Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, November 28th 2012

Current Report No. 173/2012

Warsaw, November 27th 2012Standard and Poor’s lowers PGNiG's credit rating from BBB to BBB-Current Report No. 173/2012The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG" or the "Company”) reports that on November 28th 2012 it was notified that the rating agency Standard and Poor’s ("S&P" or the "Agency") downgraded PGNiG's credit rating from BBB to BBB-, with stable outlook.As stated by S&P the PGNiG Group reported unprecedented trading losses as a result of the regulator’s refusal to allow timely pass through of a significant increase in the cost of imported gas in 2012. The regulatory framework for Poland's gas market appears to prevent PGNiG from passing on the price of natural gas imports to end consumers, making the group highly vulnerable to volatility in commodity markets. The Agency has pointed out that the Company's financial ratios fell in 2011 due to negative margins on gas sales and high investment expenditure.S&P believes that the execution of annex to the Yamal contract for gas supplies with OAO Gazprom/OOO Gazprom Export will enable the Company to avoid further losses and will stabilise its financial performance and credit metrics.The Agency perceives PGNiG's liquidity as adequate and does not anticipate any significant changes in its business risk profile over the next two years, which is reflected in the stable outlook.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 maintaining a sound investment rating is a priority, particularly in the context of the ongoing 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, including consolidation and optimisation of assets within the PGNiG Group.See also: Current Report No. 159/2011, Current Report No. 134/2012.