



Rating Action: Moody's Ratings downgrades AEGEA's ratings; outlook remains on review for downgrade

05 May 2026

New York, May 05, 2026 -- Moody's Ratings (Moody's) today downgraded to B2 from Ba3 AEGEA Saneamento e Participações S.A.'s (AEGEA, or 'the company') long-term Corporate Family Rating (CFR). At the same time, we downgraded to B3 from B1 Aegea Finance S.a r.l.'s (Aegea Finance) backed senior unsecured foreign-currency notes due in 2029 and 2031. The ratings remain on review for downgrade.

The downgrade follows the repeated delays in publishing audited fiscal-year 2025 financial statements and material accounting restatements for prior periods, including fiscal 2024, which have increased the company's leverage, reduced financial covenants headroom, and heightened governance risk.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

The two-notch downgrade of AEGEA's B2 CFR reflects a material decline in the group's financial flexibility, higher leverage, and a perceived weakening of corporate governance, translating into lower confidence in the reliability of historical financial information and the robustness of internal controls. This has materially increased the company's credit risk, particularly in the context of an intensive investment cycle that constrains near-term cash generation. These pressures are partly offset by the company's resilient operations, a geographically diversified portfolio of long-term concession contracts, and predictable underlying demand in Brazil's water and sanitation sector.

Aegea Finance's ratings were downgraded to B3, a notch lower than the company's CFR due to higher liquidity risk at the holding company, limited access to dividends from subsidiaries, and a reduced ability to continue to service debt without outside funds over the next 12-to-18 months.

AEGEA's ratings remain on review for further downgrade. As part of the review, we will evaluate management's ability to execute an action plan aimed at strengthening the internal control environment mitigating elevated governance risk. In parallel, we will closely monitor the holding company's liquidity profile and its capacity to generate internal cash flows sufficient to meet debt service obligations on a timely basis. The review will further consider the sustainability of the group's capital structure, the refinancing capacity and its access to capital markets under current conditions.

Accounting restatements were mainly related to revenue recognition practices and customer-related estimates in certain concessions, including cases in which earnings recognition was more front-loaded than cash realization. We consider these restatements to be a one-off event, but we recognize that strengthening the internal control environment will take time and that improvements will not be immediate. At the holding company level, December 2024 shareholders' equity declined to BRL558 million from BRL6.7 billion as previously reported, a reduction of approximately BRL6.1 billion. Reported shareholder's equity dropped further in December 2025 to BRL356 million, significantly eroding the equity cushion available to absorb losses and creating an inadequate capital structure to support future capital needs. On a consolidated basis, net income for 2024 decreased by BRL593 million to BRL1.8 billion, and it dropped to BRL1.3 billion in 2025. These adjustments have contributed to higher leverage, with the AEGEA net debt-to-EBITDA ratio, as calculated for covenant purposes, increasing to 3.0x from 2.8x on a restated basis for 2024, and further rising to 3.8x in 2025, narrowing the headroom under the company's 4.0x covenant threshold.

Our adjusted projections for AEGEA reflect weaker distributable reserves and reduced capacity to deleverage

internally during an intensive investment phase, increasing reliance on external funding. We expect the company to report annual negative free cash flow around BRL7 billion through at least 2029. Absent equity injections, the debt-to-capitalization ratio would deteriorate further to 94.8% by year-end 2027, from 90.0% as of year-end 2025 (as opposed to 85.4% for 2027 in our previous projection).

The company remains in compliance with its financial covenants as of December 2025, but faces growing covenant pressure and reduced financial flexibility in upcoming quarters, heightening sensitivity to execution risk and refinancing conditions. Our liquidity analysis shows enough cash for debt service for the next four quarters, relying on internal cash generation and capex-committed debt proceeds. The holding company, however, will require external funding during the first half of 2027. This assessment takes into consideration the BRL1.2 billion equity injection in the first quarter of 2026, and the disbursements of BRL2.3 billion from debentures and syndicated loan.

We see the current management team and shareholders committed to enhance transparency within the company's disclosures. According to them, ongoing efforts to reinforce governance practices to ensure timely reporting and covenant compliance are under way. In regard to financial policy, the company remains confident in its deleveraging trajectory and maintenance of compliance with financial covenants in debt agreements, signaling alternative measures such as cost reductions, capex deferrals and the possibility of dividend reductions to reduce near-term liquidity risks. Nonetheless, we currently view significant execution risks related to the financing strategy, which depends on continued access to external sources to fund ongoing investments.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings could be upgraded if the company receives a significant equity injection, while improving governance and demonstrating a clear deleveraging path. From a quantitative perspective, a rating stabilization would require debt-to-capitalization to decline to below 85%, while maintaining FFO interest coverage above 1.3x and FFO to debt above 5%. The ratings could be further downgraded if the company's liquidity position weakens to a level at which it can no longer adequately meet its short-term funding needs, or if we perceived increasing probability of debt restructuring implying in a probability of higher losses for senior unsecured creditors.

PROFILE

AEGEA is one of the largest private water and sewage companies operating basic sanitation assets in Brazil under full or partial concession contracts and public-private partnerships (PPPs). The company is present in 893 municipalities located in 15 states. It serves a population of more than 39 million people. In the 12 months that ended December 2025, AEGEA reported net revenue of BRL18.8 billion. As of April 2026, AEGEA's shareholders are Equipav (52.1% stake), the Government of Singapore Investment Corporation - GIC (34.6% stake) and Itausa S.A. (13.3% stake).

LIST OF AFFECTED RATINGS

Issuer: AEGEA Saneamento e Participacoes S.A.

..Downgrades:

.... LT Corporate Family Rating, Downgraded to B2 from Ba3; Placed On Review for further Downgrade

Issuer: Aegea Finance S.a r.l.

..Downgrades:

.... Backed Senior Unsecured, Downgraded to B3 from B1; Placed On Review for further Downgrade

The principal methodology used in these ratings was Regulated Water Utilities published in August 2023 and available at <https://ratings.moodys.com/rmc-documents/406788>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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