837	6.824	663	19
2b. Other monetary assets	-	-	-	-
3. Other	52	3	-	-
<b>4. Current assets (1+2+3)</b>	<b>1.060.990</b>	<b>24.454</b>	<b>30.284</b>	<b>19</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>1.060.990</b>	<b>24.454</b>	<b>30.284</b>	<b>19</b>
10. Trade payables	(109.870)	(2.468)	(2.799)	(7.924)
11. Financial liabilities	(531.902)	(1.999)	(24.756)	(1.014)
12a. Other monetary liabilities	(18.698)	(1.000)	-	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>(660.470)</b>	<b>-</b>	<b>(27.555)</b>	<b>(8.938)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(471.675)	-	(23.621)	(787)
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>(471.675)</b>	<b>-</b>	<b>(23.621)</b>	<b>(787)</b>
<b>18. Total liabilities (13+17)</b>	<b>(1.132.145)</b>	<b>(5.467)</b>	<b>(51.176)</b>	<b>(9.725)</b>
<b>19. Net position of off statement of financial position derivative instruments (19a+19b)</b>	<b>310</b>	<b>517</b>	<b>(500)</b>	<b>-</b>
19a. Amount of foreign currency derivative products with active character and not in the statement of financial position	9.660	517	-	-
19b. Amount of foreign currency derivative products with passive character	(9.349)	-	(500)	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(70.844)</b>	<b>19.503</b>	<b>(21.391)</b>	<b>(9.706)</b>
<b>21. Monetary items net foreign currency asset/(liability) position (1+2a+5+6a-10+11+12a+14+15+16a)</b>	<b>(71.207)</b>	<b>18.984</b>	<b>(20.891)</b>	<b>(9.706)</b>
22. Total fair value of financial instruments used for currency hedging	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-
24. Amount of hedged part of foreign currency liabilities	-	-	-	-

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

#### Market Risks (continued)

##### (i) Currency Risk (continued)

As of December 31, 2021, the carrying amounts of the Group's foreign currency denominated assets and liabilities are as below:

	December 31, 2021			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	891.226	29.864	32.689	-
2a. Monetary financial assets (including cash on hand, bank deposits)	107.354	2.777	4.662	5
2b. Other monetary assets	-	-	-	-
3. Other	53	4	-	-
<b>4. Current assets (1+2+3)</b>	<b>998.634</b>	<b>32.645</b>	<b>37.351</b>	<b>5</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>998.634</b>	<b>32.645</b>	<b>37.351</b>	<b>5</b>
10. Trade payables	(141.337)	(6.347)	(2.987)	(11.440)
11. Financial liabilities	(482.181)	(9.942)	(23.067)	(796)
12a. Other monetary liabilities	(13.651)	(1.011)	(10)	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>(637.169)</b>	<b>(17.300)</b>	<b>(26.064)</b>	<b>(12.236)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(16.797)	-	(1.014)	(1.472)
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>(16.797)</b>	<b>-</b>	<b>(1.014)</b>	<b>(1.472)</b>
<b>18. Total liabilities (13+17)</b>	<b>(653.966)</b>	<b>(17.300)</b>	<b>(27.078)</b>	<b>(13.708)</b>
<b>19. Net position of off statement of financial position derivative instruments (19a+19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Amount of foreign currency derivative products with active character and not in the statement of financial position	-	-	-	-
19b. Amount of foreign currency derivative products with passive character	-	-	-	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>344.668</b>	<b>15.345</b>	<b>10.273</b>	<b>(13.703)</b>
<b>21. Monetary items net foreign currency asset/(liability) position (1+2a+5+6a-10+11+12a+14+15+16a)</b>	<b>344.614</b>	<b>15.341</b>	<b>10.273</b>	<b>(13.703)</b>
22. Total fair value of financial instruments used for currency hedging	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-
24. Amount of hedged part of foreign currency liabilities	-	-	-	-

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

#### Market Risk (continued)

##### (i) Currency Risk (continued)

A 10% strengthening/weakening of the TL against the other currencies below would have increased/(decreased) the profit/loss (excluding the tax effect) as of December 31, 2022 and 2021 as follows:

This analysis assumes that all other variables remain constant, especially interest rates, and ignores the effects of other variables. The analysis was made for 2022 on the same basis.

Foreign Currency Sensitivity Analysis		
December 31, 2022		
	Gain/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation/loss of US Dollar against TL		
1- US dollar net asset/liability	36.468	(36.468)
2- The portion hedged against the USD risk (-)	-	-
<b>3- US dollar net effect (1+2)</b>	<b>36.468</b>	<b>(36.468)</b>
In case of 10% appreciation/loss of Euro against TL		
4- Euro net asset/liability	(42.644)	42.644
5- Part protected from Euro risk (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>(42.644)</b>	<b>42.644</b>
In case of 10% appreciation/loss of other exchange rates against TL		
7- Other FX net asset/liability	(971)	971
8- Part hedged from other foreign currency risk (-)	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(971)</b>	<b>(971)</b>
<b>TOTAL (3+6+9)</b>	<b>(7.146)</b>	<b>7.146</b>

Foreign Currency Sensitivity Analysis		
December 31, 2021		
	Gain/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation/loss of US Dollar against TL		
1- US dollar net asset/liability	20.454	(20.454)
2- The portion hedged against the USD risk (-)	-	-
<b>3- US dollar net effect (1+2)</b>	<b>20.454</b>	<b>(20.454)</b>
In case of 10% appreciation/loss of Euro against TL		
4- Euro net asset/liability	15.499	(15.499)
5- Part protected from Euro risk (-)	15.499	(15.499)
<b>6- Euro net effect (4+5)</b>		
In case of 10% appreciation/loss of other exchange rates against TL		
7- Other FX net asset/liability	(1.370)	1.370
8- Part hedged from other foreign currency risk (-)	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(1.370)</b>	<b>1.370</b>
<b>TOTAL (3+6+9)</b>	<b>34.582</b>	<b>(34.582)</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

#### Market Risk (continued)

##### (ii) Interest Rate risk

The Group is exposed to interest rate risk from the effect of changes in interest rates on interest bearing assets and liabilities. The Group manages this risk with a natural precaution by balancing its assets and liabilities that are sensitive to interest rates.

The Group's interest component table is as follows:

Interest Position Table		
	Current Period	Prior Period
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	2.304.181	1.940.941

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

#### Capital management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way. Group's capital structure; payables including loans and cash and cash equivalents, paid-in capital, reserves and retained earnings.

The Board of Directors monitors the Group's net operating income, return on capital and dividend policies.

The Group monitors capital using the net debt/total equity ratio. This ratio is found by dividing total liabilities by total equity.

As of December 31, 2022 and 2021, the debt/equity ratio of the Group is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	3.173.872	2.943.849
Less: cash and cash equivalents	(150.319)	(115.202)
<b>Net debt</b>	<b>3.023.553</b>	<b>2.828.647</b>
Equity	1.492.756	603.593
<b>Debt to equity ratio at 31 December</b>	<b>2,03</b>	<b>4,68</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 27 Financial instruments and the nature and level of risks arising from financial instruments (continued)

#### Fair value information

As of December 31, 2022 and 2021. The book value and fair value of the Group's financial assets and liabilities are as follows:

	December 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Loans and receivables</b>				
Cash and cash equivalents	150.319	150.319	115.202	115.202
Trade receivables	1.012.441	1.012.441	877.401	877.401
Other receivables	114.562	114.562	12.091	12.091
<b>Total loans and receivables</b>	<b>1.277.322</b>	<b>1.277.322</b>	<b>1.004.694</b>	<b>1.004.694</b>
<b>Other financial liabilities</b>				
Loans and borrowings	2.671.651	2.671.651	1.881.011	1.881.011
Trade payables	250.624	250.624	557.516	557.516
Other payables	72.246	72.246	365.288	365.288
<b>Total other financial liabilities</b>	<b>2.994.521</b>	<b>2.994.521</b>	<b>2.803.815</b>	<b>2.803.815</b>

The carrying values of the Group's financial assets and liabilities have been accepted as fair values since they are mostly short-term.

### 28 Related party disclosures

#### Related party balances

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

	December 31, 2022	December 31, 2021
<b>Trade receivables</b>		
Gap Pazarlama A.Ş. <sup>(2)</sup>	20.220	17.385
Ontk Tekstil San. ve Tic. A.Ş.	756	35
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret A.Ş.	15.692	-
Technology Energy N.V.	826	-
<b>Total</b>	<b>37.494</b>	<b>17.420</b>
<b>Other receivables</b>		
Çalık Holding A.Ş. <sup>(1)(*)</sup>	94.509	-
<b>Total</b>	<b>94.509</b>	<b>-</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 28 Related Party disclosures (continued)

#### Related party balances (continued)

	December 31, 2022	December 31, 2021
<b>Trade payables</b>		
Çalık Holding A.Ş. <sup>(**)(1)</sup>	7.290	2.491
Gap İnşaat Yatırım ve Dış Tic. A.Ş. <sup>(2)</sup>	1.172	651
Sigortayeri Sigorta ve Reasürans <sup>(2)</sup>	1.154	1.581
Çalık Enerji San.Tic.A.Ş. <sup>(2)</sup>	43	4.220
Enrich Teknoloji Yazılım A.Ş. <sup>(2)</sup>	15	38
Ontk Tekstil San. ve Tic. A.Ş. <sup>(2)</sup>	9	-
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret A.Ş. <sup>(2)</sup>	-	12.318
Çalık Tarım Ürünleri Lisanslı Depoculuk A.Ş. <sup>(2)</sup>	-	402
<b>Total</b>	<b>9.683</b>	<b>21.722</b>
<b>Other payables</b>		
Gap Pazarlama A.Ş.	-	144.827
Çalık Holding A.Ş. <sup>(**)(1)</sup>	53.548	206.933
<b>Total</b>	<b>53.548</b>	<b>351.760</b>
<b>Loans and borrowings</b>		
Aktifbank Yatırım Bankası A.Ş. <sup>(***)</sup>	-	973.706
<b>Total</b>	<b>-</b>	<b>973.706</b>

<sup>(1)</sup> As of December 31, 2022, the receivable from Çalık Holding A.Ş. does not have any maturity, but the annual interest rate is 9,08% on USD, 7,97% on Euro and 21,44% on TL. (31 December 2021: USD 6,16% and Euro 5,10% and TL 19,75%).

<sup>(2)</sup> As of December 31, 2022, the debt to Çalık Holding A.Ş. has no maturity, and the annual interest rate is 9,08% on USD, 7,97% on Euro and 21,14% on TL. Çalık Holding charges the interest to the Group monthly. (December 31, 2021: 6,16%, 5,10%, 19,75%).

<sup>(3)</sup> As of 31 December 2021, the maturity of the debt to Aktifbank Yatırım Bankası A.Ş. is between 2022 and 2027, and the annual interest rate on the debt is 31,15% for TL (December 31, 2021: 26,29%).

For the year ended December 31, 2022, there is no impairment for the balances of the Group to related parties (31 December 2021: None).

<sup>(1)</sup> Parent company

<sup>(2)</sup> Subsidiary of the parent Company

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 28 Related Party disclosures (continued)

#### Related Party transactions

Income and expenses arising from the Group's transactions with related parties for the years ended December 31, are summarized below:

	January 1- December 31, 2022		January 1- December 31, 2021	
	Income	Expense	Income	Expense
Gap Pazarlama A.Ş. <sup>(*) (2)</sup>	125.013	733	69.674	6.223
Çalık Holding A.Ş. <sup>(***) (1)</sup>	152	72.630	48.202	33
Çalık Pamuk Doğal Sentetik Elyaf San ve Tic. A.Ş. <sup>(***) (2)</sup>	16.094	51.417	25.269	54
Çalık Hava Taşımacılık Sanayi ve Ticaret A.Ş. <sup>(2)</sup>	-	1.660	-	-
Enrich Teknoloji Yazılım A.Ş. <sup>(2)</sup>	-	326	-	-
Tura Moda Mağazacılık ve Elektronik A.Ş. <sup>(2)</sup>	-	3.393	-	-
Çalık Enerji San. Tic. A.Ş. <sup>(2)</sup>	51	786	40	276
UPT Ödeme Hizmetleri A.Ş. <sup>(2)</sup>	52	-	-	-
Çalık Tarım Ürünleri Lisanslı Depoculuk A.Ş. <sup>(2)</sup>	-	-	-	427
Gap İnşaat Yatırım ve Dış Tic. A.Ş. <sup>(2)</sup>	-	411	-	521
Aktifbank Yatırım Bankası A.Ş. <sup>(****) (2)</sup>	-	41	-	167.882
Yeşilirmak Elektrik Perakende Satış A.Ş. <sup>(2)</sup>	-	166.543	-	-
Anateks Anadolu Tekstil Fabrikaları A.Ş. <sup>(2)</sup>	461	292	-	-
Sigortayeri Sigorta ve Reasürans <sup>(2)</sup>	721	-	-	-
	<b>142.544</b>	<b>298.232</b>	<b>143.185</b>	<b>175.416</b>

<sup>(\*)</sup> The balance consists of inventory sales to Gap Pazarlama A.Ş.

<sup>(\*\*)</sup> The expense balance consists of cotton purchased from Çalık Pamuk. The income balance consists of revenues consists of the building and common area expense reflection revenues.

<sup>(\*\*\*)</sup> Contribution to Çalık Holding expenses and interest expenses.

<sup>(\*\*\*\*)</sup> Interest expenses related to the loans used by the Group from Aktif Yatırım Bankası

<sup>(1)</sup> Parent company

<sup>(2)</sup> Subsidiary of parent company

### 29 Fees for services received from independent auditor

	January 1- December 31, 2022	January 1- December 31, 2021
Independent audit fee for the reporting period	704	320
	<b>704</b>	<b>320</b>

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2022

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

### 30 Subsequent events

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. Considering the region in which the Company operates, no direct impact is expected on Company operations.

The regulation dismantling the retirement age requirement for employees who started their working life before 8 September 1999 was published in the Official Gazette on 3 March 2023. Accordingly, the employees who have completed the number of premium days and social insurance period are entitled to retirement. The regulation is expected to have an impact on the timing and probability of settlement of severance payments. The regulation is not expected to have a significant impact on the Company's financial position and financial performance.

With the amendment made by the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Some Laws" published in Official Gazette on 12 March 2023, a one-time additional tax will be collected from corporate taxpayers over the amounts of exemptions and deductions provided by Corporate Tax Law No. 5520 and by other laws as well as tax bases subject to reduced corporate tax according to Law No. 5520 by submitting the tax in corporate tax return for 2022. Some exceptions and deductions listed in the Law No. 7440 are excluded from the scope of the additional tax. In addition, corporate taxpayers in the provinces and districts affected by the Kahramanmaraş earthquake are exempt from the additional tax. Efforts to determine the additional tax amount to be accrued continue. The tax amount will be recognized as expense in the financial statements for 2023

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# ÇALIK DENİM