

Osprey Acquisitions Limited; Anglian Water (Osprey) Financing Plc; Anglian Water Services Financing Plc

The rating of Anglian Water Services Financing's (AWSF; financing company for opco Anglian Water Services Limited, or AWS) reflects Fitch Ratings' expectation of gradual deleveraging to 66% by the end of the five-year price control period ending March 2030 (AMP8), which is comfortably below our tightened negative rating sensitivity of 70% in AMP8 (from 72% in AMP7).

The Negative Outlook on Osprey Acquisitions Limited's (OAL; the midco) rating reflects our expectation that its net debt/regulated capital value (RCV) will breach our tightened negative rating sensitivity of 75% (from 79% in AMP7) in the first two years of AMP8. We expect shareholders to inject fresh equity by mid-AMP8 to address this gap. However, failure to implement proactive measures to strengthen the three-tier capital structure within 12-18 months would result in a downgrade.

Key Rating Drivers

Equity Injection to Reduce Gearing: Fitch forecasts that about GBP1 billion of fresh equity will be needed at the OAL consolidated level to reduce net debt/RCV below 75% by the middle of AMP8. Fitch could tolerate a slight breach for the first two years of AMP8, provided we have enough visibility on the timing and size of the equity to support the group's ratings.

Rising Sector Risk: Fitch believes that the final determination has provided a reasonable outcome for most UK water companies, especially compared with the draft determination, and is in line with our expectations. However, we still see moderately higher business risk in AMP8, mainly driven by heightened exposure to environmental risk, increasing public scrutiny, and higher clawback risk, which is linked to the price control deliverables (PCDs) mechanism. Further uncertainties may arise from the Cunliffe review, the most significant regulatory reform since privatisation.

The sector also faces a heightened risk of fines related to operational and environmental under-performance, and a pressing need to rebuild trust with the public, government, and regulatory bodies. At the same time, we would expect the sector to enhance its assets to accommodate population growth and extreme weather conditions.

Tightened Debt Capacity: Fitch has revised the sector's debt capacity for AMP8, leading to a 2% reduction in net debt/RCV and a 0.1x increase in cash and nominal post-maintenance interest coverage ratios (PMICRs) for opco Anglian Water Services Ltd (AWS). We have also tightened debt capacity at OAL, reducing the negative sensitivity for net debt/RCV by 4%. This reflects the complex three-tier group structure, and heightened scrutiny on extracting dividends from AWS, which is mitigated by the expected moderate gearing.

Adequate Gearing Headroom for AWS: Fitch forecasts adequate net debt/RCV rating headroom for AWS against our revised rating sensitivity of 70%. We forecast net debt/RCV to decline to 66% by end-AMP8, from 69% at FY24 (financial year-end-March). This improvement is driven by intercompany funding from OAL and fresh equity during AMP8. However, we expect OAL's gearing to remain stable at 77%-78% in AMP8's initial years, due to new debt incurred to fund AWS, contributing to the Negative Outlook.

Ratings

Osprey Acquisitions Limited

Long-Term IDR BB+
Senior Secured Debt - Long-Term Rating BBB-

Outlook

Long-Term Foreign-Currency IDR Negative

Anglian Water (Osprey) Financing Plc

Senior Secured Debt - Long-Term Rating BBB-

Anglian Water Services Financing Plc

Senior Secured Debt - Long-Term Rating A-

Outlook

Senior Secured Debt - Long-Term Rating Stable

[Click here for the full list of ratings](#)

ESG and Climate

Highest ESG Relevance Scores

Osprey Acquisitions Limited

Environmental 4
Social 3
Governance 4

ESG Relevance Scores are not assigned to AWS nor AWSF.

2035 Climate Vulnerability Signal: 15

Applicable Criteria

[Corporate Rating Criteria \(December 2024\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(December 2024\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(June 2023\)](#)

Related Research

[Global Corporates Macro and Sector Forecasts](#)

[UK Water Companies After the Draft Determination \(July 2024\)](#)

[UK Water – Relative Credit Analysis \(June 2024\)](#)

[Spotlight: UK Water Business Plans \(October 2023\)](#)

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Adequate PMICR Headroom for AWS: We forecast cash and nominal PMICRs of 1.9x for AWS in AMP8, above our negative rating sensitivities of 1.5x and 1.8x, respectively. The cash PMICR's greater headroom is due to around 60% of AWS's total debt being inflation-linked (IL), which is above the sector average of 52%. Our ratios assume an average cost of new debt at AWS of 5.6% across AMP8, slightly better than our sector average. We expect AWS dividends to cover OAL's interest costs - including that of holdco Aigrette Financing Limited - by 1.8x on average during AMP8.

Neutral Totex Performance: AMP8 total expenditure (totex) is set at GBP11.2 billion (2022-2023, real terms), excluding Ofwat's adjustments, significantly up from GBP6.5 billion in AMP7. Totex allowances closely match AWS's request (-2%). AMP8 enhancement totex nearly doubles the AMP7 level, with 74% under the PCD mechanism. Under this framework, investments need to achieve the Ofwat benchmarks of allowance and timeline to mitigate the risk of a clawback. This mechanism ensures that investment funding is ringfenced, with unspent allowances returned to customers.

Net ODI Penalties Assumed: We forecast cumulative net in-period ODI penalties of GBP232 million for AMP8. Since the cash impact of these penalties materialises with a two-year lag, we expect cash ODI penalties of GBP267million in AMP8, including amounts from AMP7's final two years. In AMP8, we expect AWS to incur penalties mainly for internal and external sewer flooding, and leakages.

Regulatory Fines Forecast: Fitch forecasts about GBP55 million in total fines from the Environment Agency and Ofwat as baseline cash outflows, due to heightened regulatory scrutiny and stricter controls on wastewater networks. We have assumed fines across all companies operating wastewater networks and will adjust this assumption to reflect actual fines or a perceived reduction in risk, accordingly.

OAL Debt Rating Uplift: OAL's senior secured debt rating benefits from a one-notch sector uplift, due to its secured status and high-quality underlying assets. This is despite structural subordination to AWS's debt and about GBP600 million in negative mark-to-market (MtM) super-senior swap liabilities at FYE24. The uplift could be removed if recovery prospects are weaker than assumed.

Standalone Assessment under PSL: Fitch rates AWS and OAL on a standalone basis by applying the stronger subsidiary/weaker parent approach under its Parent and Subsidiary Linkage (PSL) Rating Criteria. This reflects 'insulated' legal ring-fencing, highlighted by a well-defined contractual framework, and tight financial controls imposed by Ofwat, which are designed to support AWS's financial profile. We view access and control as overall 'porous' as AWS operates with separate cash management and uses a mixture of external and intercompany funding.

Financial Summary

Anglian Water Services Ltd

(GBPm)	2026F	2027F	2028F	2029F	2030F
EBITDA	999	1,077	1,225	1,353	1,467
Cash PMICR (x)	1.8	1.8	1.9	1.9	1.9
Nominal PMICR (x)	1.9	1.8	1.9	1.9	1.9
Net debt/RCV (%)	68	68	67	66	65

F = Forecast

Source: Fitch Ratings, Fitch Solutions

Osprey Acquisitions Ltd

(GBPm)		2026F	2027F	2028F	2029F	2030F
Cash available for debt service	a	150	166	184	201	218
Debt service ^a	b	105	82	83	113	137
Adjusted dividend cover (x)	a/b	1.4	2.0	2.2	1.8	1.6
Net debt/RCV (%)		79	76	75	75	75

^a Includes debt service for both OAL and Aigrette Financing Limited

F = Forecast

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

AWSF's senior secured class A debt (A-/Stable) is higher than Yorkshire Water Services Finance Limited's (YWS) class A debt rating of 'BBB+' /Stable. This is due to YWS's class A debt rating no longer benefitting from a one-notch uplift for sector-specific recovery, as a result of its large super senior MtM liabilities at well above 10% of its RCV.

AWSF's class A debt rating is three notches above SW (Finance) I PLC's (Southern Water) class A debt rating of 'BBB-' /Stable. Similar to YWS, Southern Water also has substantial super senior MtM liabilities, which led to the same removal of the sector-specific recovery uplift, on top of its higher leverage.

Rating Sensitivities

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

AWS

- Adjusted total net debt/RCV above 70%, cash PMICR below 1.5x or nominal PMICR below 1.8x
- Deterioration in operational and environmental performance, resulting in financial penalties and fines that exceed Fitch's rating case
- Lower-than-expected equity support or a more aggressive financial policy

OAL

- Lack of a public commitment to support through equity within the next 12-18 months, with no clear path to achieving adjusted total net debt/RCV below 75% by the middle of AMP8
- Adjusted dividend cover (including midco and holdco interest) below 1.8x

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

AWS

- Adjusted total net debt/RCV below 65%, combined with cash PMICR above 1.7x and nominal PMICR above 1.9x

OAL

- A rating upgrade in the near term is unlikely. In the longer term, an upgrade may result from adjusted total net debt/RCV falling below 71%, along with adjusted dividend cover (including midco and holdco interest) exceeding 2.5x

Liquidity and Debt Structure

Anglian Water Services Ltd

Liquidity Analysis

(GBPm)	2025F	2026F	2027F
Available liquidity			
Beginning cash balance	954	163	-1,019
Rating case FCF after acquisitions and divestitures	-422	-567	-930
Shareholder equity	–	–	–
Total available liquidity (A)	532	-404	-1,949
Liquidity uses			
Debt maturities	-369	-615	-299
Total liquidity uses (B)	-369	-615	-299
Liquidity calculation			
Ending cash balance (A+B)	163	-1,019	-2,248
Revolver availability	850	850	850
Ending liquidity	1,013	-169	-1,398
Liquidity score (x)	3.7	0.7	-3.7

Note: Excludes the additional equity

Source: Fitch Ratings, Fitch Solutions, Anglian Water Services Ltd

Scheduled Debt Maturities

(GBPm)	31 Mar 24
2025	369
2026	615
2027	299
2028	525
2029	487
Thereafter	5,089
Total	7,384

Note: Excludes the additional equity

Source: Fitch Ratings, Fitch Solutions, Anglian Water Services Ltd

Anglian Water Services

As of end-September 2024, AWS held about GBP936 million of cash and cash equivalents (after restricted cash of GBP40 million) and an undrawn committed facility of GBP1 billion, of which GBP375 million is maturing in March 2026. Fitch expects sufficient liquidity over the next 12 months to support debt maturities and negative free cash flow (FCF) totalling GBP1.2 billion.

In addition, AWS benefits from a committed undrawn debt service reserve liquidity facility of GBP294 million, sized to cover 12 months of interest payments (including hedge payments), and an operating expenses and maintenance capex facility of GBP139 million. The facilities are only available on trigger events.

Osprey Acquisitions Limited**Liquidity Analysis**

(GBPm)	2025F	2026F	2027F
Available liquidity			
Beginning cash balance	0	-87	-294
Rating case FCF after acquisitions and divestitures	-11	33	44
Shareholder equity			
Total available liquidity (A)	-11	-54	-250
Liquidity uses			
Debt maturities	-76	-240	-100
Total liquidity uses (B)	-76	-240	-100
Liquidity calculation			
Ending cash balance (A+B)	-87	-294	-350
Revolver availability	324	324	
Ending liquidity	237	30	-350
Liquidity score (x)	4.1	1.1	-2.5

Note: Standalone liquidity excluding equity received and paid
Source: Fitch Ratings, Fitch Solutions, Osprey Acquisitions Limited

Scheduled Debt Maturities

(GBPm)	31 Mar 24
2025	76
2026	240
2027	100
2028	—
2029	405
Thereafter	200
Total	1,021

Note: Standalone liquidity excluding equity received and paid
Source: Fitch Ratings, Fitch Solutions, Osprey Acquisitions Limited

Osprey Acquisitions Limited

As of end-September 2024, OAL had about GBP54 million of unrestricted cash and a GBP334 million undrawn revolving credit facility (RCF) maturing in FY27. OAL is fully reliant on dividends from AWS for its cash flow, including for debt service and head office operational costs. OAL has GBP240 million debt due in March 2026. We expect management to address this refinancing well before the due date.

ESG Considerations

OAL has an ESG Relevance Score of '4' for GST Group Structure as its debt is structurally and contractually subordinated to AWS's debt, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

OAL has an ESG Relevance Score of '4' for Exposure to Environmental Impacts, due to the Environment Agency and Ofwat's heightened regulatory scrutiny and stricter controls over wastewater networks. This 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, [click here](#).

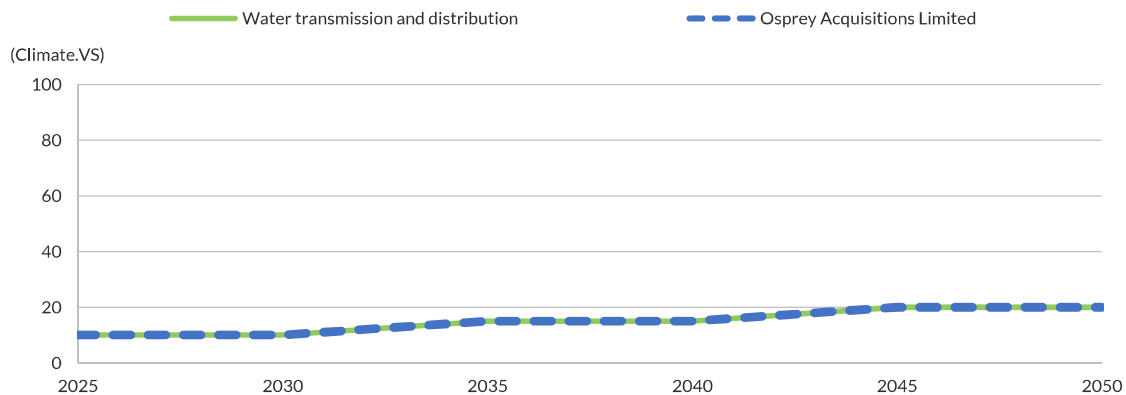
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's [Corporate Rating Criteria](#). For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see [Climate Vulnerability Signals for Non-Financial Corporate Sectors](#).

The FY24 revenue-weighted Climate.VS for OAL for 2035 is 15 out of 100, suggesting low exposure to climate-related risks in that year. This signal is in line with the sector average for the water/wastewater utilities sector.

Climate.VS Evolution

As of Mar 31, 2024



Source: Fitch Ratings

Key Assumptions

- Ofwat's final determination financial model used as the principal source of information
- Neutral totex performance
- Net cash ODI penalties of GBP267 million in FY26-FY30
- Fines totalling GBP55 million from the Environmental Agency or Ofwat
- Nominal cost of new debt averaging 5.6% at AWS, and 7.6% at OAL
- CPIH averaging 2.8% (starting at 3.3% in FY26 and decreasing to 2.5% by 2030). RPI averaging 3% (starting at 3.5% in FY26 and trending down to 2.5% by 2030)
- Fresh equity injection into OAL group of companies to meet the 75% net debt/RCV negative rating sensitivity. Based on our current estimates, this would be around GBP1 billion during AMP8
- Equity from OAL to AWS totalling GBP1.7 billion over AMP8
- Dividends from AWS to OAL averaging about GBP200 million a year over AMP8
- No cash tax payments. Pension-deficit recovery payments to total GBP32 million

Financial Data

Anglian Water and Osprey AMP8 - Forecasts

(GBPm)	Notes and formulas	FY26F	FY27F	FY28F	FY29F	FY30F
Post-maintenance cash flow						
Regulated EBITDA		1,041	1,163	1,267	1,400	1,515
Environment Agency & Ofwat fines		-11	-11	-11	-11	-11
Cash ODI rewards/(penalties) (nominal)		-43	-86	-43	-47	-49
Non-appointed EBITDA		12	12	12	12	12
Fitch EBITDA		999	1,077	1,226	1,354	1,467
Regulatory depreciation		-494	-541	-602	-669	-727
Cash tax		-	-	-	-	-
Pension deficit repair		-23	-9	0	0	0
Post-maintenance cash flow	(a)	482	528	624	685	740
Net cash interest (after interest received)	(b)	-264	-281	-324	-349	-387
Accretion on swaps	(c)	-5	-4	-4	-4	-4
Cash PMICR (x)	a/(b+c)	1.8	1.8	1.9	1.9	1.9
Indexation of debt	(d)	-188	-192	-208	-224	-217
RCV yoy indexation	(e)	368	331	364	402	406
Nominal PMICR (x)	(a+e)/(b+d)	1.9	1.8	1.9	1.9	1.9
Net debt to RCV						
Fitch net debt	(a)	8,218	9,021	9,888	10,860	11,455
Shadow RCV	(b)	12,024	13,318	14,843	16,428	17,577
Net debt to RCV (%)	a/b	68	68	67	66	65
OAL net debt	(c)	1,227	1,116	1,190	1,452	1,664
OAL net debt to RCV (%)	a/(b+c)	79	76	75	75	75
Other financial data						
CPIH forecast (%)		3.3	2.8	2.7	2.7	2.5
FCF positive/(negative) funded by debt		-212	-611	-659	-747	-378
Totex over/(under)performance		-	-	-	-	-
Refinancing needs		544	380	594	447	651
Average cost of new debt per year (%)		5.8	5.7	5.6	5.6	5.6
Dividends		-165	-179	-198	-218	-235
Equity		355	319	436	351	282
Rating sensitivities (AWS)				Negative	Positive	AWS
Closing net debt to RCV (%)				70	65	65
Average cash PMICR (x)				1.5	1.7	1.9
Average nominal PMICR (x)				1.8	1.9	1.9
Rating sensitivities (OAL)				Negative	Positive	OAL
Closing net debt to RCV (%)				75	71	75

Source: Fitch Ratings, Fitch Solutions, companies

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:

Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	<ul style="list-style-type: none"> ↑ Positive ↓ Negative ↕ Evolving □ Stable
<ul style="list-style-type: none"> Higher Importance Average Importance Lower Importance 	

Operating Environment			Management and Corporate Governance				
aa-	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.	a	Management Strategy	a	Coherent strategy and good track record in implementation.
a+	Financial Access	a	Strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.	a-	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
b-	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.	bbb+	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
ccc+				bbb-	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
Sector Positioning			Regulatory Environment				
a	Operation Type	bbb	Local or regional monopoly asset owners, regional monopoly asset operators.	a-	Independence, Transparency, Predictability	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs, exposed to political risk. Medium-term predictability.
a-	Non-Regulated Earnings (% of Total Earnings)	a	up to 10%	bbb+	Licensing, Ring-Fencing, Concessioning	bbb	Less demanding licensing and ring-fencing provisions; moderate concession renewal risk.
bbb+				bbb	Cost and Investment Recovery	a	Tariff setting with challenge mechanisms that may marginally limit cost and investment recovery, with little regulatory lag.
bbb				bbb-	Volume and Price Risk	a	High insulation from price and volume risk. Little revenue under-recovery.
bbb-				bb+			
Asset Base			Operational Profile				
a	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.	bbb+	Performance Measures	bb	Underperformance on key measures with financial and/or legal implications.
a-	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).	bbb	Counterparty Risk	bbb	Medium counterparty risk, medium collection rates for water suppliers. Some exposure to cyclical industries and/or customers.
bbb+	Asset Quality and Residual Life	bbb	Mix/age asset quality not affecting opex and capex requirements compared with peers. The residual life of regulatory assets is average.	bbb-			
bbb				bb+			
bbb-				bb			
Profitability			Financial Structure				
bbb	Return on Capital	bbb	Return on capital comparable with the regulatory benchmark.	bbb-	FFO Leverage	n/a.	
bbb-	Volatility of Profitability	bb	Less stability and predictability of profit than utility peers.	bb+	FFO Net Leverage	n/a.	
bb+	Investment Cycle	bbb	Investment cycle position and dividend policy contributing to negative free cash flow. Moderate flexibility in smoothing capex plans.	bb	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	bb	80%
bb				bb-	Cash PMICR	n/a.	
bb-				b+	Nominal PMICR	n/a.	
Financial Flexibility			Credit-Relevant ESG Derivation				
bbb	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.	Osprey Acquisitions Limited has 2 ESG rating drivers and 10 ESG potential rating drivers			
bbb-	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well spread debt maturity schedule but funding may be less diversified.	key driver	0	issues	5
bb+	FFO Interest Coverage	n/a.		driver	2	issues	4
bb	FX Exposure	aa	No material FX mismatch.	potential driver	10	issues	3
bb-	Dividend Cover	n/a.		not a rating driver	1	issues	2
					1	issues	1

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Showing top 6 issues

Credit-Relevant ESG Derivation

Osprey Acquisitions Limited has 2 ESG rating drivers and 10 ESG potential rating drivers

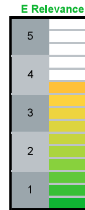
- ➔ Osprey Acquisitions Limited has exposure to water management risk which, in combination with other factors, impacts the rating.
- ➔ Osprey Acquisitions Limited has exposure to group transparency risk which, in combination with other factors, impacts the rating.
- ➔ Osprey Acquisitions Limited has exposure to energy regulatory risk but this has very low impact on the rating.
- ➔ Osprey Acquisitions Limited has exposure to waste & impact management risk but this has very low impact on the rating.
- ➔ Osprey Acquisitions Limited has exposure to extreme weather events but this has very low impact on the rating.
- ➔ Osprey Acquisitions Limited has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

	key driver	0	issues	ESG Relevance to Credit Rating
	driver	2	issues	4
	potential driver	10	issues	3
	not a rating driver	1	issues	2
		1	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Profitability and Cash Flow
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	4	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operations; Profitability and Cash Flow; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operations; Profitability and Cash Flow; Financial Flexibility
Exposure to Environmental Impacts	3	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operations; Profitability and Cash Flow; Financial Flexibility

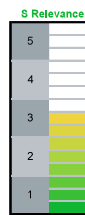


How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant. The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance. The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

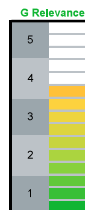
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operations; Profitability and Cash Flow



Governance (G) Relevance Scores

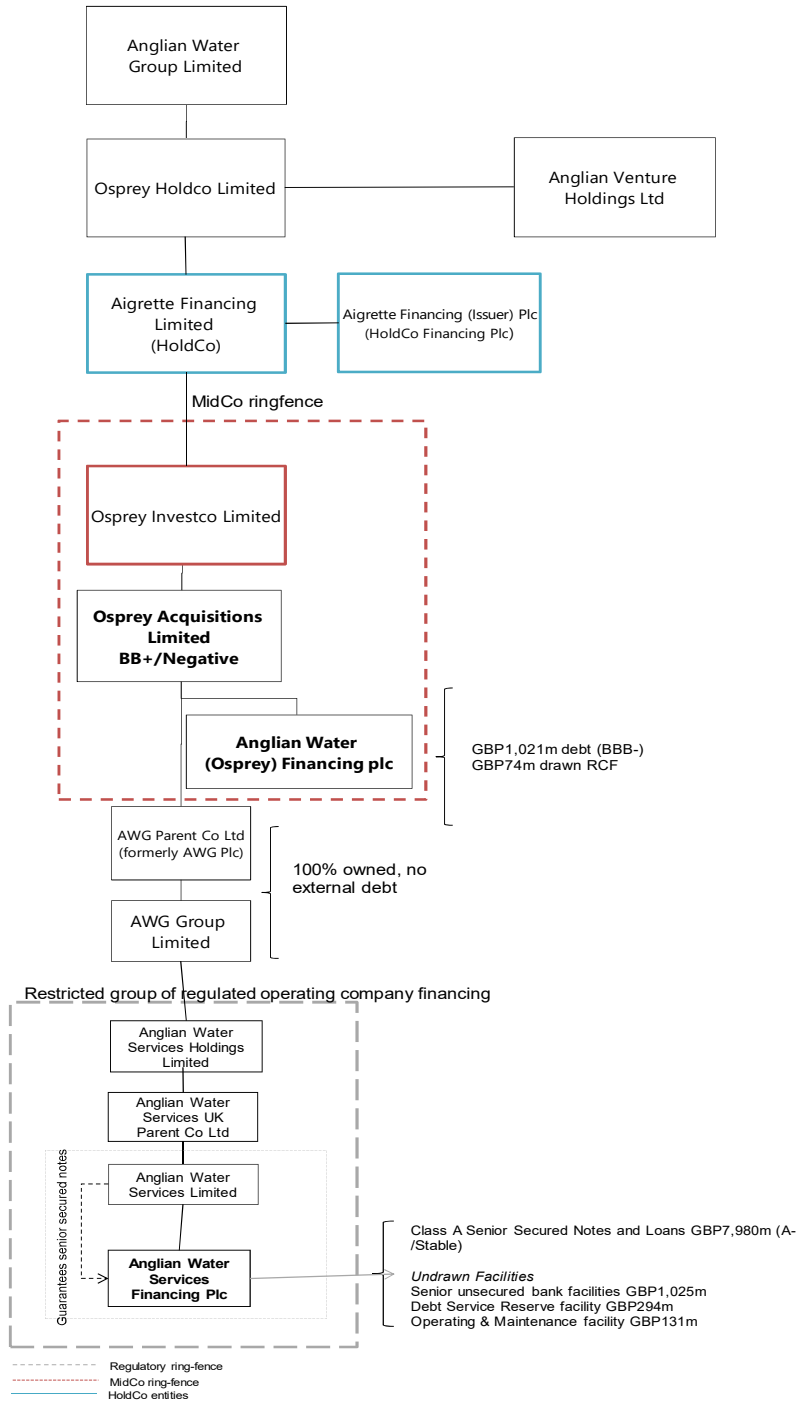
General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	4	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, Anglian Water Services Financing Plc and Anglian Water (Osprey) Financing Plc as of 31 March 2024

Peer Financial Summary

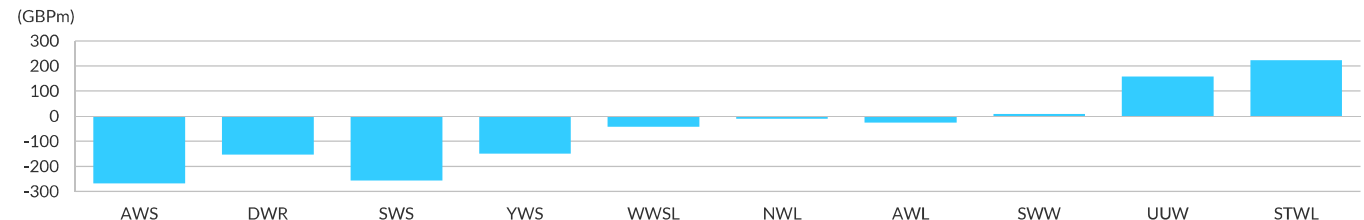
Company	Senior Class A Debt Rating	Financial Statement Date	EBITDA (GBPm)	Total Interest (GBPm)	Cash PMICR (x)	Nominal PMICR (x)	Net Debt/RCV (%)
Anglian Water Services Ltd.	A ^{-a}	2030F	1,467	605	1.9	1.9	65
		2029F	1,354	573	1.9	1.9	66
		2028F	1,226	532	1.9	1.9	67
		2027F	1,077	473	1.8	1.8	68
		2026F	999	452	1.8	1.9	68
Dwr Cymru Cyfyngedig	A ^{-b}	2030F	880	378	1.4	1.8	63
		2029F	809	384	1.3	1.7	64
		2028F	753	344	1.5	1.8	64
		2027F	697	332	1.5	1.7	63
		2026F	638	297	1.9	1.9	63
Yorkshire Water Services Limited	BBB ^{+c}	2030F	1,218	504	1.7	1.8	70
		2029F	1,167	490	1.7	1.8	71
		2028F	1,082	436	1.9	1.9	71
		2027F	976	380	2.0	1.9	71
		2026F	888	357	2.0	2.0	77
Affinity Water Limited	BBB ^{+d}	2030F	239	93	2.0	2.0	72
		2029F	225	95	1.9	1.9	73
		2028F	212	85	2.1	2.1	73
		2027F	197	91	2.1	1.8	72
		2026F	176	84	2.3	1.9	71
Southern Water Services Limited	BBB ^{-e}	2030F	1,046	550	1.1	1.5	77
		2029F	971	522	1.1	1.5	76
		2028F	859	427	1.2	1.6	73
		2027F	792	347	1.4	1.9	71
		2026F	782	305	1.8	2.3	73

^a Rated under Anglian Water Services Financing Plc. ^b Rated under Dwr Cymru (Financing) UK Plc. ^c Rated under Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc. ^d Rated under Affinity Water Finance Plc and Affinity Water Finance (2004) Plc. ^e Rated under SW (Finance) I Plc.
Source: Fitch Ratings, Fitch Solutions, Ofwat, companies

The table below compares Fitch’s assumptions for AWL’s cash ODIs across the rated portfolio. These penalties and rewards have a cash impact that materialises with a two-year lag. We forecast AWS to have net cash ODI penalties of GBP267 million in AMP8, including the final two years of AMP7.

Cash ODIs in AMP8

Fitch assumptions (nominal terms)



Source: Fitch Ratings, Fitch Solutions, Ofwat, companies

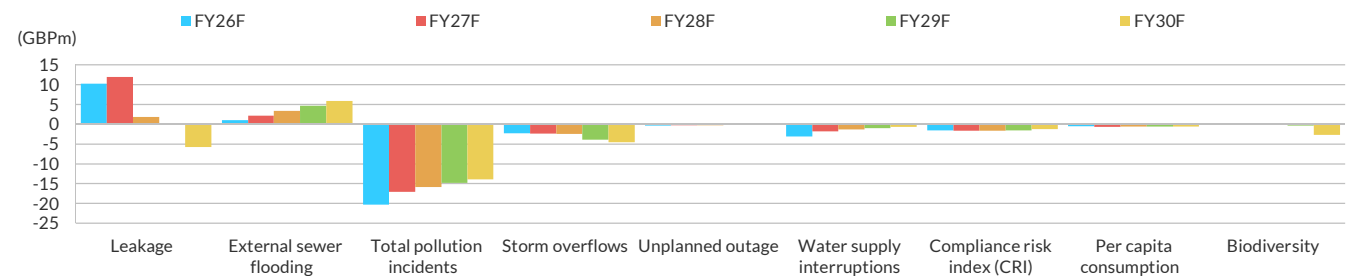
Key

AWS	Anglian Water Services Limited
DWR	Dwr Cymru (Financing) UK Ltd
SWS	Southern Water Services Limited
UUU	United Utilities Water Limited
WWSL	Wessex Water Services Limited
YWS	Yorkshire Water Services Limited
AWL	Affinity Water Limited
STWL	Severn Trent Water Limited
NWL	Northumbrian Water Limited
SWW	South West Water Limited

Source: Fitch Ratings, Fitch Solutions

The table below presents a year-by-year breakdown of the most significant ODI rewards and penalties for AWS. We forecast cumulative net in-period ODI penalties of GBP232 million for AMP8. In AMP8, AWS is set to incur penalties primarily related to external and internal sewer flooding and leakages.

Key AMP8 In-Period ODI Rewards and Penalties



Source: Fitch Ratings, Fitch Solutions, Ofwat, companies

Fitch Adjusted Financials

Reconciliation of Key Financial Metrics for Anglian Water Limited and Osprey Acquisitions Limited

(GBPm)	Notes and formulas	31 Mar 24
Post-maintenance cash flow		
Fitch EBITDA		720
Regulatory depreciation		-503
Cash tax		0
Pension deficit repair		-3
PAYG adjustment		47
Post-maintenance cash flow	(a)	261
Net cash interest (after interest received)	(b)	252
Accretion on index-linked swaps	(c)	29
Cash PMICR (x)	a/(b+c)	0.9
Indexation of debt	(d)	360
RCV yoy indexation	(e)	641
Nominal PMICR (x)	(a+e)/(b+d)	1.5
Net debt to RCV		
Interest-bearing loans and borrowing	(a)	8,338
Cash and equivalents (unrestricted)	(b)	-954
Pension adjustment	(c)	0
Net debt	a+b+c=d	7,384
RCV	(e)	10,761
Net debt to RCV (%)	d/e	69
OAL net debt	(f)	958
OAL net debt to RCV (%)	(d+f)/e	78

Source: Fitch Ratings, Fitch Solutions, Ofwat, companies

Parent Subsidiary Linkage

Key Risk Factors and Notching Approach

Parent	Osprey Acquisitions Limited
Parent LT IDR	BB+
Subsidiary	Anglian Water Services Ltd
Subsidiary LT IDR	NA
Path	Stronger Subsidiary
Legal ring-fencing	Insulated
Access and control	Porous
Notching matrix outcome	Standalone
Override applied	No
Notching approach	—

LT IDR – Long-Term Issuer Default Rating
 Source: Fitch Ratings

Stronger Subsidiary Notching Matrix

Access and control	Open	Porous	Insulated
With open ring-fencing	Consolidated	Consolidated+1	Consolidated+2 ^b
With porous ring-fencing	Consolidated+1	Consolidated+2 ^b	Consolidated+2 ^b
With insulated ring-fencing	^a	Standalone	Standalone

^a It is unlikely that considerations for "insulated" legal ring-fencing would coexist with the conditions outlined under "open" for access and control. It is more likely that other factors relevant to legal ring-fencing or access and control, but not within this table, would move either one, or both, of the individual Linkage Factor Assessments (LFAs) to a "porous" level that would lead to a consolidated+1, consolidated+2 or standalone outcome.

^b Notching is capped at the subsidiary's Standalone Credit Profile.

Source: Fitch Ratings

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