

THIS IS THE EXPLANATION NOTE FROM TURCAS PETROLCÜLÜK ANONİM ŞİRKETİ WITH REGARD TO PUBLIC OFFERING OF SHARES, REPRESENTING THE SUBSCRIBED CAPITAL AMOUNTING TO TL 88.000.000.000.-, WHICH IS AIMED AT INCREASING THE CAPITAL FROM TL 110.000.000.000.- TO TL 308.000.000.000.- (TL 110.000.000.000.- OF WHICH WILL BE FUNDED BY INTERNAL RESOURCES)

THOSE SHARES ISSUED IN CONSEQUENCE OF THIS CAPITAL INCREASE HAVE BEEN REGISTERED TO CAPITAL MARKET BOARD WITH THE CERTIFICATE OF BOARD, DATED, AND NUMBERED HOWEVER SUCH REGISTRATION DOES NOT IMPLY THAT OUR COMPANY OR SHARES ARE GUARANTEED BY THE BOARD OR PUBLIC.

I. INFORMATION RELATED TO OUR COMPANY

A. INTRODUCTORY INFORMATION

1. Business Name : *Turcas Petrolcülük Anonim Şirketi*
2. Head Office and Branches : *Muallim Naci Cad No: 100 80840 Ortaköy/IST.*
3. Date of Registry, Registration No and Affiliated Trade Registry Office : *02.09.1988, 248141/195711, Istanbul Trade Registry Office*
4. Area of Activity : *To purchase, sell, store, produce and distribute petroleum products, mineral oils, derivatives and by-products.*
5. Number of shareholders : *Supposedly 800.*

B. INFORMATION RELATED TO CURRENT CAPITAL AND SHARES

1. Amount of Paid-up Capital : *TL 110.000.000.000.-*
2. Distribution of Capital among Shareholders:

Business Name / Full Name of the Shareholder	Capital Share (Thousand TL.)	Percentage in Total Capital (%)
Castrol Limited	38.500.000	35
Türkpetrol Holding A.Ş.	38.500.000	35
Other Real and Legal Persons	33.000.000	30
Total	110.000.000.000	100

3. Preferred Shares and Nature of the Preference:

According to Article 8 of the articles of association of the Company, group C shares can be transferred without constraint while transfer of group A and group B shares are subjected to some constraints. Again, according to Article 23 of the articles of association of the Company, holders of group A shares have right to propose election or discharge of 3 Board Members (it is composed of 7 members in total); holders of group B shares have right to propose election or discharge of other 3 Board Members and holders of group C shares have right to propose election or discharge of the last 1 Board Member. According to Article 25 of the articles of association, the resolutions of the Board or Board Committees shall be valid provided that among those, who participated in the relevant meeting, the majority of group A shareholders (if only one group A shareholder is present, then the said member) and the majority of group B shareholders (if only one group B shareholder is present, then the said member) cast affirmative votes. According to Article 31 of the articles of association, 3 auditors are elected, each being slated by group A shareholders, the other one being slated group B shareholders and the last one being slated by group C shareholders.

Besides, Article 10 regulates quorum for capital increase, Article 17 regulates quorum for General Assembly meetings resolutions; and Article 36 sets the quorum as 66% for dissolution of the company.

4. Election of Managing and Auditing Bodies according to Articles of Association:

The General Assembly elects the Board of Directors for a 3-year term of office and the Board of Auditors for a 1-year term of office in the way specified in sub-clause 3 above.

5. The Rights Provided by Dividend Shares Created in accordance with Article 402 and 403 of Turkish Commercial Code:

No dividend share was created.

6. Basis for Transfer of Registered Share Certificates:

Transfer of registered share certificates shall be realized by transferor's endorsing the certificate and transferee's delivery of such endorsed certificate; and registered share certificates of the company shall never be transferred to any other shareholder of the company or to any third person except the conditions provided for in sub-clauses (a) and (b) of Article 8 of the articles of association of the company.

II. INFORMATION RELATED TO INCREASED CAPITAL SHARES AND PUBLIC OFFERING AND SALE

1. Information related to Shares Representing the Subscribed Capital and Secondary Share Certificates Issued to Represent such Shares:

Share Group	Registered/Bearer	Nominal Value of Each Share (TL)	Number of Shares	Total Sum of Nominal Values (Thousand TL)
A	Registered	TL 1000	30.800.000	30.800.000
B	Registered	TL 1000	30.800.000	30.800.000
C	Bearer	TL 1000	26.400.000	26.400.000
TOTAL			88.000.000	88.000.000

2. a) Distribution of Capital Increase funded by Internal Resources is indicated below:
Fixed Assets Appreciation: TL 110.000.000.000.-

b) Information related to Shares Increased by Internal Resources and Distributed to Existing Shareholders and Secondary Share Certificates Issued to Represent such Shares:

<i>Share Group</i>	<i>Registered/Bearer</i>	<i>Nominal Value of Each Share (TL)</i>	<i>Number of Shares</i>	<i>Total Sum of Nominal Values (Thousand TL)</i>
A	Registered	TL 1000	38.500.000	38.500.000
B	Registered	TL 1000	38.500.000	38.500.000
C	Bearer	TL 1000	33.000.000	33.000.000
TOTAL			110.000.000	110.000.000

3. Book Value of Each Share (Equity/Number of Shares):

TL 2.945.- as of 31.12.1991
TL 3.243.- as of 30.06.1992

4. a) New Share Buying coupons, numbered from 3 to 18, shall appear on secondary share certificates issued in consequence of this capital increase.
b) Dividend coupons shall appear on share certificates dated from 1992 to 2001 and dividend of 1992 shall be distributed for the first time. Deduction for absence shall not be applied to dividend distribution and shareholders shall fully benefit from the dividend.

5. Dividend Shares Issued in the scope of this Increase: N/A

6. Basis for the Rights of Shareholders to Buy New Shares:

a) Period of Using the Right to Buy New Shares:

It is 30 days as from the issue of the circular of using the right to buy new shares.

b) The Maximum Rate of Buying New Shares in issued Capital by Each Shareholder's Current Percentage of Shares:

The shareholders shall have right to buy new shares in 80% of their existing shares.

c) Sale Price of Share with a Nominal Value of TL 1000.-:

A share of our capital with a nominal value of TL 1.000.- shall be sold with the value of TL 1.000.- during the period of using the right of preference.

d) Share Values shall be deposited to:

Share values shall be deposited to Istanbul Balmumcu Branch of Türk Ticaret Bankası A.Ş.
Yıldız Posta Cad. 52/1 Dedeman Ticaret Merkezi-Istanbul Tel: 274 99 85
Special Account No: 011-622/1

e) Way of Application:

- i) The shareholders of our company, who desire to use the right to buy new shares, shall apply to the places, mentioned in sub-clause (f), and submit No. 1 new share buying coupons of their share certificates. They shall pay the values of shares to above-mentioned special account by money order and in cash and then they shall receive the new share certificates by presenting one copy of the receipt of money order to the places mentioned in sub-clause (f).
ii) The shareholders of our company, who do not desire to use the right to buy new shares in this capital increase, shall have right to sell their coupons during the period of using the right to buy new shares.

f) Places of Application:

Turcas Petrolcülük A.Ş. Muallim Naci Cad No: 100 80840 Ortaköy/İST.

Türk Ticaret Bankası A.Ş. Balmumcu Branch, Yıldız Posta Cad 52/1 Dedeman Ticaret Merkezi-İstanbul

Türk Ticaret Bankası A.Ş. İzmir Branch, Cumhuriyet Bulvarı No:62 İzmir

Türk Ticaret Bankası A.Ş. Kızılay Branch, Atatürk Bulvarı No: 66 Kızılay/Ankara

7. Basis for Distribution of Bonus Shares:

a) The Maximum Rate of Receiving Bonus Shares in issued Capital by Each Shareholder's Current Percentage of Shares:

The shareholders shall have right to receive bonus shares in 100% of their existing shares.

b) Way of Application

The shareholders of our company shall apply to the places, mentioned in sub-clause (6/f) within 30 days, or to the Head Office in Turcas Petrolcülük A.Ş. Muallim Naci Cad No: 100 Ortaköy/İST after the expiry of the said period, and then they shall receive the bonus share certificates by presenting No. 2 new share buying coupons of their share certificates. No time limitation has been set for receiving bonus shares.

8. Basis for Public Offering of those Shares Remained after the Use of Right to Buy New Shares:

a) Period of Public Offering: It is 15 days. Start and expiry date of this period shall be mentioned in the circular to be declared in following days.

b) Sale Price of Share with a Nominal Value of TL 1000.-: The sale of those shares remained after the use of right to buy new shares shall be realized by Türk Ticaret Bankası over the stock quotation within the frame of Stock Exchange Regulations.

c) Way of Application: The savers, who desire to be a partner of our company by buying shares in the scope of this capital increase, shall be required to apply, within the term of sale, to any of the Stock Market members consisting of the banks and intermediary institutions authorized to carry out transaction in Istanbul Stock Exchange Market.

d) Share values shall be deposited to special account, as long as they are collected by Türk Ticaret Bankası, which is the authorized institution to carry out sale transactions as a member of Stock Market.

9. Nature of the Intermediary Institution and Intermediation:

Pursuant to the brokerage contract dated 17.09.1992, Türk Ticaret Bankası A.Ş. shall render cash desk services in using the right of preference; and shall act as best effort underwriter in public offering of those shares remained after the rights of preference are used.

III. INFORMATION RELATED TO FINANCIAL STATUS

1. Based on the balance sheets pertaining to last 3 years and the statement of account as of 30/06/1992, the assets and liabilities of our company:

ASSETS (Million TL)	31/12/1989	31/12/1990	31/12/1991	30/06/1992
I-CURRENT ASSETS	113,413	141,150	198,319	241,444
A-Liquid Assets	11,931	10,200	6,647	6,790
B-Marketable Securities	18,171	17,938	67,111	46,300
C-Short Term Trade Receivables	43,141	52,227	61,355	84,245
1- Customers and Notes Receivables	42,409	49,350	53,858	78,910
2- Deposits and Guarantees Given	183	103	329	1,508
3- Other Trade Receivables	549	2,774	7,168	3,827
D-Short Term Receivables	428	1,196	794	1,981
E-Inventories	31,588	49,431	51,263	74,304
I- Raw material and Supplies	6,919	9,583	13,235	17,254
2-Semi-finished Goods in Production	147	217	519	2,581
3-Finished Goods	13,047	18,467	25,959	29,417
4-Other Inventories	1,483	1,621	1,279	1,713
5-Advances Given For Purchases	9,992	19,543	10,271	23,339
F-Other Current Assets	8,154	10,158	11,149	27,824
II-LONG TERM ASSETS	87,796	126,055	174,523	236,292
A-Long Term Trade Receivables	9,156	7,159	2,982	3,809
B-Other Long Term Trade Receivables	0	0	0	0
C-Financial Fixed Assets	0	0	0	0
D-Tangible Fixed Assets	77,261	117,716	170,682	226,189
1- Tangible Fixed Assets	96,353	149,898	245,658	317,528
2- Accumulated Depreciation, (Gross)	(19,787)	(38,398)	(75,692)	(107,287)
3- Investment in Progress	695	6,216	558	7,001
4- Advances Given for Orders	0	0	158	8,947
E- Intangible Assets	1,200	800	400	200
F- Other Fixed Assets	179	380	459	6,094
TOTAL ASSETS	201,209	267,205	372,842	477,736

LIABILITIES (Million TL)				
	31/12/1989	31/12/1990	31/12/1991	30/06/1992
I-SHORT TERM LIABILITIES	53,850	58,752	69,851	117,878
A-Financial Liabilities	25,400	22,608	0	0
1-Bank Loans	20,400	17.608	0	0
2-Current Maturities of Long Term Credits and Accrued Interest	6	0	0	0
3- Current Maturities of Bonds and Accrued Interest	0	0	0	0
4- Bonds and Notes Issued	5,000	5.000	0	0
B-Trade Payables (Net)	11,044	8.707	3,558	16,246
C-Other Short Term Liabilities	1,502	3,901	4,424	35,478
D-Advances Received for Order	4,153	3.710	8,240	9,050
E-Provisions for Liabilities and Expenses	11,751	19.826	53,629	57,104
II-LONG TERM LIABILITIES	311	868	1,956	3,083
A-Financial Liabilities	0	0	0	0
B-Trade Payables	0	0	0	0
C-Other Long Term Liabilities	0	0	0	0
D- Advances Received for Order	0	0	0	0
E- Provisions for Liabilities and Expenses	311	868	1,956	3,083
1-Provisions for Termination Indemnities	311	868	1,956	3,083
2-Revaluation Fund of Affiliates	0	0	0	0
III-SHAREHOLDERS EQUITY	147.048	207.585	301,035	356,775
A-Capital	103,522	103,522	103,522	110,000
B-Capital Commitments (-)	(3.882)	(2.588)	(1,293)	0
C- Appraisal Surplus	29,739	68.184	121,172	158,730
1- Revaluation Fund of Tangible Fixed Assets	29,739	68,184	121,172	158,730
2- Revaluation Fund of Affiliates	0	0	0	0
D- Reserves	482	9,321	14,376	26,708
E- Net Profit for Period	17.187	29,146	63,258	61,337
F-Lossed from Pervious Years	0	0	0	0
TOTAL LIABILITIES	201,209	267,205	372,842	477,736

2. Income statements pertaining to last 3 years and the statement of account as of 30/06/1992:
(million TL)

	1989	1990	1991	30/06/1992
A- NET SALES	911.500	1,883,064	2,949,612	1,995,308
B- COST OF SALES	(872,353)	(1,797.443)	(2,770,835)	(1,842,914)
GROSS PROFIT	39,147	85,621	178,777	152,394
C-OPERATING EXPENSES (-)	(26,495)	(43,649)	(77,739)	(56,923)
1-Marketing,Selling and Distribution Expenses	(3,928)	(7,961)	(11.116)	(15,223)
2-General Administration Expenses	(22,567)	(35,688)	(66,623)	(41.700)
REAL OPERATING PROFIT	12.652	41,972	101,038	95,471
D-INCOME AND PROFIT FROM OTHER OPERATIONS	22,031	26,953	30,959	27,954
1-Interest and Other Dividend Incomes	18,843	19,713	15,132	10,989
2-Other Incomes and Profits	3,188	7,240	15,827	16,965
E-Expenses and Losses From Other Operations	(1,492)	(3,711)	(2,552)	(1.744)
F-FINANCIAL EXPENSES	(5.167)	(16,353)	(12,578)	(6,426)
1-Short Term Borrowing Expenses	(5,167)	(16.353)	(12,578)	(6,426)
OPERATING PROFIT OR LOSS	28,024	48,861	116,867	115,255
G-EXTRAORDINARY REVENUES AND PROFITS	0	0	0	0
H- EXTRAORDINARY EXPENSES AND LOSSES	0	0	0	0
PROFIT OR LOSS FOR THE PERIOD	28,24	48.861	116,867	115,255
I-PROVISIONS FOR TAXES PAYABLE AND OTHER STATUARY OBLIGATIONS	(10.837)	(19,715)	(53,608)	(53,918)
NET PROFIT OR LOSS FOR THE PERIOD	17,187	29,146	63,258	61,337

3. Amount of Dividends Distributed Within Last 3 Years and its Ratio to the Amount of Paid-up Capital

	1989 (Thousand TL) %		1990 (Thousand TL) %		1991 (Thousand TL) %	
1 st Dividend	13.894.762	13.4	24.090.682	23.3	50.926.859	49.2

THE PERSONS WHO ASSUME THE RESPONSIBILITY OF THIS EXPLANATION NOTE:

Within the compass of our statutory powers and responsibilities and as part of our roles, we hereby declare that the information contained in this explanation is true and complete and that this explanation note does not lack of any element that might change the meaning of the content.

Chairman of Board of Directors

Ahmet Aydın Bolak

Signature

Member of Board of Directors

Varol Ziya Dereli

Signature

General Manager

Osman E.V. Kerman

Signature

Intermediary Institution

Türk Ticaret Bankası A.Ş.

Signature

We hereby certify that the financial information, included in this explanation note related to the operations and activities, audited by our party, pertaining to the periods of 1989 – 1990 – 1991, is in compliance with the report prepared by our firm.

Independent Auditing Firm

**KPMG Cevdet Suner Denetim ve
Yeminli Mali Müşavirlik A.Ş.**

Signature