

**AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE  
İNŞAAT A.Ş.**

**Company Valuation Report**



**Türkiye Sınai Kalkınma Bankası A.Ş.**

**October 26, 2011**

TÜRKİYE SINAI KALKINMA BANKASI A.Ş.  
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This valuation report (“Report”) covers various documents, financial statements; and it has been issued by Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) for information purposes only about the equity value of the company known as Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (“Akfen Karaköy” or “Company”). It is prohibited to copy or disclose this Report and/or the information provided in this Report or distribute the Report or its contents to any third persons other than the persons that are required to receive a copy of the Report from Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akfen GYO”) and/or Akfen Karaköy to which this Report and/or the information contained in the Report are directly forwarded by TSKB. TSKB explicitly acknowledges and represents that although TSKB has endeavoured maximum efforts for removal of any kind of errors or deficiencies from the Report, TSKB will not be held responsible for any information presented in the Report which are received from Akfen GYO, Akfen Karaköy or other resources or for any deficiencies in the related documents or for any verbal and/or written information provided in relation thereof. Unless specified otherwise, the information contained in this Report is valid by the date of its publication.

The analyses, opinions and conclusions presented in this Report have originated from our personal, objective, professional analyses, opinions and conclusions taking into account the information and documents provided by Akfen GYO and Akfen Karaköy. The information and documents specified in this Report, which have been provided by Akfen GYO and the facts derived thereof are true and correct.



TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.

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## 1. Introduction

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Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akfen GYO”) made an application to Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) in order to receive company valuation service for one of its subsidiaries, known as Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (“Akfen Karaköy” or “Company”).

This report was prepared upon the aforementioned request for company valuation of the related Company based on the financial statements of Akfen Karaköy, without performing detailed legal and financial due diligence, accounting audits.

There are 3 different approaches commonly used in company valuation. In one of these approaches, i.e. Discounted Cash Flow (DCF) method, the company value is estimated by discounting the projected future cash flows of the company using a discount rate consistent with the risk profile of the company and market conditions. In the Peer Comparison method, the company value is estimated considering the average financial ratios of the company appraised and of the similar companies operating in the same sector and/or the precedent industry-specific ratios that have occurred in the past transactions. Since Akfen Karaköy company is recently established and currently not engaged in any activity, the DCF and Peer Comparison methods cannot be used due to the lack of data that can constitute the basis for the related analyses. Therefore, the third method commonly used in company valuation, known as the Net Asset Value method was used in this report.

The value estimated using the Net Asset Value method refers to the “fair market value”. The outstanding element in the purchase or sale of any asset is the “price” mutually agreed as a result of the negotiations made between a willing purchaser and seller. It should be taken into consideration that the

“price” constituting the basis in any purchase or sale transaction may be different from the “fair market value” for various reasons.

On June 22, 2011, Akfen Karaköy acquired the “Lease Agreement contingent on Building & Construction” (‘İnşaat Yapım Şartlı Kiralama Sözleşmesi’) regarding the real estates identified as seized foundations (‘mazbut vakıf’) according to the Article 6 of the Law on Foundations and administered and represented by the General Directorate of Foundations; and the valuation report was prepared by TSKB Gayrimenkul Değerleme A.Ş. on September 30, 2011 for estimation of the fair market value of the right arising from the mentioned lease agreement. Akfen Karaköy has capitalized the mentioned rights under the item of “Investment Properties under Construction” over their fair market value estimated by TSKB Gayrimenkul Değerleme A.Ş. Therefore, the related item in the balance sheet of Akfen Karaköy reflects the fair market value.

While the company value of the company was estimated using the Net Asset Value approach, all liabilities and provisions for liabilities specified in the liabilities section were deducted from the assets shown on the balance sheet dated June 30, 2011.

The financial statements received from Akfen Karaköy which constituted the basis of the review were prepared by KPMG.

It should be taken into consideration, as is the case in all studies, that despite best effort was shown to exclude any kind of errors and deficiencies, any potential errors or deficiencies in the data obtained from external resources might affect the valuation results in this study.

  
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## 2. Industry

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### 2.1 Tourism Industry in the World

The tourism industry is one of the rapidly developing and growing industries around the world. In the globalizing world, people tend to travel to further distances. Main reasons of this trend are the increase in the share of tourism and vacation in disposable personal income, rapid development of transportation and communication technology and people's desire to visit new regions they are curious about.

As a result of its varied structure, tourism covers both activities like accommodation, planning, trip organization and sales, called typical touristic activities, and activities like transportation and car rental, not depending only on consumption on tourists, but used also by them.

Continuing to grow in spite of economic recession throughout the world, this dynamic industry also serves as a driving power for industries such as transportation, services and retail.

Alongside its contribution to national income, tourism also plays a major role in meeting the deficit in balance of payments with the foreign exchange it brings into the country. As it provides employment opportunities to large masses, the tourism industry is advantageous as one of the industries with most intensive employment. It continues to be an efficient marketing and advertising tool for the country as well.

Tourism is currently an industry constituting a major part of the world's gross product. The World Travel & Tourism Council report states that the travel and tourism industry has an estimated share of 9.1 percent in the world's total GNP in 2011 and that this figure amounts to around \$5.987 billion.

  
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The report forecasts that the tourism and travel incomes calculated over world's total GNP figures will grow 4.1 percent on average annually and reach \$11,964 billion as of 2021. Among the Top 10 countries in terms of tourism incomes USA is in the lead by far and is followed by China, Japan, France, Spain, Brazil, Australia, Italy, United Kingdom and Germany.

### 2.1.2 Tourism Industry in Turkey

Turkish Tourism sector has grown with the investments and activities since 1980 and become one of the most preferable countries for tourism. In the year of 2002, Turkey was listed as 17th country in terms of visitor number in the world tourism, however today, Turkey places as 7th country in terms of visitor number and 10th country in terms of tourism incomes. The tourist number which visited Turkey in the last 10 years is shown in the table below.

**Table 2.1 : Foreign Visitor Number of Turkey**

Yıllar	Visitor Number (person)
2001	11.276.532
2002	12.921.981
2003	13.701.418
2004	17.202.996
2005	20.522.621
2006	19.275.948
2007	23.017.081
2008	26.431.124
2009	27.347.977
2010	28.510.852
2010-6	6.889.507
2011-6	7.543.617

Source: Turkey Ministry of Culture & Tourism

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The number of foreign tourist in 2009 was 27,3 million and increased to 28,5 million people in 2010 with a growth rate of 4.3%. The growth in the number of tourist still continues in 2011, accordingly foreign tourist number reached 7,5 million with 8.6% growth rate in the first half of 2011 when compared to the same period of 2010.

The distribution of foreign visitors in terms of their nationalities shows that Germany takes the first place with a share of 15.3% and then Russia and England relatively with 10.9% and 9.3% of shares. The 54% of foreign visitors of Turkey came from OECD countries. (Source: Turkey Ministry of Culture and Tourism)

However, there has been a decrease in the average spending of foreign visitors since 2008 besides the increase in the number of visitors. This number was affected by the global economic crisis impact on the expenses and the increases in exchange rate especially in the first half of 2011. On the other hand, tourism receipts increased parallel to the increase in the tourist number. The table below shows the tourist number and the average expenditure in the latest 10 years.

**Table 2.2: Total Visitor Number of Turkey and Average Spending between 2001-2011/6**

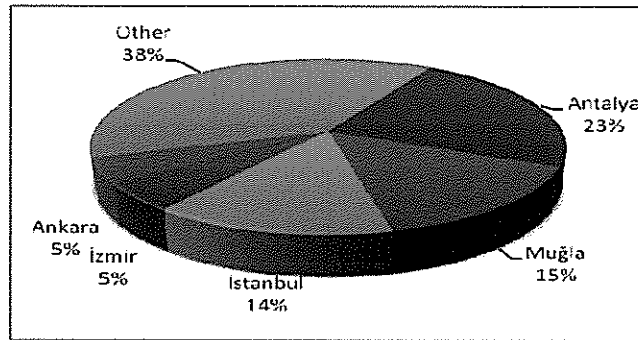
Years	FOREIGN			CITIZEN			TOTAL		
	Income (million \$)	Visitor Number (Thousand People)	Average Spending (\$)	Income (million \$)	Visitor Number (Thousand People)	Average Spending (\$)	Income (million \$)	Visitor Number (Thousand People)	Average Spending (\$)
2001	7.386	11.277	655	2.681	2.174	1.233	10.067	13.45	748
2002	9.01	12.922	697	2.891	2.293	1.261	11.901	15.215	782
2003	9.677	13.701	706	3.527	2.601	1.356	13.203	16.302	810
2004	12.124	17.203	705	3.764	3.06	1.23	15.888	20.263	784
2005	13.929	20.523	679	4.224	3.602	1.173	18.154	24.125	752
2006	12.557	19.276	651	4.294	3.873	1.109	16.851	23.149	728
2007	13.99	23.017	608	4.497	4.198	1.071	18.487	27.215	679
2008	16.802	26.431	636	5.149	4.549	1.132	21.951	30.98	709
2009	15.853	27.348	580	5.396	4.658	1.158	21.249	32.006	664
2010	15.577	28.511	546	5.229	4.517	1.158	20.807	33.028	630
2011/6	6.778	8.503	528	1.694	835	1061	8.472	13.736	575

Source: Turkey Ministry of Culture & Tourism



In parallel with the growth of tourist number, the number of accommodation facilities is also increased highly. The ministry of Culture and Tourism classifies the accommodation facilities as investment licensed and operation licensed facilities. While the number of operation licensed facilities was 1.998 in 2001, it reached 2.625 in 2009 with an increase of 30%. The total of investment licensed and operation licensed facilities was 3.379 in 2009. When the breakdown of these facilities is analysed, more than half of new facilities are located in Antalya, Muğla and Istanbul. The table below shows in detail the number of accommodation facilities by region.

**Graphic 2.1: Number of Accomodation Facilities by Region Since 2009**



Source: Turkey Ministry of Culture & Tourism

In Turkey, occupancy rate in operating facilities between 2001-2009 is shown in the table below. In this period, the highest occupancy rate was observed as 52.4% in 2005. In 2009, occupancy rate was 48.9% .

**Table 2.3:Occupany Rate of Accomodation Facilities in Turkey between 2001-2009**

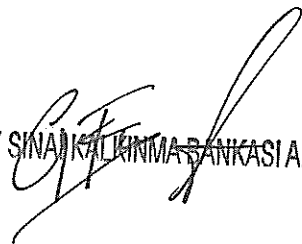
YEARS	OCCUPANY RATE(%)		
	FOREIGN	CITIZEN	TOTAL
2001	32.82	12.80	45.62
2002	36.04	12.65	48.68
2003	33.56	13.33	46.90
2004	36.57	13.50	50.07
2005	39.22	13.16	52.38
2006	32.35	14.91	47.26
2007	36.68	14.43	51.12
2008	37.71	13.80	51.51
2009	35.38	13.52	48.90

Source: Turkey Ministry of Culture & Tourism

### *Expectations*

Tourism incomes of Turkey have not been negatively affected despite the fact that the countries like Spain, Portugal, Greece have to decrease the prices after the economic recession. The main reasons are that Turkey has a good price-quality ratio and manage well the all-inclusive price system. The political situation in North African countries has also another positive impact on the Turkish Tourism sector.

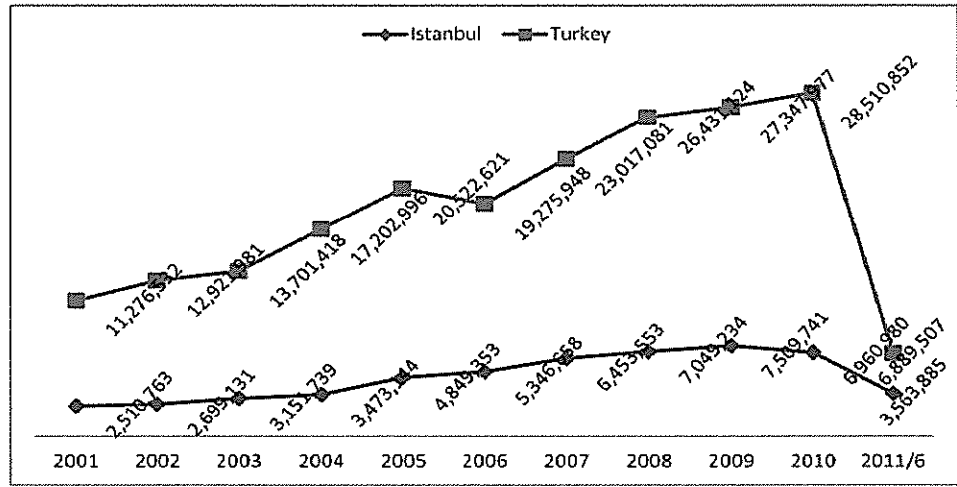
As a consequence of these developments, the number of foreign visitor is expected to be 30 million and the total of tourism incomes is expected to be USD 25 billion at the end of 2011.

  
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### 2.1.3 Tourism Industry in Istanbul

The positive impact of the growth in Turkish tourism sector is also observed in the İstanbul's tourism sector. The statistics taken from Atatürk and Sabiha Gökçen Airports and Haydarpaşa, Pendik and Karaköy Harbours show that the foreign tourist number came in the first half of 2011 increased by 15% when compared to the same period of previous year.

Graphic 2.2: The Foreign Visitor of Istanbul in the latest 10 years

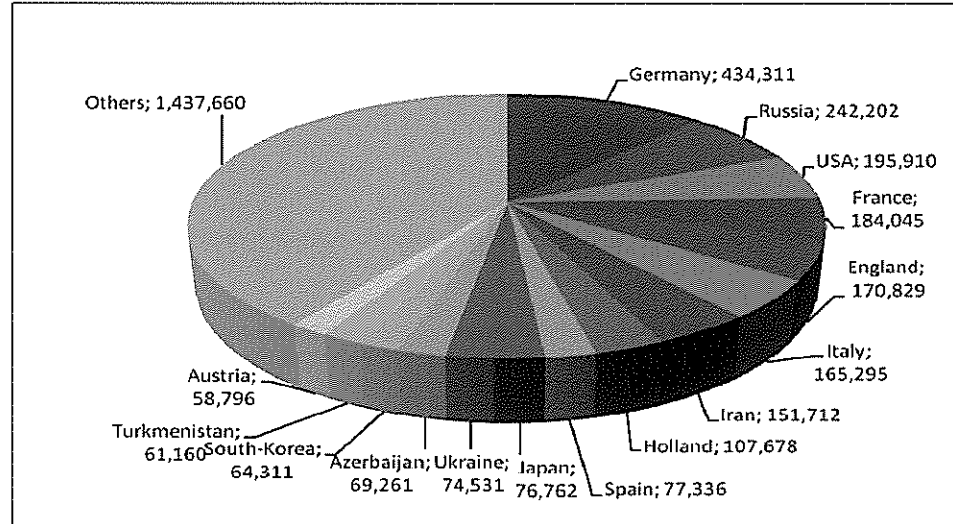


Source: Turkey Ministry of Culture & Tourism

In the first half of 2011, distribution of foreign visitors to Istanbul in terms of their nationalities shows that Germans visit most (12.4%), and are followed by Russian (6.2%), American (5.4%), French (5.3%), Italian (4.6%), Iranian (4.3%), Dutch (3.0%), Spanish (2.2%), Japanese (2.2%), Ukrainian (2.1%) and Korean (1.8%) peoples. Other countries constitute of 40.2% of the total foreign visitors.

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**Graphic 2.3: The Breakdown of Foreign Visitors by Their Country**



Under the category of “Other Countries”, the important countries are generally Middle Eastern and North African countries such as Saudi Arabia, Lebanon, Algeria, Jordan and Egypt. In the year 2011, the number of visitors came from these countries increased especially because of the interest to Turkish TV programs and change the composition of visitors.

**Table 2.4: Ministry of Culture and Tourism**

REGION	Europe	Asia	Europe	Asia	Europe	Asia	TOTAL
TYPE	Facilities		Room Number		Bed Number		Bed Number
Private Facilities.	73	8	2545	216	5068	438	<b>5506</b>
Boutique Hotel	7	3	378	79	772	162	<b>934</b>
5 stars	38	6	10496	1675	21532	3344	<b>24876</b>
4 stars	78	2	8727	140	17515	275	<b>17790</b>
3 stars	75	14	4592	859	8928	1676	<b>10604</b>
2 stars	57	8	2072	281	3949	543	<b>4492</b>
1 star	10	1	340	23	634	43	<b>677</b>
Apart Hotel	2	1	21	36	56	72	<b>128</b>
Golf Facilities	2		755		2322		<b>2322</b>
Pensions	2	1	14	10	28	19	<b>47</b>
Motel	1		32		64		<b>64</b>
	345	44	29972	3319	60868	6572	<b>67440</b>

Source: Turkey Ministry of Culture & Tourism

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### *Karaköy- Salıpazarı Region*

Salıpazarı Harbour is an attractive point in Karaköy where the Novotel project will be established. Probably, the harbour will be privatized in a near future, thus nowadays the real estates in this quartier are very valuable. The renovation of this quartier is expected to be prosperous as it is located at the heart of Istanbul city.

Karaköy, in terms of its location is close to historical and cultural places of Istanbul and has a very easy transportation. Furthermore, the place gains importance with the cruise tourism. After the completion of the privatization of the Salıpazarı harbour, the renovation of the quartier will increase the regional trade and employment. All kind of improvements in this area will make the Akfen Karaköy project morevaluable.

  
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### 3. General Information

#### 3.1 Business Description and Current Status

Incorporated on May 31, 2011, Akfen Karaköy is a subsidiary of Akfen GYO.

The Company's field of activity covers planning, constructing/subcontracting for construction, leasing and operating/subcontracting for operation of any kind of tourism facility, hotel and real estate investment.

In line with its business fields, the Company is planning a tourism investment project on the adjacent building lands located in Beyoğlu/Istanbul and pertaining to the General Directorate of Foundations under the "Lease Agreement contingent on Building & Construction" which was acquired by the Company on June 22, 2011. The investment project is intended as a 5-star facility that will be composed of 200 rooms; and it is planned that this facility will be operated by a hotel management company with an international reputation.

#### 3.2 Capital Structure

The Company's current paid-up capital is 1 million TL. The distribution of the paid-up capital among the shareholders is as follows.

**Table 3.1: Shareholder Structure**

Shareholders	Share Amount (in TRY)	Shareholding Rate (%)
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	699.980	69,98%
Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	10	0,01%
Akfen Holding A.Ş.	10	0,01%
Keskin Global Yatırım Turizm İnşaat Ltd.Şti.	299.990	29,99%
Bilal Keskin	10	0,01%
<b>Total</b>	<b>1.000.000</b>	<b>100,00%</b>

### 3.3 Financial Fixed Assets

By the date of valuation, Akfen Karaköy does not have any subsidiaries and/or affiliates.

### 3.4 Financial Statements

The balance sheet dated June 30, 2011 pertaining to Akfen Karaköy which was incorporated on May 31, 2011 is provided below.

**Table 3.2: Balance Sheet of The Company**

**AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.  
CONDENSED BALANCE SHEET**

(TL)	30/06/2011
Cash and Cash Equivalents	718
<i>Cash</i>	405
<i>Banks</i>	313
Prepaid Expenses for the Following Months	1,562,136
VAT Deferred to Following Years	24,036
Other Receivables	63,010
<b>Total Current Assets</b>	<b>1,649,900</b>
Tangible Fixed Assets (net)	78,000,000
<i>Investment Properties under Construction</i>	78,000,000
Prepaid Expenses for the Following Years	11,422,847
<b>Total Fixed Assets</b>	<b>89,422,847</b>
<b>TOTAL ASSETS</b>	<b>91,072,747</b>
Other Short-Term Liabilities	5,728
<b>Total Short-Term Liabilities</b>	<b>5,728</b>
Paid-in Capital	1,000,000
Capital Advances	12,290,173
Net Profit for the Period	77,776,846
<b>Total Shareholders' Equity</b>	<b>91,067,019</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>91,072,747</b>

The amount shown under the most important item among the Company's assets titled as "Investment Properties under Construction" corresponds to the market value of the "Lease Agreement contingent on Building & Construction". According to the mentioned agreement, it is required that the application designs of the building should be prepared and approved by the

Construction”. According to the mentioned agreement, it is required that the application designs of the building should be prepared and approved by the related Authority and Institutions and then, the related construction permit should be received, the construction works should be completed, and the building should be commissioned and put into service within the first 5 years following the date of the agreement.

The other main items of assets, known as the Prepaid Expenses for the Following Months and the Prepaid Expenses for the Following Years include the rental payments to be made to the General Directorate of Foundations.

**Table 3.3: Income Statement of The Company**

<b>AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.</b>	
<b>CONDENSED INCOME STATEMENT</b>	
<b>(TL)</b>	<b>30/06/2011</b>
<b>Other Incomes</b>	<b>77.878.796</b>
Cost of Services Sold	39.053
<b>Gross Profit or Loss from Sales</b>	<b>77.839.743</b>
General Administrative Expenses (net)	62.897
Tax	-
<b>Net Profit/Loss for the Period</b>	<b>77.776.846</b>

The Company has not yet started to generate operating revenues; and the approximate amount of 77.9 million TL shown under the item of Other Incomes results from the “net increase in value of the investment properties”.



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## 4. Valuation

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### 4.1. Scope and Methodology

Net Asset Value method was used for estimation of the fair market value of Akfen Karaköy. Net Asset Value method is based on estimation of the “Adjusted Book Value” by calculating the approximate market value of all assets currently owned by the Company, regardless of the Company’s projected future cash flows, and then deducting the market value of all liabilities from the resultant.

In this context, the estimated real values of the assets owned by the Company and the appraisal values of the fixed assets are determined and all financial and other liabilities are deducted from the resultant value to give the net asset value.

Since the Investment Properties under Construction which is the most important fixed assets item on the Company’s balance sheet of June 2011, are reported in the balance sheet at their market value specified in the appraisal report prepared by TSKB Gayrimenkul Değerleme A.Ş. on September 30, 2011, the book values of all assets and liabilities were taken into consideration while calculating the Net Asset Value of Akfen Karaköy.

The mentioned fixed assets are the real estates identified as seized foundations according to the Article 6 of the Law on Foundations and administered and represented by the General Directorate of Foundations. The “Lease Agreement contingent on Building & Construction” related with the mentioned real estates was acquired by Akfen Karaköy on June 22, 2011. For the estimation of the fair market value of the right arising from the mentioned lease agreement, a valuation report was prepared on September 30, 2011 by TSKB Gayrimenkul Değerleme A.Ş., one of the licensed real estate appraisal companies performing real estate valuations in

Turkey since February 2003, based on the certificate number KYD-66/001347 in accordance with the regulations of the Capital Market Board.

The Net Asset Value of Akfen Karaköy was estimated with respect to the balance sheet of June 2011 which represents the latest financial statement of the Company. The value of the Investment Properties under Construction in the balance sheet of June 2011 is revised according to the valuation report prepared by TSKB Gayrimenkul Değerleme A.Ş. on June 30, 2011. The other items among the assets and the liabilities of the Company were taken into consideration over the amounts specified in the balance sheet, assuming that they reflected their market values.

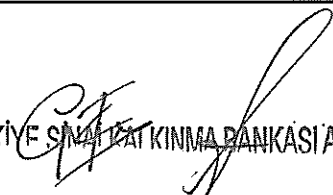
Any detailed financial and legal analysis or any financial audit was not performed in terms of validity, accuracy and presence of the accounts constituting the basis of the valuation under the scope of the related study.

#### 4.2. Valuation Result

According to the available data from 30 June 2011 balance sheet and the valuation report og TSKB Gayrimenkul Değerleme dated 30.09.2011, the Net Asset Value of the Company is estimated as 102.706.206 TL.

**Table 4.1: Net Asset Value of The Company as of September 30, 2011**

		(TL)
+	Cash and Cash Equivalents	718
+	Prepaid Expenses for the Following Months	1.562.136
+	VAT Deferred to Following Years	24.036
+	Investment Properties under Construction	89.639.187
+	Prepaid Expenses for the Following Years	11.422.847
+	Other Receivables	63.010
	<b>Total Assets</b>	<b>102.711.934</b>
-	Other Short-Term Liabilities	5.728
	<b>Net Asset Value</b>	<b>102.706.206</b>

  
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