

AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Company Appraisal Report

19 March 2018



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DISCLAIMER

This appraisal report (“Report”) has been issued for information purposes only with regards to the value of Akfen Gayrimenkul Ticaret ve İnşaat A.Ş. (“Akfen GT”), as assessed by Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) and includes various documents and financial tables. This Report and/or the information contained here cannot be copied, disclosed or distributed to parties other than authorities to which Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akfen GYO”) and/or Akfen GT is required to submit a copy hereof. TSKB hereby explicitly waives and excludes any kind of responsibility or obligation arising out of or due to any data or omission on the documents or any written and/or oral information or on the assumptions indicated on the business plan of Akfen GT obtained from Akfen GYO, Akfen GT and other sources in order to issue this report. Unless stated otherwise, the information in this Report is up-to-date and valid as of the date of this Report.

Analysis, opinions and results presented within this report have been constituted through our personal, objective and professional appraisal, assessment and interpretation of documents and information and investment assumptions provided by Akfen GYO. The information and documents provided by Akfen GYO and the assumptions and the arguments concluded were all assumed to be true and correct in this Report.

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Introduction and Scope

Scope 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 100% subsidiary of the Company.

Akfen GYO has applied to Türkiye Sınai Kalkınma Bankası (“TSKB”) in order to obtain company appraisal consultancy services to assess and determine the value of its subsidiary Akfen GT as of 31 December 2017. 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.

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 using the Net Asset Value (“NAV”) method.

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

Appraisal Summary

The 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 office 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 founded in Netherlands, which are Hotel Development and Investments B.V. (“HDI”) of which the Company is 100% shareholder, Russian Hotel Investment B.V. (“RHI”) of which the Company is 97,72% and Russian Property Investment B.V. (“RPI”) of which the Company is 95,15% 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 97,72% of the shares of the Company are owned by Akfen GT while the remaining 2,28% is owned by Cüneyt Baltaoğlu since 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 95,15% of the shares of the Company are owned by Akfen GT and the remaining 4,85% is owned by Cüneyt Baltaoğlu since 31 December, 2013.

HDI has been founded by Akfen GYO as a 100% subsidiary on 18 March 2011 to carry out hotel projects in Russia. The information provided by the Company indicated that all the shares are transferred to Akfen GT in 2017.

The hotel and office projects, the number of rooms and the realized opening dates for these projects in

¹ Shareholding structure is detailed under section 3.1.2.

Russia are as stated in the table below.

Table 1: Russia Projects

The Hotel and Office Projects	Number of Rooms	Commencement Date	Operation Date	Plot Area(m ²)	Total Area (m ²)
Samara IBIS	204	07/2009	03/2012	2,466	9,961
Yaroslavl IBIS	177	04/2010	09/2011	4,468	7,916
Kaliningrad IBIS	167	08/2011	08/2013	5,099	6,322
Moskova IBIS*	317	09/2013	04/2015	2,010	12,143
Samara Office	-	07/2009	01/2012	1,048	6,510

*This project is included after the transfer of HDI shares to the Akfen GT.

(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 A.Ş. on 29.12.2017. The results of the related appraisal study are as indicated below.

Table 2: Property Values according to Expertise Reports – 29.12.2017 (Excluding VAT)

Properties	Value (EURO)	Akfen Share (%)	Akfen Share Amount (EURO)
Kaliningrad IBIS	16,810,000	97.72%	16,426,732
Samara IBIS	12,710,000	97.72%	12,420,212
Samara Office	6,075,000	95.15%	5,780,363
Yaroslavl IBIS	11,475,000	97.72%	11,213,370
Moskova IBIS	37,215,000	100%	37,215,000
Merit Park Otel	66,585,000	100%	66,585,000
Total	150,870,000		149,640,677

(Source: Akfen GT)

Apraisal Results

The Net Asset Value of the Company based on the balance sheet dated 31 December, 2017 has been valued as EUR 86,455,763 (TRY 390,391,680).

Table 3: Net Asset Value of GT

(in thousands of Euro)	2017
Cash and Cash Equivalents	15,307
Trade Receivables	1,820
Due from Related Parties	20,767
Other Current Assets	620
Goodwill	8,750
Investment Properties	151,672
Other Non-Current Assets	6,952
Total Assets	205,887
Trade Payables	12,104
Current Portion of Long Term Financial Liabilities	5,658
Due to Related Parties	1,324
Other Current Liabilities	2,516
Total Currrent Liabilities	21,602
Other Financial Liabilities	81,901
Other Long Term Liabilities	15,929
Total Long Term Liabilities	97,829
Total Liabilities	119,432
Net Asset Value	86,456

Economy

- *TRNC*
- *Russia*

TRNC Economy

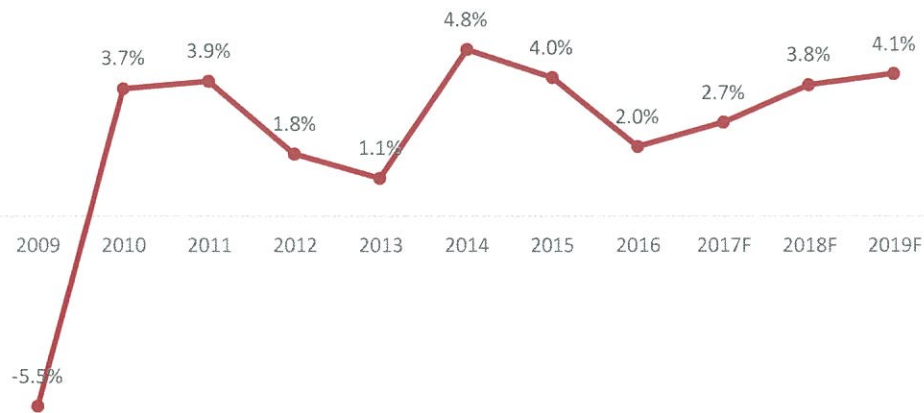
The economy of the TRNC (Turkish Republic of Northern Cyprus) is showing an increasingly growing trend in line with the growth observed in the tourism sector.

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 fastest growing economies amongst European countries and in this period with an average growth rate of 6.5% on an annual basis.

TRNC Economy has recorded a decline of 2.9% and 5.5% respectively in 2008 and 2009 with the affect of the global crisis. 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 2011, with the growth of agriculture and trade, two of the main drivers of the economy, TRNC Economy registered a growth of 3.9%. In the early periods of 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. On top of that, the drought in the agriculture sector and the increase of costs in the construction sector led to GDP growth declining and registering a growth of 1.8% and 1.1% in 2012 and 2013 respectively. With the passing of the effects of the risks, TRNC Economy increased its GDP growth back to 4.3% in 2014.

According to the macroeconomic datas of TRNC State Planning Organization Report published in November 2016, GDP growth was 4.0% in 2015. The 2016 GDP growth is 2% and the projections indicate that TRNC GDP growth will be 2.7%, 3.8% and 4.1% in 2017, 2018 and 2019, respectively.

Graph 1: Growth Rates of TRNC Between 2007-2015 and growth forecasts for 2016-2018

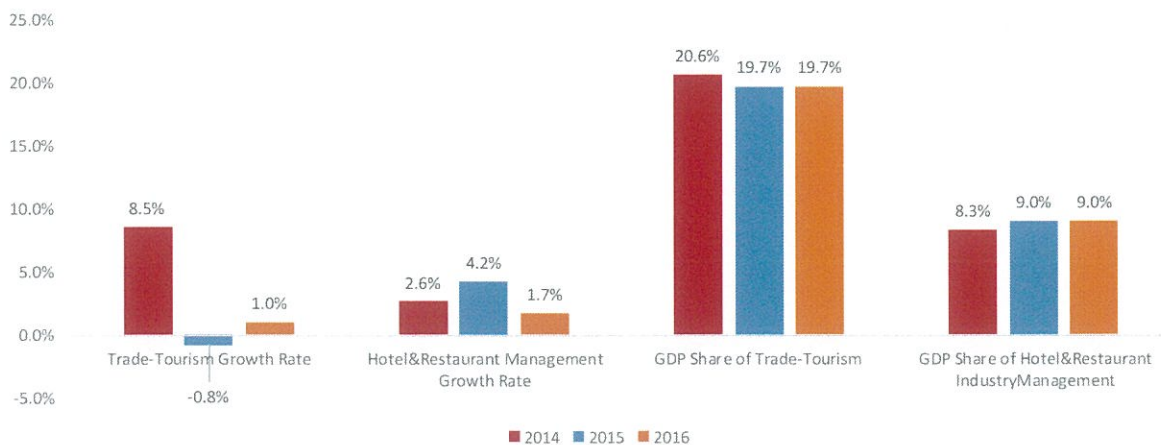


Source: TRNC State Planning Organization

Main factors behind the growth in TRNC’s economy are growths in the main sectors (the preparation of Agricultural Master Plan, the restructuring of KIB-TEK, government electricity company, as an autonomous institution) 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.

Trade, Tourism, Hotel and Restaurant sectors constitute c. 19.7% of the total GDP by the year 2016. Despite slowing growth pace, these sectors remain important in TRNC economic development. The growth expectations in nearby countries will have a positive impact in tourism sector in the near future.

Graph 2: Growth Rate of Trade – Tourism and Hotel – Restaurant Management Sectors and Contribution to GDP, 2014 - 2016



Source: TRNC State Planning Organization

Russian Economy

Russia, as the second largest natural gas producer and the third largest petrol producer in the world, suffers from the fall in oil prices and the economic sanctions imposed by European Union. Russian economy which achieved a GDP of 2.2 trillion US Dollars in 2013, shrank by 9% and declined to USD 2.0 trillion in 2015. Russian economy shrank by 35% compared to 2014 and declined to 1.3 trillion US Dollars. As sanctions and low oil price take effect, Russia became the 13th and 12th largest economy in 2015 and 2016, respectively.

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 and 2013, Russia's growth decreased to 3.4% and 1.3% respectively, 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. Due to the political instability caused by the Ukrainian dispute in 2014 and slumping oil prices in 2015, Russian economy is not expected to recover to its former state in the near future. The country's growth forecast for 2017, 2018 and 2019 is declared 1.8%, 1.6% and 1.5% respectively by the IMF.

Russia had double-digit inflation rates in 2008-2009 yet, the inflation rate dropped down to one-digit numbers in 2010 as a result of appreciation of ruble and low import rates and receded to 6.9%. Inflation again increased in 2011 and although the inflation rate, which was around 8-9% at the beginning of 2011 dropped down to 6%; average inflation rate in 2011 was recorded as 8.5%. In 2012, inflation dropped to 5.1% with Russian economy's improving performance and the figure increased to the level of 6.8% in 2013. The inflation increased to a record high of 15.5% in 2015, and the inflation is dropped down to one-digit numbers again in 2016 with 7%. IMF forecasts the inflation rate for 2017, 2018 and 2019 as 4.2%, 3.9%, 4% respectively.

Sector

- *World*
- *TRNC*
- *Russia*

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 a 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 holiday planning, accommodation, holiday organization/sales, and it further includes transportation, auto rental, etc. to businesses that participate in tourism subsectors.

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 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 on 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 3,9% in 2016 compared to 2015, reached a record high with 1,235 million people. This figure, compared to the same period last year, shows an increase of 46 million people.

According to the World Travel & Tourism Council 2017 Report², tourism sector, constitutes 3.1% of global GDP when its direct effect is considered. Considering its direct and indirect effects, tourism sector constitutes 10.2% of global GDP. Considering the effect on other sectors, the travel and tourism sector constitutes 9.6% of global employment. Further, when travel and tourism sector is classified according to foreign tourist numbers, leisure and business travels constitute 76.8% and 23.2%, respectively.

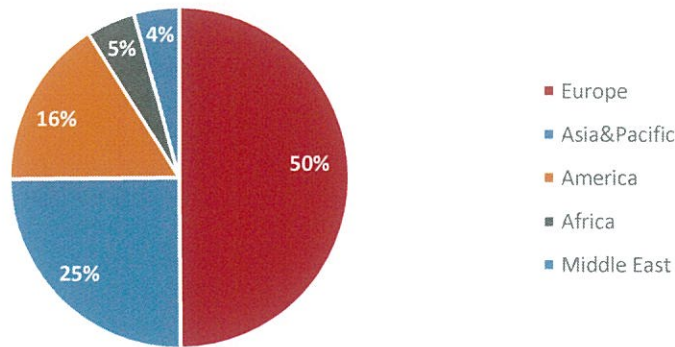
Travel and tourism industry is projected to grow with an annual average rate of 4%, reaching USD 3.5 trillion, which is 3.5% of the global GDP, in 2027. Considering the indirect effects, the sector is expected to reach USD 11.5 trillion in 2027 with an annual average growth rate of 2.2%. Tourism sector is expected to constitute 11.1% of global employment by 2027 when its direct and indirect effect is considered.

According to United Nations World Tourism Organization (UNWTO) 2017 Report, number of tourists travelling around the world showed a growth of 3,9% and reaching to 1.235 billion in 2016. According to the same report, Europe is the most visited region by tourists in 2016, with a share of 49.9% and approximately 616 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 2030 .³

² *Economic Impact 2017, World Travel&Tourism Council*

⁴ *World Travel & Tourism Council*

Graph 3: Breakdown of Number of Tourists (in Million People) and Shares (%) by Regions in 2016

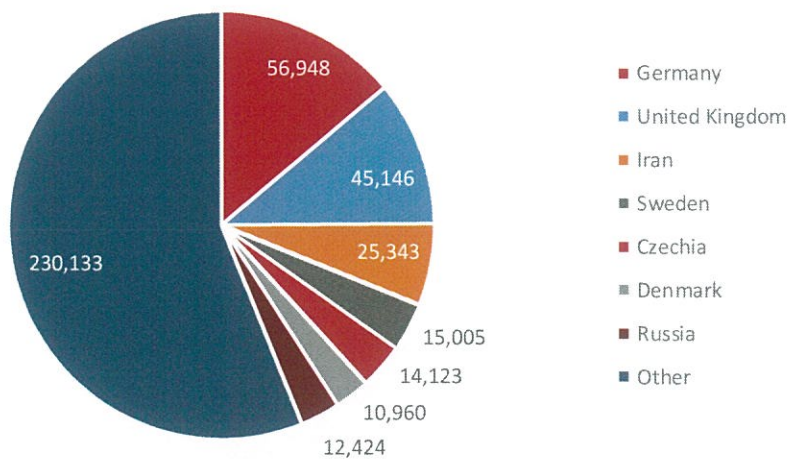


Source: World Travel & Tourism Council Report

Tourism in TRNC

One of the most important sectors in TRNC's economy is the tourism sector. In 2011, the country's population was around 286,300; however, its population increases with the tourists visiting the country in summer. The number of tourists arrived is arised by 10% in comparison to 2016 and reached to 1,734,330 in 2017. 76.3% of the touristic visitors are from Turkey in 2017. In addition, tourists from more than 40 different countries also visit the country. Most tourists, besides Turkey are from Germany, Uk, Iran, Sweden Czechia, Denmark and Russia.

Graph 4: Breakdown of Tourists Visiting TRNC by Their Countries in 2017 (Excluding Turkish citizens)



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

According to the data of 2017 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 10% is observed in 2017. Along with this, overnight stays increased by 23.6% in the same period. Considering these developments in the sector, the growth rates of the hotel-restaurant and retail sectors, together making up a major share of the services sector, have exhibited a very positive development.

Table 4: Total Number of Tourists in 2016 and 2017

	2016	2017	Change (%)
January	90,545	105,344	16.3
February	123,564	132,850	7.5
March	118,857	142,201	19.6
April	123,904	146,355	18.1
May	145,200	150,440	3.6
June	119,785	134,379	12.2
July	137,686	150,781	9.5
August	138,063	142,700	3.4
September	173,513	189,627	9.3
October	159,029	164,641	3.5
November	124,938	139,878	12.0
December	121,989	135,134	10.8
Total	1,577,073	1,734,330	10.0

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

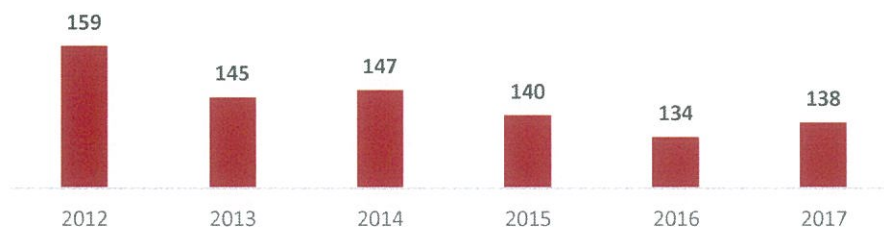
Table 5: Total Number of Overnight Stays in 2016 and 2017

Nationality	2016	2017	Change (%)
Turkish	1,897,150	2,134,864	12.5
Foreigner	1,397,626	1,966,563	40.7
KKTC	122,070	122,435	0.3
Total	3,416,846	4,223,862	23.6

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

According to the number of facilities recognized by the Ministry of Tourism, Environment and Culture of TRNC 138 facilities have been identified as in service.

Graph 5: Number of Touristic Facilities in TRNC between 2012 and 2017



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

On the other hand, looking at the bed capacity, there is a rise of 2.4% in 2017. Monthly occupancy rates indicate that the busy season occurs between June and October. Occupancy rates increased by 20.4% compared to 2016. Another noticeable point is that the yearly average occupancy rate of hotels with casinos is at 62.7% while this figure stays at 48.7% for hotels without casinos.

Table 6: Total Bed Capacity in 2016 and 2017

	2016	2017	Change (%)
January	20,949	21,567	3.0
February	20,949	21,567	3.0
March	20,949	21,567	3.0
April	20,949	21,567	3.0
May	20,949	21,583	3.0
June	20,949	21,583	3.0
July	20,949	21,583	3.0
August	20,949	21,671	3.4
September	21,425	21,699	1.3
October	21,543	21,699	0.7
November	21,543	21,699	0.7
December	21,543	21,845	1.4
Total	253,646	259,630	2.4

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

Table 7: Monthly Occupancy Rates (%)

	2016	2017	Change (%)
January	27.3	34.8	27.5
February	28.8	37.5	30.2
March	36.9	55.9	51.5
April	38.1	57.7	51.4
May	50.5	61.1	21.0
June	48.3	62.6	29.6
July	64.7	76.0	17.5
August	70.4	79.3	12.6
September	60.6	69.5	14.7
October	61.1	68.4	11.9
November	50.5	55.5	9.9
December	38.9	42.5	9.3
Total	48.0	58.4	21.6

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

When the occupancy rates for 2017 are examined, Gazimağusa has the highest occupancy rate with 75.1%, followed by Girne with 59.1%, İskele 54% and Lefkoşa 38.8%.

Table 8: Occupancy Rates according to Cities in 2017

City	Occupancy Rate %
Gazimağusa	75.1
Girne	59.1
İskele	54
Lefkoşa	38.8
Lefke	9
Güzelyurt	4.7

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

Considering the number of hotels as of 2017, the city of Girne currently with 86 hotels ranks the first with 62% 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 bedspace ranking with 12 hotels located in the city.

Table 9: Number of Hotels according to Cities in 2017

City	Number of Facilities	Share %	Bedspace	Share %
Girne	86	62	15,337	70
İskele	28	20	3,846	18
Gazimağusa	12	9	1,710	8
Lefkoşa	7	5	820	4
Güzelyurt	1	1	38	0
Lefke	4	3	94	0
Total	138	100	21,845	100

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

In the following table the total existing hotels in TRNC as of 2017 are ranked according to their qualities. According to the data, most preferred facilities in the region are bungalow houses with 25 units, pensions with 21 units, 5-star hotels with 19 units and 2-star hotels with 17 units. 5 star hotels have the highest bed capacity, and they cover 57% of residential needs of tourism with a total of 12,552 beds.

Table 10: Number of Hotels According to Their Qualities by 2017

Features	Number of Facilities	Share %	Bedspace	Share %
5-Star Hotel	19	14	12,552	57
4-Star Hotel	5	4	1,550	7
3-Star Hotel	15	11	2,408	11
2-Star Hotel	17	12	1,303	6
1-Star Hotel	14	10	523	2
2nd Class Resorts	3	2	442	2
Boutique Hotel	6	4	650	3
Hotels with Special	1	1	34	0
Bungalows	25	18	1,550	7
Apart Hotels	3	2	116	1
Local House	3	2	96	0
Touristic Residences	3	2	124	1
Touristic Pensions	21	15	283	1
Other	3	2	214	1
Total	138	100	21,845	100

The Ministry of Tourism, Environment and Culture of TRNC

Tourism in Russia

Russia has a population of approximately 144.3 million, and the country's travel and tourism sector constituted 5% of the total economic output with the size of \$62.6 billion. Tourism sector is expected to constitute 5.7% of the total economic output of \$82 billion in 2017. 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 33.8 million tourists in 2016 achieving \$11.4 billion tourism exports. It is forecasted that the number of tourists will increase by 1% and 34.1 million in 2017. In addition, number of tourists is expected to reach 68.5 million in 2027 creating a value of \$19.3 billion.

According to the World Travel&Tourism Council Report⁴ published in 2017, number of tourist arrivals increased by 1% to 33.8 million in 2016. According to same report, due to the sharp fall in Russian rubles against U.S. dollar, tourism income of Russia declined to USD 11.4 billion thus Russia became the 32nd according to tourism receipts.

According to the World Tourism Organisation report, tourism related investments were USD 6 billion in 2015, whereas it was USD 8 and USD 10 billion in 2014 and 2013, respectively. And in 2016 the investments are decreased to USD 5.9 billion. Further, USD 9 billion is anticipated for the year 2026. Moreover, Russia to host the FIFA 2018 World Cup indicates that the investments to this region will increase in upcoming years.

It is a known fact that, visa requirement for regular Turkish passport owners – one of Russia's economic sanctions against Turkey - had a great impact on declining Turkish tourists. Nevertheless, the number of Turkish tourists expected to recover as Russia lifts sanctions on Turkey in the upcoming periods.

The Russian map showing the cities where the Company developed projects can be found below.

⁴ *Economic Impact 2017 Russian Federation, World Travel&Tourism Council*

Table 11: Map of the Russian Federation



Kaliningrad

The region is located beside the Pregl River, which is 123 kilometers long, has a surface area of 223 km² and a population of 940 thousand, as of 2012. It is located in the Kaliningrad region, which is situated between Lithuania and Poland, where the Russian Federation does not have any borders to Russia and which stretches till the Baltic Sea. The region was under the dominance of Germans until the 2nd World 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.



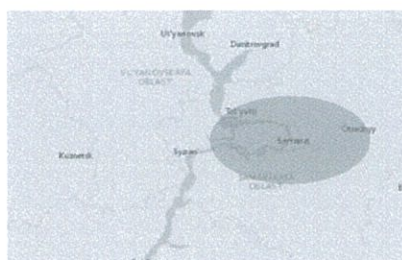
Kaliningrad is also an important transportation center. The city lies 24 kilometers away from Khrabrovo Airport. Kaliningrad has railway links to many cities and connects to Russia, Lithuania, Poland and Berlin by railway. There is also a river port and a sea port located in Kaliningrad.

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.



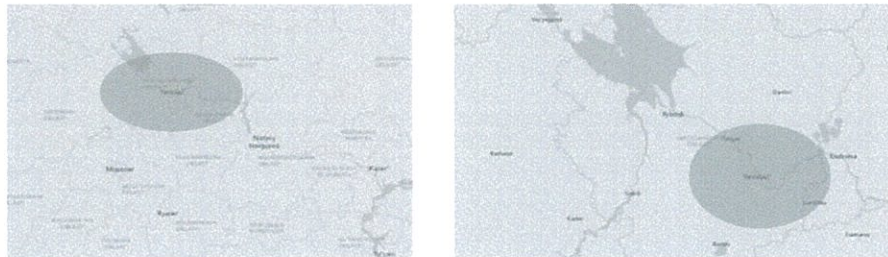
Samara ranks as one of the ten cities in Russia in terms of income and industrial volume. The Samara region accommodates many diverse industries such as automobile, energy, metal processing and petro chemistry, chemicals, construction materials, space ships, engine and cables. Further, the region has 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 44,918 people capacity stadium importance of the region will increase and the region is expected to become a tourism region, open for development.

Yaroslavl

The city of Yaroslavl is located in the north east of and 250 kilometers away from the city center of Moscow, north of Russia on the Volga basin. The city has a population of around 595 thousand in 2010.



Due to the proximity of the city to Moscow and being located by the Volga River makes Yaroslavl unique when compared to other cities of the Russian Federation as it has a vast historical heritage and is under the protection of Unesco. City is located on very strategic transportation routes, which is another advantage. In ancient times, the city was situated on the intersection point of the Volga and Kotorosl rivers and the historical parts of the city have been selected as a Unesco world heritage site.

The city is expected to have a high potential for tourism and around 2.5 million visitors are estimated to have visited the city by 2014. Cruise tourism, culture tourism and business tourisms are the most important areas within the tourism sector. Similar to the cities mentioned above, the ongoing construction of 44,042 capacity stadium within the scope of the World Cup that will take place in 2018 is expected to increase the importance of the region and help the region evolve into a tourism region open for development.

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

Tourism in Moscow

Moscow, the capital of Russian Federation has a population around 11.5 million. The city is founded on approximately 2.511 km². The city, which has been founded on the Moscow river in the European side of the city extend towards vast Siberian plains over the Ural mountains on the west and reached Okatsk Sea on the East side.

Moscow is one of the preferred tourism destinations in the world with its countless number of museums, monasteries and churches. Pushkin Museum of Art, State Tretayakov Gallery, Moscow Museum of Modern Art, Chudov Monastery, Preobrazhenka Cemetery, Nativity Church and St. Nicholas Church are amongst the many historical and cultural sites located in Moscow. Besides the historical aspect of the city, it has high number of businessman and investor visitors during the year. Major industries of the city are metal processing and machinery manufacturer. Textile and clothing, chemical products, shoes and woodworks are amongst the other major industrial products.

In 2016, Russia hosted the first Business Traveler Awards international ceremony for the first time. Moscow has been rated the best city for business and event tourism. Besides Moscow, St Petersburg, Vienna, Madrid, Abu Dhabi, Barcelona, Jerusalem, Paris and other cities were listed among best cities.

One of the greatest opportunities ahead of the hospitality industry in Moscow is the 2018 World Cup Organization. As part of the 2018 World Cup organization, 12 stadiums are under maintenance/construction in Moscow. Final preparations are being made by the participating countries for the 2018 World Cup organization and according to various news reports, Moscow has invested in infrastructure enough to accommodate more than one million tourists within a month during World Cup organization. The budget planned by FIFA for the organization amounts to USD 1.9 billion⁵.

According to a research which is conducted by Mercer Human Resources in 2014, Moscow which is the

⁵ <https://www.statista.com/statistics/740622/2018-fifa-world-cup-russia-investment-budget-by-segment/>

9th most expensive city in the world for foreign tourists, lost its position in the first 10 cities and placed 67nd in 2016 due to weaken Russian ruble.

The inner-city transportation is mainly carried out by subways, busses, trams and trolleybuses and transportation in more residential and rural areas uses Moscow Small Freeway and Moscow Metropolitan Area Peripheral Railway. Moscow has 5 main airports, 9 railway stations and 2 river terminals.

General Overview of the Future for the Sector

According to the World Travel&Tourism Council's Economic Impact 2017 Report, when the effects of tourism to other sectors is also examined, for 10.2% of the global gross product and the turnover was around USD 7.6 trillion in 2016. It is estimated that the sector will reach USD 10.9 trillion turnover in 2027 with an average annual growth rate of 3.9%.

Table 12: Top 10 Countries by Number of Visitors / Top 10 Countries by Tourism Income

Top 10 Countries by Number of Visitors / Top 10 Countries by Tourism Income				
Country	2016 (in millions)	Country	2016 (in billion USD)	
1	France	82.6	USA	205.9
2	USA	75.6	Spain	60.3
3	Spain	75.6	Thailand	49.9
4	China	59.3	China	44.4
5	Italy	52.4	France	42.5
6	UK	35.8	Italy	40.2
7	Germany	35.6	UK	39.6
8	Mexico	35.0	Germany	37.4
9	Thailand	32.6	Hong Kong	32.9
10	Turkey	25.3	Australia	32.4

(Source: World Travel & Tourism Council Report)

Total income generated by the tourism sector in the 2016 is US USD 1,220 billion, with the Europe having the largest share with a share of 37%. Asia-Pacific region, America, Middle East and the Africa accounted for 30%, 26%, 5% and 3% of total revenue in the tourism sector, respectively.

According to the World Travel & Tourism Council Report, the number of international tourist is projected to grow 3.3% annually between 2010 and 2030. According to the same report, the number of international tourists is projected to increase by 1.4 billion and 1.8 billion by 2020 and 2030, respectively.

The strongest growth is expected in Asia and the Pacific region, and by 2030 the number of international tourists visiting this region is expected to rise to 535 million by 2030. Europe and the Americas are expected to grow much slower than the rest of the world. By 2030, the number of international tourists traveling to Europe is expected to increase to 744 million and the number of tourists traveling to America to 248 million.

The Company

General Information

Incorporation and Current Status

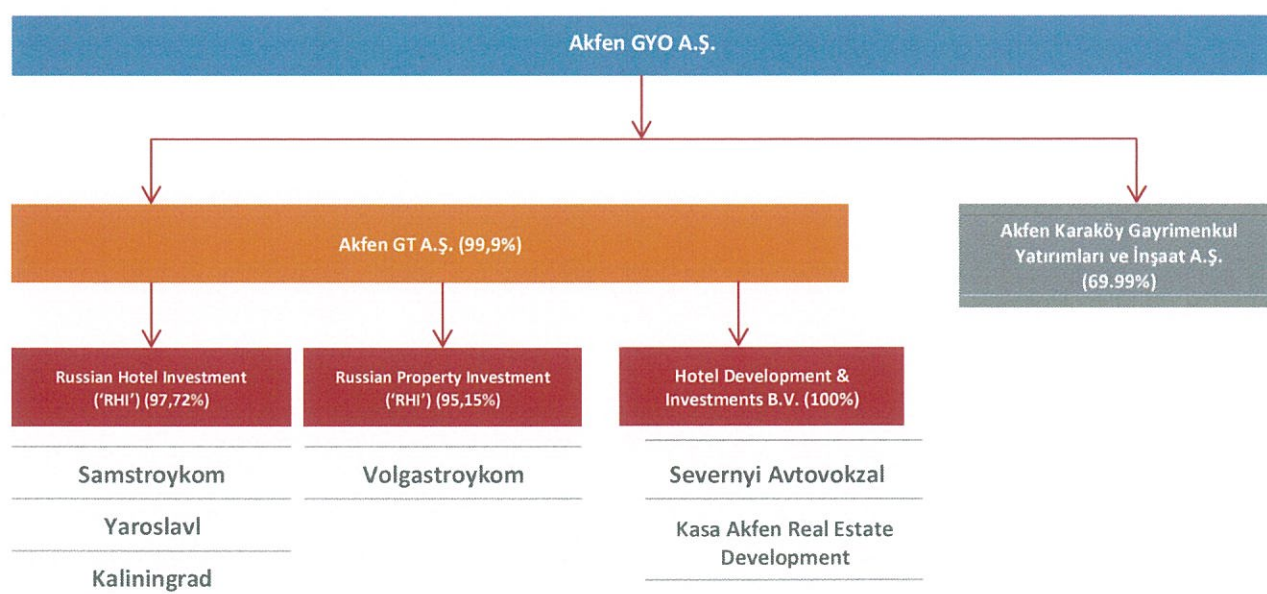
Akfen GT's main activities include carrying out, developing, operating and contracting others to operate real estate investments. The Company, which was founded under the name T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret A.Ş. on 04 August 1999 changed its commercial title to Akfen Gayrimenkul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

Currently, Akfen GT obtains rental income from the 5-star Hotel and Casino it owns in Turkish Republic of North Cyprus and from hotel and office projects in Russia.

The 5-star hotel located in Turkish Republic of Northern Cyprus has been in operation with its casino since 2007. Further, Akfen GT has rented and obtained the allocation rights of a plot, with an area of 167 decares located in the Bafra region of TRNC from the Forestry Administration on behalf of the TRNC Ministry of Agriculture and Natural Resources for 49 years on 30/12/2010. The Company carries out all of its projects in Russia through its subsidiaries Russian Hotel Investment B.V. ("RHI"), and Russian Property Investment B.V. ("RPI"), founded in the Netherlands and of which it is a 95% shareholder.

The shareholding structure of Akfen GT with the Group companies has been summarized in the table below.

Table 13: Shareholding Structure as of 31 December 2017



Shareholding and Capital Structure

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

Table 14: Share Distribution as of 31 December 2017

Shareholders	Number of Shares (TRY)	Shareholding Percentage (%)
Akfen GYO A.Ş.	121,000,000	100%

(Source: Akfen GT)

Subsidiaries

Akfen GT has three subsidiaries founded in the Netherlands. These subsidiaries are Russian Hotel Investment B.V. (“RHI”), Hotel Development and Investments B.V. (“HDI”) and Russian Property Investment B.V. (“RPI”).

From these subsidiaries, RHI was founded under an equal 50 to 50% partnership structure between Akfen GT and Eastern 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 97,72% and 2,28% 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, RPI and HDI have been indicated in Table 17.

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 95.15% and 4.85% of RHI is still owned by Cüneyt Baltaoğlu.

HDI was founded by Akfen GYO as a 100% subsidiary to develop hotel projects in Russia in 18 March 2011. All shares of HDI are transferred to Akfen GT in 2017.

Table 15: Projects of RHI, RPI and HDI

RHI	RPI	HDI
<ul style="list-style-type: none"> •Samstroykom •YaroslavlHotelInvest •Kaliningradoteldevelop 	<ul style="list-style-type: none"> •Volgastroykom 	<ul style="list-style-type: none"> •Severnyi Avtovokzal •Kasa Akfen Real Estate Development

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; HDI, 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**

The Company's main source of income is generated via rental income from the 5-star hotel and casino located in the city of Girne in TRNC, which was completed on December 2006 owned 100% by the Company.

Akfen GT has been renting out both the hotel and the casino since 2008. The hotel and casino which have been constructed on the plot allocated from State Real Estate and Provision Administration of Ministry of Finance in TRNC and rented for 49 years as of 01.08.2003, has been rented out to Serenas Turizm Kongre ve Organizasyon Hizmetleri Ltd. Şti. between 01/01/2008 – 31/12/2012. The hotel has been built on 40 654 square meters and has 286 rooms. Rental income has been obtained for the casino situated on 2.981 square meters closed area and the casino part has been rented out to and operated by Voyager Kıbrıs Ltd Şti. during this period. Following the expiry of the agreement signed with Serenas Turizm Kongre ve Organizasyon Hizmetleri Ltd. Şti; by another agreement signed between Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and Voyager Kıbrıs Ltd. Şti. on 15.05.2012, the whole of the 5-star hotel, including the Casino has been rented by Voyager Kıbrıs Ltd. Şti. for 20 years starting from the beginning of the rental period. It was noted that the name of the hotel was changed as "Merit Park Otel ve Casino" from the start of the new rental period. After the change of the tenant at the beginning of 2013, the hotel went through a renovation process. Hotel rooms and common areas, such as SPA

and restaurants, were renovated and the hotel gained a better outlook as part of renovation process. According to Merit Park Otel’s architectural project, the number of rooms, which were 299 before the renovation process, decreased to 286 as 13 rooms merged by pulling down intermediary walls.

The tenant Voyager Kibris Limited will pay an annual rent of EUR 4,845,000 to Akfen GT for the hotel and the casino in 2018. Based on the contract, the annual rent will increase by 2% annually until 2022 and it is assumed to increase by 1% annually after 2022.

- **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; HDI, RHI and RPI.

The hotel and office projects are as indicated in the table below.

Table 16: Russia Projects

The Hotel and Office Projects	Number of Rooms	Commencement Date	Operation Date	Plot Area (m ²)	Total Area (m ²)
Samara IBIS	204	July-09	March-12	2,466	9,961
Yaroslavl IBIS	177	April-10	September-11	4,468	7,916
Kaliningrad IBIS	167	August-11	August-13	5,099	6,322
Moskova IBIS	317	September-13	April-15	2,010	12,143
Samara Office	-	July-09	January-12	1,048	6,510

(Source: Akfen GT)

As of 8 September 2011, Yaroslavl IBIS Hotel has been in operation. Samara IBIS Hotel commenced its activities in March 2012 and Kaliningrad Ibis Hotel started operating in August 2013. Construction of Samara Office was completed in January 2012. 1,562 m² was rented to OAO Bank VTB based on the contract signed in March, 1, 2013; 1,869 m² was rented to Rosneft Oil Company for 24 months based on the contract signed in December, 2, 2013; 746 m² was rented to Samarasnabpodshipnik, a subsidiary of Samara Podshibnik, the biggest bearing manufacturers of Russia, as a sales office, based on the contract signed on February, 19, 2014.

Financial Analysis

The consolidated condensed, unaudited financial tables of Akfen GT for the years 2014, 2015, 2016 and 2017 year-end are as indicated below. The financial data of Akfen GT and its subsidiaries HDI, RHI and RPI have been consolidated by the Company in accordance with the international financial reporting standards by the method of proportional consolidation.

Table 17: Consolidated Balance Sheet of Akfen Gayrimenkul Ticaret ve İnşaat A.Ş.

(in thousands of Euro)	2014	2015	2016	2017
Current Assets	10,271	32,247	22,372	38,514
Cash and Cash Equivalents	7,009	15,166	16,823	15,307
Trade Receivables (Net)	2,486	3,270	4,937	1,820
Due from Related Parties	616	13,307	221	20,767
Other Current Assets	160	504	391	620
Non-Current Assets	132,631	137,995	146,796	167,374
Goodwill	-	-	-	8,750
Investment Properties	127,538	130,565	122,467	151,672
Due to Related Parties	-	-	17,757	-
Other Non-Current Assets	5,093	7,430	6,573	6,952
Total Assets	142,902	170,242	169,168	205,887
Current Liabilities	8,949	4,723	4,185	21,602
Current Portion of Long Term Financial Liabilities	7,029	3,986	2,946	5,658
Trade Payables	840	79	984	12,104
Due from Related Parties	708	386	-	1,324
Other Current Liabilities	371	273	255	2,516
Non-Current Liabilities	45,324	71,924	73,106	97,829
Other Financial Liabilities	36,501	59,094	59,799	81,900
Other Non-Current Liabilities	8,818	12,826	13,307	15,929
Shareholders Equity	88,634	93,599	91,877	86,456
Paid in Capital	41,174	34,926	32,615	26,797
Positive Distinction from Share Capital Adjustment	(90)	(80)	(68)	-
Profit Reserves	47,550	58,753	59,330	59,659
Total Liabilities and Shareholders Equity	142,902	170,242	169,168	205,887

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

	2014	2015	2016	2017
EURO/TRY (Term end exchange rate)	2.8207	3.1776	3.7099	4.5155

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 19: Central Bank of Turkey Average foreign exchange purchase rates

	2014	2015	2016	2017
EURO/TRY (Average Rate)	2.9042	3.0183	3.3398	4.1162

Source: Central Bank of Turkey

The total assets of Akfen GT as of the end of 2017, equals to 205.8 million Euros. 74% 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 of the subsidiaries of the company HDI, RHI and RPI and the projects on yearly basis.

Akfen GT is transferring funds to Akfen Karaköy since 2016 and this amount reached to Eur 19 million as of 31 December 2017.

When looking into financing of assets, it is seen that the portion of long-term liabilities is circa 48% as of the 2017 year end. And the long-term financial liabilities consist of bank borrowings used for projects, which are accounted for 40% of total assets.

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 Credit Europe Bank and for these loans, the Company is obliged to pay a fixed interest of 6.4%. The maturity date of loans for the Russian assets are 28 July 2025. The Company has borrowed 29.5 million Euro from Fibabanka on 6 November 2015 and 500 thousand Euro from Credit Europe Bank regarding TRNC operations. The Company will be paying on average a fixed interest of 6.11% for these loans and the maturity date is 30 July 2025.

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

Table 20: Income Statement of Akfen GT

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

(in thousands of Euro)	2014	2015	2016	2017
Total Sales	9,298	9,429	8,292	8,865
Net Sales	9,298	9,429	8,292	8,865
Cost of Sales	(281)	(353)	(432)	(754)
Depreciation Expense	(483)	(465)	(422)	(341)
General Administration Expenses	113	(109)	(231)	(341)
Operating Profit	8,646	8,501	7,208	7,429
EBITDA	9,130	8,967	7,630	7,770
Financial Expenses (Net)	(17,278)	(7,646)	5,359	(8,230)
<i>Interest Expense</i>	(20,723)	(13,203)	(4,127)	(12,885)
<i>Interest Income and Exchange Gain/Loss</i>	3,446	5,557	9,486	4,655
Other Income	2,889	21,175	13,828	26,206
Other Expenses	(3,011)	(3,648)	(6,068)	(3,094)
Term Profit	(8,753)	18,382	20,328	22,311
Tax Expense	-	-	-	(4,617)
Net Profit	(8,753)	18,382	20,328	17,694

(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, and from the increases in value of investment properties.



Appraisal

Appraisal Method

The Net Asset Value method has been utilized for determining the fair market value of Akfen GT. 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 and 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 GT has been calculated based on the balance sheet dated 31 December, 2017, 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, 2017 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 29.12.2017 of TSKB Gayrimenkul Değerleme A.Ş.. Values related with other items included in the assets of Akfen GT 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.

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

Apraisal Result

The Net Asset Value of the Company based on the balance sheet dated 31 December, 2017 has been valued as EUR 86,455,763 (TRY 390,391,680).

Table 21: Net Asset Value of GT

(in thousands of Euro)	2017
Cash and Cash Equivalents	15,307
Trade Receivables	1,820
Due from Related Parties	20,767
Other Current Assets	620
Goodwill	8,750
Investment Properties	151,672
Other Non-Current Assets	6,952
Total Assets	205,887
Trade Payables	12,104
Current Portion of Long Term Financial Liabilities	5,658
Due to Related Parties	1,324
Other Current Liabilities	2,516
Total Current Liabilities	21,602
Other Financial Liabilities	81,901
Other Long Term Liabilities	15,929
Total Long Term Liabilities	97,829
Total Liabilities	119,432
Net Asset Value	86,456

Table 22: Net Asset Value of GT

(in thousands of TRY)	2017
Cash and Cash Equivalents	69,117
Trade Receivables	8,216
Due from Related Parties	93,775
Other Current Assets	2,800
Goodwill	39,510
Investment Properties	684,873
Other Non-Current Assets	31,393
Total Assets	929,684
Trade Payables	54,654
Current Portion of Long Term Financial Liabilities	25,548
Due to Related Parties	5,978
Other Current Liabilities	11,363
Total Current Liabilities	97,544
Other Financial Liabilities	369,822
Other Long Term Liabilities	71,928
Total Long Term Liabilities	441,750
Total Liabilities	539,293
Net Asset Value	390,391

