

Rating Action: Moody's downgrades 11 Turkish corporates to B1 following sovereign downgrade

19 Jun 2019

London, 19 June 2019 -- Moody's Investors Service has today downgraded the ratings on 11 non-financial corporates domiciled in Turkey.

These rating actions follow Moody's downgrade, on 14 June, of the Government of Turkey's long-term issuer rating to B1 from Ba3 while maintaining a negative outlook. Moody's also lowered Turkey's foreign currency bond ceiling to B1 from Ba2. For further information on the sovereign rating action, please refer to Moody's press release published on 14 June 2019: https://www.moody's.com/research/--PR_402552

Moody's has downgraded the ratings of the following seven Turkish corporates to B1 with negative outlooks:

- Anadolu Efes Biracilik ve Malt Sanayii A.S. (Efes)
- Coca-Cola Icecek A.S. (CCI)
- Dogan Sirketler Grubu Holding A.S. (Dogan)
- Koc Holding A.S. (Koc Holding)
- Ordu Yardimlasma Kurumu (OYAK)
- Turk Hava Yollari Anonim Ortakligi (Turkish Airlines)
- Turkiye Petrol Rafinerileri A.S. (Tupras)

At the same time, Moody's has downgraded the ratings of the following four Turkish corporates to B1 and placed their ratings on review for downgrade:

- Eregli Demir ve Celik Fabrikalari T.A.S. (Erdemir)
- Ronisans Gayrimenkul Yatirim A.S. (Ronesans)
- Turkcell Iletisim Hizmetleri A.S. (Turkcell)
- Turkiye Sise ve Cam Fabrikalari A.S. (Sisecam)

In addition, the B1 ratings of Petkim Petrokimya Holding A.S. (Petkim) were placed on review for downgrade.

Full details of the rating actions for the affected entities can be found at the end of this press release.

RATINGS RATIONALE

The rating actions on these corporates is a direct consequence of the downgrade of the Government of Turkey and the lowering of Turkey's foreign currency bond ceiling, both to B1. As a result of this ceiling having been lowered by two notches to B1, corporates which were previously constrained at the Ba2 ceiling have now been downgraded by two notches to B1.

Most rated corporates continue to have prudent financial policies, healthy balance sheets and strong business profiles that include foreign currency revenues. The credit fundamentals of these corporates suggest a higher rating level. However, their corporate ratings are constrained by the foreign currency bond ceiling because these companies are materially exposed to Turkey's political, legal, fiscal and regulatory environment. One such example is the elevated risk of government-imposed measures to preserve the country's foreign exchange reserves that could prevent corporates from accessing their foreign currency cash deposits or servicing their foreign currency debt obligations.

Moody's views the weakening of the credit quality of Turkey-based financial institutions as a growing risk for

the rated corporates. The baseline credit assessments (BCA) of Moody's-rated Turkish banks is now between b3 and caa2, from b2-caa1 previously and the long-term foreign currency deposit ceiling has been lowered to B3 from B2. This is credit negative for the corporates that rely on short-term funding from or have foreign currency cash deposits with the local banks because they are exposed to growing counterparty and refinancing risk. However, based on Moody's assessment, companies rated B1 with a negative outlook demonstrate some resilience and independence from the local banking system.

Moody's classifies Turkish Airlines as a government-related issuer (GRI). GRI assumptions include 'strong' likelihood of extraordinary government support and 'high' default dependence between the government and Turkish Airlines. The company's b1 BCA remains unchanged.

The corporates that have been assigned a negative outlook is to reflect the negative outlook on the sovereign rating.

The corporates whose ratings have been placed on review for downgrade face in Moody's view more elevated credit and liquidity risks as a result of one or more of the following characteristics: (1) concentration and reliance of foreign currency deposits with domestic banks; (2) reliance on short-term credit lines; (3) large upcoming debt maturities; (4) weak free cash flow generation; and (5) significant currency mismatch between cash flows and debt servicing obligations.

The review period will focus on the robustness of these corporates' liquidity and business profiles, including their dependence on the Turkish banking system and their requirement for continued market access in order to meet operational and financial needs. Moody's expects to conclude the review within a maximum timeframe of three months.

WHAT COULD CHANGE THE RATINGS UP/DOWN

The ratings of corporates that have been assigned a negative outlook could be upgraded if Turkey's foreign currency bond ceiling is raised. This would also require no material deterioration in the companies' operating and financial performance, market positions and liquidity.

Their ratings are likely to be downgraded in case of a further downgrade of Turkey's sovereign rating or a lowering of the foreign currency bond ceiling. In addition, downward rating pressure could arise if there are signs of a deterioration in liquidity or if government-imposed measures were to have an adverse impact on corporate credit quality.

The ratings of CCI and Turkish Airlines incorporate a degree of support from their respective shareholders. Their ratings could therefore also be negatively affected by evidence of reduced shareholder support.

LIST OF AFFECTED RATINGS

Downgrades:

..Issuer: Eregli Demir ve Celik Fabrikalari T.A.S.

.... Probability of Default Rating, Downgraded to B1-PD from Ba3-PD; Placed on Review for further Downgrade

.... Corporate Family Rating, Downgraded to B1 from Ba3; Placed on Review for further Downgrade

..Issuer: Ronesans Gayrimenkul Yatirim A.S.

.... Corporate Family Rating, Downgraded to B1 from Ba3; Placed on Review for further Downgrade

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba3; Placed on Review for further Downgrade

..Issuer: Turkiye Petrol Rafinerileri A.S.

.... Probability of Default Rating, Downgraded to B1-PD from Ba2-PD

.... Corporate Family Rating, Downgraded to B1 from Ba2

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba2

..Issuer: Turkcell Iletisim Hizmetleri A.S.

.... Probability of Default Rating, Downgraded to B1-PD from Ba2-PD; Placed on Review for further Downgrade

.... Corporate Family Rating, Downgraded to B1 from Ba2; Placed on Review for further Downgrade

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba2; Placed on Review for further Downgrade

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

.... Probability of Default Rating, Downgraded to B1-PD from Ba2-PD

.... Corporate Family Rating, Downgraded to B1 from Ba2

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba2

..Issuer: Dogan Sirketler Grubu Holding A.S.

.... Corporate Family Rating, Downgraded to B1 from Ba3

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

.... Probability of Default Rating, Downgraded to B1-PD from Ba2-PD

.... Corporate Family Rating, Downgraded to B1 from Ba2

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba2

..Issuer: Koc Holding A.S.

.... Probability of Default Rating, Downgraded to B1-PD from Ba2-PD

.... Corporate Family Rating, Downgraded to B1 from Ba2

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba2

..Issuer: Ordu Yardimlasma Kurumu (OYAK)

.... Corporate Family Rating, Downgraded to B1 from Ba2

..Issuer: Turk Hava Yollari Anonim Ortakligi

.... Probability of Default Rating, Downgraded to B1-PD from Ba3-PD

.... Corporate Family Rating, Downgraded to B1 from Ba3

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

.... Probability of Default Rating, Downgraded to B1-PD from Ba2-PD; Placed on Review for further Downgrade

.... Corporate Family Rating, Downgraded to B1 from Ba2; Placed on Review for further Downgrade

....Senior Unsecured Regular Bond/Debenture, Downgraded to B1 from Ba2; Placed on Review for further Downgrade

On Review for Downgrade:

..Issuer: Eregli Demir ve Celik Fabrikalari T.A.S.

....NSR Corporate Family Rating, Placed on Review for Downgrade, currently Aa1.tr

..Issuer: Petkim Petrokimya Holding A.S.

.... Probability of Default Rating, Placed on Review for Downgrade, currently B1-PD

... Corporate Family Rating, Placed on Review for Downgrade, currently B1

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently B1

Outlook Actions:

..Issuer: Ereğli Demir ve Çelik Fabrikaları T.A.S.

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

..Issuer: Ronesans Gayrimenkul Yatırım A.S.

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

..Issuer: Türkiye Petrol Rafinerileri A.S.

...Outlook, Remains Negative

..Issuer: Turkcell İletişim Hizmetleri A.S.

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

..Issuer: Coca-Cola İçecek A.S.

...Outlook, Remains Negative

..Issuer: Doğan Sirketler Grubu Holding A.S.

...Outlook, Remains Negative

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

...Outlook, Remains Negative

..Issuer: Koc Holding A.S.

...Outlook, Remains Negative

..Issuer: Ordu Yardımlaşma Kurumu (OYAK)

...Outlook, Remains Negative

..Issuer: Petkim Petrokimya Holding A.S.

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

..Issuer: Türk Hava Yolları Anonim Ortaklığı

...Outlook, Remains Negative

..Issuer: Türkiye Sise ve Cam Fabrikaları A.S.

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

PRINCIPAL METHODOLOGIES

The principal methodology used in rating Ereğli Demir ve Çelik Fabrikaları T.A.S. was Steel Industry published in September 2017. The principal methodology used in rating Ronesans Gayrimenkul Yatırım A.S. was REITs and Other Commercial Real Estate Firms published in September 2018. The principal methodology used in rating Türkiye Petrol Rafinerileri A.S. was Refining and Marketing Industry published in November 2016. The principal methodology used in rating Turkcell İletişim Hizmetleri A.S. was Telecommunications Service Providers published in January 2017. The principal methodology used in rating Coca-Cola İçecek A.S. was Global Soft Beverage Industry published in January 2017. The principal methodology used in rating Doğan Sirketler Grubu Holding A.S., Koc Holding A.S. and Ordu Yardımlaşma Kurumu (OYAK) was Investment Holding Companies and Conglomerates published in July 2018. The principal methodology used in rating Anadolu Efes Biracılık ve Malt Sanayii A.S. was Global Alcoholic Beverage Industry published in March 2017.

The principal methodology used in rating Petkim Petrokimya Holding A.S. was Chemical Industry published in March 2019. The principal methodology used in rating Turkiye Sise ve Cam Fabrikalari A.S. was Global Manufacturing Companies published in June 2017. The principal methodologies used in rating Turk Hava Yollari Anonim Ortakligi were Passenger Airline Industry published in April 2018 and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1174796.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Mario Santangelo
Associate Managing Director
Corporate Finance Group

JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.