

**AKFEN KARAKÖY GAYRİMENKUL
YATIRIMLARI VE İNŞAAT A.Ş.**
Company Appraisal Report

February 2016

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.

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Introduction and Scope

Scope and Methodology

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”, “Firma”).

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 08.01.2016.

“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, 2015 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

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.

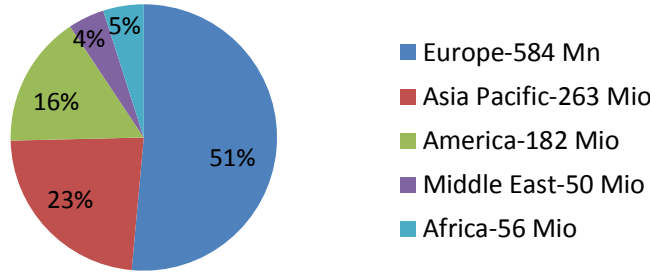
World tourism, which grew by 4.3% in the first 8 months of 2015 compared to the same period last year, reached a record figure with 810 million people. This figure, compared to the same period last year, shows an increase of 33 million people.

According to the World Travel & Tourism Council 2015 Report, tourism sector, constitutes 3.1% of global GDP when its direct effect is considered. Considering its direct and indirect effects, tourism sector constitutes 9.8% of global GDP. Considering the effect on other sectors, the travel and tourism sector constitutes 9.4% of global employment. Further, when travel and tourism sector is classified according to foreign tourist numbers, leisure and business travels constitute 53% and 14% of respectively.

Travel and tourism industry is projected to grow with an annual average rate of 3.8%, reaching USD 11.3 trillion, which is 10.3% of the global GDP, in 10 years. Tourism sector is expected to constitute 10.7% of global employment by 2025 when its direct and indirect effect is considered.

According to World Tourism Organization (WTO) 2015 Report, number of tourists travelling around the world showed a growth of 4.4% and reaching 1.135 billion in 2014. It is explained in the report that, 4.4% of growth is above the last 5 – year average. According to the same report, Europe is the most visited region by tourists in 2014, with a share of 51% and approximately 584 million tourists. 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 2030¹.

¹ World Travel & Tourism Council 2015

Graph 1: Breakdown of Number of Tourists (in Million People) and Shares (%) by Regions in 2014

Kaynak: World Travel & Tourism Council 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 now ranks 11th, similar to 2011, in the world in terms of tourism receipts. The improvement in the number of foreign visitors coming to Turkey within the last nine 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
2014	4,789	36,837	41,627

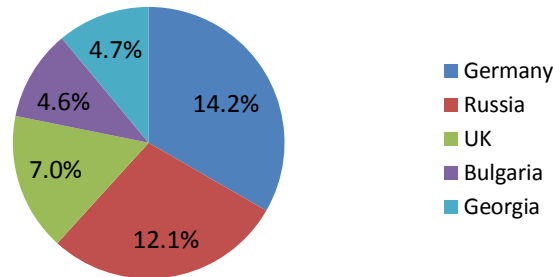
Source: Ministry of Culture and Tourism

When these figures are examined, it is observed that the number of total tourists, which was around 39.8 million in 2013, increased by 4.2% in 2014 and reached 41.6 million people. Domestic visitors played an important role in this increase.

By the end of the year 2014, the number of foreign visitors to Turkey increased by 5.5% compared to the previous year and stood at 36.8 million people. Regarding the breakdown of foreign

tourists by their countries, German tourists ranked first with a 14.2% share; Russian tourists ranked second with a share of 12.1% and British tourists ranked third with 7.0% share. A total of 44.6% of the foreign tourists visiting Turkey were from OECD countries.

Graph 2: Breakdown of Foreign Tourists by Countries



Source: Ministry of Culture and Tourism

According to data of first 9 months of 2015, 29.7 million foreigners visited Turkey. Germany ranked first with 4.414 million visitors and 14% share, while Russia placed second with 3.308 million visitors and 11% share. Meanwhile England is placed third with 2.166 million visitors and 7% share.

In 2013, 10% increase in the number of foreigners visiting Turkey was above the world and Europe average. In the aforementioned increase, the 12% increase in the number of foreigners visiting Istanbul, an important transit point, had a large effect.

In 2014, the number of foreigners visiting Turkey remained limited at 5% which is above the world average of 4.3% and Europe average of 3%.

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 and 1.5 million in 2014.

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 and 3.4% between 2013 and 2014. In 2014, 9% decrease in domestic expenditure per person led to a slower increase in total average expenditure which is 0.5%.

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 2004-2014

Years	Domestic			Foreign			Total		
	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	6.4	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%
2014	6.2	1.130	-9.73%	27.7	775	3.4%	34.3	828	0.5%

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 39.77% to 3,131 as of the end of 2014. The bed capacity also increased annually by an average of 6.1% for the same years and rose from 420,697 to 807,316 beds.

Table 3: Number of Facilities and Beds in Turkey

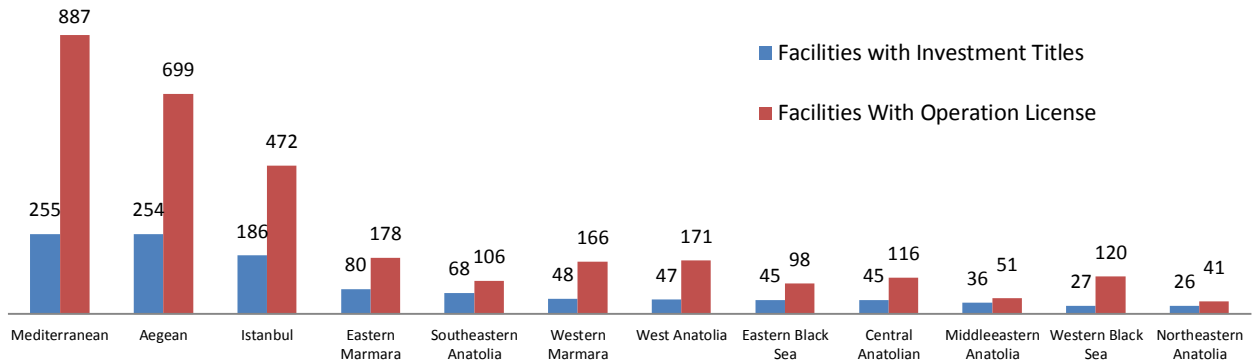
Years	Facilities with an Investment License		Facilities with an Operation License	
	Number of Facilities	Number of Beds	Number of Facilities	Number of Beds
2003	1,130	242,603	2,240	420,697
2004	1,151	259,424	2,357	454,290
2005	1,039	278,255	2,412	483,330
2006	869	274,687	2,475	508,632
2007	776	254,191	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
2014	1,117	309,556	3,131	807,316

Source: Ministry of Culture and Tourism

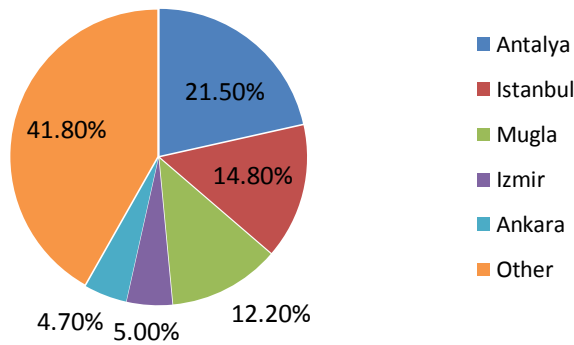
Looking at the regional distribution of facilities with both investment and and operation licenses, distribution is concentrated in Istanbul along with the Mediterranean and Aegean regions. Considering tourism investments according to cities, it is determined that as of the end of 2014 more than 50% of the total number of facilities, which was around 4,248 for facilities with investment or operational licenses were located in Antalya, Muğla, İzmir and Istanbul.

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 2014 it has risen to 36%. In this period, 4 and 5 star facilities bed capacity share in facilities with tourism operation licence has risen from 58% to 65%.

In the following graphs, the distribution of facilities on the basis of cities and regions by the end of 2014 are shown.

Graph 3: Breakdown of Touristic Facilities By Regions as of the end of 2014

Source: Ministry of Culture and Tourism

Graph 4: Breakdown of Total Touristic Facilities By Cities as of the end of 2014

Source: Ministry of Culture and Tourism

The occupancy rates of touristic facilities in Turkey between 2004 and 2014 were as indicated in the table below. The occupancy rate for touristic facilities in Turkey became 51.84% in 2014.

Table 4: Occupancy Rate of Touristic Facilities in Turkey

Years	OCCUPANCY RATE(%)		
	Domestic	Foreign	Total
2004	13.50	36.57	50.07
2005	13.16	39.22	52.38
2006	14.91	32.35	47.26
2007	14.43	36.68	51.12
2008	13.80	37.71	51.51
2009	13.52	35.38	48.90
2010	11.94	37.23	49.17
2011	13.34	38.12	51.46
2012	13.61	40.74	54.34
2013	14.19	38.41	52.60
2014	12.94	38.90	51.84

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, and also the political tension between Russia and Turkey 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.

Further, the ongoing war and chaos in Syria and therefore refugees coming to Turkey frighten especially European tourists. Further, the chaos in Ukraine and the unfavorable economic conditions and lowered prices in Greece shifted the demand and affected Turkish tourism sector.

When this global environment is considered, the estimated number of foreign tourists is observed to be around 39.8 million in 2014 and the total income receipts is observed to have risen above approximately USD 29.5 billion in Turkey, being the 6th most visited country in the world in 2014 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.

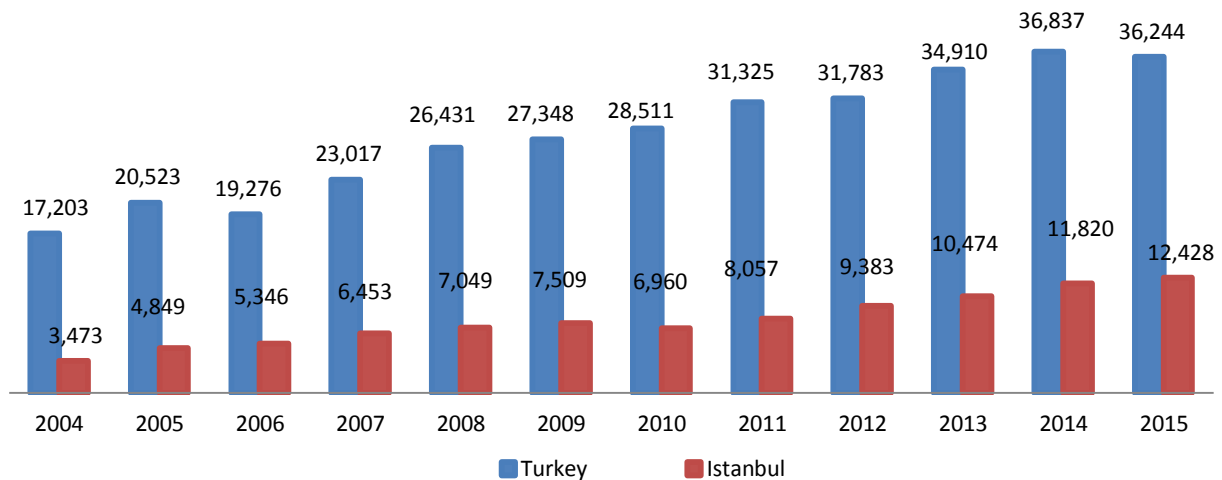
Tourism Sector in Istanbul

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 2013, which was around 10.4 million, increased by 13.4% and reached 11.8 million in 2014. In this regard, tourism of Istanbul achieved a new record considering the last 5 - year period.

In the first 10 months of 2015, the number of foreign visitors visiting Istanbul continued to grow and reached 10.7 million visitors parallel to 2014. 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 “2015 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 fifth in the World. According to the report, the number of foreign visitors to Istanbul is estimated to grow 11.4% which is above the first 40 cities in the report.

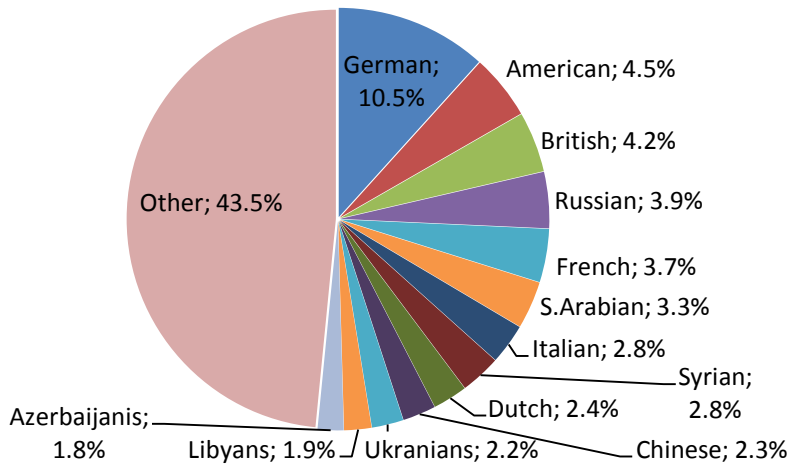
According to “2015 Global Destination Cities Index” report, the foreign visitors visiting Istanbul spent 8.73 bn USD in 2014 which is expected to increase 7.3% and reaching to 9.37 bn USD. In terms of tourism revenues, Istanbul is the 4th most revenue generating city in Europe after Barselona. Further, in terms of tourism revenues, Istanbul is ranked 10th in the world. 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 2004 – 2015 (in Millions)



Source: Ministry of Culture and Tourism

The breakdown of foreign tourist visiting Istanbul in 2015 according to their nationalities are as indicated below, in order: Germans (10.5%), Americans (4.5%), British (4.2%), Russians (3.9%), French (3.7%), S. Arabian (3.3%), Italian (2.8%), Syrian (2.8%), Dutch (2.4%), Chinese (2.3%), Ukrainians (2.2%), Libyans (1.9%), Azerbaijanis (1.8%) and Other (43.5%).

Graph 6: Breakdown of Foreign Countries Visiting Istanbul according to their Nationalities (January – December, 2015)

Source: Ministry of Culture and Tourism

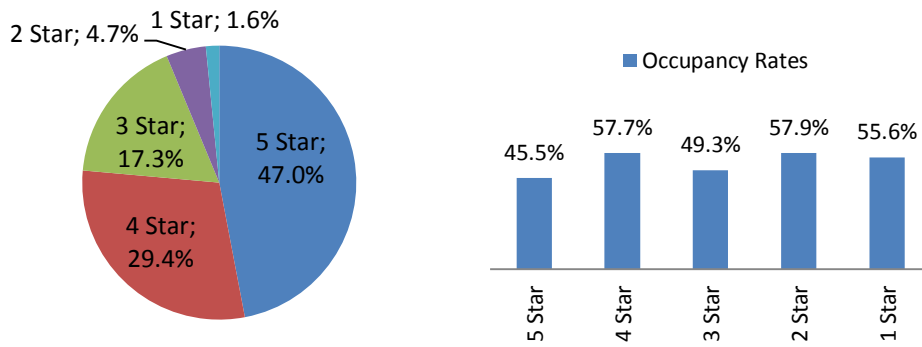
Considering the number of accommodation facilities in Istanbul, there are 499 hotels, 118 special establishments, 31 boutique hotels and a total of 658 facilities in total. The 658 facilities have 67,695 number of rooms and 138,017 number of beds.

Table 5: Facility Types with Numbers in Istanbul in 2014

Facility Type	Number of Facility	Number of Rooms	Number of Beds
Hotel	499	60,598	123,005
Special Establishments	118	4,353	9,056
Boutique Hotel	31	1,294	2,596
Apart Hotel	3	94	226
Boarding Houses	2	21	42
Motel	1	32	64
Campsite	1	116	350
Boutique Hotel	1	840	1,764
B Type Holiday Site	1	224	768
Hostel	1	123	166
Total	658	67,695	138,017

Source: Ministry of Culture and Tourism

Looking at the distribution of a total of 658 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, 2 star hotels come first with 57.9%, while 4 star hotels follow with an occupancy rate of 57.7%. Average occupancy rate of hotels in Istanbul is around 50%.

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

Source: Ministry of Culture and Tourism

Karaköy- Salıpazarı Region

Looking at the Karaköy region, on which the Novotel project will be located, the Salıpazarı Port appears to be an interesting and attractive area located within this region. The urban development project for Salıpazarı 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. 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

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. According to firm, the new hotel is set to launch in February.

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 34.4 million TL as of 31.12.2015. 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

Shareholders	Number of Shares (TL)	Shareholding Percentage (%)
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	24,079,312	69.998%
Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	344	0.001%
Akfen Holding A.Ş.	344	0.001%
Keskin Global Yatırım Turizm İnşaat Ltd.Şti.	10,319,656	29.999%
Bilal Keskin	344	0.001%
Total	34,400,000	100%

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 an independent audit firm, dated 31 December, 2015 for Akfen Karaköy founded on 31.05.2011 is as indicated below.

Table 7: Balance Sheet of Akfen Karaköy

CONDENSED BALANCE SHEET OF AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.	
(TRY)	31/12/2015
Cash and Cash Equivalents	40,667
Other Current Assets	441,076
Total Current Assets	481,743
Investment Properties and Investment Properties in Progress	180,197,000
Other Fixed Assets	20,294,340
Total Fixed Assets	200,491,340
TOTAL ASSETS	200,973,083
Current Installments of Long Term Liabilities	5,528,916
Other Short-Term Liabilities	43,158,470
Total Short-Term Liabilities	48,687,386
Long-Term Financial Liabilities	42,604,997
Deferred Tax Liabilities	17,355,324
Total Long-Term Liabilities	59,960,321
Total Liabilities	108,647,707
Paid-in Capital	34,400,000
Previous Year's Profit (Loss)	75,602,292
Net Term Profit	-17,676,916
Total Equities	92,325,376
Total Liabilities	200,973,083

“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 43 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

CONDENSED INCOME STATEMENT FOR AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.	
(TRY)	31/12/2015
Cost of Sales	-2,364,693
GROSS PROFIT/LOSS	-2,364,693
General Administration Expenses	-434,687
Other Revenue	-5,547,916
OPERATING PROFIT	-8,347,296
Financial Income	0
Financial Expenses	-13,776,043
Tax (net)	4,446,423
NET TERM PROFIT/LOSS	-17,676,916

The company’s activities have not yet begun to earn income, “Cost of Sales” item is compromised 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

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 2015, 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 2015 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 08.01.2016 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 2015 and the expertise report dated 31.12.2015, has been valued as 92,325,376 TRY.

Table 9: Net Asset Value of Akfen Karaköy

NET ASSET VALUE OF AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.	
AS OF 31/12/2015 (TRY)	
+ Cash and Equivalent	40,667
+ Investment Properties and Investment Properties in Progress	180,197,000
+ Current Assets	-
+ Fixed Assets	-
+ Other Current and Fixed Assets	20,735,416
Total Assets	200,973,083
- Current Installments of Long Term Liabilities	5,528,916
- Other Short Term Liabilities	43,158,470
- Long-Term Financial Liabilities	42,604,997
- Deferred Tax Liabilities	17,355,324
Net Asset Value	92,325,376