

**AKFEN KARAKÖY GAYRİMENKUL  
YATIRIMLARI 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 Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (“Akfen Karaköy”), 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 Karaköy 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 Karaköy obtained from Akfen GYO, Akfen Karaköy 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 and Akfen Karaköy. 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.

## Table of Contents

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<b>1. Introduction and Scope</b>	<b>4</b>
<b>2. Sector</b>	<b>7</b>
2.1. <i>Tourism Sector in the World</i>	8
2.2 <i>Tourism Sector in Turkey</i>	10
2.3 <i>Tourism Sector in Istanbul</i>	16
<i>The Karaköy-Salıpazarı Region</i>	18
<b>3. Firma</b>	<b>20</b>
3.1 <i>Incorporation and Current Status</i>	21
3.2 <i>Shareholding and Capital Structure</i>	22
3.3 <i>Financial Fixed Assets</i>	22
3.4 <i>Financial Tables</i>	22
<b>4. Appraisal</b>	<b>25</b>
4.1 <i>Scope and Methodology</i>	26
4.2 <i>Appraisal Results</i>	27

## *Introduction and Scope*

## Scope and Methodology

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Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“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 Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (“Akfen Karaköy”, “Company”).

This appraisal study has been carried out based on the financial statements of Akfen Karaköy 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.

Three methods are utilized for company appraisals. The Discounted Cash Flow (DCF) method calculates the current value of a company by determining a discount rate based on the risk profile of the company and in line with the future cash flows to be achieved by the company and the current market conditions. In the Multiplier Analysis Method, value of a company is assessed by considering the average of financial ratios of companies operating within the same sector as the company and/or financial ratios belonging to previous transactions realized within the sector. Since the hotel project in Akfen Karaköy’s portfolio is not currently operational and active, the DCF and Multiplier Analysis methods could not be utilized for this appraisal study. Therefore, the third method, the Net Asset Value method, has been used.

The value calculated by using the Net Asset Value 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 fixed assets of the Company consist of properties belonging to and which are managed and represented by the General Directorate of Foundations and further classified as licensed foundations as per Article 6 of the Law of Foundations and the “Rental Agreement with Construction Requisite” related to these aforementioned properties was taken over by Akfen Karaköy on 22.06.2011 and an appraisal report has been issued by EPOS Gayrimenkul Danışmanlık ve Değerleme A.Ş. in order to assess the fair market value of the rights and benefits arising out of the aforementioned rental agreement on 31.12.2014.

“The Investment Properties and Investment Properties in Progress” item have been revised by the Company according to the value stated in the related real estate appraisal report of EPOS Gayrimenkul Danışmanlık ve Değerleme A.Ş., which used Net Asset Value method, and thus, the balance sheet dated 31 December, 2014 of Akfen Karaköy was revised accordingly in order for all liabilities and liability allowances indicated under liabilities item to be deducted from the revised assets of the Company.

The financial tables assessed during this study have been obtained from Akfen Karaköy. Although TSKB has shown the utmost care and attention to eliminate any mistakes and omissions in this study; all major items affecting the appraisal results shall be considered with the possibility 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.

*Sector*

# Tourism Sector

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## *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 the borders slowly disappear World began to shrink more and people began to be able to travel to longer 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. Considered one of the largest industries contributing to economies, the sector continues 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 not only of tourists, but of people who participate in such touristic activities.

With the globalization trend becoming preeminent since the 1980s, transportation and communication have become much more accessible and, 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, which grew by 5% in the first 8 months of 2014 compared to the same period last year, reached a record figure with 781 million people. This figure, compared to the same period last year, shows an increase of 36 million people.

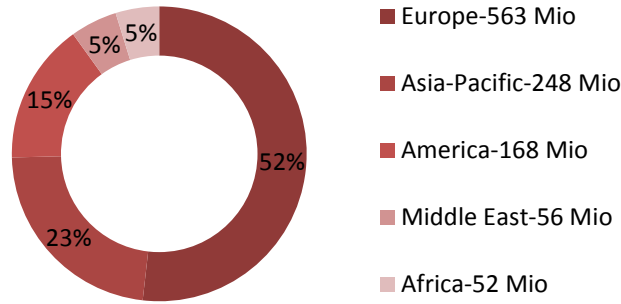
According to the World Travel & Tourism Council 2014 Report, tourism sector, which constitutes an important part of today's global GDP, grew nearly by 5.4% in 2013. Considering the effect on other sectors, the size of travel and tourism sector far exceeded USD 6.9 trillion with a share of 9.5% in global GDP, employing 265.8 million people in total. Further, when travel and tourism sector is classified according to foreign tourist expenditures, leisure and business spending constitute 75.6% and 24.4% of foreign expenditures with a total size of 4.3 trillion respectively.

Travel and tourism industry is projected to grow with an annual average rate of 4.2%, reaching USD 10.9 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 4.4%, reaching USD 5.4 trillion whereas foreign business spending is expected to reach USD 1.66 trillion with a growth of 3.7% 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, growth of 4% in the tourism sector is seen as a positive development in regards of 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<sup>1</sup>.

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<sup>1</sup> World Tourism Organisation 2014 Report

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

Source: World Tourism Organization 2014 Report

### Tourism Sector in Turkey

As a result of the development of the tourism sector and investments in line with the incentive policies, applied from 1982, the year when Tourism Incentive Law with article no 2634 came into force, up to now and the implementation of the law, Turkey has shown significant progress in the area and is now among the preferred of the countries worldwide.

In terms of the number of visitors, Turkey moved up to 6th place from 17th place in 2002 and in terms of tourism receipts ranks 11th, similar to 2011, in the world. The improvement in the number of foreign visitors coming to Turkey within the last ten years is indicated in the table below.

**Table 1: Number of Tourists Visiting Turkey (Thousand)**

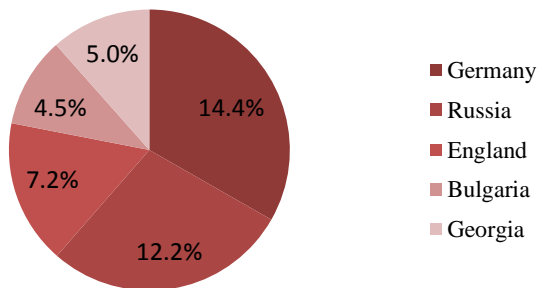
Years	Domestic	Foreign	Total
2004	3.237	17.517	20.754
2005	3.920	21.125	25.045
2006	4.104	19.820	23.924
2007	3.899	23.341	27.240
2008	4.801	26.337	31.138
2009	4.683	27.077	31.760
2010	4.365	28.632	32.997
2011	5.313	31.456	36.769
2012	5.932	31.783	37.715
2013	4.950	34.910	39.860

Source: Ministry of Culture and Tourism

When these figures are examined, it is observed that the number of total tourists, which was around 37.7 million in 2012, increased by 5.6% in 2013 and reached 39.8 million people. Domestic visitors played an important role in this increase.

By the end of the year 2013, the number of foreign visitors to Turkey increased by 9.8% compared to the previous year and stood at 34.9 million people. Regarding the breakdown of foreign tourists by their countries, German tourists ranked first with a 14.4% share; Russian tourists ranked second with a share of 12.2% and British tourists ranked third with 7.2% share. A total of 50.3% of the foreign tourists visiting Turkey were from OECD countries.

**Graph 2: Breakdown of Foreign Tourists by Countries in 2013**



Source: Ministry of Culture and Tourism

According to data of first 9 months of 2014, 30.1 million foreigners visited Turkey. Russia ranked first with 4.144 million visitors and 14% share, while Germany placed second with 4.090 million visitors. Meanwhile England is placed third with 2.2 million visitors and 7.5% share.

In 2012, the increase in the number of foreign visitors arriving in Turkey is seen to be lower than the world average and the European average. This limited rise in 2011 stems from the fact that visitors who preferred Turkey due to the Arab Spring, are inclined to visit North Africa again in 2012, the increase in the room prices and economic recession in Europe.

In 2013, similar to the 10% level in 2011, the increase in the number of foreigners visiting Turkey was above the world average of 5%. In the aforementioned increase, the 12% increase in the number of foreigners visiting Istanbul, an important transit point, had a large effect. Since 2013, the most important reason for the increase in the number of foreign visitors is the significant increase of Syrian citizens entering the country as refugees due to internal turmoil experienced in their country. While

the amount of Syrian citizens entering Turkey was around 730 thousand people in 2012, that figure reached 1.3 million in 2013. Excluding this extraordinary circumstance and looking at the number of foreign visitors in 2013 without the Syrian citizens, the increase in the number of foreign visitors is estimated to be 8% instead of 10%.

Despite the increase in the number of tourists, the total expenditure amount per person, which is included in tourism receipts, has decreased between 2008 and 2010 due to global economic crisis. Yet, the expenditure of foreign visitors per person has increased by 5.8% between 2010 and 2011, 1% between 2011 and 2012, 4.7% between 2012 and 2013. In 2013 domestic expenditure per person increased by 1%, along with the total average expenditure amount per person rising up by 3.6%.

Considering the data since 2004, a generally increasing pattern is observed both in the number of visitors and tourism receipts. Both domestic and foreign tourism receipts and average expenditures since 2004 are as indicated in the table below.

**Table 2: Tourism Receipts in Turkey between years 2004-2013**

Years	Yerli			Yabancı			Toplam		
	Receipt (Billion \$)	Average Expenditure (\$)	Change in Average Expenditure	Receipt (Billion \$)	Average Expenditure (\$)	Change in Average Expenditure	Receipt (Billion \$)	Average Expenditure (\$)	Change in Average Expenditure
2004	3.9	1,262		13.0	759		17.0	843	
2005	4.4	1,214	-3.8%	15.7	766	0.9%	20.3	842	-0.1%
2006	4.5	1,153	-5.0%	13.9	722	-5.7%	18.6	803	-4.6%
2007	4.7	1,121	-2.8%	15.9	692	-4.2%	20.9	770	-4.1%
2008	5.4	1,191	6.2%	19.6	742	7.2%	25.4	820	6.5%
2009	5.7	1,222	2.6%	19.0	697	-6.1%	25.0	783	-4.5%
2010	5.6	1,231	0.7%	19.1	670	-3.9%	24.9	755	-3.6%
2011	5.6	1,168	-5.1%	22.2	709	5.8%	28.1	778	3.0%
2012	64	1,241	6.3%	22.4	715	0.8%	29.0	795	2.2%
2013	6.7	1,252	8.8%	25.3	749	4.7%	32.3	824	3.6%

Source: Ministry of Culture and Tourism

The number of touristic facilities has also increased along with the number of tourists visiting Turkey. There are two types of facilities: those whose investment certificate applications to the Ministry of Tourism are still in progress and those that have obtained the required licenses. In 2003, facilities with a valid operating license totaled 2,240 and this amount increased by 33.1% to 2,982 as of the

end of 2013. The bed capacity also increased annually by an average of 5.8% for the same years and rose from 420,697 to 749,299 beds.

**Table 3: Number of Facilities and Beds in Turkey**

Years	Facilities with an Investment License		Facilities with an Operation License	
	Number of Facilities	Number of Beds	Number of Facilities	Number of Beds
2003	1,130	242,603	2,240	420,697
2004	1,151	259,424	2,357	454,290
2005	1,039	278,255	2,412	483,330
2006	869	274,687	2,475	508,632
2007	776	254,191	2,514	532,262
2008	772	258,287	2,566	567,470
2009	754	231,456	2,625	608,765
2010	877	252,984	2,647	629,465
2011	922	267,900	2,783	668,829
2012	960	273,877	2,870	706,019
2013	1,056	301,862	2,982	749,299

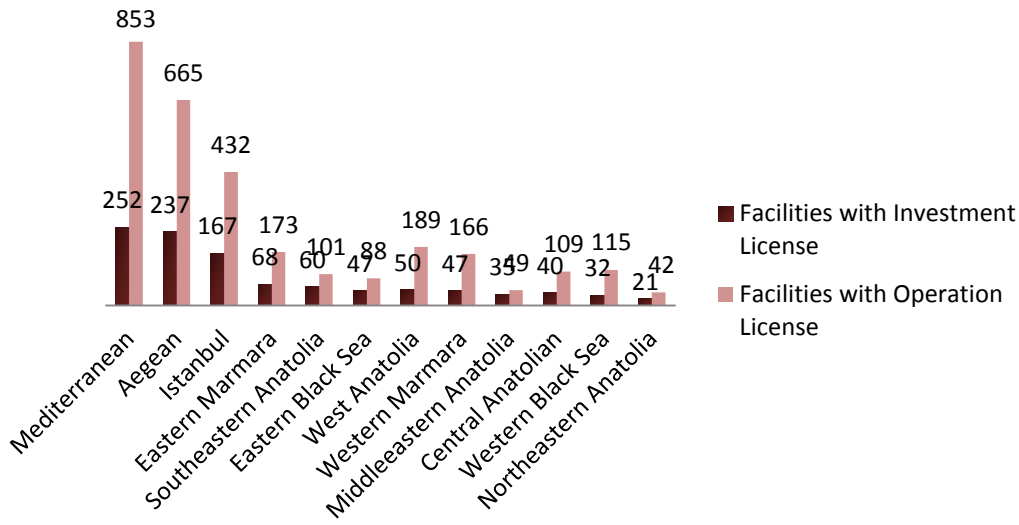
Source: Ministry of Culture and Tourism

Looking at the regional distribution of facilities with both investment and operation licenses, distribution is concentrated in Istanbul along with the Mediterranean and Aegean regions. Considering tourism investments according to cities, it is determined that as of the end of 2013 more than 50% of the total number of facilities, which was around 4,038 for facilities with investment or operational licenses were located in Antalya, Muğla, İzmir and Istanbul. The chart below depicts the distribution of touristic facilities according to cities as of the end of 2013.

The increase in number 5 and 4 star properties have been effective in the increase in facility and bed capacity in recent years. In 2008, 4 and 5 star facilities' share in facilities with tourism operation licence was at the level of 28%, this rate increased over the years, and by the end of year 2013 it has risen to 35%. In this period, 4 and 5 star facilities bed capacity share in facilities with tourism operation licence has risen from 58% to 65%.

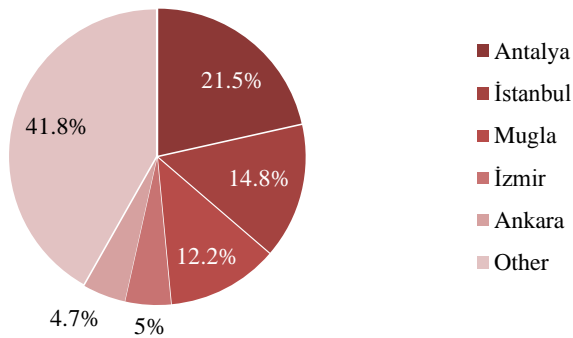
In 2013, about 208 new facilities began service. These facilities have around 34 thousand beds, over 71 thousand room capacity. In the following graphs, the distribution of facilities on the basis of cities and regions by the end of 2013 are shown.

**Graph 3: Breakdown of Touristic Facilities By Regions as of the end of 2013**



Source: Ministry of Culture and Tourism

**Graph 4: Breakdown of Total Touristic Facilities By Cities as of the end of 2013**



Source: Kültür ve Turizm Bakanlığı

The occupancy rates of touristic facilities in Turkey between 2004 and 2013 were as indicated in the table below. The occupancy rate for touristic facilities in Turkey became 52.6% in 2013.

**Table 4: Occupancy Rate of Touristic Facilities in Turkey**

Years	OCCUPANCY RATE(%)		
	Domestic	Foreign	Total
2004	36.57	13.50	50.07
2005	39.22	13.16	52.38
2006	32.35	14.91	47.26
2007	36.68	14.43	51.12
2008	37.71	13.80	51.51
2009	35.38	13.52	48.90
2010	37.23	11.94	49.17
2011	38.12	13.34	51.46
2012	40.74	13.61	54.34
2013	38.41	14.19	52.60

Source: Ministry of Culture and Tourism

- **Expectations**

The annual growth in the number of foreign visitors in the last 10 years, above the world average, which occurs in the 5-10% band in Turkey's tourism sector, is expected to be maintained in the medium term. Along with the strengthening of Asian economies, the increase in the number of foreign visitors from Asia is expected to continue. However the recent tension between Russia and Ukraine and afterwards the devaluation of Russian currency Ruble, will slow down the growth of the tourism sector in Turkey. Russians, the nation with second most visitors to Turkey, are expected to cut their expenses such as holidays abroad with the devaluation of Ruble.

When this global environment is considered, the estimated number of foreign tourists is observed to be around 34.9 million in 2013 and the total income receipts is observed to have risen above approximately USD 32.3 billion in Turkey, being the 6th most visited country in the world in 2013 according to United Nations Tourism Organization.

2023 Tourism Strategy targets Turkey to become one of the five countries with the highest ranking of visitors and tourism receipts in the world. Besides increasing the number of tourists visiting the country, construction of a structure that increases the quality of services, targets upper income groups through diversifying marketing channels and protects natural capital and its sustainability, is among the targets. In line with these objectives and by encouraging long-term investments, structuring of Turkey's transportation network is carried out.

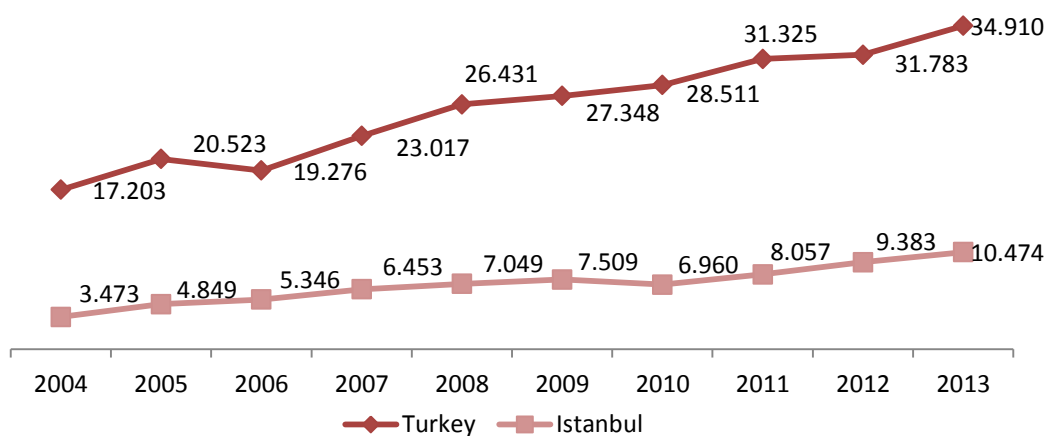
## Tourism Sector in Istanbul

Positive development observed in the tourism data for Turkey within the last few years has also been observed in Istanbul tourism. According to the reports of Istanbul City Directorate of Culture and Tourism, the number of foreign tourists visiting Turkey in 2012, which was around 9.4 million, increased by 11.6% and reached 10.4 million in 2013. In this regard Istanbul passed the 10 million barrier for the first time in 2013.

In the first 9 months of 2014, the number of foreign visitors visiting Istanbul continued to grow and reached 9 million visitors equal to a growth of 13.3%. Istanbul, with its intense economic activities, ease of transportation and cultural wealth, is the clear leader in the city hotels segment in Turkey in terms of both local and foreign visitors. In the “2014 Global Destination Cities Index” report of Mastercard, comparing the number of visitors and tourism revenues of 132 cities in the World, Istanbul is ranked third in Europe behind London and Paris, and seventh in the World. In the report it is estimated that if Istanbul keeps growing at the rate of the expected growth rate in 2014, 17.5%, it will pass Paris in 2016.

The table below compares the annual number of foreign tourists visiting Turkey and Istanbul.

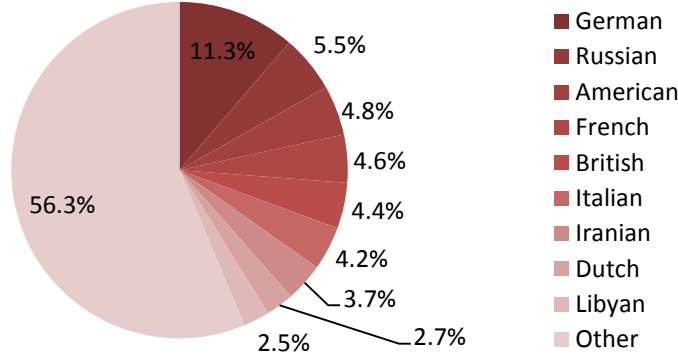
**Graph 5: Curve of number of foreign tourists visiting Turkey and Istanbul in the last 8 years (in Millions)**



Source: Ministry of Culture and Tourism

The breakdown of foreign tourist visiting Istanbul in 2013 according to their nationalities are as indicated below, in order: Germans (11.3%), Russians (5.5%), Americans (4.8%), French (4.6%), British (4.4%), Italians (4.2%), Iranian (3.7%), Dutch (2.7%), Libyan (2.5%) and other countries (56.3%).



**Graph 6: Breakdown of Foreign Countries Visiting Istanbul according to their Nationalities**

Source: Ministry of Culture and Tourism

Most of the tourists visiting Istanbul are from the United States and European countries. Also, within the last few years, Arabic tourists have started showing interest in Istanbul and the main Arabic countries with an increasing number of tourists are Saudi Arabia, Libya, Bahrain, Iran, Iraq, Lebanon and Egypt.

Considering the number of accommodation facilities in Istanbul, there are 633 hotels, 124 guesthouses, 11 motels, 7 campsites, 3 holiday villages, which make 778 facilities in total. In those 778 facilities there are 22,048 rooms and 42,668 beds in total.

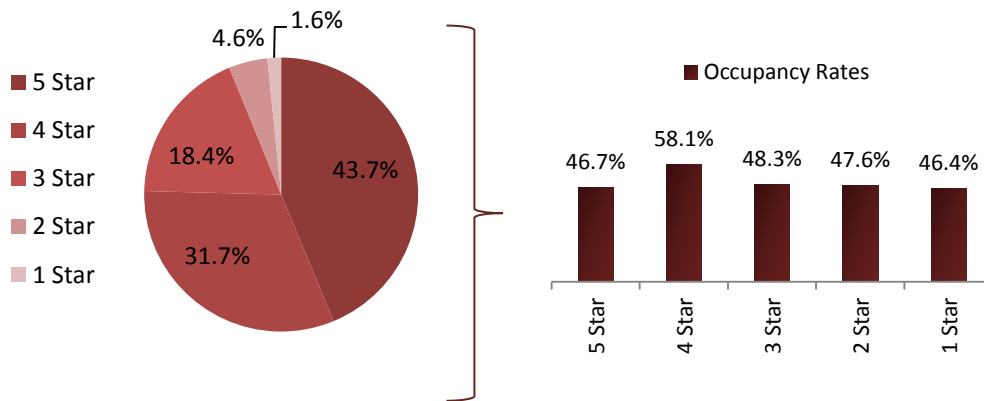
**Table 5: Facility Types with Numbers in Istanbul in 2013**

Facility Type	Number of Facility	Number of Rooms	Number of Beds
Hotel	633	19,497	37,611
Motel	11	282	522
Guesthouse	124	1,799	3,421
Holiday Village	3	233	648
Campsite	7	237	466
Thermal	-	-	-
<b>Toplam</b>	<b>778</b>	<b>22,048</b>	<b>42,668</b>

Source: Ministry of Culture and Tourism

Looking at the distribution of a total of 633 hotels in foreign and domestic tourists arrivals, 5 star hotels are the most preferred with 43.7%, 4 star hotels following with 31.7% and 3 star hotels with 18.4%. In the light of these data, the result that tourists in Istanbul are mainly interested in luxury hotels can be drawn. Regarding the occupancy rate of the hotels, 4 star hotels come first with 58.1%, while 3 star hotels follow with an occupancy rate of 48.3%. Average occupancy rate of hotels in Istanbul is around 50%.

**Graph 6: Breakdown of Tourist Accomodations and Occupancy Rates by Facility Types in Istanbul**



Source: Ministry of Culture and Tourism

### **Karaköy- Salıpaazarı Region**

Looking at the Karaköy region, on which the Novotel project will be located, the Salıpaazarı Port appears to be an interesting and attractive area located within this region. The urban development project for Salıpaazarı Port (Galataport Project), for which many previous privatization projects have been declined before, has now been approved in November 2012 by the Privatization High Council and Dogus Holding won the tender, which ensures the privatization of the port for 30 years, by offering USD 702 million in May 2013. Especially right after the Galataport Project, many important investors and hotel brands have purchased properties in this region with the hope of this project finally being carried out, therefore strong demand for the region have greatly increased land and building prices. There are currently over 10 new ongoing hotel constructions between Salıpaazarı and Karaköy region. Since this region is considered as a town center, even though it is currently inactive, with this transformation process, the region is expected to become a luxurious tourism center.

Karaköy is located very close to the cultural and historical texture of Istanbul in and with the

completion of the Galataport Project, the historical and natural beauties of Istanbul, which now remain hidden in the port area and in the background shall be brought forward; the port shall become an international complex and the trade and employment are to be improved. There are many examples of incorporating such inactive and inert, but location-wise central, areas into the urban life of cities; therefore, Akfen's hotel project in Karaköy is becoming more and more valuable and rewarding. Karaköy also has become a popular destination especially with new places opening up along the Kemankeş Street.

## *The Company*

## General Information

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### *Incorporation and Current Status*

Akfen Karaköy was incorporated on 31 May 2011 and is a subsidiary of Akfen GYO. The main activity scope of the company includes planning investments for all kinds of touristic facilities, hotels and real estate, performing or contracting others to carry out the construction works of such projects, lease and operation thereof.

The Company has planned to undertake a tourism investment project on adjacent plots located in Beyoğlu/Istanbul, belonging to General Directorate of Foundations. The Company took over the “Rental Agreement with Construction Requisite” on 22 June 2011, that had been signed between General Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi ve Ticaret A.Ş. on 1 September 2009 lasting for 49 years with an end date 1 September 2058. Under the contract, in five years from the contract date, following must be completed; preparation of application projects of the building, approval by relevant institutions and organizations, obtaining of building permit, completion of construction and operationalization the bulding. The firm has announced that the ending date of the construction will be 15 September 2015 and the time given for operationalization of the project is extended to January 2016.

This investment project includes the construction of a 5 star facility with a capacity of 200 rooms, which is operated by a hotel operation and management company with an internationally renowned brand. The Company signed an agreement with Tamaris Turizm A.Ş., the wholly owned subsidiary of an international hotel operator Accor S.A. in Turkey, on 19 December 2012 for this purpose.

## ***Shareholding and Capital Structure***

The subscribed capital of the Company is 17.2 million TL as of 31.12.2014. The distribution of this subscribed capital amongst the shareholders is as stated in the table below.

**Table 6: Shareholding and Capital Structure of Akfen Karaköy**

<b>Shareholders</b>	<b>Number of Shares (TL)</b>	<b>Shareholding Percentage (%)</b>
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	12,039,656	%69.998
Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	172	%0.001
Akfen Holding A.Ş.	172	%0.001
Keskin Global Yatırım Turizm İnşaat Ltd.Şti.	5,159,828	%29.999
Bilal Keskin	172	%0.001
<b>Total</b>	<b>17,200,000</b>	<b>%100.00</b>

## ***Financial Fixed Assets***

As of the date of this appraisal report, there were no affiliated companies and/or subsidiaries of Akfen Karaköy.

## ***Financial Tables***

The balance sheet that has not been prepared by a independent audit firm, dated 31 December, 2014 for Akfen Karaköy founded on 31.05.2011 is as indicated below.

Table 7: Balance Sheet of Akfen Karaköy

<b>CONDENSED BALANCE SHEET OF AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.</b>	
<b>(TL)</b>	<b>31/12/2014</b>
Cash and Cash Equivalents	27,797
Other Current Assets	445,286
<b>Total Current Assets</b>	<b>473,083</b>
Investment Properties and Investment Properties in Progress	146,366,000
Other Fixed Assets	18,432,372
<b>Total Fixed Assets</b>	<b>164,798,372</b>
<b>TOTAL ASSETS</b>	<b>165,271,455</b>
Current Installments of Long Term Liabilities	641,908
Trade Payables	2,575,813
Other Short-Term Liabilities	207,818
<b>Total Short-Term Liabilities</b>	<b>3,425,539</b>
Long-Term Financial Liabilities	47,246,725
Deferred Tax Liabilities	21,801,751
<b>Total Long-Term Liabilities</b>	<b>69,048,476</b>
<b>Total Liabilities</b>	<b>72,474,015</b>
Paid-in Capital	17,200,000
Previous Year's Profit (Loss)	77,262,269
Net Term Profit	-1,664,829
<b>Total Equities</b>	<b>92,797,440</b>
<b>Total Liabilities &amp; Equity</b>	<b>165,271,455</b>

“Investment Properties and Investment Properties in Progress”, being one of the major items in the assets account of the Company, comprises of hotel investment as part of the aforementioned Agreement.

The “Other Current Assets” and “Other Fixed Assets” items under assets of the Company, include the prepaid rental expense for five years for the aforementioned plot respectively both on a monthly and yearly basis.

The amount of long-term loans the Company used for the financing of the Karaköy Novotel Project is the 47 million Turkish Liras found under the item “Long-term Financial Liabilities”.

The “trade payables” item is mainly compromised of the provisions for construction costs. Also the “Other short-term liabilities” item includes commission accruals of used loans, tax payables and fund payables.

**Table 8: Income Table of Akfen Karaköy**

<b>CONDENSED INCOME STATEMENT FOR AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.</b>	
<b>(TL)</b>	<b>31.12.2014</b>
Cost of Sales	-1,863,449
<b>GROSS PROFIT/LOSS</b>	<b>-1,863,449</b>
General Administration Expenses	-322,308
Other Revenue	-4,471,372
<b>OPERATING PROFIT</b>	<b>-6,657,129</b>
Financial Income	6,483,823
Financial Expenses	-1,017,499
Tax (net)	-474,023
<b>NET TERM PROFIT/LOSS</b>	<b>-1,664,828</b>



The company's activities have not yet begun to earn income, so 80,547 Turkish Liras part of the item "Cost of Sales", is comprised of insurance costs and the remaining portion of the item includes the accrued rental expenses for aforementioned plot within the related term.

Financial Income represents interest income, whereas Financial Expenses mainly include exchange differences and commission expenses.

# *Appraisal*

# Appraisal

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## *Scope and Methodology*

The Net Asset Value method has been utilized for determining the fair market value of Akfen Karaköy. The Net Asset Value method is based on the principle of calculating the “Adjusted Book Value” by calculating and deducting the approximate market value of all assets currently owned by the Company from the market value of all liabilities of the Company, without considering the possible future cash flows to be created by the Company.

In order to achieve this, all cost and expense items indicated on the balance sheet for certain fiscal terms need to be expressed with their current market values; therefore, estimated real values of all assets owned by the company and expertise values of all fixed assets shall be calculated and all financial and other liabilities of the Company shall be deducted from this amount in order to attain the net asset value.

The Net Asset Value of Akfen Karaköy has been calculated based on the balance sheet dated 31 December 2014, which is the most recent financial table of the Company.

The most important fixed asset item of the Company according to its balance sheet dated 31 December 2014 is “Investment Properties and Investment Properties in Process” has been revised by the Company according to the market value stated on the expertise report dated 31.12.2014 of EPOS Gayrimenkul Danışmanlık ve Değerleme A.Ş. Values related to other items included in the assets of Akfen Karaköy and amounts related to the liabilities of the Company have been calculated over the amounts stated on the balance sheet based on the assumption that such figures reflect the actual market value.

The fixed assets of the Company consist of properties belonging to and which are managed and represented by the General Directorate of Foundations and further classified as licensed foundations as per Article 6 of the Law of Foundations and the “Rental Agreement with Construction Requisite” related to these aforementioned properties was taken over by Akfen Karaköy on 22.06.2011.

No detailed financial and legal inspection or financial audits have been carried out in order to verify the validity, accuracy and existence of accounts on which this appraisal study was based.

## Appraisal Results

The Net Asset Value of the Company, based on the balance sheet dated 31 December 2014 and the expertise report dated 31.12.2014, has been valued as 92,797,440 TL.

**Table 9: Net Asset Value of Akfen Karaköy**

<b>NET ASSET VALUE OF AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.</b>	
<b>AS OF 31/12/2014 (TL)</b>	
+ Cash and Equivalent	27,797
+ <b>Investment Properties and Investment Properties in Progress</b>	<b>146,366,000</b>
+ Other Current and Fixed Assets	18,877,658
<b>Total Assets</b>	<b>165,271,455</b>
- Current Installments of Long Term Liabilities	641,908
- Other Short Term Liabilities	2,783,631
- Long-Term Financial Liabilities	47,246,725
- Deferred Tax Liabilities	21,801,751
<b>Net Asset Value</b>	<b>92,797,440</b>