CURRENT REPORT

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, November 20th 2012

Current Report No. 166/2012

Warsaw, November 20th 2012 Moody's downgrades PGNiG's rating from Baa1 to Baa2 Current Report No. 166/2012 The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG" or the "Company") reports that on November 20th 2012 it was notified that the rating agency Moody's Investors Service ("Moody's" or the "Agency") downgraded PGNiG's credit rating from Baa1 to Baa2, with negative outlook.According to Moody's, the downgrade chiefly reflects the deterioration in PGNiG's operating performance versus 2011 due to the negative gas margin in its trade operations, coupled with higher debt levels on the acquisition of PGNiG Termika. The Agency points out the uncertain future setup of the Polish gas market and its possible impact on the Company's performance. Another factor taken into account is PGNiG's evolving business risk profile related to growing expenditure on hydrocarbon exploration and production, i.e. unregulated business lines, on which an additional oil and gas tax could be levied in Poland.Moody's notes that PGNiG is taking measures to improve its operational efficiency, particularly that it has signed an amendment to the Yamal contract with OJSC Gazprom "Gazprom export", expected to contribute ca. PLN 2.5-3bn to the Company's 2012 EBITDA. The Agency also notes that the contribution of the amended provisions to PGNiG's future performance will depend on the level of gas prices paid by final customers. The PGNiG Management Board views the Company's liquidity position as secure, with the 2012 and 2013 financing needs under the investment programme fully met, especially after signing the amendment bringing down the gas prices paid by the Company under its long-term Yamal contract (see Current Report No. 157/2012).The Management Board underlines that a sound investment rating is a priority, particularly in the context of the ongoing investment projects designed to enhance the country's energy security, as it facilitates the execution and ensures less costly access to financing for the projects. In light of the foregoing, the Management Board expects that the right decisions on gas prices and launch of production from new gas fields will bolster the Company's financial ratios and provide rationale for an upgrade in its credit ratings.Seeking to improve the Company's standing, the Management Board has also embarked on a restructuring process within the Group, with the efforts extending primarily to Gas Trading Divisions and Production Branches.See also: Current Report No. 119/2011, Current Report 125/2011 and Current Report No. 23/2012.