



Fitch Puts Sibur on Rating Watch Negative on Potential Bond Issues Ratings

Endorsement Policy

04 Mar 2008 9:43 AM (EST)

Fitch Ratings-London-04 March 2008: Fitch Ratings has today placed Russia-based petrochemical producer OJSC Sibur Holding's (Sibur) Long-term Issuer Default rating (IDR) of 'BB' on Rating Watch Negative (RWN). The Short-term IDR is affirmed at 'B'. The RWN follows the company's announcement of potential private offerings of several bond issues for a sizeable amount. The potential bond issues will require shareholder approval at the general shareholders meeting on 14 March 2008. Sibur has announced that it will consider the necessity of the bond issues depending on current financial requirements for implementation of the investment programme and possible acquisition and merger transactions.

The RWN reflects Fitch's concerns that the potential sizable bond issues signal a deviation from Sibur's strategy of growth while maintaining a conservative financial profile, thus putting pressure on the current rating. In particular, leverage of Sibur may increase substantially what is against the company's previous conservative financial policies to keep the leverage low. Fitch expects to resolve the RWN following a management meeting with the company in the coming months. The agency will seek to clarify the company's acquisition strategy, financing structure and the impact of these matters on Sibur credit profile.

Sibur has achieved a significant operational and financial turnaround since 2002, with the support of its sole shareholder, Gazprom group ('BBB-' (BBB minus)/Positive). Fitch acknowledges Gazprom's historical support for, and its current business ties, with Sibur, which range from Gazprom supplying some of Sibur's feedstock to managing Sibur's export business. At present, Fitch views Sibur as a largely independent credit, given Gazprom's uncertain strategy regarding the subsidiary and Sibur's lack of integration into, and its limited strategic importance to, the Gazprom group. However, should there be evidence of a change in Gazprom's view on Sibur's strategic importance, this may put upward pressure on Sibur's rating.

Based on the company's recent FY07 earnings estimates, revenue is expected to have increased to RUB140bn with EBITDA margin of around 23.0%. Sibur's FY07 leverage should remain low at under 0.5x. In FY06, Sibur reported sales of RUB121.9bn (USD4.6bn), up 14% y-o-y. It reported strong operating EBITDAR margin of 26.5%. Sibur's credit ratios, were comfortable for the rating with net debt/EBITDAR of 0.2x at FYE06.

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