

AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Company Appraisal Report

January 2015

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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Introduction and Scope

Scope ve 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 100% 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 22 November 2014.

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.

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 from hotel and other 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 while the remaining 5% is owned by Cüneyt Baltaoğlu as of 31 December, 2013.

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 95% of the shares of the Company are owned by Akfen GT and the remaining 5% is owned by Cüneyt Baltaoğlu as of 31 December, 2013.

The hotel and office projects, the number of rooms and the realized 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: Projects in Russia

The Hotel and Office Projects	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 IBIS	177	04/2010	09/2011	4,468	7,916
Kaliningrad IBIS	167	08/2011	08/2013	5,099	6,322
Samara Ofis	-	07/2009	01/2012	1,048	6,510

(Source: Akfen GT)

The Company requested appraisal of its projects in Russia and its real estate in TRNC (hotel and plot) from EPOS Gayrimenkul Danışmanlık ve Değerleme A.Ş. on 31.12.2014. The results of the related appraisal study are as indicated below.

Table 2: Property Values according to Expertise Reports

Properties	Value (EURO)	Akfen Share Percentage (%)	Akfen Share Amount (EURO)
Kaliningrad IBIS	25,228,000	95%	23,966,600
Samara IBIS	28,770,000	95%	27,331,500
Samara Office	9,250,000	95%	8,787,500
Yaroslavl IBIS	27,620,000	95%	26,239,000
“Merit Park Otel” + Bafra Plot	77,016,000	100%	77,016,000
TOTAL	179,650,000		163,340,600

(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 3: Summary of Company and Equity Value as of 31.12.2014

Euro (mio)		Value	Financial Liabilities (-)	Liquid Assets(+)	Equity Value
Akfen GT HQ	KKTC & HQ Value	65.038	10.636	6.925	61.327
	Land in Bafra	2.881	-	-	2.881
RHI(95%)	Samara IBIS	22.290	24.494	73	41.443
	Yaroslavl IBIS	21.783			
	Kaliningrad IBIS	21.791			
RPI (95%)	Samara Office	10.821	6.827	6	4.000
Akfen GT Company Value		144.605	Akfen GT Equity Value		109.651

The equity value of the Company as of 31 December 2014, calculated by deducting net financial liabilities from the enterprise value and by adding cash and cash equivalents (liquid assets) equals to **109.651 million Euros (309.293 million TL¹)**.

¹ EURO/TL buying rate of Republic of Turkey Central Bank dated 31 December 2014 (2.8207) have been used.

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. 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 was changed as “Merit Park Otel ve Casino” in the new rental period. The Company realized various hotel and office projects through its subsidiaries in Russia and these projects are operated by Accor, 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 31.12.2014 of EPOS Gayrimenkul Danışmanlık ve 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 **109.651 million Euros (309.293 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 2014 (2.8207) have been used.

Sector

Tourism Sector

Tourism Sector in the World

Tourism sector, rapidly growing and expanding since 1950 globally, is creating significant economic value for many countries across the world and having both direct and indirect benefits to economies. As borders dissolved, the world began to shrink and more people were able to travel long distances. Creating large employment opportunities owing to its labor-intensive nature and generating added value in which regions and countries the sector is developing attach higher importance to the tourism sector. Tourism, considered as one of the largest industries contributing to economies, continue to grow and develop.

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 strengthens other main sectors such as transportation, service and retail sectors.

Along with its contribution to revenue, tourism also plays an important role in balancing the deficit faced in balance of payments in foreign currencies. Depending on the demand for tourism sector, infrastructure developments, increasing agricultural and industrial production, improvements in communication and transportation systems, increased efficiency in mercantile and service businesses are expected. The tourism sector, which is also an effective marketing and advertisement tool for countries, contributes to international cultural and social communication.

World tourism, with an increase of 5% in the first eight months of 2014 compared to the same period in 2013, reached a record with 781 million of people. Compared to last year, this figure showed an

increase of 36 million.

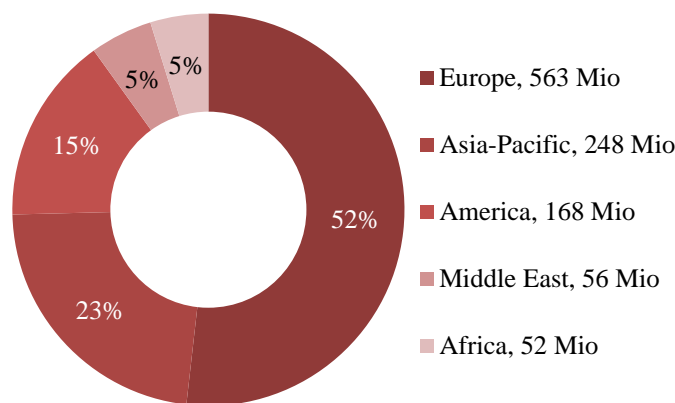
According to the World Travel & Tourism Council 2014 Report, tourism sector, which constitutes 9% of today's global GDP, grew by nearly 4% in 2013. Considering the effect on other sectors, the size of travel and tourism sector far exceeded USD 6.9 trillion with a share of 9.5% in global GDP, employing 265.8 million people in total in 2013. Further, when travel and tourism sector is classified according to foreign tourist expenditures, leisure and business spending constitute 75.5% and 24.4% of foreign expenditures with a total size of 4,6 trillion respectively in 2013.¹

Travel and tourism industry is projected to grow with an annual average rate of 4.4%, reaching USD 10.5 trillion, which is 10% of the global GDP, in 10 years. Owing to growth in sector, improved standards of living and rising disposable income, foreign leisure spending is expected to grow with 4.6%, reaching USD 5.2 trillion whereas foreign business spending is expected to reach USD 1.6 trillion with a growth of 4.1% by 2023.

According to World Tourism Organization (WTO) 2014 Report, Europe is the most visited region by tourists in 2013, with a share of 52% and approximately 563 million tourists. Further, it is explained in the report that number of tourists travelling around the world showed a growth of 5% and reaching 1.087 billion in 2013. According to the same report, number of tourists travelling showed a growth of 4.7% in emerging markets, 5.5% in developed countries, 6% in Asia-Pacific countries with the highest rate. Considering the economic recession especially in the Euro Zone in 2013, the number of tourists exceeding 1 billion for the first time with growth of 5% in the tourism sector is seen as a positive development for the sector. Regarding the future expectations, number of tourists travelling is predicted to rise to 1.8 billion, 5 million people is predicted to travel internationally, fastest growth in the sector is predicted to be in Asia-Pacific countries and travels for visiting families, friends or with health purposes is predicted to dominate travels for leisure and business purposes in 2030.²

¹ *World Travel & Tourism Council 2014*

² *World Tourism Organization 2014*

Graph 1: Breakdown of Number of Tourists (in Million People) and Shares (%) by Regions in 2013

Source: World Tourism Organization 2014 Report

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.

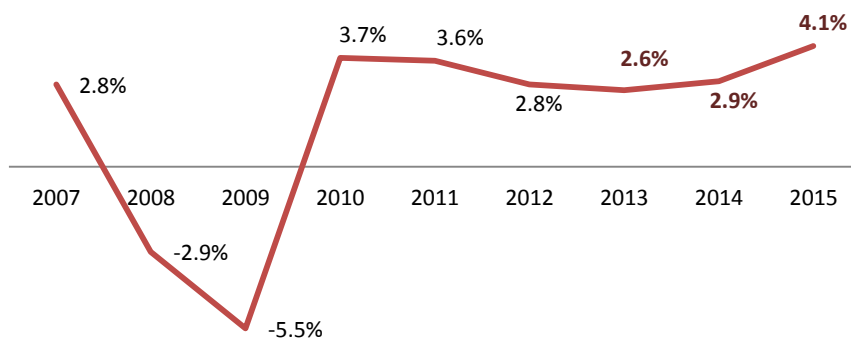
The “Solving the Cyprus Problem” plan developed by the United Nations in 2003 and which is still being negotiated and allowing free passage between Northern and Southern Regions of Cyprus have both initiated and provoked positive improvements in the investment environment. As a result of the improvement observed in the investment climate, during the 2003-2007 periods, 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, entering a downward trend in 2007, the TRNC economy registered a growth of 2.8% in this period and, because of the structural problems experienced in 2008 and the global financial crisis, TRNC economy has entered into a period of recession. Negatively affected from the conjuncture in the period, TRNC economy has recorded a decline of 2.9% and 5.5% within respectively 2008 and 2009. Wholesale and retail trade, as sub-sectors of industry, construction and service sectors, and public services sector had seen contraction. In 2010, with the effects of the crisis weakening on the markets and owing to measures taken, 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%.

In the early periods of 2011 and 2012, the prevailing air of optimism in the U.S. economy and the Euro

Zone disappeared and both economic and political risks emerged particularly in EU countries. Parallel to this economic recovery began in 2010, continued in 2011; though, the growth rate lagged behind 2011 for the years 2012 and 2013 and the rates amounted to 2.8% and 2.6% respectively. Deterioration and failed recovery of macroeconomic indicators lies under the decline of growth rates.

According to the macroeconomic foresights of TRNC State Planning Organization Report published in September, 2014, GDP growth is projected to be %2.9 and %4.1 for the years 2014 and 2015 as a result of the decreasing crisis risk due to political steps taken in the U.S. and the Euro Zone.

Graph 2: Growth Rates of TRNC Between 2007-2015

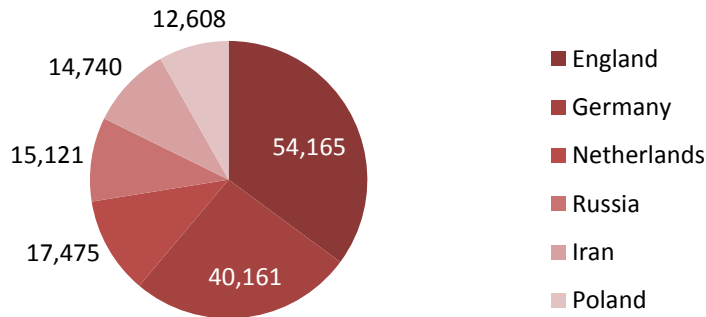


Source: TRNC State Planning Organization Report September, 2014

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 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 2012, the country's population was around 286,300; however, its population increases with the tourists visiting the country in summer. 74,8% of the visitors to the country are from Turkey in 2013. 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, Austria, Russia, Poland and Italy.

Graph 3: Breakdown of Tourists Visiting TRNC by Their Countries in 2013

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

According to the data of 2013 retrieved from Ministry of Tourism, Environment and Culture of TRNC, total number of tourists and overnight stays on a monthly basis with annual rate of change of these data are indicated below. An increase of 5.4% is observed in 2013. Along with this, overnight stays increased by 8% in the same periods. Considering these developments in the sector, the growth rates of wholesale and retail trade sector and the hotel-restaurant sector, together making up a major share of the services sector, have exhibited a positive development.

Table 4: Total Number of Tourists in 2012 and 2013

Months	2012	2013	Change %
January	79.492	80.147	0.82%
February	99.907	106.514	6.61%
March	98.342	106.591	8.39%
April	114.233	117.195	2.59%
May	117.648	123.28	4.79%
June	138.017	142.389	3.17%
July	138.094	141.58	2.52%
August	138.786	155.924	12.35%
September	161.12	168.765	4.74%
October	128.359	144.903	12.89%
November	103.783	106.171	2.30%
December	95.24	97.195	2.05%
Total	1.413.021	1.490.654	5.49%

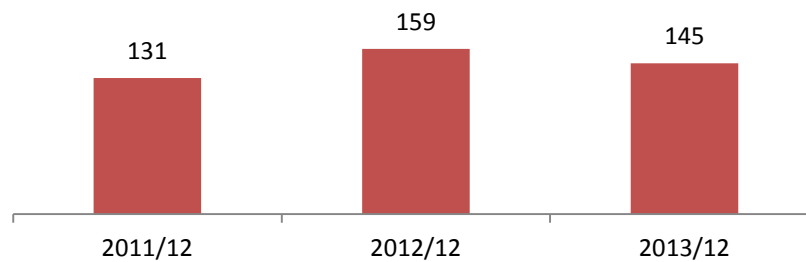
Source: The Ministry of Tourism, Environment and Culture of TRNC

Table 5: Total Number of Overnight Stays in 2012 and 2013

Nationality	2012	2013	Change %
Turkish	1.423.445	1.436.243	0,9%
Foreign	1.142.557	1.357.001	18,7%
TRNC	97.391	84.320	-14,4%
TOTAL	2.663.393	2.877.564	8%

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

Number of facilities recognized by the Ministry of Tourism, Environment and Culture of TRNC within the last three years has shown variation through the years. At the end of 2013, numbers of facilities were down by 9% and in total 145 facilities have been identified.

Graph 4: Number of Facilities in TRNC between 2011 and 2013

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

On the other hand, looking at the bed capacity, there is a decline of 5.1% in 2013. In the monthly occupancy rates, the most intense months have been observed to be in the period from June to October. Occupancy rates have shown an increase compared to the previous year, and the average occupancy rate has increased by 3.8%. The increase in occupancy rates while the decrease in bed capacity explains the decline in the number of facilities in 2013, and this situation is interpreted as an efficient use of the existing capacity. Another noticeable point is that the yearly average occupancy rate of hotels with casinos is at 59.6% while this figure stays at 45.8% for hotels without casinos.

Table 6: Total Bed Capacity in the First 10 Months of 2012 and 2013

Months	2012	2013	Change %
January	19.041	19.405	1.9
February	19.041	19.405	1.9
March	19.348	19.413	0.3
April	19.348	19.413	0.3
May	19.389	19.187	-1.0
June	19.389	19.187	-1.0
July	19.461	19.151	-1.6
August	19.739	19.227	-2.6
September	19.845	19.019	-4.2
October	19.845	19.019	-4.2

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

Table 7: Monthly Occupancy Rates (%)

	2012	2013	Change %
January	22,8	23,6	3.5%
February	19,2	25,2	31.3%
March	31,3	36,4	16.3%
April	38,6	41,4	7.3%
May	44,1	48,3	9.5%
June	59,5	61,4	3.2%
July	63,2	68,2	7.9%
August	65,3	75,1	15.0%
September	62,5	64,5	3.2%
October	52,3	55,2	5.5%
November	34,3	38,8	13.1%
December	27,0	25,7	-4.8%
Average	44,1	47,9	8.6%

When the occupancy rates for 2013 are examined, Gazimağusa has the highest occupancy rate with 54.6%, followed by Girne with 51.8% and Lefkoşa with 43.5%.

Table 8: Occupancy Rates according to Cities

City	Share %
Gazimağusa	54.6
Girne	51.8
Lefkoşa	43.5
İskele	33.4
Güzelyurt	6.2

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

Considering the number of hotels as of October 2013, the city of Girne currently with 93 hotels ranks the first with 64% of the total number of hotels in TRNC. The same ranking is also valid in terms of number of beds. The city of Gazimağusa, which has the highest occupancy rate, has 6.8% of the total number of hotels and bed capacity and ranks the 3rd in the number of hotels ranking with 10 hotels located in the city.

Table 9: Number of Hotels according to Cities

City	Number of Hotels	Share %	Number of Beds	Share%
Girne	93	64	12.909	67
İskele	34	23	3.973	20,5
Gazimağusa	10	7	1.576	8
Lefkoşa	4	3	683	3,5
Güzelyurt	4	3	228	1
Total	145	100	19.369	100

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

In the following table the total existing hotels in TRNC as of October 2013 are ranked according to their qualities. According to the data, most preferred facilities in the region are bungalow houses with 26 units, 1 star hotels with 16 units, guest houses with 16 units and 5 star hotels with 15 units. 5 star hotels have the highest bed capacity, and they cover 49.5% of residential needs of tourism with a total of 9,580 beds.

Table 10: Number of Hotels according to their Types

Type	Number of Facilities	Share%	Number of Beds	Share%
Five Star Hotels	15	10,3	9.580	49,5
Four Star Hotels	4	2,8	1.346	7
Three Star Hotels	10	6,9	1.893	9,7
Two Star Hotels	14	9,7	992	5,1
One Star Hotels	16	11	636	3,3
Hotels with private certificates	1	0,7	34	0,2
2nd class holiday resorts	5	3,4	928	4,8
Bungalow houses	26	17,9	1.461	7,5
Apart Hotels	1	0,7	60	0,3
Guesthouse	16	11	196	1
Boutique Hotels	4	2,8	450	2,3
Local Houses	3	2,1	96	0,5
Indoor Facilities	13	9	926	4,8
Other	17	11,7	771	4
Total	145	100	19.369	100

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

Russia

- *Economic Overview*

Russia, as the major natural gas producer and the second largest petrol producer in the world, achieved a GDP of 2.1 trillion US Dollars in 2013, ranking as the 8th largest economy in the World with its 2013 GDP, according to Word Bank.

Russia was adversely affected from the economic crisis towards the end of the year 2008 and the Russian Economy shrank by 7.8% in 2009. The economy started improving in 2010 and an economical growth equal to 4.5% in 2010 and 4.3% in 2011 was achieved. In 2011, with this percentage, Russia became the 3rd country with the highest growth rate in the world. In 2012 and 2013, Russia's growth decreased to 3.4% and to 1.3% respectively and according to information released from the Russian State Institute of Statistics, the major reasons of decline of growth are the decrease in the export of energy resources due to the decrease in demand and economic stagnation in the Euro Zone, slowdown in consumer loans and the decline in production of in mining and electricity industries. As a result of the political tension between Russia and Ukraine, the country's growth forecast for 2014 and 2015 is given by the World Bank is 0.5% and 1.5% respectively.

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%. In 2012, inflation dropped to 5.1% with Russian economy's improving performance and it jumped back to 6.8% in 2013. As of August 2014 inflation rate was 8.3%.

- *Russian Tourism*

Russia has a population of approximately 143.5 million as of 2013, and the country's travel and tourism sector constituted 5.8% of the total economic output with the size of 85.7 billion US Dollars. The contribution of travel and tourism sector to GDP is based mainly on the number of visitors arriving to the country in question. Russia attracted 27 million tourists in 2013 achieving 13.7 billion US Dollars tourism exports.

In 2013, the number of tourists reached to 28.8 million and it is forecasted that this number will increase by 9.7% and reaching 31.4 million in 2014. In addition, number of tourists is expected to

reach 63.2 million in 2024. Total product of the tourism sector, with around 85.7 billion US Dollars size, is expected to increase by 5.7% in 2014 and will increase at an annual average of 3.7% reaching 130 billion US Dollars in 2023. On the other hand, due to the political tension with Ukraine, together with the financial and economic sanctions imposed by US and EU, 2014 numbers is expected to be negatively affected.

The number of hotels and office projects has 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 2012, the investments made reached 7.6 billion US Dollars and this amount increased to 8.3 billion US Dollars in 2013. Further, 3.8% increase in investments, equaling to 12.3 billion US Dollars is anticipated for the year 2023. 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 cities that will host the World Cup games. The Russian map showing Moscow can be found below.

Tablo 11: 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 km² and a population of 940 thousand, as of 2012. 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 War. 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.

In addition, Russia has been appointed by FIFA to host the FIFA World Cup as a result of the voting held on 2 December 2010. 13 cities are selected to present the World Cup from Russia, and Kaliningrad is located between these cities. In this scope, along with the stadium that will be built in Kaliningrad with a capacity of 45,015, it is forecasted that the importance of the region will grow and the region will evolve into a tourism region open for development.

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 in 2010.



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.

Another factor supporting the potential of tourism in the region is the stadium that will be built in Samara, like Kaliningrad, for the World Cup that will take place in 2018. With the 44918 people capacity stadium importance of the region will increase and the region is expected to become a tourism region, open for development.

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. The city has a population of around 595 thousand in 2010.



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.

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. Similar to the cities mentioned above, the ongoing construction of 44,042 capacity stadium within the scope of the World Cup that will take place in 2018 is expected to increase the importance of the region and help the region evolve into a tourism region open for development.

Being one of the Golden Ring cities together with being listed in UNESCO World Heritage played an important role in building a cultural heritage in the city. In addition to its culture tourism, cruise tourism and business tourism, induced by international congresses organized every year, makes the city attraction center.

General Overview of the Future for the Sector

According to the World Travel and Tourism Report published in 2013 by the World Travel Tourism Council, when the effects of tourism to other sectors is also examined, the tourism and travel sector, which started recovering from the adverse effects of the economic crisis in the second half of 2010 accounted for 9% of the global gross product and the turnover was around USD 6.9 trillion in 2013. It is estimated that the sector will grow annually on average by 4.4% until 2023, will reach USD 10.5 trillion turnover.

The top ten countries ranking the highest in terms of income from tourism and travel sector in 2023 are indicated below.

Table 12: Income Estimations for Tourism and Travel Sectors (Billion \$)

	Country	2012	Country	2023
1	USA	1.415	USA	2.055
2	China	850	China	1.932
3	Japan	339	Japan	381
4	England	268	England	375
5	France	246	France	309
6	Brazil	205	Brazil	309
7	Spain	203	Mexico	273
8	Italy	201	Spain	250
9	Mexico	168	Italy	250
10	Germany	164	India	238

(Source: World Travel & Tourism Council Report)

In 2013, total proceeds in tourism sector is USD 6.9 trillion and largest share of this figure belongs to the US with a share of 21%. US is followed by China with 12.7% and Japan with 5% share. Further, minor changes are expected for the ranking in 2023 and growth is predicted to concentrate on Asia-Pacific region and the gap between the leading USA and China is expected to squeeze. Considering the expectations of the proceeds in global tourism sector in 2023, the sector is expected to grow with an annual average rate of 4.2%, reaching USD 10,9 billion in 2024. It is anticipated that the proceeds in tourism and travel sector in Russia shall grow by approximately 3.7% a year and reach \$ 129 billion in 2024.

Table 13: Proceeds of Tourism and Travel Sector

Billion \$	2013	2024E	Average Annual Growth %
World	6,690	10,965	4.4%
Russia	85	129	4.6%

(Source: World Travel & Tourism Council Report)

In 2013, the investments in tourism accounted for 4.4% of all investments and equaled to USD 754 billion. It is anticipated that this figure will increase annually by 5.1% on average and reach USD 1.31 trillion level till 2024 and tourism's share in all investments will increase to 4.9%.

It is expected for Russian investments in tourism and travel sector to increase annually by 3.8% and reach USD 12 billion in till 2024.

Table 14: Investments in Tourism and Travel Sector

Billion \$	2013	2022T	Average Annual Real Growth %
World	754	1,311	5.1%
Russia	12	12	3.8%

(Source: World Travel & Tourism Council Report)

The Company

General Information

Incorporation and Current Status

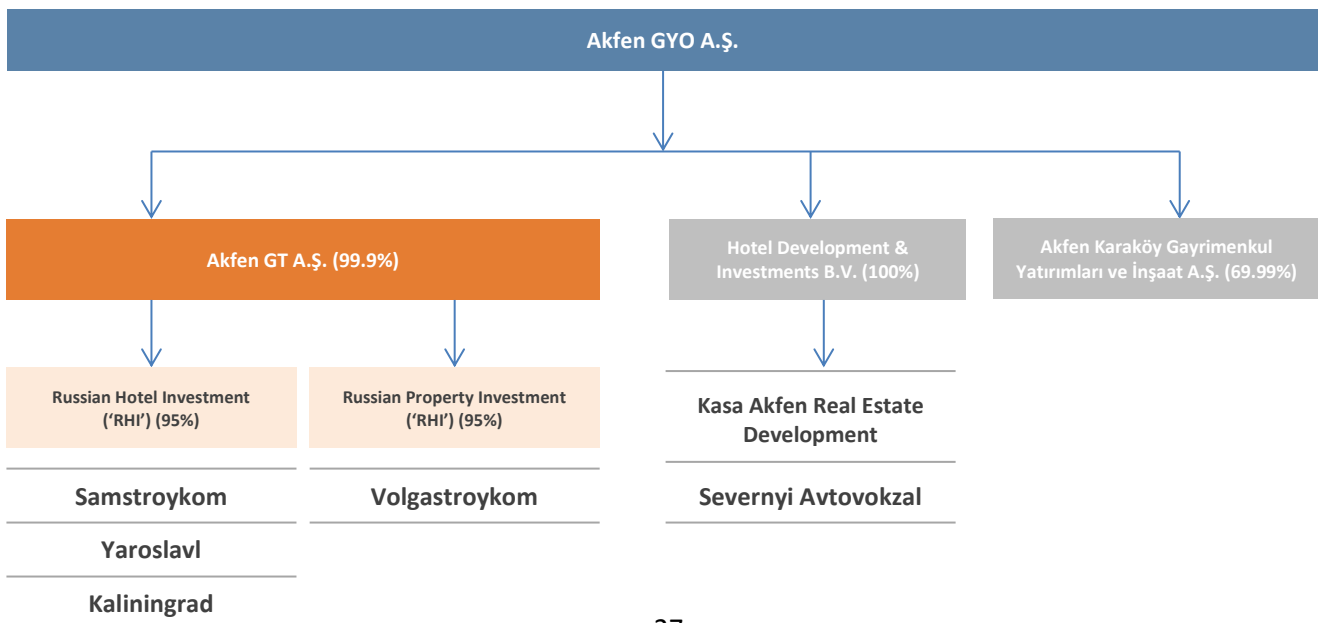
Akfen GT's main activities include carrying out, developing, operating and contracting others to operate real estate investments. The Company, which was founded under the name T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret A.Ş. on 04 August 1999 changed its commercial title to Akfen Gayrimenkul 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 and Casino it owns in Turkish Republic of North Cyprus and from 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 15: Shareholding Structure as of 31 December 2014



Shareholding and Capital Structure

The subscribed capital of the Company has been increased from 100 million TL to 121 million TL as of 27 December, 2012, and this capital increase was paid in cash and was announced on the Official Bulletin of Turkish Trade Registry.

Table 16: Share Distribution as of 31 December 2014

Shareholders	Number of Shares (TL)	Shareholding Percentage (%)
Akfen GYO A.Ş.	120,999,825	99.999855%
Akfen Tur. Yat. Ve İřl. 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)

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”).

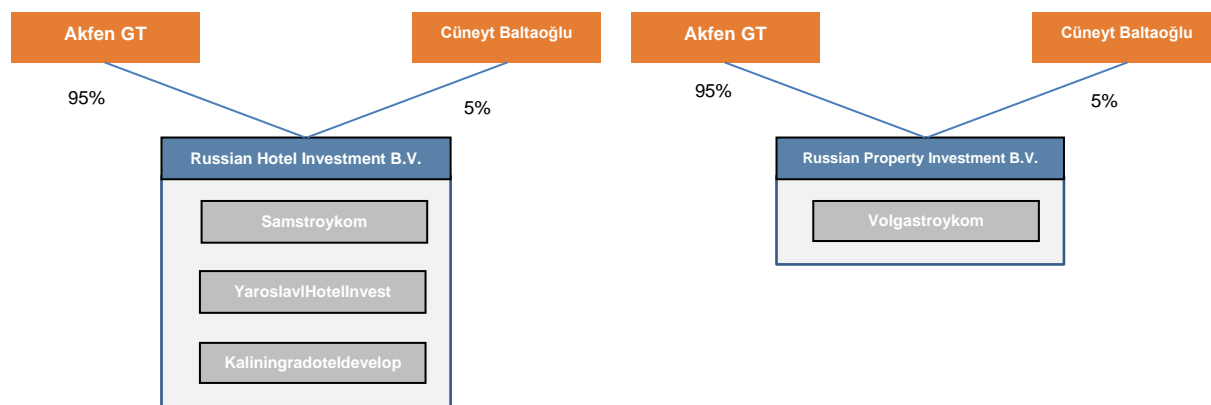
From these subsidiaries, RHI was founded under an equal 50 to 50% partnership structure between Akfen GT and Estern European Investment Ltd (“EEPI”) on 21 September 2007 in order to realize hotel projects in Russia. EEPI transferred 45% of its shares in RHI to Kasa Investments B.V. and 5% to Cüneyt Baltaoğlu 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 Geliřtirme 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 Geliřtirme 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.

Table 17: Shareholding Structure as of 31 December 2012



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 40 654

square meters and has 286 rooms. Rental income has been obtained for the casino situated on 2.981 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 was changed as “Merit Park Otel ve Casino” beginning from the start of the new rental period. After the change of the tenant at the beginning of 2013, the hotel went through a renovation process. Hotel rooms and common use areas, such as SPA and restaurants, were renovated and the hotel gained a better outlook as part of renovation process. According to Merit Park Otel’s architectural project, the number of rooms, which were 299 before the renovation process, decreased to 286 as 13 rooms merged by pulling down intermediary walls.

The tenant Voyager Kıbrıs Limited is paying an annual rent of EUR4,750,000.00 to Akfen GT for the hotel and the casino. Based on the contract, 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 are as indicated in the table below.

Table 18: Russia Projects

The Hotel and Office Projects	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 IBIS	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 Kaliningrad Ibis Hotel started operating its activities in August 2013. Construction of Samara Office was completed in January 2012. 1,562 m2 was rented to OAO Bank VTB based on the contract signed in March, 1, 2013; 1,869 m2 was rented to Rosneft Oil

Company for 24 months based on the contract signed in December, 2, 2013; 746 m2 was rented to Samarasnabpodshipnik, a subsidiary of Samara Podshibnik, the biggest bearing manufacturers of Russia, as a sales office, based on the contract signed on February, 19, 2014.

Financial Analysis

The consolidated condensed, unaudited financial tables of Akfen GT for the years 2012-2013 and for 2013-2014 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 19: Balance Sheet of Akfen GT

CONSOLIDATED BALANCE SHEET OF AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.			
Balance Sheet EUR	31.12.2012	31.12.2013	30.09.2014
Current Assets	14,370,566	9,946,323	8,557,078
Cash and Cash Equivalents	11,559,434	7,294,493	6,401,978
Trade Receivables	496,821	823,954	1,796,540
Other Receivables	5,840	12,697	7,563
Other Current Assets	2,308,472	1,815,180	350,998
Fixed Assets	167,129,275	159,376,418	154,029,165
Other Receivables	3,096,445	3,304,994	3,476,978
Financial Investments	-63,254	0	-129,587
Investments assessed with Equity method		0	0
Investment Properties and Investment Properties in Progress	161,965,884	154,237,806	148,841,735
Tangible Fixed Assets	33,450	21,067	1,995
Other Fixed Assets	2,096,750	1,812,551	1,838,044
Total Assets	181,499,841	169,322,741	162,586,243
Short-Term Liabilities	15,180,665	7,491,341	8,335,552
Financial liabilities	14,053,449	6,081,189	6,824,263
Trade liabilities	968,344	1,162,842	45,632
Other liabilities	27,507	205,829	281,425
Other short-term liabilities	131,365	41,480	1,184,232
Long-Term Liabilities	48,997,118	55,178,250	49,798,665
Financial liabilities	38,600,593	43,179,429	37,610,689
Deferred tax liability	10,396,524	11,998,821	12,187,975
Equity	117,322,059	106,653,151	104,452,026
Paid-in Capital	50,302,725	40,351,644	41,224,155
Share capital adjustments	0	0	0
Effect of merges under joint control	-239,469	-191,386	-195,367
Foreign currency conversion adjustments	-5,155,414	4,631,407	-298,592
Previous year's profit/(losses)	72,150,232	51,223,586	60,984,869
Net term profit	-2,299,960	8,518,475	696,709
Minority interests	2,563,945	2,119,424	2,040,252
Total Liabilities	181,499,841	169,322,741	162,586,242

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

	2012	2013	2014/9
EURO/TL (Term end exchange rate)	2.3452	2,9344	2.8746

(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 21: Central Bank of Turkey Average foreign exchange purchase rates

	2012	2013	2014/9
EURO/TL (Ortalama Kur)	2,3045	2,5254	2,9334

(Source: Central Bank of Turkey)

The total assets of Akfen GT as of the end of September, 2014, equals to 162.5 million Euros. 91.6% 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.

Trade receivables account stems from the hotel operator for Akfen GT hotels in Russia. Aforementioned hotels started to go into operation since 2011 and rental income for Samara IBIS, opened in 2012, and for Kaliningrad IBIS, opened in 2013, increased the trade receivables account.

"Other Current Assets" and "Other Fixed Assets", being one of the major items in Company Balance Sheet, mainly covers deferred VAT. "Trade Receivables" account consists of rent receivables from operating hotels in Russia.

30.6% of the liabilities of the Company Balance Sheet as of the end of September, 2014, consist of long-term liabilities. Long-term financial liabilities, constituting 23.1% of the liabilities of the Company, covers loans used for hotel projects in TRNC and Russia.

All long term loans of the Company are loans borrowed in Euro currency. Long-term Russian loans used for Samara Ibis, Yaroslavl Ibis and Kaliningrad Ibis 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). The maturity date of loans for Samara Ibis is 1 February 2022, 1 November 2020 for Yaroslavl Ibis and 1 May 2022 for Kaliningrad Ibis. The Company further has another loan borrowed for its Samara Office project from Credit Europe Bank on 16 August 2013 equal to 7.5 million Euros with a fixed interest rate of 7% + Euribor,(3-month). Company used a loan of 15 million Euros for KKTC assets from Ziraat Bank on 28 March 2013. The repayment for this loan, with an interest rate of 4.6%+Euribor (6-months), will end on 31 August 2018.

"Trade Payables" item of the Company consists of payables to contractors for hotel projects in Russia.

"Other Short-term Liabilities" item covers mainly deferred income.

The subscribed capital of the Company has been increased from 100 million TL to 121 million TL as of 27 December, 2012, and this capital increase was paid in cash and was announced on the Official Bulletin of Turkish Trade Registry.

Table 22: Income Statement of Akfen GT

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

Income Statement €	31.12.2012	31.12.2013	30.09.2014
Sales Revenues	5,800,097	7,231,813	6,221,635
Cost of Sales	-213,320	-468,169	-156,022
Gross Profit	5,586,776	6,763,644	6,065,613
General administration expenses	-1,773,530	-1,065,068	-361,469
Appreciation of investment properties, net	0	0	0
Appreciation of investment properties in progress	0	0	0
Other income	13,602,374	17,522,375	377,725
Other operating expenses	-18,007,404	-977,898	-64,506
Operating Profit	-591,783	22,243,054	6,017,363
Share in loss of investments assessed with the Equity method		0	0
Financial income	13,464,540	10,371,822	3,087,662
Financial expenses	-15,731,542	-19,030,824	-8,379,611
Profit before Tax	-2,858,785	13,584,053	725,414
- Deferred tax income/loss	609,379	-3,844,966	-163,462
Net Term Profit	-2,249,406	9,739,086	561,952
Non controlling interests	50,554	-158,995	-117,723

(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.

Expectations from the Future and Appraisal

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.

Assumptions

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 rental agreement lately signed with Voyager Kıbrıs Limited. It was also noted that the name of the hotel was changed as “Merit Park Otel ve Casino” as of the new rental period.

The date the rental agreement came into force was 15 May, 2012 and the term of the Agreement is 20 years.

The tenant Voyager Kıbrıs Limited is paying an annual rent of EUR4,750,000.00 to Akfen GT for the hotel and the casino. Based on the contract, 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.

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.

- **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 expenses 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 was added to the accounts and it was assumed that these amounts will increase with fixed rate

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 is anticipated. This amount is calculated as EUR 40,375 for 2015.

- *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 years 2011, 2012 and 2013 have been calculated based on the income table date of the Company without taking into consideration the appreciation of investment properties, other income and expense, and investment properties in progress (estimate amounts have been used for the year 2014) and when the future years' revenues were examined, it was determined that the Company shall not liable for tax payments until 2020 and as of 2020, 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.

- *Other Assumptions*

Zero net working capital is assumed for the hotel for the next years.

TRNC Projections

TRNC - Euro	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Rent Revenue	4,750,000	4,750,000	4,750,000	4,845,000	4,941,900	5,040,738	5,141,553	5,244,384	5,349,271	5,456,257
Expenses related to the Hotel	(46,570)	(47,735)	(48,928)	(50,151)	(51,405)	(52,690)	(54,007)	(55,358)	(56,742)	(58,160)
Consolidated EBITDA (loss) for TRNC & HQ	4,691,312	4,689,880	4,688,412	4,781,906	4,877,260	4,974,513	5,073,701	5,174,863	5,278,038	5,383,267
Taxes	-	-	-	-	-	(485,577)	(959,050)	(982,823)	(1,007,069)	(1,031,798)
Investments	(40,375)	(40,375)	(40,375)	(41,183)	(42,006)	(42,846)	(43,703)	(44,577)	(45,469)	(46,378)
Cash Flows for TRNC & HQ	4,650,937	4,649,505	4,648,037	4,740,723	4,835,254	4,446,089	4,070,947	4,147,462	4,225,500	4,305,091
Discount Rate (Wacc)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
TRNC - Euro	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Rent Revenue	5,565,382	5,676,690	5,790,223	5,906,028	6,024,149	6,144,631	6,267,524	6,392,875	6,520,732	6,651,147
Expenses related to the Hotel	(59,614)	(61,104)	(62,632)	(64,198)	(65,803)	(67,448)	(69,134)	(70,862)	(72,634)	(74,450)
Consolidated EBITDA (loss) for TRNC & HQ	5,490,590	5,600,048	5,711,685	5,825,543	5,941,667	6,060,101	6,180,891	6,304,085	6,429,730	6,557,874
Taxes	(1,057,019)	(1,082,742)	(1,108,976)	(1,135,733)	(1,163,022)	(1,190,854)	(1,422,918)	(1,451,869)	(1,483,055)	(1,513,169)
Investments	(47,306)	(48,252)	(49,217)	(50,201)	(51,205)	(52,229)	(53,274)	(54,339)	(55,426)	(56,535)
Cash Flows for TRNC & HQ	4,386,265	4,469,055	4,553,492	4,639,609	4,727,439	4,817,017	4,704,699	4,797,877	4,891,248	4,988,170
Discount Rate (Wacc)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
TRNC - Euro	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Rent Revenue	6,784,170	6,919,853	7,058,250	7,199,415	7,343,403	7,490,272	7,640,077	7,792,878	7,948,736	8,107,711
Expenses related to the Hotel	(76,311)	(78,219)	(80,174)	(82,179)	(84,233)	(86,339)	(88,498)	(90,710)	(92,978)	(95,302)
Consolidated EBITDA (loss) for TRNC & HQ	6,688,568	6,821,861	6,957,806	7,096,455	7,237,862	7,382,082	7,529,170	7,679,183	7,832,180	7,988,220
Taxes	(1,543,882)	(1,575,206)	(1,607,153)	(1,639,736)	(1,672,966)	(1,706,858)	(1,741,424)	(1,776,677)	(1,812,631)	(1,849,300)
Investments	(57,665)	(58,819)	(59,995)	(61,195)	(62,419)	(63,667)	(64,941)	(66,239)	(67,564)	(68,916)
Cash Flows for TRNC & HQ	5,087,020	5,187,836	5,290,658	5,395,525	5,502,477	5,611,557	5,722,806	5,836,267	5,951,985	6,070,004
Discount Rate (Wacc)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
TRNC - Euro	2045	2046	2047	2048	2049	2050	2051	2052		
Rent Revenue	8,269,865	8,435,262	8,603,968	8,776,047	8,951,568	9,130,599	9,313,211	5,569,555		
Expenses related to the Hotel	97,685	100,127	102,630	105,196	107,826	110,521	113,284	68,079		
Consolidated EBITDA (loss) for TRNC & HQ	8,147,362	8,309,670	8,475,204	8,644,031	8,816,214	8,991,820	9,170,918	5,482,683		
Taxes	(1,886,699)	(1,924,841)	(1,963,742)	(2,003,416)	(2,043,879)	(2,085,146)	(2,126,162)	(1,280,776)		
Investments	(70,294)	(71,700)	(73,134)	(74,596)	(76,088)	(77,610)	(79,162)	(47,341)		
Cash Flows for TRNC & HQ	6,190,370	6,313,129	6,438,329	6,566,018	6,696,246	6,829,064	6,965,593	4,154,566		
Discount Rate (Wacc)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%		

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 23: Occupancy Rates

Occupancy Rates	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	60%	64%	68%	70%	71%	73%	75%	77%	77%	77%	77%
Yaroslavl IBIS	65%	68%	72%	75%	77%	79%	81%	83%	83%	83%	83%
Kaliningrad IBIS	65%	67%	68%	70%	72%	74%	75%	77%	79%	81%	81%

(Source: Akfen GT)

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 24: Average Daily Room Rates

Average Daily Rate €	Number of Rooms	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	204	55.0	58.0	61.0	64.0	67.0	69.0	72.0	74.0	77.0	79.0	82.0
Yaroslavl IBIS	177	60.0	63.0	66.2	69.5	72.9	75.5	78.1	80.9	83.7	86.6	89.7
Kaliningrad IBIS	167	58.0	60.9	63.9	67.1	70.5	73.0	75.5	78.2	80.9	83.7	86.7

(Source: Akfen GT)

In addition to revenues obtained from rooms, hotel extras have also been included in the revenue projections and have been assumed to be between 18-27% 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, its rent is assumed as approximately 45,000 € in 2015 and a 3.5% rent increase was further accounted for in the projections.

For Samara Office Project, being part of RPI's portfolio, a subsidiary of Akfen GT, 4,405 m² and 4,590 m² out of the whole net floor area of 4,637 m² was assumed to be rented out in 2015 and in 2020 respectively. The occupancy rate for 2015 was taken as 95% and 99% for the following years starting from 2020. It was projected for the rent per m² which equaled to EUR 180 in 2015 to increase by 3.5% and reach EUR 254 by 2025. Further, it was assumed that half of the office block management expenses, which constitute 21% of the income revenue for the Samara Office Project, will be compensated by the common area shares to be collected from the tenants.

- **Profitability Projections**

Based on the expertise reports submitted by the company, it was assumed that, the profit margins of the planned investments will be fixed.

Table 25: Average Gross Profit Margins

Gross Activity Margins%	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	58%	58%	58%	58%	58%	58%	58%	58%	58%	58%	58%
Yaroslavl IBIS	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%
Kaliningrad IBIS	58%	58%	58%	58%	58%	58%	58%	58%	58%	58%	58%

(Source: Akfen GT)

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 rental income 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 2015, the insurance expenses for Samara Ibis Hotel was projected as EUR 28,000.00 and it was fixed at EUR 28,000.00 for the coming years. The real estate tax rate in Russia is 2.2%. As a result of the tax exemption provided, the real estate tax will not be paid until 2019, when such exemption advantage will expire, EUR 161,318 of real estate tax will be paid in 2019 and this amount shall decrease with a rate of 4% 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 Ibis Hotel plot has been

estimated as EUR 6,096 for the year 2015 and an increase equal to 3% was projected. The Corporate Tax for Samara Ibis Hotel, which was deferred due to previous year's losses, was projected to be EUR 98 thousand in 2016 and to be around 20% of the operating profit as of 2017.

The insurance expenses for Yaroslavl Ibis Hotel was taken as EUR 23,500.00 as of 2015 and it is assumed to be fixed for the following years. Since the hotel shall be exempt from real estate tax until 2016, the first payable tax shall be imposed in 2016 and it was estimated to be around EUR 149,657 and a 4% annual decrease was projected. Land tax for the Yaroslavl Ibis Hotel plot has been estimated as EUR 22,228 for the year 2016 and an increase equal to 3% was projected. The Corporate Tax for Yaroslavl Ibis Hotel, which was deferred due to previous year's losses was projected to be around 114 thousand EUR in 2016 and to be around 20% of the operating profit as of 2017.

The insurance expenses for Kaliningrad Ibis Hotel was taken as EUR 34,275 as of 2015 and it is assumed to be fixed for the following years. Since the hotel shall be exempt from real estate tax until 2018, the first payable tax shall be imposed in 2018 and it was estimated to be around EUR 60,150 and a 4% annual decrease was projected. Land tax for the Kaliningrad Ibis Hotel plot has been estimated as EUR 5,986 for the year 2016 and an increase equal to 3% was projected. Additionally, EUR 1,032 (for 2 months) of land rent will be paid in 2015 and the land will be bought for EUR 80,000 in March, 2015. 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 2018, were projected to be around 10%.

For Samara Office Project realized by RPI, a subsidiary of Akfen GT, the office block management expenses were taken as 21% 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 11,600 in 2015 and this amount is assumed to be fixed for the coming years. Since the project shall be exempt from real estate tax for the first five years (free of charge until 2019) after it opens, the first payable tax shall be imposed in 2019 and is estimated as EUR 74,457 and a 4% annual decrease was projected over the years.

The amount of ground rent for the Samara Office has been assumed as EUR 2,871 for 2015 and this amount was assumed to increase by 3.5% 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 83 thousand

Euro, and it was assumed to be around 20% of the operating profit as of 2018.

Along with the 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.

- *Investment Assumptions*

No further investment is anticipated as Samara Ibis, Yaroslavl Ibis, Kaliningrad Ibis and Samara Office projects are completed.

- *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. Zero net working capital is assumed for the hotel and the office for the next years.

Russia Projections

Net Sales - Euro	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	3,188,107	3,580,462	3,983,540	4,287,284	4,614,190	4,908,490	5,193,067	5,509,195	5,702,016	5,917,756	6,108,142
Yaroslav IBIS	2,901,352	3,207,504	3,526,611	3,888,089	4,184,556	4,451,453	4,709,532	4,996,225	5,171,093	5,366,744	5,539,404
Kaliningrad IBIS	2,891,528	3,120,533	3,349,297	3,604,681	3,879,538	4,126,981	4,366,248	4,632,044	4,914,019	5,227,443	5,395,621
Samara Office	832,375	861,508	891,661	922,869	955,170	1,030,226	1,066,284	1,103,604	1,142,230	1,182,208	1,223,585
Total Net Sales	9,813,361	10,770,007	11,751,109	12,702,924	13,633,453	14,517,149	15,335,131	16,241,067	16,929,358	17,694,151	18,266,753
Cost of Sales - Euro	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	1,339,005	1,503,794	1,673,087	1,800,659	1,937,960	2,061,566	2,181,088	2,313,862	2,394,847	2,485,457	2,565,420
Yaroslav IBIS	1,131,527	1,250,927	1,375,378	1,516,355	1,631,977	1,736,067	1,836,718	1,948,528	2,016,726	2,093,030	2,160,368
Kaliningrad IBIS	1,214,442	1,310,624	1,406,705	1,513,966	1,629,406	1,733,332	1,833,824	1,945,458	2,063,888	2,195,526	2,266,161
Total Cost of Sales	3,684,974	4,065,344	4,455,170	4,830,980	5,199,342	5,530,964	5,851,630	6,207,848	6,475,461	6,774,014	6,991,948
Gross Profit	6,128,388	6,704,663	7,295,939	7,871,943	8,434,111	8,986,185	9,483,501	10,033,219	10,453,897	10,920,137	11,274,804
Gross Profit After the Accor Share	4,308,275	4,693,610	5,089,098	5,475,269	5,852,735	6,238,753	6,575,617	6,946,957	7,235,046	7,553,202	7,799,713
Expenses related to the Hotel&Office	(436,658)	(609,214)	(614,721)	(677,940)	(835,556)	(842,366)	(842,453)	(843,451)	(845,352)	(848,149)	(851,836)
EBITDA - Euro	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	1,064,802	1,210,310	1,359,798	1,471,993	1,439,578	1,554,274	1,665,032	1,787,339	1,863,132	1,947,253	2,021,608
Yaroslav IBIS	1,096,239	1,054,929	1,187,135	1,335,959	1,458,728	1,569,539	1,676,650	1,794,947	1,868,616	1,950,376	2,022,835
Kaliningrad IBIS	977,172	1,062,845	1,147,417	1,184,797	1,288,877	1,382,551	1,473,038	1,573,355	1,679,622	1,797,569	1,860,936
Samara Office	624,155	647,062	670,778	695,329	720,746	780,773	809,193	838,615	869,074	900,605	933,247
Total EBITDA	3,762,367	3,975,146	4,365,127	4,688,079	4,907,929	5,287,137	5,623,913	5,994,256	6,280,444	6,595,803	6,838,626
Taxes	-	(211,948)	(322,634)	(514,537)	(603,844)	(670,318)	(728,625)	(792,662)	(839,272)	(890,550)	(932,777)
Investment Expenses	-	-	-	-	-	-	-	-	-	-	-
Cash Flow	3,762,367	3,763,198	4,042,493	4,173,542	4,304,085	4,616,819	4,895,289	5,201,595	5,441,172	5,705,254	5,905,849
Discount Rate (Wacc)	9.5%	9.5%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%

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 31.12.2014

Euro (mio)		Value	Financial Liabilities (-)	Liquid Assets(+)	Equity Value
Akfen GT HQ	KKTC & HQ Value	65.038	10.636	6.925	61.327
	Land in Bafra	2.881	-	-	2.881
RHI(95%)	Samara IBIS	22.290	24.494	73	41.443
	Yaroslavl IBIS	21.783			
	Kaliningrad IBIS	21.791			
RPI (95%)	Samara Office	10.821	6.827	6	4.000
Akfen GT Company Value		144.605	Akfen GT Equity Value		109.651

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 **144.605 million Euros** as of 31 December 2014.

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 **109.651 million Euros (309.293 million TL¹)** as of 31 December 2014.

¹ EURO/TL buying rate of Republic of Turkey Central Bank dated 31 December 2014 (2. 8207) have been used.

Annexes

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:

$$\text{WACC} = (\text{Liabilities}/(\text{Liabilities}+\text{Equity}) \times \text{Liability Costs} \times (1-t) + (\text{Equity}/(\text{Liability}+\text{Equity}) \times \text{Cost of Equity})$$

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

TRNC

The liability-equity balance of the Company was calculated as 50% liabilities – 50% equity based on the current situation.

The cost of borrowing was estimated to be around 4.78% level when the current market conditions and the indebtedness structure of the Company were considered. The Eurobond yield interest, with maturity as 12 November 2021, was considered as 2.63% level, 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 3.66%.

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

In the CAPM Model, mathematically expressed as $K_e = R_f + \beta * \text{Market Risk Premium}$, the Market Risk Premium was calculated as 6.5%.

The levered beta of Akfen GT for Cyprus, has been unlevered by 1.04, which is the beta average for the last two years and was calculated as 1.12 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 12 November 2021 equal to 2.63% has been taken as R_f .

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, IFC and CEB loans, with maturity dates in 2020 and 2022 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 6.82%. 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 5.45%.

In the CAPM Model, mathematically expressed as $K_e = R_f + \beta (R_m - R_f)$, the yield interest of the Eurobond issued on 16 September 2013 with maturity of 2020 was taken as $R_{f..}$

Since Russia does not offer any long-term Eurobonds, it was compared to Germany and Russia country CDS difference 1.76% was added to 1.72%, which is the 10 year bond yield in Euro applied in Germany, and 3.48% Russian risk free return percentage was obtained.

As a consequence of Russia's political risk, R_f is assumed to be 5.85%, the current yield interest of the Eurobond, for 2015 and 2016. Assuming the Russia economy to recover in the short-midterm, 3.45%, the average yield interest of the Eurobond since it was issued, is assumed for 2017 and for the following years.

The rate for market risk premium expressed mathematically in the CAPM Model as $(R_m - R_f)$ was taken as 8%. Levered beta for Russia was taken as 1.00.