Wysogotowo, May 9th 2012

Standard & Poor's lowers its long-term corporate credit rating on PBG S.A. to "B+" from "BB-"

Standard & Poor's (S&P) rating update reflects PBG's current liquidity situation (previous rating BB-). At the same time, S&P analysts believe that PBG is likely to succeed in refinancing a part of its debt, raise funds to finance its day-to-day operations and improve the Group's liquidity.

S&P states that due to relatively late consolidation of Rafako (November 2011) the PBG Group's performance reflected the full impact of Rafako's debt, but only two months of earnings and cash flows from Rafako. As a result, the ratios of adjusted debt to EBTIDA of 4.4x adversely affected the ratings. S&P expects that the ratios will improve materially in 2012. This is corroborated by the pro forma ratio of adjusted debt to EBITDA reflecting Rafako's full-year results for 2011, estimated at 3.5x.

In the analysis, S&P focuses on the risk related to the PLN 375m domestic bond maturing in September 2012 and the Company's dependence on external liquidity sources. S&P expects that PBG will continue to generate negative free operating cash flows (FOCF), which in turn increase the Company's working capital requirement. According to S&P, this is mainly due to road construction projects that consume a lot of PBG's working capital and increase its need for external funding.

S&P believes that despite constrained financial flexibility, PBG has various options to raise financing for its on-going operations and repayment of maturing debt. The Company may contract new bilateral loans with its relationship banks and generate cash from disposal of non-core assets. S&P also notes that PBG conducts negotiations with banks to secure bridge financing of approx. PLN 200 million. The Company is also in discussions with prospective strategic and financial investors about the placement of a convertible bond of PLN 1.2 billion that it plans to issue. S&P also notes a cost savings programme targeted at about 10% of budgeted operating costs for 2012.

S&P expects that maturing debt (loans and bonds) will be in part rolled over or refinanced. Considering the short-term refinancing risk, S&P decided to assign PBG a "B+" rating with negative implications (previously "BB-" with stable outlook).

"S&P's rating mainly reflects the PBG Group's current situation. However, it should be noted that our current efforts to raise financing from various sources, i.e. bridge loan, disposal of non-core assets or placement of a convertible

bond, may radically change our situation and, consequently, the S&P's rating, which S&P itself suggests," commented Przemysław Szkudlarczyk, Vice-President of the Management Board of PBG.

In line with the methodology applied by S&P, the rating consists of two parts: company's business risk profile, which was assessed as fair, and its financial risk profile, assessed as aggressive. S&P indicated that the rating is supported by PBG's leading position in Poland's construction market, which will benefit from a high level of planned investment in infrastructure projects and public facilities over the next few years, as well as solid and operating margins and sound capital structure for the rating level. S&P stated that PBG's rating is limited by the Company's exposure to project-related execution risk in the cyclical and competitive construction industry. Furthermore, the rating is constrained by PBG's small size, weak cash flow profile, and limited diversity, especially its lack of geographic presence beyond its domestic market.

CreditWatch

The CreditWatch placement reflects S&P's view of the short-term refinancing risks that PBG is facing. S&P aims to resolve the CreditWatch over the next three months, the key to which will be PBG's refinancing of the PLN 375 million bond maturing in September 2012, renegotiation of financial covenants, and continued access to bilateral lines.

The PBG Group provides specialist construction services in the area of gas/oil production and fuel facilities, as well as general contractor services in the power, infrastructural, industrial, road and housing construction segments.

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