

12 July 2023 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has confirmed the unsolicited corporate issuer rating of Amprion GmbH at **A / Stable**

Creditreform Rating (CRA) has confirmed the unsolicited, public corporate issuer rating of Amprion GmbH – referred to as the Company or Amprion -, as well as the unsolicited corporate issue ratings of long-term local currency senior unsecured notes issued by Amprion GmbH, at **A** with a **stable** outlook. The initial unsolicited short-term rating has been set to **L2** (High level of liquidity).

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### Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- + Systemic importance with a monopoly position in its grid area
  - + Largely predictable and growing revenues from regulated activities
  - + Significant increase in revenues in 2022
  - + Increase in RAB, forming a basis for future revenues, by 28%
  - + Overall stable adjusted results in 2022
  - + Increasing importance of TSOs for the energy transition in Germany in connection with expected adjustments in regulatory framework reflecting increased interest rates and overall costs
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- Negative operating and net year results in 2022 due to increase in system services and costs
  - Deterioration of reported FFO in 2022
  - Increase in debt resulting from increased capex
  - Substantial further growth in capex in the coming years and anticipated increase in debt, in line with ambitious investment plan
  - Necessity of adjustments to the Company's organizational structure and growing staff, potentially putting pressure on its cost structure
  - Maintaining an adequate capital structure and a solid credit rating will depend on further equity solutions in the coming years

**ESG factors** are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

#### ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Amprion GmbH we have not identified any ESG factors with significant influence.

As a transmission system operator, Amprion acts in accordance with a legal mandate to operate and develop the electricity transmission grids and thus to ensure energy supply and system security. Against the backdrop of the megatrends of decarbonization, electromobility, and digitalization, the economy needs more electricity, and electrification is being driven forward in all areas of society and the economy. Especially in view of the EU's targets to become climate neutral by 2050, grid operators are considered to play a central role in the implementation of these

targets, as one of their core tasks is to bring renewable energy into the energy system. German's Government has set a goal of achieving a neutrality of its energy system by 2045, resulting in necessity of acceleration of the grid expansion. The Company has initiated several research and development projects to increase energy efficiency and system security, and has integrated key aspects relating to ESG criteria into its corporate strategy in the form of concrete, measurable targets in line with the SDGs (Sustainable Development Goals) of the United Nations. According to its own presentation, Amprion enters into EU-wide cooperation with companies and scientific institutions and is committed to the energy transition at various levels of policy. The Company also takes on a significant amount of educational work within society in order to drive the grid expansion forward.

In order to align its financial policy with its sustainability strategy, Amprion has developed its Green Finance Framework, under which financing instruments issued are linked to the environmental objectives defined in the EU taxonomy.

Overall, we believe that Amprion GmbH is well-positioned with regard to the ESG criteria, and is able to meet the increasing requirements for sustainability in the future in accordance with applicable regulations

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

## Rating result

The current unsolicited corporate issuer rating attests Amprion GmbH a high level of creditworthiness, representing a low default risk.

Amprion has a low business risk profile due to the nature of its business, which is backed by the overall supportive German regulatory frameworks. This is further enhanced by a (natural) monopoly position in its grid area. The regulatory framework leads to relatively predictable revenues and operating cash flows, which are expected to increase in line with a growing regulated asset base and overall adequate financial performance and internal financing capacity. These factors are partially offset by increasing investment needs, which have led to increasing indebtedness over the past few years. Over the coming years, investments are expected to further substantially increase, with negative free cash flows and growth in indebtedness. In order to compensate the anticipated growth in debt and to maintain its current financial strength, the Group is dependent on corresponding further increases in equity. Amprion's high degree of systemic relevance, reflecting its importance for the German<sup>1</sup> economy and its key role in the course of energy transition, has a positive influence of one notch on the Company's stand-alone rating.

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<sup>1</sup> CRA's unsolicited long-term sovereign rating of the Federal Republic of Germany was affirmed at **AAA / Stable** on 24 March 2023

## Outlook

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

The one-year outlook for the rating is **stable**. We believe that Amprion's performance will remain stable due to the German regulatory framework, with an anticipated increase in revenues in line with growing RAB and due to the partial reimbursement of the costs of system services that arose in 2022. A key factor for the current outlook is our expectation that the Company will be able to find adequate equity solutions in the event of a substantial increase in debt.

### Best-case scenario: A

In our best-case scenario for one year, we assume a rating of A. We believe an upgrade of the unsolicited corporate issuer rating within the time horizon of a year to be unlikely. This assessment is primarily based on the expected negative free cash flow generation of the Group, in line with its increasing investment pressure and overall increase in costs.

### Worst-case scenario: A-

In our worst-case scenario for one year, we assume a rating of A-. In this scenario, we assume a noticeable deterioration in the Group's financial profile due to growing indebtedness and a possible deterioration of its profitability in the course of adjustments to its organizational structure, along with a growing need for new qualified employees, despite expected growth in revenues.

## Business development and outlook

Table 1: Financials of Amprion GmbH | Source: Amprion GmbH Financial report 2022, standardized by CRA

Amprion GmbH Selected key figures of the financial statement analysis Basis: IFRS consolidated financial statements as of 31.12.	CRA standardized figures <sup>2</sup>	
	2021	2022
Sales (million EUR)	2,571.8	3,512.6
EBITDA (million EUR)	688.9	350.6
EBIT (million EUR)	215.5	-69.4
EAT (million EUR)	202.4	-80.3
EAT after transfer (million EUR)	138.6	-60.4
Total assets (million EUR)	11,702.5	14,464.6
Equity ratio (%)	34.29	26.39
Capital lock-up period (days)	48.41	37.94
Short-term capital lock-up (%)	40.34	105.94
Net total debt / EBITDA adj. (factor)	7.93	14.02
Ratio of interest expenses to total debt (%)	0.47	0.48
Return on Investment (%)	1.30	-0.34

In the 2022 financial year, Amprion saw a surge in revenues by 36.6% to EUR 3,512 million (2021: EUR 2,571.8 million). This growth was driven by an increase in revenues from grid fees by EUR 333.0 to EUR 2,120.3 million - primarily due to the volume effects. Revenues from system services, especially from redispatch services and balancing measures (by EUR 324 million to EUR 857.2 million), as well as other revenues, in particular associated with congestion management (by EUR 251.9 million to EUR 458.5 million), also contributed to the positive revenue dynamics. The operating result (EBIT) was negative at EUR -69.4 million (2021: EUR 215.5 million), largely driven by a significant increase in expenses for system services (EUR 2,409.6 million, 2021: EUR 1,184.5 million), resulting especially from higher redispatch, grid loss and control energy expenses. Overall, cost of materials increased disproportionately to revenue by 79% to EUR 2,883.1 million (2021: EUR 1,611.8 million). Additionally, the operating result was negatively influenced by an increase in personnel expenses by 11% to EUR 297.1 million (2021: EUR 268.0 million) due to the increased number of employees (by 6.5%) in line with the Company's growth strategy. Depreciation expenses decreased by EUR 53.5 million to EUR 419.9 million due to the lower depreciation of the right-of-use assets in connection with reserve power plants.

Despite an increase in financial debt and overall heightened interest rates, the financial result improved slightly, based on higher capitalization of interest on borrowed capital. The net annual result was negative, standing at EUR -60.4 million (2021: EUR 138.6 million).

Approximately a third of the Company's revenue growth is associated with the increase in system services, comprising measures taken by Amprion to stabilize or secure the energy balance in the electricity grid with a corresponding rise in cost of materials. In 2022, due to higher prices for natural gas, electricity, coal and CO<sub>2</sub> certificates, costs for system services were significantly

<sup>2</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

higher than in 2021. Furthermore, the elevated energy prices had a negative impact on the costs of energy losses, the situation being aggravated by the unavailability of a number of nuclear power plants in France. In line with current regulation, costs for system services, which are not covered by the revenue cap, are subject to compensation over the next three years as part of revenues. Taking into consideration these regulatory characteristics, Amprion reported adjusted EBITDA of EUR 772.6 million (2021: EUR 867.0 million) and an adjusted net income of EUR 228.2 million (2021: EUR 260.6 million).

In 2022, investments grew by 15% compared to previous year, amounting to EUR 1,452.2 million, of which EUR 1,373.4 million were made in the Transmission System Operation segment and EUR 78.8 million in the Offshore Grid Connections segment. In the course of investments, the regulated asset base (RAB) grew to EUR 6.6 billion (2021: EUR 5.1 billion).

The Company uses a range of financing facilities to fund its growing investments. In the first quarter of 2023, Amprion increased the total volume of its syndicated credit agreement with eight credit institutions by EUR 500 million to EUR 2.0 billion. As of 31 December 2022, this loan was utilized in the form of guarantees in the amount of EUR 6.0 million. As an instrument of access to the short-term financial market, the Company has a commercial paper programme with an issue volume of EUR 900 million, which was unused as of the reporting date. As of 31 December 2022, the total nominal volume of outstanding bonds amounted to EUR 2,600 million (2021: EUR 800 million), of which EUR 1,800 million were issued according to the Amprion's Green Finance Framework, published in September 2022. The total volume of promissory notes and registered bonds amounted to EUR 880 million. Additionally, the Company had a syndicated loan agreement of EUR 200 million with two banks, which included financial covenants. According to the management, the covenants were fulfilled as of 31 December 2022.

The Company's investment strategy is based on the German network development plan (Netzentwicklungsplan NEP 2035), which specifies all projects related to the national grid development and provides for the acceleration of grid expansion and integration of renewables. The further version of the NEP for the period 2037 to 2045 is still in the consultation process. Network development plan includes the new priorities set within the German Government's so-called Easter Package 2022, mainly determining the increase in the expansion path of renewable energy sources in order to increase their share in electricity consumption to 80% (15% more as previously stipulated) by 2030 and achieve climate neutrality in Germany by 2045. Due to the acceleration targets set by the German government, Amprion has awarded the world's first two-gigawatt offshore grid connection systems BalWin1 and BalWin2 and intends to commission them two and three years earlier - in 2029 and 2030 respectively.

For the period from 2023 to 2027, Amprion and Amprion Offshore GmbH plan expansion and replacement investments in the amount of EUR 22 billion. For the 2023 financial year, the Company plans an increase in revenues from the network business, due partly to the reimbursement of higher costs for system services, and a capex of EUR 2.8 billion. In line with its growing investment plan, in June 2023 Amprion increased the volume of its debt issuance program from EUR 6.0 billion to EUR 9.0 billion. The increase in the investments plan will require additional equity in order for the Company to maintain its solid credit rating. Amprion plans to hire up to 400 employees in 2023 (+18% growth), which, together with growing interest rates and overall inflationary environment, could put pressure to on the Company's profitability.

Overall, given Amprion's stable performance in recent years, we believe that the Company is in a favorable position to execute its ambitious growth plans. The Group has proven capital market access and a sound liquidity position. We believe, however, that the Company will only be able

to maintain its adequate financial profile under the condition of an increase in equity, given the increased investment pressure and expected negative free cash flows, leading to a substantial increase in debt in the nearest future. However, we also expect some financial relief after changes in the regulatory framework with regard to new investments, reflecting the overall increase in interest rates, which, along with growing regulated asset base in the course of investments, may lead to further growth in revenues and improved results.

### Further ratings

Based on the unsolicited long-term issuer rating and taking into account our liquidity analysis, the short-term rating of Amprion GmbH was set at **L2** (standard mapping), which corresponds to a high level of liquidity for one year.

The objects of this issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by Amprion GmbH, which are included in the list of ECB-eligible marketable assets. The issues have been issued under Amprion's Debt Issuance Programme with its latest prospectus from 11 May 2023. This programme amounts to EUR 9,000 million. We derive the unsolicited corporate issue rating of the bonds of the issuer, denominated in euro, from the unsolicited corporate issuer rating of Amprion GmbH. The ratings of the issues are set equal to the corporate rating of the issuer. The rating result is **A / stable**.

Long-term local currency senior unsecured notes issued by Amprion GmbH, which have similar conditions to the current DIP programme, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the DIP programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Amprion GmbH	12.07.2023	<b>A / stable / L2</b>
Long-term Local Currency (LC) Senior Unsecured Issues issued by Amprion GmbH	12.07.2023	<b>A / stable</b>
Other	--	<b>n.r.</b>

## Appendix

### Rating history

The rating history is available under <https://www.creditreform-rating.de/en/ratings/published-ratings.html>.

Table 3: Corporate Issuer Rating of Amprion GmbH

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	07.04.2022	14.04.2022	Withdrawal of the rating	A / stable

Table 4: LT LC Senior Unsecured Issues issued by Amprion GmbH

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	07.04.2022	14.04.2022	Withdrawal of the rating	A / stable

Table 5: Short-term issuer rating of Amprion GmbH

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	12.07.2023	<a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a>	Withdrawal of the rating	L2

### Regulatory requirements

The rating<sup>3</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

<sup>3</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	July 2022
<a href="#">Corporate Short-Term Ratings</a>	1.0	June 2023
<a href="#">Government-related Companies</a>	1.1	May 2023
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Elena Damijan	Lead-analyst	E.Damijan@creditreform-rating.de
Artur Kapica	Analyst	A.Kapica@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 12 July 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 12 July 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).



#### **Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

#### **Rules on the presentation of credit ratings and rating outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

##### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

##### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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