

29 SEP 2025

Fitch Revises Outlook on Tauron to Positive; Affirms at 'BBB-'

Fitch Ratings - Warsaw - 29 Sep 2025: Fitch Ratings has revised the Outlook on TAURON Polska Energia S.A.'s Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) to Positive from Stable and affirmed the IDRs at 'BBB-'. A full list of rating actions is below.

The Positive Outlook reflects Fitch's expectation that Tauron's net leverage will decline below the positive sensitivity of 3.5x in the medium term, supported by higher EBITDA and preferential long-term loans from the Recovery and Resilience Plan, which should mitigate the impact of Tauron's planned large capex. Fitch would upgrade Tauron's rating if, in the next tariff period, the regulator confirms its current position on supporting investments in the distribution network by maintaining a high weighted average cost of capital (WACC), assuming an unchanged and prudent financial policy from the management.

The rating reflects Tauron's dominant share and solid market position in regulated electricity distribution, but also the limited profitability and weak asset base in generation, in a context of structural changes in the Polish market.

Key Rating Drivers

Leverage Below Positive Sensitivity: Fitch forecasts Tauron's FFO net leverage at 2.1x in 2025 (2.2x in 2024), increasing to 3.1x by 2028 but remaining below the positive rating sensitivity of 3.5x. The leverage increase, driven by a large capex plan, will be lower than our previous forecasts, driving the rating action.

This is supported by our expectations of strong EBITDA growth, mainly from the distribution segment, a rising share of renewables, and a stable supply contribution. EBITDA growth will be partly offset by weaker thermal generation results, as Fitch expects the clean dark spread to be under pressure, partially mitigated by capacity payments.

Financial Policy Supportive: Tauron maintains a conservative financial policy with flexibility to adjust capex, especially in renewables, where most capex is uncommitted from 2027 and can be reduced if needed. This flexibility allows Tauron to keep leverage consistent with the rating even if cash flows weaken. The company targets net debt/EBITDA of up to 3.0x, with a maximum of 3.3x during peak investment periods, which provides a buffer below the 3.5x covenant and aligns with our positive sensitivities.

Regulated Income in Distribution: The rating reflects Tauron's high share of regulated electricity

distribution, providing good predictability in EBITDA (67% in 2021-2024, projected at about 62% in 2025-2029). A higher WACC plus reinvestment premium is the main driver of solid distribution results. An ongoing supportive approach from the regulator would be a positive rating driver. In its current rating case, Fitch expects WACC to average 10.57% in 2025-2029 (10.48% in 2024 and 8.48% in 2023), supporting investment and profitability growth in the segment.

Projected Strong 2025 Results: Fitch expects Tauron to generate strong EBITDA in 2025, exceeding PLN7 billion, up from PLN6.2 billion in 2024. EBITDA rose by 20% yoy to PLN4.2 billion in 1H25, mainly from distribution (almost 60% of total EBITDA), driven by a higher WACC of 10.84% (8.48% in 2023) and increased regulatory asset value. Generation EBITDA was also strong at PLN0.5 billion, supported by higher sales volumes following increased forward market contracting, greater demand from the network operator, and revenue from balancing services.

Low-Cost Loans Support Investments: Tauron secured two low-cost loans under the National Recovery and Resilience Plan: PLN15.9 billion for grid development and PLN310 million for digital transformation, both at a fixed 0.5% annual rate. The grid loan will be disbursed within the next six years reducing Tauron's average cost of debt, with repayment scheduled for 2034-2049.

Large Capex Pressures FCF: Fitch expects negative free cash flow (FCF), after acquisitions and divestitures, in 2025-2029, averaging PLN2.5 billion annually, driven by significant capex averaging PLN7.8 billion a year, up sharply from PLN4.2 billion in 2021-2024. About 57% of capex will be allocated to distribution networks, with the rest going to renewables (25%) and heating, which the company can flex if needed.

Capacity Market Support: Tauron obtained PLN41 million for 2H25 and PLN543 million for 2026 in the capacity market under the temporary derogations under the European Commission's Electricity Market Design reforms, ensuring profitability for older plants, which would otherwise be loss-making and likely decommissioned. Fitch assumes those assets will be maintained for energy security reasons in the coming years.

Generation Under Pressure Long Term: Fitch projects ongoing pressure on profitability of coal-fired assets due to lower electricity prices and rising CO2 costs, which will put the clean dark spread under pressure. Capacity payments and balancing services provide some relief, but they are likely insufficient to keep the segment profitable after 2028.

Strong Interest Coverage: We expect FFO interest coverage at 10.9x in 2025, in line with 2024, and to remain strong in 2026-2029, averaging 8.6x, as growing EBITDA and withdrawal of preferential loans from the Recovery and Resilience Plan will offset the rise in Tauron's net debt, which according to Fitch will double and reach almost PLN25 billion in 2029 from PLN12.6 billion in 2024.

Standalone Approach: Fitch applies its Government-Related Entities Rating Criteria as Tauron is 30.06% owned and controlled by the Polish state (A-/Negative). Decision-making and oversight are assessed as 'Strong', but other government-related entity factors are 'Not Strong Enough', resulting in a support score of 5 and Tauron being rated on a standalone basis.

Peer Analysis

Tauron's close peer group includes the three other electricity-focused integrated utilities in Poland: PGE Polska Grupa Energetyczna S.A. (PGE; BBB/Stable), ENEA S.A. (BBB/Stable) and Energa S.A. (BBB+/Stable).

Tauron and Energa have comparable business profiles, benefiting from the large share of regulated distribution in EBITDA, which provides good cash flow visibility. Both companies' credit profiles are also supported by inflows from capacity payments that improve revenue visibility, although Tauron benefits from more significant amounts due to its larger coal-fired fleet. However, Tauron has a greater share of hard-coal fired generation in its business profile, which is currently under pressure.

As a result, we assess that Energa has a more sustainable business profile, which is reflected in its higher debt capacity, with a negative rating sensitivity of 5.0x for its 'bbb-' Standalone Credit Profile (SCP) compared with 4.5x for Tauron. Energa's IDR is equalised with that of its parent, ORLEN S.A. (BBB+/Stable).

PGE is Poland's largest utility company and has the lowest leverage among the peer group. It derives most of its EBITDA from electricity generation and has a high share of lignite in the generation fuel mix. The maximum leverage sensitivity for PGE's 'BBB' rating is 3.7x. ENEA has a lower share of regulated distribution than Tauron and Energa and higher exposure to hard coal-fired generation and hard coal mining. The maximum leverage sensitivity for ENEA's 'BBB' rating is therefore 3.0x.

Key Assumptions

Fitch's Key Assumptions within Our Rating Case for the Issuer:

- Average electricity prices of 452 PLN/MWh in 2025-2029
- Annual revenue from capacity payments of about PLN920 million in 2025 and PLN510 million on average a year in 2026-2029
- WACC in the distribution segment of about 10.6% on average in 2025-2029
- Capex of PLN39 billion over 2025-2029, reflecting capex flexibility, particularly in renewables, in a scenario of our conservative assumptions for profitability
- Resumption of dividend payments in the medium term, with over PLN900 million in 2029

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Fitch does not anticipate a downgrade given the Positive Outlook. FFO net leverage remaining within rating sensitivities of 3.5x-4.5x on a sustained basis would lead to an Outlook revision to Stable.

The following could lead to a rating downgrade:

- FFO net leverage above 4.5x and FFO interest cover below 4.5x on a sustained basis, for example due to weaker EBITDA than expected, higher capex or acquisitions, or reinstatement of dividends

- Weakening of the business profile, for example due to a material reduction in the share of regulated or quasi-regulated business in total EBITDA, substantial delays in implementation of the decarbonisation strategy, or increased exposure to higher-risk businesses

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- FFO net leverage below 3.5x on a sustained basis

- A more diversified fuel generation mix and substantially lower carbon footprint, for example through divestment or decommissioning of coal-fired power plants, or investments in renewable generation

- Increased focus on regulated and quasi-regulated business in capex and overall strategy

Liquidity and Debt Structure

At end-June 2025, Tauron had PLN286 million of Fitch-calculated readily available cash and cash equivalents, PLN5.7 billion of available committed credit facilities maturing in more than one year, and PLN10.4 billion of available funds under a loan from the National Recovery and Resilience Plan, to invest in distribution assets. These resources were against short-term debt PLN1.8 billion at end-June 2025, and Fitch-expected negative FCF of about PLN3 billion in the next 12 months, driven by capex. We expect the company will maintain sufficient liquidity over the next 12 months and that obtained funding will support its large capex plan.

Issuer Profile

Tauron is the second-largest electric utility in Poland by EBITDA. The company is focused on electricity distribution, which is complemented by electricity generation and supply.

Summary of Financial Adjustments

Fitch-adjusted debt calculation included guarantees for the Elektrociepłownia Stalowa Wola gas-fired power plant joint venture.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

TAURON Polska Energia S.A. has an ESG Relevance Score of '4' for GHG Emissions & Air Quality due to the dominant share of hard coal in its electricity generation mix, which is carbon intensive and under regulatory pressure in the EU, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

TAURON Polska Energia S.A. has an ESG Relevance Score of '4' for Energy Management due to the dominant share of hard coal in its electricity generation mix, which is carbon intensive and under regulatory pressure in the EU, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
TAURON Polska Energia S.A.	LT IDR	BBB- 	Affirmed	BBB- 
	ST IDR	F3	Affirmed	F3
	LC LT IDR	BBB- 	Affirmed	BBB- 
	LC ST IDR	F3	Affirmed	F3
	Natl LT	A(pol) 	Affirmed	A(pol) 
• senior unsecured	LT	BBB-	Affirmed	BBB-
• subordinated	Natl	BB	Affirmed	BB
• subordinated	Natl LT	BBB(pol)	Affirmed	BBB(pol)

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

- [Corporate Hybrids Treatment and Notching Criteria \(pub.08 Apr 2025\)](#)
- [Corporate Rating Criteria \(pub.27 Jun 2025\) \(including rating assumption sensitivity\)](#)
- [Corporates Recovery Ratings and Instrument Ratings Criteria \(pub.02 Aug 2024\) \(including](#)

[rating assumption sensitivity](#)

[Government-Related Entities Rating Criteria \(pub.18 Jul 2025\)](#)

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub.27 Jun 2025\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 [\(1\)](#) [\(2\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

TAURON Polska Energia S.A. EU Issued, UK Endorsed

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