

MOODY'S

RATINGS

Rating Action: Moody's Ratings downgrades Fluvius to Baa1 from A3; stable outlook

30 Sep 2026

Paris, September 30, 2026 -- Moody's Ratings (Moody's) has today downgraded the backed long-term issuer rating of Fluvius System Operator CV (Fluvius) to Baa1 from A3. We have also downgraded Fluvius' backed senior unsecured debt ratings to Baa1 from A3, the backed senior unsecured MTN program ratings to (P)Baa1 from (P)A3, and the Baseline Credit Assessment (BCA) to baa3 from baa2. The outlook is stable. Previously, the ratings were on review for downgrade.

This rating action concludes the review for downgrade initiated on 20 May 2026.

RATINGS RATIONALE

The ratings downgrade reflects our expectation that the financial metrics of the Fluvius Economic Group will be weaker than previously anticipated. Fluvius has been seeking capital to strengthen its financial profile against the backdrop of a large investment programme. In July 2025, the Flemish government committed to provide up to €1.56 billion of capital. However, in May 2026, Fluvius announced that the distribution system operators' boards had rejected the planned equity injection. We expect Fluvius to consider alternatives to strengthen the group's financial profile, including equity injection from existing shareholders, disposals of interests in companies that it may consider less strategic than its distribution networks, and hybrids issuance. However, such alternatives are likely to take time to be implemented and are unlikely to restore financial metrics to levels consistent with an A3 rating over the next two to three years.

Governance is a key driver of today's rating action because financial strategy and risk management is a governance factor under our environmental, social, and governance (ESG) framework. Fluvius' Credit Impact Score is CIS-3, meaning that its ESG attributes have a limited impact on its rating, with potential for greater negative impact over time.

Fluvius' Baa1 ratings reflect the credit quality of the nine intermunicipal utility companies that own the company and severally guarantee its liabilities and form, along with Fluvius, the Fluvius Economic Group. The ratings are underpinned by (1) the low business risk profile of the group's regulated electricity and gas distribution network operations in Flanders, Belgium, which account for around 95% of revenue in 2025; and (2) a transparent and generally supportive regulatory framework albeit with a still limited but extending track record in the context of European regulated network peers, following the transition of tariff-setting responsibilities from the national to the regional regulators.

The ratings are however constrained by (1) the progressive decline in remuneration of the revaluation surpluses of the historical regulated asset base (RAB) until its suppression in 2028, which weighs on cash flow generation; (2) significantly higher capital spendings to support the Flemish Region's energy transition; and (3) Fluvius' high leverage compared with the wider European peer group.

Fluvius' Baa1 rating incorporates a two-notch uplift for potential extraordinary support from its BCA of baa3 under our methodology for Government-related Issuers (GRI). This is based on our assessment of high dependence between Fluvius and its owners, 285 municipalities within the Community of Flanders (A1 stable) through ownership of the energy distribution networks, and a strong likelihood of Fluvius receiving support in the event of financial distress. Notably, our assessment of the ability and willingness of the Region to provide timely extraordinary support to Fluvius is unaffected by the failed equity injection by the

Region.

LIQUIDITY

As of December 2025, Fluvius reported €0.88 million of cash and cash equivalents. In addition, the company had access to €525 million of overdraft and revolving credit facilities, of which €477 million remained undrawn at year-end 2025. To further strengthen its liquidity position, Fluvius secured €1 billion of additional revolving credit facilities in June 2026, which were fully undrawn at that time. The company also has an uncommitted commercial paper programme of €500 million, which was fully undrawn as of December 2025.

Because of Fluvius' sizeable capital spending programme, which will result in negative free cash flow at least during 2026-28, we expect the company to make use of its short-term funding sources, that is, drawing significantly under existing credit facilities or under its commercial paper programme before refinancing with medium-term debt. This leaves Fluvius with a relatively high reliance on continued access to the debt capital markets. This is mitigated by the company's track record of access to these markets, which is in turn supported by its strategic importance and municipal ownership, and its ability to reduce capital spending to some extent if required.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects our expectation that the Fluvius Economic Group will maintain funds from operations (FFO)/net debt of at least 6% and net debt/fixed assets below the low 80s in percentage terms on a sustainable basis, while maintaining adequate liquidity.

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

The BCA and ratings could be upgraded if the Fluvius Economic Group sustainably strengthens its financial metrics, with FFO/net debt of at least 8% and net debt/fixed assets below 75%; and the group further improves its liquidity.

The BCA and ratings could be downgraded if the Fluvius Economic Group fails to maintain financial metrics consistent with the current ratings, including if FFO/net debt falls and is likely to remain below 6% or if net debt/fixed assets rises and is likely to remain in the low 80s in percentage terms.

We could also downgrade the ratings if we assess that the probability of support from the Community of Flanders has decreased or if the rating of the Community of Flanders was downgraded significantly.

PRINCIPAL METHODOLOGIES

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

The assigned baa3 BCA is two notches lower than the historical scorecard-indicated outcome of Baa1, reflecting the expected weakening of Fluvius' financial metrics, notably attributable to a progressive decline in the remuneration of revaluation surpluses and to increasing investments.

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. In 2025, the Fluvius Economic Group had revenues of €4.6 billion and results from operations of €482 million.

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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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