

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

19 March 2018



Türkiye Sınai Kalkınma Bankası
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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.

Table of Contents

1. Introduction and Scope	4
2. Sector	8
2.1 <i>Tourism Sector in The World</i>	9
2.2 <i>Tourism Sector in Turkey</i>	11
2.3 <i>Tourism Sector in Istanbul</i>	18
2.4 <i>Karaköy - Salıpazarı Vicinity</i>	22
3. The Company	23
3.1 <i>Incorporation and Current Status</i>	24
3.2 <i>Shareholding and Capital Structure</i>	24
3.4 <i>Financial Statements</i>	25
4. Appraisal	28

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.

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 report¹ of TSKB Gayrimenkul Değerleme A.Ş., 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, 2017 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.

¹ 2017REV768, 05.01.2018

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, of which Akfen GYO owns 70% of its shares, 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	196	3,074.58	20,926.10

Source: Akfen Karaköy

The paid-in capital of the Company is TRY 34.4 million as of 31.12.2017. The distribution of this paid-in capital amongst the shareholders is as stated in the table below.

Table 2: Share Distribution as of 31 December 2017

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 ²	1,032	0.003%
Total	34,400,000	100%

² The other shares are owned by Akfen Gayrimenkul Ticaret, Akfen Holding A.Ş. and Bilal Keskin.

Appraisal Result

The Net Asset Value of the Company, based on the balance sheet dated 31 December 2017, has been valued as EUR 7,933,135 (TRY 36,093,300).

Table 3: Net Asset Value of Akfen Karaköy

(in thousands of Euro)	2017
Cash and Cash Equivalents	5
Other Current Assets	697
Investment Properties	43,542
Other Non-Current Assets	4,358
Total Assets	48,602
Current Portion of Long Term Financial Liabilities	1,581
Trade Payables	6
Due to Related Parties	20,767
Other Current Liabilities	667
Total Current Liabilities	23,022
Other Financial Liabilities	13,146
Other Non-Current Liabilities	4,440
Total Non-Current Liabilities	17,586
Total Liabilities	40,609
Net Asset Value	7,993

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 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 Report³, tourism sector, constitutes 3.1% of global GDP when its direct effects are 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.

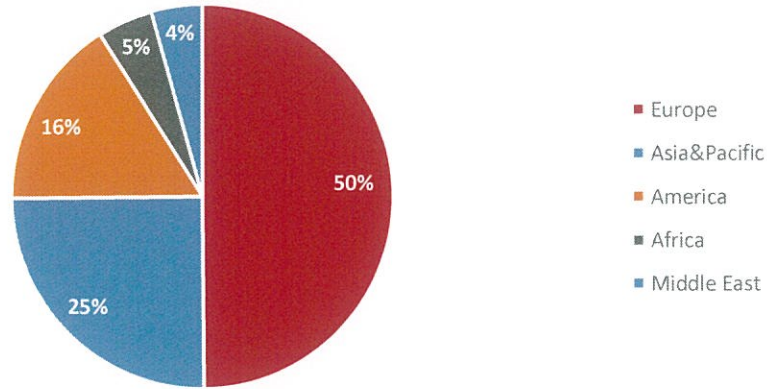
According to the expectations of WTCC, travel and tourism industry is projected to grow at an annual average rate of 4%, reaching to USD 3.5 trillion, which is 3.5% of the global GDP, in 10 years. When the indirect effects are considered, the industry is expected to grow at annual average rate of 2.2%, reaching to USD 11.5 trillion, which is 11.4% of the global GDP, in ten years. 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 Report⁴, 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 *Economic Impact 2017, World Travel&Tourism Council*

⁴ *Tourism Highlights 2017 Edition, UNWTO*

Graph 1: Breakdown of Shares (%) by Regions in 2016



Source: World Travel & Tourism Council Report

Tourism Sector in Turkey

In terms of tourist arrivals, Turkey has maintained its 6th place since 2016 (14th in 2000). Although in 2016 Turkey lost place and placed in 10th. Tourism revenues also increased as the increase in the number of tourist arrivals from 2000 to 2015. In terms of tourism revenues, Turkey ranked 20th as of 2016 (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.

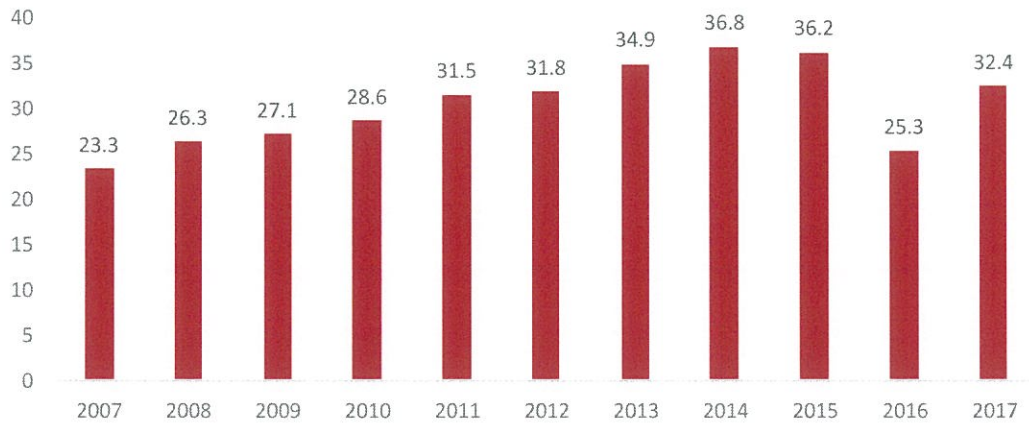
Graph 2: World Tourism and Turkey



Source: Worldbank

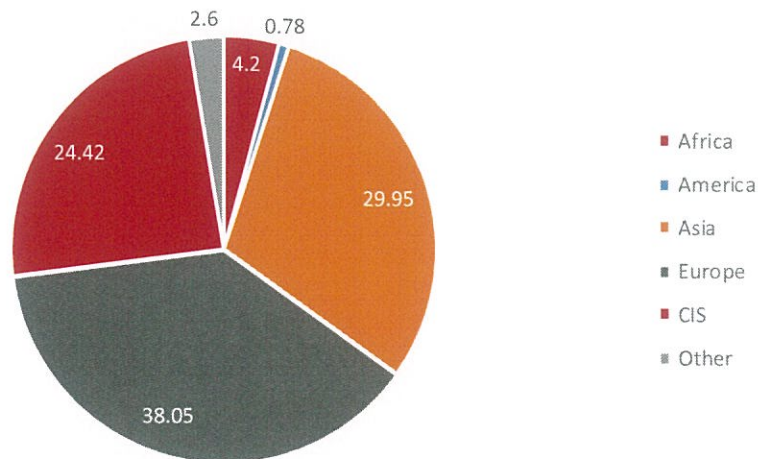
The number of foreign visitors decreased by 1.6% in 2015 to 36 million whereas it was 37 million in 2014. In 2016, the number of visitors decreased by 30% to 25.5 million. In 2017 there was an increase of 28% to 32.4 million. It is a relative recovery in comparison to 2016.

Graph 3: Number of Foreign Visitors (million people)



Source: Ministry of Culture and Tourism

Graph 4: Number of Tourist Arrivals by Continent



Source: Ministry of Culture and Tourism

In 2017, 14.6% of tourists visiting Turkey were from Russia, 11.1% from Germany, 7.7% from The share of European visitors in total visitors were around 40.5%.

Table 4: Top 10 Markets (2016 and 2017)

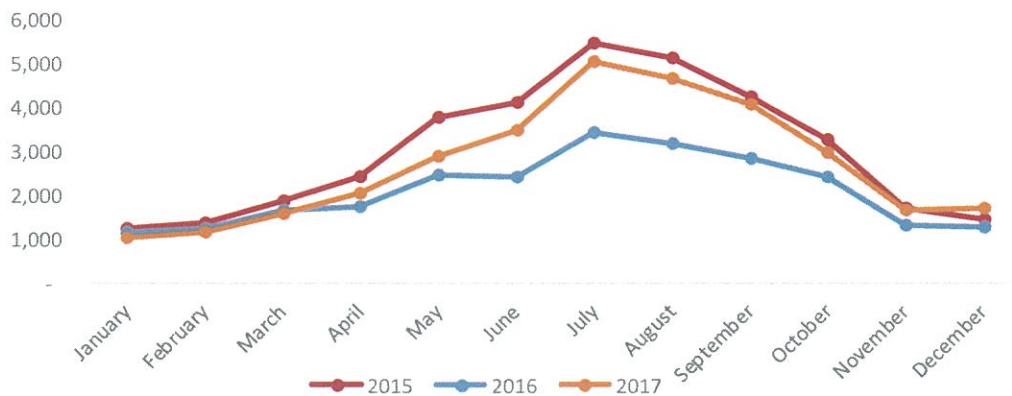
2016 Bin Kişi		2017 Bin Kişi	
Germany	3,890	Russia	4,715
Georgia	2,206	Germany	3,585
United Kingdom	1,711	Iran	2,502
Bulgaria	1,691	Georgia	2,439
Iran	1,665	Bulgaria	1,853
Ukraine	1,045	United Kingdom	1,659
Holland	906	Ukraine	1285
Russia	866	Iraq	897
Azerbaijan	606	Holland	799
Greece	593	Azerbaijan	766
Total	25,331	Total	20,500
1st 10 Markets / Total Visitors	60%	1st 10 Markets / Total Visitors	63%

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 economical and political instability of Turkey.

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. Although the performance of 2015 could not be reached in 2017, it can be said that the effects of 2016 crisis are eliminated. Chart ,below, summarizes the monthly distribution of number of foreign visitors in recent years.

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

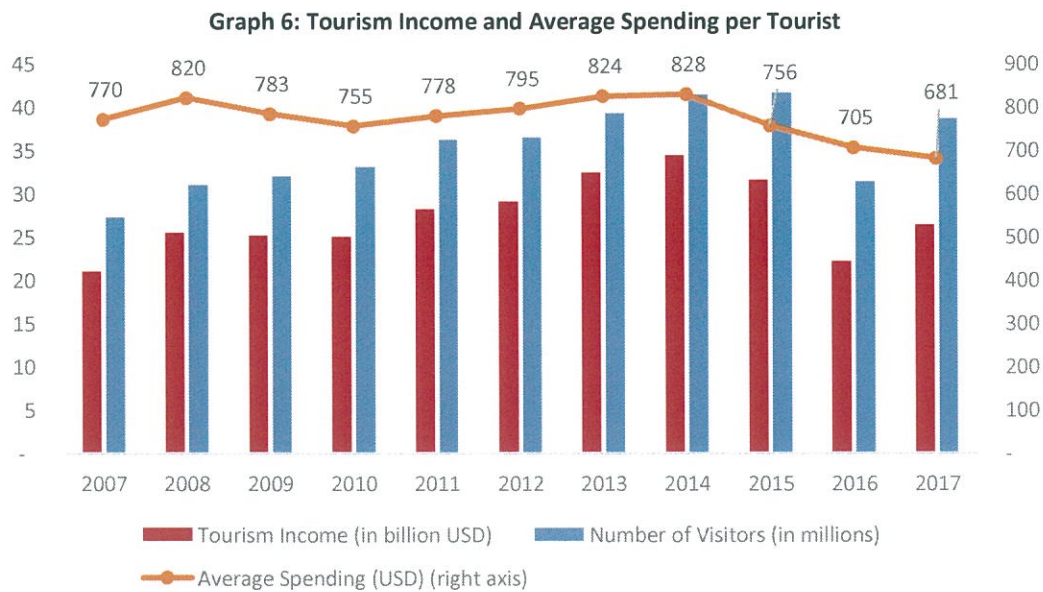


Source: Ministry of Culture and Tourism

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 2017, 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 USD 22.1 billion compared to the previous year. The average spending per tourist also decreased by 6.7%. In 2017, by the increasing of the number of visitors, tourism revenues are also increased by 19% and reached to USD 26.2 billion. But still the average spending per tourist are close to 2016.

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



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 Investment Certified Facilities grew at an average annual rate of 3.9%, the bedspace of these facilities grew at an average annual rate of 2.1%. On the other hand, the number of Operational Certified Facilities grew at an average annual rate of 3.8% while their bedspace grew at an average annual rate of 5.4%.

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

Years	Investment Certificated Facilities		Tourism Certificated Facilities	
	# of Facilities	Bedspace	# of Facilities	Bedspace
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
2016	1,135	312,912	3,641	899,881

Source: Ministry of Culture and Tourism

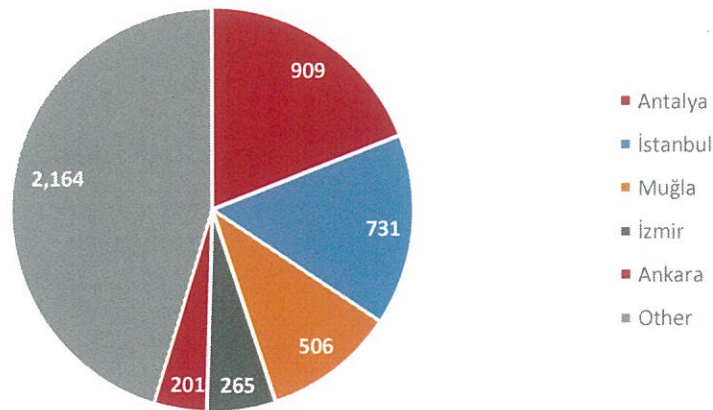
Considering the regional distribution of the accommodation facilities with investment and operation certificates, it is observed that the distribution is concentrated in Istanbul, Mediterranean, Aegean regions. Considering the distribution of these facilities on city basis, 4,434 facilities in Antalya, 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 2016, the share of 4-and 5-star facilities in facilities with operating licenses increased from 28% to 36%. In the same period, the share of the 4 and 5 star facilities bed capacity increased from 58% to 68%.

As of 31 December 2016, 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 2016

Source: Ministry of Culture and Tourism

Graph 8: Distribution of Touristic Facilities on City Basis as of 31 December 2016

Source: Ministry of Culture and Tourism

The occupancy rates of the existing touristic facilities in Turkey from 2007 to 2016 are given in the table below. In 2016, the occupancy rate of the facilities throughout Turkey was 41.51%. This indicates a decrease by 19% in comparison to 2015.

Table 6: Occupancy Rates of the Existing Touristic Facilities 2007-2016

Occupancy Rate (%)			
Years	Citizen	Foreigner	Total
2007	14.43	36.68	51.12
2008	13.8	37.71	51.51
2009	13.52	35.38	48.9
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	52.6
2014	12.94	38.9	51.84
2015	14.33	36.85	51.18
2016	17.24	24.26	41.51

Source: Ministry of Culture and Tourism

- *Sector Expectations:*

Global Developments

- According to the World Tourism Barometer Report, published by UNWTO in January 2017, the growth rate of the first 6 months of 2016 is realized as 6%, where the expectations were 3-4%. This rate was the highest in comparison to the same period of last 7 years. The 12% growth rate seen in Mediterranean zone is an important news for the recovery of the sector of the countries like Turkey and Egypt, which suffer from security concerns. The travel demand is expected to be close to 2017 or slightly better than 2017 in 2018 due to the effects of these positive news.

Demand of Foreign Visitors

- The number of foreign visitors are increased by 28% to 32.4 million people in 2017, which is the year of recovery after the 2016 crisis.
- There was a relative recovery in 2017, foreign visitor numbers are increased by 28% to approximately 32.4 million people. This increase is due to cancellation of some sanctions, so that the charter flights began again and the demand from Russian market increased. However the recovery is seen to be a reflection of the price cuts and mainly directed to coastal tourism. Moreover the current low prices attracted last minute reservations due to the lack of capacity of other Mediterranean destinations.
- Within the last years the high-income foreign visitor's demand shrank because of increasing security concerns. This situation includes important signals for the future.

- In 2018 even if there are not any extraordinary news, the pressure from the European market's demand will continue with the effect of 2016 crisis. These effects will be present in 2018, but if the security concerns will be passed over, the number of European visitors may increase assuming in the short run the price levels won't reach the highest levels.

Sector Growth

- Given the price and security concern assumptions, the total number of foreign visitors are expected to increase by 1.5-2 million.
- From the revenue perspective however, total tourism revenues are expected to increase by only 6-7% assuming that the average spending per tourist will not reach the levels of 2015.
- If the negative developments and security concerns pass over, the demand will recover in the medium term. However it is thought that, Turkey can reach its potential, in terms of both visitor numbers and tourism income, by the year 2022 or after.

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. In 2017 the number of visitors increased by 17.8% and reached the level of 2013. 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 2017

Foreign Visitors (in thousands)	2010	2011	2012	2013	2014	2015	2016	2017
Istanbul	6,961	8,058	9,382	10,475	11,843	12,415	9,203	10,841
Turkey	28,632	31,456	31,782	33,827	35,271	36,215	25,331	32,410
Change (%)								
Istanbul		15.76	16.43	11.65	13.06	4.83	(25.87)	17.80
Turkey		9.86	1.04	6.43	4.27	2.68	(30.05)	27.95

Source: Istanbul Provincial Directorate of Culture and Tourism

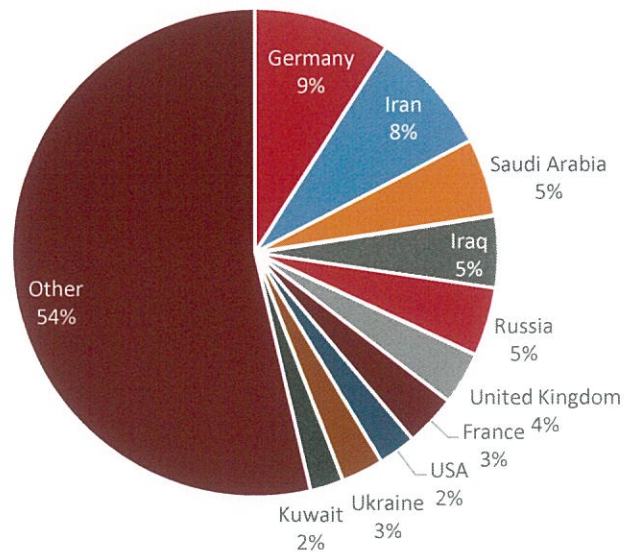
It is observed that the 5% growth in arrivals 2015 mainly caused by the Arab countries and Iran while European figures shrinking. German tourists form 11% of the number of foreign visitors in Istanbul in the first place in 2015; followed by Iran, USA, UK, Iraq and Russia, respectively.

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.

However there is a 2% decrease in the number of German tourists, the group most visited İstanbul was Germans. The eye-catcher groups with the highest increases of visitors of Istanbul are Iran, Iraq, Russia and Kuwait with the growth rates of, 39%, 84.8%, 66% and 41.6% respectively.

The distribution of foreign tourist arrivals to Istanbul per nationality in 2017 is shown in the graphic below.

Graph 9: Distribution of Foreign Tourist Arrivals per Nationality in 2017



Source: Istanbul Provincial Directorate of Culture and Tourism

According to the "Mastercard Global Destination Cities Index 2017" 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 Bangkok 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 placed 10th on the visitor rankings (8th place in 2016), tourism revenues have declined and reached USD 5.8 billion in 2016. According to the report, Istanbul ranks 18th in tourism revenues.

Istanbul hosts 719 touristic facilities including 547 hotels, 135 special facilities and 37 boutique hotels. There are 71,786 rooms and 146,654 bedspace in Istanbul.

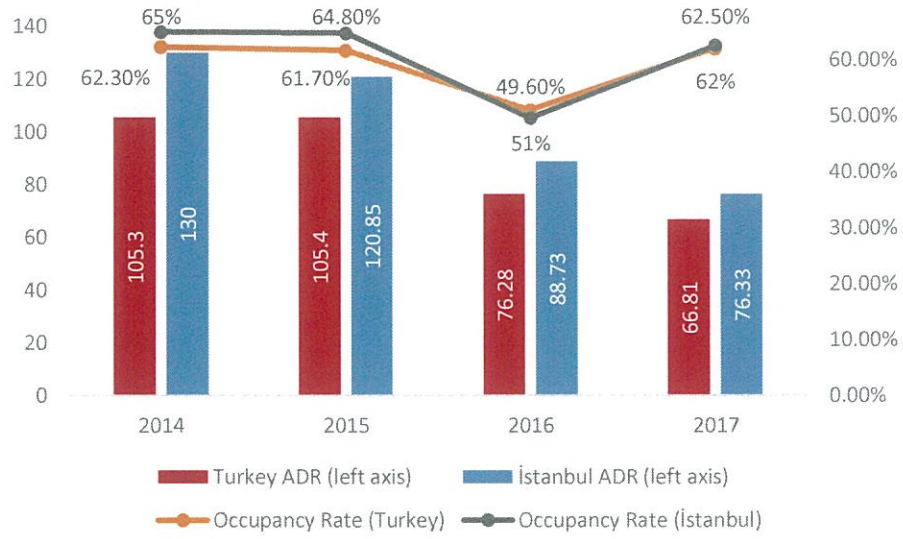
Table 8: The number of certified facilities, rooms and bed capacity as of 2016

		Investment Certificated Facilities			Tourism Certificated Facilities		
Type	Qualities	Facility	# of Rooms	Bedspace	Facility	# of Rooms	Bedspace
Hotels	5-Stars	42	10,425	22,428	91	22,424	45,486
	4-Stars	58	7,337	14,864	120	13,746	27,568
	3-Stars	53	2,639	5,217	119	6,966	13,668
	2-Stars	7	137	264	43	1,577	3,061
	1-Stars	5	87	204	9	242	450
	Total	165	20,625	42,977	382	44,955	90,233
Thermal Hotels	4-Stars	1	80	160	-	-	-
	Total	1	80	160	-	-	-
Pensions		-	-	-	3	27	54
Campings		-	-	-	1	116	350
Apart Hotels		-	-	-	3	94	226
Special Facility		14	478	962	121	4,322	8,662
Tourism Complex		-	-	-	1	840	1,764
Boutique Hotels		20	649	1,300	17	757	1,520
B-Type Holiday Site		-	-	-	2	249	860
Hostel		-	-	-	1	123	166
Total		200	21,832	45,399	531	51,483	103,835

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 increased by 97% in the first 7 months of 2017 compared to the same period of 2016. In addition, the average room prices are increased by 87% surging to EUR 60.29. The low base effect played an important role by these huge increases.

Graph 10: Occupancy Rates and Average Daily Room Rates of the Hotels in Istanbul Between 2014-2017



Source: STR Global

Karaköy - Salıpazarı Vicinity

Salıpazarı Port Project attracts Karaköy 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 Karaköy 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 31.12.2017. 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 Statements

Akfen Karaköy's balance sheet that has not been prepared by an independent audit firm, dated for 2014, 2015, 2016 and 2017 year-ends is as indicated below.

Table 10: Akfen Karaköy Balance Sheet

(in thousands of Euro)	2014	2015	2016	2017
Current Assets	168	152	1,428	702
Cash and Cash Equivalents	10	13	42	5
Trade Receivables (Net)	-	-	268	339
Inventory	-	-	288	-
Other Current Assets	158	139	830	358
Non-Current Assets	58,425	63,095	43,314	47,899
Investment Properties	51,890	56,709	38,531	43,542
Other Non-Current Assets	6,535	6,387	4,783	4,358
Total Assets	58,592	63,247	44,742	48,602
Current Liabilities	1,215	15,322	1,280	23,022
Current Portion of Long Term Financial Liabilities	228	1,740	1,175	1,581
Trade Payables	771	43	105	6
Due to Related Parties	142	13,474	-	20,767
Other Current Liabilities	74	65	-	668
Non-Current Liabilities	24,479	18,870	32,828	17,587
Other Financial Liabilities	16,750	13,408	13,831	13,146
Due to Related Parties	-	-	17,757	-
Other Non-Current Liabilities	7,729	5,462	1,240	4,440
Shareholders Equity	32,899	29,055	10,635	7,993
Paid-in Capital	6,098	10,826	9,272	7,618
Retained Earnings	26,801	18,229	1,362	375
Total Liabilities and Shareholders Equity	58,592	63,247	44,742	48,602

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 11: 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 12: 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

“Investment Properties”, being one of the major items in the assets account of the Company, comprises of hotel investment as part of the aforementioned Agreement.

The EUR 15 million credit used from Credit Europe Bank, which has a maturity of 2025 is currently approximately EUR 14.7 million after some payments as of 2017 year-end. The credit was used in financing of “Karaköy Novotel” project.

The “Due to Related Parties” account comprised of the borrowings from “Akfen GT” to finance the investments.

Table 13: Akfen Karaköy Statement of Income

(in thousands of Euro)	2014	2015	2016	2017
Sales	-	-	270	1,123
Other Sales	-	-	287	-
Total Sales	-	-	558	1,123
Net Sales	-	-	558	1,123
Cost of Sales	(641)	(784)	(948)	(584)
General Administration Expenses	(111)	(144)	(139)	(103)
Operating Profit	(752)	(928)	(530)	437
EBITDA	(752)	(928)	(530)	437
Financial Expenses (Net)	1,881	(4,564)	(5,482)	(8,371)
<i>Interest Expense</i>	(350)	(7,337)	(640)	(8,371)
<i>Kambiyo Zararları</i>	-	-	(4,882)	-
<i>Interest Income</i>	-	-	3	-
<i>Exchange Gain/Loss</i>	2,231	2,772	37	-
Other Income	-	1,473	3,932	7,900
Other Expenses	(1,702)	(1,838)	(13,641)	(717)
Term Profit	(573)	(5,857)	(15,721)	(752)
Net Profit	(573)	(5,857)	(15,721)	(752)

Akfen Karaköy, which started to generate rent income in 1Q-2016, has recorded net period loss as of fiscal year 2016 and 2017.

The EUR 7.9 million “Other Income” account shows the appraisal surplus of the investment properties.

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 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” has been revised by the Company according to the market value stated on the appraisal report dated 05.01.2018 of TSKB Gayrimenkul 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 Result

The Net Asset Value of the Company, based on the balance sheet dated 31 December 2017, has been valued as EUR 7,933,135 (TRY 36,093,300).

Table 14: Net Asset Value of Akfen Karaköy

(in thousands of Euro)	2017
Cash and Cash Equivalents	5
Other Current Assets	697
Investment Properties	43,542
Other Non-Current Assets	4,358
Total Assets	48,602
Current Portion of Long Term Financial Liabilities	1,581
Trade Payables	6
Due to Related Parties	20,767
Other Current Liabilities	667
Total Current Liabilities	23,022
Other Financial Liabilities	13,146
Other Non-Current Liabilities	4,440
Total Non-Current Liabilities	17,586
Total Liabilities	40,609
Net Asset Value	7,993

Table 15: Net Asset Value of Akfen Karaköy

(in thousands of TRY)	2017
Cash and Cash Equivalents	24
Other Current Assets	3,147
Investment Properties	196,612
Other Non-Current Assets	19,678
Total Assets	219,461
Current Portion of Long Term Financial Liabilities	7,138
Trade Payables	29
Due to Related Parties	93,775
Other Current Liabilities	3,013
Total Current Liabilities	103,955
Other Financial Liabilities	59,363
Other Non-Current Liabilities	20,050
Total Non-Current Liabilities	79,413
Total Liabilities	183,368
Net Asset Value	36,093