

Rating Action: Moody's confirms Sibur's Ba2 Corporate Family Rating

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Paris, October 15, 2008 -- Moody's Investors Service has today confirmed the Ba2 Corporate Family Rating and the Ba2 Probability of Default rating of Sibur Holding OJSC ("Sibur") with a stable outlook. The ratings were put on review for possible downgrade in May 2008 following the announcement of the contemplated management buyout of 50% +1 share of the company from its main shareholder Gazprombank (Baa1, stable) for approximately US\$ 2.3 billion (RUR 53.5 billion).

In September 2008, the company announced the cancellation of the MBO transaction due to unfavourable market conditions, and advised that it does not intend to resume such activity in the foreseeable future.

In its action plan aiming at mitigating the potential chemical market downturn, the company re-evaluated and re-prioritised its investment programme (including acquisition activity) and embarked on a cost-saving programme. The company is expected to repay its debt of US\$542 million maturing in 2009 thanks to a moderate non-discretionary capex that should be fully financed by operating cash-flow and available bank facilities of US\$570 million.

Based on year 2007 and expected LTM 2008 financial results, Sibur is strongly positioned in its rating category, given its high profitability vis-à-vis industry peers (EBITDA margin of 23% in 2007, 27% in 2008), low leverage of Debt/EBITDA comfortably below 1 and positive free cash flow. However, Moody's notes that Sibur might consider to increase capex spending up to ca. US\$6 billion for 2009-2010, which would require to raise new debt. The agency will monitor the company's ability to raise required financing for potential tightening of liquidity.

The stable outlook reflects Moody's expectation that the company will be able to defend its margins in the lower phase of the chemical cycle, adhere to conservative financial policies and liquidity management and apply prudent project selection criteria. In view of the planned ambitious capex programme and potential acquisition activity, Moody's expects Sibur to be able to maintain over time the level of Cash From Operations (CFO) to Debt consistently above 30%, and leverage measured by adjusted Debt/EBITDA below 1.5x. A failure to maintain such metrics might create negative pressure on the rating.

Domiciled in St. Petersburg, Russian Federation OJSC Sibur Holding is the largest Russian vertically integrated petrochemical holding, producing hydrocarbon feedstock, fertilizers, Synthetic rubbers, polymers and tyres. Sibur's reported revenues in 2007 amounted to RUR143 billion, EBITDA RUR34 billion and net income RUR22.3 billion.

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