MOODY'S
RATINGS

Rating Action: Moody's Ratings places Fluvius's ratings on review for downgrade

20 May 2026

Paris, May 20, 2026 -- Moody's Ratings (Moody's) has today placed the A3 backed long-term issuer rating of Fluvius System Operator CV (Fluvius) on review for downgrade. We have also placed the A3 backed senior unsecured debt ratings, the (P)A3 backed senior unsecured MTN program ratings and the baa2 Baseline Credit Assessment (BCA) on review for downgrade. Previously, the outlook was negative.

The rating review follows the announcement by Fluvius on 24 April 2026 [1] that its board of directors could not agree with the offer from Participatiemaatschappij Vlaanderen NV (PMV), the investment company of the Flemish government, to inject equity into the Fluvius Economic Group. The Fluvius Economic Group is formed by Fluvius and the distribution system operators (DSOs), which own Fluvius and severally guarantee its liabilities. We understand that the boards of directors of the individual DSOs subsequently rejected the offer from PMV.

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

The review reflects that, as a result of this rejection, Fluvius's prospects for maintaining a group financial profile commensurate with an A3 rating, including funds from operations (FFO)/net debt of at least 8% and net debt/fixed assets less revaluation surpluses no higher than 80%, have become significantly more uncertain. Because revaluation surpluses are earning a decreasing remuneration over time and will earn no remuneration beyond 2028, our analytical focus is on the ratio of net debt/fixed assets less revaluation surpluses which stood at c. 81.6% at year-end 2025, instead of net debt/fixed assets.

Prior to the rejection by Fluvius's board of directors, in July 2025, the Flemish government had committed to provide up to €1.56 billion of capital through PMV, with the aim of keeping Fluvius in public hands. The equity injection, which had been explored for more than a year, was meant to offset the likely deterioration in the financial profile of the Fluvius Economic Group, resulting from a challenging regulatory settlement for the ongoing 2025-28 regulatory period, and from a significant increase in required capital expenditure needed to accommodate the energy transition in the Flanders region.

While we expect that Fluvius will consider alternatives to strengthen the group's financial profile, such alternatives are likely to take time to be implemented. They may also face governance and political headwinds, particularly given the Fluvius Economic Group's organizational and ownership structure, which could hinder potential mitigating measures. Governance is a key driver of today's rating action because organizational structure, board structure and policies, and financial strategy and risk management are governance factors under our environmental, social, and governance (ESG) framework. Fluvius's Credit Impact Score is currently CIS-3, meaning that its ESG attributes have a limited impact on its rating, with potential for greater negative impact over time.

In addition, because of its sizeable capital expenditure program, which will result in negative free cash flow at least over our 2026-28 projection period, the group's liquidity position is relatively weak. We expect that Fluvius will need to make use of its short-term funding options, i.e. drawing significantly under existing credit facilities (it has access to €525 million of overdraft and revolving credit facilities, of which €477 million were undrawn as of December 2025) and/or under the commercial paper program (it has an uncommitted commercial paper program of €500 million, fully undrawn as at December 2025) before refinancing with longer term debt. This makes Fluvius highly reliant on access to debt capital markets, and the failed equity injection from PMV increases such reliance, although this is partly mitigated by (1) its good access to capital markets given its strategic importance and ownership, and (2) the ability to reduce somewhat capital expenditure.

Finally, the rejection of the offer from PMV highlights the complex organizational and ownership structure of the Fluvius Economic Group relative to rated peers, which could in turn slow down any potential exceptional support from the Community of Flanders (A1 stable). Fluvius's A3 rating currently incorporates a two-notch uplift for potential support from its BCA of baa2 under our methodology for Government-related Issuers (GRI), based on our assessment of high dependence and a strong likelihood of Fluvius receiving support in the event this were needed to avoid a default.

The review will focus on the alternative options considered by Fluvius to strengthen the group's financial profile and the timing thereof; the progress made by Fluvius to enhance its liquidity position; as well as the extent to which the governance arrangements between Fluvius, the DSOs and the Community of Flanders remain supportive of a solid financial policy and of a "strong" support assessment under our GRI methodology following the rejection by the DSOs of the planned equity injection from the Flemish government.

The ratings could be confirmed if (1) Fluvius strengthens its liquidity position to cover its financing and refinancing requirements over a rolling 12-month horizon; (2) it takes steps so that the Fluvius Economic Group will be able to maintain financial metrics in line with those expected for the A3 ratings, namely FFO/net debt of at least 8% and net debt/fixed assets less revaluation surpluses no higher than 80%; and (3) we assess that the likelihood of support from the Community of Flanders remains unchanged.

Conversely, the ratings could be downgraded if the Fluvius Economic Group fails to strengthen its liquidity and financial profiles as described above. The ratings could also be downgraded if we assess that there is a lower probability of support from the Community of Flanders than previously expected.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Government-related Issuers published in May 2025 and available at https://ratings.moodys.com/rmc-documents/443641, and Regulated Electric and Gas Networks published in April 2022 and available at https://ratings.moodys.com/rmc-documents/386754. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

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.

COMPANY PROFILE

Fluvius System Operator CV is a Belgian utility which operates the electricity and gas distribution networks in the Community of Flanders, Belgium, and is 100% owned by the municipalities of the Community of Flanders. For year ended 31 December 2025, the Fluvius Economic Group had revenues of €4.6 billion and results from operations of €482 million.

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.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

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For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

REFERENCES/CITATIONS

[1] https://over.fluvius.be/sites/fluvius/files/2026-04/investor-update-negotiations-equity-strengthening.pdf

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

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