

AKFEN GAYRİMENKUL TİCARET VE İNŞAAT A.Ş.

Company Appraisal Report

15 February 2019

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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. Although TSKB has made the utmost effort to eliminate any errors and omissions of the Report, TSKB hereby explicitly waives and excludes any kind of responsibility or obligation arising out of or due to any results obtained from the evaluation of the information provided from Akfen GYO, Akfen Karaköy and other sources and any of the written and / or verbal information in the 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.

This study was completed in accordance with the assumptions provided in the scope of information and documentation obtained from the Company, without taking detailed legal and financial examination, accounting audit and / or management presentations based on the financial statements of Akfen GT for the purpose of determining the value of the Firm.

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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 2018. 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 Equity Value method.

The value calculated by using the Equity 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.

¹ Shareholding structure is detailed under section 3.1.2.

The hotel and office projects, the number of rooms and the realized opening dates for these projects in 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 | 5.061 | 6.322 |
| Moskova IBIS* | 317 | 09/2013 | 04/2015 | 2.010 | 12.143 |
| Samara Office | - | 07/2009 | 01/2012 | 1.048 | 5.933 |

**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 from Vartex Capital on 15.11.2018 and its real estate in TRNC (hotel and plot) from Adım Gayrimenkul Değerleme A.Ş. on 25.12.2018. The results of the related appraisal study are as indicated below.

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

| Properties | Value (EURO) | Akfen Share (%) | Akfen Share Amount (EURO) |
|------------------|--------------------|-----------------|---------------------------|
| Kaliningrad IBIS | 15.613.000 | 97,72% | 15.257.024 |
| Samara IBIS | 12.973.000 | 97,72% | 12.677.216 |
| Samara Office | 6.109.000 | 95,15% | 5.812.714 |
| Yaroslavl IBIS | 11.233.000 | 97,72% | 10.976.888 |
| Moskova IBIS | 37.513.000 | 100% | 37.513.000 |
| Merit Park Otel | 31.440.000 | 100% | 31.440.000 |
| Karaköy Otel | 47.310.000 | 71,57% | 33.859.767 |
| Total | 162.191.000 | | 147.536.607 |

(Source: Akfen GT)

Apraisal Results

The Equity Value of the Company based on the balance sheet dated 31 December, 2018 has been valued as EUR 95,231,000 (TRY 574,050,000).

Table 3: Equity Value of Akfen GT

| (000 Euro) | 2018 |
|--|----------------|
| Cash and Cash Equivalents | 1.089 |
| Accounts Receivable | 1.744 |
| Inventory | 47 |
| Other Current Assets | 751 |
| Total Current Assets | 3.632 |
| Investment Properties | 201.387 |
| Other Property, Plant & Equipment | 3 |
| Goodwill | 6.554 |
| Intangible Assets | 6 |
| Long Term Financial Investments | 13.402 |
| Other Non Current Assets | 9.535 |
| Total Non Current Assets | 230.887 |
| Total Assets | 234.519 |
| Current Portion of Long Term Financial Liabilities | 8.654 |
| Accounts Payable | 12.644 |
| Due to Related Parties | 1.324 |
| Provision For Severence Payments | 24 |
| Other Current Liabilities | 3.024 |
| Total Current Liabilities | 25.370 |
| Financial Liabilities | 89.105 |
| Other Long Term Liabilities | 24.813 |
| Total Long Term Liabilities | 113.918 |
| Total Liabilities | 139.288 |
| Equity Value | 95.231 |

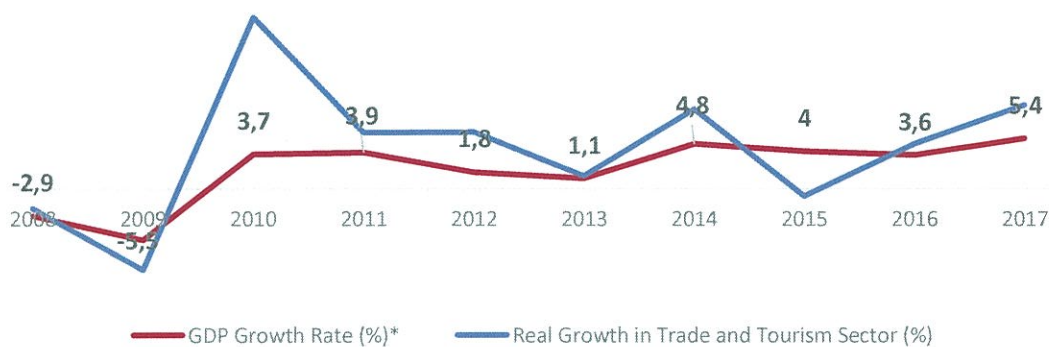
Economy

- *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 trade and tourism sector. When the sector's position in the distribution of GDP is analyzed, the trade and tourism sector, which constitutes 20% of the TRNC's economy since 2012, ranks first.

Graph 1: Real Growth Rates in GDP and Tourism Sector (%)

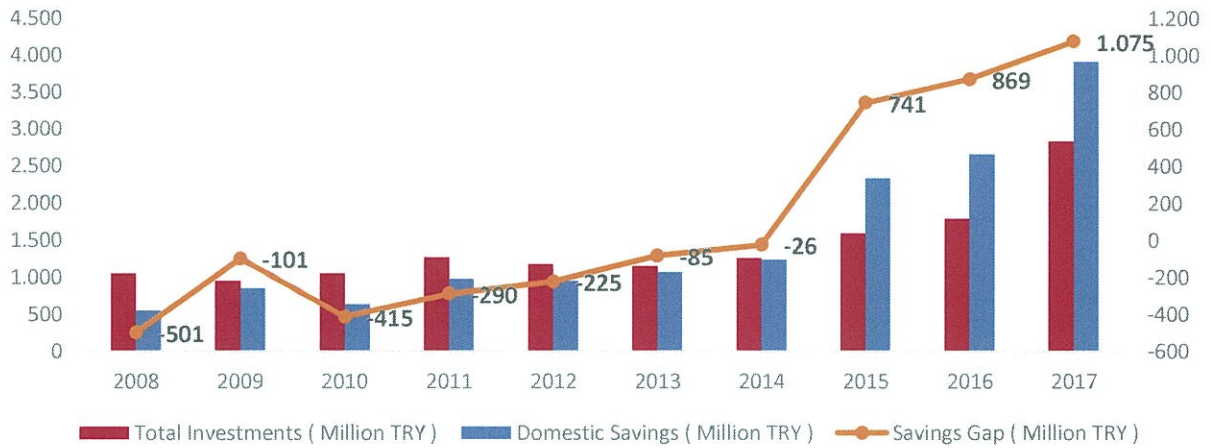


*Rates belong to GDP growth rate

Source: TRNC State Planning Organization

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 TRNC entered in recovery phase, the most important contribution to the growth in this year was the 18.3% growth in trade and tourism, and 10% growth in the agricultural sector. When the breakdown of the trade and tourism sector in 2010 are analyzed, it is observed that wholesale&retail trade sector increased by 21.5% and hotel&restaurant sector grew by 4.2%. Between 2010 and 2017, the economy grew by 3.1% annually on average and the biggest factor in this development was the trade and tourism sector with an average annual growth rate of 4.1%. When the growth rates of wholesale&retail trade and hotel&restaurant sub-sectors were examined, wholesale&retail trade grew more than the hotel&restaurant sector only in 2010 and 2014. The hostel&restaurant sub-sector, which grew by 22.4% in 2017, made the biggest contribution to the growth of the TRNC economy in 2017.

Graph 2: TRNC Total Investments and Domestic Savings



*Calculated by using current prices

Source: TRNC State Planning Organization

When total investments and domestic savings are analyzed, it can be seen that the country has a savings gap in 2008-2014 period and it needs foreign financing. As of 2015, TRNC had no savings gap for its investments and started to create savings surplus.

Graph 3: The Share of Wholesale&Retail Trade and Hotel&Restaurant Subsectors in GDP and Growth Rates



Source: TRNC State Planning Organization

Between 2008 and 2017 in TRNC, while the share of the wholesale and retail trade sub-sector in GDP is higher than that of the hotel and restaurant sub-sector; the hotel&restaurant sub-sector grew by 9.8% on an annual basis, the wholesale&retail trade sub-sector grew by an average of 3% annually.

Russian Economy

Russia's², the second largest natural gas producer and the third largest petrol producer in the world, GDP is affected from the volatility of the oil prices and political risks. According to Russian Finance Ministry, oil and gas revenues account for 39.5% of Russia's federal budget in 2017.³

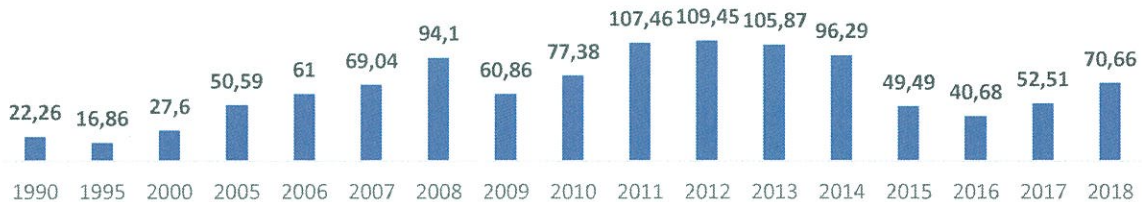
Graph 4: GDP Growth of Russian Federation between 1990 and 2017



Source: World Bank

The Russian economy, which was affected by the global financial crisis in 2008-2009, contracted by 7.8% in 2009. Oil prices, which had the highest level in 2012, have entered a downward trend until 2016. In this period, although the Russian economy showed positive growth from 2011 to 2014, the growth rate decreased and in 2015 it contracted. As oil prices started to increase in 2016, Russian economy started to recover in 2017 and achieved a real growth rate of 1.5%. According to the estimates of the World Bank, the Russian economy is expected to grow at 1.5-1.8% by 2020.

Graph 5: Average Annual OPEC Oil Prices



Source: Statista

The Russian economy with double-digit inflation in 2008-2009 experienced the single-digit inflation rate in 2010-2015 period. Although the inflation rate increased to 15.5% in 2015, it did not stay at that level and a recovery phase followed afterwards. According to World Bank's estimates, it is expected that inflation rate will be lower than 5% by 2022.

² Statistical Yearbook, Enerdata

³ Russian Finance Ministry

Inflation rate in Russia over the 2007-2022 period is presented below:

Graph 6: Inflation Rates in Russia



Source: Statista

Sector

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

Tourism Sector

Tourism Sector in the World

Tourism, a rapidly growing and developing sector in the world, directly and indirectly contributes to the economy of many countries. Due to globalization, curiosity to other cultures and reduced transportation costs, people have begun to travel long distances. The sector also indirectly contributes to the economic growth by means of the customer resources provided to the sectors such as transportation, accommodation and trip organization with the employment it creates and directly to the sectors such as transportation, retail and infrastructure services benefiting from these activities. Moreover, the sector plays an important role in closing the gap in the balance of payments with the foreign exchange revenues it provides to the country during economic slowdown periods. Therefore, it is thought that the tourism sector will continue to maintain its importance in the near future.

According to the World Travel and Tourism Council 2017 data, the tourism sector, which constitutes 10.4% of the global GDP, ranks 4th after retail, financial services and construction sectors in terms of contribution to global GDP. ⁴In addition to its contribution to GDP, it accounts for about 10% of global employment and 30% of global service exports with a volume of US \$ 1.3 trillion.⁵

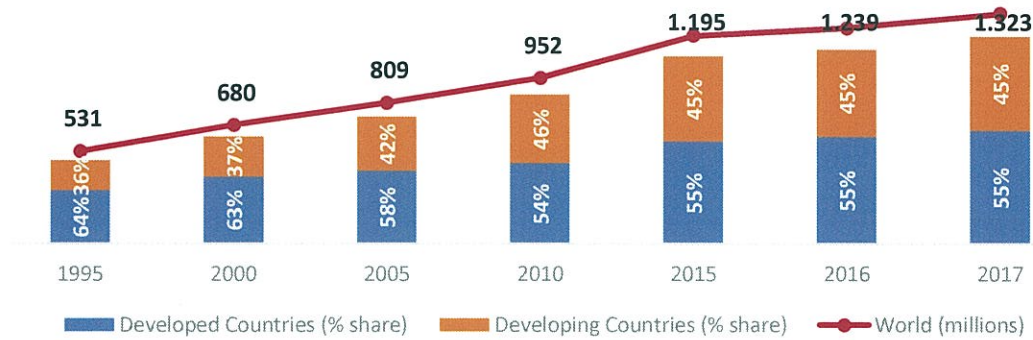
The number of foreign visitors, which was 25 million people in the world in 1950, reached 1.3 billion people in 2017 with an average annual growth rate of 6.1%. ⁶In this significant increase, factors such as decrease in transportation costs, globalization, technological developments and the increase in the per capita income of countries are considered important.

⁴ World Summary, World Travel & Tourism Council, 2017

⁵ Why Tourism Matters, World Tourism Organization

⁶ UNWTO

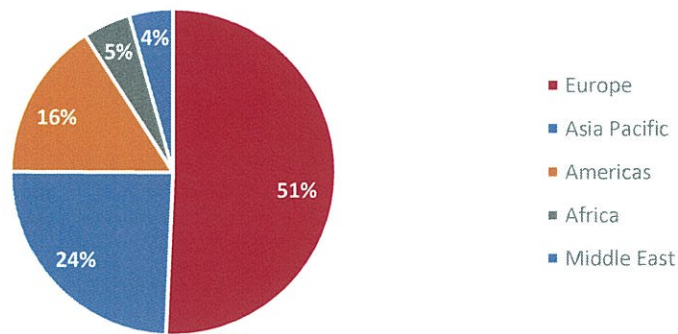
Graph 7: Global Tourism Foreign Visitor Arrivals



Kaynak: UNWTO

Although the share has declined over the years, half of the foreign visitors still travel to the European region. In the last 20-year period, the largest increase was observed in the Asia-Pacific region and the largest decline was in the Americas region.

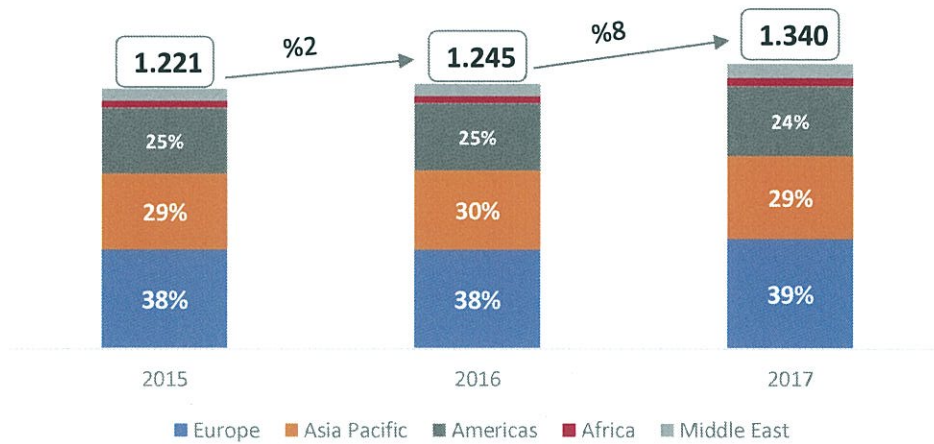
Graph 8: Breakdown of Number of Foreign Visitor Arrivals (in Million People) and Shares (%) by Regions in 2017



Source: Tourism Highlights 2018 Edition, UNWTO

World tourism revenues increased by 4.8% YoY on the real USD basis to USD 1.3 trillion in 2015-2017, in parallel with the increase in the number of foreign visitor arrivals. Developing countries account for 45% of total foreign visitors and 35% of total tourism revenues due to low spending per visitor. Although it hosts half the volume of foreign visitors, it is observed that Europe accounts for only 39% of global tourism revenues and Asia-Pacific region, the fastest growing in terms of volume, accounts for 29% of global tourism revenues.

Graph 9: Breakdown of Global Tourism Revenues by Regions



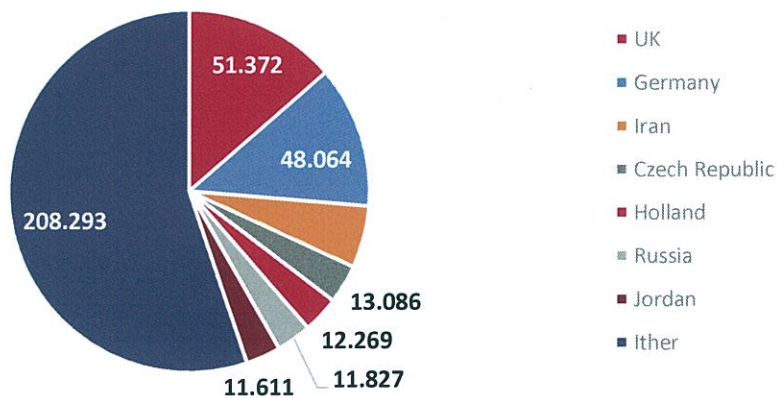
Source: UNWTO

Tourism in TRNC

Cyprus, after Sicily and Sardinia, is the 3rd largest island in the Mediterranean. In TRNC there are 5 cities. These districts are Lefkoşa, Girne, Gazi Mağusa, Güzelyurt and İskele.

One of the most important sectors in the TRNC is the tourism sector, and every year the number of foreign visitor arrivals is increasing. In the January-November 2018 number of foreign visitors arriving in the country increased by 2.2% to 1.6 million people compared to January-November 2017 period and 77% of these visitors came from Turkey. Visitors outside from Turkey mostly comes from UK, Germany and Iran.

Graph 10: Breakdown of Tourists Visiting TRNC by Their Countries in 2017 (except Turkish Citizens)



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

Cyprus has a special place in the world tourism sector in terms of geographical characteristics and touristic values. In Girne, where the current hotels are located, due to Cyprus's location in the Mediterranean, better weather conditions and productive coasts compared to Middle and Northern European countries have a positive effect on tourism. In addition, the presence of casino facilities that support tourism also brings Cyprus to the forefront in international tourism.

Table 4: Number of Foreign Visitor Arrivals in 2017 and 2018

| Aylar | 2017 | 2018 | Change (%) |
|--------------|------------------|------------------|------------|
| January | 105.344 | 119.088 | 13,0 |
| February | 132.850 | 141.300 | 6,4 |
| March | 142.201 | 145.359 | 2,2 |
| April | 146.355 | 155.824 | 6,5 |
| May | 150.440 | 144.424 | (4,0) |
| June | 134.379 | 140.277 | 4,4 |
| July | 150.781 | 155.548 | 3,2 |
| August | 142.700 | 147.147 | 3,1 |
| September | 189.627 | 190.730 | 0,6 |
| October | 164.641 | 156.346 | (5,0) |
| November | 139.878 | 138.046 | (1,3) |
| Total | 1.599.196 | 1.634.089 | 2,2 |

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

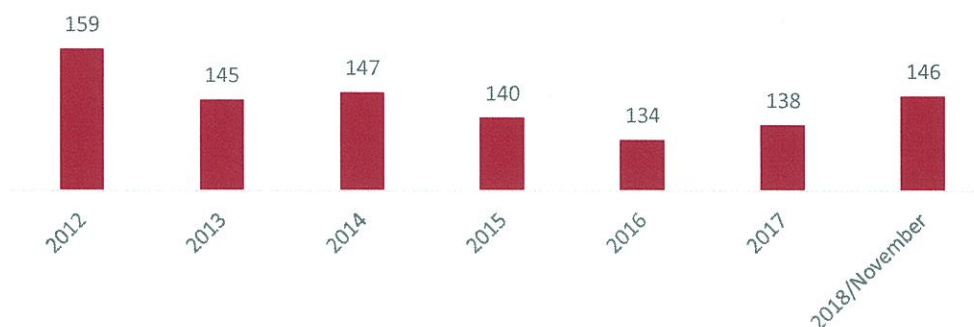
Total number of overnight stays increased by 1.7% in January-November 2018 period compared to the same period of the previous year. Considering these increases in the total number of visitors and overnight stays, there has been a limited growth in the tourism sector in TRNC in 2018.

Table 5: Total Number of Overnight Stays in 2017 and 2018

| Nationality | 2017 | Share (%) | 2018 | Share (%) | Change (%) |
|------------------|------------------|-----------|------------------|-----------|------------|
| Turkey | 1.981.291 | 50 | 2.224.705 | 55 | 12,3 |
| Foreign Visitors | 1.877.572 | 47 | 1.718.161 | 43 | (8,5) |
| TRNC | 114.013 | 3 | 98.248 | 2 | (13,8) |
| Total | 3.972.876 | | 4.041.114 | | 1,7 |

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

According to TRNC Ministry of Culture and Tourism; As of November 2018, 8 new facilities were put into service compared to the end of 2017.

Graph 11: Number of Touristic Facilities in TRNC between 2012 and 2018

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

In terms of bed capacities, there was an increase of 15.9% in November 2018 compared to the same period of the previous year. When the monthly occupancy rates are examined, it is observed that the peak period is July-October. In the July-October period of 2018, average occupancy rates decreased by approximately 15% compared to the same period of the previous year. However, the effect of the increase in bed capacity should be considered on this decline.

Table 6: Total Bed Capacity in 2017 and 2018 January-November Period

| Months | 2017 | 2018 | Change (%) |
|--------------|----------------|----------------|------------|
| January | 21.567 | 21.885 | 1,5 |
| February | 21.567 | 21.885 | 1,5 |
| March | 21.567 | 21.885 | 1,5 |
| April | 21.567 | 23.603 | 9,4 |
| May | 21.583 | 23.687 | 9,7 |
| June | 21.583 | 25.071 | 16,2 |
| July | 21.583 | 25.071 | 16,2 |
| August | 21.671 | 25.143 | 16 |
| September | 21.699 | 25.101 | 15,7 |
| October | 21.699 | 25.139 | 15,9 |
| November | 21.699 | 25.139 | 15,9 |
| Total | 237.785 | 263.609 | 11% |

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

Table 7: Monthly Occupancy Rates in January-November Period (%)

| Months | 2017 | 2018 | Change (%) |
|--------------|-------------|-------------|---------------|
| January | 34,8 | 36,9 | 6,0 |
| February | 37,5 | 37,6 | 0,3 |
| March | 55,9 | 49,6 | (11,3) |
| April | 57,7 | 52,0 | (9,9) |
| May | 61,1 | 51,9 | (15,1) |
| June | 62,6 | 51,3 | (18,1) |
| July | 76,0 | 64,8 | (14,7) |
| August | 79,3 | 69,5 | (12,4) |
| September | 69,5 | 60,3 | (13,2) |
| October | 68,4 | 54,5 | (20,3) |
| November | 55,5 | 45,8 | (17,5) |
| Total | 59,9 | 52,8 | (11,9) |

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%.

As of November 2018, the highest occupancy rate is in the Gazimağusa with a 74.6% rate.

Table 8: Occupancy Rates according to Cities (As of 2018/11)

| City | Occupancy Rate (%) |
|------------|--------------------|
| Gazimağusa | 74,6 |
| Girne | 52 |
| Lefkoşa | 33,1 |
| İskele | 24,4 |
| Güzelyurt | 6,9 |
| Lefke | 2,2 |

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

When the number of facilities is examined as of November 2018, Girne ranks first with a share of 62% in all over the TRNC with its 90 existing hotels. The same superiority is also observed in the number of beds. Gazimağusa, which has the highest occupancy rate, has a share of 9% with its 13 facilities.

Table 9: Number of Hotels according to Cities in 2018/11

| City | Facility Capacity | Share (%) | Bed Capacity | Share (%) |
|--------------|-------------------|------------|---------------|------------|
| Girne | 90 | 62 | 15.975 | 64 |
| İskele | 31 | 21 | 6.466 | 26 |
| Gazimağusa | 13 | 9 | 1.782 | 7 |
| Lefkoşa | 8 | 5 | 826 | 3 |
| Lefke | 3 | 2 | 52 | 0 |
| Güzelyurt | 1 | 1 | 38 | 0 |
| Total | 146 | 100 | 25.139 | 100 |

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

As of November 2018, when the existing hotels in the TRNC are classified according to their properties, while the number of the bungalow houses is ranked first, the 5-star hotels with the highest bed capacity meet the 62% of the accommodation requirement.

Table 10: Number of Hotels According to Their Qualities

| Facility Type | Facility Capacity | Share (%) | Bed Capacity | Share (%) |
|--------------------|-------------------|------------|---------------|------------|
| 5 Star Hotel | 22 | 15 | 15.654 | 62 |
| 3 Star Hotel | 15 | 10 | 2.408 | 10 |
| Touristic Bungalow | 25 | 17 | 1.550 | 6 |
| 4 Star Hotel | 5 | 3 | 1.550 | 6 |
| 2 Star Hotel | 20 | 14 | 1.473 | 6 |
| Boutique Hotel | 6 | 4 | 650 | 3 |
| 1 Star Hotel | 14 | 10 | 505 | 2 |
| Touristic Hostel | 24 | 17 | 317 | 1 |
| Other | 15 | 10 | 1.032 | 4 |
| TOTAL | 146 | 100 | 25.139 | 100 |

The Ministry of Tourism, Environment and Culture of TRNC

Tourism in Russia

According to 2017 data, the tourism sector of Russia, which has an estimated population of 144.5 million, reached USD 76.1 billion in 2017. The sector constitutes 4.8% of the country's GDP and it is estimated that it will reach 5.7% of the country's GDP by reaching USD 102.2 billion in 2028⁷. In 2017, 24.4 million foreign⁸ visitors visited the country and tourism exports amounted to USD 14.4 billion. The World Travel and Tourism Council expects that Russian tourism exports will reach US \$ 22.8 billion by the year 2028 and the number of foreign visitors will reach 57.2 million.

According to the World Travel and Tourism Council 2018 report, an investment of US \$ 6.8 billion was made in the travel and tourism sector in Russia in 2017, and this figure is expected to rise to USD 9.8 billion by 2028.

In 2017, while Russia's tourism sector size increased to 16th place in terms of contribution to the world GDP; Russia's tourism export volume ranked 28th in the world. In the same year, Russia ranked 23rd in the ranking of world-wide tourism investments.

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

Graph 12: Map of the Russian Federation



⁷ World Travel & Tourism Council, Economic Impact 2018 Russian Federation

⁸ UNWTO Tourism Highlights 2018 Edition

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.

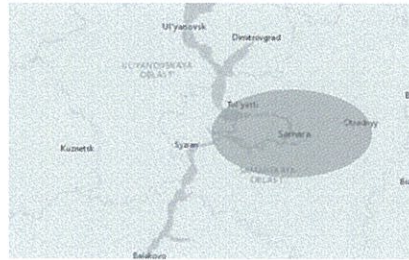
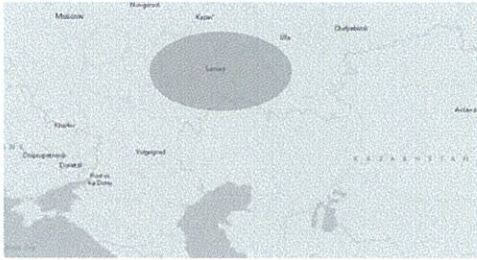


Kaliningrad is also an important transportation center. The city lies 24 kilometers away from Khrabrovo Airport. Kaliningrad has railway links to many cities and connects to Russia, Lithuania, Poland and Berlin by railway. There is also a river port and a sea port located in Kaliningrad.

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.

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 2015.

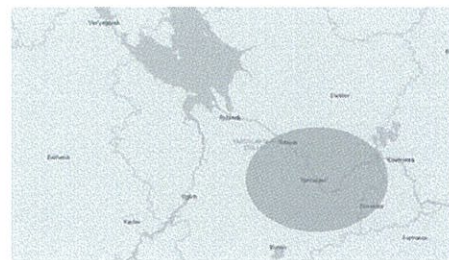


Samara ranks as one of the ten cities in Russia in terms of income and industrial volume. The Samara region accommodates many diverse industries such as automobile, energy, metal processing and petro chemistry, chemicals, construction materials, space ships, engine and cables. Further, the region has 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.

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 603 thousand in 2015.



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.

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 12.4 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.

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.

According to the World Travel and Tourism Council Moscow report, the contribution of travel and tourism to Moscow's GDP was 1.5%, which is below the average of European cities. However, about 25% of Russia's tourism revenues come from Moscow. In the following years, due to low-cost flight strategies in which the country operates on the national airline companies and the fact that Russia still requires a visa before visiting the citizens of all countries except a few countries, it is thought that this 25% contribution of Moscow to Russia's tourism can be reduced.

General Overview of the Future for the Sector

According to the World Travel&Tourism Council's Economic Impact 2018 Report⁹, in 2017, the travel and tourism sector accounted for 10.4% of the global GDP with a US \$ 8.3 trillion volume. The sector is expected to grow by 3.8% annually to US \$ 12.4 trillion in 2028. The sector generated 1.5 billion US dollars in 2017, which is 6.5% of global exports and By 2028, exports are projected to grow by 4.1% annually to reach US \$ 2.3 trillion and by 2028, exports are projected to grow by 4.1% annually to reach US \$ 2.3 trillion.

The number of foreign visitors expected to be 1.4 billion in 2018 is expected to reach 2.1 billion people by 2028. In 2017, it is estimated that amount of investments will increase to USD 1.4 trillion by 2028 in the sector, which is now US \$ 882 billion.

Table 11: Top 10 Countries by Number of Visitors

| Ranking | Country | 2016 | 2017 |
|---------|----------|--------|--------|
| 1 | France | 82.700 | 86.918 |
| 2 | Spain | 75.315 | 81.786 |
| 3 | USA | 75.868 | 75.868 |
| 4 | China | 59.270 | 60.740 |
| 5 | Italy | 52.372 | 58.253 |
| 6 | Mexico | 35.079 | 39.298 |
| 7 | U.K | 35.814 | 37.651 |
| 8 | Turkey | 30.289 | 37.601 |
| 9 | Germany | 35.595 | 37.452 |
| 10 | Thailand | 32.588 | 35.381 |

Source: UNWTO

Table 12: Top 10 Countries by Tourism Income

| Ranking | Country | 2010 | 2016 | 2017 |
|-----------|---------------|---------------|---------------|---------------|
| 1 | USA | 137.010 | 206.902 | 210.747 |
| 2 | Spain | 54.641 | 60.503 | 67.964 |
| 3 | France | 57.059 | 54.531 | 60.681 |
| 4 | Thailand | 20.104 | 48.792 | 57.477 |
| 5 | U.K | 33.978 | 47.906 | 51.211 |
| 6 | Italy | 38.786 | 40.246 | 44.233 |
| 7 | Australia | 32.584 | 37.040 | 41.732 |
| 8 | Germany | 34.679 | 37.455 | 39.823 |
| 9 | Macao | 22.276 | 30.373 | 35.575 |
| 10 | Japan | 13.199 | 30.679 | 34.054 |
| 15 | Turkey | 22.585 | 18.743 | 22.478 |

Source: UNWTO

⁹ World Travel & Tourism Council, Global Economic Impact & Issues 2018

In 2017, total revenues in tourism sector was US \$ 1.331 billion and the highest market share was in Europe with 39%.

According to the World Tourism Organization report, the foreign visitor arrivals around the world is expected to grow by 3.8% annually between 2010 and 2020.



The Company

General Information

Incorporation and Current Status

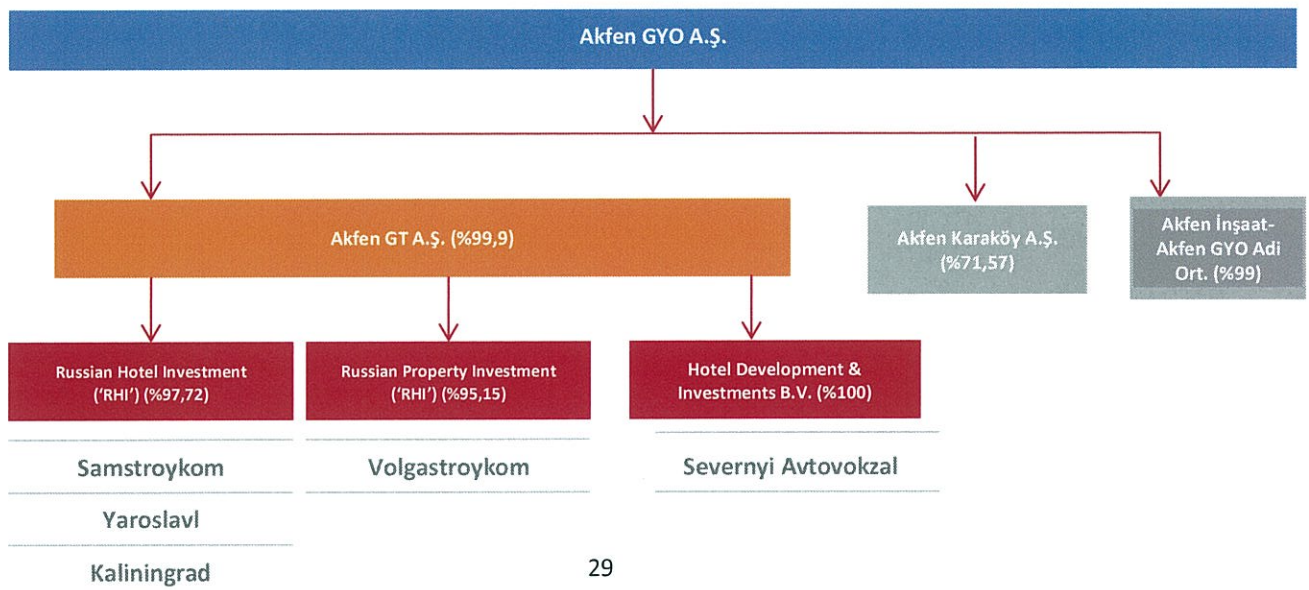
Akfen GT's main activities include carrying out, developing, operating and contracting others to operate real estate investments. The Company, which was founded under the name T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret A.Ş. on 04 August 1999 changed its commercial title to Akfen Gayrimenkul 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 95.15% shareholder.

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

Table 13: Subsidiaries of Akfen GYO as of 31 December 2018



Shareholder Structure

The subscribed capital of the Company has been increased from 100 million TRY to 121 million TRY 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 2018

| 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 Estern 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.

RPI was founded by the joint venture of Akfen Gayrimenkul Geliştirme ve Tic. A.Ş. and Eastern European Property Investment Ltd (“EEPI”) on 3 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.

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 Kıbrıs Limited will pay an annual rent of EUR 4.750.0000 to Akfen GT for the hotel and the casino in 2018-2024 period. Based on the contract, the annual rent is assumed to increase by 1% annually after 2024.

- **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 15: 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 | Tem-09 | Mar-12 | 2.466 | 9.961 |
| Yaroslavl IBIS | 177 | Nis-10 | Eyl-11 | 4.468 | 7.916 |
| Kaliningrad IBIS | 167 | Ağu-11 | Ağu-13 | 5.099 | 6.322 |
| Moskova IBIS | 317 | Eyl-13 | Nis-15 | 2.010 | 12.143 |
| Samara Office | - | Tem-09 | Oca-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 2015, 2016, 2017 and 2018 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 16: Consolidated Balance Sheet of Akfen Gayrimenkul Ticaret ve İnşaat A.Ş.

| (000 Euro) | 2015 | 2016 | 2017 | 2018 |
|---|----------------|----------------|----------------|----------------|
| Current Assets | 32.247 | 22.372 | 24.247 | 3.632 |
| Cash and Cash Equivalents | 15.166 | 16.823 | 1.040 | 1.089 |
| Accounts Receivables (net) | 3.270 | 4.937 | 1.820 | 1744 |
| Inventory | - | - | - | 47 |
| Other Current Assets | 13.811 | 612 | 21.387 | 751 |
| Non Current Assets | 137.995 | 146.796 | 181.640 | 230.887 |
| Investment Properties | 130.561 | 122.463 | 151.656 | 201.387 |
| Other Plant, Property and Equipment (Net) | 4 | 3 | 16 | 3 |
| Goodwill | | | 8.750 | 6.554 |
| Other Non Current Assets | 7.428 | 24.329 | 21.211 | 22.943 |
| TOTAL ASSETS | 170.242 | 169.168 | 205.887 | 234.519 |
| Current Liabilities | 4.724 | 4.185 | 21.602 | 25.370 |
| Current Portion of Long Term Debt | 3.986 | 2.946 | 5.658 | 8.654 |
| Accounts Payable | 79 | 984 | 12.104 | 12.644 |
| Due From Related Parties | 386 | - | 1.324 | 1.024 |
| Other Current Liabilities | 273 | 255 | 2.516 | 3.047 |
| Non Current Liabilities | 71.920 | 73.106 | 97.830 | 113.918 |
| Financial Liabilities | 59.094 | 59.799 | 81.901 | 89.105 |
| Other Long term Liabilities | 12.826 | 13.307 | 15.929 | 24.813 |
| Equity | 93.599 | 91.877 | 86.456 | 95.231 |
| TOTAL LIABILITIES AND EQUITY | 170.242 | 168.168 | 205.887 | 234.519 |

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

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------|--------|--------|--------|--------|
| EURO/TRY (Term end exchange rate) | 3,1776 | 3,7099 | 4,5155 | 6,0280 |

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 18: Central Bank of Turkey Average foreign exchange purchase rates

| | 2015 | 2016 | 2017 | 2018 |
|-------------------------|--------|--------|--------|--------|
| EURO/TRY (Average Rate) | 3,0183 | 3,3398 | 4,1162 | 5,6627 |

Source: Central Bank of Turkey

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 Karaköy, HDI, RHI and RPI and the projects on yearly basis.

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. 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 100 million TRY to 121 million TRY 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 19: Income Statement of Akfen GT

| (000 Euro) | 2015 | 2016 | 2017 | 2018 |
|----------------------------|---------------|----------------|----------------|----------------|
| Net Sales | 9.429 | 8.292 | 8.865 | 12.039 |
| Cost of Sales | (928) | (1.084) | (1.436) | (2.270) |
| Operating Profit | 8.501 | 7.208 | 7.429 | 9.769 |
| EBITDA | 8.967 | 7.630 | 7.770 | 10.018 |
| Financial Expenses (Net) | (7.646) | 5.359 | (8.230) | (22.999) |
| Interest Expense | (13.203) | (4.127) | (12.884) | (6.485) |
| Interest Income | 5.557 | 9.486 | 4.654 | 6.447 |
| Exchange Gain/Loss(Net) | - | - | - | (22.961) |
| Other Income-Expense (Net) | 17.527 | 7.760 | 23.111 | 35.133 |
| Term Profit | 18.382 | 20.328 | 22.310 | 21.902 |
| Tax Expense | - | - | (4.616) | (278) |
| Net Profit | 18.382 | 20.328 | 17.694 | 21.624 |

(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 appraisal surplus of the investment properties which does not generate any cash inflow or outflow.

Appraisal Value

Apraisal Result

The Equity Value of the Company based on the balance sheet dated 31 December, 2018 has been valued as EUR 95.231.000 (TRY 574.050.000).

Table 20: Equity Value of GT

| (000 Euro) | 2018 |
|--|----------------|
| Cash and Cash Equivalents | 1.089 |
| Trade Receivables | 1.744 |
| Inventory | 47 |
| Other Current Assets | 751 |
| Total Current Assets | 3.632 |
| Investment Properties | 201.387 |
| Other Plant,Property and Equipments (net) | 3 |
| Goodwill | 6.554 |
| Other Non Current Intangible Assets(net) | 6 |
| Long Term Financial Assets | 13.402 |
| Other Non Current Assets | 9.535 |
| Total Non Current Assets | 230.887 |
| Total Assets | 234.519 |
| Current Portion of Long Term Financial Liabilities | 8.654 |
| Trade Payables | 12.664 |
| Due to Related Parties | 1.024 |
| Provisions for Severence Payments | 24 |
| Other Current Liabilities | 3.024 |
| Total Current Liabilities | 25.370 |
| Financial Liabilities | 89.105 |
| Other Long Term Liabilities | 24.813 |
| Total Long Term Liabilities | 113.918 |
| Total Liabilities | 139.288 |
| Equity Value | 95.231 |

Table 21: Equity Value of GT

| (000 TRY) | 2018 |
|--|------------------|
| Cash and Cash Equivalents | 6.566 |
| Trade Receivables | 10.514 |
| Inventory | 285 |
| Other Current Assets | 4.527 |
| Total Current Assets | 21.892 |
| Investment Properties | 1.213.961 |
| Other Plant,Property and Equipments (net) | 15 |
| Goodwill | 39.508 |
| Other Non Current Intangible Assets(net) | 39 |
| Long Term Financial Assets | 80.787 |
| Other Non Current Assets | 57.474 |
| Total Non Current Assets | 1.391.786 |
| Total Assets | 1.413.678 |
| Current Portion of Long Term Financial Liabilities | 52.169 |
| Trade Payables | 76.221 |
| Due to Related Parties | 6.170 |
| Provisions for Severance Payments | 144 |
| Other Current Liabilities | 18.226 |
| Total Current Liabilities | 152.930 |
| Financial Liabilities | 537.125 |
| Other Long Term Liabilities | 149.572 |
| Total Long Term Liabilities | 686.697 |
| Total Liabilities | 839.627 |
| Equity Value | 574.051 |

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