

**AKFEN KARAKÖY GAYRİMENKUL
YATIRIMLARI VE İNŞAAT A.Ş.**

Company Appraisal Report

20 February 2017

Türkiye Sınai Kalkınma Bankası A.Ş.
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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 any third parties. 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 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.

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 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.

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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”, “the Company”).

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

This appraisal study consists of the following sections,

1. Introduction and Scope
2. Sector
3. The Company
4. Appraisal

The purpose of this study is to figure out the firm value of Akfen Karaköy. The main assets of the company are real estates and real estate projects, and thus “Net Asset Value” approach is the most suitable method to realize the value of the Company.

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 Investment Properties and Investment Properties in Progress” item, stated in the related real estate appraisal report of EPOS Gayrimenkul Danismanlik ve Degerleme A.S., has been revised by the Company for Net Asset Value calculations. Based on the revised value, all liabilities and liability allowances indicated under liabilities item to be deducted from the revised assets of the Company, shown in the balance sheet dated 31 December, 2016 of Akfen Karaköy.

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.

Appraisal Summary

The Company

The main activity of Akfen Karaköy Real Estate Investments and Construction Co. is to plan, construct, rent, operate and operate all kinds of tourism facilities, hotels and real estate investments. Akfen Karaköy, which is a partner of Akfen GYO, is located in Karaköy, Istanbul. Akfen Karaköy has rental income from Novotel Karaköy and from commercial areas at the hotel facility. The hotel is operated by Tamaris Turizm A.Ş., which is a 100% Turkey based subsidiary of Accor SA - an international hotel operator.

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 of 1 September 2058.

General information about 5-star hotel investment, which was launched on February 16, 2016 is presented in the following table.

Table 1: General Information about Akfen Karaköy Hotel

Facility	Number of Rooms	Land Size (m ²)	Total Closed Area (m ²)
Karaköy Novotel	200	3,074.58	20,926.10

Source: Akfen Karaköy

The paid-in capital of the Company is TRY 34.4m as of 31.12.2016. The distribution of this paid-in capital amongst the shareholders is as stated in the table below.

Shareholders	# of Shares (TRY)	Shareholding (%)
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	24,079,312	69.998%
Keskin Global Yatırım Turizm İnşaat Ltd.Şti.	10,319,656	29.999%
Other*	1,032	0.003%
Total	34,400,000	100%

Appraisal Result

The Net Asset Value of the Company, based on the balance sheet dated 31 December 2016 and the appraisal report dated 06.01.2017, has been valued as 39,190,442 TRY.

Table 3: Net Asset Value of Akfen Karaköy

AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş. NET ASSET VALUE AS OF 31.12.2016	
+ Cash and Equivalent	155,933
+ Investment Properties and Investment Properties in Progress	142,946,000
+ Fixed Assets	-
+ Other Current and Non-Current Assets	22,887,127
Total Assets	165,989,060
- Current Installments of Long Term Liabilities	4,359,173
- Other Short-term Liabilities	389,028
- Long-Term Financial Liabilities	51,312,410
- Payables to Shareholders	65,877,685
- Deferred Tax Liabilities	4,860,321
Net Asset Value	39,190,442

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 subsectors, including touristic activities such as holiday planning, accommodation, holiday organization/sales, and it further includes transportation, auto rental, etc. to businesses which participate in tourism subsectors.

With the globalization trend becoming preminent 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 therefore, booming the economy by creating employment in a direct and indirect way.

The tourism sector has shown a tendency to stagnate during economic slowdown periods and tends to improve and grow in line with the economic recovery periods. The tourism sector has a direct effect other sectors, such as transportation, service and retail sectors.

Along with its contribution to revenue, tourism also plays an important role in balancing the deficit 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% in the first 9 months of 2016 compared to the same period last year, reached a record high with 956 million people. This figure, compared to the same period last year, shows an increase of 34 million people.

According to the World Travel & Tourism Council 2016 Report, tourism sector, constitutes 3% 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 9.5% of global employment. Further, when travel and tourism sector is classified according to foreign tourist numbers, leisure and business travels constitute 76% and 24%, respectively.

Travel and tourism industry is projected to grow at an annual average rate of 4%, reaching to USD 11 trillion, which is 10.8% of the global GDP, in 10 years. Tourism sector is expected to constitute 11% of global employment by 2026 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% and reaching to 1.184 billion in 2015. It is explained in the report that, 4% of growth is above the last 6 – year average. According to the same report, Europe is the most visited region by tourists in 2015, with a share of 51% and approximately 609 million tourists. Regarding the future expectations, number of tourists travelling is predicted to rise to 1.8 billion and 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 2015



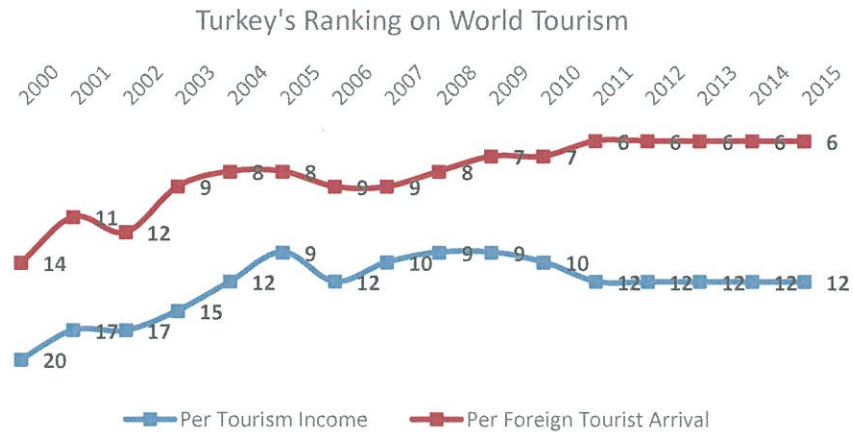
Kaynak: World Travel & Tourism Council Report

Tourism Sector in Turkey

In terms of tourist arrivals, Turkey has maintained its 6th place since 2011 (14th in 2000). Tourism revenues also increased as the increase in the number of tourist arrivals from 2000 to 2015. In terms of tourism revenues, Turkey ranked 12th as of 2015 (20th in 2000).

However, due to recent geopolitical developments and increasing risk factors in terms of security perception, number of tourists and thus tourism revenues diminished in 2016. As a result, Turkey lost its previous positions in terms of both the number of tourists and tourism revenues.

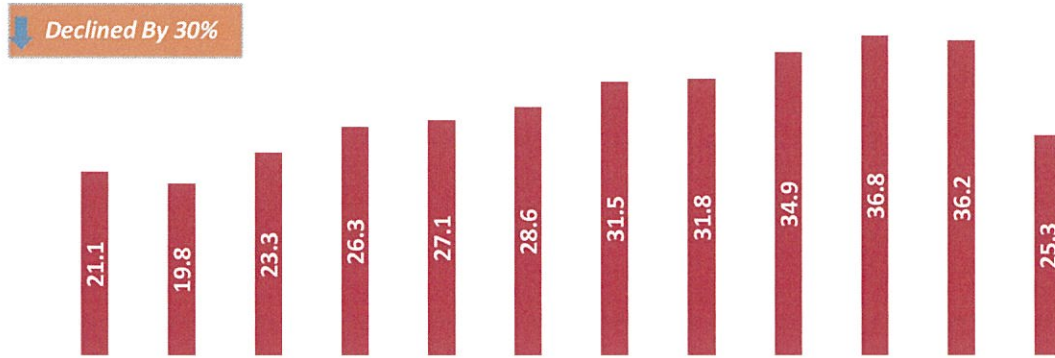
Graph 2: World Tourism and Turkey



Source: UNWTO

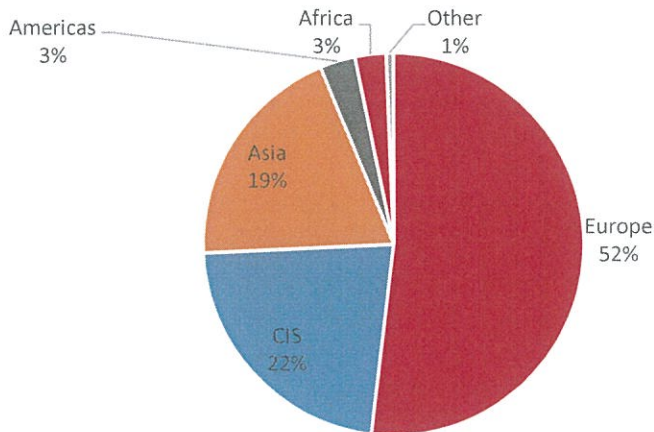
The number of foreign visitors decreased by 1.6% in 2015 to 36 million whereas it was 37 million in 2014. In 2016, the number of visitors decreased by 30% to 25.5 million.

Graph 3: Number of Foreign Visitors (million people)



Source: Ministry of Culture and Tourism

Graph 4: Number of Tourist Arrivals per Continent



Source: Ministry of Culture and Tourism

In 2016, 15.4% of tourists visiting Turkey were from Germany, 8.7% from Georgia, 6.8% from UK. The share of European visitors in total visitors were around 52%.

Table 4: Top 10 Markets (2015 and 2016)

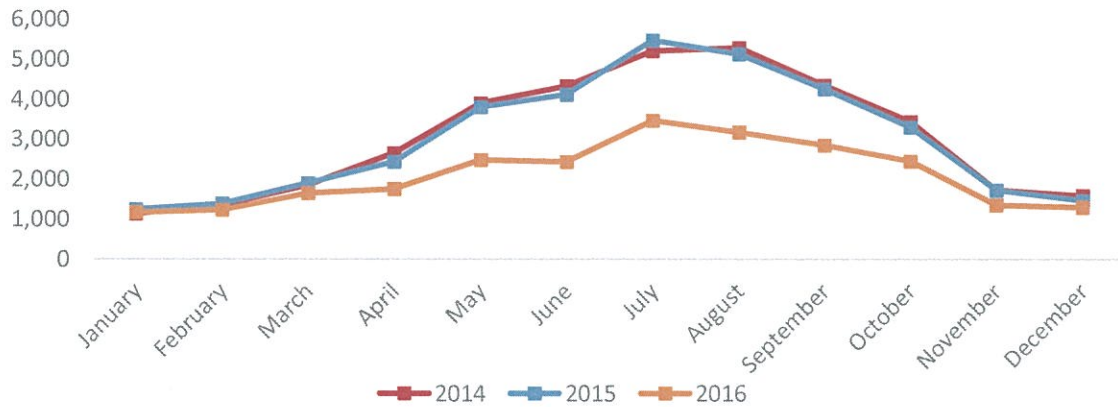
2015	Thousand People	2016	Thousand People
Germany	5.581	Germany	3.890
Russian Fed.	3.649	Georgia	2.206
UK	2.512	UK	1.711
Georgia	1.912	Bulgaria	1.691
Bulgaria	1.821	Iranian	1.665

Iranian	1.700	Ukraine	1.045
Netherlands	1.232	Netherlands	906
Iraq	1.094	Russian Fed.	866
Other West Asian Count.	882	Azerbaijan	606
France	847	Greece	593
Total	36.216	Total	25.331
Top 10 Markets/Total Number of Tourists	59%	Top 10 Markets/Total Number of Tourists	60%

Source: Ministry of Culture and Tourism

Turkey is one of the most attractive mass tourism markets and in terms of incoming tourists Germany and Russia are top two markets from European and CIS market respectively. The sanctions imposed after the plane crisis experienced with Russia at the end of 2015, the number of Russian visitors declined radically with the prohibition of charter flights. Beyond the tensions with Russia, number of European visitors has declined by about 30% due to the terrorist incidents that started with the attack on the German tourist group, especially in Sultanahmet, and the security perception that broke down in 2016 due to the effects of the airport explosion and coup attempt.

Graph 5: Monthly Distribution of Number of Foreign Visitors (million people)



Source: Ministry of Culture and Tourism

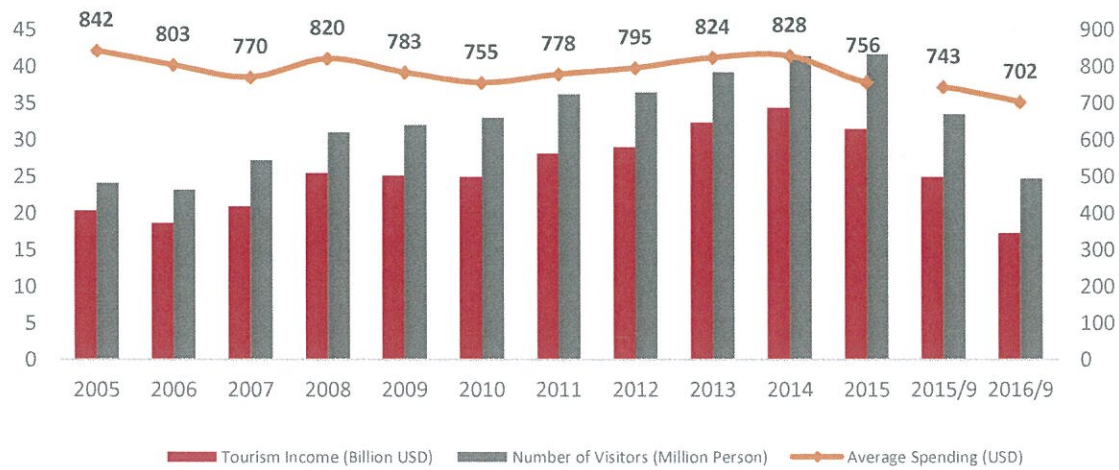
About 72% of foreign visitors to Turkey prefer the period between May and October. The decline in demand in the number of visitors in 2016 showed its effect in the second quarter of the year especially when the high season started. Chart ,above, summarizes the monthly distribution of number of foreign visitors in recent years.

Despite the increase in the number of tourists in Turkey, the total spending per tourist decreased from 2008 to 2010 due to the global crisis. As of 2016, average tourist spending is still not at the desired levels.

In 2016, parallel to the decrease in the number of visitors, tourism revenues decreased by 30% to 22.1 billion compared to the previous year. The average spending per tourist also decreased by 6.7%.

Total tourism income and average expenditures per tourist are given in the table below.

Graph 6: Tourism Income and Average Spending per Tourist



Source: Ministry of Culture and Tourism

The number of touristic facilities increase in line with the increase in number of tourists visiting Turkey in recent years. The facilities of the Ministry of Tourism are classified in two sections as "Investment Certified" and "Operational Certified" which are continuing investment process. The number of facilities with operational certificate reached to 3,309 from 2,240 with a 47% increase from 2003 to 2015. At the same period bed capacity of the facilities increased from 420,697 to 850,089 with an average growth rate of approximately 6% on an annual basis.

Table 5: Number of Facilities and Bed Capacity in Turkey between 2004-2015

Years	Investment Certified		Operational Certified	
	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
2015	1,125	314,194	3,309	850,089

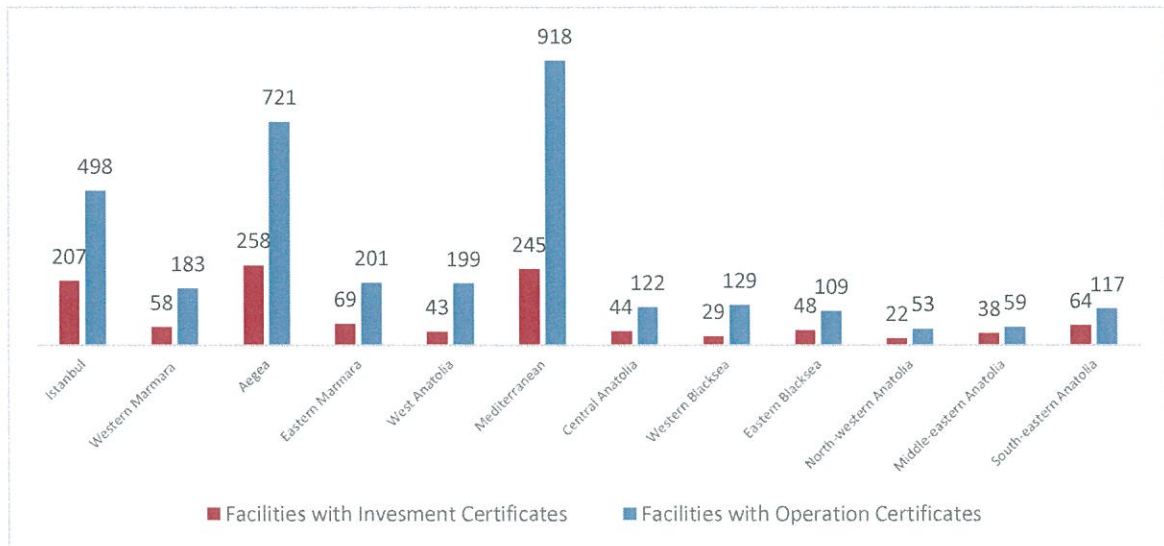
Source: Ministry of Culture and Tourism

Considering the regional distribution of the accommodation facilities with investment and operation certificates, it is observed that the distribution is concentrated in Istanbul, Mediterranean, Aegean regions. Considering the distribution of these facilities on city basis, 4,434 facilities in Antalya, Muğla, İstanbul and İzmir cover more than 50% of the total number of facilities in Turkey.

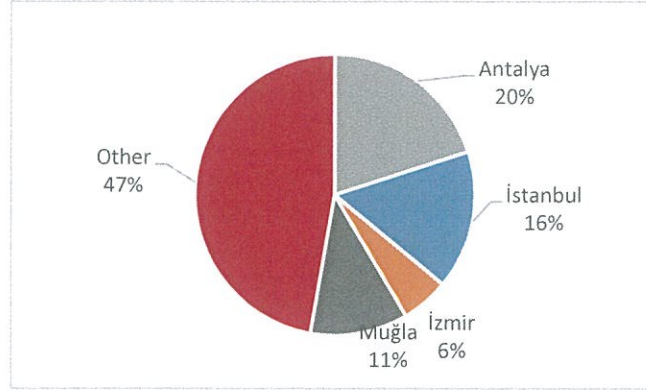
The increase in bed capacity in recent years has been driven by the increase in the number of 5 and 4 star facilities. From 2008 to 2015, the share of 4-and 5-star facilities in facilities with operating licenses increased from 28% to 38%. In the same period, the share of the 4 and 5 star facilities bed capacity increased from 58% to 69%.

As of 31 December 2015, the regional distribution of the touristic facilities in terms of certificate type and region are shown below:

Graph 7: Distribution of Touristic Facilities in Terms of Certificate and Region as of 31 December 2015



Source: Ministry of Culture and Tourism

Graph 8: Distribution of Touristic Facilities on City Basis as of 31 December 2015

Source: Ministry of Culture and Tourism

The occupancy rates of the existing touristic facilities in Turkey from 2004 to 2015 are given in the table below. In 2015, the occupancy rate of the facilities throughout Turkey was 51.18%.

Table 6: Occupancy Rates of the Existing Touristic Facilities 2004-2015

OCCUPANCY RATES(%)			
Year	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
2015	14.33	36.85	51.18

Source: Ministry of Culture and Tourism

- *Sector Expectations:*

Assuming, there will not be an extraordinary development, the sector will experience the negative trend in 2017 as well as 2016. Considering Russia's lifting of sanctions against Turkey, the resumption of charter flights, the return of Russians to other markets and / or the internal markets, and the number of Russian tourist arrivals reaching to October 2015 figures in October 2016, it is projected that

approximately 3 million Russian tourists are expected to visit Turkey in 2017. The number of European tourist arrival is expected to decline significantly in 2017 due to the ongoing negative perception. The additional losses experienced in the European market, which is currently 30%, are expected to decrease the total number of visitors that will not be compensated with the increasing number of Russian visitors.

In 2016, prices have fallen to the lowest levels in recent years in order to limit the severe fall in occupancy rates. This situation puts serious pressure on the profitability of the companies operating at high fixed costs and causing the companies to decrease the staff. Some facilities started late in the season and closed early in order to limit the damage, and some of them did not even operate operational facilities in order to minimize the loss.

It is predicted that the demand for travel is very sensitive to the price as well as security concerns. The prices cannot be increased in order to maximize the occupancy rates. It is projected that the occupancy rates and hence facility profitability will continue to decline in 2017. On the other hand, the increasing exchange rates can relieve the Companies.

In 2017, the number of foreign visitor arrival is estimated to be circa 25 million which is the same number as 2016. However, due to the security reasons, there is a possibility that the number of the foreign visitor arrival may result below this number.

On the revenue subject, sector's growth potential will be lower. It is anticipated that the "direct" income of the industry will range between USD 20-22 billion, the level similar to 2016, in line with decrease of the number of visitors.

The sector's contraction experienced for the past few years will come to a stop in the mid-term with the condition of foreign tourists showing improved perception against security reasons, causing Turkish tourism sector to reach its full potential in 2020 in the terms of the revenue and the number of tourist arrivals.

Tourism Sector of Istanbul

The growth in the number of foreign visitors to Istanbul started to slow down in 2015 and shrank considerably in 2016. It is observed that Istanbul, which ranked 5th in terms of the number of foreign visitors worldwide in 2015, declined to 8th place in 2016. For the second time since 2000, the number of the foreign tourist arrivals decreased. The evolution of the number of foreign visitors coming to Istanbul since 2010 is presented in the table below.

Table 7: The Number of Foreign Tourist Arrivals in Istanbul and Turkey between 2010 and 2016

Number of Foreign Visitors ('000)	2010	2011	2012	2013	2014	2015	2016
Istanbul	6,961	8,058	9,382	10,475	11,843	12,415	9,203
Turkey	28,632	31,456	31,782	33,827	35,271	36,215	25,331
Change (%)							
Istanbul		16%	16%	12%	13%	5%	(26)%
Turkey		10%	1%	6%	4%	3%	(30)%

Source: Ministry of Culture and Tourism

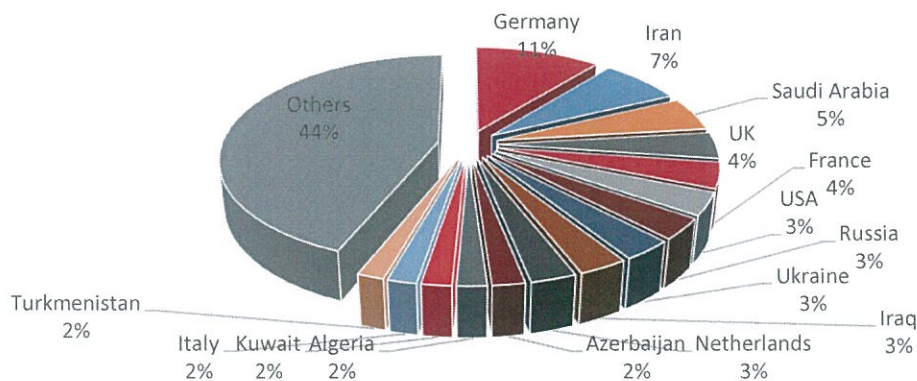
It is observed that the 5% growth in arrivals 2015 mainly caused by the Arab countries and Iran while European figures shrinking. German tourists form 11% of the number of foreign visitors in Istanbul in the first place in 2015; followed by Iran, USA, UK, Iraq and Russia, respectively.

Istanbul tourism, which is mainly subject to cultural tourism, does not have an intense seasonality effect. The incoming foreign traveler is staying in Istanbul for 2-3 days on average.

As a result of the several nation-wide terrorist attacks that started with the Sultanahmet attack targeting the German tourist group at the beginning of 2016, many countries have published travel warnings to Turkey; After the current political developments, the confidence sense of the country gradually weakened. As a result, the number of foreign visitors of Istanbul dropped to 26% the end of 2016. In 2016, the number of German and Arabian tourists, who represent an important mass for tourism in Istanbul, has declined by 23% and 22% respectively.

The distribution of foreign tourist arrivals to Istanbul per nationality in 2016 is shown in the graphic below.

Graph 9: Distribution of Foreign Tourist Arrivals per Nationality in 2016



Source: Ministry of Culture and Tourism

According to the "Target Cities in the End 2016" report, which examines the tourism trends in the 20 most traveled cities in the world, the change in international visitor numbers and the tourism revenue

potential, ranks Bankgog the most visited city with 21.5 million visitors and London holds the second place with 9 million visitors. According to the report, while Istanbul maintains its place on the visitor rankings (8th place), tourism revenues have declined by about 15% in 2016 reaching USD 7.5 billion in 2016. According to the report, Istanbul ranks 12th in tourism revenues.

Istanbul hosts 705 touristic facilities including 530 hotels, 126 special facilities and 37 boutique hotels. There are 70,646 rooms and 143,782 bed capacity in Istanbul.

Table 8: The number of certified facilities, rooms and bed capacity as of 31 December 2015

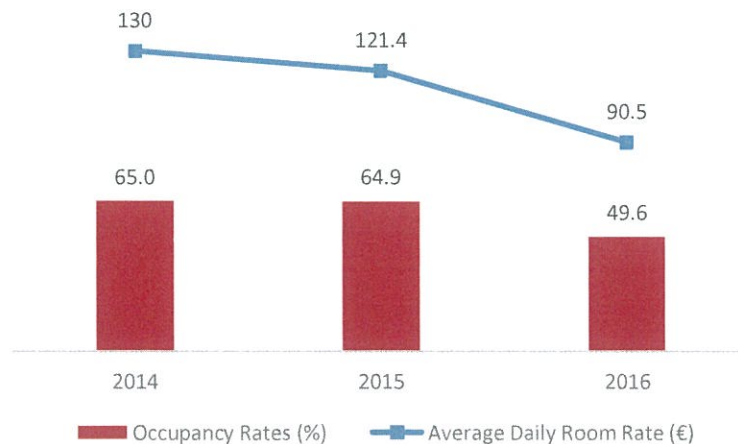
Type of Facility	Number of Facilities	Number of Rooms	Bed Capacity
Hotel	530	62,982	127,598
Specialty Facility	126	4,661	9,642
Boutique Hotel	37	1,448	2,910
Apart	3	94	226
Hostel	2	21	42
Motel	1	32	64
Camping	1	116	350
Tourism Complex	1	840	1,764
Type B Holiday Resort	2	249	860
Hostel	1	123	166
Thermal Hotel	1	80	160
Total	705	70,646	143,782

Source: Ministry of Culture and Tourism

According to the "Country Performance Report" prepared by STR Global, one of the world's leading data and analysis companies which has 52,000 hotels for the hospitality market, the occupancy rates of the hotels in Istanbul have declined by 23% compared to the previous year. In addition, the average room prices are in 2016 declined to 34% surging to EUR 90.5.

Graph 10: Occupancy Rates and Average Daily Room Rates of the Hotels in Istanbul Between 2014-2016

Source: STR Global



Karaköy - Salıpaazarı Vicinity

Salıpaazarı Port Project attracts Karakoy vicinity where Novotel is located. Doğuş Holding won the tender by offering the highest bid (USD 702 million) in May 2013 for the project, which was approved by the Privatization Supreme Council in November 2012 and will enable the port to be privatized for 30 years. Especially after the Galata Project announced, large investor groups and hotel brands realized real estate purchases in the region and the intense demand for the region has increased the prices of land and buildings considerably. Due to the Karakoy region's prime location, it is predicted that the transformation period will create luxurious tourism center silhouette to the vicinity.

With the Galataport Project, Karaköy will be one of the key areas where hotel investments will be made in the coming years. Karaköy's location is close to both the historical and cultural texture of Istanbul. It is expected that by the time Galataport Project is completed, the historical and natural beauties of the port area will be revealed and the harbor will be transformed into a complex which is compliant with international standards and regional trade and employment will be increased. There are successful examples about reclaiming such centrally-located idle areas abroad and studies in the region indicate that the value of businesses in the vicinity have increased including Akfen's Karaköy hotel project. Karaköy has also become a popular destination for locals with the new opening of stores, restaurants and bars.

Company

General Overview

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.

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.

Capital Structure

The paid-in capital of the Company is TRY 34.4m as of 31.12.2016. The distribution of this paid-in capital amongst the shareholders is as stated in the table below.

Table 9: Shareholding and Capital Structure of Akfen Karaköy

Shareholders	# of Shares (TRY)	Shareholding (%)
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	24,079,312	69.998%
Keskin Global Yatırım Turizm İnşaat Ltd.Şti.	10,319,656	29.999%
Other*	1,032	0.003%
Total	34.400.000	100%

*Other includes Akfen Gayrimenkul Ticaret ve İnşaat A.Ş., Akfen Holding A.Ş. and Bilal Keskin

Financial Investments

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

Financial Tables

Founded in 31.05.2011, Akfen Karaköy's balance sheet that has not been prepared by an independent audit firm, dated 31 December 2015 and 31 December 2016 for is as indicated below.

Table 10: Akfen Karaköy Balance Sheet

AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.
Summary Balance Sheet

(TRY)	31/12/2015	31/12/2016
Cash and Cash Equivalents	40,667	155,933
Other Current Assets	441,076	5,142,334
Total Current Assets	481,743	5,298,267
Investment Properties and Investment Properties in Progress	180,197,000	142,946,000
Other Non-current Assets	20,294,340	17,744,793
Total Fixed Assets	200,491,340	160,690,793
TOTAL ASSETS	200,973,083	165,989,060
Current Installments of Long Term Liabilities	5,528,916	4,359,173
Other Short-Term Liabilities	43,158,470	389,028
Total Short-Term Liabilities	48,687,386	4,748,201
Long-Term Financial Liabilities	42,604,997	51,312,410
Other Long-term Liabilities	17,355,324	70,475,858
Total Long-Term Liabilities	59,960,321	121,788,268
Total Liabilities	108,647,707	126,536,469
Paid-in Capital	34,400,000	34,400,000
Retained Earnings (Losses)	75,602,292	57,558,101
Net Term Profit	(17,676,916)	(52,767,660)
Total Shareholders' Equity	92,325,376	39,452,590
Total Shareholders' Equity and Liabilities	200,973,083	165,989,060

"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 Non-Current Assets" is comprised of the prepaid rental expense and prepaid VAT, respectively.

The amount of long-term loans the Company used for the financing of the Karaköy Novotel Project is the 55.7 million Turkish Liras.

Long Term Other Liabilities mainly consists of the payables to shareholders relating to the financing of

the hotel investment.

In conclusion, bank loans and shareholders' debts are used to finance the hotel.

Table 11: Akfen Karaköy Statement of Income

AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş.
Summary Statement of Income

(TRY)	31/12/2015	31/12/2016
Net Sales	-	1,863,077
Cost of Sales	(2,364,693)	(3,166,895)
GROSS PROFIT/LOSS	(2,364,693)	(1,303,818)
General Administration Expenses	(434,687)	(464,805)
Other Income / (Loss)	(5,547,916)	(45,552,710)
OPERATING PROFIT	(8,347,296)	(47,321,333)
Financial Income	-	134,781
Financial Expenses	(13,776,043)	(18,442,771)
Tax (net)	4,446,423	12,862,279
NET TERM PROFIT/LOSS	(17,676,916)	(52,767,660)

Akfen Karaköy, which started to generate rent income in 1Q-2016, has recorded net period loss as of fiscal year 2015.

The Company's financial expenses are mainly consisted of foreign exchange losses.

The Company has recorded re-evaluation losses relating to its investment properties in 2015. Other losses in the amount of TRY 47.5m are consisted of the change in its investment properties' value.

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 appraisal 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 2016, 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 2016 is “Investment Properties and Investment Properties in Process” has been revised by the Company according to the market value stated on the appraisal report dated 06.01.2017 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 2016 and the appraisal report dated 06.01.2017, has been valued as 39,190,442 TRY.

Table 12: Akfen Karaköy Net Asset Value

AKFEN KARAKÖY GAYRİMENKUL YATIRIMLARI VE İNŞAAT A.Ş. NET ASSET VALUE AS OF 31.12.2016	
+ Cash and Equivalent	155,933
+ Investment Properties and Investment Properties in Progress	142,946,000
+ Fixed Assets	-
+ Other Current and Non-Current Assets	22,887,127
Total Assets	165,989,060
- Current Installments of Long Term Liabilities	4,359,173
- Other Short-term Liabilities	389,028
- Long-Term Financial Liabilities	51,312,410
- Payables to Shareholders	65,877,685
- Deferred Tax Liabilities	4,860,321
Net Asset Value	39,190,442

Dec. 31, 2016 EUR/TRY: 3.7166

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