

TÜPRAŞ Turkish Petroleum Refineries

“Resid Upgrading” Project

25.November.2009

Countdown to the 2014

The Company, in order to decrease the cost of imports of diesel and other white products and for a higher added value, had made the decision to invest in the 1,5-2,0 billion dollar "Resid Upgrading" project . In the last quarter of 2008 while the project was in the stage of external financing agreements the global crisis broke-out and the agreements were postponed for a year. At present, the credit phase is expected to be completed and the project is expected to commence by the end of 2009.

The project will process high sulphur fuel oil and convert it to Euro V standard diesel, gasoline and similar white products,such as gasoline, jet, diesel, Lpg.

The licensor selection process is linked to the financing and is expected to be completed in the 3rd quarter. The project's fundamental engineering and licensing auction endeavors are ongoing.

The project will help reduce the deficiency of Turkey's diesel/jet fuels and decrease the production of products which provide no tax revenues to the state (such as fuel oil) as well as contribute to the increase in tax revenues. An important portion of the fuel oil produced is exported due to insufficient internal market demand and the state does not collect any ÖTV(Special Consumption Tax)taxes on the exported fuel oil. Tüpraş is expected to add an additional 5,71 dollar/barrel margin to the existing 8,5 dollar/barrel yearly refinery margin.

The Project will not be affected by surges in the International Refinery Margin.

The Project will be affected by the difference between the fuel-oil price and the price of converted white products. Therefore, the profitability of the project is dependent on the difference between the black (fuel oil asphalt) and the white products. This means that it will not be affected by the changes in the price of crude oil (therefore the volatility of the refinery margin). The Nelson Complexity (which is used in the technical ranking of refineries, it is currently at the level of 7.25) will rise to 11,5.

Higher Value-Added Product

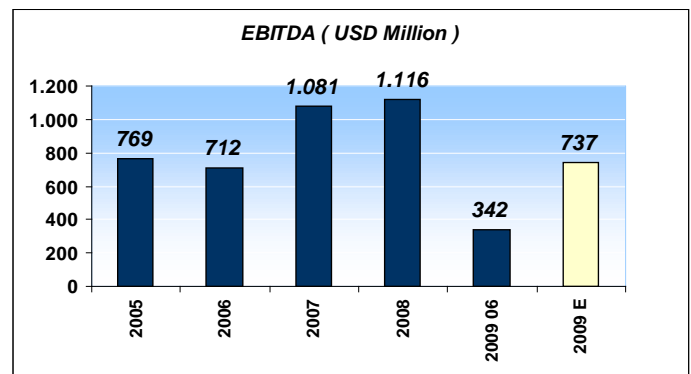
When completed, the investment (which will raise Tüpraş's İzmit Refinery to the level of the most developed European and US refineries) will produce 3,5 million white products (2,5 million tons of diesel/jet fuel and 800 thousand tons of gasoline) from 4,3 million (excess of consumption) black and base products.

In addition 800 thousand tons of petroleum coke will be produced. The 67 percent white product ratio is expected to increase to 85 percent after the project is finished. This way, a higher value-added product will be obtained. The company, when the project is on-line, will increase the ongoing 70 percent CUR to 95 percent and by increasing the capacity usage in Kırıkkale will increase the production of black (fuel oil and atmospheric base substance that is heavier and cheaper than fuel oil) substances. These black substances will be brought to the İzmit refinery via the rail system founded by the company in 2008, and will be converted to white substance there. The crude oil coming from the Samsun-Kırıkkale-Ceyhan line will pull down the crude oil cost by about 30 million dollars.

Residium Upgrading applications have been a capacity and profit increasing solution globally.

The Project profitability is not only depended to the oil prices, but contains conversion advantage to value-added high profit products as well.

Table 1 EBITDA



This investment which provides EBITDA more than \$500 million dollars yearly is expected to increase the profitability of Tüpraş by 50 percent.

Shareholding Structure

Enerji Yatırımları A.Ş 51,00%
Public 49,00%

Timuçin Alp
talp@tekstilbank.com.tr (0212-276 27 27)

General Investment Related Disclosures

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.