

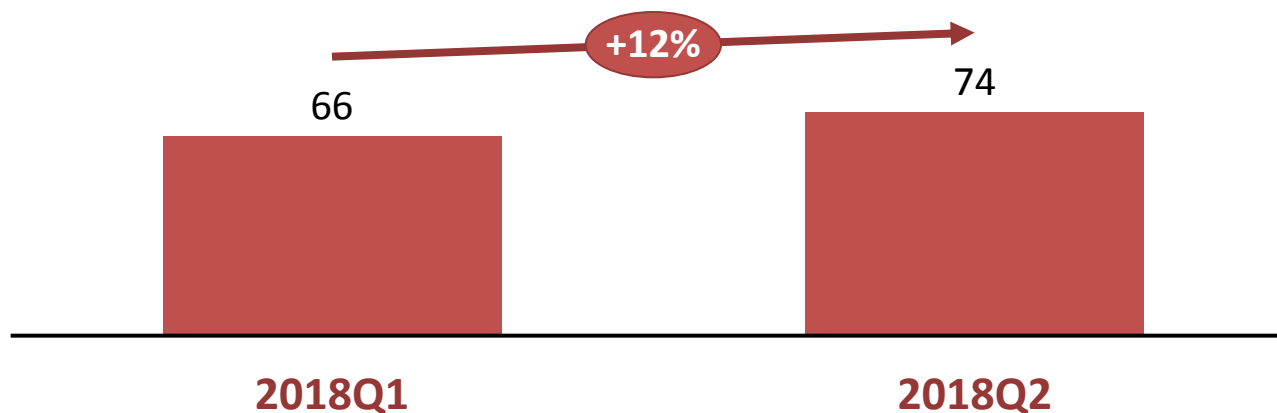
2018Q2 RESULTS ANALYST MEETING

August 2018

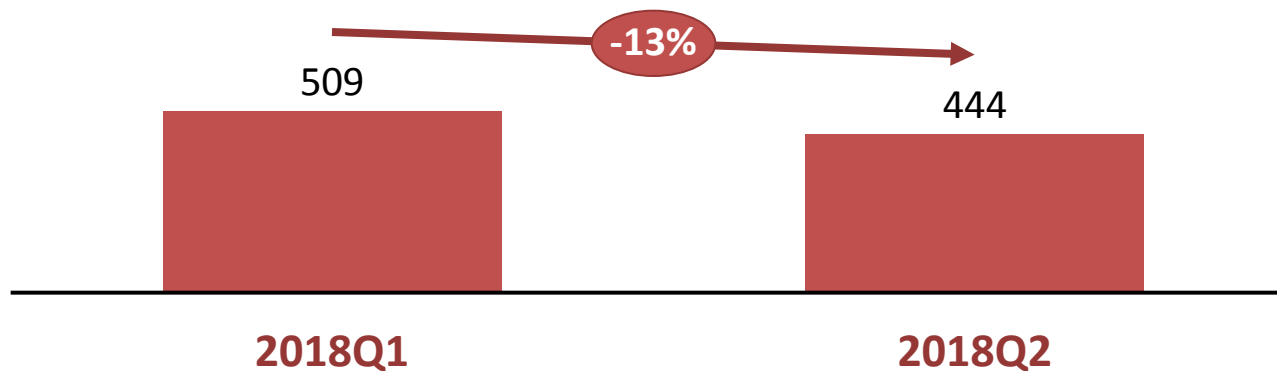


Petrochemicals product margin has decreased 13% in 2018Q2 compared to first quarter, while crude oil price has increased 12%.

Crude oil brent price, USD/bbl



Petrochemicals product margin¹, USD/ton

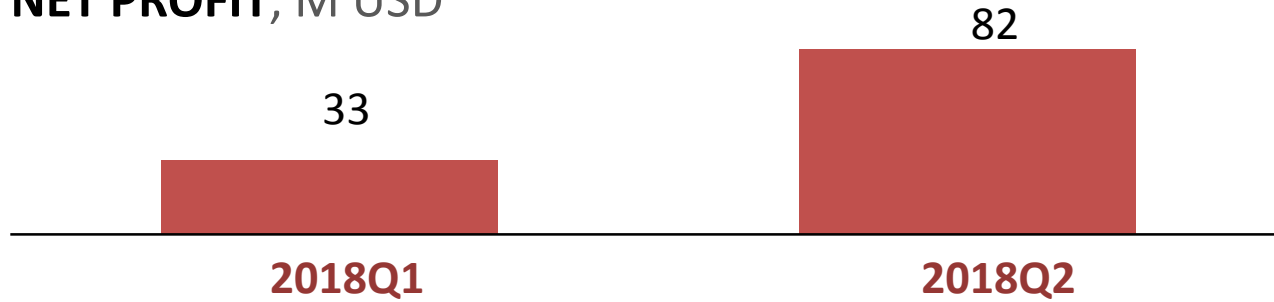


¹ Petkim products' market prices weighted average spread compared to naphta

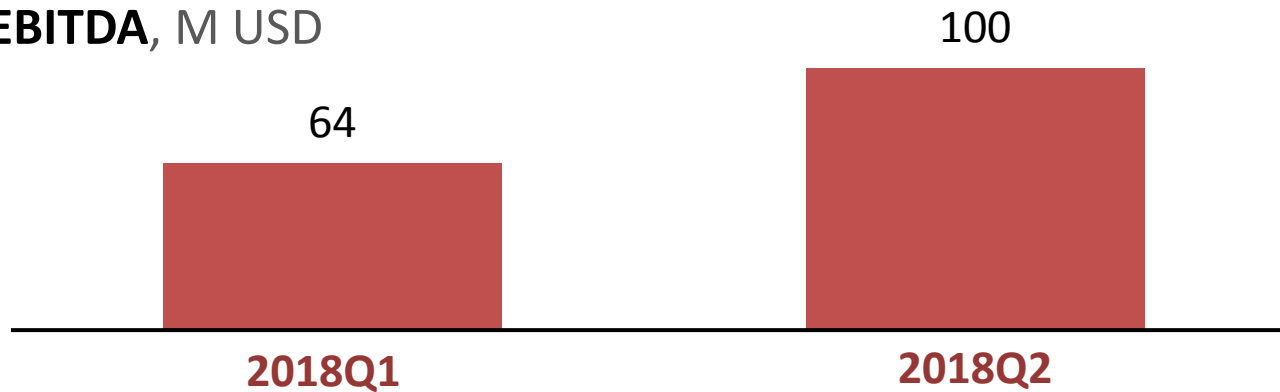


Petkim's impressive performance in 2018 continues with 2018Q2 financials

NET PROFIT, M USD



EBITDA, M USD



~165 M
2018H1 EBITDA
USD

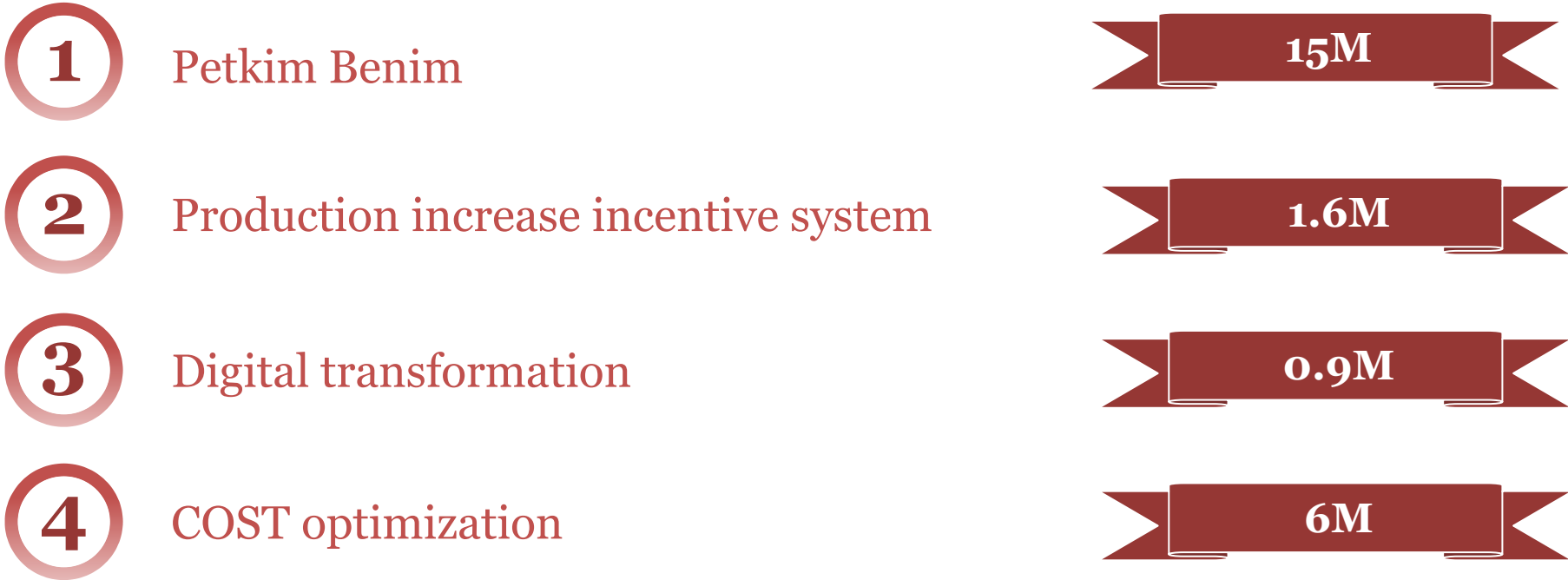


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Petkim

Petkim Benim program and other corporate transformation projects created 23.5M USD EBIT impact in 2018H1 for Petkim



~23.5 M 2018H1 EBIT impact
USD

1 Petkim Benim program consists of 3 main pillars designed to create sustainable impact

HSE

Reinforcing a culture that promotes **“Safety First”** understanding

Value Creation

Identification and implementation of **value creation initiatives**



OHI

Identification and implementation of **organizational health initiatives**



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Petkim

1 Petkim Benim Value Creation workstream consists of 3 pillars targeting functional excellence



Value Creation



Operational Excellence

↑ **6 M USD**

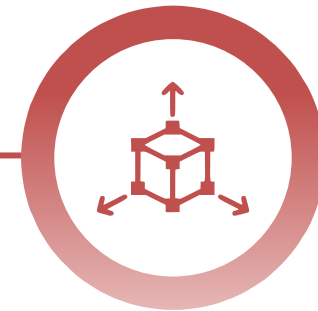
↑ **~2%** Production increase



Commercial Excellence

↑ **8 M USD**

↑ **~6%** EBIT impact through sales initiatives



Supply-Chain Excellence

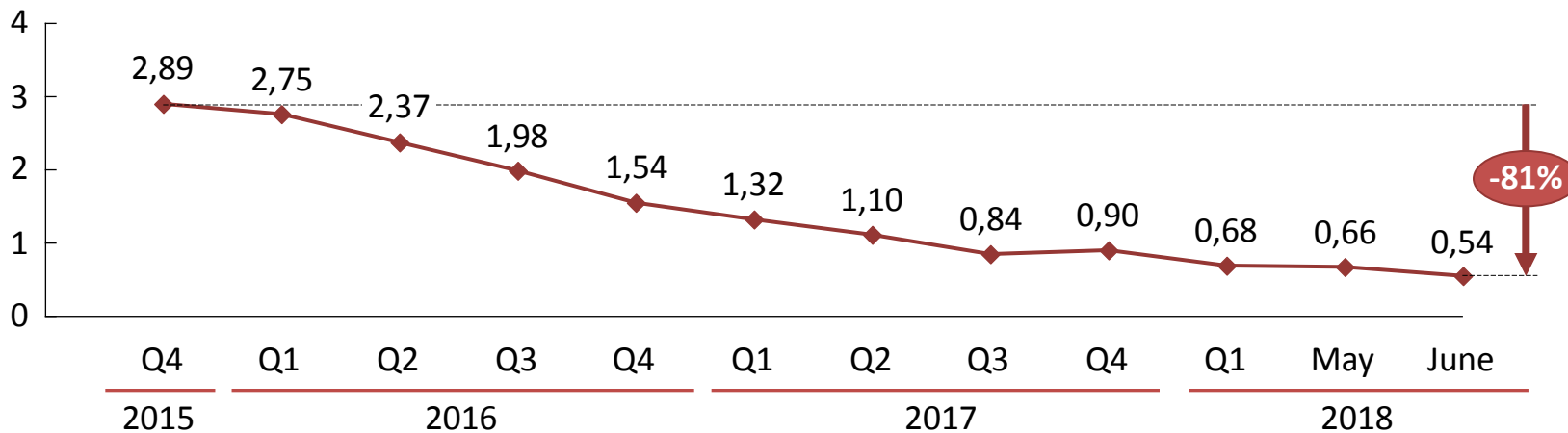
↑ **1 M USD**

↑ **24** Initiatives focused on procurement



1 Petkim achieved significant decrease in accident levels by applying very high HSE standards on its every project

Lost time injury frequency, # of accidents per million hours worked



Petkim Benim initiatives

5+ initiatives approved and being implemented



SAFE

Established new standardized procedures
Conducted trainings
Organized HSE workshops

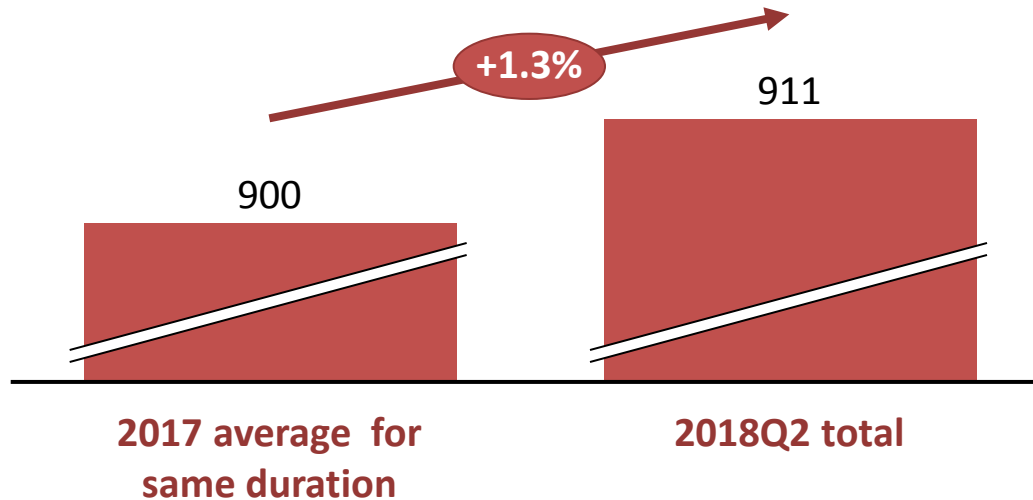


2 With the new Production Increase Incentives Initiative, Petkim achieved production increase while still complying to its high HSE standards

Pilot quarter results;

April 16th – June 30th (76 days)

Total production; '000 tons



SAFE
SOCAR AIMS FOR EFFICIENCY

All production related projects are implemented according to high HSE standards

~11k tons
~1.6M USD

Quarterly production increase

Quarterly EBIT increase

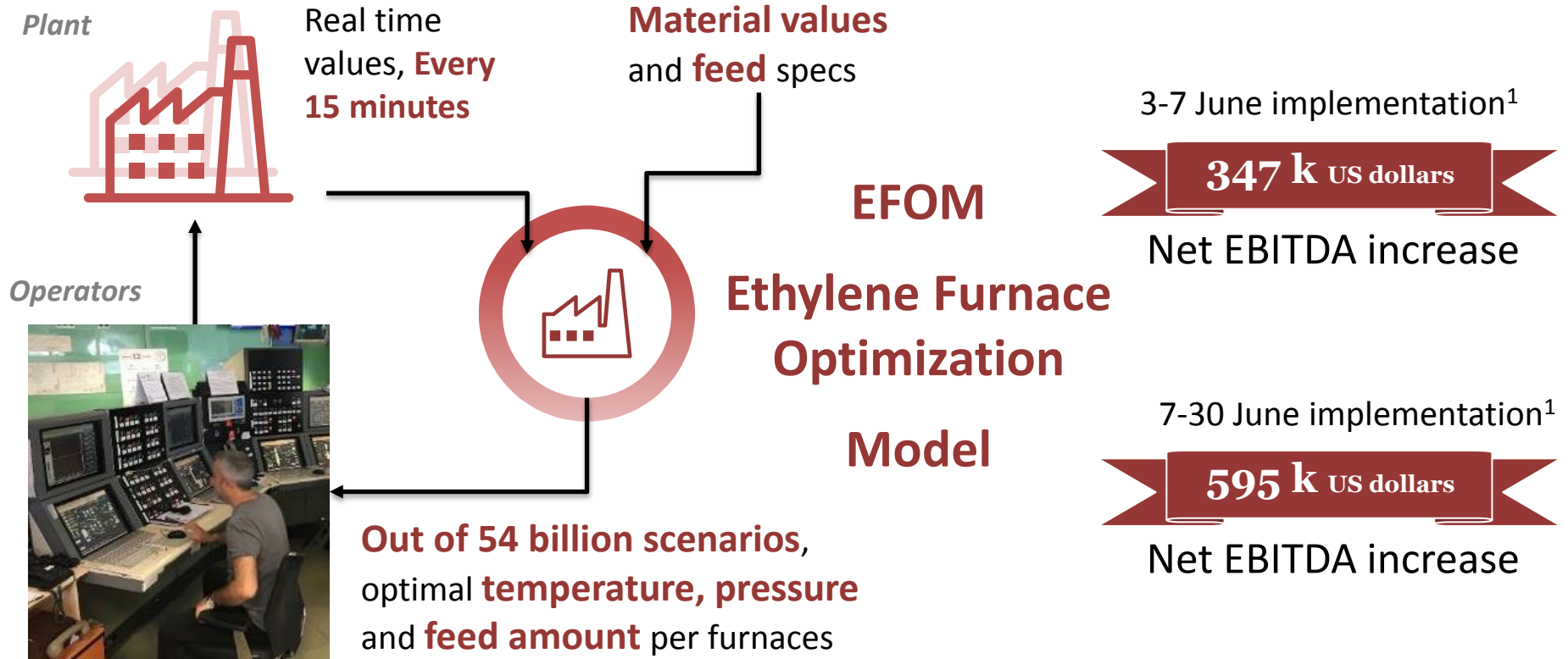


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3 Furnace optimization model of Ethylene Plant developed by Petkim engineers became the first important project of digital transformation



With limited implementation on the start-up phase

942k USD

Net EBITDA increase



4 Petkim saved 6 MUSD EBIT with COST optimization

Working Capital Optimization

Zero Based Budgeting

Unit Cost Optimization



**COST
Optimization**

~6M USD

Realized in 2018H1



SOCAR  **Petkim**

Petkim is creating partnerships with world's leading research institutes to develop and leverage cutting edge technologies



Process optimization

Catalyst optimization

Instrumentation and controls



ODTÜ



Prediction of repetitive failures

**Production of value-added
materials**

**Development of polymer
derivatives**



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Petkim

Investor Relations

We welcome your questions, comments and suggestions. Our corporate headquarters office address is:

Petkim Petrochemical Holding Corp. PO. Box.12
Aliğa, 35800 İzmir/ TURKEY

To contact us with respect to shareholding relations for individual and corporate investors, please call directly or send an e-mail to:

Semih ATALAY

SOCAR Turkey Investor Relations
Manager

Phone: +90 (212) 305 0142

Email: semih.atalay@socar.com.tr

Mustafa ÇAĞATAY

PETKIM IR Manager

Phone: +90 (232) 616 12 40 ext.2501

Email: mcagatay@petkim.com.tr

Also, please visit our web site at www.petkim.com.tr for further information and queries.



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