HDI DEVELOPMENT AND INVESTMENTS B.V.

Company Appraisal Report

February 2016

DISCLAIMER

This appraisal report ("Report") has been issued for information purposes only with regards to value of Hotel Development and Investments B.V. ("HDI") 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 HDI 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 obtained from Akfen GYO, HDI 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 provided by Akfen GYO and HDI. 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

Introduction and Scope

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akfen GYO”) has applied to Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) in order to obtain company appraisal consultancy services to assess and determine the value of Hotel Development and Investments B.V. (“HDI”, “Company”), which is a subsidiary of Akfen GYO.

This appraisal study has been carried out based on the financial tables of HDI and no detailed legal and 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 HDI’s portfolio has recently been founded and gotten operational and active; the Net Asset Value method has been utilized for this appraisal study.

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., have 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, 2015 of HDI.

The financial tables assessed during this study have been obtained from HDI. 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.

Based on the Share Purchase Agreement signed on 4 September 2013 between HDI, the wholly owned company of Akfen GYO, and Beneta Limited, Severnyi Avtovokzal Limited shares have been taken over by HDI B.V. with a cost of USD 12,975,000 on 4 September 2013. The Company Severnyi Avtovokzal is located in central Moscow on a plot of 2,010 m2 and it has a room capacity of 317. Further the company has the rights of the project ("Moscow Hotel Project") that received construction permits. Based on the rental contract signed with Accor on 29 January 2014, Moscow Hotel Project will be operated by Accor under IBIS brand and an appraisal report has been issued by EPOS Gayrimenkul Danismanlik ve Degerleme A.S. on 31.12.2015, in order to assess the fair market value of the rights and benefits arising out of the aforementioned share takeover.

The Company had taken over Dinamo-Petrovskiy Park XXI Vek-MS Limited Company on 24.11.2011 in Moscow in order to carry out another project, 1 km from the aforementioned hotel investment. HDI signed an investment agreement with Moscow Government in 2005 and a rental agreement on 25.11.2009. However, legal process on rental agreement regarding the right of use of the plot of 3.000 m2, which is owned by Dinamo-Petrovskiy Park XXI Vek-MS, the 100% owner of Keramit Financial Company that is taken over by HDI. According to the disclosure of Akfen GYO dated on 31 September, 2013, the court of first instance declared that HDI, the subsidiary company of Akfen GYO that sue the Moscow government, will be paid 199,775,062.2 Rouble (around 4,560,000 Euro). The respective amount has been collected by the company’s subsidiary at 3 June, 2014. As of 31 January, 2014 Dinamo-Petrovskiy Park XXI Vek-MS Limited has been liquidated and its assets have been transferred to Severny Autovakzal Limited.

Russian Economy

Russian Economy

Russia, as the major natural gas producer and the second 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 2.1 trillion US Dollars in 2013, shrunk by 14.28% to declined to 1.2 trillion US Dollars in 2014. According to IMF World Economic Outlook 2015 report, as of October 2015, Russian economy shrunk by 33% compared to 2014 and declined to 1.2 trillion US Dollars. As sanctions and low oil price take effect, Russia became the 10th and 13th largest economy in 2014 and 2015 respectively, while it was the 8th largest economy in the World according to its 2013 GDP figure.

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 Ukranian dispute in 2014 and slumping oil prices in 2015, Russian economy is not expected to recover in the near future. The country's growth forecast for 2015 and 2016 is given by the World Bank as respectively -3.8% and -0.6%.

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 is increased again, to the level of 6.8% in 2013. The inflation increased to 7.8% in 2014, and the inflation is expected to record its steepest increase to 15.8% in 2015 according to IMF estimates.

Sector

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 figüre with 810 million people. This figure, compared to the same period last year, shows an increase of 33 million people.

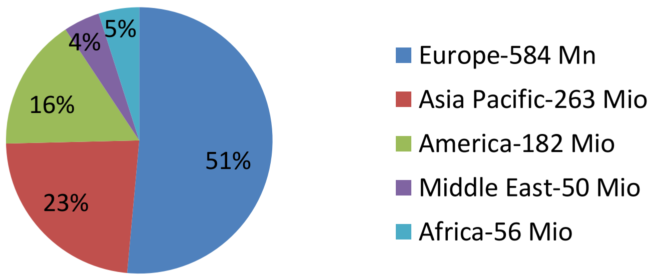
According to the World Travel & Tourism Council 2015 Report, tourism sector, constitutes 3.1% of global GDP when its direct effect is considered. Considering its direct and indirect effects, tourism sector constitutes 9.8% of global GDP. Considering the effect on other sectors, the travel and tourism sector constitutes 9.6% 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 2030[1].

[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 Russia

Russia has a population of approximately 143.8 million as of 2014, and the country's travel and tourism sector constituted 6.1% of the total economic output with the size of 140.9 billion US Dollars. The contribution of travel and tourism sector to GDP is based mainly on the number of visitors arriving to the country in question. Russia attracted 28.1 million tourists in 2014 achieving 19.1 billion US Dollars tourism exports. It is forecasted that the number of tourists will decrease by 2.7% and 27.4 million in 2015. In addition, number of tourists is expected to reach 52.2 million in 2025 creating a value of 30 billion US Dollars. Total product of the tourism sector, with around 143.5 billion US Dollars size, is expected to decrease by 6.3% in 2015 and will increase at an annual average of 3.0% reaching 143.4 billion US Dollars in 2025. However, it is expected that the Ukrainian political dispute and tensions with Turkish government will cause negative effect on tourism sector output in 2015.

According to the Russian Tourism Industry Association estimates, due to the sharp fall in Russian rubles against U.S. dollar, in the first 9 months of 2015, number of visitors has increased 13% compared to the same period last year. According to the same estimates, Chinese tourists became the largest group of foreign tourists to Russia which constitutes 22.9% of whole tourists, pushing American and Turkish tourists 2nd and 3rd place which constitute 12.6% and 4.6% of whole tourists respectively. According to the same estimates, the tourist ouflow from Russia declined by 31.4% due to the sharp fall in Russian rubles. It is expected that the Ukrainian political dispute, tensions with Turkish government and plane crash in Egypt will both affect tourist inflow and outflow in Russia.

Moreover, the number of Turkish tourists are expected to decrease under Russia's economic sanctions to Turkey which also contains suspension of visa-free regime with Turkey. The increasing number of Turkish tourists is one of the main sources of number of total tourists visiting Russia in the first 9 month of 2015. It reveals the fact that, suspension of visa-free regime with Turkey may have some potential effects on Russian tourism in upcoming years.

The on going economic crisis in Russia also affects the number of companies selling foreign tours to Russian tourists. According to the Russian Tour Operators Association, the number of tour operators were 2.050 before crisis, whereas they are 650 as of December, 2015. The main reason behind the fall is seen as the sharp decline in Russian ruble against U.S Dollar which results in a large fall in Russian tourists' disposable income. Russian tour operators also suffer from bans against Turkey and Egypt which suspend selling package tours. According to the Russian Tour Operators Association, in the best-case scenario, the number of tour operators is expected to be 500 tour companies whereas in the worst-case scenario, 300.

The number of hotels and office projects has increased in accordance with the increase in demand due to projects, which have been suspended due to the economic crisis in the sector have been re-launched since the end of 2009. In 2013, the investments made reached 8.3 billion US Dollars. Further, 3.8% increase in investments, equaling to 12.3 billion US Dollars is anticipated for the year 2024. Moreover, Russia to host the FIFA 2018 World Cup indicates that the investments to this region will increase within the coming years. Moscow, in which the Company has developed projects, is one of the cities that will host the World Cup games. The Russian map showing Moscow can be found below.

Figure 2.1: Map of the Russian Federation

Tourism Sector in Moscow

Moscow, the capital of Russian Federation has a population around 10.5 million. The city is founded on approximately 1.000 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, foodstuff, shoes and woodworks are amongst the other major industrial products. Another factor reinforcing the potential in tourism in the region is the construction of a stadium for the World Cup that will be held in Moscow in 2018. With a 44.920 capacity stadium, it is forecasted that importance of the city will rise and it will become a tourism region, promising development.

Due to the political crisis between Ukraine and Russia, it is stated that the incoming tourists from Europe have been decreased by 20-25%, from United States and Canada have been decreased by 30%-40% and it is stated that, as of late 2014, 5.4 million tourist visited Moscow. It is also stated that, in terms of business trips and corporate visits, Moscow will be leading city in Russia. However, due to the on going economic crisis and tension atmoshpere around Russia, the number of business trips and corporate visits to Moscow is expected to decrease in upcoming period.

Although, the Hotel Industry downsized due to the economic crisis in 2008; as of the end of 2009 it started showing signs of growth. In 2013, a number of global hotel chains such as Novotel, Kempinski, Ibis, Mercure and Adagio, have expanded their operations in the country. One major opportunity in the sector is the tax privilages given by the government to the investors that will renovate the old buildings in the city centre.

According to a research which is conducted by Mercer Human Resources in 2014, Moscow which is the 9th most expensive city in the world for foreign tourists, lost its position in the first 10 cities in 2015 due to weaken Russian ruble.

Moscow, the second most expensive cities ranking around the world according to the survey conducted by Mercer Human Resources in 2014, has one of the busiest and most concentrated subway systems in the world. 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 three main airports, nine railway stations and two river terminals.

The Company

Company Overview

Incorporation and Current Status

HDI has been founded as a subsidiary of Akfen GYO in the Netherlands, with Akfen GYO owning 100% of its shares to realize hotel projects in Russia on 18 March 2011.

HDI signed a Share Purchase Agreement with Beneta Limited, the 100% owner of Severny Autovakzal Limited Company that has the rights of hotel plot, with a cost of USD 12,975,000 in order to realize the hotel project with Severny Autovakzal Limited Company,. The company to be taken over has signed a rental agreement for the real estate with Moscow Government that is to be valid between 20.04.2010 and 24.09.2056 under the responsibility for realizing a hotel project. Moreover, there is additional rental agreement arranged on 02.06.2011. State's appraisal report for the real estate which is necessary for the hotel project is available as of 02.12.2011.

The hotel project includes 317 rooms, that is to be built on 2,010m2 land, whose the right of use belongs to Severny, and will be run under the brand of Ibis Otel. HDI came to an agreement with Ant Yapı for the turnkey construction of the hotel building for a value of 16,500,000 Euro + VAT and construction for the project started on September 2013. The hotel has started to operate on June 16, 2015. 33% of the project is completed as of 31 December, 2013 and based on the rental contract signed with Accor on 29 January 2014, the Moscow Hotel Project will be operated by Accor Group under Ibis Hotel brand. According to the same rental contract, either 25% of total sales or 85% of AGOP (Adjusted Gross Operating Profit), depending on which one is higher, will be paid to HDI as rental income.

The Company had taken over Dinamo-Petrovskiy Park XXI Vek-MS Limited Company on 24.11.2011 in Moscow in order to carry out another project, 1 km from the aforementioned hotel investment. Dinamo signed an investment agreement with Moscow Government in 2005 and a rental agreement on 25.11.2009.

Shareholding and Capital Structure

The paid in capital of the Company is 23,062,678 TL as of the date of this report.

Financial Fixed Assets

As of the date of this appraisal report, Severny is the wholly owned subsidiary of HDI.

Finansal Tablolar

The condensed balance sheet dated 31 December, 2015 of HDI, which was incorporated on 18.03.2011 is as indicated below.

Table 1: Balance Sheet of HDI

HOTEL DEVELOPMENT AND INVESTMENTS B.V.
CONDENSED BALANCE SHEET

(TRY)	31/12/2015
Cash and Equivalents	5,519,421
Other Current Assets	2,563,981
Total Current Assets	**8,083,402**
Investment Properties and Investment Properties in Progress	162,281,524
Tangible Fixed Assets	87,422
Intangible Fixed Assets	32,355
Other Fixed Assets	178
Total Fixed Assets	**162,401,479**
TOTAL ASSETS	**170,484,881**
Current Installments of Long Term Liabilities	743,315
Other Liabilities	1,835,135
Other Short-Term Liabilities	108,075
Total Short-Term Liabilities	**2,686,525**
Long-Term Financial Liabilities	83,155,774
Deferred Tax Liabilities	17,568,288
Total Long-Term Liabilities	**100,724,062**
Total Liabilities	**103,410,587**
Paid-in Capital and Capital Advanced	23,062,678
Foreign Currency Conversion Adjustments	-52,212,945
Previous Year's Profits (Losses)	82,283,441
Net Term Profit (Losses)	13,941,121
Total Equity	**67,074,295**
TOTAL LIABILITIES	**170,484,882**

The major item in the assets of the Company Balance Sheet is the “Investment Properties and Investment Properties in Progress”, which amounts to 162,281,524 TL.

The major item in the liabilities of the company is the “Long-Term Financial Liabilities” is related with the credit from Credit Europe Bank, which is used for construction of Moskova Ibis Otel.

Table 2: HDI Income Statement

HOTEL DEVELOPMENT AND INVESTMENTS B.V.
CONDENSED INCOME STATEMENT

(TRY)	31/12/2015
Net Sales	1,092,919
Cost of Sales	-886,342
General Administration Expenses	-1,190,675
Other Operating Costs/Income	29,689,809
Operating Profit	**28,705,711**
Financial Expenses/Income	-11,202,378
Deferred Tax Expenses/Income	-3,562,212
Net Term Profit/Loss	**13,941,121**

(Source: HDI)

Appraisal

The Appraisal

Scope and Methodology

The Net Asset Value method has been utilized for determining the fair market value of HDI. 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 HDI 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 31.12.2015 of EPOS Gayrimenkul Degerleme A.S. Values related with other items included in the assets of HDI 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.

Company's fixed assets include the hotel investment project to be grounded on the plot tied with rental agreement signed between the 100% subsidiary Severny and Moscow Government on 20.04.2010.

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.

Appraisal Results

The Net Asset Value of the Company based on the balance sheet dated 31 December, 2015 has been valued as 67,074,294 TL.

Table 3: Net Asset Value of HDI

	NET ASSET VALUE OF HOTEL DEVELOPMENT AND INVESTMENTS B.V. **AS OF 31/12/2015 (TRY)**	
+	Cash and Equivalents	5,519,421
+	**Investment Properties and Investment Properties in Progress**	**162,281,524**
+	Tangible Fixed Assets	87,422
+	Intangible Fixed Asset	**32,355**
+	Other Current and Fixed Assets	2,564,159
	Total Assets	**170,484,881**
-	Current Installments of Long Term Liabilities	**743,315**
-	Other Short Term Liabilities	1,943,210
-	Long-Term Financial Liabilities	83,155,774
-	Deferred Tax Liabilities	17,568,288
	Net Asset Value	**67,074,294**