KPMG

Meet challenges head on

Deal Advisory / Turkey

We can help you master
Financial Restructuring.

Enhancing value through financial restructuring.

Your vision. Our proven capabilities.

Despite its challenges, financial restructuring can be the catalyst to an improvement in company performance and sustainable growth. KPMG professionals are forward-looking specialists who combine innovative services and deep sector knowledge with the foresight that comes from experience — helping you to stay in front of the issues and make the right decisions based on your needs.

Services designed to enhance value for both borrowers and lenders.

Real results achieved by integrated specialists.

Even the most experienced and capable business leaders often need additional resources to successfully address the intense challenges of a financial restructuring. Borrowers are concerned about the company's underperformance and whether debt can be adequately managed. Lenders are concerned about repayment under the initial terms of the loan.

As objective third-party advisors, KPMG professionals can help you with a range of assessment and planning needs, from determining the extent and urgency of liquidity issues and evaluating the company's performance and business plan, to identifying appropriate restructuring options, and creating an action plan along with contingency plans.

Equally important, we are there to help you execute, moving to gain support among relevant stakeholders and implementing the restructuring in an efficient, effective manner. Once the plan is put into action, we monitor ongoing performance and flag any variances from expected performance. Throughout the transaction lifecycle, we can be with you every step of the way.

Learn more about how KPMG professionals can help you develop and implement processes designed for a sustainable level of strategic, operational and financial change.

Support throughout Financial Restructuring

1 Appraisal & Stabilization
2 Options Assessment
3 Stakeholder Negotiations
4 Development of Solutions
5 Implementation
6 Ongoing Monitoring

This document reflects a wide range of services and does not differentiate between those services that are permissible or not permissible for KPMG audit clients and their affiliates. In addition, certain software and technology services, joining with third parties in service delivery, are also subject to potential independence restrictions based upon the facts and circumstances presented in each situation.

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1 Appraisal & Stabilization

Do I have enough funding to keep operating while a solution is being developed and implemented?

Effective stakeholder communications is essential at each step to help ensure a successful outcome.

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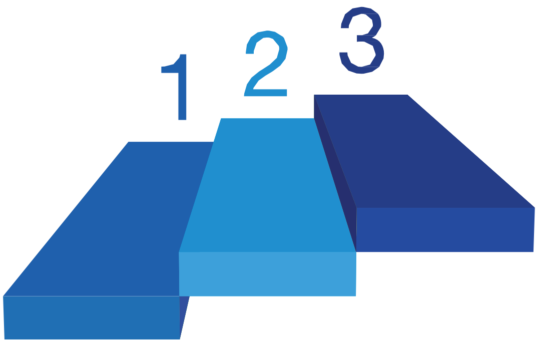
Financial restructuring is required when a company's performance is unable to keep pace with its financial obligations to creditors and other stakeholders. It will often be the chance to alleviate distress and provide a platform for a turnaround in the company's prospects. Failure to undertake financial restructuring can, unfortunately, often lead to a company having no option other than to enter insolvency proceedings.

The first signs of a need for financial restructuring will typically be driven by recognizing that covenant or payment obligations are unlikely to be met.

1.The first step for a company facing a financial restructuring is to make a quick, but thorough assessment of short-term (typically, 13-week) cash requirements. This is crucial to ensuring that the company can meet its critical obligations while stakeholders evaluate and stabilize the situation. If there is a risk of shortfall, this needs to be fixed quickly.



2.In addition, all relevant stakeholders need to be immediately identified and mapped into various groups — not always a simple task. For example, a company might be servicing senior debt, bond debt and mezzanine debt, each representing different lenders with different agendas and points of leverage. Shareholders represent another group, and they might have different assessments of the company's ability to manage risk as well as different agendas for the restructuring.

3.The key objective at this point is that everyone comes to the table, recognizes the urgency of the situation and agrees on next steps. Creating consensus can provide an opportunity to protect value and avoid possible insolvency for the company.

TO FOSTER VALUE

Prioritize actions according to days and weeks, rather than months. Develop aggressive schedules that anticipate possible delays, setbacks and unforeseen complications. Your working motto should be: "Be prepared for all eventualities, from the best to the worst."

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Ask the right questions

How can I assess short-term funding requirements?

The first step in stabilization is a rapid yet detailed assessment of funding levels. Then you need to develop a stable platform from which options can be assessed. We can help you confirm if there is a funding issue, gauge the level of headroom currently available, and develop a clear picture of banking facilities and covenant compliance positions, both historic and forecast.

What is an effective way to test solvency?

We can help review short-term cash flow to see how well cash is being controlled and monitored by management. We can also help assess whether there is a significant level of old, unpaid creditor balances that are increasing over time and consider the implications of liabilities exceeding assets and the company's ability to pay its debts as they fall due.

How should a stakeholder map be developed?

To support a successful financial restructuring, you need to identify your key stakeholders and assess the approach they are likely to take based on their points of leverage. We can help you map stakeholders and identify the key concerns and priorities for each that can drive future actions.

How can I secure stakeholder agreement on next steps?

Vital to a well-managed financial restructuring is the ability to secure stakeholders' support for risk management during the initial assessment of options. We can help develop a common information platform for all stakeholders and improve the quality and frequency of communication with stakeholders regarding financial and operational performance.

How can I assess short-term value options and risks to stability?

Our services can help you decide whether immediate steps can be taken to improve the asset's financial performance. In addition, we can review various enforcement and insolvency options for all or part of the group in order to estimate the potential return for creditors.

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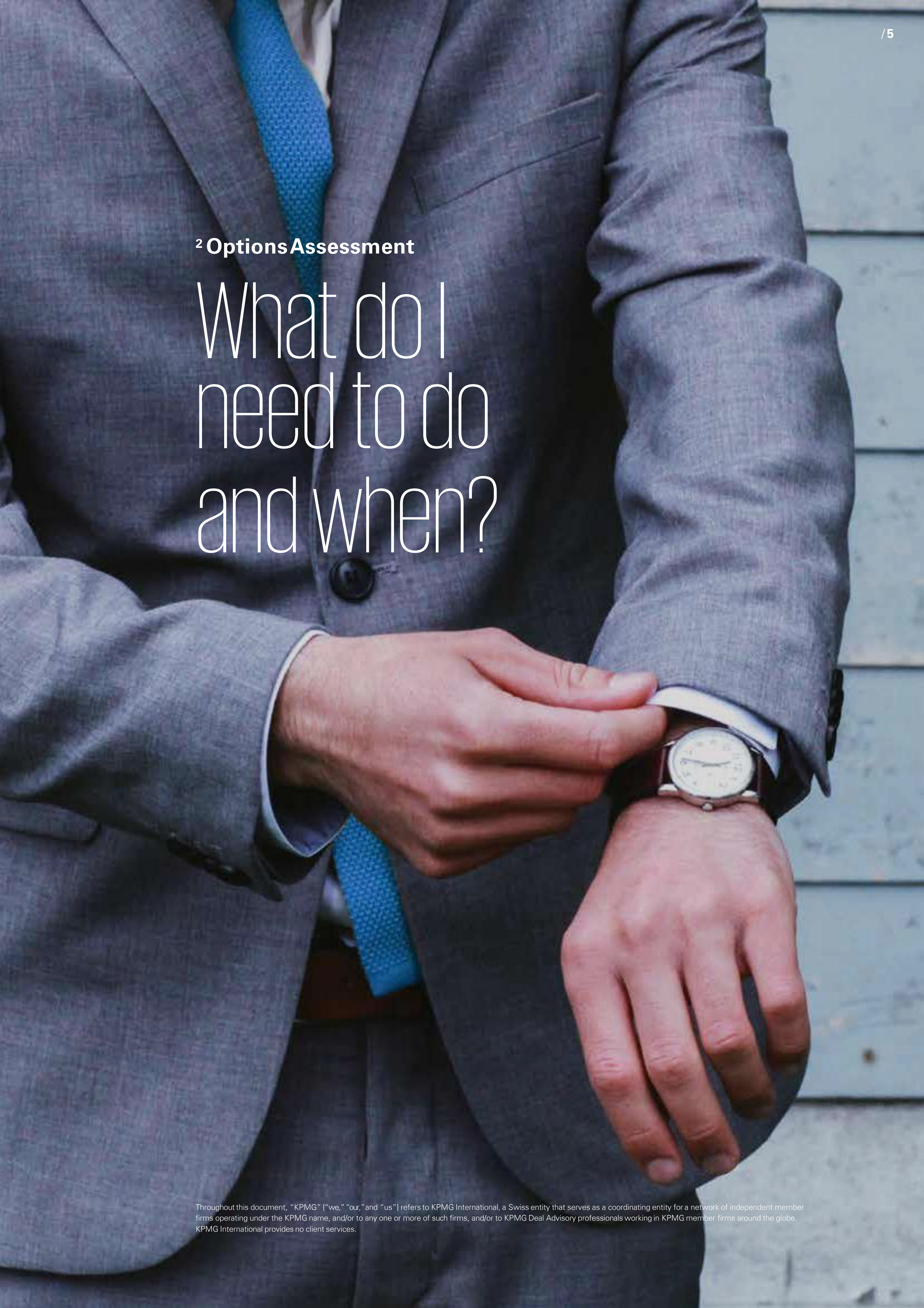

2 Options Assessment

What do I need to do and when?

Now is the time to challenge assumptions and explore all value options.

During this phase, stakeholders need to challenge assumptions held by both borrowers and lenders. This includes trying to identify the reasons for underperformance, which might include the current management team, strategies, initiatives and the company's basic business plan.

The current value of the company needs to be carefully assessed. In addition, stakeholders that have economic ownership should be identified, along with the strength of their relative financial and legal positions. Everyone should also recognize that restructuring covers a range of options from continuing to trade, to closing down or selling all or part of the business.

Use comprehensive, timely data in assessing the overall value of the company. There may be operational restructuring actions that can be taken to improve performance, and sometimes, an M&A perspective can reveal pockets of value in business units or product lines. These new evaluations should be incorporated into options planning.

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Ask the right questions

How can I accurately review recent performance, management and strategy?
During this phase, it is critical that you can assess the current management roles within the company and whether those are appropriate for the circumstances and overall goals of the business. We can help you assess key management roles and determine whether managers have the support they need and are accountable to all stakeholders. In addition, we can help you determine whether the current strategy is appropriate and whether it is likely to assist in turning the business around.

What is the best way to challenge the business plan?
Now is the time to challenge the business plan in terms of whether estimated levels of profitability and cash flow are achievable and whether risks and opportunities have been appropriately identified. We can help you assess what has happened to the business, its market and its future prospects, and also identify potential mitigating factors. Additionally, we can help you develop a 'risk adjusted' sensitized forecast as a robust basis for assessing options.

How is the enterprise value of the company estimated and how are M&A options evaluated?
We can help you identify the criteria that will guide the enterprise value of the business, including the likely buyer universe and issues related to a sale. Services include assessing the potential future value of the business and identifying potential purchasers or partners for all or parts of the business.

How can I identify appropriate restructuring options?
To properly address the financial issues of the company, you need to clearly identify your restructuring and capital structuring options. Accordingly, we can help you identify the advantages and disadvantages of appropriate financial restructuring options. We can also help you forecast debt service requirements, net cash flows and liquidity under different capital structure options.

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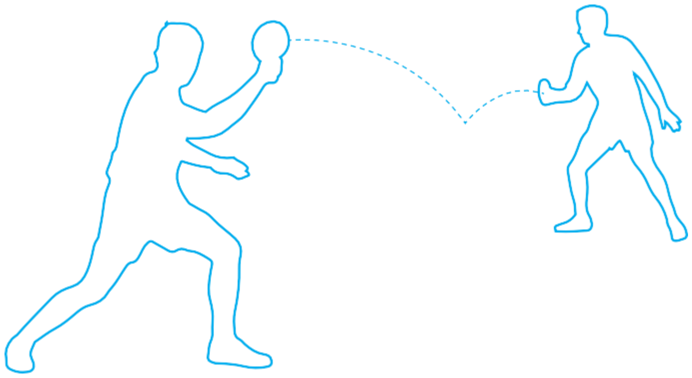
3 Stakeholder Negotiations

How can I keep everyone fully engaged in negotiations?

Tolerable compromises should be considered on both sides of the table.

Working together, stakeholders should establish a preferred outcome jointly with tolerable compromises and an effective method to determine strategy.



By now, the legal, financial and commercial leverage points of each stakeholder should be identified. However, negotiations should not be determined solely by the relative strengths of the stakeholders. Certain key stakeholders might not represent the future of the company, while others might be frustrated with the process and threaten to withdraw from negotiations. Regardless, a serious effort needs to be made to keep all parties at the negotiation table.

TO FOSTER VALUE

Make sure that management does not neglect company operations during the negotiation process. Any further declines in performance can make the preservation of value during the restructuring all the more difficult.

Ask the right questions

How can I agree on a negotiation strategy?

We can help you assess likely negotiating strategies, identify points of leverage for stakeholders, and determine a negotiating strategy appropriate for your circumstances to help optimize your negotiating strength.

How do I provide support during ongoing negotiations?

The time and energy spent on negotiations should not impair company performance. We can help you monitor ongoing trading performance and cash flow, review any new amendments to the business plan, and assess their implications.

How can I support stakeholder negotiations?

Value can be enhanced through properly managing the various interests of different stakeholders. We can help with updating and developing the current strategy, reviewing risks and opportunities in the strategy, and gauging the implications of altered points of leverage.

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4 Development of Solutions

What is the new capital structure?

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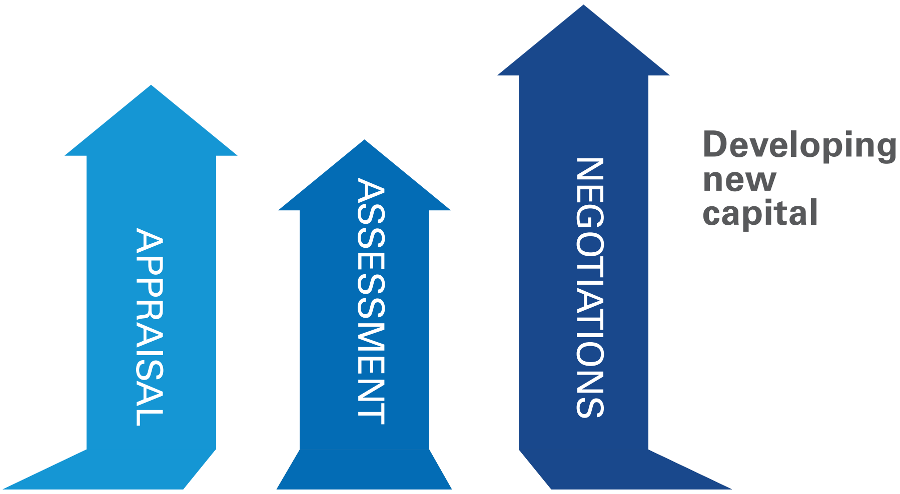
Develop more than one plan to address possible contingencies.

The first three phases of appraisal, assessment and negotiation should lay the foundation for the development of a new capital structure for the company. In effect, stakeholders are now on a journey and two questions should be paramount in their minds — who can help us and who can stop us?



'Plan A' should be backed by one or more contingency plans. New issues or conflicts can arise among stakeholders and stakeholders can come forward who have not been previously identified. External factors such as market fluctuations or shifts in the competitive landscape can also introduce new complications that might require reassessments and renegotiations among stakeholders.

TO FOSTER VALUE

Keep in mind that different stakeholders have different appetites for risk. Determine key motivating factors for stakeholders and try to identify any restrictions on their willingness to implement restructuring options.

Ask the right questions

How can I align stakeholders and begin implementation planning?

To support implementation planning, we can help you assess stakeholder appetite and motivation, prepare a 'Plan A' agreement about options, outline steps for implementation, and develop 'Plan B' options in the event of unforeseen developments.

How can I refresh contingency planning?

Because of changing circumstances, contingency plans often need to be updated. We can help verify that 'Plan A' and its steps paper reflect current circumstances, communicate with other stakeholder groups about the financial impact of a failure to reach a consensual solution, and demonstrate that a credible 'Plan B' solution can be implemented with or without the consent of all stakeholders.

How can I refresh my options to address changes in stakeholders?

Throughout the financial restructuring, you need to monitor changes in stakeholder groups and, as necessary, amend the strategy. We can help you gauge whether changes to stakeholder positions necessitate changes to the options analysis and to update options analysis, if required.

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[5] Implementation

How can I implement the deal according to plan?

Make sure the new capital structure supports tax efficiency.

To help ensure an efficient process and preserve value, the deal should be implemented in the order indicated by the steps plan. At the same time, new developments and demands from stakeholders might necessitate a reworking of the plan or even a return to developing options. No assumptions can be made that the crisis has passed for either borrowers or lenders.

Another important issue involves tax efficiency. In many cases, the original debt arrangements were designed to mitigate tax liabilities, but restructuring can significantly change a company's tax position. As the deal is being implemented, make sure that the restructuring does not unintentionally result in higher tax payments.

TO FOSTER VALUE

If certain assets have been marked for divestment, consider selling even before final implementation. The right timing can result in a better price and a stronger cash position under the new capital structure.

Ask the right questions

What transaction support do I need?

We can help you draft the debt and equity term sheets, develop final agreements, and provide advice on the need and appropriateness of lock-up arrangements. Equally important, we can help you develop sufficient stability in the company capital structure to allow management to follow its post-transaction strategy without distraction from non-operational ownership issues.

How can I develop an effective steps plan?

We can help you develop a plan between the company and its investors to provide a smooth transition from the agreement of commercial terms to the finalization of the transaction. We can also develop a steps plan that includes detailed actions to help ensure efficient tax structuring as well as an accounting steps paper that lays out all required accounting entries.

How can I execute any disposals?

Our services are designed to help enhance value from the execution of any disposals. We can help you perform a valuation that will inform the expectations of stakeholders before proceeding with a disposal process. We can also provide a possible timetable for disposals and help to ensure that the deal structure is workable for all stakeholders.

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6 Ongoing Monitoring

Am I out of the problem zone?

Sometimes more than one deal is needed to 'get it right'.

At this point, stakeholders reach a certain level of confidence that the worst days have passed. Management is focused on taking advantage of new opportunities made possible by the restructuring. Lenders should be satisfied that value has been preserved as much as possible.

However, financial restructuring is a dynamic process, and new developments can change circumstances for everyone. For example, existing debt can be resold to secondary markets and the new debt owners may not be satisfied with the newly implemented deal. The company may not be performing according to plan and new options might have to be considered.

If further restructuring is required, you should address problems as soon as possible. Otherwise, the situation will probably continue to worsen, causing a loss of confidence and making it harder to enhance or preserve value.

TO FOSTER VALUE

Review whether the current management team is the best fit for the financially restructured company. Sometimes a new team with new ways of thinking should be put in place to increase the probabilities of success.

Ask the right questions

How can I effectively monitor ongoing performance?

We can help provide a common platform for understanding the company's ongoing performance and exposure to key risks. More specifically, we can help you monitor performance against agreed-upon benchmarks and business plans and assess the implications of variances from forecast performance.

How can I assess the need for further review of work?

Moving forward, you need to identify any shortfalls in performance and determine whether a further performance review is necessary. We can help you identify any assumptions from the restructuring plan that have fallen short of their forecast levels and assess whether the company is at risk of defaulting on any of its financial obligations.

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Deal Advisory

How can I continue to create, enhance and preserve value?

From mergers and acquisitions to divestitures, the key to any restructuring or transaction is to realize its full expected value. And that means being able to answer critical questions at every phase of the transaction lifecycle.

KPMG's Deal Advisory professionals can help you know what questions to ask and how to find the answers.

For more information on Financial Restructuring and other Deal Advisory services, please visit:

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