

Rating Action: Moody's takes rating actions on 9 Turkish corporates

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Turkish Airlines-related Enhanced Equipment Trust Certificates downgraded

Frankfurt am Main, July 20, 2016 -- Moody's Investors Service has placed on review for downgrade the ratings of the following eight Turkish corporates:

Anadolu Efes Biracilik ve Malt Sanayii A.S. (Efes)

Coca-Cola Icecek A.S. (CCI)

Dogus Holding A.S.

Koc Holding A.S.

Ordu Yardimlasma Kurumu (OYAK)

Turkcell Iletisim Hizmetleri A.S.

Turkiye Petrol Rafinerileri A.S. (Tupras) and

Turkiye Sise ve Cam Fabrikalari A.S. (Sisecam)

At the same time, Moody's has downgraded to Ba2 from Ba1 the corporate family rating (CFR) and to Ba2-PD from Ba1-PD the probability of default rating (PDR) of Turkey's national airline Turk Hava Yollari Anonim Ortakligi (Turkish Airlines).

Moody's also downgraded Turkish Airlines' Enhanced Equipment Trust Certificates (EETCs) to A3 from A2 (Bosphorus Pass Through Trust 2015-1A), to A3 from A2 (Anatolia Pass Through Trust 2015-1: Class A) and to Baa3 from Baa2 (Anatolia Pass Through Trust 2015-1: Class B). The outlook on the corporate and EETC ratings of Turkish Airlines is negative.

The actions on the other eight corporates follow the initiation of Moody's review for downgrade of Turkey's Baa3 government bond rating, which was in turn driven by the need to assess the impact of the failed military coup on the country's economic growth, policymaking institutions and external buffers, given the existing challenges in all of these areas. For full details, please refer to the sovereign rating action press release:

http://www.moodys.com/viewresearchdoc.aspx?docid=PR_352273

The rating action on Turkish Airlines was taken in response to weaker-than-expected financial and operating performance over the course of 2016, which Moody's anticipates will be further exacerbated by recent developments.

A complete list of affected companies and rating actions can be found at the end of this press release.

RATINGS RATIONALE

-- RATINGS OF EIGHT TURKISH CORPORATES PLACED ON REVIEW FOR DOWNGRADE

Today's rating action impacts eight Moody's-rated Turkish corporates that have ratings of either Ba1 or Baa3. The rating agency's review for downgrade of these ratings primarily reflects their credit linkages with the Turkish economy and their material exposure to the domestic operating environment.

The conclusion of the Turkey sovereign rating review could lead to either a confirmation of the sovereign ratings at the current level or a downgrade. While any downgrade of the Turkish sovereign would most likely be limited to one notch, a more severe downgrade is a possibility and therefore a lower government bond rating could become a rating constraint for both Ba1- and Baa3-rated companies.

In situations where issuers have strong business and financial profiles as well as a degree of credit delinkage with the sovereign, a negative rating action on the sovereign rating may not necessarily result in a downgrade of the corporate rating.

The rating reviews will also assess the credit implications, on each of the eight corporates, of (1) the conclusion of the review for downgrade on Turkey's government bond ratings; and (2) the impact of a more challenging operating environment for businesses in light of increasing political risks, heightened security concerns and potentially a weaker economic outlook.

-- TURKISH AIRLINES' RATINGS DOWNGRADED, NEGATIVE OUTLOOK ASSIGNED

Today's downgrade of the CFR and PDR reflects the downgrade of Turkish Airlines' baseline credit assessment (BCA), a measure of its standalone credit profile, to ba3 from ba2.

Moody's classifies Turkish Airlines as a government-related issuer (GRI) because of the Government of Turkey's 49.12% ownership stake. The ratings of Turkish Airlines incorporate a one-notch uplift of its BCA reflecting Moody's classification of the airline as a GRI and our moderate government support assumptions, which have not changed as a result of the rating action on Turkey's sovereign rating.

The downgrade of the BCA reflects (1) evidence of weaker-than-expected operational performance with load factors having decreased to 73.8% for the first five months of 2016 from 77.4% a year earlier, driven by a decline in foreign tourists travelling to Turkey; (2) the risk of a further decrease in demand for travellers passing through the Istanbul hub as a result of heightened security concerns in Turkey and Europe; and (3) a debt-funded fleet expansion in the current challenging operational environment, which led to a deterioration of Moody's adjusted debt to EBITDA (FX-adjusted) to 5.1x as of 31 March 2016 (LTM) from 4.4x as of 31 December 2015.

Moody's notes Turkish Airlines' proactive efforts to improve its profitability, however the credit challenges ahead could delay the positive impacts of such measures.

The negative outlook reflects some of the risk factors considered in the rating action on Turkey's sovereign rating including heightened security concerns as well as lower consumer confidence and economic growth. As a result, Moody's expects further weakening of credit metrics over the next 12-18 months.

-- TURKISH AIRLINES' EETC RATINGS DOWNGRADED, NEGATIVE OUTLOOK ASSIGNED

Today's downgrade of Turkish Airlines' EETCs accompanies the actions on Turkish Airlines' ratings.

EETC ratings are assigned by applying notching to an issuer's CFR, factoring in protective features such as (1) the importance of the aircraft collateral to the airline's network; (2) a legal framework that provides timely access to collateral following an insolvency where the airline no longer wants to use the aircraft; (3) liquidity facilities that fund a number of interest payments following the rejection of EETC financing; and (4) the equity cushion.

The Bosphorus Trust (Series 2015-1) transaction is secured by three Boeing B777-300ER aircraft. The Anatolia Trust (Series 2015-1, JPY-denominated) is secured by three Airbus A321-200 aircraft. Moody's believes these aircraft models will remain integral to the airline's respective long-haul and medium-haul network over the remaining lives of the EETCs.

Some pressure on the values of B777-300ERs relative to expectations and the depreciation of the US dollar versus the Japanese yen since these transactions were issued in 2015 have modestly lowered the equity cushions versus Moody's expectations, but not sufficiently to cause the rating agency to reduce notching relative to the CFR.

The ratings also reflect Moody's belief that Turkish Airlines would retain these aircraft under a reorganization scenario because of their relatively young age and the importance of these models to the network.

The negative outlook is aligned with the negative outlook on the rating of Turkish Airlines. Any combination of future changes in the underlying credit quality or ratings of Turkish Airlines, unexpected material changes in the market value of the aircraft and/or changes in the airline's network strategy that de-emphasize the subject aircraft models could cause Moody's to change its ratings of the EETCs.

The EETC ratings could also be lowered if the long-term local currency bond and deposit ceilings are lowered below Baa1 when Moody's concludes its review of the ratings it assigns to Turkey. EETC ratings are capped

by one notch above a country's long-term local currency bond and deposit ceilings. Moody's discusses the factors it considers when deciding whether to pierce Country Risk Ceilings in " How Sovereign Credit Quality Can Affect Other Ratings " and " Local Currency Country Risk Ceiling for Bonds and Other Local Currency Obligations," both linked here and available on Moodys.com.

The principal methodology used in rating Koc Holding A.S., Dogus Holding A.S. and Ordu Yardimlasma Kurumu (OYAK) was Investment Holding Companies and Conglomerates published in December 2015.

The principal methodology used in rating Turkiye Sise ve Cam Fabrikalari A.S. was Global Manufacturing Companies published in July 2014.

The principal methodology used in rating Turkiye Petrol Rafinerileri A.S. (Tupras) was Refining and Marketing Industry published in August 2015.

The principal methodology used in rating Turkcell Iletisim Hizmetleri A.S. was Global Telecommunications Industry published in December 2010.

The principal methodology used in rating Coca-Cola Icecek A.S. was Global Soft Beverage Industry published in May 2013.

The principal methodology used in rating Anadolu Efes Biracilik ve Malt Sanayii A.S. was Global Alcoholic Beverage Industry published in October 2013.

The principal methodology used in rating Turk Hava Yollari Anonim Ortakligi was Global Passenger Airlines published in May 2012. Other methodologies used include the Government-Related Issuers methodology published in October 2014.

The principal methodology used in rating Anatolia Pass Through Trust and Bosphorus Pass Through Trust 2015-1A was Enhanced Equipment Trust and Equipment Trust Certificates published in December 2015.

Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

LIST OF AFFECTED RATINGS:

On Review for Downgrade:

..Issuer: Dogus Holding A.S.

.... LT Corporate Family Rating, Placed on Review for Downgrade, currently Ba1

.... Probability of Default Rating, Placed on Review for Downgrade, currently Ba1-PD

..Issuer: Ordu Yardimlasma Kurumu (OYAK)

.... LT Issuer Rating, Placed on Review for Downgrade, currently Baa3

..Issuer: Turkiye Sise ve Cam Fabrikalari A.S.

.... LT Corporate Family Rating, Placed on Review for Downgrade, currently Ba1

.... Probability of Default Rating, Placed on Review for Downgrade, currently Ba1-PD

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Ba1

..Issuer: Koc Holding A.S.

.... LT Issuer Rating, Placed on Review for Downgrade, currently Baa3

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Baa3

..Issuer: Turkiye Petrol Rafinerileri A.S. (Tupras)

.... LT Corporate Family Rating, Placed on Review for Downgrade, currently Ba1

.... Probability of Default Rating, Placed on Review for Downgrade, currently Ba1-PD

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Ba1

..Issuer: Turkcell Iletisim Hizmetleri A.S.

.... LT Issuer Rating, Placed on Review for Downgrade, currently Baa3

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Baa3

..Issuer: Coca-Cola Icecek A.S.

.... LT Issuer Rating, Placed on Review for Downgrade, currently Baa3

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Baa3

..Issuer: Anadolu Efes Biracilik ve Malt Sanayii A.S.

.... LT Issuer Rating, Placed on Review for Downgrade, currently Baa3

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently Baa3

Downgrades:

..Issuer: Turk Hava Yollari Anonim Ortakligi

.... LT Corporate Family Rating, Downgraded to Ba2 from Ba1

.... Probability of Default Rating, Downgraded to Ba2-PD from Ba1-PD

..Issuer: Anatolia Pass Through Trust

.... Enhanced Equipment Trust, Downgraded to Baa3 from Baa2

.... Enhanced Equipment Trust, Downgraded to A3 from A2

..Issuer: Bosphorus Pass Through Trust 2015-1A

.... Enhanced Equipment Trust, Downgraded to A3 from A2

Outlook Actions:

..Issuer: Dogus Holding A.S.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Ordu Yardimlasma Kurumu (OYAK)

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Turkiye Sise ve Cam Fabrikalari A.S.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Koc Holding A.S.

....Outlook, Changed To Rating Under Review From Positive

..Issuer: Turkiye Petrol Rafinerileri A.S. (Tupras)

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Turkcell Iletisim Hizmetleri A.S.

....Outlook, Changed To Rating Under Review From Negative

..Issuer: Coca-Cola Icecek A.S.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Anadolu Efes Biracilik ve Malt Sanayii A.S.

...Outlook, Changed To Rating Under Review From Negative

..Issuer: Turk Hava Yollari Anonim Ortakligi

...Outlook, Changed To Negative From Stable

..Issuer: Anatolia Pass Through Trust

...Outlook, Changed To Negative From Stable

..Issuer: Bosphorus Pass Through Trust 2015-1A

...Outlook, Changed To Negative From Stable

The local market analyst for Koc Holding A.S. and Turkiye SiSe ve Cam Fabrikalari A.S.'s ratings is Rehan Akbar, AVP-Analyst, Corporate Finance Group, Telephone: 9714-237-9565.

The local market analyst for Coca-Cola Icecek A.S., Anadolu Efes Biracilik ve Malt Sanayii A.S., Turkcell Iletisim Hizmetleri A.S. and Turkiye Petrol Rafinerileri A.S. (Tupras)'s ratings is Julien Haddad, Analyst, Corporate Finance Group, Telephone: 9714-237-9539.

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The person who approved Anatolia Pass Through Trust and Bosphorus Pass Through Trust 2015-1A credit ratings is Robert Jankowitz, MD-Corporate Finance, Corporate Finance Group, Journalists 212 553 0376, Subscribers 212 553 1653.

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