RATING ACTION COMMENTARY

Fitch Affirms Poland's ENEA at 'BBB'; Outlook Stable

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Fitch Ratings - Warsaw - 28 Jul 2026: Fitch Ratings has affirmed ENEA S.A.'s Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB' with Stable Outlooks.

The affirmation reflects ENEA's solid market position in Poland's electricity generation and distribution, and a high proportion of regulated and quasi-regulated income from distribution and capacity payments, respectively, while its coal-fired generation is under cash flow pressure. The ratings also incorporate a large capex plan, mainly for distribution networks and energy transition, which will lead to deeply negative free cash flow (FCF) in 2026-2028. This will increase Fitch-calculated net leverage to about 3x in 2029, which is the maximum for the 'BBB' rating, from a low 0.4x at end-2025.

KEY RATING DRIVERS

Results to Normalize: We forecast Fitch-calculated EBITDA to decline to about PLN4.3 billion in 2026 from PLN5.5 billion in 2025 as the company's profitability normalizes, after exceptionally strong EBITDA achieved in 2023-2025 due to high margins in conventional generation and mining.

Regulated Income in Distribution: The rating reflects a high EBITDA share of regulated electricity distribution with good predictability (about 50% of EBITDA in 2025) and also quasi-regulated activity (capacity payments and heat segment; 17% of 2025 EBITDA). We expect EBITDA from distribution to decline in 2026 to PLN2.5 billion from PLN2.8 billion due to a lower weighted average cost of capital (WACC) after several years of growth. However, from 2027 we project EBITDA from distribution to return to its growth path, as its large capex translates into an expanding regulatory asset base.

Shifting Business Profile in Generation: We project a deterioration in the profitability of coal-fired assets in the medium term, due to lower electricity prices than in 2023-2025, which will place the clean dark spread under pressure and may lead to negative profitability in this segment, if not supported by additional capacity payments and other support mechanisms. A vast majority of EBITDA in generation starting from 2029-2030 will be generated by new gas-fired power plants and additional capacity in renewables, following large capex in energy transition.

Development Strategy: ENEA has an ambitious capex plan totaling PLN107.5 billion (EUR25 billion) in 2024-2035 for energy transition. The capex will focus on distribution (38%), renewables (34%) and gas-fired generation (14%). Total capex by 2035 includes a large discretionary portion of PLN40.4 billion (38%), which may be implemented, depending on market conditions and ENEA's financial flexibility, and it is not included in our rating case.

Investment in CCGTs: ENEA plans to restore part of the generating capacity of the coal-fired units by replacing them with two combined cycle gas turbine (CCGT) units with a total capacity of about 1.3GW. The capex for this project is about PLN8 billion with planned commissioning in 2029. The project will be funded largely with debt. Profitability of the new units will be supported by revenue from the capacity market under the 17-year contracts awarded in 2025.

Capex to Improve Debt Capacity: Ongoing investments in gas-fired generation and renewables will gradually improve ENEA's electricity generation mix. This is likely to lead to higher debt capacity once the company is more advanced in the implementation of its energy transition plan.

Rising Leverage: The large capex plan will lead to deeply negative FCF in 2026-2028, which will increase funds from operations (FFO) net leverage to about 3x in 2029, which is the maximum for the 'BBB' rating from a low 0.4x at end-2025. Our conservative projections show net leverage temporarily rising to about 4.5x in 2028 when substantial capex for CCGTs will already be spent, while cash flow generation from the new units will start in 2029.

Capex Flexibility: The leverage trend in 2028-2030 will depend on capex pursued by ENEA and mitigating measures. We believe that some optional capex may be deferred or cancelled, in case of need, given management's stated goal to keep leverage within financial covenants and current rating sensitivities. This supports the Stable Outlook. The company is also considering issuing hybrid bonds, for which we would allocate 50% equity credit.

Fitch-Calculated Debt: Fitch-calculated debt includes the nominal value (ie amounts borrowed) of low-cost loans under the National Recovery and Resilience Plan (NRRP; fixed 0.5% annual interest rate) rather than the reported value. The latter is based on the fair value as a large part of the loans are treated as long-term deferred income grants. We also include project finance debt for CCGTs in Fitch-calculated debt as these projects are fully owned by ENEA and represent an important part of the company's decarbonisation strategy. As a result, projected FFO net leverage is much higher than net debt/EBITDA calculated in line with the covenant definition in ENEA's funding arrangements.

Rated on a Standalone Basis: We assess ENEA's links with Poland (A-/Negative), which owns 52.3% of the company, under our Government-Related Entities (GRE) Rating Criteria. We assess decision-making and oversight as 'Strong', as the Polish state is ENEA's main shareholder. We assess precedents of support, preservation of government policy role and contagion risk as 'Not Strong Enough', resulting in a support score of '5' and consequently in ENEA being rated on a standalone basis, in line with its Standalone Credit Profile (SCP) of 'bbb'.

PEER ANALYSIS

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

PGE is the largest integrated utility in the Polish peer group, with large power generation capacity mainly based on lignite and coal, and substantial operations in the distribution business. Tauron's and Energa's business profiles benefit from a dominant EBITDA share of regulated distribution, which provides good cash flow visibility when conventional generation is under pressure. ENEA has a lower share of regulated distribution than Tauron and Energa and larger hard coal-fired generation than these two utilities.

All the companies benefit from capacity payments, which improve revenue visibility, although PGE benefits from more significant amounts due to its larger lignite- and coal-fired fleet.

PGE has a higher debt capacity than ENEA, with FFO net leverage at 3.7x and 3x, respectively, as negative sensitivities for a 'BBB' rating. This is due to PGE's larger scale and diversification. Tauron and Energa are rated one notch lower than ENEA on a standalone basis due to their higher leverage, while their debt capacity is moderately higher than ENEA's.

FITCH’S KEY RATING-CASE ASSUMPTIONS

- Electricity prices for generation on average at about PLN480/MWh in 2026-2028

- Annual revenue from capacity payments at about PLN1.3 billion in 2026 and on average at PLN0.6 billion in 2027-2028

- Total capex of about PLN30 billion in 2026-2030

- No dividend payments by ENEA over 2027-2030

- Hybrid bond issue of PLN2.5 billion in 2027 with 50% equity credit

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', Higher), diversification and asset quality ('bb', Moderate), company operational characteristics ('bbb+', Moderate), profitability ('bbb-', Moderate), financial structure ('a', Moderate), 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 GRE 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 3.0x and/or FFO interest cover below 5.5x on a sustained basis

- A substantial adverse change in the business profile, such as a material reduction in the EBITDA share of regulated distribution or higher generation costs that are not reflected in wholesale electricity prices

- Higher capex than envisaged by Fitch without any mitigating measures on leverage, alongside large dividend payments to shareholders

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

- Rating upside is limited by ENEA's business risk profile, including a large proportion of mining and coal-fired generation However, developments that could lead to positive rating action include:

- A more diversified fuel generation mix and smaller carbon footprint, for example through the development of renewables or CCGTs, a higher share of regulated or quasi-regulated activities in the business mix and continued efficiency improvements

- FFO net leverage sustained below 2x, supported by a more conservative leverage target

LIQUIDITY AND DEBT STRUCTURE

ENEA had about PLN4.6 billion in Fitch-calculated readily available cash and equivalents at end-2025, against short-term borrowings of PLN1 billion and our forecast negative FCF after acquisitions and divestitures of about PLN5.2 billion in 2026. At end-2025, ENEA had PLN21.1 billion available committed credit lines, excluding facilities expiring in the following 12 months. Available funds cover funding needs in the next few years with a considerable buffer.

In 2025, ENEA together with other Polish utilities obtained low-cost funding under the NRRP. The loan amount is PLN10 billion to be raised until 2036 with instalment payments during 2034- 2050. The interest rate is 0.5%. The company also signed project finance loans for CCGTs projects of PLN6.95 billion in 2025.

ISSUER PROFILE

ENEA is a leading integrated utility operating in Poland. The main areas of operations are electricity generation, electricity distribution, hard coal mining as well as electricity and gas supply. ENEA's shares are listed on the Warsaw Stock Exchange, but a controlling stake is held by the Polish government.

SUMMARY OF FINANCIAL ADJUSTMENTS

Fitch-calculated debt includes the nominal value (ie amounts borrowed) of low-cost loans under theNRRP rather than the reported value. We also include project finance debt for CCGTs in Fitch-calculated debt.

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 Climate.VS for 2035 for ENEA S.A. is 70. This indicates a high-risk exposure to climate change, as ENEA derived slightly above 50% of its EBITDA on average in 2023-2025 from its coal-fired generation assets and coal mining segment. The company plans to spend substantial capex for energy transition by 2035 as part of its development strategy.

ESG CONSIDERATIONS

ENEA has an ESG Relevance Score of '4' for GHG Emissions & Air Quality and for Energy Management. This is due to the dominant share of hard coal in its electricity generation mix, which is carbon-intensive and under regulatory pressure in the EU. These issues have a negative impact on the credit profile and are 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
ENEA S.A.	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
	LC LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Corporate Hybrids Treatment and Notching Criteria (pub. 08 Apr 2025)

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)

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

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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ENEA S.A.	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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