MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Ba2 rating to OJSC Sibur Holding, stable outlook

Global Credit Research - 24 Jan 2007

Frankfurt, January 24, 2007 --

This is the first time that Moody's rates this company.

Moody's Investors Service has today assigned a Ba2 Corporate Family Rating to OJSC Sibur Holding ("Sibur") with a stable outlook.

Moody's Ba2 corporate family rating reflects i) Sibur's position as the largest vertically integrated petrochemical company in Russia; ii) cost leadership benefiting from a stable access to lower cost feedstock and ability to process this lower cost feedstock (associated petroleum gas, or "APG") at its integrated gas processing facilities, iii) the company's dominant or leading market share in a number of products, supported by the absence of similar-sized domestic competitors; iv) a strong financial performance and debt profile, with EBITDA margins in the high teens and with a Debt/EBITDA level targeted to remain below 1.0x going forward, v) high growth potential of the Russian petrochemical market, still depending on less price-competitive imports to fill demand gap; vi) good liquidity situation as Sibur is committed to maintain USD 500 million standby credit facilities and USD 100 million cash balances at all times.

On the other hand, the ratings remain constrained by i) the key competitive advantage resulting from its hydro-carbon feedstock production both for internal further processing and external sale; this advantage largely depends on uninterrupted access to APG at low cost; ii) the cyclical nature of the petrochemical markets in which the company operates; the magnitude of the cyclical swings in the next few years depending to a large extent on the balance of capacity additions mainly in the Middle East and demand development in the growing Asian economies; any significant excess capacity of similarly low-cost producers in the Middle East could result in increasing competition or margin pressure in Sibur's domestic market; iii) the company's exposure to volatile energy and raw material markets, with current profitability positively affected by high oil and gas prices which also drive the sales price of its hydro-carbon feedstock; iv) high maintenance and development capital investment requirements, v) a relatively short record of sustainable operating performance following the company's change of management since 2003, and vi) political, fiscal, and legislation risks associated with the operational environment of the Russian Federation; iv) the limited product diversification (mainly rubbers, liquid petroleum gases, polyolefins, tires and fertilizers) as well as the geographic concentration providing only little comfort against these risks.

The ratings also factor in Sibur's strong operational and financial ties with Gazprom Group (export sales of Sibur are channeled via OJSC Gazprom' export vehicle GazpromExport, and GazpromBank supports the company's liquidity by providing significant standby credit lines), the 100% holder of control over Sibur, rated "A3" by Moody's, as well as a history of credit support from Gazprom, particularly at the time of Sibur's debt re-structuring in 2002.

The stable outlook on all ratings reflects Moody's expectation that Sibur will further demonstrate sustainability of its operations and management strategy. Moody's expects that implementation, cost overruns and liquidity risks associated with the company's sizeable 3 year' capex program will be mitigated by robust cash flows underpinned by further improving domestic market conditions, and prudent financial strategy. Moody's does not consider Sibur's contemplated acquisition activities as significantly risk-generating.

OJSC Sibur Holding, domiciled in St. Petersburg, Russian Federation, is the largest Russian petrochemical vertically integrated holding, producing Hydrocarbon feedstock, Fertilizers, Synthetic rubbers, Polymers, and Tires. Sibur's revenues in 2005 amounted to USD 3.8 billion, EBITDA to USD 0.8 billion, net income to USD 0.4 billion.

Frankfurt
Johannes Wassenberg
Managing Director
Corporate Finance Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moscow
Julia Pribytkova
Asst Vice President - Analyst
Corporate Finance Group
Moody's Eastern Europe
Telephone: +7 495 641-1881
Facsimile: +7 495 641-1897