



Fitch: SIBUR Remains on RWN on Stalled MBO Plan Ratings Endorsement Policy23 Sep 2008 5:43 AM (EDT)

Fitch Ratings-London/Frankfurt/Moscow-23 September 2008: Fitch Ratings is maintaining Russia-based petrochemical producer OJSC SIBUR Holding's (SIBUR) Long-term Issuer Default rating (IDR) of 'BB' on Rating Watch Negative (RWN). This follows Friday's announcement by Gazprombank and Hidron Holdings Ltd. that talks on the sale of a controlling stake in SIBUR have been halted due to current financial market conditions. The Short-term IDR is affirmed at 'B'.

Gazprombank and Hidron Holdings Ltd. said the sale may resume once market conditions have improved. Gazprombank had signed a preliminary deal in late April to sell a 50% plus one stake in SIBUR for RUB53.5bn to Cyprus-registered Hidron Holdings Ltd, which is owned by five of SIBUR's senior executives.

Fitch is keeping the Long-term IDR on RWN due to uncertainty surrounding SIBUR's strategy following the cancellation of the MBO plan. While the suspension of the MBO plans has temporarily alleviated downward pressure on the rating, the agency seeks to clarify a number of issues with SIBUR's management, including the company's plans for funding the capex programme, future dividend policy and M&A ambitions. Fitch will meet with SIBUR's management in late October and aims to resolve the Rating Watch in November.

The Long-term IDR was originally placed on RWN on 4 March 2008 following the company's announcement of potential private offerings of several sizeable bond issues in relation to SIBUR's investment programme, and possible acquisition and merger transactions. The RWN reflected Fitch's concerns that the company's financial leverage could increase substantially and signal a deviation from SIBUR's policy of maintaining a conservative financial profile. On 24 April 2008 Fitch announced that the IDR would remain on RWN after SIBUR's announcement of a management initiative to buy out a controlling stake added to Fitch concerns of elevated leverage. Fitch was also concerned the company's financial profile could deteriorate as a result of dividends being upstreamed to service the acquisition debt. The five senior managers who had been temporarily released from their positions since April for the time of the negotiations will resume their work on the executive board of SIBUR.

SIBUR is the largest vertically integrated petrochemicals producer in Russia, and commands market-leading positions in its major products. Its major shareholders are Gazprombank (70%-1 share) and Gazfund (25%+1 share). Based on the company's audited FY07 accounts, revenue increased 17% to RUB142bn with an EBITDA margin of 23.2%. SIBUR's net debt/EBITDAR increased to 0.7x in FY07 from 0.2x in FY06. Sibur's credit ratios at FYE07 were comfortable for the rating level. Fitch expects an improvement of SIBUR's financial performance in the first half of FY08.

Contact: Oliver Kroemker, Frankfurt, Tel: +49 69 768 076 253; Matthias Volkmer, London, +44 207 862 4025.

Media Relations: Peter Fitzpatrick, London, Tel: + 44 (0)20 7417 4364; Christian Giesen, Frankfurt, Tel: + 49 (0) 69 7680 762 32; Alla Izmailova, Moscow, Tel: +7 495 956 9903.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

Copyright © 2013 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries.