

RATING ACTION COMMENTARY**Fitch Revises Tauron's Outlook to Stable; Affirms Rating at 'BBB-'**

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Fitch Ratings - Frankfurt am Main - 25 Sep 2026: Fitch Ratings has revised TAURON Polska Energia S.A.'s Outlook to Stable from Positive, while affirming its Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB-'.

The Outlook revision reflects Fitch's expectation that Tauron's funds from operations (FFO) net leverage will remain within the 3.5x-4.5x sensitivity range for the rating, rather than decline. We expect distribution EBITDA to be lower than previously forecast as the weighted average cost of capital (WACC) normalises from its high levels in 2024-2025. Lower expected supply performance will also reduce EBITDA relative to prior projections. At the same time, we forecast negative free cash flow (FCF), due mostly to high capex, which will drive FFO net leverage to an average of 3.9x in 2026-2030 from 1.9x at end-2025.

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

KEY RATING DRIVERS

Regulated Distribution Underpins Earnings: The rating reflects Tauron's high share of regulated electricity distribution earnings, supporting predictable EBITDA, forecast to average 73% of total EBITDA in 2026-2030, up from 65% in 2022-2025. Its position as Poland's largest electricity distributor, serving densely populated southern regions, further support earnings satiability. Tauron benefited from high WACC of 10.5% in 2024 and 10.8% in 2025, including a reinvestment premium. We assume WACC will fall to 9.5% for 2026 (in line with regulatory approval), and to average 8% in 2027-2030, reducing distribution EBITDA but keeping earnings solid.

Large Capex Pressures FCF: Fitch expects negative FCF to average PLN4.7 billion annually, after acquisitions and divestitures, in 2026-2030, driven by high capex with about 55% to distribution networks and 25% to renewables. We believe that Tauron has some flexibility to defer capex, especially in renewables, where availability of projects and their low profitability remain constraining factors for new investments. We assume dividend payments to resume at 20-30% of net income from 2027, following the management board's approved PLN351 million dividend payment in 2026. The company has flexibility to adjust dividends, if needed.

Expected Normalised Results: We forecast EBITDA of about PLN5.9 billion in 2026, down from a record PLN7.2 billion in 2025, as lower WACC reduces distribution EBITDA and lower electricity tariffs reduce supply EBITDA. We expect conventional generation performance to normalise from its high levels in 2025. We expect gradual EBITDA growth from 2027, supported by growth in distribution, improving renewables output and supply recovery following higher tariffs from 2028.

Capacity Market Support: Tauron secured PLN543 million for 2026 and PLN459 million capacity market revenue for 2027 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 to be insufficient to keep coal-fired generation profitable after 2028.

Low-Cost Loans Support Investments: In 2024-2025, Tauron secured the following loans under the National Recovery and Resilience Plan (NRRP): PLN15.9 billion for grid development, and PLN310 million and PLN110 million for digital transformation, both fixed at a 0.5% annual rate. The grid loan will be disbursed over the next six years, reducing Tauron's average cost of debt, with repayment scheduled for 2034-2049. Tauron also secured a PLN269 million loan in December 2025 dedicated to renewables and a further PLN292 million in 2026.

Fitch-calculated debt includes the nominal value of these loans rather than the reported fair value, as a large part of the loans are accounted for as long-term deferred income grants.

Capacity Expansion Supports Generation Flexibility: TAURON's investments in a 600MW open-cycle gas turbine (OCGT) unit in Jaworzno and battery energy storage systems (BESS; aggregate capacity 582MW) will expand its flexible generation capacity. The OCGT project, costing PLN1.6 billion, secured a 15-year capacity market contract in December 2025 and is expected to be commissioned in 2030. Total capex for battery projects under construction is about PLN2 billion.

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 out of a maximum 60 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 a 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 higher 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.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Average electricity prices of 417 PLN/MWh in 2026-2030
- Annual revenue from capacity payments in conventional generation on average at PLN914 million in 2026-2027 and PLN534 million in 2028-2030
- WACC in the distribution segment of about 8.3% on average in 2026-2030
- Capex of PLN44 billion over 2026-2030, reflecting capex flexibility, particularly in renewables, based on our conservative assumptions for profitability
- Dividend payments of PLN410 million on average a year in 2026-2030

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using its Corporate Rating Tool (CRT) to produce the SCP:

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bbb', Moderate), market and competitive positioning ('bbb', Moderate), diversification and asset quality ('bb', Higher), company operational characteristics ('bbb+', Moderate), profitability ('bb+', Moderate), financial structure ('bbb+', Higher), and financial flexibility ('bbb', Moderate).

The quantitative financial subfactors are based on custom CRT financial period parameters: 20% weight for the forecast year 2026, 20% for the forecast year 2027, 20% for the forecast year 2028, 20% for the forecast year 2029 and 20% for the forecast year 2030.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bbb+' has no impact.

The SCP is 'bbb-'.

To derive the Long-Term IDR:

Application of Fitch's Government-Related Entities Rating Criteria results in a standalone approach.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating**Action/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
- 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 the implementation of its 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 smaller 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 2026, Tauron had PLN2.5 billion Fitch-calculated readily available cash and cash equivalents, PLN5.9 billion available committed credit facilities maturing in more than one year, and PLN14.2 billion available funds under a loan from the NRRP, to invest mainly in distribution assets. These resources compare with short-term debt of PLN1.1 billion at end-June 2026, and Fitch-expected negative FCF of about PLN4.6 billion in the next 12 months, driven by high capex. We expect the company to maintain sufficient liquidity over the next 12 months and that obtained funding will be sufficient to 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, complemented by electricity generation and supply.

SUMMARY OF FINANCIAL ADJUSTMENTS

The Fitch-adjusted debt calculation includes guarantees for the ECSW (Elektrociepłownia Stalowa Wola) gas-fired power plant joint venture.

Fitch-calculated debt includes the nominal value of low-cost loans under the NRRP rather than the reported value.

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.

CLIMATE VULNERABILITY SIGNALS

The FY25 EBITDA-weighted Climate.VS for Tauron for 2035 is 51, which is above average compared with sector peers. In FY25 Tauron derived about 17% of its EBITDA from its coal-fired generation assets, while almost 90% of generation output was from coal-fired assets.

The reliance on coal has a negative impact on the credit profile. Tauron's strategy is focused on energy transition and assumes substantial capex for renewables. At the same time, the company will gradually decommission its coal-fired units, especially the oldest, least-efficient ones due to the likely negative profitability of such units, particularly if not supported by capacity payments or other support forms.

ESG CONSIDERATIONS

Tauron 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 ratings in conjunction with other factors.

Tauron 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 ratings 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>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
TAURON Polska Energia S.A.	LT IDR	BBB- Rating Outlook Stable	Affirmed	BBB- Rating Outlook Positive
	ST IDR	F3	Affirmed	F3
	LC LT IDR	BBB- Rating Outlook Stable	Affirmed	BBB- Rating Outlook Positive
	LC ST IDR	F3	Affirmed	F3
	Natl LT	A(pol) Rating Outlook Stable	Affirmed	A(pol) Rating Outlook Positive
senior unsecured	LT	BBB-	Affirmed	BBB-

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APPLICABLE CRITERIA

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

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 02 Aug 2024\)](#)
(including rating assumption sensitivity)

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

[Corporate Rating Criteria \(pub. 09 Jan 2026\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

[Country-Specific Treatment of Recovery Ratings Criteria \(pub. 20 Feb 2026\)](#)

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](#))

ADDITIONAL DISCLOSURES

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