

Canal de Isabel II, S.A., M.P.

Fitch Ratings' affirmation of Canal de Isabel II, S.A., M.P.'s ratings reflects Canal's unchanged low-risk business and solid financial profile, following its recent business plan update. We expect moderate annual tariff increases over the next five years to support higher investments for the modernisation of Madrid's water infrastructure. We expect its dividend-adjusted funds from operations (FFO) net leverage to increase towards 2.0x by 2025, leaving ample room within its negative sensitivity of 4.3x.

The absence of an independent regulator and a clear regulatory framework remain a rating constraint, and expected support from Canal's shareholder is insufficient to drive an uplift from the SCP.

Key Rating Drivers

Business Plan Update Improves Visibility: Canal's updated business plan has improved visibility over its tariffs for the next five years, while maintaining a prudent capital structure. The plan includes tariff increases of 3% a year in 2025-2030, following 10 years of tariff freeze. The tariff increases are intended to support higher capex over the same period. We believe the plan carries low execution risk, despite increased investment, as it is focused on Canal's core business and builds on an already substantial investment of EUR370 million in 2024.

Accelerating Investment: Canal's investments are mostly aimed at ensuring the continuity and quality of supply, improving urban drainage and water purification. We forecast average annual net investments of EUR350 million over 2024-2026, a strong increase compared with the average of EUR180 million over 2021-2023. We anticipate Fitch-defined free cash flow (FCF) to turn positive only in 2027, once capex moderates towards EUR220 million a year.

Ample Leverage Headroom: We expect Canal to maintain a prudent capital structure despite the increased investments. We forecast dividend-adjusted FFO net leverage to increase towards 2.0x in 2025, from 1.2x in 2024, and to remain flat until 2027. Its leverage remains strong for the rating, with ample headroom within its negative sensitivity of 4.3x.

Lacking Regulatory Framework: The absence of an underlying regulatory framework remains the key rating constraint. The recent business plan update does not change our assessment given Autonomous Community of Madrid's (A-/Positive), its majority shareholder, record of tariff intervention and the absence of an independent regulator or transparent tariff-setting mechanisms. The expected 3% annual tariff increase until 2030 should be formalised during the summer of 2025; however, there is no formal methodology underpinning the calculation, and we do not expect any material improvements to the regulatory framework in the near future.

Stable Underlying Business: Canal's creditworthiness is supported by its low-risk business profile. We forecast water management revenue under its 50-year concession contract covering the Madrid region's infrastructure to remain stable, in line with the region's underlying population growth and water consumption patterns. We therefore see low volume risk. Canal continues to focus on its domestic regional activities and capex plan with minimal contribution from international activity.

Corporates

Water/Wastewater Utility
Spain

Ratings

Long-Term IDR	BBB+
Senior Unsecured Debt - Long-Term Rating	BBB+

Outlook

Long-Term Foreign-Currency IDR Stable

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ESG and Climate

Highest ESG Relevance Scores

Environmental	3
Social	3
Governance	3

2035 Climate Vulnerability Signal: 15

Applicable Criteria

[Government-Related Entities Rating Criteria \(July 2024\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(August 2024\)](#)

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

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

Related Research

[Global Corporates Macro and Sector Forecasts](#)

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Standalone Rating: We assess Autonomous Community of Madrid's decision-making and oversight as 'Very Strong', due to the region's full ownership of Canal and its close monitoring of its financial and operational activities. We view the remaining key support factors as 'Not Strong Enough', given the absence of historical support from the parent, the possibility of substitution with private sector operators and the lack of contagion risk in a default. This results in a 12.5 support score, out of a maximum 60, implying modest expectations of support, and leading to an IDR based solely on the company's Standalone Credit Profile (SCP).

Financial Summary

(EUR 000)	2022	2023	2024	2025F	2026F	2027F
EBITDA	293,590	295,192	338,089	297,144	317,502	323,844
FFO	221,108	238,225	299,854	259,653	290,330	290,578
FCF after acquisitions and divestitures	74,390	-57,334	-71,158	-132,258	-54,768	61,934
FFO net leverage (x)	0.5	1.0	1.2	1.9	2.0	1.9
FFO interest coverage (x)	18.0	17.5	24.3	20.4	18.6	17.4

Source: Fitch Ratings, Fitch Solutions

Peer Analysis

Canal is a water and sewage network operator, but unlike most of its European peers it does not own its asset base. However, its investments are supported by its concession value. Canal's leverage, adjusted for dividends, is well below that of peers such as Acea SpA (BBB+/Stable), Holding d'infrastructures des Metiers de l'Environnement (SAUR; BB+/Stable) and FCC Aqualia, S.A. (BBB-/Stable), although we give Canal's leverage a lower weight in our overall assessment compared with peers, given the specific features of its concession-based framework.

Canal operates in a more decentralised and less developed regulatory environment than in some other European countries. Canal's lack of asset ownership means it also does not benefit from the one-notch uplift to the senior unsecured rating typically afforded to regulated network utilities, which reflects above-average expected recoveries in a default. No Country Ceiling constraints affect Canal's rating.

Navigator Peer Comparison

Issuer	Business profile							Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability	Financial Structure	Financial Flexibility
Acea SpA	BBB+/Stable	a-	bbb	bbb-	bbb+	bbb+	bbb+	bbb	bbb+	a-
Aquanet S.A.	BBB+/Stable	bbb+	bbb	bbb+	bbb-	bbb	bbb+	bbb-	a	bbb
Canal de Isabel II, S.A., M.P.	BBB+/Stable	bbb+	bbb-	bbb+	bbb-	bbb	a-	bbb+	a	bbb-
FCC Aqualia, S.A.	BBB-/Stable	bbb+	bbb-	bb+	bbb-	bbb	bbb+	bbb	bbb-	bbb-
Holding d'Infrastructures des Metiers de l'Environnement	BB+/Stable	a+	bbb-	bb+	bb+	bbb-	bbb	bb+	bb+	bbb
Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. (MWIK)	BBB/Stable	bbb+	bbb	bbb+	bbb-	bbb-	bbb+	bbb-	a	bbb-

Source: Fitch Ratings

Relative Importance of Factor: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	Business profile							Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability	Financial Structure	Financial Flexibility
Acea SpA	BBB+/Stable	+1	-1	-2	0	0	0	-1	0	+1
Aquanet S.A.	BBB+/Stable	0	-1	0	-2	-1	0	-2	+2	-1
Canal de Isabel II, S.A., M.P.	BBB+/Stable	0	-2	0	-2	-1	+1	0	+2	-2
FCC Aqualia, S.A.	BBB-/Stable	+2	0	-1	0	+1	+2	+1	0	0
Holding d'Infrastructures des Metiers de l'Environnement	BB+/Stable	+6	+1	0	0	+1	+2	0	0	+2
Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. (MWIK)	BBB/Stable	+1	0	+1	-1	-1	+1	-1	+3	-1

Source: Fitch Ratings

Factor Score Relative to IDR: Worse positioned than IDR (Red), Within one notch of IDR (Blue), Better positioned than IDR (Light Blue)

Rating Sensitivities

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

- Weaker cash flow generation leading to dividend-adjusted FFO net leverage above 4.3x on a sustained basis, potentially due to a worse-than-expected operating environment, including regulatory changes, or higher dividends

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

- Stronger links to Madrid under our government-related entities (GRE) assessment
- A growing record of independent tariff-setting and a stronger regulatory framework

Liquidity and Debt Structure

We estimate Canal's cash balance at end-2024 at about EUR320 million, excluding EUR3.6 million of restricted cash in Latin America. In February 2025, the company repaid its EUR500 million bond at maturity with internal cash and available credit facilities, materially reducing its liquidity. We expect Canal's liquidity to remain lower than historically at about EUR30 million, despite about EUR150 million of short-term credit lines and good relationships with its banks.

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>.

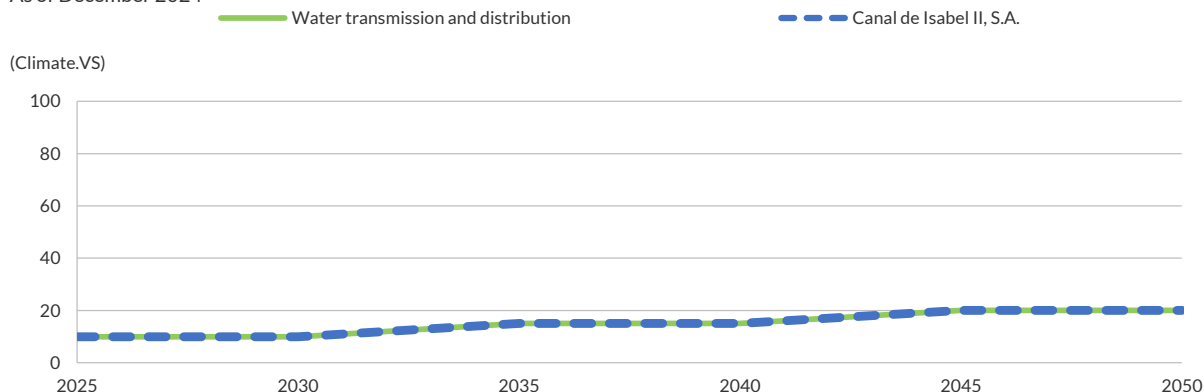
Climate Vulnerability Considerations

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 Canal de Isabel II for 2035 is 15 out of 100, suggesting low exposure to climate related-risks in that year.

Climate.VS Evolution

As of December 2024



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(EUR 000)	2025F	2026F	2027F
Available liquidity			
Beginning cash balance	323,454	106,434	36,904
Rating case FCF after acquisitions and divestitures	-132,258	-54,768	61,934
New EIB loan	430,000	—	—
Total available liquidity (A)	621,196	51,666	98,838
Liquidity uses			
Debt maturities	-514,762	-14,762	-14,762
Total liquidity uses (B)	-514,762	-14,762	-14,762
Liquidity calculation			
Ending cash balance (A+B)	106,434	36,904	84,076
Revolver availability	—	—	—
Ending liquidity	106,434	36,904	84,076
Liquidity score (x)	0.4	3.5	6.7

Source: Fitch Ratings, Fitch Solutions, Canal de Isabel II, S.A., M.P.

Scheduled debt maturities

(EUR 000)	31 Dec 24
2025	514,762
2026	14,762
2027	14,762
2028	14,762
2029	14,762
Thereafter	93,571
Total	667,381

Source: Fitch Ratings, Fitch Solutions, Canal de Isabel II, S.A., M.P.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Madrid's water tariffs frozen until end-2025 and to rise 3% a year from 2026
- Stable billed water volumes until 2028
- Annual capex on average at about EUR320 million for 2024-2028
- About 50% dividend payout based on Canal's consolidated accounts

Summary of Financial Adjustments

Fitch treats dividend payments as a fixed non-discretionary operating charge, similar to a concession fee. We adjust Canal's FFO calculations accordingly by deducting dividends.

Financial Data

(EUR 000)	2022	2023	2024	2025F	2026F	2027F
Summary income statement						
Gross revenue	947,727	945,520	1,003,219	1,001,950	1,032,952	1,058,879
Revenue growth (%)	3.6	-0.2	6.1	-0.1	3.1	2.5
EBITDA before income from associates	293,590	295,192	338,089	297,144	317,502	323,844
EBITDA margin (%)	31.0	31.2	33.7	29.7	30.7	30.6
EBITDA after associates and minorities	293,398	294,633	337,552	296,607	316,965	323,307
EBIT	113,422	123,739	155,754	110,853	121,928	121,890
EBIT margin (%)	12.0	13.1	15.5	11.1	11.8	11.5
Gross interest expense	-22,439	-5,886	-6,246	-13,306	-16,469	-17,651
Pretax income including associate income/loss	109,961	135,020	133,901	100,496	103,311	102,273
Summary balance sheet						
Readily available cash and equivalents	580,622	444,219	323,454	34,923	31,847	32,729
Debt	697,940	682,225	667,381	562,619	647,857	613,095
Net debt	117,318	238,006	343,927	527,696	616,010	580,366
Summary cash flow statement						
EBITDA	293,590	295,192	338,089	297,144	317,502	323,844
Cash interest paid	-12,952	-13,479	-12,261	-13,306	-16,469	-17,651
Cash tax	443	-248	-2,260	-3,726	-983	-1,046
Dividends received less dividends paid to minorities (inflow/outflow)	-192	-559	-537	-537	-537	-537
Other items before FFO	-60,847	-57,886	-37,254	-21,715	-9,517	-14,355
FFO	221,108	238,225	299,854	259,653	290,330	290,578
FFO margin (%)	23.3	25.2	29.9	25.9	28.1	27.4
Change in working capital	-1,327	-43,486	-2,384	-14,938	-44,705	-14,696
CFO (Fitch-defined)	219,781	194,739	297,470	244,715	245,625	275,882
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-149,179	-266,179	-369,558	—	—	—
Capital intensity (capex/revenue) (%)	15.7	28.2	36.8	—	—	—
Common dividends	—	—	—	—	—	—
FCF	70,602	-71,440	-72,088	—	—	—
FCF margin (%)	7.5	-7.6	-7.2	—	—	—
Net acquisitions and divestitures	3,788	14,106	930	—	—	—
Other investing and financing cash flow items	-1,643	-48,602	-34,460	—	—	—
Net debt proceeds	-15,004	-16,309	-14,218	-104,762	85,238	-34,762
Net equity proceeds	—	—	—	—	—	—
Total change in cash	57,743	-136,351	-120,766	-288,531	-3,076	881
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-145,391	-252,073	-368,628	-376,972	-300,393	-213,948
FCF after acquisitions and divestitures	74,390	-57,334	-71,158	-132,258	-54,768	61,934
FCF margin after net acquisitions (%)	7.8	-6.1	-7.1	-13.2	-5.3	5.8
Gross Leverage ratios (x)						
FFO leverage	3.0	2.9	2.2	2.1	2.1	2.0
(CFO-capex)/debt	10.1	-10.5	-10.8	-25.7	-8.5	10.1
Net Leverage ratios (x)						
FFO net leverage	0.5	1.0	1.2	1.9	2.0	1.9
(CFO-capex)/net debt	60.2	-30.0	-21.0	-27.4	-8.9	10.7
Coverage ratios (x)						
FFO interest coverage	18.0	17.5	24.3	20.4	18.6	17.4
FFO fixed-charge coverage	18.0	17.5	24.3	20.4	18.6	17.4

CFO – Cash flow from operations

Source: Fitch Ratings, Fitch Solutions

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

FitchRatings

Canal de Isabel II, S.A., M.P.

ESG Relevance:



Corporates Ratings Navigator
EMEA Regulated Networks



Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Arrows = Rating Factor Outlook

Bar Colors = Relative Importance

- Higher Importance
- Average Importance
- Lower Importance

- ↑ Positive
- ↓ Negative
- ↕ Evolving
- Stable

Operating Environment				Management and Corporate Governance			
a-	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.	bbb+	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bbb+	Financial Access	bbb	Average combination of issuer-specific funding characteristics and the strength of the relevant local financial market.	bbb	Governance Structure	bb	Board effectiveness questionable, with few independent directors. "Key person" risk from dominant CEO or shareholder.
	Systemic Governance	a	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'a'.	bbb-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
b-				bb+	Financial Transparency	bb	Financial reporting is appropriate but with some failings (eg lack of interim or segment analysis).
ccc+				bb			
Sector Positioning				Regulatory Environment			
a	Operation Type	bbb	Local or regional monopoly asset owners, regional monopoly asset operators.	bbb+	Independence, Transparency, Predictability	bb	Opaque or overly demanding frameworks with limited track record, short-term tariffs; significant political risk.
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	bb	Inadequate tariff-setting mechanism for recovery of costs and investments, significant regulatory lag.
bbb				bb+	Volume and Price Risk	bbb	Moderate insulation from price and volume risk and revenue under-recovery.
bbb-				bb			
Asset Base				Operational Profile			
a-	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.	a+	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
bbb+	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).	a	Counterparty Risk	a	Low counterparty risk; high collection rates for water suppliers. Economy of area served provides structurally stable background.
bbb	Asset Quality and Residual Life	bbb	Mid-range asset quality not affecting opex and capex requirements compared with peers. The residual life of regulatory assets is average.	a-			
bbb-				bbb+			
bb+				bbb			
Profitability				Financial Structure			
a	Return on Capital	bbb	Return on capital comparable with the regulatory benchmark.	aa-	FFO Leverage	a	4.5x
a-	Volatility of Profitability	bbb	Stability and predictability of profit in line with utility peers.	a+	FFO Net Leverage	a	4.0x
bbb+	Investment Cycle	a	Investment cycle position and dividend policy leading to broadly neutral free cash flow. High flexibility in smoothing capex plans.	a	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	a	60%
bbb				a-	Cash PMICR		
bbb-				bbb+	Nominal PMICR		
Financial Flexibility				Credit-Relevant ESG Derivation			
bbb+	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.	Canal de Isabel II, S.A., M.P. has 13 ESG potential rating drivers			Overall ESG
bbb	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.	key driver	0	issues	5
bbb-	FFO Interest Coverage	a	4.5x	driver	0	issues	4
bb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging.	potential driver	13	issues	3
bb	Dividend Cover	n.a.		not a rating driver	1	issues	2
					0	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

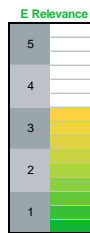
Canal de Isabel II, S.A., M.P. has 13 ESG potential rating drivers

- ➡ Canal de Isabel II, S.A., M.P. has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➡ Canal de Isabel II, S.A., M.P. has exposure to energy regulatory risk but this has very low impact on the rating.
- ➡ Canal de Isabel II, S.A., M.P. has exposure to water management risk but this has very low impact on the rating.
- ➡ Canal de Isabel II, S.A., M.P. has exposure to waste & impact management risk but this has very low impact on the rating.
- ➡ Canal de Isabel II, S.A., M.P. has exposure to extreme weather events but this has very low impact on the rating.
- ➡ Canal de Isabel II, S.A., M.P. has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Profitability
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability
Water & Wastewater Management	3	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operational Profile; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operational Profile; Profitability; 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)	Operational Profile; Profitability; 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.

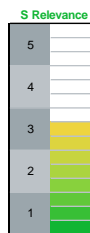
The **Environmental (E), Social (S) and Governance (G)** tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the 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.

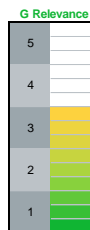
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; 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	Operational Profile; Profitability



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	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

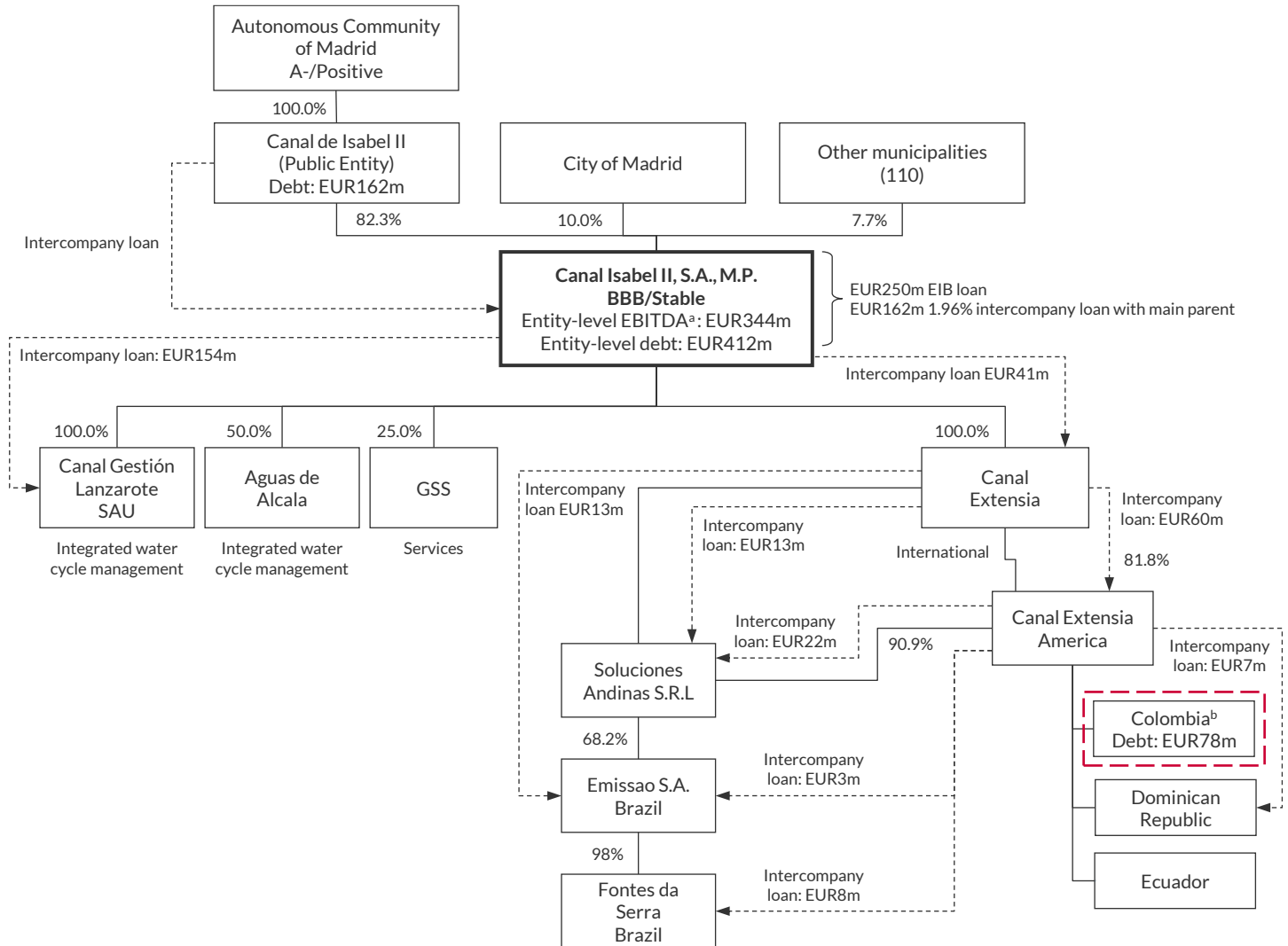


CREDIT-RELEVANT ESG SCALE

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

^a In Spanish GAAP.^b Colombia refers to Triple A, the control of which has been seized by Colombian authorities.

Note: Excludes equity method consolidated stakes.

Source: Fitch Ratings, Fitch Solutions, Canal, as of March 2025. Debt position as of March 2025

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	FFO (EURm)	FCF after acquisitions and divestitures (EURm)	FFO net leverage (x)	FFO interest coverage (x)
Canal de Isabel II, S.A., M.P.	BBB+						
	BBB+	2024	338	300	-71	1.2	24.3
	BBB+	2023	295	238	-57	1.0	17.5
	BBB+	2022	294	221	74	0.5	18.0
FCC Aqualia, S.A.	BBB-						
	BBB-	2023	375	268	-56	5.2	4.3
	BBB-	2022	331	239	-209	5.9	5.0
	BBB-	2021	218	189	32	4.8	6.9
Holding d'Infrastructures des Metiers de l'Environnement	BB+						
	BBB-	2023	153	126	-203	8.2	11.4
	BBB-	2022	206	172	-288	5.0	14.7
	BBB-	2021	181	140	-2	4.8	6.6
Acea SpA	BBB+						
	BBB+	2024	1,520	1,194	-256	4.0	7.6
	BBB+	2023	1,353	896	-91	4.9	6.3
	BBB+	2022	1,259	762	-641	5.8	7.4
Aquanet S.A.	BBB+						
	BBB+	2023	36	30	-28	3.9	5.7
	BBB+	2022	35	30	-29	2.9	7.4
	BBB+	2021	35	32	-4	2.2	46.7
Miejskie Wodociagi i Kanalizacja w Bydgoszczy Sp. z o.o. (MWiK)	BBB						
	BBB	2023	11	9	-63	1.2	3.6
	BBB	2022	14	13	-5	-1.7	7.3
	BBB	2021	15	11	15	-1.7	11.5

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EUR 000 as of 31 December 2024)	Notes and formulas	Standardised values	Cash adjustment	Preferred dividends, associates and minorities cash adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary							
Revenue		1,003,219	—	—	—	—	1,003,219
EBITDA	(a)	317,916	—	—	-6,070	26,243	338,089
Depreciation and amortisation		-137,633	—	—	5,644	-50,346	-182,335
EBIT		180,283	—	—	-426	-24,103	155,754
Balance sheet summary							
Debt	(b)	667,381	—	—	—	—	667,381
Of which other off-balance-sheet debt		—	—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—	—
Lease-adjusted debt		667,381	—	—	—	—	667,381
Readily available cash and equivalents	(c)	325,965	-2,511	—	—	—	323,454
Not readily available cash and equivalents		—	3,586	—	—	—	3,586
Cash flow summary							
EBITDA	(a)	317,916	—	—	-6,070	26,243	338,089
Dividends received from associates less dividends paid to minorities	(d)	—	—	—	—	-537	-537
Interest paid	(e)	-12,261	—	—	—	—	-12,261
Interest received	(f)	14,077	—	—	—	—	14,077
Preferred dividends paid	(g)	—	—	—	—	—	—
Cash tax paid		-2,260	—	—	—	—	-2,260
Other items before FFO		61,810	—	—	—	-99,064	-37,254
FFO	(h)	379,282	—	-537	-6,070	-72,821	299,854
Change in working capital		-2,384	—	—	—	—	-2,384
CFO	(i)	376,898	—	-537	-6,070	-72,821	297,470
Non-operating/nonrecurring cash flow		—	—	—	—	—	—
Capex	(j)	-419,974	—	—	—	50,416	-369,558
Common dividends paid		-73,358	—	—	—	73,358	—
FCF		-116,434	—	-537	-6,070	50,953	-72,088
Gross leverage (x)							
FFO leverage	b/(h-e-f-g)	1.8	—	—	—	—	2.2
(CFO-capex)/debt (%)	(i+j)/b	-6.5	—	—	—	—	-10.8
Net leverage (x)							
FFO net leverage	(b-c)/(h-e-f-g)	0.9	—	—	—	—	1.2
(CFO-capex)/net debt (%)	(i+j)/(b-c)	-12.6	—	—	—	—	-21.0
Coverage (x)							
FFO interest coverage	(h-e-f-g)/(-e-g)	30.8	—	—	—	—	24.3

CFO – Cash flow from operations

Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.

Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.

Debt includes other off-balance-sheet debt.

Source: Fitch Ratings, Fitch Solutions, Canal de Isabel II, S.A., M.P.

Government Related Entity Analysis

Canal de Isabel II, S.A., M.P. Rating Derivation Summary

GRE Key Risk Factors and Support Score

Responsibility to support	12.5
Decision-making and oversight	Very Strong
Precedents of support	Not Strong Enough
Incentives to support	0.0
Preservation of provision of public service or sovereignty or strategic assets	Not Strong Enough
Contagion risk	Not Strong Enough
Support score	12.5

Summary

Supporting government	Madrid, Autonomous Community of
Government LT IDR	A-
GRE SCP	bbb+
Support category	Modest Expectations
Notching expression	—
Single equalisation factor	No
GRE LT IDR	BBB+

LT IDR – Long-Term Issuer Default Rating.
 GRE – Government-related entity.
 SCP – Standalone Credit Profile.
 n.a. – Not applicable.
 Source: Fitch Ratings

Government LT IDR	GRE SCP	GRE LT IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC+	ccc+	CCC+
CCC	ccc	CCC
CCC-	ccc-	CCC-
CC	cc	CC
C	c	C
RD	rd	RD
D	d	D

Source: Fitch Ratings

	A	B	C	D	E	F	G
GRE's SCP - Government's IDR	Equal to or more than 45.0	Between 42.5 and 35.0 ^a	Between 32.5 and 30.0 ^a	Between 25.0 and 20.0 ^a	15.0 ^a	12,5	Equal to or less than 10.0
>0	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained
0	0	0	0	Standalone	Standalone	Standalone	Standalone
-1	0	0	0	+1 ^b	Standalone	Standalone	Standalone
-2	0	0	0	+1	Standalone	Standalone	Standalone
-3	0	0	-1	+1	Standalone	Standalone	Standalone
-4	0	-1	-2	+1	Standalone	Standalone	Standalone
-5	0	-1	-2	+2	+1	Standalone	Standalone
-6	0	-1	-2	+3	+2	+1	Standalone
-7	0	-1	-2	+4	+2	+1	Standalone
-8	0	-1	-2	+4	+3	+1	Standalone
-9	0	-1	-2	+5	+3	+1	Standalone
-10	0	-2	-3	+5	+3	+1	Standalone
-11	-1	-2	-4	+5	+3	+1	Standalone
-12	-1	-3	-4	+5	+3	+1	Standalone
-13	-2	-3	-5	+5	+3	+1	Standalone
-14	-2	-3	-5	+5	+3	+1	Standalone
-15	-2	-3	-5	+5	+3	+1	Standalone
No SCP	0	-1	-2	-3	n.a.	n.a.	n.a.

^aIncluding those values.

^bCapped at GRE's SCP if the credit drivers of the GRE are largely similar to or interrelated with those of the government (typical for policy GREs).

Note: Columns A to C refer to notching down from the government IDR and columns D to F refer to notching up from the Standalone Credit Profile. See Fitch's Government-Related Entities Rating Criteria for more information.

GRE – Government-related entity. SCP – Standalone Credit Profile. LT IDR – Long-Term Issuer Default Rating. n.a. – Not applicable.

Source: Fitch Ratings

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