AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Company Appraisal Report

Türkiye Sınai Kalkınma Bankası A.Ş.

19 February 2013

DISCLAIMER

This appraisal report ("Report") has been issued for information purposes only with regards to the value of Akfen Gayrimenkul Ticaret ve İnşaat A.Ş. ("Akfen GT"), as assessed by Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") and includes various documents and financial tables. This Report and/or the information contained here cannot be copied, disclosed or distributed to parties other than authorities to which Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen GYO") and/or Akfen GT is required to submit a copy hereof. TSKB hereby explicitly waives and excludes any kind of responsibility or obligation arising out of or due to any data or omission on the documents or any written and/or oral information or on the assumptions indicated on the business plan of Akfen GT obtained from Akfen GYO, Akfen GT and other sources in order to issue this report. Unless stated otherwise, the information in this Report is up-to-date and valid as of the date of this Report.

Analysis, opinions and results presented within this report have been constituted through our personal, objective and professional appraisal, assessment and interpretation of documents and information and investment assumptions provided by Akfen GYO. The information and documents provided by Akfen GYO and the assumptions and the arguments concluded were all assumed to be true and correct in this Report.

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1. Introduction and Scope

1.1 Scope and Methodology

Akfen Gayrimenkul Ticaret ve İnşaat A.Ş. (“Akfen GT” or “Company”) was founded in 1999 in order to operate within the real estate sector and was taken over by Akfen Group companies in 2004. In 2007, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akfen GYO”) became a 99.9% subsidiary of the Company.

Akfen GYO has applied to Türkiye Sınai Kalkınma Bankası (“TSKB”) in order to obtain company appraisal consultancy services to assess and determine the value of its subsidiary Akfen GT on 14 November 2012.

This appraisal study has been carried out based on the current and future business plans of Akfen GT and no detailed legal or financial inspections, accounting audits and/or management presentations have been performed in order to assess the value of the related Company upon the request as indicated above.

This appraisal study consists of the chapters indicated below:

1. Introduction and Scope
2. Sector
3. The Company
4. Expectations from the Future and the Appraisal
5. Annexes

The purpose of this study is to calculate the company value of Akfen GT. The main activity scope of the Company is the real estates owned by it and the real estate projects undertaken by the Company and this report has been issued by mainly using the Discounted Cash Flow (“DCF”) method.

The value calculated by using the Discounted Cash Flow expresses the “fair market value” of the Company. However, the main factor in sale-purchase transactions regarding an asset is the “price” agreed as a result of the negotiations that have taken place between a motivated buyer and a seller. However, attention should be drawn to the fact that the “price” which constitutes the ground for such sale-purchase transaction might be realized at a level different than the “fair market value”.

The data and business plan assessed during this study have been obtained from Akfen GT. Although utmost care and attention was shown to eliminate any mistakes and omissions in this study, all major items affecting the appraisal results shall be considered with the possibility of that such information may be incorrect and missing since the data has been obtained from external sources, and the same has been assumed in this study.

1.2 Appraisal Summary

Company

The main scope of activity of Akfen Gayrimenkul Ticaret ve İnşaat A.Ş. is to plan, develop, operate and contract others to operate real estate investments. Akfen GT, of which Akfen GYO is a 100%[1] shareholder, currently obtains rental income from the 5-star hotel it owns in the Turkish Republic of Northern Cyprus, and it is also engaged in hotel and office projects in Russia.

The 5-star hotel located in the Turkish Republic of Northern Cyprus has been in operation with its casino since 2007. Further, Akfen GT has rented and obtained the allocation rights of a plot, with a surface area of 167 decares located in the Bafra region of TRNC from the Forestry Administration on behalf of the TRNC Ministry of Agriculture and Natural Resources for 49 years on 30/12/2010.

The Company carries out all of its projects in Russia through its subsidiaries Russian Hotel Investment B.V. ("RHI"), and Russian Property Investment B.V. ("RPI"), founded in the Netherlands and of which the Company is 95% shareholder.

Out of these subsidiaries, RHI was founded by the partnership between Akfen GT and Eastern European Investment Ltd ("EEPI") on 21 September 2007 in order to realize the hotel projects in Russia and 95% of the shares of the Company are owned by Akfen GT currently while the remaining 5% is owned by Cüneyt Baltaoğlu.

RPI has been founded by the joint venture of Akfen Gayrimenkul Geliştirme ve Tic. A.Ş. and Eastern European Property Investment Ltd ("EEPI") on 8 January 2008, again to carry out projects in Russia. The shares of Akfen Gayrimenkul Geliştirme ve Tic. A.Ş. has been transferred to Akfen GT on 5 June 2009 and currently, 95% of the shares of the Company are owned by Akfent GT and the remaining 5% is owned by Cüneyt Baltaoğlu.

The hotel and office projects, the number of rooms and the realized and targeted opening dates for these projects in Russia are as stated in the table below.

[1] *Shareholding structure is detailed under section 3.1.2.*

Table 1.1 Projects in Russia

Projects Planned or in Progress	Number of Rooms	Commencement Date	Operation Date	Plot Area(m^2)	Total Area (m^2)
Samara IBIS	204	07/2009	03/2012	2,466	9,961
Yaroslavl lBIS	177	04/2010	09/2011	4,468	7,916
Kaliningrad IBIS	167	01/2011	07/2013	5,099	6,322
Samara Ofis	-	07/2009	01/2012	1,048	6,510

(Source: Akfen GT)

Yaroslavl IBIS Hotel was opened on 8 September 2011 and is now in operation. Samara IBIS Hotel started operating in March 2012 and Kaliningrad Ibis Hotel is expected to be opened in July 2013. The Samara Office has been empty for a year and shall be rented out by the beginning of 2013.

The Company requested appraisal of its projects in Russia and its real estate in TRNC (hotel and plot) from TSKB Gayrimenkul Değerleme on 31.12.2012. The results of the related appraisal study are as indicated below.

Table 1.2 Property Values according to Expertise Reports

Properties	Value (EURO)	Akfen Share Percentage (%)	Akfen Share Amount (EURO)
Kaliningrad IBIS	28,300,000	95%	26,885,000
Samara IBIS	33,900,000	95%	32,205,000
Samara Office	9,300,000	95%	8,835,000
Yaroslavl IBIS	35,190,000	95%	33,430,500
TRNC + Bafra	79,100,000	100%	79,100,000
TOTAL	**185,790,000**		**180,455,500**

(Source: Akfen GT)

Appraisal Results

Discounted Cash Flow ("DCF") method has been used in this report issued in order to assess the value of Akfen GT. In the DCF method, the estimated operating volume (sales revenue) the Company is projected to achieve and cash flows to be obtained from its operations (operating income + depreciation) and the free cash flows it will obtain after tax payments and required operating costs and fixed asset investments are covered are calculated. The cash projected to be generated for the coming years is discounted by the weighted average cost of capital to obtain the current equivalent value of cash flows. This value calculated is called the **Enterprise Value** and expressed the company value by excluding financial liabilities. The Equity Value is calculated by deducting, if any, net financial liabilities (financial liabilities – cash and cash equivalents) and if required, severance and notice pay, and by adding if any, subsidiaries or non-operational other assets to the Enterprise Value.

The equity value of Akfen GT calculated by DCF method according to the analysis performed is summarized in the table below:

Table 1.3: Summary of Company and Equity Value as of 31.12.2012

Euro (000)		Value	Financial Liabilities (-)	Liquid Assets(+)	Equity Value
Akfen GT HQ	KKTC & HQ Value	65,599	12,586	919	53,932
	Land in Bafra	2,880	-	-	2,880
RHI(95%)	Samara IBIS	28,840	30,003	9,618	69,209
	Yaroslav IBIS	32,205			
	Kaliningrad IBIS	28,549			
RPI (95%)	Samara Office	13,492	7,125	706	7,073
Akfen GT Company Value		**171,565**	**Akfen GT Equity Value**		**133,094**

The equity value of the Company as of 31 December 2012, calculated by deducting net financial liabilities from the enterprise value and by adding cash and cash equivalents (liquid assets) equals to **133,094 million Euros (312,997 million TL).**

1.3 Opinions on Appraisal Results

Akfen GT is currently engaged in real estate projects such as the 5-star hotel it has purchased in TRNC, Girne, the plot allocated in Bafra and other hotel and office projects in Russia.

The 5-star hotel located in TRNC has been in operation together with its casino since 2007, has been rented out to Voyager Kıbrıs Ltd. Şti, after the contract with Serenas Turizm Kongre ve Organizasyon Hizmetleri Ltd. Şti has expired. According to the rental agreement signed on 15.05.2012 the 5-star hotel, including the Casino has been rented by Voyager Kıbrıs Ltd. Şti since the beginning of 2013 for 20 years. It was noted that the name of the hotel will also be changed in the new rental period. The Company realizes various hotel and office projects through its subsidiaries in Russia, as well.

It was assumed that the 5-star hotel in TRNC will be rented out together with its casino. Further, the Company has a plot of which it has acquired the allocation rights as of 30 December 2010 located in the Bafra region of TRNC. The value of the aforementioned plot has been taken as the value indicated in the expertise study dated 31.12.2012 of TSKB Gayrimenkul Değerleme A.Ş.

The projects in Russia have been considered in this appraisal according to their investment value, occupancy rates and rate assumptions indicated in the expertise report and as per the business plan of the Company.

The Equity Value of the Company has been calculated as **133,094 million Euros (312,997 million TL [1])** in this appraisal study.

The value of the Company has been calculated according to the current and potential business plans by using the Discounted Cash Flow Method (DCF).

[1] *EURO/TL buying rate of Republic of Turkey Central Bank dated 31 December 2012 (2.3517) have been used.*

2. Sector

2.1 Tourism Sector

2.1.1 Tourism Sector in the World

Tourism generates added -value for the economies of many countries around the world as a directly and indirectly beneficial source for the economy. The tourism sector, usually one of the largest sectors, continues to develop and grow all around the world.

The tourism sector is a broad sector containing various activities including touristic activities such as holiday planning, accommodation, holiday organization/sales and it further includes transportation, auto rental, etc. activities of – not only tourists – but people who participate in such touristic activities.

With the globalization trend becoming preeminent since the 1980s, transportation and communication have become much more accessible; therefore, a mobile environment has been created. Further, improving life standards has become another driving force behind the development of tourism. The sector affects various items and areas such as holidays, travel tours, hotels, parks, museums, highways, travel agencies, passenger transportation services, sports-health-culture tourism and offers employment opportunities for people who are involved in these areas and therefore, booms the economy by increasing the expenditure of people who directly/indirectly create benefits in production.

The tourism sector has shown a tendency to stagnate during economic slowdown periods and tends to improve and grow in line with the economy during economic recovery periods. The tourism sector also is the impetus behind other main sectors such as transportation, service and retail sectors.

Along with its contribution to revenues, tourism also plays an important role in balancing the deficit faced in balance of payments in foreign currencies. Since it offers employment opportunities for large masses, it also benefits from being amongst the sectors with the highest employment rates. The tourism sector, which also is an effective marketing and advertisement tool for countries, is conducted very consciously and proactively.

In accordance with the World Travel & Tourism Council’s Report for 2012 Report, tourism is one of the sectors with the highest share in gross national product. Around the world, travel and tourism sectors constitute more than 9% of Gross Domestic

Product (GDP) in 2011 equaling to 6 trillion US Dollars and around 250 million people have been recruited within these industries. It is assumed that travel and tourism sectors will show an average annual growth of 4% over the next 10 years and will account for approximately 10% of total production around the world.[1]

2.1.2 TRNC

Economic Overview

The economy of the TRNC (Turkish Republic of Northern Cyprus) is showing an increasingly growing trend in line with the growth observed in the tourism sector.

The “Solving the Cyprus Problem” plan developed by the United Nations in 2003 and which is still being negotiated and allowing free passage between Northern and Southern Regions of Cyprus have both initiated and provoked positive improvements in the investment environment. As a result of the improvement observed in the investment climate, during the 2003-2009 period, the TRNC’s economy became one of the highest growing economies amongst European countries and in this period, its growth rate was around 6.5% annually on average. However, the global crisis starting in 2008 adversely affected economy of TRNC by 2009. The industry sector, the construction sector and the wholesale and retail industries, which are sub-sectors of the service industry and public services sectors, shrank. In 2010, with the effects of the crisis weakening on the markets, the construction and building sector grew by 3.8%, the agriculture sector by 10.0% and trade industry by 18.3% (43.2% of this growth observed in trade was due to import and 20.5% was due to export) and the Gross Domestic Product rate increased by 3.7%.

According to the An Economic Overview of the World Report published in 2011, the world’s economy is becoming more and more uncertain, the environment of trust and confidence is deteriorating and due to certain risk factors becoming apparent, the economic growth for 2012 of developing countries was estimated to be around 6%.

Main factors behind the growth in TRNC’s economy are general growth observed in the country, the number of universities located in the region, new and continuously growing sectors in the economy and the increasing import tax revenues as a result of

[1] *World Travel & Tourism Council 2012*

improving foreign trade. Besides all these positive developments in TRNC's economy, it is still very fragile and is still in need of financing.

Tourism in TRNC

One of the most important sectors in TRNC's economy is the tourism sector. In 2011, the country's population was around 295,000; however, its population increases with the tourists visiting the country in summer. 64% of the visitors to the country are from Turkey. In addition, tourists from more than 40 different countries also visit the country. Most tourists, besides Turkey are from the UK, Germany, the Netherlands, Iran, the USA, Belgium, Austria, Russia, Poland and Italy.

Various data belonging to touristic facilities according to the October 2012 statistics of the Ministry of Tourism, Environment and Culture of TRNC are as indicated below. The total bed capacity which was 19,162 in October 2011 has risen by 3.3% to 19,795 in October 2012.

Table 2.3 Tourism Receipts and Monthly Bed Capacities of Cyprus

Months	2011	2012	Change %
January	16,869	19,041	12.9
February	16,869	19,041	12.9
March	16,869	19,348	14.7
April	16,869	19,348	14.7
May	16,869	19,389	14.9
June	16,837	19,389	15.2
July	16,984	19,461	14.6
August	18,216	19,739	8.4
September	18,692	19,795	5.9
October	19,162	19,795	3.3

Source: The Ministry of Tourism, Environment and Culture of TRNC

The average occupancy rate of touristic accommodation facilities in the first ten months of 2012 was 46.6%. In 2011, this rate was around 44.1% for the same period.

Another important characteristic is that the occupancy rate of hotels with casinos is 59.5% annually, whereas this figure is around 43.1% for hotels without casinos.

Table 2.4 Monthly Occupancy Rates

Months	2011	2012	Change %
January	20.6	22.8	10.7
February	21.1	19.1	-9.5
March	30.5	31.2	2.3
April	35.0	38.5	10.0
May	46.3	44.0	-5.0
June	53.8	59.5	10.6
July	62.1	62.9	1.3
August	57.3	64.9	13.3
September	56.5	62.1	9.9
October	47.6	52.1	9.5
Average	**44.1**	**46.6**	**5.7**

Source: The Ministry of Tourism, Environment and Culture of TRNC

When the occupancy rates for October 2012 are examined, Gazimağusa has the highest occupancy rate with 72.5%, followed by Girne with 54.2% and Lefkoşa with 52.2%.

Table 2.5 Occupancy Rates according to Cities

City	Share %
Gazimağusa	72.5
Girne	54.2
Lefkoşa	52.2
İskele	42.1
Güzelyurt	8.3

Source: The Ministry of Tourism, Environment and Culture of TRNC

Considering the number of hotels as of October 2012, the city of Girne currently with 97 hotels ranks the first with 67% of the total number of hotels in TRNC. The same ranking is also valid in terms of bed capacity. The city of Gazimağusa, which has the highest occupancy rate, has 20% of the total number of hotels and bed capacity and ranks the 3rd in the number of hotels ranking with 12 hotels located in the city.

Table 2.6 Number of Hotels according to Cities

City	Number of Hotels	Share %	Number of Beds	Share%
Girne	97	68	13,254	67
İskele	26	18	3,856	20
Gazimağusa	12	8	1,655	8
Lefkoşa	4	3	802	4
Güzelyurt	4	3	228	1
Total	**143**	**100**	**19,795**	**100**

Source: The Ministry of Tourism, Environment and Culture of TRNC

The table below lists the hotels currently in operation in TRNC as of October 2012 according to their types. Accordingly, there are 15 5-star hotels in the region and they meet 48% of the total tourism demand and offer a bed capacity of 9,580 beds.

Table 2.7 Number of Hotels according to their Types

Type	Number of Facilities	Share%	Number of Beds	Share%
Five Star Hotels	15	11	9,580	48
Four Star Hotels	6	4	1,704	9
Three Star Hotels	15	10	2,211	12
Two Star Hotels	22	15	1,588	8
One Star Hotels	20	14	646	3
Hotels with private certificates	6	4	1,045	5
2nd class holiday resorts	3	2	418	2
Bungalow houses	1	1	34	0
Apart Hotels	32	22	1,891	10
Bed and Breakfasts	7	5	456	2
Boutique Hotels	1	1	34	0
Total	143	100	19,795	100

Source: The Ministry of Tourism, Environment and Culture of TRNC

2.1.3. Russia

Economic Overview

Russia, as the major natural gas producer and the second largest petrol producer in the world, has the 10th largest economy in the World with a GDP around 1.5[1] trillion US Dollars. However, it was adversely affected from the economic crisis towards the end of the year 2008 and the Russian Economy shrank by 7.9% in 2009. The economy started improving in 2010 and an economical growth equal to 4.8% in 2010 and 4.2% in 2011 was achieved. In 2011, with this percentage, Russia became the 3rd country with the highest growth rate in the world. Russia's economic growth in 2012 was 3.5% and is expected to be around 3.9% in 2013.

Russia had double-digit inflation rates in 2008-2009 yet, the inflation rate dropped down to one-digit numbers in 2010 as a result of appreciation of ruble and low import rates and receded to 6.9%. Inflation again increased in 2011 and although the inflation rate, which was around 8-9% at the beginning of 2011 dropped down to 6%; average inflation rate in 2011 was recorded as 8.5%. Estimated inflation rate is around 6.5% for the years 2012 and 2013.

Russian Tourism

It is anticipated that 5.8% of GDP of Russian Federation in 2012 shall consist of revenues from the travel and tourism sectors. The contribution of travel and tourism sector to GDP is based mainly on the number of visitors arriving to the country in question. In 2011, Russia required around 15 billion US Dollar tourism exports and this figure is expected to increase by 0.3% in 2012. Further, it is estimated that the international tourists arriving shall reach 23,614,000 in 2012.

The number of hotels and office projects have increased in accordance with the increase in demand due to projects, which have been suspended due to the economic crisis in the sector have been re-launched since the end of 2009. In 2011, the investments made reached 10 billion US Dollars and this amount is expected to increase by 2.1% for the investments in 2012. Moreover, Russia to host the FIFA 2018 World Cup indicates that the investments to this region will increase within the coming years. Moscow, in which the Company has developed projects, is one of the

[1] *Indicator for 2010 year end assigned by the World Bank Report.*

cities that will host the World Cup games. The Russian map showing Moscow can be found below.

Table 2.2: Map of the Russian Federation

Kaliningrad

The region is located beside the Pregl River, which is 123 kilometers long, has a surface area of 223 km^2 and a population of 485,784, as of 2008. It is located in the Kaliningrad region, which is situated between Lithuania and Poland, where the Russian Federation does not have any borders to Russia and which stretches till the Baltic Sea. The region was under the dominance of Germans until the 2nd World Word. Afterwards, it was occupied by the Soviet Army. Although the Kaliningrad region does not have any connections to the land, it stayed tied to Russia as an autonomous region. Russia's Baltic fleet to be located within this region and the region being a natural open port and due to its location, the region is geostrategic and commercially worthy.

Kaliningrad is also an important transportation center. The city lies 24 kilometers away from Khrabrovo Airport. Kaliningrad has railway links to many cities and connects to Russia, Lithuania, Poland and Berlin by railway. There is also a river port and a sea port located in Kaliningrad.

Along with its natural beauties, metallurgy, which is the prominent industry in the region, is the main source of income. Kaliningrad has obtained the Special Economic Zone status and can offer tax advantages to investors such as exemption from real estate and corporate taxes for the first six years and a discount of 50% for the next six years and further, exemption from VAT for equipment imported for foreign production purposes.

Samara

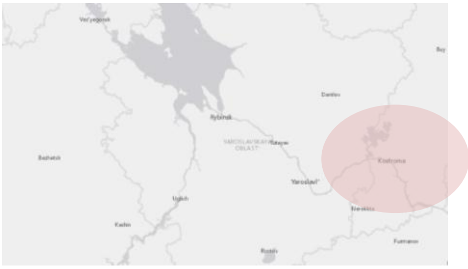
It is an industrial center in the Volga region, where Volga and Samara rivers meet. It is located 60-90 minutes away from Kurumoch Airport. The Samara region is located on the southeast region on the European side of the Russian Federation. The region, which lies to the east of the Volga river is on the border with Kazakhstan on the South and has a population around 1.2 million people.

Samara ranks as one of the ten cities in Russia in terms of income and industrial volume. The Samara region accommodates many diverse industries such as automobile, energy, metal processing and petro chemistry, chemicals, construction materials, space ships, engine and cables. Further, the region has rich petrol and natural gas resources.

Samara has many historical artifacts, which attracts many tourists’ attention. The most scenic and the longest stretch of the Volga River also lie in this region. The Samara region has convenient transport links to many other cities via railways and highways. It is considered as a developing region in terms of tourism and it has an important potential in terms of new hotels and facilities. Many festivals are organized by the Mastrukovski lakes of Volga during the summer time and the population of the city increases during the summer.

Yaroslavl

The city of Yaroslavl is located in the north east of and 250 kilometers away from the city center of Moscow, north of Russia on the Volga basin.



Due to the proximity of the city to Moscow and being located by the Volga River makes Yaroslavl unique when compared to other cities of the Russian Federation as it has a vast historical heritage and is under the protection of Unesco. City is located on very strategic transportation routes, which is another advantage. In ancient times, the city was situated on the intersection point of the Volga and Kotorosl rivers and the historical parts of the city have been selected as a Unesco world heritage site.

As of 2010, around 1.3 million tourists have visited the city. The city is expected to have a high potential for tourism and around 2.5 million visitors are estimated to have visited the city by 2014. Cruise tourism, culture tourism and business tourisms are the most important areas within the tourism sector.

2.2 General Overview of the Future for the Sector

According to the World Travel and Tourism Report published by the World Travel Tourism Council, the tourism and travel sector, which started recovering from the adverse effects of the economic crisis in the second half of 2010 accounted for 2.8% of the global gross product and the turnover was around 2 trillion US$. It is estimated that the sector will grow annually on average by 4.2% till 2022, will reach 3 trillion US$ turnover. When the effects of tourism to other sectors is examined, it is determined that tourism sector created a business volume equaling to 9.1% of the global production with a 6.3 million USD turnover and this amount will reach 10 trillion USD in 2022 with an annual increase of 4.3%.

The top ten countries ranking the highest in terms of national income estimation ranking in tourism and travel sectors in 2020 are indicated below.

Table 2.1: Income Estimations for Tourism and Travel Sectors (Billion $)

Country	2012-2022
People’s Republic of China	994.9
USA	465.2
India	146.3
Brazil	145.7
Mexico	81.6
Japan	76.9
United Kingdom	74.7
Indonesia	73.3
Russian Federation	49.9
Thailand	49.7

(Source: World Travel & Tourism Council Report)

In 2011, total proceeds of tourism sector was $ 6.3 trillion and this number is expected to increase annually by 4.3% on average in the next 10 years and reach around $ 9.9 trillion in 2022.

It is anticipated that the investments in tourism and travel sector in Russia shall grow by approximately 3.8% a year and reach $ 157 billion in 2022.

Table 2.4: Proceeds of Tourism and Travel Sector

Billion $	2011	2012	2022E	Average Annual Growth %
World	6,346	6,526	9,939	4.3%
Russia	103	108	157	3.8%

(Source: World Travel & Tourism Council Report)

In 2011, the investments in tourism accounted for 4.9% of all investments and equaled to 743 billion USD. It is anticipated that this figure will increase annually by 5.6% on average and reach 1.3 trillion $ level till 2022 and tourism's share in all investments will increase to 5.1%.

It is expected for investments in tourism and travel sector to increase annually by 5.3% and reach 18 billion $ in till 2022.

Table 2.5: Investments in Tourism and Travel Sector

Billion $	2011	2012	2022T	Average Annual Real Growth %
World	743	769	1.320	5.6%
Russia	10	10,2	18	5.3%

(Source: World Travel & Tourism Council Report)

3. The Company

3.1 General Information

3.1.1 Incorporation and Current Status

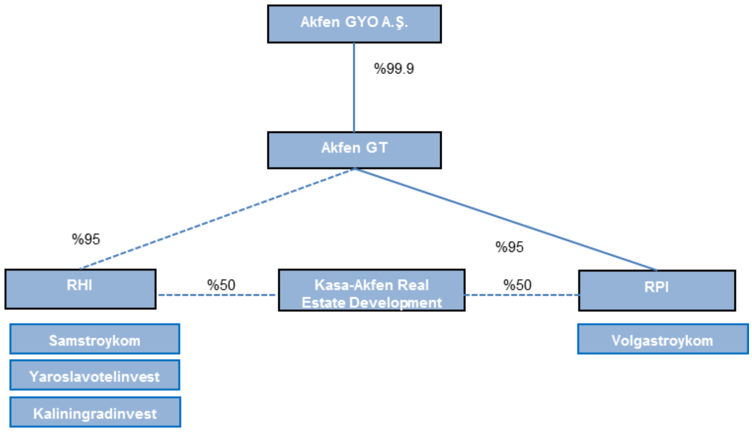
Akfen GT’s main activities include carrying out, developing, operating and contracting others to operate real estate investments. The Company, which was founded under the name T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret A.Ş. on 04 August 1999 changed its commercial title to Akfen Gayrimenkul Ticaret ve İnşaat A.Ş. on 27 September 2006. 99.9% of the shares of the Company belonging to Akfen Holding A.Ş. and Akfen İnşaat Turizm ve Ticaret A.Ş. were transferred to Akfen GYO on 21 February 2007.

Currently, Akfen GT obtains rental income from the 5-star Hotel it owns in Turkish Republic of North Cyprus and is carrying out various other hotel and office projects in Russia.

The 5-star hotel located in Turkish Republic of Northern Cyprus has been in operation with its casino since 2007. Further, Akfen GT has rented and obtained the allocation rights of a plot, with an area of 167 decares located in the Bafra region of TRNC from the Forestry Administration on behalf of the TRNC Ministry of Agriculture and Natural Resources for 49 years on 30/12/2010. The Company carries out all of its projects in Russia through its subsidiaries Russian Hotel Investment B.V. (“RHI”), and Russian Property Investment B.V. (“RPI”), founded in the Netherlands and of which it is a 95% shareholder.

The shareholding structure of Akfen GT with the Group companies has been summarized in the table below.

Table 3.1: Shareholding Structure as of 31 December 2012



3.1.2 Shareholding and Capital Structure

As of 27 December, 2012, the subscribed capital of the Company has been increased from 100 million TL to 121 million TL and this capital increase has been announced on the Official Bulletin of Turkish Trade Registry. The previous capital has been paid in cash, fully, and a quarter of the increased capital shall be paid within three months as of the date of registration. The remaining part of the increased capital was undertaken by the company shareholders in cash and fully and shall be paid in cash within three years fully.

The distribution of the capital amongst shareholders of the Company is as indicated in the table below.

Table 3.2: Share Distribution as of 31 December 2012

Shareholders	Number of Shares (TL)	Shareholding Percentage (%)
Akfen GYO A.Ş.	120,999,825	99.999855%
Akfen Tur. Yat. Ve İşl. A.Ş.	25	0.000041%
Akınısı Mak.San. Ve Tic. A.Ş.	25	0.000041%
Hamdi Akın	50	0.000062%
Total	**121,000,000**	**100%**

(Resource: Akfen GT)

3.1.3 Subsidiaries

Akfen GT has two subsidiaries founded in the Netherlands. One of these subsidiaries is Russian Hotel Investment B.V.(“RHI”) and the other one is Russian Property Investment B.V. (“RPI”).

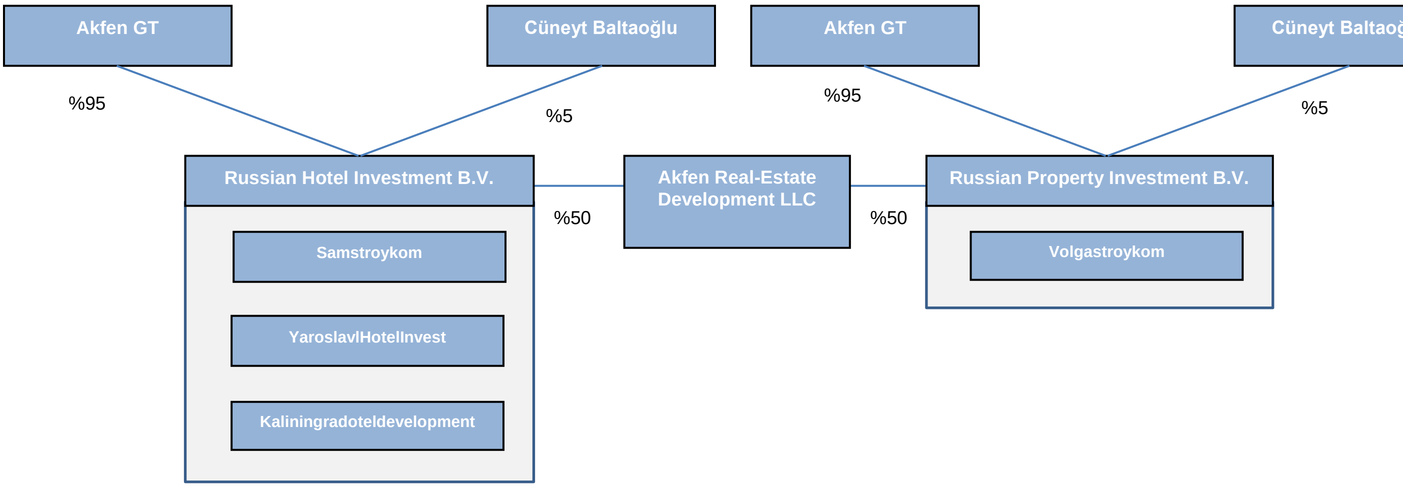
From these subsidiaries, RHI was founded under an equal 50 to 50% partnership structure between Akfen GT and Estern European Investment Ltd (“EEPI”) on 21 September 2007 in order to realize hotel projects in Russia. EEPI transferred 45% of its shares in RHI to Kasa Investments B.V. and 5% to Cüneyt Baltaoğlu on 28 December 2010 and Kasa Investments B.V. transferred its 45% share to Akfen GT on 29 July 2011 and Akfen GT’s shares in RHI has increased to 95% and 5% of RHI is still owned by Cüneyt Baltaoğlu.

Due to the legal requirements in Russia under the current regulations, a new company is required to be founded for a hotel project and therefore, all these companies established for realizing hotel projects in Russia are situated under the umbrella of RHI. The companies founded to carry out the hotel projects which are under the control of RHI have been indicated in Table 3.3.

RPI was founded by the joint venture of Akfen Gayrimenkul Geliştirme ve Tic. A.Ş. and Eastern European Property Investment Ltd (“EEPI”) on 8 January 2008, to carry out office projects in Russia and all companies founded on project basis are gathered under the umbrella of RPI. Akfen GT took over the share of Akfen Gayrimenkul Geliştirme ve Tic. A.Ş. on 5 June 2009. Besides the Samara Office project which is still ongoing, all companies under the structure of RPI are currently inactive. Eastern European Property Investment Ltd. (EEPI), respectively transferred 45% of its shares in RPI to Kasa Investments B.V. and 5% of its shares to Cüneyt Baltaoğlu on 21 December 2010 and then, Kasa Investments B.V. transferred its 45% share to Akfen GT on 29 July 2011 and Akfen GT’s shares in RHI has increased to 95% and 5% of RHI is still owned by Cüneyt Baltaoğlu.

RHI and RPI had further established a joint venture and founded Kasa-Akfen Real-Estate Development LLC. The main activity scope of this company based in Moscow is to serve as the headquarters for management of investment projects in Russia and Kasa withdrew from the partnership as of 20 July 2011.

Table 3.3: Shareholding Structure as of 31 December 2012



3.1.4. Activities

Akfen GT, whose headquarters are located in Ankara, has positioned its operations in two bases; in TRNC and Russia.

The Russian based projects are carried out by the subsidiaries of Akfen GT; RHI and RPI and the TRNC activities are carried out by Akfen GT itself, as it is registered under its own title in the TRNC Overseas Company Register.

TRNC

Hotel and casino operation and rental income obtained from the 5-star hotel and casino located in the city of Girne in TRNC, which was completed on December 2006 and which is owned 100% by the Company, constitute the TRNC side of the revenues of Akfen GT.

Akfen GT has been renting out both the hotel and the casino since 2008. The hotel portion of the hotel and casino which has been constructed on the plot allocated from State Real Estate and Provision Administration of Ministry of Finance in TRNC and rented for 49 years as of 01.08.2003, has been rented out to Serenas Turizm Kongre ve Organizasyon Hizmetleri Ltd. Şti. between 01/01/2008 – 31/12/2012. The hotel has been built on 31.315 square meters and has 299 rooms with 648 beds. Rental income has been obtained for the casino situated on 2.248 square meters closed area and the casino part has been rented out to and operated by Voyager Kıbrıs Ltd Şti. during this period. Following the expiry of the agreement signed with Serenas Turizm Kongre ve Organizasyon Hizmetleri Ltd. Şti; by another agreement signed between Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and Voyager Kıbrıs Ltd. Şti. on 15.05.2012, the whole of the 5-star hotel, including the Casino has been rented by Voyager Kıbrıs Ltd. Şti. for 20 years starting from the start of the rental period. It was noted that the name of the hotel will be changed beginning from the start of the new rental period.

The tenant Voyager Kıbrıs Limited shall pay an annual rent of EUR4,750,000.00 to Akfen GT for the hotel and the casino. The annual rent shall be fixed for the first five years and on the following 6th and 7th years, if Euribor is under 2%; the rent increase shall equal to Euribor and if it is above 2%, the rent shall increase by 2%. In the following 8th, 9th and 10th years, the rent shall be updated according to changes in Euribor rates.

Russia

The other part of Akfen GT's activities consists of hotel and office investment projects in Russia. As indicated above, the Company realizes its operations related with the hotel and office projects in Russia through its subsidiaries; RHI and RPI.

The hotel and office projects in progress are as indicated in the table below.

Table 3.4 Russia Projects

Projects Planned or in Progress	Number of Rooms	Commencement Date	Operation Date	Plot Are (m^2)	Total ARea (m^2)
Samara IBIS	204	07/2009	03/2012	2,466	9,961
Yaroslavl lBIS	177	04/2010	09/2011	4,468	7,916
Kaliningrad IBIS	167	01/2011	07/2013	5,099	6,322
Samara Office	-	07/2009	01/2012	1,048	6,510

(Source: Akfen GT)

As of 8 September 2011, Yaroslavl IBIS Hotel has been open and is now in operation. Samara IBIS Hotel commenced its activities in March 2012 and it is expected for Kaliningrad Ibis Hotel to be opened in July 2013. The Samara

Office has been empty for a year and shall be rented out by the beginning of 2013.

Following the completion of the construction, the Company shall be authorized to purchase the plot located in the city of Kaliningrad.

3. 2 Financial Analysis

The consolidated condensed financial tables of Akfen GT for the years 2009-2011 and for 2012 September are as indicated below. The financial data of Akfen GT Headquarters and Akfen GT TRNC have been consolidated by the Company in accordance with the international financial reporting standards. However, the investments of RHI and RPI have been included in the investment properties and investment properties in progress item.

Table 3.5: Balance Sheet of Akfen GT

CONSOLIDATED BALANCE SHEET OF AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Balance Sheet EUR	31.12.2010	31.12.2011	30.09.2012
	2,377,236	**5,432,655**	**5,233,803**
Cash and Cash Equivalents	320,580	572,379	875,010
Trade Receivables	846,283	25,535	633,181
Other Receivables	1,005,736	2,362,118	2,870,078
Other Current Assets	204,636	2,472,623	855,533
Fixed Assets	**105,185,049**	**165,127,678**	**176,185,990**
Other Receivables	13,626	11,948	12,421
Financial Investments		56	-42,896
Investments assessed with Equity method			
Investment Properties and Investment Properties in Progress	102,148,335	162,196,928	172,783,533
Tangible Fixed Assets	18,625	11,458	36,449
Other Fixed Assets	3,004,462	2,907,287	3,396,484
Total Assets	**107,562,284**	**170,560,333**	**181,419,793**
Short-Term Liabilities	**16,783,502**	**41,953,805**	**16,799,976**
Financial liabilities	14,572,939	39,221,689	14,155,913
Trade liabilities	257,352	1,119,395	954,676
Other liabilities	1,706,551	1,095,604	1,107,130
Other short-term liabilities	246,660	517,116	582,256
Long-Term Liabilities	**25,108,831**	**23,139,440**	**46,347,994**
Financial liabilities	21,450,019	12,192,702	33,082,584
Deferred tax liability	3,658,812	10,946,738	13,265,409
Equity	**65,669,951**	**105,467,089**	**118,271,824**
Paid-in Capital	23,738,227	38,579,198	46,138,115
Share capital adjustments	278,808	233,778	247,479
Effect of merges under joint control	-274,073	-229,807	-243,276
Foreign currency conversion adjustments	14,626	-7,331,931	-4,795,103
Previous year’s profit/(losses)	33,645,037	41,926,474	72,150,232
Net term profit	8,281,437	30,223,758	2,485,598
Minority interests	-14,111	2,065,620	2,288,778
Total Liabilities	**107,562,284**	**170,560,333**	**181,419,793**

(Source: Akfen GT)

The balance sheet of the Company has been converted to EUR by using the term end foreign exchange purchase rates of Central Bank of Turkey as indicated in the table below:

Table 3.6: Central Bank of Turkey term-end foreign exchange purchase rates

	2010	2011	2012/9
EURO/TL (Term end exchange rate)	2.0491	2.4438	2.3085

(Source: Central Bank of Turkey)

The income statement of the Company has been converted to EUR by using the average foreign exchange purchase rates of Central Bank of Turkey as indicated in the table below:

Table 3.7: Central Bank of Turkey Average foreign exchange purchase rates

	2011	2011/9	2012/9
EURO/TL (Average Exchange Rate)	2.3224	2.2757	2.3004

(Source: Central Bank of Turkey)

The total assets of Akfen GT as of the end of September, 2012, equals to 181.4 million Euros. 95.2% of these assets are investment properties.

The investment properties account consists of the 5-star hotel located in the city of Girne in TRNC, which undergoes assessment on yearly basis and the subsidiaries of the company RHI and RPI.

A total of 25.5% of the liabilities of the Company as of the end of September, 2012, consist of long-term financial liabilities. Long-term bank loans form 18.2% of the liabilities of the Company.

A total of 93% of the long term loans of the Company are loans borrowed in Euro currency. Long-term Russian loans are all Euro currency loans obtained from EBRD and IFC and for these loans, the Company is obliged to pay a fixed interest of 6.5% + Euribor (3-month) and fixed 6.5% + 1%. The maturity date of loans for Samara Ibis and Yaroslavl Ibis is 1 February 2022 and the maturity date of the loan borrowed for Kaliningrad is 1 August 2023. The interest rate for all other loans in Euro is (3-month) Euribor +3.7% and the maturity is 10 September 2015. The interest rate of TL loans of the Company is 10% and the maturity is 16 May 2016. The short-term loans of Company for the periods examined equals to 14.3 million Euros and these consist of short-term portions of long-term liabilities. The Company further has another short-term loan borrowed for its Samara Office project from Credit Europe Bank equal to 7.5 million Euros with a fixed interest rate of 7.5% + 0.44%, with maturity on 17 August 2013.

As of 27 December, 2012, the subscribed capital of the Company has been increased from 100 million TL to 121 million TL (51.5 million Euros) and this capital increase has been announced on the Official Bulletin of Turkish Trade Registry. The previous capital has been paid in cash fully and ¼ of the increased capital shall be paid within three months as of the date of registration. The remaining part of the increased capital was undertaken by the company shareholders in cash and fully and shall be paid in cash within three years, fully.

Table 3.8: Income Statement of Akfen GT

INCOME STATEMENT OF AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Income Statement €	**31.12.2011**	**30.09.2011**	**30.09.2012**
Sales Revenues	4,741,523	3,563,986	4,567,768
Cost of Sales	-49,744	-8,510	-167,157
Gross Profit	**4,691,780**	**3,555,476**	**4,400,611**
General administration expenses	-1,526,844	-771,382	-1,309,640
Appreciation of investment properties, net	29,540,663	18,164,521	0
Appreciation of investment properties in progress	7,146,414	-96,567	0
Other income	5,997,529	5,534,546	2,371,053
Other operating expenses	-2,516,164	-937,439	-438,179
Operating Profit	**43,333,377**	**25,449,155**	**5,023,846**
Share in loss of investments assessed with the Equity method			
Financial income	987,675	476,698	9,961,786
Financial expenses	-6,769,516	-7,464,144	-10,534,724
Profit before Tax	**37,551,537**	**18,461,710**	**4,450,909**
- Deferred tax income/loss	-6,812,213	-3,513,061	-1,975,440
Net Term Profit	**30,739,323**	**14,948,649**	**2,475,469**
Non controlling interests	*515,566*	*-241,420*	*-10,129*

(Source: Akfen GT)

The main income of the Company for the years examined consists of the rental income obtained from the hotel and the casino. Another important source of income is the appreciation of the investment properties and investment properties in progress.

4. Expectations from the Future and Appraisal

4. 1 Appraisal Method

There are various methods that can be used for valuation of companies. These range from methods based solely on the future performance of a company (cash generation, dividend yield, etc.) to approaches that re-assess the value of current assets of a company (re-construction or sell-off) or comparison of current and future size of a company to similar companies operating within the markets and assessment based on price multipliers based on elected market indicators.

In this study carried out in order to assess the value of Akfen GT, the **Discounted Cash Flow (DCF)** method has been utilized. In the DCF method, the estimated operating volume (sales revenue) the Company is projected to achieve and cash flows to be obtained from its operations (operating income + depreciation) and the free cash flows it will obtain after tax payments and required operating costs and fixed assets are covered are calculated. The cash flows projected on a yearly basis are discounted by a certain rate to reach the current value of cash flows. The Discount rate is the weighted average cost of capital reflecting the weighted average of cost of equity and borrowing (Weighted Average Cost of Capital).
This value calculated is the **Enterprise Value** expressing the company value by excluding financial liabilities and the value of assets. The Equity Value is calculated by deducting, if any, net financial liabilities (financial liabilities – cash and cash equivalents) and if required, severance and notice pay, and by adding if any, subsidiaries or non-operational other assets to the Enterprise Value.

4. 2 Assumptions

4.2.1. TRNC Assumptions

Revenues

Akfen GT has signed a rental agreement Voyager Kıbrıs Limited on 15 May 2012. Net Holding subsidiary Voyager Kıbrıs Limited is a company founded under the laws of TRNC and is currently operating and active and has been operating the casino of the 5-star hotel located in the city of Girne in TRNC since 2007 through a rental agreement. The 5-star hotel built on the plot allocated to Akfen GT by the TRNC Ministry of Tourism and Economy, together with its casino, operating materials, machinery, equipment, fixings and etc. have been included in the new rental agreement signed with Voyager Kıbrıs Limited. It was also noted that the name of the hotel shall change as of the new rental period.

The date the rental agreement came into force was deemed as the date of the Agreement: 15 May, 2012. It was assumed that the new rent payment period will begin on 1 January 2013. The term of the Agreement is 20 years.

The tenant Voyager Kıbrıs Limited shall pay an annual rent of 4,750,000.00 Euros to Akfen GT. The rent shall be paid in three equal installments and the first installment shall be paid in cash on the handover of the hotel to the tenant and the remaining installments shall be paid in every four months. The annual rent is fixed for the first five years and on the following 6th and 7th years, if Euribor is under 2%; the rent increase shall equal to Euribor and if it is above 2%, 2% increase shall apply. On the following 8th, 9th and 10th years, the rent shall be updated according to changes in Euribor rates. For the next 10 years, Akfen GT and Voyager Kıbrıs Limited shall hold a meeting and negotiate the new annual rent. If the companies cannot come to a mutual agreement, the rent increase shall be based on Euribor rates. The payment conditions shall be similar; annual rent shall be paid in three equal installments with the first installment due in cash and the remaining installments to be paid in every four months.

When calculating the value of the 5-star hotel in TRNC owned by Akfen GT, it was assumed that the casino and the hotel shall both be rented out and therefore, utilized.

The rental revenues of the hotel and the casino have been based on the current agreement conditions and no increase was accounted for the first five years for the annual rent of 4,750,000.00 Euros and this amount was increased by 2% for the following years.

Expenses

Since the revenues of the company are based on the rental income, the general administration expenses including the personnel and offices expenses in expense accounts were not taken into consideration and the annual inflation rate was increased by an estimate of 2.5% .

According to the conditions of the Agreement, all kinds of taxes, duties and expenses are for the account of Voyager Kıbrıs Limited and Akfen GT shall only be liable for real estate taxes and taxes related property rights. The fee for right of building paid to Devlet Emlak was determined according to the agreement and has been increased by 3% until the end of the term of the agreement. The real estate tax and building insurances were added to the accounts and it was assumed that these amounts will increase with fixed rate of 2.5% annually.

Since all costs regarding the operation of the hotel shall be for the account of the tenant Voyager Kıbrıs Limited Şirketi, no operation costs were provided for Akfen GT.

Investment Assumptions

The rental agreements state that all expenses regarding basic renovation and replacements required within the hotel shall be covered by the tenants. Based on the assumption that such investments will be covered by the tenants, a small replacement investment equal to 0.85% of annual sales, starting from EUR40,375 for 2013 has been anticipated for the projection period.

Tax Assumptions

The projections have been extended until the year 2052 since the plot on which the 5-star hotel is located has been rented for 49 years and the effects of taxes that will be imposed on the Company in TRNC during this period were evaluated. As of 2010, the Company had an investment allowance equal to 68 million TL, which is deductible from the taxable amount for corporate tax and further, an accumulated loss of 1.7 million TL from previous years in accordance with the Tax Procedure Law. The operating income for the year 2011 has been calculated based on the income table date of the Company without taking into consideration the appreciation of investment properties and investment properties in progress (estimate amounts have been used for the year 2012) and when the future years' revenues were examined, it was determined that the Company shall not liable for tax payments until 2019 and as of 2019, the corporate tax rate in TRNC shall equal to 23.5%

Depreciation

The depreciation terms for the fixed assets of the Company start from 2007: 25 years for buildings, 10 years for facilities and machinery, 5-7 years for vehicles and on average 30 years for special costs.

Discount Rate

Weighted Average Cost of Capital was used in order to calculate the present value of the anticipated free cash flows of the hotel income spread over the years. The details regarding the calculation of this rate are as stated in Annex 1.

4.2.2 TRNC Projections

TRNC - Euro	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rent Revenue	4,750,000	4,750,000	4,750,000	4,750,000	4,750,000	4,845,000	4,941,900	5,040,738	5,141,553	5,244,384
Overhead Expenses	(144,363)	(147,972)	(151,672)	(155,463)	(159,350)	(163,334)	(167,417)	(171,603)	(175,893)	(180,290)
Consolidated EBITDA (loss) for TRNC & HQ	4,605,637	4,602,028	4,598,328	4,594,537	4,590,650	4,681,666	4,774,483	4,869,135	4,965,660	5,064,094
Taxes	-	-	-	-	-	-	(1,328,760)	(937,975)	(960,664)	(983,796)
Investments	(40,375)	(40,375)	(40,375)	(40,375)	(40,375)	(41,183)	(42,006)	(42,846)	(43,703)	(44,577)
Cash Flows for TRNC & HQ	4,565,262	4,561,653	4,557,953	4,554,162	4,550,275	4,640,484	6,061,236	5,764,264	5,882,621	6,003,312
Discount Rate (Wacc)	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*

TRNC - Euro	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rent Revenue	5,349,271	5,456,257	5,565,382	5,676,690	5,790,223	5,906,028	6,024,149	6,144,631	6,267,524	6,392,875
Overhead Expenses	(184,797)	(189,417)	(194,153)	(199,006)	(203,982)	(209,081)	(214,308)	(219,666)	(225,157)	(230,786)
Consolidated EBITDA (loss) for TRNC & HQ	5,164,474	5,266,840	5,371,229	5,477,683	5,586,242	5,696,947	5,809,840	5,924,966	6,042,367	6,162,088
Taxes	(1,007,403)	(1,031,459)	(1,055,991)	(1,081,008)	(1,106,519)	(1,132,534)	(1,159,064)	(1,186,119)	(1,213,708)	(1,241,843)
Investments	(45,469)	(46,378)	(47,306)	(48,252)	(49,217)	(50,201)	(51,205)	(52,229)	(53,274)	(54,339)
Cash Flows for TRNC & HQ	6,126,409	6,251,921	6,379,915	6,510,439	6,643,544	6,779,280	6,917,700	7,058,855	7,202,801	7,349,591
Discount Rate (Wacc)	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*

TRNC - Euro	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Rent Revenue	6,520,732	6,651,147	6,784,170	6,919,853	7,058,250	7,199,415	7,343,403	7,490,272	7,640,077	7,792,878
Overhead Expenses	(236,556)	(242,470)	(248,532)	(254,745)	(261,114)	(267,641)	(274,333)	(281,191)	(288,221)	(295,426)
Consolidated EBITDA (loss) for TRNC & HQ	6,284,176	6,408,677	6,535,638	6,665,108	6,797,136	6,931,774	7,069,071	7,209,081	7,351,856	7,497,452
Taxes	(1,270,533)	(1,299,791)	(1,329,627)	(1,360,052)	(1,391,079)	(1,422,719)	(1,638,207)	(1,671,109)	(1,704,662)	(1,738,877)
Investments	(55,426)	(56,535)	(57,665)	(58,819)	(59,995)	(61,195)	(62,419)	(63,667)	(64,941)	(66,239)
Cash Flows for TRNC & HQ	7,499,283	7,651,933	7,807,599	7,966,342	8,128,220	8,293,297	8,644,859	8,816,523	8,991,577	9,170,090
Discount Rate (Wacc)	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*

TRNC - Euro	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Rent Revenue	7,948,736	8,107,711	8,269,865	8,435,262	8,603,968	8,776,047	8,951,568	9,130,599	9,313,211	5,569,555
Overhead Expenses	(302,812)	(310,382)	(318,142)	(326,095)	(334,248)	(342,604)	(351,169)	(359,948)	(368,947)	(221,722)
Consolidated EBITDA (loss) for TRNC & HQ	7,645,924	7,797,329	7,951,723	8,109,167	8,269,720	8,433,443	8,600,399	8,770,651	8,944,264	5,347,834
Taxes	(1,773,768)	(1,809,348)	(1,845,630)	(1,882,630)	(1,920,360)	(1,958,835)	(1,998,069)	(2,038,078)	(2,078,877)	(1,233,716)
Investments	(67,564)	(68,916)	(70,294)	(71,700)	(73,134)	(74,596)	(76,088)	(77,610)	(79,162)	(47,341)
Cash Flows for TRNC & HQ	9,352,128	9,537,761	9,727,060	9,920,097	10,116,946	10,317,681	10,522,380	10,731,119	10,943,980	6,534,209
Discount Rate (Wacc)	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*

4.2.3 Russia Assumptions

Revenues

Targeted revenues for each hotel, included in the hotel projects in Russia, which shall be operated by Accor have been calculated based on the expertise reports and business plans of Akfen GT and by further considering the occupancy rates, number of rooms and average daily rates and also based on the assumption that such hotels shall operate 365 days a year.

As indicated in the table below showing the expected occupancy rates, the occupancy rates increase in the first few years following the opening of a hotel and when the expected occupancy rate is reached, this rate becomes stable for the coming years.

Table 4.1: Occupancy Rates

Occupancy Rates	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Samara IBIS	48%	70%	72%	74%	74%	74%	74%	74%	74%
Yaroslavl lBIS	69%	75%	80%	85%	85%	85%	85%	85%	85%
Kaliningrad IBIS	-	-	75%*	78%	80%	82%	82%	82%	82%

(Source: Akfen GT. 2012 data are actual data. The opening date of the Hotel in Kaliningrad has been assumed as 1 July 2013. The estimated occupancy rates are for 1 July – 30 June Period.)*

The average daily room tariffs were for bed and breakfast and the expected increases in these tariffs have been summarized in the table below.

Table 4.2: Average Daily Room Rates

Average Daily Rate €	**Number of Rooms**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Samara IBIS	**204**	53.00	60.00	65.40	71.29	77.70	81.59	85.67	89.95	94.45
Yaroslavl Ibıs	**177**	49.00	65.00	68.25	71.66	75.25	79.01	82.96	87.11	91.46
Kaliningrad IBIS	**167**			78.75*	82.69	86.82	91.16	95.72	100.51	105.53

(Source: Akfen GT. 2012 data are actual data. The opening date of the Hotel in Kaliningrad has been assumed as 1 July 2013. The estimated occupancy rates are for 1 July – 30 June Period.)*

In addition to revenues obtained from rooms, hotel extras have also been included in the revenue projections and have been assumed to be between 22-36% of the total revenue for the rooms.

Since there are shops which can be rented out within the Yaroslavl project, rental income for such shops has also been included in these calculations. For the rentable shops located on 400 square meters, EUR 92.5 per square meter was estimated and a 5% rent increase was further accounted for in the projections.

For Samara Office Project realized by RPI, a subsidiary of Akfen GT, for 2013, 3.605 m^2 out of the whole net floor area of 4.807 m^2 was assumed to be rented out. The occupancy rate for 2013 was taken as 75% and 99% for the following years. It was projected for the rent per m^2 which equaled to EUR 192 in 2013 to increase by 4% and reach EUR 253 by 2020. Further, it was assumed that half of the office block management expenses, which constitute 30% of the income revenue for the Samara Office Project, will be compensated by the common area shares to be collected from the tenants. Further, since the office block has a closed car park and a monthly charge of EUR 75.00/vehicle shall be applied, EUR 28,800.00 parking lot income was accounted for the year 2013 and increased accordingly for the coming years.

Profitability Projections

Based on the expertise reports submitted by the company, it was assumed that, depending on the occupancy rates, the profit margins of the planned investments will increase after they are commissioned and for the first 3-4 years the profit margins shall be fixed.

Table 4.3: Average Gross Profit Margins

Gross Activity Margins%	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Samara IBIS	46%	53%	56%	58%	58%	58%	58%	58%	58%	58%
Yaroslavl IBIS	58%	60%	62%	62%	62%	62%	62%	62%	62%	62%
Kaliningrad IBIS		40%	45%	50%	55%	58%	58%	58%	58%	58%

(Source: Akfen GT. 2012 data are actual data. The opening date of the Hotel in Kaliningrad has been assumed as 1 July 2013. The estimated occupancy rates are for 1 July – 30 June Period.)*

Four percent of the income expected to be obtained over the years is reserved in order to be used for fixtures and stocks over the years. Further, 4% of the proceeds of the hotel is paid to Accor as a fee. According to the agreement, Akfen GT receives a fee equal to 75% of the adjusted gross operation profit after such amounts are deducted from the proceeds of IBIS Hotels located in Samara, Yaroslavl and Kaliningrad.

Expense Assumptions

The expenses on project basis include maintenance and repair costs, insurance costs, and immovable property tax and plot rents. It was projected for maintenance and repair costs to be 0.5% of the value of the building investment over the years for all projects and a raise of 2.5% was applied for the coming years.

As of 2013, the insurance expenses for Samara Ibis Hotel was projected as EUR55,350.00 and a raise of 2.5% was applied for the coming years. The real estate tax will not be paid as a result of the tax exemption provided for five years beginning from the opening date of the hotel (free of charge for the first five years) and such exemption advantage will expire in 2017 and the real estate tax to be imposed in 2017 was calculated as EUR 247,000 and it was assumed that this amount shall decrease in line with the attrition rate (0.45%) over the years (in Russia, the real estate taxes decrease over the years according to the attrition rate of the building). The land tax for the Samara İbis Hotel plot has been estimated as EUR 14,000.00 for the year 2013 and an increase equal to 2.5% was projected. The Corporate Tax for Samara Ibis Hotel, which was deferred due to previous year’s losses, was projected to be 197 thousand Euros in 2016 and to be around 20% of the operating profit as of 2017.

The insurance expenses for Yaroslavl Ibis Hotel was taken as EUR49,000.00 as of 2013 and an increase of 2.5% was applied for the following years. Since the hotel shall be exempt from real estate tax for the first five years after it is taken over, the first payable tax shall be imposed in 2016 and it was estimated to be around EUR 231,000 and a 4% annual decrease was projected. The ground rent of Yaroslavl Ibis Hotel was estimated as EUR 20,400.00 according to the business plans of the Company for 2011 and a 2% increase over the coming years was accounted for. The Corporate Tax for Yaroslavl İbis Hotel, which was deferred due to previous year’s losses was projected to be around 99 thousand EUR in 2016 and to be around 20% of the operating profit as of 2017.

For Kaliningrad Ibis Hotel, since the hotel will be exempt from real estate tax for the first six years after it is taken over, the first payable tax will be imposed in 2019 and it was estimated as EUR 91,000 and a 0.4% annual decrease was projected. The real estate tax imposed in Russia decreases over the years according to the attrition rates. Further, the hotel shall be exempt from Corporate Tax for the first six years and a discount of 50% shall apply for the next five years and the corporate tax payments, which shall begin in 2019, were projected to be around 10%. The building insurance amount was taken for the year 2014 (2013 beginning of July – 2014 End of June period) as EUR 53,000 and it was assumed that it will increase in proportion to the inflation rates and annually by 2.5%. It was further presumed that the ground rent is not while the construction is still ongoing and the plot will be purchased once the construction is completed.

For Samara Office Project realized by RPI, a subsidiary of Akfen GT, the office block management expenses were taken as 30% of the rental income and half of this amount shall be compensated by the common area shares to be collected from the tenants. It was assumed that common area shares for areas which are not rented out shall be paid by the property owner. For Samara Office Project, the maintenance and repair expenses were projected as 0.5% of the construction investment. This amount was increased by 2.5% for the coming years. Insurance expenses for the Samara Office Project were assumed to be around EUR 34,850.00 and this amount was increased by 2.5% for the coming years. Since the project shall be exempt from real estate tax for the first five years (free of charge for five years) after it opens, the first payable tax shall be imposed in 2017 and is estimated as EUR106,000 and a 4% annual decrease was projected over the years. The amount of ground rent for the Samara Office has been assumed as EUR4,000.00 for 2013 and this amount was fixed for the coming years. The corporate tax deferred to the previous year's losses for Samara Office shall become payable in 2018 and equal to 177 thousand Euro, and it was assumed to be around 20% of the operating profit as of 2018.

Along with the general administration costs of the hotel project based in the cities, the general administration costs of Akfen GT headquarters were also calculated and included in the cash flows of the projects.

Depreciation

The depreciation term of the fixed assets of the Company is five years and 30 years have been assumed for other fixed investments.

Other Assumptions

Weighted Average Cost of Capital was used in order to calculate the current value of the anticipated free cash flows of the hotel proceeds spread over the years. The details regarding the calculation of this rate are as state in Annex 1.

In this appraisal study, when the final values of cash flows belonging to all hotel projects based in Russia were calculated, a 3% growth rate was used. Further, it was assumed that the plot is to be rented out and purchasing option shall be used for Yaroslavl and Kaliningrad projects.

4.2.4 Russia Investment Projections

No other investments were assumed for Samara Ibis Hotel, Yaroslavl Ibis Hotel and the Samara Office since these investments have been completed. For the investment in Kaliningrad, the ground rent was assumed to be paid during the construction and the plot to be purchased once the construction is completed. An investment of 3.3 million Euros, excluding VAT was projected for the Kaliningrad Ibis Hotel project, planned to be opened in July 2013.

4.2.5 Russia Projections

Net Sales - Euro	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	3,921,659	4,330,123	4,664,366	5,098,088	5,338,367	5,605,285	5,885,549	6,196,758	6,488,818	6,813,259	7,153,922	7,532,198	7,887,199
Yaroslav IBIS	4,069,146	4,423,401	4,860,086	4,998,985	5,234,593	5,496,323	5,771,139	6,076,298	6,362,681	6,680,815	7,014,856	7,385,778	7,733,878
Kaliningrad IBIS	-	4,651,400	4,780,545	4,920,397	5,281,108	5,545,164	5,822,422	6,130,293	-	-	-	-	-
Samara Office	783,597	1,066,617	1,109,282	1,153,653	1,199,799	1,247,791	1,297,703	1,349,611	1,403,595	1,459,739	1,518,128	1,578,854	1,642,008
Total Net Sales	8,774,402	14,471,541	15,414,278	16,171,123	17,053,867	17,894,563	18,776,813	19,752,959	14,255,094	14,953,813	15,686,906	16,496,830	17,263,085

Cost of Sales - Euro	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	2,117,696	2,035,158	2,052,321	2,141,197	2,242,114	2,354,220	2,471,931	2,602,638	2,725,304	2,861,569	3,004,647	3,163,523	3,312,624
Yaroslav IBIS	1,709,041	1,769,360	1,846,833	1,899,614	1,989,145	2,088,603	2,193,033	2,308,993	2,417,819	2,538,710	2,665,645	2,806,596	2,938,874
Kaliningrad IBIS	-	2,790,840	2,629,300	2,460,198	2,376,499	2,328,969	2,445,417	2,574,723	2,696,073	2,830,876	2,972,420	3,129,592	3,277,093
Total Cost of Sales	3,826,737	6,595,358	6,528,453	6,501,010	6,607,758	6,771,791	7,110,381	7,486,354	7,839,195	8,231,155	8,642,712	9,099,711	9,528,590

Gross Profit	4,947,665	7,876,183	8,885,825	9,670,113	10,446,109	11,122,771	11,666,432	12,266,605	12,835,119	13,462,839	14,121,384	14,848,528	15,537,097

Gross Profit After the Accor Share	3,462,350	5,406,403	6,122,142	6,680,640	7,226,012	7,700,081	8,072,607	8,482,615	8,872,928	9,302,538	9,753,068	10,249,065	10,721,028
Expenses related to the Hotel&Office	(575,655)	(759,918)	(783,296)	(1,026,885)	(1,277,682)	(1,284,434)	(1,379,290)	(1,388,996)	(1,400,348)	(1,413,343)	(1,427,984)	(1,444,274)	(1,462,219)

EBITDA- Euro	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	948,749	1,288,045	1,501,234	1,729,158	1,579,801	1,685,516	1,795,629	1,916,758	2,030,134	2,155,098	2,285,604	2,429,687	2,564,529
Yaroslav IBIS	1,411,699	1,608,840	1,849,983	1,684,712	1,786,830	1,899,171	2,016,472	2,145,738	2,267,092	2,401,012	2,541,097	2,695,856	2,841,123
Kaliningrad IBIS	-	1,015,287	1,222,926	1,443,555	1,752,455	1,967,463	1,982,073	2,094,882	2,200,508	2,318,065	2,441,556	2,578,915	2,707,552
Samara Office	511,246	718,863	748,789	779,939	812,361	846,108	881,234	917,793	955,844	995,449	1,036,668	1,079,569	1,124,219
Total EBITDA	2,871,694	4,631,035	5,322,932	5,637,364	5,931,448	6,398,258	6,675,407	7,075,171	7,453,579	7,869,624	8,304,925	8,784,028	9,237,423
Taxes	-	-	-	(281,200)	(482,139)	(795,408)	(890,759)	(959,431)	(1,024,550)	(1,096,003)	(1,170,714)	(1,252,799)	(1,330,614)
Investment Expenses	(3,078,637)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow	(206,942)	4,631,035	5,322,932	5,356,164	5,449,309	5,602,850	5,784,648	6,115,740	6,429,029	6,773,620	7,134,211	7,531,229	7,906,808
Discount Rate (Wacc)	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%

4.4 Appraisal according to Discounted Cash Flow

The **Discounted Cash Flow (DCF)** method has been utilized in order to assess the value of Akfen GT. This method is based on calculating the current value of the company from the free future cash flows projected for the Company by the weighted average cost of capital of the Company. According to this method the current value of future cash flows gives the **Enterprise Value** and the Equity value is achieved by deducting the net financial liabilities from this amount.

The equity value of Akfen GT calculated by using the DCF method is as indicated below.

Table 4.5: Company and Equity Values as of 31.12.2012

<table>
<tr><th colspan="2">Euro (000)</th><th>Value</th><th>Financial Liabilities (-)</th><th>Liquid Assets(+)</th><th>Equity Value</th></tr>
<tr><td rowspan="2">Akfen GT HQ</td><td>KKTC & HQ Value</td><td>65,599</td><td>12,586</td><td>919</td><td>53,932</td></tr>
<tr><td>Land in Bafra</td><td>2,880</td><td>-</td><td>-</td><td>2,880</td></tr>
<tr><td rowspan="3">RHI(95%)</td><td>Samara IBIS</td><td>28,840</td><td rowspan="3">30,003</td><td rowspan="3">9,618</td><td rowspan="3">69,209</td></tr>
<tr><td>Yaroslav IBIS</td><td>32,205</td></tr>
<tr><td>Kaliningrad IBIS</td><td>28,549</td></tr>
<tr><td>RPI (95%)</td><td>Samara Office</td><td>13,492</td><td>7,125</td><td>706</td><td>7,073</td></tr>
<tr><td colspan="2">Akfen GT Company Value</td><td>171,565</td><td colspan="2">Akfen GT Equity Value</td><td>133,094</td></tr>
</table>

The Company Value of Akfen GT, calculated by discounting the cash flows of the Company spread over the years by the weighted average cost of capital is **171,565 million Euros** as of 31 December 2012.

The Equity Value of Akfen GT, calculated by deducting the net financial liabilities from and by adding the cash and cash equivalents (liquid assets) to the Company Value is **133,094 million Euros (312,997 million TL)** as of 31 December 2012.

4. Annexes

-Annex:1

DISCOUNT RATE CALCULATION

Weighted Average Cost of Capital (WACC) method has been used for determining the discount coefficient for calculating the discount rate in Discounted Cash Flow Method. The mathematical formula of this method is as indicated below:

<u>WACC</u> = (Liabilities/(Liabilities+Equity) x Liability Costs x (1-t) + (Equity/(Liability+Equity) x Cost of Equity

WACC calculation method has been followed for both TRNC and Russia.

TRNC

The liability-equity balance of the Company was calculated as 25% liabilities – 75% equity in the long-term.

The cost of borrowing was estimated to be around (risk free return ratio in Turkey % 1%) level when the current market conditions and the indebtedness structure of the Company were considered. The Eurobond yield interest, with maturity as 18 May 2020, was considered as 3.04% and in total, 4.04% level was fixed for the projection period. The Corporate Tax rate indicated as t in the formula is 23.5% and the cost of borrowing, with tax effect, is calculated as 3.09%.

For calculation of cost of equity, the classic Capital Asset Pricing Model (CAPM) was used.

In the CAPM Model, mathematically expressed as **$K_e = R_f + ß$ * Market Risk Premium,** the Market Risk Premium was calculated as 6.0%.

The levered beta of Akfen GT for Cyprus, has been unlevered by 0.87, which is the beta average for the last two years and was calculated as 0.71 after it was re-levered according to the debt structure of the Company and the 23.5% tax rate and since the debt structure of the Company will not change in the future years, it was taken as a constant. Eurobond yield interest rate dated 18 May 2020 equal to

3.04% has been taken as R_f and the country risk premium for Cyprus was assumed as 0.50%.

Russia

For calculation of cost of equity, the classic Capital Asset Pricing Model (CAPM) was used for Russia, like TRNC.

When the financial projections, current loan repayment plans and the future financing needs calculated were considered, the liability-equity balance of the Company was calculated as 50% liability – 50% equity in the coming years.

For the cost of borrowing of the Company, the expenses assumed by the Company for EBRD and IFC loans, with maturity dates in 2022 and 2023 used for financing the projects of the Company in Russia was weighted by the loans borrowed per project and the respective interest rates and was calculated as 7.2%. This percentage was fixed for the coming years. The Corporate Tax rate indicated as t in the formula is 20% and the cost of borrowing, with tax effect, is calculated as 6.0%.

In the CAPM Model, mathematically expressed as $\mathbf{K_e = R_f + ß * (R_m - R_f)}$, R_f was taken as 2.5%. Since Russia does not offer any long-term Eurobonds, it was compared to Germany and Russia country CDS difference 1.9% was added to 1.66%, which is the 10 year bond yield in Euro applied in Germany, and 3.56% Russian risk free return percentage was obtained.

The rate for market risk premium expressed mathematically in the CAPM Model as (R-m - Rf) was taken as 6.0%. Levered beta for Russia was taken as 1.00 and the country risk premium was accepted to be 0.50%.