

**Date:** 14.05.2014

**Subject:** Q1 2014 Financial Statements

**Attendees:** Kerem Eser and Investor Relations- Global Investment Holdings

Ömer Aydın- Individual Investor

Hasan Mut- Individual Investor

Serkan Şahin- Individual Investor

Alper Uyanık- Standard Bank

#### **Q1 Financial Statements Conference Call Q&A:**

In the beginning of the conference call, Global Investment Holdings 2014 Q1 Financial Results Presentation was made by the CFO of the Company, Kerem Eser. Upon completion of the presentation, the Q&A section began and investor questions were answered by Kerem Eser.

#### **Ömer Aydın:**

I have been a shareholder at Global Investment Holdings and Pera REIT for seven to eight years. Based on the shares performance, dividends received and growth of the company, I do not think shareholder interests are being considered. I have a few inquiries for you.

- 1) Do you plan to distribute dividends in 2014? Is share buyback an option?
- 2) In the first quarter of 2013 and 2014, a total figure of about TL11mn was allocated to top management on the financial statement. Can you explain what this figure is? (salary, bonus, or dividend)
- 3) Mehmet Bey previously mentioned dividends would be distributed regularly by the Holding. When will the shares performance start earning investors' money?
- 4) Pera had announced their profits and then a capital increase was made, later a shopping mall opened. Rent revenues were used to build new dwellings, hindering PERA REIT from making profits. As a result, the performance of their share is below nominal value.
- 5) When the short and long-term liabilities on the financial statement are added, it shows a debt of TL1.3mn.

#### **Kerem Eser:**

The liabilities which you have mentioned are not all debt. Technically, financial liabilities include trade liabilities and etc., but if you look at the bigger portion, there are deferred tax liabilities. The financial liability owed to the bank is TL887.3mn.

**Ömer Aydın:**

When I see debt this high, I have low expectations on receiving any dividends. Two years ago, we were told that the debt had decreased. Currently, the debt has risen again due to increased investment activity. I have hesitations for the future.

- 6) Global Investment Holdings own shares in its subsidiaries. I believe GIH own 100% of the shares in these subsidiaries. Are there any plans associated with these shares, such as block sales or capital decrease?

**Kerem Eser:**

Question one, three and six are similar to one another, let's evaluate them together. You mentioned dividends in 2014; we have two different types of financial statements. Cash dividends can be distributed, as per the consolidated financial statement we prepared under CMB regulations. We have profit here, recording all the subsidiaries revenues and losses made from asset acquisitions and sales. According to the Dividend Communiqué's seventh article, "Envisaged dividends are to be distributed completely, only if current profits under the legal records cover dividends distributable. Hence, the upper limit of dividends distributable is the amount of dividend allowed to be distributed per the regulations." We could distribute this as equity, there are no obstacles; however, it is not permitted under the legislation. It would be unlawful. This answer may not satisfy you as an investor, but this is why we executed the share repurchase program. In 2013, dividends were distributed and share buyback was implemented.

In your sixth question, you asked about the shares in the subsidiaries. At this time, no decisions have been made by the General Assembly or Board of Directors. Technically speaking, there are no obstacles in the way.

As for question number two: on a quarterly basis, this figure is the total bonus given to the top management (directors, managers) of Global Investment Holdings and its subsidiaries, which include Naturelgaz, Ports, Global Securities, etc. There are a few employees in the Holding; we are in the service industry. In the first quarter of 2014, new companies were added, which were not included during the same period in 2013. There is nothing abnormal about this situation. When you look at other holding's sales ratios and top management expenses, this figure is not worrisome. Of course, we use the benchmarking technique in efforts to reduce any extra expenses. In fact, we recently gave a presentation on our consolidated financial statements to our investors and compared to last year, costs have decreased. The Holding's EBITDA on a stand-alone basis is kept separately on the financial statements. We are trying to take maximum control in this situation.

When you compare Pera's first quarter financial results with the same time last year, no profits were made, but there are positive developments here. Look at Pera's 2012 financial statements; the debt amounts, revenues and expenses and compare it to 2013. You may say that in 2007 and 2008, wrong investment decisions were made, however, other companies which made real estate investments during the same period are probably in a similar position as us. The difference is we are also investors in Pera, owning 50% of the shares. The Holding has financed around TL30mn of Pera's debt. While doing this, we did not increase capital and invite other investors in because we believe in and support Pera. We have a current account of TL950mn accruing interest. This is not cash outflow for Pera; our goal is to be the only source of capital. If you deduct this figure, Pera is actually profiting. At the end of March, Pera made an installed payment of TL18mn to the bank. This project has a loan repayment period of seven years. Pera can cover its own debt with revenues made by the shopping mall. When you deduct this debt, it is a profitable company, which will continue to grow. There is not much we can do regarding the share price or stock market.

Lastly, it seems as though the debt has increased, however, the increase had transpired during March of last year. There has not been a considerable change since the last period to today. Furthermore, with the new port acquisition, the debt has increased slightly. There are two reasons for this increase. Firstly, our port subsidiary is our main business line and the most profitable one. As you know, we owned shares of 22% with our Italian partner, Vei Capital. At the end of January last year, we signed an agreement buying back these shares. The debt increased by TL91.5mn, but now there is nothing preventing us from growing. Everything that we are proud of today, can be attributed to becoming the majority operating shareholder of the Barcelona Port, being the first Turkish group to own majority operating shares in the commercial port industry outside of Turkey and to bid as a majority partner for the Lisbon Port tender. All of this is something we successfully accomplished by buying back 100% of the shares. If we had not done this, we would have remained a company with three of our existing ports, which was not our goal as Global. The second reason is the USD50mn Letter of Guarantee from the Baškent Gaz tender. The debt is high, but this depends on the assets on hand. Generally, we use the EBITDA multiplier to analyze the performance. Basically, if you are in debt, what is your repayment capacity? If you compare the EBITDA multiplier with 2014's budget, you will see that the debt has decreased significantly because of the newly acquired ports. At this time, do not just look at the debt amount, look at the maturity. The average project finance loans of the current ports have had an eight year maturity, whereas the Port of Bar and Barcelona Port are around 12 years. Pera REIT has a seven year loan maturity. The Energy subsidiaries loans have long term maturities at a low cost. There are no issues with the bonds on the Holding side because we received permission from CMB for bonds. The debt may appear significant on paper, but is not a situation we considerably worry about.

**Hasan Mut:**

Does the Company plan on offering Global Ports Holding shares to the public? If so, can we have an estimated date of when this will happen?

**Kerem Eser:**

We think about offering Global Ports Holding to the public often. Not just for Global Ports Holding, but the energy subsidiaries as well. An IPO is always a good exit strategy. I cannot say when this will happen because two years ago, we had started working on this process with the ports, but since all are tied to the international market conjunctures. Since May 2013, there has not been any IPO's in Turkey. The ports need to reach a certain size. With the recent acquisition of the Port of Bar, we have been working to change the organization within the company and increase traffic. Once we see the increase in revenue volumes, then we will understand its effects on the company. We have signed a preliminary protocol with the Barcelona Port; however, the shares have not been realized at this time, making it difficult to calculate its financial impact. We need to see the performances of both ports for at least a year. There is no set timeline.

**Hasan Mut:**

Even though this debt is only written on paper, it keeps getting higher. Do you have any strategies on how to reduce this debt?

**Kerem Eser:**

When you look at the maturity of this debt, it belongs to the financing of the projects in the subsidiaries, excluding the Holding. The maturity is long-term and the cost structure is not bad. Can it be reduced? We are always looking for alternatives to reduce the debt.

**Hasan Mut:**

When can we get the final results on the Şirnak partnership with Akkök Group?

**Kerem Eser:**

We had an announcement on the Şirnak Project at the end of March. We have no technical issues with starting this project on our end, but the approval process has been extended. We are always meeting with alternatives. This is a profitable project, with the loans and finances ready. We need a decision from our Board of Directors regarding the continuation of this project with a partner.

**Serkan Şahin:**

In Article 18 on the financial statement footnotes, it shows that the ownership percentage of the Barcelona Port is 49%. I believe that number should be 43%.

**Kerem Eser:**

I do not think this is a mistake. There is a difference between the shareholding vote and the control ratio.

**Serkan Şahin:**

What was the financial turnover of the Barcelona Port in 2013?

I was looking at the reference section on the Tres Energy website and could not see any listed. We know that this company has worked with others, for example, Uşak Ceramic Factory and Ziraat Integrated Tree Facilities. Information similar to this was given regarding Naturelgaz's ÇAYKUR tender on February 17<sup>th</sup>, 2014. In accordance with CMB regulations, serial eight number 54 communiqué mentions that any internal communications exchanged between the company's shareholders should be shared with the company's investors. What does the Holding gain by not sharing this information with the other investors?

There seems to be some problems with the land, which was leased by Maya Tourism in partnership with Pera REIT in Cyprus. Will these issues affect Maya Tourism's projects? In this upcoming period, what are your predictions on the completion of this project?

In an earlier conference, you had mentioned that a protocol was signed with the Van municipality, starting construction in May. When I look at the financial statement footnotes, there is an obligation of about TL8mn, in case of a protocol error. At the same time, there is a court date with the municipality set in the framework of the protocol in June. In this context, how should we read the table for Van? Will the Van project take place?

**Kerem Eser:**

In 2013, the Barcelona Port financial turnover was USD34mn and the EBITDA was USD18.4mn. This is from operating the passenger ports, which is slightly different than operating the commercial port. These figures will grow four to five percent with each passing year.

Tres, is in the process of having several contracts signed. Currently, there is no contribution from Tres to our financial statements because this company is still new. There are no significant profits, which can be announced to KAP. It is a 16.6MW power installation. The installations for the three important customers you named have not been completed yet. There is still work to be done, which should begin June or July. Afterwards, we should start seeing a slow turnover and EBITDA contribution. The goal here is to reach 50MW, by increasing power installments for the other customers. When you look at the Ports, Naturelgaz and Straton subsidiaries, Tres is comparably smaller and brings in less profit. Nothing has been hidden; we have specifically given information on this project in our investor presentation.

We do not have set projections for Maya Tourism. This is a long-term project. Real estate speculations can be made regarding Northern and Southern Cyprus. Maybe, Northern and Southern Cyprus could possibly join together in the future. At this moment, we are not in the assessment phase of this project. As an investor, I would not make any financial calculations relating to this project in 2014 or 2015.

The obligation you see listed on the financial statement is a part of the reconciliation protocol. This obligation for Van is set at fair value on the financial statement. One of Turkey's top four private banks has presented us a good standing, long-term loan for this project. Technical legal proceedings are being followed at this time and it should be completed around May or June. There used to be a fire station in that area, which we have spent close to TL3mn in demolishing it, with the plans to relocate and rebuild it in a different area. Our plan is to build the first mall in Van, where the fire station used to be. This project appears to be very profitable.

**Serkan Şahin:**

Is the Van project owned completely by the Holding? As far as I know, they have not partnered with Pera.

**Kerem Eser:**

Yes, the Van project belongs solely to the Holding.

**Alper Uyanık:**

What do you expect the ports EBITDA to be in 2014?

**Kerem Eser:**

Counting only the existing ports, we are expecting USD60mn. If you include the new ports, the expectation is USD85mn.