



ISSUER RATING
LongTerm

OUTLOOK
Evolving

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Contacts

Lead analyst
Reda Mouaacha
reda.mouaacha@ethifinance.com

Committee chair
Marc Pierron
marc.pierron@ethifinance.com

Rating Action and Rationale

- EthiFinance Ratings initiates the long-term rating of GS INIMA ENVIRONMENT SA, assigning a BBB rating with an evolving outlook.
- GS INIMA ENVIRONMENT SA "GS Inima" designs, constructs, finances and operates water treatment and desalination plants under a concession-based business model.
- Our rating is primarily supported by (i) the favourable fundamentals of the infrastructure sector, specifically the water utilities sub-industry, characterized by high profitability (EBIT margins above 20%), significant barriers to entry, and low cash flow volatility due to fixed and guaranteed tariffs received during the operational phase of concessions. (ii) GS Inima's strong competitive positioning across the full water cycle (desalination, wastewater treatment, drinking water, and industrial water) with a total treatment capacity of 6.2 million m³/day. (iii) A shareholder with extensive financial capacity to support the group in case of a financial distress. (iv) A controlled net leverage ratio (adj NFD/EBITDA around 3.0x on average), which is in line with the industry benchmarks.
- In FY24, GS Inima recorded revenue growth of 11.4%, with EBITDA reaching €105.6m, equivalent to a margin of 27.2%. EthiFinance Ratings' adjusted net leverage stood at 2.8x at end-2024 (vs 2.5x at end-2023). As the company transitions to the operating phase, margins are projected to improve to a range of 30–33%. EthiFinance Ratings' adjusted net leverage stood at 2.8x at end-2024 (vs 2.5x at end-2023) and is expected to deteriorate to 4.0x by end-2025, reflecting the time lag between construction-phase cash outflows and the operating phase cash inflows under the financial asset model (IFRIC 12). Despite this sharp increase, the projected net adjusted leverage range remains consistent with a 'BBB' rating. This also holds for the adj FFO/adj debt (15 - 20%), which remains within the rating thresholds.
- Following TAQA's announcement in late August 2025 of its full acquisition of GS Inima (expected to be completed by June 2026), a potential strategic shift could unfold in the coming months. This may entail a shift in the company's business strategy, with possible implications for our forward-looking forecasts. In light of this uncertainty, we assign an evolving outlook.
- However, our rating is constrained by GS Inima's (i) small scale in the water concessions market, (ii) limited diversification into energy projects, despite potential positive operational synergies with water desalination, due to its energy-intensive nature, (iii) low interest coverage ratio of 2.5x at end-2024, below the thresholds typically associated with the current rating level, and (iv) exposure of 50% of FY24 revenues to sovereign credit risk via emerging markets, particularly Brazil and Algeria.
- Our assessment of GS Inima's financial risk profile is based on our infrastructure , benchmark ratios, reflecting the company's concessions-based model, which is supported by fixed and inflation-linked tariffs. For ratio calculation, we consider full EBITDA against both recourse and non-recourse debt, while adding debt-like items and applying a haircut to some illiquid short-term financial assets.
- Under our methodology, the company operates in the water utilities sector, specifically in water concessions. Regarding ESG-related risks, we believe this sector exhibits an adequate alignment with ESG factors (score between 1 and 2), which yields a positive impact on the industry risk profile of the company. Additionally, our assessment of the company's ESG policy is positive (company ESG score between 1.0 and 1.5), resulting in a half-a-notch upgrade of the financial risk profile.

Company Description

GS Inima is a Spain-based infrastructure operator specialized in the water utilities sector, with a vertically integrated business model covering the design, financing, construction, and long-term operation of water treatment, desalination, and integrated water management facilities. Its core activity is focused on public-private partnership (PPPs) and concession contracts, under which it secures stable, long-duration revenue streams.

The company has more than 2200 employees and operates across more than 20 countries with a presence spanning Latin America, the Middle East, Europe, and Asia, and maintains a diversified portfolio of over 20 active concessions. With over 60 years of experience, GS Inima's operational capabilities cover the entire water cycle through early-stage project development up to operation and maintenance. It has developed more than 30 desalination plants with a total installed capacity of around 1.9 million m³/day, serving a total population of more than 10 million. The company is wholly owned by GS Engineering & Construction Corporation (GS E&C), a large South Korean industrial and construction group.

For FY24, the company reported revenues of €389m (+11.4% YoY) with EBITDA of €105.6m (EBITDA margin of 27%). The EthiFinance Ratings-net adjusted leverage (adj NFD/EBITDA) stood at 2.8x at year-end.

Fundamentals

Business Risk Profile

Industry Risk Assessment

- **The concessions-based utilities sector is characterized by high profitability margins, significant barriers to entry, and low cash flow volatility**

Water utilities operating under a concession model typically achieve high profitability, with EBIT margins exceeding 20% once the concession is put into operation. As providers of essential services across the full water cycle (treatment, storage, distribution, supply, sanitation, purification, and reuse), these operators benefit from regulated, inflation-linked tariffs embedded in long-term concession agreements (typically 20–30 years), which ensure stable and predictable cash flows. Energy costs represent a substantial share of operating expenses (30–50%), placing pressure on margins. Consequently, operators with access to low-cost or renewable energy sources hold a competitive profitability advantage. Nevertheless, the sector's earnings volatility remains limited due to the widespread use of regulated tariff structures and long-term off-take agreements via power purchase agreements (PPAs) and water purchase agreements (WPAs).

The industry is characterized by high barriers to entry. These stem from the capital-intensive nature of infrastructure projects, the technical expertise and track record required to qualify for tenders, and the complex regulatory landscape with stringent environmental, health, and quality standards. In addition to the management of complex, large-scale networks under a wide range of urban, climatic and socio-economic conditions. Concessions-related CapEx is predominantly funded through project finance debt (typically covering 70–80% of total investment) secured by robust contractual non-recourse features at the special purpose vehicle (SPV) level. This structure significantly hampers less experienced market entrants lacking the financial engineering capabilities required for ring-fenced project structures and familiarity with accounting standards governing public-private concessions, such as IFRIC 12.

Demand for water is structurally inelastic and largely decoupled from macroeconomic cycles. This drives a geographically diverse and dynamic tendering landscape, particularly in water-scarce regions such as the Middle East, where desalination and treatment capacity expansion remains a policy priority. Additionally, many developing economies are liberalizing their water sectors to attract private capital through PPPs. Brazil, for instance, enacted in 2020 regulatory reforms mandating competitive bidding for water and sanitation concessions, mobilizing around \$15bn in private investment over three years (Source: World Bank).

- **ESG-friendly sector which supports the transition to renewable energy while preserving freshwater resources, although some challenges may arise.**

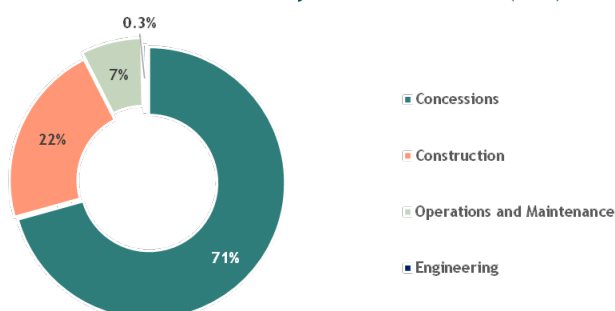
While our assessment of ESG-related risks within the engineering & construction sector carries a medium risk (sector heatmap score between 3 and 4), the water utilities sector exhibits an ESG-friendly assessment (score between 1 and 2), resulting in a positive impact (up notching) on our industry rating. Integrated water management directly addresses global water scarcity, enhancing access to clean water and supporting agricultural and industrial productivity. However, the sector's environmental footprint remains material due to its energy intensity, high carbon emissions, and ecological risks associated with brine disposal, which pollutes coastal ecosystems. The sector contributes meaningful social value through employment generation and local community development. From a governance standpoint, ongoing improvements are noted in transparency and regulatory alignment. Nonetheless, challenges may arise such as corruption risks and inefficiencies in the execution of large-scale infrastructure projects, which does weigh on the overall ESG risk profile.

Competitive Positioning

- Business model anchored in long-term concessions with a full-scope vertical integration

GS Inima operates under concession models such as independent water producer (IWP), build-own-operate-transfer (BOOT), build-operate-transfer (BOT), and PPP. These structures provide strong revenues visibility and stable, inflation-indexed cash flows, with an average remaining contract life of 25 years, materially reducing renewal risk and supporting the issuer's long-term credit rating. Unlike many peers that specialize in isolated water segments, GS Inima covers the entire water infrastructure lifecycle: engineering, procurement & construction (EPC), operating & maintenance and financing. This integrated model allows for a better margin control, performance optimisation and high customer stickiness.

Breakdown of FY24 revenues by nature of business (in %)



Source: GS Inima, EthiFinance Ratings

Despite its smaller scale relative to global peers, GS Inima ranks among the leading desalination operators worldwide, thanks to a recognized expertise in reverse osmosis technology. The company operates major desalination facilities in the Gulf region, including Shuweihat 4 (UAE, 318,000 m³/day) and Ghubrah III (Oman, 300,000 m³/day), reinforcing its competitive positioning in water-scarce geographies. Also, it has a strong presence in the LATAM region, operating the largest desalination plant for public water supply in Mexico.

GS Inima applies the financial asset model under IFRIC 12, whereby capital expenditure is related to concessions, for which revenues are guaranteed and recognized as long-term financial assets. This accounting treatment reflects the operator's guaranteed unconditional contractual right to receive cash that would recover the initial construction costs. During the construction phase, revenue recognition under IFRIC 12 typically results in high top-line growth but low EBITDA margins, as construction activities are cost-intensive due to a high proportion of cost of goods sold (COGS). Once operational, plants enter a long-term service phase (typically 20 to 30 years), generating recurring, inflation-linked income with high EBITDA margins and robust organic cash flow generation. The financial assets recorded in the balance sheet at the initiation of the construction decrease accordingly.

Within the sector, some global peers maintain a strong EU-centric focus with limited exposure to desalination concessions, such as ACEA (Italy), while others exhibit regional concentration, notably ACWA Power (Saudi Arabia). In Spain, Cox ABG Group (rated BB+ by EthiFinance Ratings) operates an international water concession portfolio comparable to that of GS Inima, with 77% of FY24 revenues derived from EPC and Operation & Maintenance (O&M) activities and the remainder from concessions. Despite its concessions current smaller scale (€101m in FY24 revenues), Cox's water segment achieved an EBITDA margin of 35%, entirely attributable to its concessions segment, as EPC activities generated negative operating margin.

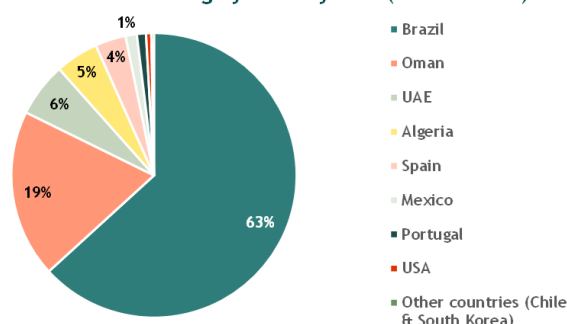
By contrast, GS Inima is still in a construction-intensive phase, inherently generating lower EBITDA margins due to the cost-intensive nature of construction activities. The transition to the operating phase expected from 2027 onward, is anticipated to materially improve profitability, aligning margins with long-term concession performance.

From a credit metrics perspective, GS Inima compares favorably to its peers, with a capitalization ratio of 115%, among the highest in the peer group, and a net adjusted leverage ratio of 2.8x at end-2024, which is one of the lowest both across peers and relative to its scale. These metrics materially support the current rating level, consistent with our infrastructure rating benchmarks.

- Backlog is dominated by Brazil and Oman, reflecting a strong growth potential in emerging markets

GS Inima's project backlog is concentrated in Brazil, accounting for 63% of the total. The company has operated in the country for over 15 years, managing both municipal utility services and industrial water clients. It holds several water desalination and wastewater concessions, including projects in Araçatuba, Maceió, and Ouro Preto. The liberalization of Brazil's water sector in 2020 has provided structural tailwinds for GS Inima's strategic positioning, enabling the company to leverage its early-mover advantage and vertically integrated model. With municipalities accelerating efforts to close the water and sanitation coverage gap by 2033, the market offers strong project pipeline visibility for experienced operators capable of mobilizing CapEx and delivering end-to-end water solutions, such as GS Inima. Although less mature, Brazil's water sector is vast and supported by favourable regulation, resulting in large, multi-decade concession contracts.

Breakdown of Backlog by country in % (at end-2024)



Source : GS Inima, EthiFinance Ratings

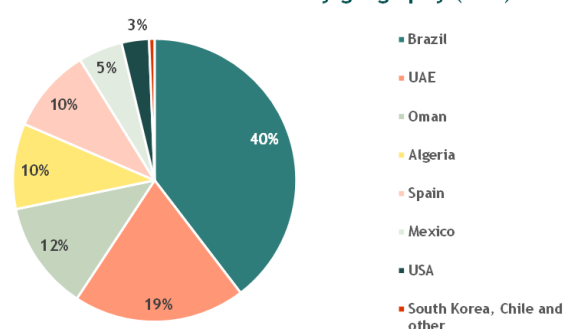
- Strong business diversification across the full water cycle, offset by some geographic concentration in Brazil

GS Inima's total treatment capacity stands at 6.2 million m³/day, spanning the full water cycle, including drinking water, water desalination, wastewater treatment, and industrial water. This operational diversification enhances the company's risk mitigation profile by reducing reliance on any single segment, supporting service synergies, and lowering substitution risk. Given the ongoing construction of several desalination plants, the proportion of total capacity attributable to desalination is expected to increase by 2027, upon the reaching of the commercial operation date (COD) of these projects.

Solution	Capacity (million m ³ /day)
Desalination	1,9
Drinking water	1,5
Wastewater treatment	2,2
Industrial water	0,6
Total	6,2

Source : GS Inima, EthiFinance Ratings

Breakdown of FY24 revenues by geography (in %)



Source : GS Inima, EthiFinance Ratings

GS Inima has rather average geographic diversification, with 40% of its FY24 revenues generated in Brazil. This revenue portion is mainly attributed to drinking and industrial water and wastewater in the country, while c. 30% of FY24 revenues is attributed to desalination plants in the UAE and Oman. We believe that, although the company's

current and upcoming (backlog) EBITDA is quite exposed to Brazil's political and economic environment (and by extension its sovereign credit risk), the 20-year track record of the company in managing water infrastructure plants across different municipalities of the country, combined with the characteristics of this type of business (guaranteed payment under the financial asset model, vital nature of the water business), mitigate the associated credit risk. Consequently, we believe a country modifier on the anchor rating is not warranted at the moment.

Shareholder Structure and Governance

- **GS Inima is backed by a large Asian infrastructure group (GS E&C), providing strategic support and enhanced credibility**

GS Inima is wholly owned by GS E&C, a South Korean infrastructure conglomerate founded in 1969. GS E&C operates globally across six core segments: (i) architecture and housing, (ii) plant construction (oil, gas, petrochemicals, and water), (iii) infrastructure (roads, bridges, and railways), (iv) power and environment (power generation, waste and water treatment), and (v) distributed energy. The group maintains operations in over 27 countries, with approximately 200 active project sites worldwide.

For 2024, GS E&C reported €9bn in consolidated revenues and total assets of approximately \$12bn. Although GS Inima does not benefit from formal guarantees from its parent company, we view GS E&C as a strategic and committed long-term shareholder, which could provide strong equity support if necessary and enhances GS Inima's competitiveness in large-scale project bidding processes. An example of such support is the award of the first-large capacity desalination plant in South Korea back in 2021, and the participation of the Export-Import Bank of Korea in some Project debt debt financings such as the one for the Shuweihat 4 desalination plant in the UAE.

In August, TAQA announced the full acquisition of GS Inima for \$1.2bn. TAQA, a utilities and energy company 90% owned by the Abu Dhabi government, benefits from government support if and when needed. The transaction reflects TAQA's strategy to expand its water portfolio through the acquisition of an established player such as GS Inima. Closing is expected by June 2026, with GS Inima set to retain its name and headquarters, preserving its operational independence.

- **A sound financial policy reflecting the management's good business expertise in tender bidding and infrastructure project financing**

The management team has good combined expertise in water infrastructure projects, allowing it to manage well the financial health of the company. That is reflected by GS Inima's sound financial policy, which has kept the net reported leverage ratio below 2.0x over 2020-24. We consider this level as low and very favourable for an infrastructure company operating under a concession-based model as it allows the company to have the headroom for concessions expansion, while maintaining an investment grade rating. In addition, the absence of dividend distributions to date has further supported the company's capitalisation ratio.

Looking ahead, net reported leverage is expected to rise in 2025 and 2026 due to the large CapEx related to the construction of new projects. During this phase, internal cash generation is projected to remain negative, but from 2027 onwards, the net leverage ratio would will probably move back down on the back of strong cash generation and significantly decreasing CapEx.

- **Positive ESG Policy**

Based on the ESG data analysed, EthiFinance Ratings assesses GS Inima's ESG profile as positive, with a score between 1.0 and 1.5, in line with our rating methodology. This assessment results in a half-a-notch uplift to the company's financial risk profile. The environmental pillar is the company's core strength. Between FY22 and FY24, GS Inima reduced its energy intensity and GHG emissions intensity by 13% and 10%, respectively. Its desalination plants, including those in Oman, are certified under environmental monitoring frameworks. In addition, the company has developed and patented the forward osmosis waste energy (FOWE) process, aimed at recovering energy from brine and mitigating ecological impact. On the social and governance pillars, GS Inima has implemented a supplier code of conduct and a responsible purchasing policy. Several operational sites are partially certified under ISO 14001 (environmental management) and ISO 45001 (occupational health and safety). While the supervisory board lacks independent members, the separation of the roles of CEO and board chairman counts positively from a governance perspective.

Financial Risk Profile

Sales and Profitability

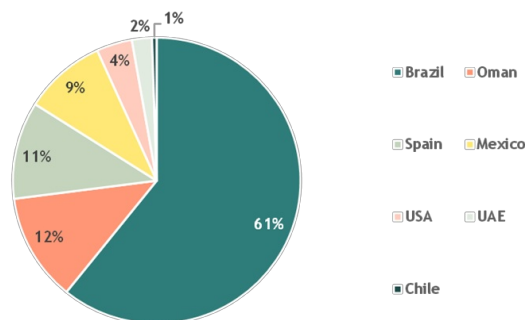
- Strong revenues growth phase with low profitability margins

Profitability. Thousands of EUR				
	FY22	FY23	FY24	24vs23
Turnover	298,552	349,095	388,898	11.4%
Gross Mg	67%	64%	62%	-1.8pp
EBITDA	84,981	101,043	105,628	4.5%
EBITDA Mg	28%	29%	27%	-1.8pp
EBIT	56,102	75,114	83,880	11.7%
EBIT Mg	19%	22%	22%	0.1pp
Financial expenses	(35,158)	(38,685)	(42,268)	-9.3%
EBT	20,944	36,429	41,612	14.2%

For FY24, GS Inima reported revenues of €389m, reflecting an 11.4% increase compared to FY23. This growth was primarily driven by the construction and partial commissioning of the Shuweihat 4 desalination plant in the UAE (318,000 m³/day). Between FY21 and FY24, the company has been in a construction-intensive phase, during which it recognizes revenues based on construction costs, as well as operation and maintenance activities. Given the high capital intensity of desalination plants, revenue growth has been structurally high (double-digit) since FY22. During this period, GS Inima secured major contracts across Brazil and the Middle East, requiring cumulative investments of €1bn. Notable projects include Barka 5 (100,000 m³/day), which reached commercial operation in FY23, and CDC (300,000 m³/day), still under construction as of end-2024.

The company reported an EBITDA margin of 27.2% for FY24, slightly below the 28.9% recorded in FY23. This reflects the construction-dominated revenues mix, where COGS accounts for approximately 40% of revenues, compared to 30% in the more profitable operational phase. EBITDA generation remains concentrated in Brazil (61%), driven by water treatment activities without desalination exposure. Only 21% of EBITDA was derived from desalination plants, mainly located in Oman and Mexico.

Breakdown of FY24 EBITDA by geography (in %)



Source : GS Inima, EthiFinance Ratings

According to management, all active projects are expected to reach COD status by 2027. As a result, revenues are expected to decline in that year due to the completion of construction activities, conversely, with higher EBITDA margin, attributed mainly to the high-margin concessions in the UAE and Oman. The EBITDA margin is therefore projected to rise into the 30–33% range, in line with sector benchmarks for operating concessions.

Given that desalination plants are highly energy-intensive (electricity accounting for 40–60% of operating expenses), the use of PPAs is a common strategy to mitigate exposure to tariff volatility and stabilize EBITDA margins over the long duration of concession contracts. For GS Inima (operator), this volatility is mitigated by fixed tariff energy throughout the concession, and any renewable energy source signed through PPA would be a cost saving measure. As such, the company has recently signed a PPA for the photovoltaic (PV) plant associated with the Barka 5 desalination concession, covering 11% of the facility's electricity needs, and contributing to the margin improvement of the concession.

Leverage and Coverage

- Net adjusted leverage commensurate with our rating with a rather low interest coverage

NFD/EBITDA calculations. Thousands of EUR			
	FY22	FY23	FY24
LT debt	270,183	311,133	330,482
At the level of concessions (SPVs)	265,963	306,467	321,748
At the corporate level	4,220	4,666	8,734
ST debt	63,655	82,752	87,781
At the level of concessions (SPVs)	22,361	26,059	73,061
At the corporate level	41,294	56,693	14,720
Total Financial Debt (Reported)	333,838	393,885	418,263
Operating leases/IFRS 16	4,536	4,018	6,277
Confirming facility	-	-	6,300
Earn-outs	9,916	9,163	5,339
Other obligations	11,286	12,711	11,200
Total Financial Debt (Adjusted)	359,576	419,777	447,379
Cash & cash equivalents (-)	(60,270)	(65,732)	(71,478)
Liquid ST financial assets	(72,986)	(97,658)	(75,351)
Net Financial Debt (Adjusted)	226,320	256,387	300,550
EBITDA	84,981	101,043	105,628
Adj NFD / EBITDA	2.7x	2.5x	2.8x

As a concessions-driven company, 94% of GS Inima's total debt is located at the level of SPVs and structured as non-recourse. Given the company's construction-intensive phase, 47% of its project finance debt matures in 2030 or later, consistent with the long-duration nature of its concessions contracts.

Our debt adjustments include debt-like items such as: (i) operating lease liabilities under IFRS16, (ii) a confirming facility, (iii) earn-out obligations related to a 2019 acquisition in Brazil, and (iv) contractual commitments of a Brazilian SPV to the local municipality. Additionally, we excluded a portion of the reported short-term financial assets, which are considered illiquid in our view. They mainly include (i) the short-term receivables rights related to concessions for an amount of €42m, and (ii) investment in an Algerian SPV ("Shariket Tahlya Mostaganem S.p.a").

On this adjusted basis, net debt stood at €300.5m (vs €256.4m in FY23), and net adjusted leverage was 2.8x (vs 2.5x in FY23), a level that strengthens our credit rating. We expect this ratio to rise to the 3.5–4.0x range from 2025 onward, driven by the required debt intake to finance concessions CapEx of up to €276m in 2025 and €133m in 2026. This range would not, however, negatively impact our current rating as we take into consideration our infrastructure rating benchmarks and the prospect of the ratio falling back from 2027. GS Inima is also expected to issue a €40m bond, with a maturity of 5 years, on the Spanish MARF, which would diversify its sources of funding.

Around 83% of the company's total debt is at floating interest rates and concentrated in emerging markets. As a result, interest expenses remain high, particularly in Brazil, where project finance loans are indexed to floating rates such as Certificado de Depósito Interbancário (CDI), which stood at 12.1% as of June 2025. The interest coverage ratio was 2.5x at end-2024, and we expect will remain within a range of 2.3–2.5x over our forecast horizon, levels which we consider weak for an investment grade rating.

Cash Flow Analysis

- Steady operating cash flow generation offset by investment outflows

Cash flow. Thousands of EUR				
	FY22	FY23	FY24	24vs23
Adj Funds From Operations (FFO) ⁽¹⁾	81,965	82,655	76,266	-7.7%
Capex	(24,849)	(25,122)	(75,389)	-200.1%
Collection rights from concessions and other financial assets (net)	(73,716)	(91,345)	(20,612)	77.4%
Investments in group associated companies	-	-	(13,588)	n.a.
Other	-	-	(17,073)	n.a.
Net Investment Cash Flow	(98,565)	(116,467)	(113,074)	2.9%
IFRS 16 lease repayments / operating lease D&A adjustment	-	-	-	n.a.
Adj. Free Cash Flow	(16,600)	(33,812)	(36,808)	-8.9%
+/- changes in capital	(9,686)	(7,329)	(6,151)	16.1%
- Dividends	-	-	-	n.a.
Cash flow Generated Internally	(26,286)	(41,141)	(42,959)	-4.4%

⁽¹⁾ FFO is exceptionally adjusted to reflect working capital variations under IFRIC 12. The group generates cash flows from concession assets under construction and collects receivables from operating assets. These flows, which reflect the economic reality of the concession model, are accounted for within changes in working capital.

For the calculation of the adj FFO to net financial debt (adj FFO/NFD) ratio, we have exceptionally included changes in net working capital, given that the company collects significant receivables under IFRIC 12 concession accounting. The ratio gradually decreased from 36% in FY22 to 32% in FY23 and 25% in FY24, reflecting the construction-intensive phase. We expect the ratio to decline to a range of 15–20% through our forecast period, reflecting increased debt levels and higher receivables build-up. Historically, internally generated cash flow has been negative, as cash outflows for CapEx—comprising capitalized intangibles and financial assets—have outweighed adj FFO. A shift to positive free cash flow is expected from 2027 onward, driven by a substantial reduction in CapEx.

Capitalisation

- A healthy capitalisation ratio amidst a strong growth phase

Between FY21 and FY24, GS Inima's total assets increased by 38%, primarily driven by the capitalization of project assets under both the intangible asset model and the financial asset model in accordance with IFRIC 12. As of FY24, financial assets represented 37% of total assets, while intangible assets accounted for 35%. This composition reflects a high degree of revenue visibility and lowers collection risk through predictable, contractually secured cash flows once projects reach COD status.

Although GS Inima's equity base expanded by 21% between FY21 and FY24, the concurrent increase in non-recourse debt, used to finance concession-related investments, has offset the equity gains. As a result, the capitalization ratio declined from 153% in FY21 to 115% in FY24. Despite this reduction, the ratio remains robust relative to infrastructure sector criteria, given the capital-intensive nature of concessions models typically funded through project finance debt structures.

Liquidity

- A "Good" liquidity profile with strong refinancing capacity

According to our methodology, GS Inima's liquidity profile is "Good" (the highest category on our long-term rating scale). This reflects the company's strong ability to cover (i) the non-recourse project finance debt held at the level of its SPVs, and (ii) bank debt at the level of the consolidated group, for more than 2 years without requiring refinancing. Our liquidity assessment is supported by a cash position of €71.5m at end-2024, short-term liquid financial assets of €75.3m, and undrawn credit lines of €42.6m.

Modifiers

Controversies

Although the company has faced public complaints in recent years in Mexico and Brazil regarding water quality and perceived unfair practices, its desalination and water treatment operations have not experienced any service interruptions with material financial impact. Moreover, the company has not incurred any penalties or regulatory fines related to these incidents. Consequently, we do not apply a rating modifier related to controversies but will keep monitoring their evolution.

Country Risk

GS Inima primarily operates in emerging markets through long-term contracts with public or semi-public counterparties, which inherently exposes the company to the sovereign credit risk of each country. This exposure is closely linked to the economic, political, and regulatory conditions in each jurisdiction. Particularly in Brazil where the company generated 40% of its FY24 revenues and 61% of its EBITDA. However, this risk is largely mitigated by the presence of a strong track record of the company in the country along with unconditional, fixed and contractually-agreed tariffs across its concessions portfolio, which provide visibility and predictability of cash flows regardless of macro-economic volatility. Consequently, we believe a country modifier on the anchor rating is not warranted at the moment.

Main Financial Figures

Main financial figures. Thousands of EUR				
	FY22	FY23	FY24	24vs23
Turnover	298,552	349,095	388,898	11.4%
EBITDA	84,981	101,043	105,628	4.5%
EBITDA Margin	28.5%	28.9%	27.2%	-1.8pp
EBIT	56,102	75,114	83,880	11.7%
EBIT Margin	18.8%	21.5%	21.6%	0.1pp
EBT	47,002	57,462	80,305	39.8%
Total Assets	1,054,978	1,206,535	1,208,319	0.1%
Equity	495,635	541,348	515,806	-4.7%
Adj Total Financial Debt ⁽¹⁾	359,576	419,777	447,379	6.6%
Adj Net Financial Debt ⁽¹⁾	226,320	256,387	300,550	17.2%
Equity/ Adj TFD ⁽¹⁾	137.8%	129.0%	115.3%	-13.7pp
Adj NFD / EBITDA ⁽¹⁾	2.7x	2.5x	2.8x	0.3x
Adj Funds From Operations ⁽²⁾	81,965	82,655	76,266	-7.7%
Adj FFO/Adj NFD ⁽¹⁾⁽²⁾	36.2%	32.2%	25.4%	-6.9pp
EBITDA/ Interest	2.4x	2.6x	2.5x	-0.1x

⁽¹⁾ Our adjusted net debt includes debt-like obligations such as: (i) operating lease liabilities recognized under IFRS 16; (ii) earn-out commitments related to the 2019 acquisition of an industrial water company in Brazil; (iii) confirming facility ; and (iv) other concession-related liabilities in Brazil. The calculation also applies a haircut to short-term financial assets considered illiquid or not readily available.

⁽²⁾ FFO is exceptionally adjusted to reflect working capital variations under IFRIC 12. The group generates cash flows from concession assets under construction and collects receivables from operating assets. These flows, which reflect the economic reality of the concession model, are accounted for within changes in working capital.

Credit Rating

Credit Rating	
Business Risk Profile	BBB+
<i>Industry risk assessment</i>	AA
<i>Industry's ESG</i>	Positive
<i>Competitive Positioning</i>	BB-
<i>Governance</i>	BBB-
Financial Risk Profile	BBB
<i>Cash flow and leverage</i>	BBB
<i>Capitalisation</i>	BBB
<i>Company's ESG</i>	Positive
Anchor Rating	BBB
<i>Modifiers</i>	-
Rating	BBB

Rating Sensitivity

Given TAQA's upcoming acquisition of GS Inima, any potential rating action will depend on the group's strategic direction post-closing. Accordingly, we assign an evolving outlook.

- Long-term rating positive factors (↑)

An upgrade of our long-term rating could be considered if GS Inima demonstrates a faster-than-expected deleveraging trajectory from 2025 onward. A trigger for such an upgrade could be an interest coverage ratio above 3.0x and/or net adjusted leverage below 3.0x, on a sustained basis. Any positive rating action would also be contingent upon the successful transition of newly constructed concessions into the operational phase, with stable cash flow generation and performance in line with projections.

- Long-term rating negative factors (↓)

We could downgrade our long-term rating should GS Inima's credit metrics deteriorate further than our expectations over the next few years. A trigger for such a downgrade could be a net adjusted leverage above 5.0x and/or an interest coverage ratio below 1.7x, on a sustained basis. Such scenario could stem from more aggressive financial policy, including the introduction of a high dividend payout or debt-funded acquisitions. A shift in the company's activity mix toward unregulated segments, reducing cash flow visibility and predictability, would also exert negative pressure on the rating. In addition, if the regulatory and political landscape on Brazil were to be unfavourable to GS Inima's business activity in the country, this could potentially lead to a downgrade to our long-term rating.

Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
 - Corporate Rating Methodology - General : <https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203>
- The rating scale used in this report is available at <https://www.ethifinance.com/en/ratings/ratingScale>.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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