AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Company Appraisal Report

Türkiye Sınai Kalkınma Bankası A.Ş.

19 February 2014

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.

Table of Contents

1. Introduction and Scope

1.1 Scope and Methodology

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

Akfen GYO has applied to Türkiye Sınai Kalkınma Bankası ("TSKB") in order to obtain company appraisal consultancy services to assess and determine the value of its subsidiary Akfen GT on 14 November 2013.

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

This appraisal study consists of the chapters indicated below:

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

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

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

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

1.2 Appraisal Summary

Company

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

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

Table 1.1 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 lBIS	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 TSKB Gayrimenkul Değerleme on 31.12.2013. The results of the related appraisal study are as indicated below.

Table 1.2 Property Values according to Expertise Reports

Properties	Value (EURO)	Akfen Share Percentage (%)	Akfen Share Amount (EURO)
Kaliningrad IBIS	27,600,000	95%	26,220,000
Samara IBIS	32,950,000	95%	31,302,500
Samara Office	10,100,000	95%	9,595,000
Yaroslavl IBIS	31,580,000	95%	30,001,000
“Merit Park Otel” + Bafra Plot	77,420,000	100%	77,420,000
TOTAL	**179,650,000**		**174,538,500**

(Source: Akfen GT)

Appraisal Results

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

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

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

<table>
<tr><th colspan="2">Euro (000)</th><th>Value</th><th>Financial Liabilities (-)</th><th>Liquid Assets(+)</th><th>Equity Value</th></tr>
<tr><td rowspan="2">Akfen GT HQ</td><td>KKTC & HQ Value</td><td>53.977</td><td>13.500</td><td>4.629</td><td>45.106</td></tr>
<tr><td>Land in Bafra</td><td>2.860</td><td>-</td><td>-</td><td>2.860</td></tr>
<tr><td rowspan="3">RHI(95%)</td><td>Samara IBIS</td><td>28.727</td><td rowspan="3">26.252</td><td rowspan="3">2.452</td><td rowspan="3">63.599</td></tr>
<tr><td>Yaroslavl IBIS</td><td>29.711</td></tr>
<tr><td>Kaliningrad IBIS</td><td>28.962</td></tr>
<tr><td>RPI (95%)</td><td>Samara Office</td><td>14.242</td><td>7.125</td><td>35</td><td>7.152</td></tr>
<tr><td colspan="2">Akfen GT Company Value</td><td>158.479</td><td colspan="2">Akfen GT Equity Value</td><td>118.717</td></tr>
</table>

The equity value of the Company as of 31 December 2013, calculated by deducting net financial liabilities from the enterprise value and by adding cash and cash equivalents (liquid assets) equals to **118,717 million Euros (348,612 million TL[1]).**

[1] *EURO/TL buying rate of Republic of Turkey Central Bank dated 31 December 2013 (2. 9365) have been used.*

1.3 Opinions on Appraisal Results

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

The 5-star hotel located in TRNC has been in operation together with its casino since 2007, has been rented out to Voyager Kıbrıs Ltd. Şti. 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 31.12.2013 of TSKB Gayrimenkul Değerleme A.Ş.

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

The Equity Value of the Company has been calculated as **118,717 million Euros (348,612 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 2013 (2. 9365) have been used.*

2. Sector

2.1 Tourism Sector

2.1.1 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. 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.

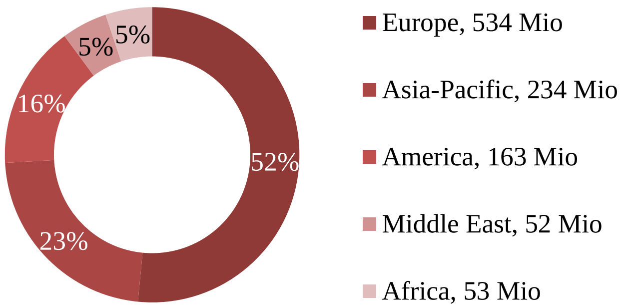
According to the World Travel & Tourism Council 2013 Report, tourism sector, which constitutes an important part of today's global GDP, grew by nearly 4% in 2013. Considering the effect on other sectors, the size of travel and tourism sector far exceeded USD 6.6 trillion with a share of 9.3% in global GDP, employing 261.4 million people in total. Further, when travel and tourism sector is classified according to foreign tourist expenditures, leisure and business spending constitute 76% and 24% of foreign expenditures with a total size of 5,3 trillion respectively.[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 is 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) 2013 Report, Europe is the most visited region by tourists in 2012, with a share of 52% and approximately 534 million tourists. Further, it is explained in the report that number of tourists travelling around the world showed a growth of 4% and reaching 1.035 billion in 2012. According to the same report, number of tourists travelling showed a growth of 4.3% in emerging markets, 3.7% in developed countries, 7% in Asia-Pacific countries with the highest rate. Considering the economic recession especially in the Euro Zone in 2012, the number of tourists exceeding 1 billion for the first time with growth of 4% 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 2013*
[2] *World Tourism Organization 2013*

Graph 1: Breakdown of Number of Tourists (in Million People) and Shares (%) by Regions in 2012



Source: World Tourism Organization 2013 Report

2.1.2 TRNC

Economic Overview

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

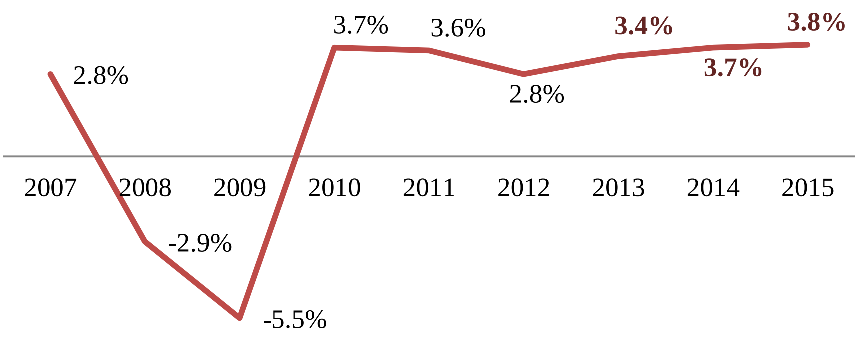
The "Solving the Cyprus Problem" plan developed by the United Nations in 2003 and which is still being negotiated and allowing free passage between Northern and Southern Regions of Cyprus have both initiated and provoked positive improvements in the investment environment. As a result of the improvement observed in the investment climate, during the 2003-2007 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 the previous years for the years 2011 and 2012 and the rates amounted to 3.6% and 2.8% respectively. Deterioration and failed recovery of macroeconomic indicators lies under the decline of growth rates.

According to the TRNC State Planning Organization Report published in 2013, GDP growth is projected to be %3.4, %3.7 and %3.8 for the years 2013, 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



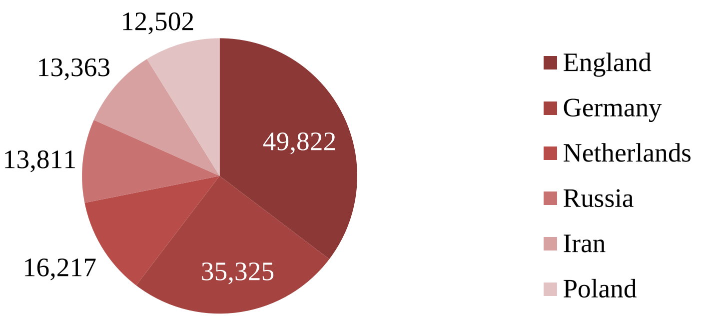
Source: TRNC State Planning Organization Report 2013

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. 76,5% of the visitors to the country are from Turkey. In addition, tourists from more than 40 different countries also visit the country. Most tourists, besides Turkey are from the UK, Germany, the Netherlands, Iran, Austria, Russia, Poland and Italy.

Graph 3: Breakdown of Tourists Visiting TRNC by Their Countries in 2012



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

According to the data of October 2012 and 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 6.2% is observed in the first 10 months of both 2011 and 2012. Along with this, overnight stays increased by 8.8% 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 1: Total Number of Tourists in the First Months of 2012 and 2013

Total Number of Tourists			
Months	**2012**	**2013**	**Change %**
January	65,710	65,549	-0.2%
February	80,180	85,796	7.0%
March	83,001	89,615	8.0%
April	95,776	98,597	2.9%
May	99,499	104,603	5.1%
June	117,437	121,418	3.4%
July	107,541	111,077	3.3%
August	107,830	122,722	13.8%
September	136,155	142,295	4.5%
October	107,732	121,312	12.6%
Total	**1,000,861**	**1,062,984**	**6.2%**

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

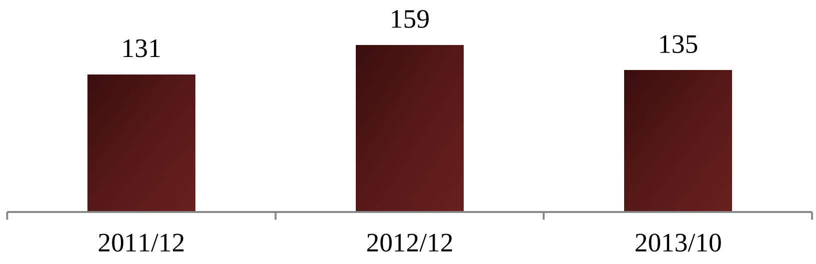
Table 2: Total Number of Overnight Stays in the First Months of 2012 and 2013

Nationality	**2012**	**2013**	**Change %**
Turkish	1,227,445	1,262,995	2.9%
Foreign	1,043,689	1,226,796	17.5%
TRNC	87,214	76,361	-12.4%
TOTAL	**2,358,348**	**2,566,152**	**8.8%**

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 October of 2013, numbers of facilities were down by 15% and in total 135 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, although an increase can be seen in the first four months of 2013, remaining months of the year has shown a decline of 4.2%. 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 8.6%. 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 3: 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 4: Monthly Occupancy Rates (%)

Months	2012	2013	Change %
January	22.8	23.8	4.4
February	19.2	25.4	32.3
March	31.3	36.6	16.9
April	38.6	41.5	7.5
May	44.1	48.1	9.1
June	59.5	61.1	2.7
July	63.2	67.7	7.1
August	65.3	74.9	14.7
September	62.5	64.6	3.4
October	52.3	54.3	3.8
Average	**46.7**	**50.7**	**8.6**

When the occupancy rates for October 2013 are examined, Gazimağusa has the highest occupancy rate with 67.8%, followed by Girne with 58.4% and Lefkoşa with 42.2%.

Table 5: Occupancy Rates according to Cities

City	Share %
Gazimağusa	67.8
Girne	58.4
Lefkoşa	42.2
İskele	37.5
Güzelyurt	6.3

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 91 hotels ranks the first with 67% 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 9% of the total number of hotels and bed capacity and ranks the 3rd in the number of hotels ranking with 12 hotels located in the city.

Table 6: Number of Hotels according to Cities

City	Number of Hotels	Share %	Number of Beds	Share%
Girne	91	67	12,818	68
İskele	25	19	3,676	19
Gazimağusa	12	9	1,655	9
Lefkoşa	3	2	642	3
Güzelyurt	4	3	228	1
Total	**135**	**100**	**19,795**	**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 27 units, 1 star hotels with 18 units, guest houses with 16 units and 5 star hotels with 15 units. 5 star hotels have the highest bed capacity, and they cover 50.3% of residential needs of tourism with a total of 9,580 beds.

Table 7: Number of Hotels according to their Types

Type	Number of Facilities	Share%	Number of Beds	Share%
Five Star Hotels	15	11	9,580	50
Four Star Hotels	4	3	1,346	7
Three Star Hotels	10	8	1,893	10
Two Star Hotels	15	11	1,072	6
One Star Hotels	18	13	699	4
Hotels with private certificates	1	1	34	0
2nd class holiday resorts	5	4	928	5
Bungalow houses	27	20	1,549	8
Apart Hotels	2	1	82	0
Guesthouse	16	12	196	1
Boutique Hotels	4	3	450	2
Local Houses	3	2	96	1
Indoor Facilities	13	10	926	5
Other	2	1	168	1
Total	**135**	**100**	**19,019**	**100**

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

2.1.3. Russia

Economic Overview

Russia, as the major natural gas producer and the second largest petrol producer in the world, achieved a GDP of 1.9 trillion US Dollars in 2012. The country's GDP is expected to be exceeding 2.2 trillion US Dollars in 2013[1]. Russia is the 9th largest economy in the World with its 2012 GDP figure. It is anticipated that Russian Economy will achieve to be the 7th largest economy of the world by 2022 with 4.2 trillion US Dollars size, surpassing western economies. [2]

Russia was adversely affected from the economic crisis towards the end of the year 2008 and the Russian Economy shrank by 7.9% in 2009. The economy started improving in 2010 and an economical growth equal to 4.8% in 2010 and 4.2% in 2011 was achieved. In 2011, with this percentage, Russia became the 3rd country with the highest growth rate in the world. In 2012, Russia's growth decreased to 3.4% 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. The country's growth forecast for 2013 and 2014 is given by the IMF as respectively 1.5% and 3%.

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. According to data published by the IMF, the rate of inflation will be at 6.9% in 2013. Estimated inflation rate between 2014 and 2017 is expected to be 6%.

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[1] *IMF forecast*
[2] *CEBR forecast*

Russian Tourism

Russia has a population of approximately 145.1 million as of 2012, and the country's travel and tourism sector constituted 5.9% of the total economic output with the size of 26.1 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 23.6 million tourists in 2012 achieving 17.6 billion US Dollars tourism exports. It is forecasted that the number of tourists will reach 30.6 million in 2013 and tourism exports will grow at 7.2% the same year. In addition, number of tourists are expected to reach 52.5 million in 2023 creating a value of 30.4 billion US Dollars. Total product of the tourism sector, with around 108.4 billion US Dollars size, is expected to increase by 5.6% in 2013 and will increase at an annual average of 4.6% reaching 179.4 billion US Dollars in 2023.

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 10.8 billion US Dollars and this amount is expected to increase by 0.3% for the investments in 2013. Further, 5.7% increase in investments, equaling to 18.9 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.

Figure 1: Map of the Russian Federation

Kaliningrad

The region is located beside the Pregl River, which is 123 kilometers long, has a surface area of 223 km^2 and a population of 450,300, 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 Word. Afterwards, it was occupied by the Soviet Army. Although the Kaliningrad region does not have any connections to the land, it stayed tied to Russia as an autonomous region. Russia's Baltic fleet to be located within this region and the region being a natural open port and due to its location, the region is geostrategic and commercially worthy.

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

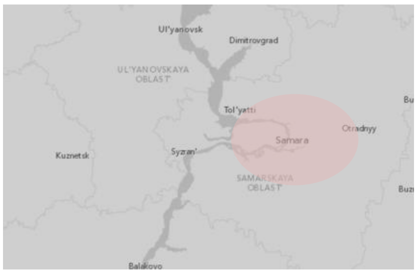
Along with its natural beauties, metallurgy, which is the prominent industry in the region, is the main source of income. Kaliningrad has obtained the Special Economic Zone status and can offer tax advantages to investors such as exemption from real estate and corporate taxes for the first six years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

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 Word 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 capacity stadium importance of the region will increase and the region is expeced 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 591.5 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.

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

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.

2.2 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 9.3% of the global gross product and the turnover was around USD 6.6 trillion in 2012. It is estimated that the sector will grow annually on average by 4.4% till 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 8: Income Estimations for Tourism and Travel Sectors (Billion $)

	Country	**2012**	**Ülke**	**2023**
1	USA	1,348	China	1,908
2	China	757	USA	1,887
3	Japan	400	Japan	446
4	France	254	Brazil	353
5	Italy	207	France	296
6	Brazil	206	India	275
7	Spain	205	Engladn	263
8	England	169	Italy	249
9	Germany	154	Mexico	244
10	Avustralia	151	Spain	226

(Source: World Travel & Tourism Council Report)

In 2012, total proceeds in tourism sector is USD 6.6 trillion and largest share of this figure belongs to the US with a share of 21%. US is followed by China with 11.5% and Japan with 6% share. Further, minor changes are expected for the ranking in 2023 and growth is predicted to concentrate on Asia-Pasific region, leading China to come first with total proceeds of USD 1.9 trillion in tourism sector.

Considering the expectations of the proceeds in global tourism sector in 2023, the sector is expected to grow with an annual average rate of 4.4%, reaching USD 10,507 billion in 2023.

It is anticipated that the proceeds in tourism and travel sector in Russia shall grow by approximately 4.6% a year and reach $ 179.4 billion in 2023.

Table 9: Proceeds of Tourism and Travel Sector

Billion $	2011	2012	2023E	Average Annual Growth %
World	6,346	6,600	10,507	4.4%
Russia	103	108.4	179.4	4.6%

(Source: World Travel & Tourism Council Report)

In 2012, the investments in tourism accounted for 4.8% of all investments and equaled to USD 764 billion. It is anticipated that this figure will increase annually by 5.3% on average and reach USD 1.34 trillion level till 2023 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 5.7% and reach USD 20 billion in till 2023.

Table 10: Investments in Tourism and Travel Sector

Billion $	2011	2012	2022T	Average Annual Real Growth %
World	743	764	1,341	5.3%
Russia	10	11.5	20	5.7%

(Source: World Travel & Tourism Council Report)

3. The Company

3.1 General Information

3.1.1 Incorporation and Current Status

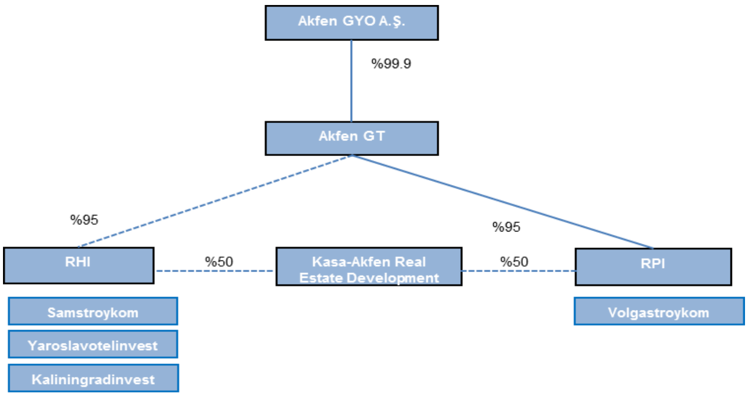
Akfen GT's main activities include carrying out, developing, operating and contracting others to operate real estate investments. The Company, which was founded under the name T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret A.Ş. on 04 August 1999 changed its commercial title to Akfen Gayrimenkul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

Currently, Akfen GT obtains rental income from the 5-star Hotel 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 3.1: Shareholding Structure as of 31 December 2013



3.1.2 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 has been announced on the Official Bulletin of Turkish Trade Registry. 2,592,136 TL, the remaining capital commitment amount of the increased capital, is planned to be paid in cash by Akfen GYO by end of 2014.

Table 3.2: Share Distribution as of 31 December 2013

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

(Resource: Akfen GT)

3.1.3 Subsidiaries

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

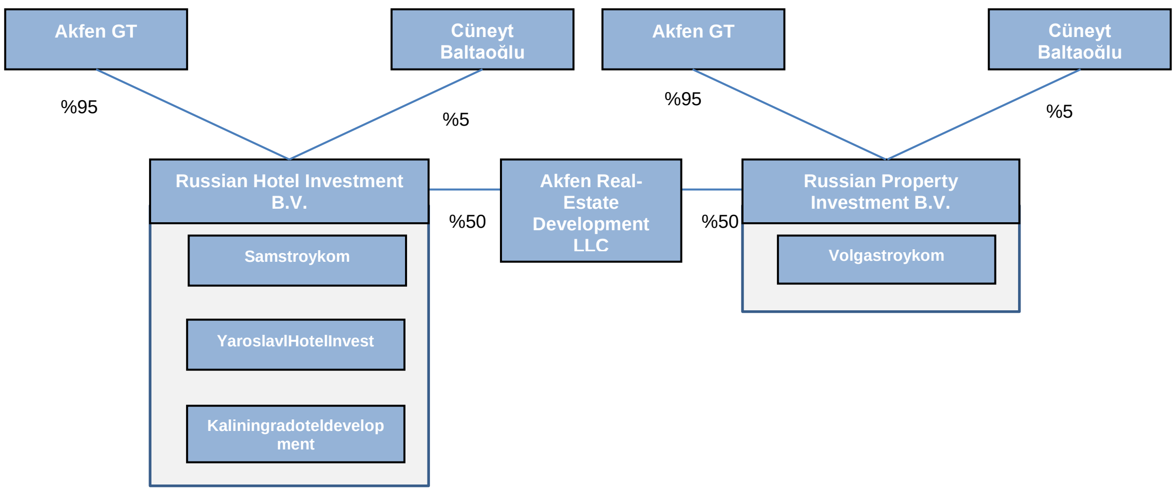
From these subsidiaries, RHI was founded under an equal 50 to 50% partnership structure between Akfen GT and Estern European Investment Ltd ("EEPI") on 21 September 2007 in order to realize hotel projects in Russia. EEPI transferred 45% of its shares in RHI to Kasa Investments B.V. and 5% to Cüneyt Baltaoğlu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

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

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

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

Table 3.3: Shareholding Structure as of 31 December 2012



3.1.4. Activities

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

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

TRNC

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

Akfen GT has been renting out both the hotel and the casino since 2008. The hotel portion of the hotel and casino which has been constructed on the plot allocated from State Real Estate and Provision Administration of Ministry of Finance in TRNC and rented for 49 years as of 01.08.2003, has been rented out to Serenas Turizm Kongre ve Organizasyon Hizmetleri Ltd. Şti. between 01/01/2008 – 31/12/2012. The hotel has been built on 31.315 square meters and has 299 rooms with 660 beds. 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.

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 3.4 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 lBIS	177	04/2010	09/2011	4,468	7,916
Kaliningrad IBIS	167	01/2011	07/2013	5,099	6,322
Samara Office	-	07/2009	01/2012	1,048	6,510

(Source: Akfen GT)

As of 8 September 2011, Yaroslavl IBIS Hotel has been open and is now in operation. Samara IBIS Hotel commenced its activities in March 2012 and Kaliningrad Ibis Hotel started operating its activities in August 2013. Construction of Samara Office was completed in January 2012 and 3 floors of the 10-storey building was rented out to a bank. 4th, 5th and 6th floors of the building was rented out in December 2013.

3. 2 Financial Analysis

The consolidated condensed financial tables of Akfen GT for the years 2011-2012 and for 2012-2013 September are as indicated below. The financial data of Akfen GT Headquarters and Akfen GT TRNC have been consolidated by the Company in accordance with the international financial reporting standards. However, the investments of RHI and RPI have been included in the investment properties and investment properties in progress item.

Table 3.5: Balance Sheet of Akfen GT

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

Balance Sheet EUR	31.12.2011	31.12.2012	30.09.2012	30.09.2013
Current Assets	**5.432.655**	**14.370.566**	**5.233.803**	**12.945.165**
Cash and Cash Equivalents	572.379	11.559.434	875.010	9.042.075
Trade Receivables	25.535	496.821	633.181	792.083
Other Receivables	2.362.118	5.840	2.870.078	8.320
Other Current Assets	2.472.623	2.308.472	855.533	3.102.686
Fixed Assets	**165.127.678**	**167.129.275**	**176.185.990**	**151.281.945**
Other Receivables	11.948	3.096.445	12.421	3.257.001
Financial Investments	56	-63.254	-42.896	-117.104
Investments assessed with Equity method				
Investment Properties and Investment Properties in Progress	162.196.928	161.965.884	172.783.533	146.124.172
Tangible Fixed Assets	11.458	33.450	36.449	23.988
Other Fixed Assets	2.907.287	2.096.750	3.396.484	1.993.888
Total Assets	**170.560.333**	**181.499.841**	**181.419.793**	**164.227.110**
Short-Term Liabilities	**41.953.805**	**15.180.665**	**16.799.976**	**9.061.032**
Financial liabilities	39.221.689	14.053.449	14.155.913	6.543.185
Trade liabilities	1.119.395	968.344	954.676	1.070.992
Other liabilities	1.095.604	27.507	1.107.130	0
Other short-term liabilities	517.116	131.365	582.256	1.446.855
Long-Term Liabilities	**23.139.440**	**48.997.118**	**46.347.994**	**53.785.224**
Financial liabilities	12.192.702	38.600.593	33.082.584	44.771.953
Deferred tax liability	10.946.738	10.396.524	13.265.409	9.013.270
Equity	**105.467.089**	**117.322.059**	**118.271.824**	**101.380.854**
Paid-in Capital	38.579.198	50.302.725	46.138.115	43.044.194
Share capital adjustments	233.778	0	247.479	0
Effect of merges under joint control	-229.807	-239.469	-243.276	-204.204
Foreign currency conversion adjustments	-7.331.931	-5.155.414	-4.795.103	-12.117.304
Previous year's profit/(losses)	41.926.474	72.150.232	72.150.232	69.850.272
Net term profit	30.223.758	-2.299.960	2.485.598	-1.365.843
Minority interests	2.065.620	2.563.945	2.288.778	2.173.739
Total Liabilities	**170.560.333**	**181.499.841**	**181.419.793**	**164.227.110**

(Source: Akfen GT)

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

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

	2011	2012	2012/9	2013/9
EURO/TL (Term end exchange rate)	2,4438	2.3452	2.3085	2.7502

(Source: Central Bank of Turkey)

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

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

	2011	2012	2012/9	2013/9
EURO/TL (Ortalama Kur)	2,3224	2,3045	2,3004	2,4508

(Source: Central Bank of Turkey)

The total assets of Akfen GT as of the end of September, 2013, equals to 164.2 million Euros. 89.0% 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.

"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.

32.8% of the liabilities of the Company Balance Sheet as of the end of September, 2012, consist of long-term liabilities. Long-term financial liabilities, constituting 27.3% 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 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.

During the examination period, the Company has a short-term loan of 6.5 million Euros, which accounts for the short-term payables of long-term loans.

"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 has been announced on the Official Bulletin of Turkish Trade Registry. 2,592,136 TL, the remaining capital commitment amount of the increased capital, will be paid in cash by Akfen GYO by end of 2014.

Table 3.8: Income Statement of Akfen GT

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

Income Statement €	31.12.2011	31.12.2012	30.09.2012	30.09.2013
Sales Revenues	4.741.523	5.800.097	4.567.768	5.473.562
Cost of Sales	-49.744	-213.320	-167.157	-305.955
Gross Profit	**4.691.780**	**5.586.776**	**4.400.611**	**5.167.607**
General administration expenses	-1.526.844	-1.773.530	-1.309.640	-1.150.374
Appreciation of investment properties, net	29.540.663	0	0	0
Appreciation of investment properties in progress	7.146.414	0	0	0
Other income	5.997.529	13.602.374	2.371.053	950.106
Other operating expenses	-2.516.164	-18.007.404	-438.179	-499.326
Operating Profit	**43.333.377**	**-591.783**	**5.023.846**	**4.468.013**
Share in loss of investments assessed with the Equity method				
Financial income	987.675	13.464.540	9.961.786	9.144.541
Financial expenses	-6.769.516	-15.731.542	-10.534.724	-15.294.303
Profit before Tax	**37.551.537**	**-2.858.785**	**4.450.909**	**-1.681.750**
- Deferred tax income/loss	-6.812.213	609.379	-1.975.440	154.678
Net Term Profit	**30.739.323**	**-2.249.406**	**2.475.469**	**-1.527.072**
Non controlling interests	*515.566*	*50.554*	*-10.129*	*-161.229*

(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.

4. Expectations from the Future and Appraisal

4. 1 Appraisal Method

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

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

4. 2 Assumptions

4.2.1. TRNC Assumptions

Revenues

Akfen GT has signed a rental agreement Voyager Kıbrıs Limited on 15 May 2012. Net Holding subsidiary Voyager Kıbrıs Limited is a company founded under the laws of TRNC and is currently operating and active and has been operating the casino of the 5-star hotel located in the city of Girne in TRNC since 2007 through a rental agreement. The 5-star hotel built on the plot allocated to Akfen GT by the TRNC Ministry of Tourism and Economy, together with its casino, operating materials, machinery, equipment, fixings and etc. have been included in the 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 of 2.5% annually.

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

Investment Assumptions

The rental agreements state that all expenses regarding basic renovation and replacements required within the hotel shall be covered by the tenants. Based on the assumption that such investments will be covered by the tenants, a small replacement investment equal to 0.85% of annual sales is anticipated. This amount is calculated as EUR40,375 for 2014.

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 and 2012 has 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 2013) and when the future years' revenues were examined, it was determined that the Company shall not liable for tax payments until 2018 and as of 2018, the corporate tax rate in TRNC shall equal to 23.5%

Depreciation

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

Discount Rate

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

4.2.2 TRNC Projections

TRNC - Euro	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rent Revenue	4,750,000	4,750,000	4,750,000	4,750,000	4,845,000	4,941,900	5,040,738	5,141,553	5,244,384	5,349,271
Expenses related to the Hotel	(142,463)	(146,025)	(149,675)	(153,417)	(157,253)	(161,184)	(165,214)	(169,344)	(173,578)	(177,917)
Consolidated EBITDA (loss) for TRNC & HQ	4,607,537	4,603,975	4,600,325	4,596,583	4,687,747	4,780,716	4,875,524	4,972,209	5,070,806	5,171,355
Taxes	-	-	-	-	(353,884)	(892,847)	(915,057)	(937,686)	(960,762)	(984,294)
Investments	(40,375)	(40,375)	(40,375)	(40,375)	(41,183)	(42,006)	(42,846)	(43,703)	(44,577)	(45,469)
Cash Flows for TRNC & HQ	4,567,162	4,563,600	4,559,950	4,556,208	5,000,449	5,631,557	5,747,735	5,866,192	5,986,991	6,110,180
Discount Rate (Wacc)	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*

TRNC - Euro	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rent Revenue	5,456,257	5,565,382	5,676,690	5,790,223	5,906,028	6,024,149	6,144,631	6,267,524	6,392,875	6,520,732
Expenses related to the Hotel	(182,365)	(186,924)	(191,597)	(196,387)	(201,297)	(206,329)	(211,487)	(216,775)	(222,194)	(227,749)
Consolidated EBITDA (loss) for TRNC & HQ	5,273,892	5,378,458	5,485,093	5,593,836	5,704,731	5,817,819	5,933,144	6,050,750	6,170,681	6,292,983
Taxes	(1,008,290)	(1,032,761)	(1,057,714)	(1,083,160)	(1,109,108)	(1,135,569)	(1,162,552)	(1,190,067)	(1,413,772)	(1,442,384)
Investments	(46,378)	(47,306)	(48,252)	(49,217)	(50,201)	(51,205)	(52,229)	(53,274)	(54,339)	(55,426)
Cash Flows for TRNC & HQ	6,235,804	6,363,913	6,494,555	6,627,780	6,763,638	6,902,183	7,043,467	7,187,543	7,530,113	7,679,941
Discount Rate (Wacc)	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*

TRNC - Euro	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Rent Revenue	6,651,147	6,784,170	6,919,853	7,058,250	7,199,415	7,343,403	7,490,272	7,640,077	7,792,878	7,948,736
Expenses related to the Hotel	(233,442)	(239,279)	(245,260)	(251,392)	(257,677)	(264,119)	(270,722)	(277,490)	(284,427)	(291,538)
Consolidated EBITDA (loss) for TRNC & HQ	6,417,704	6,544,891	6,674,593	6,806,858	6,941,738	7,079,285	7,219,550	7,362,587	7,508,452	7,657,198
Taxes	(1,475,814)	(1,505,567)	(1,535,906)	(1,566,844)	(1,598,392)	(1,630,563)	(1,663,368)	(1,696,820)	(1,730,932)	(1,765,716)
Investments	(56,535)	(57,665)	(58,819)	(59,995)	(61,195)	(62,419)	(63,667)	(64,941)	(66,239)	(67,564)
Cash Flows for TRNC & HQ	7,836,984	7,992,792	8,151,680	8,313,707	8,478,936	8,647,429	8,819,251	8,994,467	9,173,144	9,355,350
Discount Rate (Wacc)	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*

TRNC - Euro	2044	2045	2046	2047	2048	2049	2050	2051	2052
Rent Revenue	8,107,711	8,269,865	8,435,262	8,603,968	8,776,047	8,951,568	9,130,599	9,313,211	5,569,555
Expenses related to the Hotel	(298,826)	(306,297)	(313,954)	(321,803)	(329,848)	(338,094)	(346,547)	(355,210)	(213,467)
Consolidated EBITDA (loss) for TRNC & HQ	7,808,885	7,963,568	8,121,308	8,282,165	8,446,199	8,613,474	8,784,053	8,958,001	5,356,089
Taxes	(1,801,186)	(1,837,356)	(1,874,238)	(1,911,848)	(1,950,199)	(1,989,305)	(2,029,183)	(2,078,212)	(1,246,675)
Investments	(68,916)	(70,294)	(71,700)	(73,134)	(74,596)	(76,088)	(77,610)	(79,162)	(47,341)
Cash Flows for TRNC & HQ	9,541,156	9,730,630	9,923,847	10,120,879	10,321,801	10,526,691	10,735,625	10,957,051	6,555,423
Discount Rate (Wacc)	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*

4.2.3 Russia Assumptions

Revenues

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

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

Table 4.1: Occupancy Rates

Occupancy Rates	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	65%	70%	72%	72%	72%	72%	72%	72%	72%	72%	72%	72%
Yaroslavl lBIS	75%	80%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Kaliningrad IBIS	70%	75%	80%	82%	82%	82%	82%	82%	82%	82%	82%	82%

(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 4.2: Average Daily Room Rates

Average Daily Rate €	Number of Rooms	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	**204**	60,0	65,4	71,3	77,7	81,6	85,7	89,9	94,4	99,2	104,1	109,3	114,8
Yaroslavl IBIS	**177**	60,0	63,0	66,2	69,5	72,9	76,6	80,4	84,4	88,6	93,1	97,7	102,6
Kaliningrad IBIS	**167**	68,3	71,7	75,2	79,0	83,0	87,1	91,5	96,0	100,8	105,9	111,2	116,7

(Source: Akfen GT. 2013 data are actual data.)*

In addition to revenues obtained from rooms, hotel extras have also been included in the revenue projections and have been assumed to be between 25-36% of the total revenue for the rooms.

Since there are shops which can be rented out within the Yaroslavl project, rental income for such shops has also been included in these calculations. For the rentable shops located on 400 square meters, its rent is assumed as approximately

58,000 € in 2014 and a 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, for 2014, 3,605 m^2 out of the whole net floor area of 4,807 m^2 was assumed to be rented out. The occupancy rate for 2014 was taken as 75% and 99% for the following years. It was projected for the rent per m^2 which equaled to EUR 192 in 2014 to increase by 4% and reach EUR 296 by 2025. Further, it was assumed that half of the office block management expenses, which constitute 30% of the income revenue for the Samara Office Project, will be compensated by the common area shares to be collected from the tenants. Further, since the office block has a closed car park and a monthly charge of EUR 75.00/vehicle shall be applied, EUR 30,000.00 parking lot income was accounted for the year 2014 and increased accordingly for the coming years.

Profitability Projections

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

Table 4.3: Average Gross Profit Margins

Gross Activity Margins%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	46%	53%	56%	58%	58%	58%	58%	58%	58%	58%	58%	58%
Yaroslavl IBIS	55%	58%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Kaliningrad IBIS	45%	48%	50%	52%	55%	55%	55%	55%	55%	55%	55%	55%

(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 2014, the insurance expenses for Samara Ibis Hotel was projected as EUR 28,000.00 and a raise of 2.5% was applied for the coming years. The real estate tax will not be paid as a result of the tax exemption provided for five years beginning from the opening date of the hotel (free of charge for the first five years) and such exemption advantage will expire in 2017 and the real estate tax to be imposed in 2017 was calculated as EUR 247,000 and it was assumed that this amount shall decrease in line with the attrition rate (0.45%) over the years (in Russia, the real estate taxes decrease over the years according to the attrition rate of the building). The land tax for the Samara İbis Hotel plot has been estimated as EUR 13,000.00 for the year 2014 and an increase equal to 2.5% was projected. The Corporate Tax for Samara Ibis Hotel, which was deferred due to previous year's losses, was projected to be 121 thousand Euros in 2016 and to be around 20% of the operating profit as of 2017.

The insurance expenses for Yaroslavl Ibis Hotel was taken as EUR 23,400.00 as of 2014 and an increase of 2.5% was applied for the following years. Since the hotel shall be exempt from real estate tax for the first five years after it is taken over, the first payable tax shall be imposed in 2016 and it was estimated to be around EUR 231,000 and a 4% annual decrease was projected. The Corporate Tax for Yaroslavl İbis Hotel, which was deferred due to previous year's losses was projected to be around 77 thousand EUR in 2016 and to be around 20% of the operating profit as of 2017.

For Kaliningrad Ibis Hotel, since the hotel will be exempt from real estate tax for the first six years after it is taken over, the first payable tax will be imposed in 2018 and it was estimated as EUR 91,000 and a 0.4% annual decrease was projected. The real estate tax imposed in Russia decreases over the years according to the attrition rates. Further, the hotel shall be exempt from Corporate Tax for the first six years and a discount of 50% shall apply for the next five years and the corporate tax payments, which shall begin in 2018, were projected to be around 10%. The building insurance amount was taken for the year 2014 as

EUR 54,300 and it was assumed that it will increase in proportion to the inflation rates and annually by 2.5%.

For Samara Office Project realized by RPI, a subsidiary of Akfen GT, the office block management expenses were taken as 30% of the rental income and half of this amount shall be compensated by the common area shares to be collected from the tenants. It was assumed that common area shares for areas which are not rented out shall be paid by the property owner. For Samara Office Project, the maintenance and repair expenses were projected as 0.5% of the construction investment. This amount was increased by 2.5% for the coming years. Insurance expenses for the Samara Office Project were assumed to be around EUR 11,585.00 in 2014 and this amount was increased by 2.5% for the coming years. Since the project shall be exempt from real estate tax for the first five years (free of charge for five years) after it opens, the first payable tax shall be imposed in 2017 and is estimated as EUR106,000 and a 4% annual decrease was projected over the years. The amount of ground rent for the Samara Office has been assumed as EUR4,000.00 for 2014 and this amount was fixed for the coming years. The corporate tax deferred to the previous year's losses for Samara Office shall become payable in 2018 and equal to 87 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 invesment 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.

4.2.5 Russia Projections

Net Sales - Euro	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	3,641,541	4,209,842	4,659,953	4,946,749	5,194,087	5,453,791	5,742,170	6,012,805	6,313,445	6,629,117	6,979,643	7,308,602
Yaroslav IBIS	3,756,135	4,083,139	4,486,233	4,601,840	4,831,932	5,073,529	5,327,205	5,593,565	5,873,244	6,166,906	6,475,251	6,799,014
Kaliningrad IBIS	3,762,466	3,983,787	4,369,205	4,689,509	4,923,984	5,170,184	5,443,566	5,700,127	5,985,134	6,284,390	6,616,688	6,928,540
Samara Office	784,737	1,067,802	1,110,515	1,154,935	1,201,133	1,249,178	1,299,145	1,351,111	1,405,155	1,461,361	1,519,816	1,580,609
Total Net Sales	11,944,878	13,344,571	14,625,906	15,393,033	16,151,136	16,946,681	17,812,086	18,657,608	19,576,977	20,541,775	21,591,398	22,616,764

Cost of Sales - Euro	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	1,966,432	1,978,626	2,050,379	2,077,635	2,181,516	2,290,592	2,411,711	2,525,378	2,651,647	2,784,229	2,931,450	3,069,613
Yaroslav IBIS	1,690,261	1,714,919	1,794,493	1,840,736	1,932,773	2,029,412	2,130,882	2,237,426	2,349,298	2,466,762	2,590,100	2,719,606
Kaliningrad IBIS	2,069,356	2,071,569	2,184,602	2,250,964	2,215,793	2,326,583	2,449,605	2,565,057	2,693,310	2,827,976	2,977,510	3,117,843
Total Cost of Sales	5,726,049	5,765,114	6,029,475	6,169,335	6,330,082	6,646,586	6,992,198	7,327,861	7,694,254	8,078,967	8,499,060	8,907,061
Gross Profit	6,218,830	7,579,457	8,596,431	9,223,698	9,821,053	10,300,095	10,819,888	11,329,747	11,882,723	12,462,808	13,092,338	13,709,703

Gross Profit After the Accor Share	4,245,561	5,272,543	5,974,514	6,415,732	6,835,759	7,165,535	7,522,447	7,873,895	8,254,079	8,652,731	9,084,278	9,509,093
Expenses related to the Hotel&Office	(496,036)	(576,932)	(814,749)	(1,059,609)	(1,060,255)	(1,148,830)	(1,152,077)	(1,156,784)	(1,162,945)	(1,170,555)	(1,179,614)	(1,190,120)

EBITDA- Euro	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Samara IBIS	889,556	1,268,575	1,521,266	1,459,884	1,558,902	1,661,966	1,775,211	1,881,247	1,997,995	2,119,857	2,254,278	2,380,116
Yaroslav IBIS	1,268,298	1,475,217	1,474,056	1,527,818	1,625,945	1,728,293	1,835,107	1,946,640	2,063,159	2,184,941	2,312,278	2,445,475
Kaliningrad IBIS	929,133	1,077,197	1,255,294	1,423,387	1,608,325	1,605,347	1,698,661	1,785,955	1,883,183	1,985,339	2,099,045	2,205,443
Samara Office	531,438	739,590	770,065	801,778	834,778	869,117	904,850	942,032	980,723	1,020,983	1,062,876	1,106,467
Total EBITDA	3,618,425	4,560,578	5,020,682	5,212,866	5,627,949	5,864,724	6,213,829	6,555,874	6,925,060	7,311,120	7,728,477	8,137,500
Taxes	-	-	(188,100)	(410,788)	(639,440)	(763,556)	(824,045)	(883,725)	(947,839)	(1,014,836)	(1,086,937)	(1,158,101)
Investment Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow	3,618,425	4,560,578	4,832,582	4,802,078	4,988,509	5,101,168	5,389,784	5,672,149	5,977,221	6,296,284	6,641,540	6,979,399
Discount Rate (Wacc)	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%

4.4 Appraisal according to Discounted Cash Flow

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

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

Table 4.5: Company and Equity Values as of 31.12.2013

Euro (000)		Value	Financial Liabilities (-)	Liquid Assets(+)	Equity Value
Akfen GT HQ	KKTC & HQ Value	53.977	13.500	4.629	45.106
	Land in Bafra	2.860	-	-	2.860
RHI(95%)	Samara IBIS	28.727	26.252	2.452	63.599
	Yaroslavl IBIS	29.711			
	Kaliningrad IBIS	28.962			
RPI (95%)	Samara Office	14.242	7.125	35	7.152
Akfen GT Company Value		**158.479**	**Akfen GT Equity Value**		**118.717**

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 **158.479 million Euros** as of 31 December 2013.

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 **118.717 million Euros (348.612 million TL[1])** as of 31 December 2013.

[1] *EURO/TL buying rate of Republic of Turkey Central Bank dated 31 December 2013 (2. 9365) have been used.*

4. Annexes

-Annex:1

DISCOUNT RATE CALCULATION

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

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

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

TRNC

The liability-equity balance of the Company was calculated as 27% liabilities – 73% equity based on the current situtation.

The cost of borrowing was estimated to be around 5% 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 4.16% 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 3.83%.

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

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

The levered beta of Akfen GT for Cyprus, has been unlevered by 0.99, which is the beta average for the last two years and was calculated as 0.83 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 4.16% 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 6.9%. 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 5.51%.

In the CAPM Model, mathematically expressed as $\mathbf{K_e = R_f + ß * (R_m - R_f)}$, R_f was taken as 3.48%. 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.

The rate for market risk premium expressed mathematically in the CAPM Model as (R-m - Rf) was taken as 6.5%. Levered beta for Russia was taken as 1.00.