FitchRatings

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Fitch Affirms Energa at 'BBB+'; Outlook Stable

Fitch Ratings - Warsaw - 02 Dec 2025: Fitch Ratings has affirmed Energa S.A.'s Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB+' with Stable Outlook. A full list of rating actions is below.

Fitch continues to equalise Energa's rating with that of its stronger parent ORLEN S.A. (BBB+/Stable) under its Parent and Subsidiary Linkage Rating Criteria, given the links between the two companies.

Energa's Standalone Credit Profile (SCP) of 'bbb-' is supported by its solid business profile, with a focus on predictable regulated electricity distribution. It also reflects the company's large capex plan and consistently negative free cash flow (FCF). Energa's funds from operations (FFO) net leverage, after peaking in 2026, should return to within our sensitivities for the 'bbb-' SCP in 2027-2028, although with no headroom, due to rising EBITDA supported by new gas-fired generation units.

Key Rating Drivers

Rating Equalisation Approach: Energa's rating equalisation with the stronger parent ORLEN is based on our assessment of 'Medium' legal incentives, combined with 'High' strategic and operating incentives for ORLEN to provide support to Energa. ORLEN has consistently been providing material funding to Energa, which represents an important business for the wider group, particularly in view of the energy transition. We expect that Energa's contribution to ORLEN's consolidated EBITDA will gradually grow to about 15% in 2027-2028, from about 10% in 2024, mainly driven by Energa's capex-driven growth.

Distribution Supports Credit Profile: The SCP reflects a high share of predictable, regulated electricity distribution in Energa's EBITDA. Fitch projects the distribution share to decline from 2027 once the new gas-fired generation units start contributing fully to EBITDA, to about 65%, from 80% on average in 2021-2023.

Fitch projects solid distribution results in 2025 with EBITDA exceeding PLN3 billion, supported by a high weighted-average cost of capital (WACC) plus reinvestment premium at 10.98% in 2025 (10.48% in 2024). Fitch also expects distribution EBITDA to grow as the regulatory asset base expands. We acknowledge that the regulator may lower WACC from 2026 due to reduced financing costs related to preferential loans from the National Recovery and Resilience Plan. These interest savings would largely be offset in cash flow terms by EBITDA reduction.

Low-Cost Loans Support Investments: Energa secured a low-cost loan under the National Recovery and Resilience Plan of PLN9.4 billion for grid development at a fixed 0.5% annual rate. The loan, to be used for investments on the grid, will be disbursed within the next five years (PLN1.33 billion withdrawn by end-3Q25), reducing Energa's average cost of debt, with repayments scheduled until 2050.

CCGTs to Drive EBITDA Growth: Our rating case projects EBITDA in conventional generation to rise to PLN0.7 billion in 2027 from PLN0.1 billion expected in 2025, following the commissioning of the combined-cycle gas turbines (CCGTs) in Ostroleka and Grudziadz, with a total installed capacity of 1.3 GW. The new CCGT projects have signed 17-year capacity payments agreements, which will fully support EBITDA from 2027 and mitigate the plants' cash flow exposure to gas and CO2 prices.

Capacity Market Support for Coal: Energa obtained PLN177 million for 2026 in the capacity market under the temporary derogations as part of the European Commission's Electricity Market Design reforms, which partly compensate negative margins on coal-fired generation. Fitch assumes those assets will be maintained for energy security reasons in the coming years and will obtain capacity payments also for 2027-2028, which together with network operator remuneration should allow them to broadly break even.

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

Large Capex Pressures FCF: Fitch expects negative FCF, after acquisitions and divestitures, in 2025-2029, averaging PLN2.8 billion annually, driven by significant capex of PLN6 billion a year. Most of the capex will be allocated to distribution networks, as well as for the construction of CCGT plants, with the first two - in Ostroleka and Grudziadz - to be commissioned in 2H26. The following two CCGTs in Gdansk and Grudziadz, started in mid-2025 with a projected total cost of PLN6.1 billion, are scheduled for commissioning in 2029, and Fitch expects them to contribute fully to EBITDA from 2030. We do not expect Energa to distribute dividends during its heavy investment cycle.

Capex-Driven Leverage: Fitch projects Energa's funds from operations (FFO) net leverage to peak at 5.8x in 2026 from 4.6x in 2025 and 3.8x in 2024, temporarily exceeding our negative rating sensitivity for the 'bbb-' SCP of 5x. The commissioning of the new CCGTs will increase Energa's EBITDA and reduce FFO net leverage to 4.9x in 2028-2029, although with no headroom. However, we see capex flexibility, particularly in renewables, and acknowledge that additional CCGT capacity will fully translate into EBITDA after the end of the current forecast horizon.

Peer Analysis

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

Energa and Tauron 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. However, Tauron has a greater share of hard coal-fired generation in its business profile, which is 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-' SCP compared with 4.5x for Tauron.

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, slightly lower than the corresponding threshold for Energa (4.0x). 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

-Coal-fired plants to break even in 2025-2028, supported by capacity payments and system operator remuneration

-Average electricity prices of 460PLN/MWh for CCGT projects in 2025-2029

-WACC in the distribution segment of about 8.93% on average in 2025-2029

-Annual capex on average at PLN6 billion over 2025-2029, of which more than 50% relates to distribution

-CCGT Ostroleka and CCGT Grudziadz operational in 2H26

-No dividend payments in 2025-2029

RATING SENSITIVITIES

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

- Negative rating action on ORLEN

- FFO net leverage above 5x on a sustained basis, for example, due to a protracted economic downturn, higher-than-planned capex or reinstatement of dividends, which would be negative for the SCP

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

- Positive rating action on ORLEN

- FFO net leverage below 4x on a sustained basis, which would be positive for the SCP

Liquidity and Debt Structure

At end-September 2025, Energa had PLN947million of unrestricted cash and PLN14.7 billion of committed unused credit lines. This covers short-term maturities of PLN571 million and about PLN4.6

billion Fitch-projected negative FCF in the 12 months from October 2025. Energa also has cash pooling with ORLEN with a limit of PLN10.2 billion. At end-September 2025 it had PLN1.5 billion payables and PLN1 billion receivables within the cash pooling.

We expect ORLEN will continue to address Energa's short-term financing needs through cash pooling, intra-group loans, and revolving credit lines according to current needs.

Issuer Profile

Energa is an integrated utility operating in Poland. The main areas of operations are electricity distribution, generation and supply.

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.

Public Ratings with Credit Linkage to other ratings

Energa is credit-linked to ORLEN.

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

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
Energa S.A.	LT IDR	BBB+	Affirmed		BBB+
	LC LT IDR	BBB+	Affirmed		BBB+
	Natl LT	AA+(pol)	Affirmed		AA+(pol)
• senior unsecured	LT	BBB+	Affirmed		BBB+
• subordinated	LT	BBB-	Affirmed		BBB-
• senior unsecured	Natl LT	AA+(pol)	Affirmed		AA+(pol)
Energa Finance AB (publ)					

ENTITY/DEBT	RATING			RECOVERY	PRIOR
• senior unsecured	LT	BBB+	Affirmed		BBB+

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)

National Scale Rating Criteria (pub.22 Dec 2020)

Parent and Subsidiary Linkage Rating Criteria (pub.27 Jun 2025)

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

Energa Finance AB (publ)	EU Issued, UK Endorsed
Energa S.A.	EU Issued, UK Endorsed

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