

An Investment from Tüpraş to Raise Productivity & Profit



Tüpraş is launching a new 1.6 Billion USD investment project. High sulphur Fuel Oil, a product suffering from rapidly shrinking demand, will be converted into Euro V Standard automotive fuels such as gasoline and diesel with the realisation of the Project.

Following internal feasibility studies and process evaluation, detailed costing studies have been made together with internationally renowned consultants. Within the scope of this project, a Vacuum Distillation Column, Delayed Coker, Hydrocracker, Steam Methane Reformer, Desulphurisation unit along with supporting units are to be built at the İzmit refinery. The refinery will then be able to produce no fuel oil whilst significantly increasing production of more valuable white products.

Due to its location within the region with the highest demand for refined products, the Fuel Oil Upgrading project is to be built on the Körfez Petrochemicals site, part of the İzmit refinery, utilising the existing infrastructure. It is expected that the project will take 5 years to realise, from 2008 to 2012. Within the framework of the decision of the Board of Directors, investment has begun in obtaining the necessary regulatory permissions whilst discussions are being held with leading financial institutions.

At completion, the facility will be capable of producing 1.9 million tonnes of diesel / jet fuel, 530 thousand tons of gasoline and 160 thousand tons of LPG, a total of 2.6 million tons of white products, from 3.2 million tons of asphalt and residual fuel oil. In addition 600 thousand tons of Petro-coke will be produced.

With this investment, İzmit refinery will be able to produce diesel, LPG and petro-coke, products currently imported in large quantities, together with high value gasoline, all at the expense of low value residual fuel oil, a product that Tüpraş currently has a surplus of. In fact as the facility comes on line in 2013, the company's overall production of Diesel will increase 25%, LPG 19%, Gasoline 14%, whilst total black products will decline around 50%, and overall white product yield will reach 83%. Taking into account the white products volume increase and the total value created, the project, equivalent to a new refinery investment, will increase the Nelson Complexity of the İzmit Refinery from 7.8 to 11.5.

The project will create an additional \$6.3 per barrel gross refining margin for the İzmit refinery. As the profit obtained is generated on the price differentials between residual fuel oil and the finished products, this margin is completely independent from refining margins in general.

This is the first time deep cracking technology will be used in Turkey, a technology which offers the opportunity to address the nation's diesel shortage whilst avoiding the major problem associated with new refinery projects, that is the production of those products that are already in excess in the market. Thus the choice is an optimal one for both company and market.

The benefit of the project in profit terms is expected to be at least an annual \$500 million EBITDA increase, with a payback period of less than 5 years. As a major proportion of the project will be financed through long term credit, it is will have no impact on Tüpraş's dividend policy going forward.

With this strategic investment project, Tüpraş will continue to utilise the best technology to provide consumers with economic and environmentally responsible products, whilst offering security of supply.