

Announcement: Moody's: OJSC Sibur Holding's launch of Tobolsk-Polymer Plant is credit positive

Global Credit Research - 16 Oct 2013

London, 16 October 2013 -- Moody's Investors Service has today said that it views as credit positive for OJSC Sibur Holding (SIBUR, Ba1 stable) the company's recent launch of its Tobolsk-Polymer plant. In Moody's view, the plant will help the company to improve the quality of its product portfolio and increase its share of the Russian polypropylene production to around 55% in mid-term. According to Moody's estimates, at 100% utilization rate the facility will generate annual revenue of around \$600 million and support SIBUR's EBITDA margin of above 30%.

Tobolsk-Polymer plant launched on October 15 and cost SIBUR around RUB60 billion (around \$2 billion) to build, has an annual capacity of 500,000 tonnes of polypropylene. As such, Tobolsk-Polymer has the largest capacity of any polypropylene plant in Russia and is one of the world's top three plants of its kind. The plant utilises modern technology, is located at the same production site as SIBUR's gas fractionation unit and is in close proximity to cost-advantaged feedstock sources in Western Siberia. As a result, the plant has a low cost base and Moody's estimates that its cash costs are in the first quartile of global cost curve.

The launch of the plant will improve the quality of SIBUR's product portfolio towards more high-value-added petrochemical products vs. energy products (such as liquefied petroleum gases (LPG), naphtha and natural gas). Moody's estimates that the proportion of revenue that SIBUR derives from basic polymers is will increase to around 12% by 2015 (2012: 8%), while the company's share of the domestic polypropylene production will increase to around 55% in mid-term (2012: 37%).

The launch of Tobolsk-Polymer plant will close the gap in the Russian polypropylene market between supply (estimated of around 660 thousand tonnes in 2012) and demand (estimated of over 880 thousand tonnes in 2012) while the remainder will be exported to other Commonwealth of Independent States (CIS) countries and overseas. Moody's expects that at 100% utilization rate the facility will generate annual revenue of around \$600 million in mid-term, resulting in a total increase in the company's revenue of around 15% compared with 2012 (RUB270 billion (\$9 billion)).

Tobolsk-Polymer plant will also help SIBUR to maintain its adjusted EBITDA margin of above 30% in the next 3-5 years despite (1) ongoing pricing pressure in the global petrochemical markets, influenced by a challenging global economic environment that is characterised by low GDP growth; (2) the expected weakness in the margin of SIBUR's energy products segment due to a gradual change of the company's feedstock mix, with a lower share attributable to associated petroleum gas (APG). The latter reflects moderate growth in oil production in Western Siberia, given the maturity of oil fields in the region, as a result of which APG has limited growth potential. Moody's expects that SIBUR will continue to demonstrate strong financial metrics in the next 12-18 months, in line with its stated financial policy of debt/EBITDA through the cycle of below 2.5x and EBITDA/interest expense of above 7.0x.

The launch of the plant is also credit positive for Russia's Tyumen region. The project will contribute to the development of the region's economy, including creation of approximately 1,000 new jobs (including vendors and contractors).

Moody's also understands that SIBUR is currently considering further expanding its polymer capacities in Tobolsk. The final decision including the contract structure and financing scheme expected either in late 2013 or the beginning of 2014. The rating agency will assess the structure of the project and its funding (including project cost and timing as well as the sources and terms of financing) to estimate its impact on the company's business profile, financial metrics and liquidity position over the medium term.

Sergei Grishunin
Asst Vice President - Analyst
Corporate Finance Group
Moody's Investors Service Limited, Russian Branch
7th floor, Four Winds Plaza
21 1st Tverskaya-Yamskaya St.

Moscow 125047
Russia

Victoria Maisuradze
Associate Managing Director
Corporate Finance Group

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

MOODY'S
INVESTORS SERVICE

© 2013 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("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. 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. 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 MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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. 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. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, 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 MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. 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 "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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 clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.