

**08.03.2018; 2:00 PM**

## **Transcription of Teleconference for Özak GYO's Financial Results for the year-end of 2017**

### **HOST;**

Dear attendees, welcome to the Özak Real Estate Investment Trust's financial results for the year-end of 2017.

Now I am giving Mr. Alper GÜR the floor.

Please welcome Mr. Alper.

### **ALPER GÜR:**

Good afternoon Ladies and Gentlemen.

I am Alper Gür, Investor Relations Senior Manager of ÖZAK Real Estate Investment Trust.

Welcome to the teleconference for Özak GYO's Financial Results for year-end of 2017.

Thank you very much for your attendance.

Today, we have with us among the managers of our company;

Mr. Okan Ayran, Board Member of ÖZAK Global Holding,

Mr. Vedat Ateş, Board Member of ÖZAK Global Holding,

Mr. Fatih Keresteci, General Manager of ÖZAK Real Estate Investment Trust,

Mr. Fırat Çoban, Finance Director of ÖZAK Real Estate Investment Trust,

Mr. Suat Şensoy, Control Director of ÖZAK Global Holding,

Mr. Orhan Bayramoğlu, Budget and Reporting Director of Özak Global Holding,

And Mr. Cengizhan Çoban, Ms. Ebru Arslan, Ms. Kübra Akbalık and Ms. Hilal Yıldız Çelik

First of all, I'd like to congratulate women's day of all attendees and my teammates.

I am starting with **3rd Slide**. Our company continued its successful performance in 2017. Our asset size increased up to 2.40 Billion TRY by 35% up in 2017 compared to last year. Our net assets value reached up to 1.66 Billion TRY. This year we realized an EBITDA of 56 Million TRY and an EBITDA margin of 40%. Our current total leasable portfolio has an occupancy rate of 93%.

**In the 4th Slide**, you see our net profit chart. Although we announced a profit of 13 Million TRY in 2016, we generated a profit of 259 Million TRY this year.

Our total proceedings are realized as 138.5 Million TRY by 24% up compared to last year.

Share of our foreign currency-based contracts are again around 93%. Net debt of our company is realized as 363 Million TRY. Our net foreign currency position is around 171 Million TRY.

**In the 5th Slide**, you see the progress of total proceedings. Increasing up to TRY 138,500,000 from 112 Million TRY during 2016 - 2017, our proceedings show an increase by 24%. In parallel, we generated a proceeding of 24 Million TRY in the fourth quarter. We generated very high levels of proceedings in the third quarter. This is thanks to the outstanding performance of Ela Quality Resort Hotel, our tourism investment, in the third quarter of 2017. As you know, tourism industry which followed a fluctuating course in 2016, gain quite a good momentum in 2017. In this respect, we generated a turnover of 65 Million TRY in the third quarter.

**In the 6th Slide**, we present you our rental revenues. We generated a rental revenue of TRY 71,600,000 in 2017, a 16% up compared to TRY 61,600,000 of 2016. In the fourth quarter of 2017, we generated a rental revenue of TRY 16,600,000. In parallel, our rental revenues are currently 71.6, while we target at closing 2018 with a rental revenue of 85 Million TRY.

**In the 7th Slide, we present you our EBITDA breakdown.** The course of sales as I've just presented takes the same trend in here. We reached an EBITDA of 40 Million TRY in the third quarter. Here effects of our tourism activities are clearly observed. In the same vein, our EBITDA increased up to 56 Million TRY from 30 Million TRY in 2016. If we look at our EBITDA margin, it increased by 52% compared to last year. While being 26% in 2016, it increased to 40% in 2017.

**In the 8th Slide**, you see our income statement of 2017 compared on the quarterly basis. In this respect, we generated a gross profit of 71 Million TRY in parallel with our yearly proceedings of TRY 138,500,000 as I mentioned before. Our EBIT is realized as 43 Million TRY and EBITDA as 56 Million TRY. Compared to last year, our EBIT margin increased by 17% and EBITDA margin by 14%. We closed 2017 with a profit of 259 Million TRY. If we look at the fourth quarter, while we earned a proceedings of 24 Million TRY, our gross profit was 9 Million TRY. Our net profit is realized as 194 Million TRY with the effect of revaluation increase in the fourth quarter of 2017.

In the next slide, you can see our net profit bridge, which is another presentation of our income statement that I stated shortly before. Our proceedings of 138 Million TRY increased up to 259 Million TRY in the course due to the increase of other revenues by 328 Million TRY and other expenses, net financial expenses. Here our net profit margin is 187%.

**In the 10th Slide**, you see progress of our credit debt. Credit debt of our company is realized as 535 Million TRY. Out of our said debt of 535 Million TRY, 43% is due to short financial liabilities and 57% to long term. In parallel, 39% of debt is in TRY and 61% in foreign currency. Against this net credit debt of 535 Million TRY, we have a cash and cash-equivalents of 172 Million TRY in our hand. In parallel, we have an advance of 235 Million TRY that we paid to Emlak Konut for our Büyükyalı Project currently in progress as of the first day of the project. Currently we have begun to collect gradually 129 Million TRY that falls to our share and now we also have an advance receivable of 31 Million TRY to collect. This will be zeroed as of the 2018 and we will have collected it fully.

**In the 11th Slide**, you see the reach of 535 Million TRY to 332 Million TRY we call as the real credit debt, as I mentioned before. In our consolidated balance sheet figures, our total assets reached up to TRY 2,404,000,000 and our total liabilities up to 924 Million TRY. Our total debt reached up to 535 Million TRY by a 7% up compared to 497 Million TRY in 2016. In parallel, our ratio of net debt/owners' equity is realized as 24.5% in 2017. However, if we deduct the advance paid for Büyükyalı project, this ratio decreases down to 22.4%. In parallel, our ratio of net debt / total assets drops from 15.1% down to 13.8%.

**In the 12th slide**, again, you see our dynamics of our net debt. If we deduct cash and cash-equivalents from 535 Million TRY, the total debt of long-term financial debts of 304 Million TRY and short term of 231 Million TRY, our net debt remains as 363 Million TRY. In our net debt change, by adding 57 Million TRY, which is the increase in our long-term financial liabilities and deducting the 19 Million TRY, the decrease in our short-term financial liabilities, and adding increase of 20 Million TRY in our cash account, our net debt decreases down to 363 Million TRY.

**The 13th slide** shows our net assets bridge. Lastly, as you may know, we set off our net assets value with sole owners' equity. Here you see a total real estate portfolio value of 2.1 Billion TRY. Our real estate portfolio value is due to our lands, offices and hotel, retail investments and projects. Projects include the stocks accumulated in the Hayattepe Project and Büyükyalı Project. In this respect, if we list our assets, they include our subsidiaries, cash advances paid for projects and other assets. If we deduct other liabilities and debts from this, our net assets value for 2017 resulted as 1 Billion 658 Million TRY.

**14th slide** presents a comparative chart of our net assets value. As I mentioned shortly before, it includes figures of 2016 -2017 and also our estimate for net assets values by the end of 2018. Our net

assets value, which was TRY 1,226,000,000 in 2016 reached up to TRY 1,658,000,000. Then we plan to close 2018 with over TRY 1,892,000,000. In this respect, type-distribution of our net assets value across our portfolio is 26% for tourism, 27% for lands, 20% for projects, 24% for retail and 28% for office. Unfortunately, the total discount rate of 50% currently we experienced in Real Estate Investment Trusts is increased some more. We have a 65% of discount rate vs. our market value of 585 Million TRY as of 31.12.2017. In this respect, this discount rate is around 60.5% by the closing in last evening.

Our Büyükyalı project, as you know, is a revenue share for land project in collaboration with Emlak Konut. And we also have two partners. In the last period, we received some shares from our partners and currently Özak GYO has an ownership share of 60% in the project. The project contains a turnover guarantee of 4 Billion 240 Million TRY as of first day feasibility figures. Here there is a total project profitability of around TRY 1,450,000,000 and 60% of it is owned by our company. In the Büyükyalı Project, which we launched in 2016 September, we will start deliveries in the first half of 2019. We foresee that sales will be completed by 2020. As of today, namely 31.12.2017, 306 of the 1184 units, which offered for sales, are sold. In this respected we reached a sales turnover of 855 Million TRY.

In the following period, we launch Göktürk project. We are planning a High-end residence project consisting of 300 units in Göktürk project. As you know, we had a land of 17.000 square meter in Göktürk and then we purchased a land of 34.000 square meter. We are planning to develop the project on both lands. We target a project total revenue of 635 Million TRY and profitability of 218 Million TRY.

In the 16th slide, we present our expectations for 2018. We target a profit of 186 Million TRY in 2018. In this respect, we target an EBITDA of 74 Million TRY. Net assets value will reach up to 1.9 billion TRY. These are generally our quite conservative projections. For example, we had targeted in 2017 a net assets value of 1.4 Billion TRY. And we foresaw a real estate value increase of around 8%. That year, this increase reached up to 22%. In this respect we have a conservative attitude. We target a rental revenue of TRY 85,600,000 in 2018. I would like to open a parenthesis here: 85 Million TRY also includes the figure from Ela Quality Hotel, which is included through consolidation. This is accounted over individual data.

If you please, I would like to answer your questions and meet with our company directors. Thank you very much, see you soon.

**HOST;**

Thank you, Mr. Alper. Dear respected attendees, if you want to ask a question, please press button 0 and then 1 of your phone. Thank you very much for your patience.

We have a question from Kerez Gököz from Garanti Investment. Please, welcome.

**KERİM GÖKÖZ:**

Hello, Mr. Alper. First, I'd like to thank for your presentation. I have three questions.

First, how much sales you expect in 2018 from Büyükyalı? On the Million TRY basis.

Second, we cannot see the details of rents and I would like to see them too. I will be pleased if you can provide the rents on the basis of assets and here can you please clarify the yearly decrease in the rentals in the last quarter. Thank you very much.

**ALPER GÜR;**

Hello, Mr. Kerim. Thank you very much for your question. Actually our financial presentation is a compact one. We will make a special case announcement over our evaluations for the future during the day. This will also contain a fully detailed presentation. We have details of our rental values of TRY 85,000,000. Our sales target for 2018 in Büyükyalı is around 300 units and a turnover of 1 Billion TRY. For further details, I'd like to invite our General Director Mr. Fatih. Mr. Fatih, welcome.

**FATİH KERESTECİ;**

Hello everybody, Fatih Keresteci, here. Our Büyükyalı Project is going on as we planned. We currently have a construction progress of 35%. We will start delivery of first blocks by April 2019. We target at full delivery until the end of 2019. In this respect, constructions are going ahead at the full speed. Some blocks and even facades are about to complete and some blocks are at the foundation stage. Constructions of all units are started. We offer them for sales on the basis of our sales rate and sales projection. Currently as said by Mr. Alper, around 1100 units are offered for sales. Our target for this year is to sell around 300 units. Of course, we initiated our works for not only domestic but also foreign market for this purpose. We will have started our works targeted at Turkic Republics, except Gulf countries, and Turks living in Europa in this spring. We think we will create synergies there. In addition, for business areas, our other concept works are currently underway. Now our design works are going on in collaboration with Fendi. We plan to complete design works of that block in a short time and offer them for sales. And we target at offering it for sales before summer.

**ALPER GÜR;**

Mr. Kerim, if you please, I'd like to summary rental figures.

In 2017, we generated a rental revenue of 18.4 Million TRY in 34 Portal, 6.1 Million TRY in İş Istanbul, 13.9 Million TRY in Bulvar 216, 7.3 Million TRY in Metro, 2.8 Million TRY in Ela Quality, a total of 71.6 Million TRY.

In this respect, for 2018, we expect a rental revenue of 22.8 Million TRY in 34 Portal, 8.1 Million TRY in İş Istanbul, 14.4 Million TRY in Bulvar 216, 8.8 Million TRY in Metro, 31.3 Million TRY in Ela Quality, a total of 85.4 Million TRY.

**FIRAT ÇOBAN;**

Hello everybody, Firat Çoban, here. You asked about the rental decrease in the last quarter. I will try to answer that. In the last quarter, actually a situation occurred with regards to our occupancy rate target. We terminated the contracts of some tenants, whose performance we are not satisfied with. Currently we made contracts with tenants who are valuable as much as them and even better. You will see their positive performance in our figures of 2018.

**ALPER GÜR;**

I'd like to add that. Actually, the change that we said is mainly due to our Bulvar 216 project. There is not a change that much in other projects. Overall they are stabilized. Change can be considered as the effect of Bulvar 216.

**KEREM GÖKÖZ;**

Thank you very much.

**ALPER GÜR;**

We thank you too.

**HOST;**

Sadrettin Bağcı from Deniz Invest has a question. Please, welcome.

**SADRETTİN BAĞCI;**

Thank you very much for presentation. I have a question related with 15th slide, this is related both with Büyükyalı and Göktürk. Here are the targets of 4.24 Billion TRY for Büyükyalı and 635 Million TRY for

Göktürk discounted to present day? Does the calculation take into consideration a certain rate of inflation in the sales in the following periods?

**FATİH KERESTECİ;**

Yes. Fatih Keresteci. Now, normally, in fact, these are not our figures discounted to present. They are figures arisen during our regular course of sales. But we have a difference in Büyükyalı. That, these figures in Büyükyalı, namely 4.2 Billion is the figure that we guaranteed in the agreement of 2014. However, our sales average is currently around TRY 16-17.000 and we have a rentable area of around 300,000 sq.

**SADRETTİN BAĞCI;**

Thank you very much, Mr. Fatih. And if possible I'd like to have an overall evaluation about the housing industry. What are your expectation, when will the business see some recovery? Especially in the new houses and especially brand segment.

**FATİH KERESTECİ;**

Of course, yes, there is a slowdown across the industry. However, if we look at the market, we see and foresee that people who need a house is making purchases rather than investors and in the following period, this trend will continue. In this respect, it becomes very important to have a product quality that precisely meet the needs of the consumer. Therefore, in this respect, we confide in our projects that we are currently developing. Because, we developed Büyükyalı Project and are developing Göktürk project with a very detailed survey and in the best quality that will really meet the needs of our target clients. Of course, this produces fruitful results. For instance, Büyükyalı project had the highest turnover of Emlak Konut in the autumn of last year. As I said, 90% of purchasers are real people who intends to live in there. Therefore, Concept of this project which meets precisely the needs of the target clients will greatly affect the sales performance. In other words, some more standardized and small units developed in the past may expose to some sales problems in the following period. However, eventually, people of Istanbul needs houses for many reasons in Istanbul. As you know, urban transformation, aged stocks, incapability of meeting social needs as well as our changing demographic structure. There new demographic developments In Turkey in the last 10-15 years, marriages and divorces and need of young people for smaller houses due to distances. All these are creating a demand. What is important is to offer the right product. Locationally convenient and right products meeting the needs of such people.

Of course, financing is also important, some flexing interest rates in the following period with give housing industry some breath. Currently we are subsidizing a little part of that. We meet that in many ways.

**SADRETTİN BAĞCI;**

I think that sensitivity to housing loan interest should be lower in the projects addressing to high-end segment. Am I wrong?

**FATİH KERESTECİ;**

Of course, sure, sensitivity to interest is higher in so-called B Segment. Because that segment includes people who have a certain income and accordingly the capacity to repay the loan, and of course for high-end, the structure changes. It includes more the people dealing with trade. Of course, costs have such effect, I mean cost opportunity, although people regards it as need, they want to buy a property that becomes more profitable in the future and to earn some proceedings. Therefore, as you said that the medium segment has higher sensitivities.

**SADRETTİN BAĞCI;**

BDDK will have a regulatory amendment with regards to foreign currency loans as of May. 61% of your total debt is foreign currency-based. If we look at the composition of the debt from this perspective, do we need to expect a change in TRY foreign currency composition, or in this case, do you expect any effects on balance sheet?

**FIRAT ÇOBAN;**

Hello, Firat Çoban, here, again. Currently we are not falling in that scope. Because, once May 2018 comes, we will have more stocks than said debt stock and currently we have no barrier in that case. Yet, if we look at our current credit stock, I mean, the reason why we are shifting from TRY to foreign currency in the last period is our capability of using loans thanks to capacities of our group with lower financing costs. I mean, actually, we are able to access the TRY based loans, too, but since lower financing costs, we preferred the foreign currency. On the other hand, you see our rental revenues as

we demonstrated in our presentation. Yet, 93% of our rental revenues are currently foreign currency-indexed contracts.

**SADRETTİN BAĞCI;**

So aren't the rental contracts based on foreign currency?

**FIRAT ÇOBAN;**

Yes, there are foreign currency based ones, of course 93% is foreign-currency indexed, there are for. currency to for. currency, as well as foreign currency-indexed ones, I mean, we are applying a natural hedging in our own system. On the other hand, in the next period, if we look at our foreign currency composition, we may pursue a different strategy by considering the opportunities, borrowing costs, different financial instruments.

**SADRETTİN BAĞCI;**

Thank you very much. Thanks. I'd like to thank everybody. Wish you prosperous works.

Thank you very much

**FIRAT ÇOBAN;**

We thank you too.

**HOST;**

Dear respected attendees, if you want to ask a question, please press button 0 and then 1 of your phone. Thank you very much for your patience.

Kadriye Kavak from Anadolu Investment has a question, please welcome.

Ms. Kadriye, your line is on now, you may ask your question.

**KADRIYE KAVAK;**

Hello, everybody. First, thank you for presentation. In the presentation, I cannot see details of Balmumcu project, normally you have been presenting it together with Göktürk. Is there any change or anything that I miss?

**FATİH KERESTECİ;**

Fatih Keresteci. Currently we completed our main works in Balmumcu project. But we are following up the market dynamics in order to take action. We planned to start it at the year-end. But, we want to make a sounder decision by considering entire circumstance such as the supply conditions in the region, the election in the next year, etc. But we have no change in our plan, we are pursuing our works to start the mix-project by the end of 2018.

**KADRİYE KAVAK;**

Okay, Thank you. And, I recall that Göktürk project was 300 units in high-end housing project. Now, I see 170 units in the presentation. Did I miss something?

**FATİH KERESTECİ;**

Yes, currently 170 units, we are building it in two phases. Currently we held a contest for architectural works of larger lot. Currently we appointed our architectural engineer and will start in trading projects at full speed. I mean, it is the number of units for first phase. In the second phase, there will be some smaller units. Currently our first phase starts by 2+1 rooms. The second phase will have smaller units. This will also consider airport opening, the dynamics etc. As a total, there will around 300 units.

**KADRİYE KAVAK;**

Okay, so we can assume total salable rentable area as 45,000 square meter.

**FATİH KERESTECİ;**

Yes. Around 32,000 sq. is of this first phase, the remaining of second phase.

**KADRİYE KAVAK;**

Okay, thank you very much. Thank you again for presentation.

**HOST;**

Dear respected attendees, if you want to ask a question, please press button 0 and then 1 of your phone. Thank you very much for your patience.

Çağdaş Doğan from Doğan BGC Partners has a question, please welcome.

**ÇAĞDAŞ DOĞAN;**

Hello, thank you very much for presentation. I have two questions. One is about performance of the hotel and it has a very good performance this year, of course, in parallel with the tourism performance of Turkey. What is your expectations for 2018, by considering the early reservations and how much a further increase can we expect in total tourism revenues in addition to this year. Second question is about Büyükyalı and you shared your projections more about sales and revenue, and we can also estimate as you that you can go well over total sales of 4.2 Billion TRY. I am curious about the cost side. You have a projection of 1.2 Billion TRY for construction costs or total costs. What trend should we expect to have, is it going in parallel with your expectations. Or, May there be slightly higher costs in parallel with the general revenues? Thank you very much.

**VEDAT ATEŞ;**

Hello, Vedat Ateş here. First of all, I would like to answer your tourism question briefly. In our 2018 plans, we projected a growth of 27% over the figures of 2017. If we look at our current reservations, we can already see there will be a growth much higher than 27%, like around 35% as our expectation. If we look at the reasons of this, as you may recall, the best year was 2015 in the last three years. Now, our reservations for 2018 is around 35% over than 2015. This actually shows that our budget is more conservative.

Yesterday and today, as you know, ITB tourism fair in Berlin is going on. If we look at the feedbacks from there, Germany and UK markets seemed very poor especially in the last three years. It had fell down to the levels, may be deemed as a crisis. But in 2018 we are receiving an important dynamic and potential especially in Germany and more better in the UK. From the face-to-face meetings with tourism professionals in there. I mean, really, 2018 will seems to be much better for both Turkey and Antalya. In our Hotel, the reservations seems around 5-7 points higher than the general industry average of Antalya.

**ÇAĞDAŞ DOĞAN;**

Thank you very much.

**FATİH KERESTECİ;**

Fatih Keresteci. As you said that in Büyükyalı, there is an increase in costs in parallel to increase in the turnover, as you know especially many construction raw materials such as iron has seen important increases. Also, there are some materials based on the foreign currency. If we look at that, ratio-wise,

costs increases close to that of turnover and we expect a similar increase in profit, they follow each other in parallel.

**ÇAĞDAŞ DOĞAN;**

Okay. You mean that we can take it then as the margin remains same but, since revenue is higher, then profit can be higher.

**FATİH KERESTECİ;**

Yes.

**ÇAĞDAŞ DOĞAN;**

Thank you very much.

**ALPER GÜR;**

Thank you, Mr. Çağdaş.

**HOST;**

Dear respected attendees, if you want to ask a question, please press button 0 and then 1 of your phone. Thank you very much for your patience.

Currently we have no other questions. I am giving Mr. Alper GÜR the floor again for closing, please welcome.

**ALPER GÜR;**

Hello. Thank you very much for your attendance.

As a reminder, you can find our presentation and transcript of the teleconference in our website.

Hope to see you again.

I wish you a nice day.

**HOST;**

Thank you very much for your attendance. Our conference is ended. You may leave the line now.

**TELECONFERENCE ATTENDEES;**

Murat Akıncı	Turkish Yatırım Menkul Değerler A.Ş.
Çağdaş Doğan	BGC Partners Menkul Değerler A.Ş.
Utku Uygur	Global Yatırım Menkul Değerler A.Ş.
Melis Akgün	Yapı Kredi Yatırım Menkul Değerler A.Ş.
Oguzhan Vural	Yapı Kredi Yatırım Menkul Değerler A.Ş.
Özge Akalan	İş Yatırım Menkul Değerler A.Ş.
Kerem Gököz	Garanti Yatırım Menkul Değerler A.Ş.
Sadrettin Bağcı	Deniz Yatırım Menkul Değerler A.Ş.
Kadriye Kavas	Anadolu Yatırım Menkul Değerler A.Ş.