

Capability Statement

Energy, Utilities & Mining
Industries in Turkey



Introduction

The Turkish energy, utilities and mining landscape is changing dramatically. Market liberalisation is moving forward apace. Turkey has successfully privatised its regional power distribution networks. The privatisation of state generation assets is expected to start soon. The former state refining company (Tüpraş) has already been privatised and the retail fuel sector is being deregulated. Intense consolidation activity is taking place in the already highly competitive downstream environment to compensate for the erosion of margins.



Faruk Sabuncu
PwC Turkey Energy,
Utilities & Mining Leader

Energy demand has grown strongly in Turkey in recent years. This is putting great pressure on the country's existing infrastructure and making significant investments in new generating capacity necessary. There is little domestic oil or gas production relative to consumption needs and so the country relies heavily on imports. Reducing this dependence is one of the major objectives of the government, reflected in the plans to build Turkey's first nuclear power plant and to expand renewable energy supplies.

Securing supply is also a major global concern. The country plays an increasingly important role in the transit of oil and gas supplies to Europe from Russia, the Caspian region and the Middle East. Turkey's policy aims also to make the country a reliable connection route and hub in the region. On the regulatory side, the newly introduced Turkish Commercial Code means a convergence with International Financial Reporting Standards (IFRS) with far-reaching consequences for energy companies.

PwC works with companies and industry stakeholders all over Turkey to assist with the decisions, planning and implementation of these and other changes. We have been involved in many of the major developments that are shaping the Turkish energy, utilities and mining industries, including landmark deals, privatisations, company restructuring, assuring the first sustainability report in Turkey and examining future options for harnessing renewable energy.

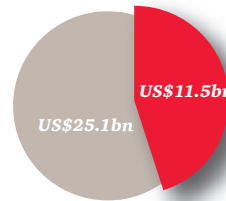
This statement of our capabilities is intended to give you insight into our experience and the ways we can work together to get you further ahead. Always, our goal is to understand your needs and add value from our knowledge and expertise.

Our response to your challenges

Today's energy, utilities and mining companies in Turkey have to manage tomorrow's market uncertainties. Where are demand and supply trends taking us? What will be the impact of changing regulatory requirements? Will technological breakthroughs change the fuel mix metrics? How will rising energy costs affect companies and their performance? Sustainable value creation is taking many different routes as companies evolve their strategies to meet changing market demands. PwC can help your company or organisation in many different ways.

On the following pages we summarise how our services can help specifically with the following key challenges of the Turkish energy market:

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PwC Turkey advised companies during the privatisation process on evaluation, financial and tax due diligence, PPA

The deals we were involved in are worth US\$11.5bn

Source: PwC

Making the most out of the liberalised Turkish electricity market

Liberalisation is creating a sea change in culture, operations and investment mindset in the utilities sector. The process kicked off at the beginning of the last decade and, since then, the resulting privatisations have put the Turkish utilities deal environment on international investors' agendas. Turkey successfully privatised its regional power distribution networks. This round of privatisations raised more than US\$15.8 billion and was completed in less than three years. This success is likely to spur the government to begin the privatisation of generation assets, where private investment in existing and new capacity is needed as Turkey's demand growth is threatening to outstrip supply.

The pattern of ownership in the sector is changing. Liberalisation offers excellent opportunities for new market entrants. Non-energy companies and financial investment institutions are entering the Turkish energy space to reinforce their infrastructure presence and profit from the rapidly growing market. But as the Turkish electricity market becomes more dynamic, routes to growth become more complex with added risk and uncertainty, especially for the new market players. Companies need to draw on the very best market modelling, trading, customer relations and marketing practice to make the most of their organic growth potential.

How PwC can help you:

We help you do better deals and create value through mergers, acquisitions, disposals and restructuring. We work together with you to develop the right strategy before the deal, execute deals seamlessly, identify issues and points of negotiation and value, and implement changes to deliver synergies and improvements after the deal.

- **Tax merger and acquisition services:** Many merger synergies require the exploration of tax-related opportunities and protection against tax-related risks. We can help you:
 - address key issues and identify opportunities during due diligence
 - create a flexible global structure
 - identify statutory deadlines and current period filing requirements
 - re-evaluate the global tax strategy implications of the deal
 - achieve an optimal long-term global effective tax rate
 - reduce costs and contribute to overall synergy goals
 - evaluate and optimise tax department structure, resources, processes and systems.
- **Identifying deal value:** Maximising the value that can be captured from deals is crucial. PwC can find the targets, analyse the strengths and weaknesses, perform financial and operational due diligence, identify synergies and potential improvement opportunities, negotiate terms, access capital markets and other sources of finance, manage the post-deal integration process, carve out non-core assets, and make changes to realise improvements in long-term performance.
- **Getting the right deal structure:** We help clients to identify the principal concerns that will determine the right structure for a transaction. PwC can assist with marshalling the complex range of factors, including tax, legal, accounting and regulatory issues, that will need to be considered together. We create a feasibility plan to assess the chosen structure and, once this is confirmed as the right choice, we will provide continuous support throughout implementation.
- **Getting the right structure for JVs and strategic alliances:** Joint ventures (JVs) and strategic alliances are likely to become increasingly important as utilities take up the challenge of delivering initiatives such as major nuclear and renewable energy programmes. PwC can help with a detailed examination of risks and how the structure can reflect the fact that different parties will be contributing different components to a JV. For example, a company providing technology to the venture is in a very different situation from one signing an off-take arrangement and taking mark-to-market risks. Shareholders may have different appetites for, and capability to, manage exposures. With our help, your JV can get off on a strong platform.

A close-up portrait of Energy Minister Taner Yildiz, a woman with dark, wavy hair, wearing a black top and a colorful patterned scarf. She is smiling slightly and looking towards the camera. The background is a blurred outdoor setting with greenery and a building.

“The share of the private sector in the energy field has increased to 52% from 34% over the last eight years”

Energy Minister Taner Yildiz,
30th general meeting of Turkey’s
International Investors Association
(YASED) on 24 February 2011

Working together: electricity distribution privatisation

We advised the joint venture (JV) between one of the biggest industry and financial groups in Turkey and a European energy company on the auction process for Turkey’s electricity distribution sector privatisation.

Deliverables

PwC was the financial advisor to the JV, conducted the financial and tax due diligence, and assisted around the purchase price allocation. The JV won the operating rights of one of Turkey’s largest distribution companies, supplying power to around three million customers and accounting for approximately 9% of Turkey’s total electricity demand.

Complying with regulatory and reporting requirements

Turkish energy company activities are affected not just by industry, financial reporting, tax audits and competition regulation but also, increasingly, by financial and commodity market regulation. The compliance landscape is ever-changing and the volatility and complexity of energy markets themselves can sometimes be the focus for regulatory attention. The market structure is constantly evolving. On the financial reporting front, the newly introduced Turkish Commercial Code means a convergence with International Financial Reporting Standards (IFRS) with far-reaching implications for companies.

The New Turkish Commercial Code will radically change commercial life in Turkey. It introduces significant regulations for all capital stock companies regarding good quality management and internal and independent audit. Corporate governance is the dominant concept. It will assure the financial market with confidence and enhance sustainable development of the Turkish enterprises.

The Energy Market Regulatory Authority (EMRA) is keeping a close eye on sector activity. Companies need to pay attention to the structure of merger and acquisition deals and will need to ensure that their ownership and legal structures are sustainable in a changing regulatory context. Perhaps more than in any other industry, how Turkish energy, utility and mining companies shape and respond to the regulatory environment determines the value they can return to shareholders or other stakeholders. Companies have a role to play in shaping that evolution alongside policy makers.

How PwC can help you:

- **Advice and assistance** on the New Turkish Commercial Code, including compliance check-up, training, roadmap and conversion assistance.
- **Independent auditing services** for financial statements pursuant to the relevant audit standards, prepared in accordance with International Financial Reporting Standards (IFRS), generally accepted accounting principles in the USA (US GAAP) or issued by the Capital Markets Board (CMB), and reporting requirements of the Energy Market Regulatory Authority (EMRA).
- **Tax audits:** tax certification and other sworn financial advisory services.
- **Technical assistance and advice** for the preparation of financial statements in compliance with principles according to IFRS, US GAAP and the CMB, and reporting requirements of EMRA.
- **Systems and Process Assurance** provides services related to controls around the financial reporting process, such as Data Assurance (analysis and assurance over the consistency and integrity of business data), Internal Controls (management assess, remediation and optimisation of internal controls over reporting systems and business processes), ERP Assurance (assurance on ERP systems and improvement of their reliability and functionality at implementation, migration, upgrades and operation), Internal Audit (assistance to improve quality and effectiveness of internal audit processes).
- **Global compliance services:** preparing and reviewing tax returns and computations, negotiating with tax authorities, corporate income tax compliance, corporate governance compliance, indirect tax compliance, accounting services, payroll services and corporate secretarial services.
- **Optimising rates of return,** achieving an optimal level of return on investment and maximising shareholder value by having effective systems in place for measuring and modelling revenues and costs and translating this into an effective dialogue with the regulator.
- **Understanding the regulatory landscape** of the Turkish energy and electricity market and advice including tax-effective structuring and restructuring.

We trained around 10,000 people on the new Turkish Commercial Code.

We helped over 1,000 companies to convert their accounts and reporting system to IFRS.

Working together: tax structuring for electricity company reorganisation

A leading Turkish utility company planned to reorganise their electricity generation, trade and distribution companies. To do so they needed to have a deeper understanding of the upcoming regulatory developments in the Turkish electricity market. The company sought PwC's help to advise on tax structuring options and their practicability under the EMRA regulations.

Deliverables

We began by conducting a market inquiry into the available versions of the amendments proposal for the Electricity Market Law No. 4628. We evaluated the potential holding structures in Turkey, the alternatives for initial public offerings (IPOs) of the companies and mergers of the companies under Turkish tax legislation and EMRA regulations. We also analysed the tax consequences of possible share transfer transactions, the tax implications of cash alternatives in the event of their being excess cash in the companies, and the possible service level agreements between the companies. For the preferred restructuring scenarios we provided regulatory feasibility and SWOT analysis.

Working together: helping recently privatised distribution companies with their challenges

The newly privatised gas and electricity distribution companies faced a number of issues during the post-privatisation phase.

Deliverables

PwC supported all major gas and electricity distribution companies to form IFRS financial statements; helped on the valuation and review of the purchase price allocation and on the application of complex IFRS standards (i.e. IFRIC 12). Moreover, we advised the companies on all related tax implications.

Working together: dialogue with the regulator

A Turkish industry association needed an independent statement for their discussions and negotiations with the industry regulator (EMRA). The association sought PwC's help to present a case for the level of returns on their network activities needed to attract sufficient future investment.

Deliverables

PwC calculated the weighted average cost of capital (WACC) in the Turkish electricity network business. We analysed a range of parameters so that a common understanding could be obtained for all involved network operators. After benchmarking the Turkish networks with similar standards in other countries, we provided the association with an expert opinion for their discussions with the Turkish regulator.

Managing capital projects and infrastructure

The capital project investment requirements in Turkey are massive. The Turkish Ministry of Energy and Natural Resources has forecasted an investment need of around US\$130bn by 2020, 70% of it for new generation facilities to meet the increasing energy demand.

By their nature, capital projects are not part of day-to-day operations. Whether related to replacement of ageing infrastructure, or investments in construction of new refineries, renewable, nuclear, fossil fuel generation capacity, buildings or systems, they all require separate financing, management, governance and assurance. In a world of sometimes volatile demand and commodity prices, these capital project challenges are magnified. The complexity of projects is all the greater because of the wide range of companies involved, which itself presents significant project management challenges.

There is a need to bring effective rigour and challenge to decisions at all stages of the capital project cycle. Now more than ever, the success of capital project delivery is critical to competitive advantage. From project appraisal all the way through to completion and operation, a solid project management strategy will optimise your capital project delivery. Getting the tax position right from the beginning of the project is crucial for the project's success to ensure all tax benefits could be achieved through structuring and forward planning.

How PwC can help you:

- **Effective project appraisal:** Sound project definition and effective decision making at the outset of a capital project are critical to a successful outcome. We can help with option appraisal, modelling and feasibility studies, as well as measures to assess balance sheet impact, structuring and financing, funding resources, tax, legal and real estate implications.
- **Deciding on the right finance and the right contract:** Companies face a series of critical choices regarding funding options, contractor selection and management, and project and quality management arrangements. We can help you secure appropriate funding and we have a range of tools to help with contract design and selection issues, including assessing the best contractual arrangement to match your project risks, mapping of supply chain risk, cost modelling and design of incentives.
- **Keeping projects on or ahead of course:** We can put in place the things you need to stay on track, including budgeting and forecasting processes, project cost and schedule systems, reporting procedures, risk management, open book contract control and project audit. We are on hand to help you conduct reviews of project controls, processes and programme management, due diligence on programmes and projects as well as to identify the lessons learnt through post-project close-out and review.
- **Getting projects back on track:** PwC can help with a range of preventative measures to avoid projects going wrong to start with. We can identify issues early through review and health checks and then assess and select corrective options. We understand the steps that need to be taken to recover projects quickly and effectively. Where appropriate, we can help you renegotiate commercial terms. We are on hand if you are facing a restructuring, contract re-let and negotiation, transfer or disposal situation and can advise on the best course of action to take.

Total installed capacity in Turkey

in 2010

49,087 MW

in 2019

61,700 MW

Source: TEIAS



Working together: getting the financial model right for nuclear power

One of the world's biggest nuclear power producer was in negotiations with the Turkish authorities to develop a nuclear power plant on Turkey's Black Sea coast. They asked PwC to review their financial model, including the tax aspects.

Deliverables

We evaluated the company's financial model for this investment and calculated the tax part of the model. The company was then able to use this model as a basis for tariff negotiations with the Turkish government. At this moment, the talks between the two parties are stalled.

Improving performance and operational effectiveness

An era of higher prices, stretched supply lines and investment in expanded and diversified infrastructure is putting significant additional cost into the value chain. At the same time, companies can expect continued and, indeed, greater resistance to costs being passed on to end-users.

Turkish energy, utilities and mining companies need to look at a variety of strategies – technological, financial, operational, and fiscal – to improve efficiency. On the operational front, for example, companies must minimise risk in asset security, serviceability, performance availability, reliability and restoration after breakdown. Billing errors, theft and loss are a major challenge for Turkish energy companies. Multiple billing cycles mean that unbilled revenue is also part of the calculation.

“Retail customer behaviours are changing and you need to build a relationship with those customers so that they become part of the solution toward the overall goal of energy optimisation. This will pose a big challenge because energy companies will need to adopt technologies and adjust to new patterns of consumer behaviour. It will not be easy and a lot of utilities will probably be unable to make that transition.”

Johannes Teyssen, Chairman and CEO,
E.ON AG, Germany in PwC's 14th
Annual Global CEO Survey

How PwC can help you:

- **Target operating model:** All organisations face internal or external factors forcing them to increase their level of operational and structural complexity. Among the many of such factors; unclear governance structures, inefficient operations, shareholder or customer pressures, or reporting and regulatory changes may be just to name a few. This complexity creates inertia or ‘drag’ within the organisation, which hinders its performance. We have the expertise to help you design the most suitable Operating Model for your business, which would span the design of the corporate structure; internal and external business interactions; the infrastructure, management and operating structures deployed in order to do business; and the skills, values and behaviours prevalent across the organisation.
- **Process & ERP requirement assessment and design:** Our team can help you to assess and reengineer your processes along with required enterprise system requirements to fit in this complex business landscape. Moreover we can assist you during selection of the right technology, and evaluation of the implementation partner for ERP projects as well as providing quality assurance during the technology implementation to ensure the selected technology will fit the designed processes with all desired benefits.
- **Procurement assessment and improvement:** We leverage our expertise to streamline procurement processes for spend categories such as equipment investment, spare parts, cable, fuel and oil, services, office supplies, IT and other direct/indirect goods and services. We utilise our iScale best practice assessment and “Find the money, Get the money, Keep the money” procurement improvement tool set to align the organisation’s structure and strategy along with process, people and technology dimensions.
- **Corporate performance management (CPM) technologies:** Our experts use their technical and process knowledge to implement CPM technologies to make the right information available in a timely and efficient manner to decision makers incentivised to drive performance. We provide system implementation and maintenance services on Oracle Hyperion and SAP Business Objects tools, supporting strategic planning, budgeting and forecasting, consolidation and reporting, and balanced scorecard management processes.
- **Tax function effectiveness:** The ability of your tax function to deliver value depends on how well your company is able to adjust to regulatory changes and emerging market trends. Given the pressure to do more with existing resources, companies need a flexible yet thorough solution to address the operating performance of their tax function. We have developed services to help your company improve the performance of its tax planning, tax accounting, financial reporting, tax controversy and compliance functions.
- **Financial risk management:** Volatility in interest rates, foreign currency and commodity prices can have diverse impact on the financial performance of your company. We can assist you during the management of these risks by implementing new hedging strategies and/or reviewing existing hedging strategies in terms of best practice. In the implementation of hedging strategies, risk mapping of all financial risks is defined and such risks are calculated with sensitivity analysis or more complicated models, such as Value at Risk (VaR) and Cash Flow at Risk (CFaR). We also provide assistance with respect to the development of policies, procedures and management reporting templates for your company’s risk exposure.



Working together: meeting the needs of growth

A Turkish holding company's energy unit grew rapidly. The size of the organisation and the number of employees had increased as part of this growth. But in a period of rapid change, organisational roles, process variations and flows had become unclear. In order to sustain the growth rate, the company needed to align its organisational structure to new processes, calibrate standardisation and clarify the variety of processes across departments.

Deliverables

PwC carried out a detailed 'as-is' business analysis of the company's energy group structure. This included understanding the strategic goals, performing 'brown paper' analysis and 'as-is' process mapping for all business process flows and functions (energy trade, project management, ship yard building, facility management, accounting, finance, purchasing, plant management, production management and planning). We defined the issues and improvement opportunities, highlighted approaches to realising the benefits and gaining ease of implementation (standardising of business processes), and then provided a high-level strategic roadmap to deliver these improvements.

Addressing sustainability issues

Sustainability brings tremendous opportunities for businesses but also presents major challenges. Many Turkish energy, utilities and mining companies have realised that by investing in energy-efficiency measures, responding to changing consumer buying patterns and ensuring sustainable business practices in their supply chains, they can operate more efficiently and create value in new ways. Reporting on social and environmental issues has become more important than ever, as consumers, investors and other stakeholders demand greater transparency about all aspects of doing business today.

PwC is the first professional services company to provide assurance on sustainability reporting in Turkey. PwC Turkey's sustainability team is a member of the Turkish Business Council for Sustainable Development and the Sustainability Task Force of the Turkish Industrialists and Businessmen's Association (TÜSİAD). Our team members are accredited by the Global Reporting Initiative (GRI), whose mission is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of the GRI Sustainability Reporting Framework.

PwC brings a wide perspective, drawing on our experience across business sectors, and in shaping government and NGO regulations and policies. This helps us give you a well-informed sustainability viewpoint as well as the insight to assess compliance and propose improvements.

How PwC can help you:

PwC can help ensure that sustainability is at the heart of your company's strategy. We can provide:

- assessments of a company's unique sustainability-related risks and opportunities, where relevant using stakeholder engagement programmes and benchmarking
- development of a strategic vision that is realistic and suited to the individual client
- design of an implementation plan and communication strategy
- identification of the most meaningful measures for financial, operational and regulatory performance and development of progress measurement systems.

We also provide compliance, assurance and reporting services for all facets of the sustainability agenda, including:

- stand-alone sustainability reports and the sustainability portions of annual reports
- assessment of your existing reporting systems, processes and controls over sustainability performance reporting, and determinations of their readiness for assurance
- advice on the design and implementation of data gathering and reporting systems
- harmonisation of monitoring and reporting practices throughout global organisations
- assistance in defining clients' reporting aims, their audiences and what information they need to report
- adherence to standardised reporting practices and reconciliation of multiple standards
- quantification of carbon footprints at the product, process or organisational level
- certified emissions reductions.

PwC is a partner in the initiative behind WindMade™, the first global consumer label identifying products and corporations made with wind energy.



The WindMade™ label provides qualifying corporations the ability to effectively communicate to consumers a commitment to wind energy that differentiates their brand, and signals a strong commitment to renewable energy. WindMade™ is a non-profit organisation supported by Vestas Wind Systems, The Global Wind Energy Council (GWEC), WWF, UN Global Compact, The LEGO Group, PwC, and Bloomberg (the official data provider).



Working together: leading the way in sustainability reporting

A prominent Turkish industrial group with 40 companies and over 10,000 employees involved in building products, healthcare and consumer products, approached PwC with a request for independent assurance of key environmental data for its sustainability report. Specifically, the Group wished to assure consolidated energy consumption and emissions data for its 27 industrial sites in Turkey in order to use this as a benchmark for business strategies and targets and establish its leadership as the first group in Turkey to assure and publish consolidated energy data. The Group is the first member of the World Business Council for Sustainable Development (WBCSD) from Turkey.

Deliverables

We performed an independent assurance of energy consumption and carbon emissions and reviewed these data according to the respective principles. We followed this up with interviews with relevant group managers; evaluation of the design and implementation of key processes and controls for managing and reporting; selective tests on the data; and running analytical procedures over the reported data.

What makes us different?

As PwC Turkey, we have a dedicated energy, utilities and mining team that brings together highly experienced members of our assurance, tax and advisory practices. Our core industry team comprises over 100 professionals, equipped with a variety of expertise in the oil and gas, utilities and mining industries, drawing on national and international experience. As well as working directly on client issues, we interact with the industry through thought leadership activities and our involvement in major Turkish industry events and conferences.

Our knowledge

From our experience, we develop industry-specific instructional materials and reports on market developments to help keep you informed. Some of our recent publications include:



Nice work if you can get it! Developments in the Turkish petroleum market

This report outlines the Turkish petroleum market and current developments during challenging times for this sector.



Opportunities in the Turkish electricity distribution and generation market

These two leaflets aim to give interested investors a brief overview of the distribution regions and power plants scheduled for privatisation.



Energy Deals

In our annual series we review M&A activity in the Turkish energy sector. The reports analyse underlying deal dynamics and examine the rationale behind the overall trends and key individual deals.



On the sunny side of the street: Opportunities and challenges in the Turkish renewable energy market

A guide for existing and potential investors and their financiers in the Turkish renewable energy market. It also communicates their expectations and concerns to decision makers.



Financial reporting in the utilities industry in Turkey

A comprehensive analysis of financial reporting in the utilities industry in Turkey setting out the major accounting practices adopted by the utilities industry under IFRS in respect of issues of particular relevance to the Turkish utilities sector.

PwC's 2010 Annual Global Energy, Utilities and Mining Conference was held in Istanbul and was chosen to be part of the International Energy Agency's global roadshow to launch the World Energy Outlook 2010.

Global network

With more than 4,000 full-time specialists, the PwC Global Energy, Utilities and Mining practice is the largest group of its kind in the industry. We have over 400 partners serving global energy companies worldwide. Currently we audit 25% of the Fortune Global 500 energy companies and we work with clients in every energy market in the world.

Our commitment to the energy, utilities and mining industry goes beyond our services. Our thought leadership and sponsorship of industry activities reinforces our direct work with clients. PwC is a Patron of the World Energy Council, and a long-time sponsor and participant at the World Energy Congress and the World Petroleum Congress.

Our energy, utilities and mining practice is the only Big Four firm to serve as a key sponsor of the Global Oil Summit at CERAWEEK each year. This annual event is one of the most widely attended in the industry. Our energy, utilities and mining partners participate in many of the leading industry organisations in different countries and regions around the world, to keep abreast of developing regulatory changes, industry information and to hear first-hand from oil and gas, utilities and mining professionals.

PwC's Annual Global Energy, Utilities and Mining Conference, held in Istanbul, was chosen to be part of the International Energy Agency's global roadshow to launch the World Energy Outlook 2010. PwC is a member of the World Nuclear Association and of Eurelectric. PwC and the World Economic Forum have been strategic partners since the mid-1980s. We are a knowledge provider for the Annual Meeting in Davos, Switzerland, and regional summits conducted by the World Economic Forum every year.

At a glance – why PwC?

- We live and breathe the sector, understanding your issues and able to respond to your priorities.
- We have over 4,000 staff worldwide dedicated to the energy, utilities and mining sector.
- Our global coverage means we are on hand wherever you need us.
- We deliver to a single PwC global quality standard, giving you the assurance of local market insight matched with worldwide professionalism and rigour.
- We listen to you and continuously build your feedback into our work.
- All our projects are reviewed by a review partner who is not part of the project team, building independence into your feedback and appraisal of us.
- We give you the best talent from around the world. We are recognised as a number one employer of choice in many key locations.

PwC has the strongest brand in Turkey with a 17% higher BHI score than our closest competitor.*

** The interviews for the Brand Health Index (BHI) survey are conducted by an independent research firm. The respondents do not know that the interviews were carried out for PwC.*

Specialised services for energy, utilities and mining companies

PwC Turkey can help energy, utilities & mining companies evaluate priorities, assess risks and build stakeholder confidence. Our energy, utilities & mining practice focuses on delivering professional services to companies of all sizes, across all segments of the industry. We provide industry-specific solutions in the fields of audit and assurance, tax, transactions, performance improvement, human resources and crisis management to help companies address their business and stakeholder issues.

Audit and assurance

PwC audits and provides non-financial assurance services to major energy, utility and mining companies in all key energy markets. Recognising that all companies want assurance teams that know their issues and understand their business challenges, PwC's energy professionals bring a high level of knowledge to their work. Our industry dedicated professionals receive specialised training, including regular updates on industry specific issues.

Our financial assurance practice has the in-depth practical knowledge and experience necessary to help your organisation with complex financial accounting issues related to matters such as valuations, pensions and share plans, listings, IFRS conversions, and corporate treasury and company secretarial functions.

PwC assurance teams around the world use a single, global assurance methodology, fully compliant with International Auditing Standards, international standards for non-financial assurance engagements, and applicable national standards. Our globally consistent approach to assurance means that, regardless of location, PwC people can understand and evaluate your business using a single language and common methods. In turn, that gives you a uniform level of exceptional quality in all of our assurance services. This methodology also enables us to quickly organise and deploy the multinational and cross-functional assurance teams our larger multinational clients require.

Strategically important non-financial data is increasingly relevant for senior internal decision makers and demanded by investors, analysts and regulators. There has also been growth in the importance of related governance, conduct and risk management practices. We help clients integrate the reporting and assurance of non-financial data with financial data, to join up the reporting and assurance of the organisation's key, strategic performance information. PwC also provides assurance and improvement recommendations on the effective operation of governance, conduct and risk management systems and procedures.

Tax and legal services

Energy, utilities and mining projects are complex and challenging projects, and not just from a supply chain point of view. A number of management, financing and legal issues need to be thought through in detail. How will the project be managed? What might the accounting, tax and legal implications be? How should ownership of the project be structured? What contractual arrangements need to be in place? What type of incentives might be available for the project and what affect could that have on the post-tax return? What special considerations will apply to joint venture arrangements? What transfer pricing issues need to be addressed?

Some companies choosing to expand into the Turkish energy market are considering a merger or the acquisitions route as a way of doing this, rather than developing the project on their own. Early tax planning for a merger or acquisition can reduce the tax costs of the transaction and the long-term sustainable tax rate following the transaction.

Other areas to consider include: carrying out pre-acquisition due diligence; the financing options available to you; and the value of carrying out quantitative analysis. It is also important to review the implementation and structuring options for the deal, to plan for an integrated approach post-deal and put in place robust legal contracts, especially where joint ventures may be involved.

Our energy, utilities and mining tax team is made up of an international network of professionals with an in-depth knowledge of both local and international markets and the tax regulations that may affect your business. Coupled with considerable knowledge of project financing and structuring, mergers and acquisitions it ensures that we can provide the right answer for every type of power project and for your business.

Inter-company transactions across borders are growing rapidly and are becoming much more complex. Our dedicated transfer pricing specialists with advanced training in economics, accounting, law and project management, are ready to work with you. Furthermore, our industry and tax authority experience and unique capabilities enable us to develop innovative approaches for energy industry participants.

With the rapid growth of the energy sector in Turkey has come increasing international complexity. The correct handling of legal requirements and risks now need to be considered as closely as the technical, economic and tax based aspects to ensure the financial and technical success of these projects. Key considerations include the various legal relationships of the parties involved, all of which have to be structured appropriately. Responsibilities need to be allocated clearly among those involved in the project; this will increase the success of the project and reduce the risk of conflict between the parties. Reliability and resilience are required not just with regard to the technology being used, but also on the part of the advisers who are helping to develop the financial, tax and legal framework. PwC Legal and other legal firms within the PwC global network assist project developers, investors, banks, plant constructors and service providers from feasibility and business case studies through to completion and disposal.

Advisory services

Players in the energy, utility and mining sectors are faced with a wide variety of challenges during the planning and realisation of their projects. These range from how to finance project development and realisation, handling transactions for the purchase or sale of individual projects, and completing project pipelines, to strategic issues such as entry into new markets or countries.

Our advisory practice puts energy sector companies and other industry stakeholders at the leading edge. Whether you are pursuing new opportunities, responding to events or coping with the daily pressures of compliance, growth, competition and shareholder value, we are there to help. We are able to deploy trusted industry specialists with unparalleled knowledge of business processes and technology and customer relationship skills, as well as financial and accounting expertise. Our advisory practice includes skilled professionals in corporate finance, modelling, strategy, management consultancy and sustainability.

Consulting

What keeps organisations achieving sustainable success in the face of constant change? PwC consultants are there to help you come up with clear answers to this question. To succeed in a globally networked world, you can no longer simply rely on proven strengths and leave your organisation's success to chance. Adapting to new circumstances rapidly and taking account of the unexpected is getting more important with the current market situation. Whether you're aiming to develop a particular area of your business or want a comprehensive transformation and to develop and maintain a competitive position, our experienced consulting teams can help you make and, most importantly, implement the right decisions.

- **Strategy Consulting:** How can a business achieve clear differentiation and positioning?
- **Business Consulting:** Do you want to know how your processes compare to the best practices and what the best opportunities are for performance improvement?
 - **Finance and Treasury:** How do you maintain operational excellence through efficient and effective process and controls?
 - **Operations:** Do you want to increase efficiency of business processes through optimisation, automisation and integration?
 - **Information Technology:** How do you harness IT as a key driver of business success? Do you know your company's enterprise application needs?
- **Business Recovery Services:** How do you go about transforming a crisis into an opportunity?
- **Forensic Services – Dispute Analysis and Investigations:** How do you effectively tackle forensic issues and economic crime?

Deals

How do you measure and safeguard the value added by a deal? Any deal, whether it's an acquisition, merger, disposal, IPO, management buyout or another form of transaction, involves specific opportunities and risks that need to be managed well and with experience. You need specific knowhow and expertise to manage the complexity encountered at every phase of a deal. We have the technical knowledge and transaction experience necessary to help your organisation all the way to success. Our support does not end with preparing and executing the transaction. We will also be there to advise and support you in the post-deal stage, even at critical moments of the integration phase:

- **Corporate Finance:** What makes a merger, acquisition, IPO or MBO a long-term success?
- **Transaction Services:** How can you reduce the risks and obstacles encountered during a deal?
- **Valuation Services:** How do you qualify and quantify the value of a business?

Contact our energy, utilities and mining team



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your priorities, our professionalism...

...doing great work together

We aim to have a continuing dialogue, listening to your priorities, understanding your business issues, and delivering great work together.

Helping you get ahead

PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PwC, operating in Turkey since 1981, consists of five offices; in Istanbul (two), in Ankara, in Bursa and in Izmir, with 31 partners and 1,100 professional staff.

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