

**Date:** 13.11.2013

**Subject:** Q3 2013 Financial Statements

**Attendees:** Kerem Eser & Selran Baydar (Global Yatırım Holding)  
Serkan Şahin (Individual Investor)

### **Q3 2013 Financial Statements Conference Call Transcript:**

In the beginning of the conference call, Global Yatırım Holding's 2013 Q3 Financial Results Presentation was made by the CFO of the Company, Kerem Eser. After the presentation, the Q&A section started and investor questions were replied by Kerem Eser.

#### **Serkan Şahin:**

What are the short and long term loans at Holding's nine month balance sheet in 2013 on solo basis? What is the profit/loss at the corporate tax return declared to the Tax Authority?

When we look at the maturity breakdown of long term bank loans and issued bonds, it is clear that there will be substantial payments for 2015 and beyond: TL159mn in 2015 and TL279mn in 2016. It does not seem possible to roll debt over with its current cash flow. Either there will be refinancing or sale of shares to cover it.

Will you end up seeking partnership for Global Ports in 2014? Do you think about IPO?

Regarding Başkent Gaz case, in the balance sheet footnote of 19/2 and in the previous conference call, you declared that Elektromed had won the case. Is this correct? Due to lack of information, we cannot calculate whether the provision will be reversed, so we would be grateful if you can explain it.

The conditions of protocol mentioned in the footnote 19/2 were signed with Van Municipality. These conditions were not announced to the public. What is the deadline of this protocol? What are the conditions? I see that you have been late to initiate legal actions when I look at financial statements over the years. What is the reason for that? How can we compensate for TL16mn with interest? Also, I would be happy if you explain the share acquisition of Geliş Mining. A USD32-32.5mn amount was mentioned before the acquisition of the shares, are those amounts still valid? What is the cost as of the date of acquisition? Another subject is in regards to the Şırnak Thermal Power Plant; you have not mentioned it in your last annual report. I cannot understand the reason for it. When we look at the local newspapers of that region, we hear that Chinese arrived to search. In addition, locals have a strong reaction. There are state council decisions on the issue: if there is more than one investment in a particular area, cumulative environmental impact will be assessed. Will the Holding be affected by that?

Also, isn't it possible to be more transparent about the Holding's new businesses? I wrote about the sale of Bilecik Demir Çelik before your disclosure. I learned it from a local newspaper website. Then, I called your investor relations department and it was said that there was no sale, and a few days later the news was deleted from local newspaper websites. After one week, the sale was disclosed. For the Port of Bar, although the acquisition cost and

other details are known, we learned them on the internet. What is the cost of this acquisition? We have already learned about it all on the internet, but it would be better if it was declared by the Holding on the Public Disclosure Platform.

**Kerem Eser:**

We have not yet publically announced the Q3 Balance Sheet which was declared to the Tax Authority. The deadline is November 14<sup>th</sup>. It is not necessary to announce the tax version. The Q3 consolidated financials we have announced give the most comprehensive picture of the company.

**Serkan Şahin:**

The reason behind my question is that there are some activities in the balance sheet related to goodwill, Straton Mining etc. You know better than me the difference between CMB financial statements and the tax statements. Finally, there is a loss in the consolidated financials. What is the profit/loss situation in other subsidiaries? Is there any signal regarding a dividend payment?

**Kerem Eser:**

Comprehensive details will be given in the financial statements by the end of the year; we now give only a summary. At the end of the year, we will provide detailed information on shareholders' equity, previous year profit, and profit for the period as per CMB financial statements. We do not especially announce it in this period. If you notice, no company that reports on a consolidated basis announces it. If we make it public, investors ask more questions, such as the profitability of Ports etc. Therefore, we prefer this method.

**Serkan Şahin:**

With this approach, you ignore investors who are interested in technical details.

**Kerem Eser:**

Let's move to the second part of the question; explaining the net debt position on solo basis at the Holding level. As you know, this year there have been two TL bond issues, each in the amount of TL75mn. There is also a Eurobond whose maturity was extended in 2011. Its outstanding 'net' balance is about USD15mn. Our debt balance also incorporates the additional debt regarding the guarantee letter of Başkent Gaz. You said that there would be substantial payments for 2015-2016. The current cash flow and current assets in the balance sheet will not be the only source to make such payments in 2014, 2015, 2016. You know that we have four main business lines. Ports' consolidated EBITDA is around USD55mn. The next year's budget is around USD70mn. Additionally, the cash from Naturelgaz, real estate, financial and mining investments will be used to make the required payments. Finally, please consider our existing cash. As such, I do not agree with your comments related to debt repayment.

We do not put projections on our website, however, when we look at five year projections we do not see any problem in the repayment of either the interest or the capital of our current

debt. Additionally, Mehmet Kutman, our largest shareholder's personal desire for a dividend payment also puts pressure on us as management.

The partnership related to Global Ports is totally subject to markets realities; nevertheless, the current target is to grow it by acquiring the Port of Bar, Barcelona Port and others. The reason of the reacquisition from Italian VEI was to be able to grow further. For instance, when we go abroad and talk with the brokerage houses and banks, they express that our Ports are profitable assets, but there are other criteria. The issue size is also an important criterion as the banks are looking for liquidity. The port company needs to reach a certain size. It can reach that size after these investments as of the end of 2014. Yet, it is not possible to say right now that we would sell a part of the Ports or there would be a partnership. As a person who follows Global Investment Holdings, you should also know also from our history that our assets in the portfolio can always be sold in part or as a whole for right price, at right time and the return or a partnership is always possible.

I think totally opposite about Bařkent Gaz. Especially, our year-end financial statements are about 140 pages. In my opinion, our financial statements are detailed and very transparent.

We consult with our in-house lawyers as well as those we receive consultancy from. It is correct that Elektromed won the case and received the restitution in cash. Yet, there is an ongoing legal process and it is being pursued on two tracks, with the municipality and with our tender partners. However, we have made the necessary provision on our financial statements.

**Serkan řahin:**

What I would like to actually learn is whether Elektromed's winning the case can be taken as a precedent for the Holding's legal case. That is because, they won the case upon the claims based on sale of defective products, on whether BOTAř included certain assets in the tender. On the other hand, only the tender process is highlighted in your footnotes and conference calls.

**Kerem Eser:**

The subject of our case is defective products as well. One such example is BOTAř payment of the tender price to us, not to the municipality. These provisions do establish a precedent. This is what our lawyers have said.

There are some commercial provisions in regards to Van and řırnak. We announce the commercial provisions quite transparently with the guidance of our Legal department. The provisions related to Van are not provisions that can affect return and the profitability.

We are right in the legal case regarding Van. We bid, won the tender and then there were some unfortunate developments such as earthquake, KCK etc. We were the injured party and won the case. Municipality imposes conditions on any project when building on a property such as provisions for a greenfield. If there are significant, it will be announced. Accordingly, that is the situation of Van and there is no problem.

We have not declared the figure related to Geliř, because it is a commercial secret. We have not announced a figure of USD32-33mn, as you said. We are not going to pay anything in

cash in the short term. Let me not say anything more. The profitability of the Şırnak Thermal Power Plant comes from the asphaltite mine located in the area. Otherwise, this can be done anywhere in Turkey with imported coal. I have already given the information that there would be a partnership and also financing has been approved by the credit committees of the banks. Due to the fact that we have not made an announcement about the initiation of the construction in November, we just gave a short summary.

**Serkan Şahin:**

Is there any problem about the public resistance there?

**Kerem Eser:**

It is not a resistance for the thermal power plant but there are of course some who are against it. It happens for hydro and will also happen for the nuclear. We persuade people by explaining the merits of the plant during the meetings. Our 15% partner is a dignitary in the area and we also get their support. I was there two weeks ago. I also visited the mining area. The governor hosted us. It is well supported by the state. There will not be a problem because of resistance. The asphaltite is currently being used in the houses. There is also a delivery of 280,000tons through General Directorate of Turkish Coal to the low income segment. Given the high sulfur content, it is more harmful to use the asphaltite in the houses.

While designing the thermal power plant with the Chinese contractor, although it is not necessary, we made project changes according to the European Emission Standards. Because of this, the project cost increased by approximately USD40mn. If you want to build up a power plant in Norway or Sweden, the same technology and standards would be used. I understand the resistance; however, everyone, both the country and the region will benefit from this plant. There is no logical explanation for this resistance.