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Subject: Mehmet Kutman Questions & Answers Teleconference

Transcript:

Ömer Aydın: When will we see the dividend we have heard of for a long time? Amount of dividend is not so important, I want to see at least a symbolic amount in my account as a beginning.

Mehmet Kutman: It shall be decided in the next general assembly. The reason why it was not decided in the last year is that we applied to the Capital Markets Board (CMB) even though some differences occurred between the balance sheet of the Tax Legislation and the IFRS balance sheet. CMB told us we could not do this and there should be a profit in both balance sheets.

Ömer Aydın: The other problem is related to the thermal power plant to be constructed in Şırnak, this is really an exciting project but we, as the shareholders, do not have the sufficient power to capitalize such a great project. Moreover, as everyone could guess, share value of the Holding is considerably lower than the book value due to the paid capital increases made until now. We have already been at loss for years due to this circumstance. We wish the new investments to be held afterwards to be financed with appropriate debts and equity capital, I want to hear something from you on this matter.

Mehmet Kutman: Paid capital increase is quite out of the question. This is a matter mentioned by the analysts who cover investors in Turkey and especially Turkish investors and Turkish capital markets without looking at the figures and facts. Total amount collected with total capital increase between 2002 and 2008 is equal to USD 107 million. Look at the assets currently produced in exchange for 107 million dollars as the last capital increase in 2008, share value of the Company may not reflect this. Company's balance sheet reached to 1 billion dollars size of assets and equity capital reached to a size about USD 300-350 million. Clearly, there is a mistrust element so the Company does not reflect this. If wrong articles are written for the largest fund of Italy with the exception of banks and/or for Şırnak on the web sites, I could just say that these people are not partners rather they want to undermine our business.

We kept our promise in the issue of privileged shares, we applied for this and CMB rejected. 4 among 7 people to be appointed for the board of directors of the company in the next general assembly are required to be non-executives, meaning not in Company's payroll in the last 10 years. 2 independent members were appointed. These 2 individuals are granted the approval of CMB. Therefore, the management is being transferred to people who are not concerned about the company regardless of having or not having privileged shares in the Company. This is now the case for all companies.

Muhsin Savaş: My first question is about the fact that you have bought shares of your affiliates on your behalf. Is it possible for these collected shares to be transferred to a foreign fund in time?

My second question is as follows: you stated that you were troubled with some questions written in the forum. For example, your company's share price was closed with 1,08 instead of 20,000 lots by purchase with 40,000 lots drawn from 1.08 to 1.17 on December 31. The share was insistently pressed on 1 stage lower in spite of the increase in the stock exchange in the last Tuesday. These are the fundamental reasons which created mistrust.

Mehmet Kutman: Firstly we own a very large part of this Company especially for the last part. Therefore, increasing or decreasing the share price upsets and annoys us, as well. If there is a solution for this, we will immediately apply this, I am not a stock broker. I have identified myself as an investment banker even though everyone identified me as a broker until 2004. I do not know its method because I am not a broker. However, if there is a method including turning to prosecution, I would immediately implement this if you have a solution. I am available in the company for a very limited time due to my workload. These statements you said considerably damage our Company and our partners.

Muhsin Savaş: I have believed that this was held intentionally until today. The thing which annoys me is the fluctuation in the share price. I could not receive an answer even though I insistently asked questions about dividends on the internet.

Mehmet Kutman: There is no problem about dividends at the moment, but there was a problem in the last year. We were required to post the letter we have written to CMB and the response we have received on the internet site, however CMB warned us and we could not disclose this. We could disclose by this year. Because, our figures make this necessary both in terms of tax balance sheet and IFRS balance sheet. However, as Mr. Ömer also said, the size of dividend is not important but it is important whether the dividend is perceived by the markets. We also have obligations like bond payment and Şırnak power plant. We shall determine a dividend figure by reviewing these obligations and cash flows for the next 2 years. However, we shall not determine a high dividend unlike the last year, I can say this very clearly. But there shall be a dividend.

Your first question is a very critical relevant question. The time period could be even one day or one month or one year. If a partner says we would lead up the company to some point with this logic and philosophy in a way that satisfies the Company and all employees except me, we shall definitely evaluate this.

Hakan Sönmez: It was said that something would start on the land of Pera (REIT) Real Estate Investment Trust in Cyprus in the Company's Activity Report. This was probably put on hold afterwards. What is the reason of the failure in doing something about this land?

Mehmet Kutman: I particularly stopped this project since I believed that the South and North would merge in 2012. The basis values would emerge on the merging date.

Hasan Sönmez: How could you say something definite about merging?

Mehmet Kutman: I rely on my personal opinion and speculations I received from abroad. Turkey is expecting many things within 2012, we can say this since our foreign relations are so strong. Thus Şırnak has a particular importance, as well.

Rifat Ege: You are the chairman of a successful company which has increased capital 5 times since 2005. On the other hand, I am in the position of a small investor since I want to participate in this success. When I look at the web site of CRA (Central Registry Agency), actual circulation rate is 76,51 by January 7 2011. This rate is about 44,69 on January 31 of 2012 after about one year. Approximately 72 million of Company shares were removed from the actual circulation, namely 1/3 was pulled out of the market in a period of one year. However, the price of previous year was 1,20

while this, declined to 1,12 by January 31 when we look at the prices in the same dates. I want to hear your evaluation on this matter.

Mehmet Kutman: Anyone who accomplished this job had made a successful purchase.

Rifat Ege: Since the shares in actual circulation are mentioned, these shares received either from the family or by the group companies or their members were either the shares pledged as security or the shares pledged as seizure.

Mehmet Kutman: The last thing you said is not correct, these shares are neither secured nor seized.

Rifat Ege: If there is no such a situation, these shares are received by you, so it seems that you control the shares. Because you pulled 1/3 out of the market in one year. Therefore, it seems that you control the price movements.

Mehmet Kutman: We have no concern with price movements, but we would hereafter clarify what is done for all subsidiaries in every day or every fifteen days if required.

Rifat Ege: Do you think this share price decrease is possible under normal conditions in spite of this excess demand?

Mehmet Kutman: This is a question for a broker, as I said I am not a broker. This completely depends on the general conjuncture, and on the party who wants to sell. I may talk about as follows as a semi-broker. When I initially led a foreign investor to purchase Migros share, it had a market value of 40 million dollars. 20-21 years passed, the organization which is a partner of Migros sold its shares after the last strategic sale was accomplished. Namely it waited for 20 years.

Mr. Erol: There is a Pegyo share available considerably underestimated than its capital value. There is a very cheap property. Do you want to sell Pegyo?

Mehmet Kutman: There is no property we refrain from selling as long as there is the right price. This was the case of all REIT's and for the ports; we had to appreciate when we purchased 60% of Antalya Port. We wrote a goodwill amounting to 200-250 million TL regarding Antalya. The same thing is right for REIT's. They evaluate a MALL and construction. Foreign investors especially look at cash flow schedules when you want to sell a property at home or abroad. An evaluation is made according to cash flows. The asset value found in REIT's required by CMB has currently no value, and this is the case for all REIT's. But it is a reality that Pegyo is considerably underestimated.

Erol Bey: An amount at least equal to its capital value may be collected. This is currently not attractive but I believe it would be an attractive project.

Uğusel Önder: I have 2 questions. What about the financing of the Eurobond to be amortized in July? Moreover, you are issuing a new bond, may we kindly ask a comment about this?

Mehmet Kutman: We pulled out the interest rates since we disliked, though incoming demand is high as of today. There is no problem since the balance of the bond is 60.

Uğursel Önder: Namely, you said that the cash is ready, there would be no trouble in paying Euro during July.

Mehmet Kutman: Look at our history until today, we never had a problem about this issue. We see the future of one or two years and take measures accordingly.

Alper Akalın: I have a question about Şırnak, has the debt equity ratio been determined in the financing? How much would be covered from the debt and how much from the equity?

My second question is, do you have any comment about the political risk of the region?

Mehmet Kutman: I would like to begin with the second one; personally I have visited there for 20 times and I did not see any problem. There is some things going on it is exaggerated. There is currently an operating mine and it has been producing without any problem for about 10 years. The power plant is almost in the mine, around 1 km of the mine. Other than that, the garrison is at a distance of 3 km. If it was dangerous, the leading banks of Turkey having about 80 years of background would not have visited that region and visit the site with us.

Moreover, I believe that Iraq could not maintain its integrity for the following 3-6 months. Turkey shall become more important in terms of its location, communion and religion. The single point of solution would be Turkey in case of a separation in Northern Iraq, there is no other solution. Changes in Syria are also so important changes, everything including North-South merging all relies on this in a sense I just said. This year, it is expected many things to happen. Growth in the east shall increase much more beginning from 2013 since the base ground is very low. Therefore, when you keep all these together, you will see that the security element is not very important in the medium and long term even though it may be important in the short term. There are great opportunities at this region according to my foreign negotiations and my personal opinions.

The events occurred there drive people to this direction. For example, there is a significant difference between response time given by the Government to Libya and Egypt and the response time to Syria. We responded to Syria in an incredibly short time. The existing Government implements the most right policy I have ever seen for my birth in respect of its general political state of affairs and approaches when I look at internationally and regionally. Security problem shall be completely resolved in the medium term. I do not believe that it would cause any risk due to the location of the power plant in Şırnak city center and the fact that there is an operating coal mine.

If we look at the other question, debt/equity ratio is 65,35. But this has a complicated structure, there is also a Chinese partnership as you know. Therefore, you should estimate total project value as 350 and deduct the debts from 350 when you calculate this ratio. After you have deducted the debts, then you should deduct the share of Chinese from total equity, then you get 80% of this. But I can say that the cash commitment on this is 40-45 million Dollars. Namely the system operates with 45.

Alper Akalın: Is the total capex equal to 350 million dollars, isn't it?

Mehmet Kutman: Financing cost is included in the total capex. Total payable interests and sum of the interests belonging to first three years are also included since it does not operates so much during these years.

Alper Akalın: I think that you will disclose the due date with values of cost etc. after the agreement is signed.

Mehmet Kutman: Due dates, costs etc. are all determined but I cannot disclose now.

Semih Çiftçi: I have five short questions:

1. You have talked about the difference between the IFRS and CMB legislation as a reason of not giving the dividend.
Did this difference not exist between the IFRS and CMB while you insistently said that “I will give dividends” in the last teleconference?
2. Can you, as the company, be informed about the amount of shares owned by each party?
3. If you are also uncomfortable with the share price, have you made a complaint about this to CMB?
4. Why is the percentage of foreign institutional investors in the shareholding structure so low? Because we know that the share price does not increase unless foreigners have a share in property.
5. How much share on credit owned by Global Yatırım Holding does Global Securities hold?

Mehmet Kutman:

1. I used my personal opinion in the last teleconference. Then the legal department warned me about this subject. We applied to CMB and unfortunately received a refusal.

Semih Çiftçi: I kept hold of the share and did not sell the shares since you said that we would give a dividend. I wonder if it is a manipulation since you made me wait so far?

Mehmet Kutman: I think it is not, but our Legal Department could answer this.

2. No, unfortunately we are not informed. We can just get breakdowns in the basis of an intermediary firm. Share percentage in circulation currently seems as 44%.
3. We are not an organization operating by relying on complaints to CMB. If CMB saw any misconduct, it would have already launched investigations. In this case, we perceive that they did not see any trouble about this.
4. I do not think that foreign funds have left. We recently organized a bond roadshow (bond of USD 100 million) and we got a considerable amount of demands from considerably serious organizations like Nomura Principal. They just had the problem of decrease in liquidity and supply. In other words, if a bond amounting to USD 200-300 million was issued, this would already have been sold, and the interest rates would not have been equal to the rates requested from us. This is also the case for shares, total value of the market of Company is unfortunately not detected by the radar of foreign investors since the analysts settled in Turkey do not issue any research. We obviously have not market the Company abroad for the last one year. We will start marketing the shares as of today. Foreign share is very low in companies with a low market value when you look at the listed companies. Foreign investors just care about the issue “How I could sell this share if something happens in the future.” Because, normally foreign investors never sell shares or at least completely. Therefore the most important criteria is the liquidity of a share.

5. Global Securities holds no Global Investment Holdings shares.

Cem Uşaklı: I want to understand overview of the financing plan of 2012. There is an amortization amounting to USD 60 million and 40 millions exchange at the end of July. There is a dividend program and you mentioned about a capex amounting to USD 45 million for Şırnak. How much of this financial requirement would be covered by the cash flows created by the operations? If there is a deficiency, what is your strategy for the financing?

Mehmet Kutman: We should talk about technical details separately. I can say that there is no problem.

Mert Bal: I am an investor in Pera REIT and people may make negative comments about the value of a share in share forums. However, I kindly request that the manipulative letters oriented to bankruptcy should be subjected to legal transaction. When I look at the evaluation reports related with Aqua Dolce (in Cyprus) I saw that you, as Pera REIT, have USD 160 million of investment commitment. However, there is an investment cost amounting to USD 49 million in the cost account. Would this difference be related with TRNC create a legal problem for Pera?

Mehmet Kutman: We would immediately apply legal transactions if there are such letters.

Secondly, I cannot say something clear about figure unfortunately, but nothing shall be constructed on this land unless the North and Southern Cyprus merge.

Mert Bal: However there is an article as follows: Pera REIT has to commence in 6 months following the issue of approvals. Probably they have a letter of guarantee amounting to USD 160 million. I think Pera has prepared the documents required, this is the turn of TRNC.

Uğur Aydın: The time period there has not started yet, so there is no loss in terms of rights.

Mert Bal: There is a situation I defined as efficiency paradox in the world. 30 storeyed skyscraper was constructed in 30 days in China. For example, a 200 billion dollar company could employ 30-40 people in the future. I consider this as a situation which will negatively affect the income distribution and employment.

What is your opinion about the employment and income distribution and inequality in the world?

Mehmet Kutman: I agree with you. General assemblies could be held online when the social media is further improved in a period of 5-10 years. We are proceeding to such a direction. You are right with the efficiency increases. Number of employees would decline. Individuals become their own boss. An investment towards individual portfolio would occur. We currently experience a transition. Political balances should fall into place. When they all fall into place, then the balances could fall. We live in a developing world. There is an integration of the world; everything will improve when they improve. Unfortunately, Turkey will not be at the center of this process. Turkey unfortunately could not accomplish the integration with world capital markets. We made a bond roadshow, there is no liquidity. But more importantly, there are 4 enterprises which issued bond from Turkey to abroad: Turkcell, Çalık, Yaşar and us. Namely, just 4 enterprises came to the international markets to issue

international bonds. There are just banks integrated with world markets in Turkey. We could never integrate with the world markets institutionally.

Mert Bal: Share price of Pera was about TL 1.8. I believe Sümerpark Mall can pay its loan debts by its own rental. Net asset value per share will also increase over the years. If you were a purchaser, how much would you sell the Pera REIT as a block?

Mehmet Kutman: Obviously, we have not evaluated this.

Selim Çeviker: Could you please put the expertise report in Avgamasya on your web site? Secondly, it is written in the presentation that 500.000 ton of asphaltite is extracted and sold, where can we see this in the financial statements?

Mehmet Kutman: You will see in the sale of call as of 2012.

Ali Karalar: I have been your investor since 2009. I am the small investor of Pera REIT. My cost was 65 kurus, but divided from 99 kurus. It had increased to 1,20. How come I ended up like this? You, as a boss, talk about the efforts of GYH as praiseworthy developments. The shares have not change in spite of all these developments. You write in the forums, organize teleconferences periodically, but I did not understand for whom you make all these?

Mehmet Kutman: Thank you so much, you can visit us whenever you want.