

AMPRION  
ANNUAL REPORT

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**Ensuring stability in a rapidly changing energy world, in the interest of 29 million people and thousands of companies in our grid area. This is how we at Amprion view our legal mandate as a transmission system operator. This is why we are strengthening our grid and expanding it as required. And this is why we are developing innovative technical solutions to prepare our energy system for these changes. We are facing up to these challenges as a company with a sound economic basis and a committed workforce.**



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DR KLAUS KLEINEKORTE  
Chief Technical Officer

DR HANS-JÜRGEN BRICK  
Chief Commercial Officer and  
Chief Financial Officer

## Dear Readers,

Amprion GmbH has successfully completed the 2019 financial year: our company's revenues and income increased to 14,518 million euros, 4.5 per cent higher than the previous year. The main driver for this was the result-neutral implementation of the EEG equalisation mechanism, which amounted to 11,457 million euros. Revenues from grid business also increased. They climbed to 2,888 million euros (previous year: 2,839 million euros). In total, the annual profit achieved in 2019 rose to 220 million euros. This was mainly due to the increased capital base resulting from grid expansion and the write-back of provisions.

The transformation process of our energy system in Germany continued to pick up pace in 2019. The phase-out of nuclear power is being implemented step by step, and the political

course for ending coal-fired power generation has been set. With its “Green Deal”, the European Commission has also shown how Europe can become climate-neutral by 2050.

These debates and political decisions are having a significant impact on Amprion, because they set out new parameters according to which we will plan, build and operate our transmission grid in the future. The core question for us in this context is: how can we shift towards a climate-friendly energy system without affecting the stability of our transmission grid and without any loss of electricity supply security?

As a transmission grid operator, it is our task not only to accompany these energy policy debates, but also to develop solutions. We worked intensively on this during the past financial year, because in view of the long period of time between planning and approval to the commissioning of a project, we have to take action today if we want to have a more high-performance and flexible grid in the future.



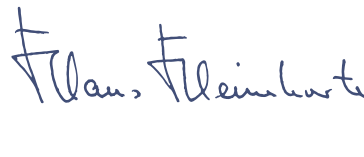
Grid expansion remains a crucial cornerstone in making our energy system future-proof. It not only has to be speeded up even further, but must also be expanded in a macroeconomically sensible manner. This is why we are implementing new projects such as Corridor B, which is intended to transport direct current from the North Sea coast to the main points of consumption in the future. This also applies to the offshore connection lines, which are set to transport wind power to North Rhine-Westphalia from 2028. At Amprion, these major projects are being supplemented by pinpoint, regional strengthening of our alternating current grid. These are joined by innovative technological solutions: for instance, we are installing reactive power compensation facilities at a number of points throughout the grid to stabilise the voltage in the grid. Fluctuating feed-in from renewable energies is also increasing system management complexity at Amprion; we are gradually preparing this for the growing challenges. We have already achieved an important milestone in this area through the new central control station in Brauweiler near Cologne.

The tasks and challenges facing us as a transmission grid operator are immense. We are rising to meet them with confidence, a strong economic foundation and the support of our shareholders. On this basis, we are able to meet and efficiently finance the investment requirements, which have increased to over 15 billion euros. This is also reflected by Amprion's positive rating, which Moody's and Fitch have evaluated as "A3" and "BBB+".

Against this background, Amprion is looking optimistically to the 2020 financial year. We want to seize the opportunities related to the restructuring of our energy system. We have the right team on board to accomplish this. In 2019, it grew to more than 1,800 employees. We would like to express our confidence in you and offer our sincere thanks for our company's positive growth during the past financial year.



DR HANS-JÜRGEN BRICK  
Chief Commercial Officer and  
Chief Financial Officer



DR KLAUS KLEINEKORTE  
Chief Technical Officer



# REPORT OF THE SUPERVISORY BOARD

## **Ladies and Gentlemen,**

Amprion GmbH can look back on a very successful financial year 2019. The company worked intensively to implement its legal mandate to convert and expand the transmission grid in keeping with demand. The progress achieved in expanding the grid is tangible: important projects entered the final approval phase last year, including Wullenstetten – Niederwangen, Kriftel – Farbwerke Höchst Süd or sections of Wesel/ Niederrhein – Osterath and Kühmoos – Maximiliansau. In 2019, Amprion made important progress in defining converter locations for the A-North and Ultranet direct current links. The projects were accompanied by extensive communication. While construction is underway in many areas, 2019 also saw the completion of important nodes in the transmission grid: the substation in Kriftel, where the most high-performance hybrid plant for reactive power compensation in Europe has entered operation, deserves a special mention. It plays a vital role in stabilising the European power grid and securing the power supply in the Rhine-Main region.

The Supervisory Board followed the company's development in the 2019 financial year. The Board fulfilled the tasks for which it is responsible according to the law and the articles of association and, in particular, performed its supervisory and advisory functions vis-à-vis the management. To do this, it was provided with written and oral information by the managing directors concerning the course of business, fundamental issues of business policy and the situation and development of the company, discussed significant business transactions with the management in detail and took the necessary decisions. In addition, the Chairman of the Supervisory Board also discussed important individual processes with the managing directors outside of the Supervisory Board sessions

and debated issues of corporate strategy and business policy in preparation for the committee meetings. The audit committee also fulfilled the tasks incumbent upon it under the articles of association and, in particular, prepared extensively for the adoption of the annual financial statements by the Supervisory Board.

Four Supervisory Board meetings were conducted during the reporting period. Discussions focused on detailed reporting by the managing directors concerning the company's position, including the development of sales and earnings and the company's strategic goals. Long-term investment planning up to 2029 was also discussed in detail and approved by the Supervisory Board. Based on this, the Supervisory Board intensively discussed the submitted long-term financial plan, particularly in terms of the coverage of funding requirements – with the financing tasks, some of which were challenging, on the time axis – and approved it for the relevant time periods. The Supervisory Board additionally dealt with the company's regulatory environment as well as the forthcoming or implemented changes to the legal framework.

During its meeting on 26 November 2019, the Supervisory Board resolved to extend the Management Board due to growth in tasks in the financial area. Mr Peter RÜth will take over these tasks in the Management Board as of 1 April 2020. At this point in time, the Supervisory Board entrusted the chairmanship of the Management Board to Dr Hans-Jürgen Brick.

BDO AG, Wirtschaftsprüfungsgesellschaft Düsseldorf, the auditor chosen by a resolution of the shareholders on 30 April 2019 and commissioned by the company's Supervisory Board to undertake the audit, has audited the annual financial statements and the management report of Amprion

GmbH for the 2019 financial year, including the accounting, and has issued an unqualified auditor's opinion.

The auditor's report, the annual financial statements and the management report were handed over to the members of the Supervisory Board in good time prior to the Supervisory Board meeting on 7 April 2020 and were discussed extensively during the meeting. The auditor participated in the Supervisory Board's discussions and reported on the material results of his audit. He was also available to provide supplementary information. The Supervisory Board approved the result of the audit. It in turn reviewed the annual financial statements and management report prepared by the management. No objections are to be raised according to the concluding result of its review. The Supervisory Board has approved the management report and the annual financial statements for the 2019 financial year; the annual financial statements are therefore adopted.

The following personnel changes took place in the Supervisory Board during the 2019 financial year:

Supervisory Board member Mr Frank Amberg resigned from his office as a member of the Supervisory Board of Amprion GmbH with effect from 30 April 2019. By shareholder resolution of 30 April 2019, Mr Robert Pottmann, Head of Portfolio Management Illiquid Assets at MEAG MUNICH ERGO AssetManagement GmbH, Munich, was elected as a member of the Supervisory Board of Amprion GmbH with effect from 1 May 2019.

The mandate of the Supervisory Board members appointed on behalf of the employees, Mr Josef Frankemölle and Mr Malte Glasneck, ended with the announcement of the employee representative election results pursuant to the German One-Third Employee Participation Act (DrittelbG), as these members no longer stood for re-election. By election on 19 February 2019 pursuant to DrittelbG, Ms Nerima Uzeirovic and Mr Wolfgang Hölzle became new members of the Supervisory Board appointed on behalf of the employees.

The Supervisory Board would like to express its thanks and appreciation to the management and all employees of Amprion GmbH for their work during the 2019 financial year.

Dortmund, 7 April 2020



**PROF. HEINZ-WERNER UFER**  
Chairman of the Supervisory Board







# MANAGEMENT REPORT

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# FUNDAMENTALS OF THE COMPANY

## Business activities of the company

Amprion GmbH, headquartered in Dortmund, is one of four transmission system operators (TSOs) in Germany. In a control area that stretches from Lower Saxony to the Alps, Amprion operates its network at voltage levels of 220 and 380 kilovolts (kV) and is expanding it in accordance with market requirements. The extra-high-voltage grid links the generation units to the main centres of consumption and is a vital component of the transmission network in both Germany and Europe. Amprion uses its grid to serve customers from industry, distribution system operators, electricity traders and power utilities.

In addition, Amprion controls and monitors the safe transport of electricity within the EHV grid in its control area. For this purpose, the grid operations managers in Brauweiler/Pulheim ensure that electricity consumption and generation are kept in balance at all times. The system services required (primary control, secondary control and tertiary control (minute reserve)) and the electricity necessary to compensate grid losses are sourced using transparent tender procedures in line with regulations. The company also coordinates the exchange programmes and the subsequent volume balancing, both for the entire transmission network in Germany and for the northern section of the integrated European grid.

Thanks to its central location within Europe, Amprion's network is a vital hub for the European electricity trade between north and south and east and west. Amprion provides transmission grid capacities at the interconnecting feeder lines to the Netherlands, France, Switzerland and Austria by means of market-based auctions.

Amprion's shareholders are M31 Beteiligungsgesellschaft mbH & Co. Energie KG, a consortium of primarily German institutional investors from the insurance industry and pension funds that holds 74.9% of the shares, and RWE AG, with the remaining 25.1% of the shares.

# FINANCIAL REPORT

## Political and energy regulatory environment

### EU Clean Energy Package

The European Clean Energy Package for designing the electricity market has been adopted in full. The Internal Market in Electricity Directive and internal market in electricity regulation, the ACER regulation as well as the risk-preparedness regulation came into force on 4 July 2019. The EU member states must implement the provisions set down in the Internal Market in Electricity Directive in national legislation by 31 December 2020. The regulations are directly applicable and do not require implementation in national legislation. However, the internal market in electricity regulation is not applicable immediately, coming into effect as of 1 January 2020. The exceptions to this are the regulations for calculating cross-border trading capacity and for checking the configuration of price zones, which apply when the regulation comes into effect. The key provisions of the internal market in electricity regulation concern the feed-in priority given to renewable energy sources, redispatch and its limitation, the price bidding zones and action plans, the coupling capacities at the interconnectors, the requirements for grid charges and the capacity mechanisms. Regional cooperation between the TSOs is also to be intensified.

### Act to accelerate the power grid expansion

The act to accelerate power grid expansion came into force on 16 May 2019. Besides provisions for facilitating the approval of line construction projects, it also includes new regulations for integrating renewable energy and CHP plants into redispatch.

The German government wants to speed up grid expansion at the extra-high-voltage grid level by making it possible to dispense with federal sectoral planning. If a planned line replaces an existing one, federal planning can be forgone if the network operator routes the new line along the existing route or parallel to the previous line. Federal sectoral planning may also be dispensed with in the case of new lines if the lines are to run within a route corridor identified in a regional development plan or federal grid plan. Furthermore, the legislator intends to shorten future approval procedures for further grid expansion measures by allowing additional empty conduits, the cables to be fed through them and the subsequent operation of these cables to be included in the planning of [underground cable](#) projects right away if demand is foreseeable. Approving the implementation of measures for optimising use of the existing network in a

simple notification procedure shall be possible. This particularly concerns cabling or recabling measures to achieve higher capacity utilisation of the lines – although this involves increasing the height of individual masts. The optimised use of the existing grid also encompasses changes to the operating concept depending on weather conditions. The commencement of preliminary work prior to the issue of final approval for the project is also permitted.

The act includes new specifications for congestion management which must be implemented by the grid operators by 1 October 2021. Taking the feed-in priority into account, the previous feed-in management will be transferred to the redispatch control processes. The aim of including all renewable energy and CHP plants as of 100 kW in the redispatch processes is to reinforce system security and further improve the efficiency of the redispatch processes. The implementation of “Redispatch 2.0” necessitates increasing coordination between upstream and downstream grid operators.

### **Capacity reserve regulation**

The regulation concerning the procedure for the procurement, use and accounting of capacity reserve came into force on 6 February 2019. It details and refines the specifications contained in Section 13e [EnWG](#) (German Energy Industry Act) for the capacity reserve and includes regulations concerning the procurement process, the participation requirements, use, remuneration and payment obligations in the event that capacity reserve plants are not available. As of the 2020/2021 winter half-year, the capacity reserve will be formed by the TSOs in a technology-neutral manner and will be open to interruptible loads and storage facilities as well as power generation plants. The TSOs are likely to further detail the participation requirements and define standard provisions and format specifications for tendering in coordination with the Federal Network Agency ([FNA](#)) (Bundesnetzagentur, BNetzA).

### **Ordinance on adjustments to the regulatory framework**

The ordinance on calculation of the offshore grid surcharge and on adjustments to the regulatory framework came into force on 22 March 2019. This provides for amendments to various energy industry ordinances.

The main adjustments in the Electricity Grid Fee Ordinance (Stromnetzentgeltverordnung, StromNEV) relate to the specific calculation of the offshore grid surcharge and the preconditions for granting special remuneration for operating singularly used resources.

In the Incentive Regulation Ordinance (Anreizregulierungsverordnung, [ARegV](#)), the conditions for investment measures have been revised. As a general rule, the duration of the approval process for investment measures will be restricted to a single regulatory period and the percentage-based approach to passing on operating costs for the phase up to commissioning of the capital assets is to be trimmed back. In accordance with previous practice, the regulation allows an application for an extension to be submitted before the measure is completed if the approval period is due to expire.

## Regulatory environment

### Equity interest rates for the third regulatory period

On 5 October 2016, the Federal Network Agency fixed pre-tax equity interest rates at 6.91% for new installations and 5.12% for existing installations. These rates apply throughout the third regulatory period from 2019 to 2023. Amprion lodged an appeal against this decision with the Düsseldorf Higher Regional Court (OLG) seeking a court review of the Federal Network Agency's actions. On 22 March 2018, the Higher Regional Court ruled that the equity interest rates had been set too low due to legal errors. The decision had been based on an unjustifiable method, because the Federal Network Agency had used only historical time series to determine the market risk premium in the context of the capital asset pricing model when estimating future interest rate trends. 25 April 2018 saw the Federal Network Agency lodge an appeal with the Federal Supreme Court (Bundesgerichtshof, BGH) against this decision by the Düsseldorf Higher Regional Court. On 9 July 2019, the Federal Supreme Court upheld this appeal and confirmed the Federal Network Agency's fixation of the equity interest rates. With reference to its previous jurisdiction, the Federal Supreme Court granted the Federal Network Agency a degree of freedom in individual relationships for determining the interest rate, particularly in the choice of the methods used for this.

### **Productivity factor for the third regulatory period**

The individual and sectoral productivity factors are elements used to determine the revenue cap. The portions of the costs that can be influenced within the revenue cap of the grid operators are adjusted to a level deemed efficient from the point of view of the [ARegV](#) with the aid of these two factors. For this reason, the Federal Network Agency ([FNA](#)) carries out an efficiency comparison for the TSOs prior to each regulatory period.

The individual productivity factor concerns the efficiency of the respective company and has been determined for the third regulatory period by the Federal Network Agency with the aid of a relative reference grid analysis. On 20 December 2018, the Federal Network Agency set the individual productivity factor for Amprion at 100 %.

The general sectoral productivity factor (Xgen) affects all electricity grid operators and represents a correction factor for the consumer price index. A positive general sectoral productivity factor demands greater progress on productivity from the power grid industry than from the economy as a whole and compensates deviating price increases in relation to the CPI. In turn, greater productivity gains will lead to additional efficiency demands on grid operators. On 28 November 2018, the Federal Network Agency set the general sectoral productivity factor for electricity at 0.9%. Amprion submitted an appeal against this decision on 18 January 2019. The Federal Network Agency fixed the general sectoral productivity factor for gas at 0.49%. The Düsseldorf Higher Regional Court overturned this fixation. The Federal Network Agency has appealed against this ruling. Due to the comparability of the methodological approach, a similar result can be anticipated in the electricity sector.

## **Business performance**

### **Grid business**

In 2019, the grid charges will contain a uniform component to align grid charges nationwide for the very first time. This will be calculated 20.0% based on the relevant revenue caps of all TSOs, while the remaining 80.0% will be collected by the company-specific grid charge component of each TSO.

On 20 December 2018, the Federal Network Agency fixed the revenue cap for the third regulatory period from 2019 to 2023 on the basis of the costs in the 2016 financial year. Amprion submitted an appeal against this decision on 25 January 2019. This initial base level, the development of the permanently non-controllable costs, the general consumer price index, the general productivity factor and the individual efficiency value constitute the basis for the revenue cap and consequently the grid charges published on 15 December 2018. The revenue cap for 2019 has decreased moderately as a consequence of the following changes:

- Removal of the costs for the connection of offshore wind farms passed on by the coastal TSOs because these are included in the offshore grid allocation
- Lower costs for power plants in network reserve

This effect was partly offset by:

- Increased costs for feed-in management and system services
- Transfer of further lignite-fired power plants to security readiness
- Consideration of a nationwide uniform grid charge component for the first time

The aforementioned changes are not or only partially within Amprion's sphere of influence and led to a fall in the grid charges in the extra-high-voltage grid level of between 13.6% and 14.2% in the usage hours between 5,000 and 8,760 that is relevant to the majority of customers. The change in the grid charges relates to the uniform and company-specific grid charge component.

Amprion's customers are industrial companies, distribution network operators and power stations connected directly to the extra-high-voltage grid. The sales and revenue structure is characterised largely by major distribution network operators, from whom Amprion receives around 84% of its grid fees. Some 13% of the grid fees come from enterprises in the chemicals, steel and aluminium industries. The remaining grid fees result from the own requirements of the power stations connected to the transmission grid.

The volume of electricity withdrawn by directly connected grid customers fell by around 3% during the financial year. This decline resulted from increased local feed-in by conventional power plants into downstream distribution networks. Due to an improved market environment, this mainly involved gas power plants. A slight increase in volume is anticipated for the coming year.

#### **EEG surcharge**

The **EEG** equalisation scheme operates on the basis of the Renewable Energy Sources Ordinance (**EEV**) and the Renewable Energy Sources Implementation Ordinance (EEAV). The electricity generated and fed in under the EEG outside of direct marketing and self-supply measures is marketed by the TSOs on the electricity exchange, with the difference between their marketing revenues and expenditure for the EEG subsidy payments being passed on to the power utilities, end consumers and certain self-suppliers via the EEG surcharge. Implementation of the EEG surcharge is income-neutral for the TSOs.

On 15 October 2019, the TSOs published the EEG surcharge for 2020; at 6.76 cents/kWh, it is around 6% higher than the EEG surcharge for 2019. The main reasons for this are a further increase in electricity from regenerative generation facilities and the negative development of the EEG account in 2019 (due, amongst other aspects, to a sharp decline in the actual market price in comparison with the 2019 surcharge forecast). The anticipated increase in proceeds from EEG electricity to be marketed on the exchange had a contrary effect. A liquidity reserve of around €1,944 million (equivalent to 8% of the shortfall) was included in the EEG surcharge.

#### **Offshore surcharge**

On 15 October 2019, the TSOs published the offshore surcharge for 2020; at 0.42 cents/kWh, this will therefore remain on a par with the previous year. It includes offshore wind farm connection costs and compensation in the event of disruptions or delays in the connection. Implementation of the offshore surcharge is income-neutral for the TSOs.



### System services

On three days in June 2019, the German control block repeatedly experienced significant imbalances between electricity generation and consumption that posed a threat to the system. In the respective situations, the German TSOs exhausted almost all of their options for eliminating this imbalance over a period of several hours. One of the causes was the uncertainty of forecasts for feed-in from renewable energy sources due to the weather situation. The TSOs investigated other possible reasons for the high system imbalances on these days. The evaluations show that the balancing energy prices on all three days were significantly lower than the intraday market prices. As a result, there was little or no economic incentive for active balancing zone management on these days. An investigation report concerning the events is available at [www.regelleistung.net](http://www.regelleistung.net). Based on these events, the TSOs increased the tender values for control reserve by around 1,000 MW at short notice as an immediate measure. On 31 July 2019, the mixed price method for the allocation of secondary control reserve and minute reserve was additionally abolished in coordination with the Federal Network Agency ([FNA](#)) and in accordance with the ruling of the Düsseldorf Higher Regional Court, and was switched to the former power pricing method. The abolition of the mixed price method led to a significant short-term increase in the control reserve prices of all awarded bids before the situation returned to normal again.

The costs for procuring the electricity necessary to compensate grid losses increased moderately, mainly due to the price increase for the tender for the long-term component.

Costs for redispatch activities again fell sharply during the financial year.

Feed-in management expenditure fell moderately despite further expansion of offshore wind farms in the North Sea. The introduction of adaptive [overhead line](#) operation enables higher loads on the Emsland lines depending on the weather, as a result of which higher feed-in management requirements can be counteracted. Due to the limited possibilities for redispatch measures at conventional power plants, it is necessary for TenneT to lower feed-in from offshore wind farms, depending on the situation, in order to guarantee system stability. Partial passing-on of the related costs by TenneT leads to an increase in Amprion's expenditure for feed-in management.

As a further product of the system services, the TSOs issue weekly tenders for immediately and quickly interruptible (“sheddable”) loads of 750 MW each via the joint platform in the Internet. The Federal Network Agency ([FNA](#)) is authorised to adjust the level of the tender volume on the basis of recurring demand analyses of the TSOs. In the 2019 financial year, interruptible loads amounting to 6,192 MWh were used on a total of 18 days (with a total duration of around 95 hours) in Amprion’s control area, leading to costs of €2.5 million. The costs associated with interruptible loads amounted to €19.3 million and were at the same level as the previous year.

#### **Network reserve**

Every year, the Federal Network Agency checks and confirms the network’s reserve needs for the following winter half-year based on analyses conducted by the TSOs. The remaining additional needs that cannot be covered by domestic network reserve power plants must be covered via the expression-of-interest procedure. On 28 February 2019, the TSOs submitted their system analysis and the resulting need for network reserve power plants to the Federal Network Agency for confirmation. In its report dated 30 April 2019, the Federal Network Agency disclosed a need for reserve power station capacities of 5,126 MW for the 2019/2020 winter half-year, as determined by the TSOs. The determined requirement is therefore 1,474 MW less than that for the winter of 2018/2019.

For the 2019/2020 winter half-year, national power plants with a total output of 6,598 MW (of which 1,796 MW are in Amprion’s balancing zone) have been committed to the network reserve. The 1,472 MW difference between the power plants committed to the network reserve and the network reserve requirement is due to the fact that, while some of the power plants committed to the network reserve are not needed to cover demand in the 2019/2020 winter half-year, they will be needed again in the 2020/2021 winter half-year and therefore cannot be shut down. The need for network reserve can therefore be covered by domestic power stations that are already contractually or legally bound. The costs of the network reserve are fully refunded through grid fees.

### **Capacity reserve**

The German TSOs have launched the joint tender for the capacity reserve pursuant to Section 13e (2) [EnWG](#) (German Energy Industry Act) and the capacity reserve regulation which is intended to provide a reserve capacity of two gigawatts for a period of two years as of 1 October 2020. Operators of power generation plants and storage facilities as well as suppliers of variable loads can participate in the tender insofar as their facilities meet the participation requirements. The plants tied up in the capacity reserve are not directly available to the electricity market. They are used to balance the system and support system stability in the event of exceptional and unforeseen situations. The plants committed to the capacity reserve can also be used by the TSOs to eliminate network congestion.

### **System operation and control**

During the reporting period, Amprion did not register any large-scale grid disruptions in its extra-high-voltage grid despite the fact that operating the grid has become significantly more demanding. The main reason for the growing complexity of system operations is the continuing growth in the number of renewable energy power plants, a process that requires a much greater level of intervention in running the system. For this reason, the TSOs are cooperating more and more, especially at the national level, and have developed integrated models to make redispatch measures across Germany as efficient as possible.

In June 2019, the German TSOs and 16 distribution system operators launched the “Connect+” project to implement the regulations of the act to accelerate power grid expansion. For congestion management, all plants for the generation or storage of electrical energy with a rated output of 100 KW or more can be used to prevent foreseeable electricity grid congestion from arising in the first place in the future. The feed-in management implemented by the grid operators so far only reacts to acute network congestion. The new procedure necessitates even more intensive coordination between TSOs and distribution system operators in planning and executing the measures than before. The changed conditions for redispatch will apply as of 1 October 2021. In the project, the network operators want to jointly develop uniform solutions for data distribution. This is intended to coordinate data exchange between market participants and network operators during congestion management. Central data distribution is intended to ensure a uniform route for data deliveries between network operators and market participants. To achieve this, essential specifications such as interfaces and formats will first be developed and defined.

**Offshore company**

On 23 December 2019, Amprion Offshore GmbH was entered in the commercial register with equity of €1.0 million. This company is wholly owned by Amprion GmbH. The object of the company is the establishment, operation, acquisition, marketing and use of network facilities for offshore connections, associated transport and distribution systems for electricity and facilities for information transmission as well as the provision and marketing of services in these areas.

**Technical innovation**

Amprion and Open Grid Europe (OGE) entered into a cooperation agreement to promote smart sector coupling in the field of power-to-gas. The partners' concept envisages that a power-to-gas plant, acting as the "sector transformer", will be designed, built and operated by the transmission system operators – like the existing electricity and gas grid infrastructure. The technology converts electricity from renewable energy sources into hydrogen or synthetic methane. Both gases can be used in other sectors. In this way, today's gas infrastructure can be used not only for transporting but also for storing renewable energies. As the "coupling capacity" between the systems is limited, the grid operators auction off the capacity of the sector transformer at any time to dealers or direct customers. This ensures non-discriminatory access for third parties. The auction proceeds are used by the grid operators to reduce grid fees. In March 2019, OGE and Amprion submitted the necessary investment applications to the Federal Network Agency ([FNA](#)). The companies have found a location for a power-to-gas plant at an intersection between the Amprion electricity grid and the OGE gas network in the Emsland district. Project development has progressed so far that it has been possible to initiate the approval phase. A regulatory basis is still needed to implement the project.

The German TSOs will use innovative plastic-insulated DC [ground cables](#) with a voltage level of 525 kV for the first time in the large DC connections. The TSOs' cable specialists have cooperated and established a common standard to accomplish this. Technical suitability was investigated during an extensive test phase.

**Asset management**

Amprion has been certified in accordance with the requirements of International Standard ISO 55001 since 2015. Compliance with these requirements is regularly verified by external auditors, most recently in May 2019.

**Workforce**

Amprion continued to expand its workforce as planned throughout the 2019 financial year. The number of permanent employees rose by 17.1% year-on-year from 1,383 FTE (full-time equivalent) at the end of 2018 to 1,619 FTE on 31 December 2019. This is 7.9% less than the figure forecast for this performance indicator in the 2018 management report. Based on the assumption of event- and process-related assignment analyses and new fields of action (e.g. offshore), Amprion's personnel requirements for 2020 have been adjusted to 1,895 permanent FTE.

In addition, 11 apprentices began their training in both commercial and technical occupations. All in all, a total of 36 apprentices are currently receiving their training at Amprion. Eleven apprentices successfully completed their training during the financial year and accepted a permanent job offer.

The encouragement, advancement and ongoing development of the workforce are given high priority at Amprion. During the financial year, the number of participants in internal and external advanced training courses and events designed to reinforce their occupational and personal skills rose from around 2,800 to around 3,750. The company has also established a system designed to assess employees' potential, with a view to ensuring that the majority of future management positions are filled by people from within the company. The potential candidates identified in this way then undergo further training as executives in needs-based programmes. These potential assessments take place every two years.

Amprion's workforce is characterised by a strong commitment to the company. This is reflected in the low turnover rate of 1.8% (previous year: 1.3%). The average age of the workforce fell by 1.0 to 40.6 years compared to 2018 due to new appointments and amounted on 31 December 2019. As a result, the average length of service (including at predecessor companies) fell from 12.8 years to 11.1 years. The proportion of women in the workforce rose slightly and was 19.3% at the end of the reporting year (previous year: 18.0%). While this still remains low compared to other sectors, it is attributable to the company's specialised electrical engineering business activities.

In 2019, Amprion continued its employee equity participation scheme based on the issue of profit-sharing rights. At around 79.9%, the participation rate was slightly above the previous year's level of 79.2%.

### **Occupational health and safety**

Occupational health and safety is an important corporate responsibility for Amprion. Our industrial safety management system, which has been certified according to the international "Occupational Health and Safety Assessment Series" standard (OHSAS 18001), forms the basis for working safely in all areas of Amprion's activities. In 2019, the decision was taken to switch the current industrial safety management system to the new DIN ISO 45001 standard by March 2021. With this switch, the structure will be adapted to the management systems already certified at Amprion (ISO 55001, ISO 50001, ISO 27000 and ISO 14001).

### **Environmental protection**

Amprion's environmental management system was first certified in accordance with the ISO 14001 standard in 2017, since when it has been continually improved and further developed. This certification confirms that significant environmental aspects are taken into consideration in the planning, construction and operation of our transmission network.

### **Information security**

Information security is a key factor in ensuring robust business processes within the company. This is particularly true in the areas of system operation and control, project management and the running of Amprion's power transmission network. The introduction, operation and continuous improvement of an information security management system are vital prerequisites for achieving an appropriate level of information security. Successful certification of the information security management system in 2017 demonstrates that Amprion implements and complies with the provisions of the IT Security Act and, in particular, the requirements of the Federal Network Agency's ([FNA](#)) security catalogue.

# FINANCIAL SITUATION

## Earnings

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018	Change
Revenues and income	14,518.3	13,892.6	625.7
Operating expenses	-14,154.3	-13,533.6	-620.7
<b>Operating result</b>	<b>364.0</b>	<b>359.0</b>	<b>5.0</b>
Financial result	-51.1	-51.4	0.3
<b>Profit before taxes</b>	<b>312.9</b>	<b>307.6</b>	<b>5.3</b>
Tax result	-92.7	-104.2	11.5
<b>Net profit</b>	<b>220.2</b>	<b>203.4</b>	<b>16.8</b>

Revenues increased by 4.1% to €14,344.6 million (previous year: €13,784.0 million). This performance indicator is slightly higher than the level anticipated in the previous year's management report. The increase essentially relates to the income-neutral [EEG](#) equalisation mechanism amounting to €11,456.7 million (previous year: €10,945.1 million). This results from higher revenues from equalisation with the other TSOs and from assessable sales as well as energy utility companies despite the lower EEG surcharge (2019: 6.41 cents/kWh; 2018: 6.79 cents/kWh). The lower revenues from marketing on the electricity exchange have a contrary effect. Revenues from grid business amount to €2,887.9 million (previous year: €2,838.9 million). The increase in grid revenues of €49.0 million is attributable to higher revenues from the offshore surcharge and the transfer of further lignite-fired power plants to security readiness. A contrary effect is attributable to lower revenues from grid charges and regulatory obligations as well as from the Combined Heat and Power Act (Kraft-Wärme-Kopplungsgesetz, KWKG) surcharge and the surcharge pursuant to Section 19 StromNEV. These surcharge revenues correspond to expenditures of the same amount.

The €5.0 million increase in the operating result was essentially caused by higher revenues from determining actual costs for redispach measures from 2017 and from the reversal of provisions. This was offset by higher personnel expenses due to the planned workforce expansion and investment-related, higher depreciation.

The financial result is on a par with the previous year and is essentially characterised by fees for the long-term borrowing of outside capital and from the compounding of pension provisions.

The tax result primarily includes expenses for current taxes on income as well as deferred taxes. The change is largely attributable to tax income not relating to the period due to a completed tax audit.

The aforementioned effects led to an 8.3% increase in net profit to €220.2 million. A moderate decline in profit was forecast for this performance indicator in last year's management report.

## Financial situation

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018	Change
Cash flow from operating activities	-72.0	854.9	-926.9
Cash flow from investing activities	-747.3	-753.7	6.4
Cash flow from financing activities	-75.9	132.2	-208.1
Change in cash and cash equivalents	-895.2	233.4	-1,128.5
<b>Cash and cash equivalents at the end of the period</b>	<b>679.2</b>	<b>1,574.4</b>	<b>-895.2</b>



The cash flow from operating activities is primarily influenced by the [EEG](#) equalisation mechanism, which has led to a considerable outflow of cash. Moreover, the annual profit, non-cash depreciation as well as the increase in provisions, especially for the regulatory account, and the deferred congestion revenues for investments in the maintenance or expansion of cross-border connection capacities had a positive impact on cash flow.

Cash flow from investing activities is characterised by investments primarily in the transmission network, which increased by 2.2%. Disinvestments of tangible fixed assets also impacted positively on cash flow.

The decrease in cash flow from financing activities is essentially due to the lower borrowing of long-term outside capital via capital market transactions of €153.5 million.

A significant part of the cash and cash equivalents is committed to covering future charges from the EEG equalisation mechanism.

## Financing

A consortium loan agreement with a bank consortium of five commercial and regional banks was concluded to cover operating processes, the interim financing of investments and the cash requirements for the EEG equalisation mechanism. The agreement includes a customary financial covenant. Its compliance is audited annually on the closing date of 31 December.

The grid credit tranche of the consortium loan agreement amounts to €850.0 million and expires in March 2023. The interest rate is based on the EURIBOR reference interest rate plus a maturity-based margin. As at the closing date, €41.5 million of the credit line (of which €5.0 million in sureties) had been utilised.

The exercising of a €150.0 million increase option and the conclusion of a commercial paper programme in the amount of €900.0 million are planned for 2020.

The EEG credit tranche not utilised in the consortium loan agreement amounts to €350.0 million. It was extended by a further year in February 2019 and now expires in March 2022. The interest rate is also based on the EURIBOR reference interest rate plus a maturity-based margin. The credit tranche ensures that the required liquidity related to the EEG equalisation mechanism is available over the term of the loan.

As at 31 December 2019, total fixed-interest borrower's note loans and registered bonds amounted to €715.0 million. Moreover, a long-term, fixed-interest consortium loan of €200.0 million, with a maturity of 15 years, exists with two banks, including a development bank. This consortium loan includes a customary financial covenant. Its compliance is audited annually on the closing date of 31 December. In addition, the borrowing of long-term outside capital via the capital and bank market for the financing of investments is planned for 2020.

Amprion is rated by the two independent rating agencies Moody's Investors Service Ltd and Fitch Ratings Ltd. In its annual review, Moody's Investors Service Ltd confirmed the "A3" rating and changed its outlook from "stable" to "negative". Fitch Ratings Ltd lowered its rating from "A-" to "BBB+" with an unchanged, stable outlook. Amprion is therefore firmly anchored in the solid investment grade range. This contributes to securing access to capital markets for future financing with favourable conditions.

## Investments

Demands on the transmission network have risen significantly in the past few years. Increases in feed-ins from renewable energy sources and changes to the power stations mean that increased electrical output needs to be transported over increasingly greater distances. In addition, the energy transports throughout the European area, due to trading resulting from the liberalisation of the European energy market, have increased considerably.

The legally stipulated deadlines for decommissioning the nuclear power stations still in operation, the anticipated shut-down of lignite- and hard-coal-fired power plants as well as the expansion of renewable energies are driving the need for grid expansion. During the financial year, Amprion expanded investment activities to increase transport capacity and stabilise the transmission network so that system security can be assured. The north-south axes of the transmission network are being steadily expanded to integrate the growing feed-in of renewable energies into the grid and ensure the provision of the required transmission capacities after all nuclear power stations go offline. The largest investments during the financial year were made in the ALEGrO, Kruckel – Dauersberg, Ultranet, Rommelsbach – Herbertingen, Diele – Niederrhein projects and additional reactive power compensation measures.

Amprion implemented an essential part of the civil engineering measures for producing the cable conduit system and started both cable pulling and sleeve installation for the ALEGrO interconnector. It additionally completed the converter hall for installing the converter modules. The company set up the transformers for the connection in the Oberzier [substation](#). ALEGrO is the first interconnector that connects the German grid directly to the Belgian electricity grid. This promotes the integration of the European energy market, increases reliability of supply and contributes to the stabilisation of the grid operations throughout the entire region.

As part of the Ultranet project, Amprion initiated the second approval stage for the new construction of section A (Riedstadt – Wallstadt) by applying to the Federal Network Agency ([FNA](#)) for the planning approval procedure in March 2019. In September 2019, the Federal Network Agency conducted a public hearing in Limburg for the federal sectoral planning in section D (Weißenthurm – Riedstadt). For sections C (Osterath – Rommerskirchen) and E (Rommerskirchen – Weißenthurm), Amprion submitted the application documents to the Federal Network Agency in October and November 2019 for completeness checks and received confirmation of completeness for section C in November 2019.

The A-North DC connection from Emden/East to Osterath, together with the Ultranet project in the south, forms Western Germany's DC corridor A from Lower Saxony, via North Rhine-Westphalia and Rhineland-Palatinate, to Baden-Wuerttemberg. In November 2019, Amprion received preliminary notification concerning the construction of the converter in Emden.

Amprion has to implement the two offshore grid connection systems, DolWin4 and BorWin4, by 2028 and 2029 respectively with a capacity of 900 MW each at the Hanekenfähr grid connection point. The Federal Network Agency reconfirmed this without reservation in the grid development plan ([NEP](#)) 2030, version 2019, on 20 December 2019. In the offshore sections (exclusive economic zone and in the coastal sea) as well as in the northern land section between Hilgenriedersiel and Emden, it was possible to forgo a regional planning procedure after corresponding examination and to start preparation of the planning approval procedures. In 2020, the responsible authorities will decide on a waiver based on further studies concerning the necessity of regional planning procedures in the remaining land sections. Technical planning in all sections has made headway at the same time.

The so-called reactive power, which was previously provided by the generators of the major power plants, is indispensable for voltage regulation in the transmission grid. Since many of them will be taken off the grid in the course of the energy revolution and overall demand for reactive power is additionally growing due to the increase in transmission grid capacity utilisation, Amprion installed reactive power compensation systems in the Wehrendorf, Uchtelfangen and Kriftel [substations](#).

The total volume of investments in the financial year came to € 779.0 million, 1.9% less than the value forecast in the management report for 2018. Of this amount, € 675.6 million related to investments in expansion and € 103.4 million to investments in the renovation of the transmission network and other investments. Investments increased by 2.2% in comparison with the previous year.

## Assets and liabilities

### ASSETS

in € million	31 Dec. 2019	31 Dec. 2018	Change
Non-current assets	4,596.7	4,053.0	543.7
Current assets	1,805.9	2,885.6	-1,079.7
	<b>6,402.6</b>	<b>6,938.6</b>	<b>-536.0</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

in € million	31 Dec. 2019	31 Dec. 2018	Change
Equity	1,946.3	1,823.0	123.3
Non-current liabilities	1,910.2	1,566.4	343.8
Current liabilities	2,546.1	3,549.2	-1,003.1
	<b>6,402.6</b>	<b>6,938.6</b>	<b>-536.0</b>

At 71.4% (previous year: 58.1%), tangible fixed assets make up the largest portion of the company's assets and are covered up to 84.4% (previous year: 84.1%) by equity and long-term debt.

The assets from the [EEG](#) equalisation mechanism of € 1,387.9 million (previous year: € 2,367.4 million) represent the majority of current assets at 76.9% (previous year: 82.0%). Contrarily, current liabilities amount to € 1,385.3 million (previous year: € 2,366.9 million).

As of the balance sheet date, the equity ratio stood at 30.4% (previous year: 26.3%). This increase was due to the reduction of short-term debt thanks to the reduction of liabilities arising from the EEG equalisation mechanism. This is counteracted by the increase resulting from the liability from the regulatory account and the use of congestion revenues for investments in maintaining or increasing cross-border connection capacities. In the financial year, €103.4 million of the 2018 net profit were allocated to retained earnings.

### **General statement on the development of business and the financial situation**

The Amprion Management Board assesses the course of business and the financial situation as positive. The overall financial situation can be regarded as sound and provides the basis for further investments in the transmission network.

# OUTLOOK, OPPORTUNITIES AND RISK REPORT

## Outlook

### Grid business

In 2020, the grid charges will contain a uniform grid charge component. This will be calculated 40.0% based on the relevant revenue caps of all TSOs, while the remaining 60.0% will be collected by the company-specific grid charge component of each TSO.

The resolution of the Federal Network Agency ([FNA](#)) from 20 December 2018 specified the revenue cap for the third regulatory period from 2019 to 2023 on the cost basis of the year 2016. Amprion submitted an appeal against this decision on 25 January 2019. This initial base level, the development of the permanently non-controllable costs, the general consumer price index, the general productivity factor and the individual efficiency value constitute the basis for the grid charges published on 11 December 2019. The revenue cap for 2020 has increased due to the following developments:

- Higher costs from approved investment measures for further grid expansion
- Higher costs from the introduction of the capacity reserve and the transfer of further lignite-fired power plants to security readiness

The aforementioned changes are not or are only partially within Amprion's sphere of influence and lead to an increase in the grid charges in the extra-high-voltage grid level of between 14.7% and 15.8% in the usage hour range between 5,000 and 8,760 that is relevant to the majority of customers. The change in the grid charges relates to the uniform and company-specific grid charge components.

### System services

As before, Amprion will source the control reserve together with the other German TSOs according to the Federal Network Agency guidelines. In connection with this, it is assumed that the allocation criteria changes which occurred during the financial year will lead to considerably lower expenses for secondary control reserve and minute reserve. Conversely, expenses for primary control reserve will increase moderately. The joint procurement of secondary control reserve with Austria is planned in 2020 as part of a cross-border tender.

The tender for the long-term component for grid losses has been completed in full for 2020. Higher expenses are anticipated due to sharp price rises and a slight increase in volume.

Expenses for redispatch activities and feed-in management measures are expected to increase considerably.

### Investments

The [NEP](#) constitutes the basis for Amprion's project planning. The Power Grid Expansion Act ([EnLAG](#)) and the Federal Requirement Plan Act ([BBPIG](#)), which is based on the NEP, ensure approximately €4.6 billion in expansion investments by Amprion over the coming ten years and secure the legal basis for the investment planning. They confirm that the projects are necessary for the energy industry and that they are urgently required. Moreover, BBPIG projects are subject to an accelerated approval process. In connection with this, it must be noted that only the starting and finishing points of a transmission line are legally specified in the EnLAG and BBPIG. The precise route of the line and all associated activities are only specified in further planning steps.

The NEP is prepared in a two-yearly cycle in order to prevent overlaps in successive grid development plans. On 20 December 2019, the Federal Network Agency ([FNA](#)) confirmed the NEP (grid development plan) 2030, version 2019, which covers target years 2030 and 2035. The projects from the BBPIG include the large transmission corridors and was once again confirmed by the Federal Network Agency. An additional transmission corridor (Corridor B) with a transport capacity of four GW from Lower Saxony to North Rhine-Westphalia has proved necessary for the 2030 time horizon. The Federal Network Agency confirmed the corridor as a further DC project in its review.

Due to the significant rise in transport demand and the increased utilisation of the existing network, high loads are occurring on the lines. This network condition is leading to a significant increase in demand for reactive power. In the investigations in the NEP for the year 2035, the TSOs identified a need for around 70 reactive power compensation systems, most of which were confirmed, to maintain the voltage band in Amprion's network area.



In its confirmation of the NEP 2030, version 2019, the Federal Network Agency provides for the connection of two further offshore grid connection systems in Amprion's network area. These two systems, NOR-11-1 and NOR-11-2, are to be implemented using 525 kV technology and each have a capacity of two GW. The Wehrendorf and Westerkappeln/Ibbenbüren [substations](#) are planned as the grid connection points. Commissioning is scheduled after 2030. This confirmation is subject to consideration of the connection systems in the area development plan and the political decision concerning the corresponding target figures for offshore wind energy.

The development and publication of the European ten-year network development plan (TYNDP) for the ENTSO-E are defined by EU Regulation 347/2013. It forms the basis of the multilateral interconnector planning for all European TSOs. The TYNDP 2020 will be published at the end of 2020. The interconnector projects specified in the plan form a basis for the national analyses of the NEP 2035, 2021 version.

The investigations concerning load flow-controlling measures identified the Hanekenfähr, Oberzier, Kruckel and Enniger substations as locations for phase-shifting transformers; these were confirmed by the Federal Network Agency.

The overall volume of investment planned by Amprion up to 2029 consists of investment in expansion (including offshore investments) and renovation as well as other investments, and amounts to around €15.2 billion, of which around €1.1 billion are allocated to 2020.

### **Revenues and profit or loss**

A slight decrease in overall revenues is expected in the 2020 financial year, particularly from Amprion's income-neutral renewable energy activities. Revenue from the grid business increases primarily due to a higher uniform grid charge component and higher revenue from the surcharge for electricity-intensive customers. These revenues correspond to expenditures of the same amount.

Net profit is expected to decline slightly in the 2020 financial year, as the 2019 financial year was influenced by one-off effects such as higher revenues from determining actual costs for redispatch measures from 2017 and from the reversal of provisions.

#### **Overall statement on future development**

The Management Board expects to see a continued positive development in the course of business in the 2020 financial year thanks to the prevailing regulatory conditions as well as to the company's stable assets, financial and earnings situation.

## **Opportunities and risk report**

### **Risk management**

The risk management process aims to strengthen risk awareness in the company, enable the early detection of all risks and create transparency in the risk situation. Amprion's risk management includes extensive organisational measures pertaining to the company's processes and structure with the aim of ensuring that risks are identified, analysed and controlled at an early stage and that they are reported, thereby taking into account the requirements of the German Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG). The primary objectives of risk management are the avoidance and control of risks which impact the financial result and liquidity or even endanger the existence of the company and the optimisation of the overall portfolio of opportunities and risks.

Risk identification includes the structural recording of possible risks in all operational processes and functional divisions. As part of the risk analysis, the risks identified are assessed in terms of their origin, early warning indicators, risk control and preventive measures, the amount of any loss and the probability of their occurrence. The objective of risk control is to reduce the potential amount of any loss and the probability of its occurrence or – insofar as this is possible – to avoid risks by not carrying out high-risk activities.

As part of regular risk reporting, the Management Board and the Supervisory Board are kept informed of the current risk situation. In addition, material adverse changes are immediately reported to the decision makers. Risk management is an integral component of the business, planning and control processes and is reviewed regularly for its functional capability and its effectiveness.

In addition, a risk-oriented approach is used as part of internal audits to ensure a comprehensive appraisal of risks. The existing risk portfolios and the resulting areas for action are specified as early as at the preparation stage for auditing schedules and the specific auditing activities.

## Essential opportunities and risks

### System services

Market opportunities and risks result from managing the control area. The voluntary self-obligations for the control reserve, grid losses and redispatch for the third regulatory period were effectively introduced by the Federal Network Agency ([FNA](#)). The costs for procuring these system services are therefore considered permanently non-controllable in accordance with Section 11 (2) [ARegV](#) (Incentive Regulation Ordinance) and can be included in the calculation of the revenue cap.

Opportunities and risks result from changes in the cost of procurement of control reserve based on unforeseeable volume effects. The voluntary self-obligations for the control reserve provide for a price indexation resulting in opportunities and risks for the company's income due to volume effects, which are limited by an incentive regulation. Only around 25.0% of the cost savings or cost increases generated from unforeseen volume effects influence Amprion's income up to an absolute cap of 2.5% of the planned costs. Any remaining difference arising from volume and price changes in excess of this amount is recognised with interest in the regulatory account and is taken into account in future grid charges.

In the case of the voluntary self-obligations for grid losses, a risk or opportunity arises from the price development because the settlement price is fixed. Moderate risks or opportunities exist from the procurement of grid losses. Only around 50.0% of the cost savings or cost increases influence Amprion's income up to an absolute cap of 2.5% of the planned costs. Any remaining difference arising from volume changes in excess of this amount and the complete difference resulting from price changes are recognised with interest in the regulatory account and are taken into account in future grid charges.

The voluntary self-obligations for redispatch result in periodic risks from the difference between the planned costs set in the revenue cap and the actual costs incurred due to redispatch measures. This is recognised with interest in the regulatory account and is taken into account in future grid charges.

Periodic risks also arise for the feed-in management activities because, while planned costs are set in the revenue cap for the relevant year, the actual costs required can fluctuate significantly due to the weather. The difference between planned costs and actual costs is reported with interest in the regulatory account and taken into account in future grid charges.

### **Financing**

As a TSO, Amprion is responsible for the implementation of the EEG equalisation mechanism in its control area. In principle, the implementation of the EEG is income-neutral based on the statutory provisions. In the event of developments that differ from the forecast, however, income from the EEG allocation and the actual revenues from sales on the electricity exchange may not be sufficient to cover the volatile feed-in remuneration to EEG plant operators. As a result of this, a periodic liquidity risk arises which is countered by the maintenance of a sufficient credit line.

Credit risks arise if business partners do not meet their payment obligations or only insufficiently. Credit risks are largely avoided through creditworthiness checks, continuous receivables management and, if necessary, the use of collateral security.

### **Regulation**

Regulatory risks arise from changes in European and national laws. Amprion follows and assists in legislative processes in order to achieve financial stability in the regulated grid business and to limit costs to the company.

The grid charges are subject to regulatory supervision by the Federal Network Agency ([FNA](#)). Approvals or decisions by the Federal Network Agency may have a positive or negative impact on the company's result. The approval practice during cost audits in particular is a key point because the basis of the grid charges is defined for a regulatory period in this case. The grid charges are calculated based on forecast sales quantities. In the event of unscheduled quantity deviations resulting from external factors (e.g. weather, economy, local generation), revenue surpluses or shortfalls occur; they must be recorded in the regulatory account and taken into consideration for future grid charges.

Further risks may arise if the investment measures applied for are only partially accepted by the Federal Network Agency because these may lead to lower imputed costs and thus to lower revenues from grid charges. The company reduces this risk by controlling costs and justifying the costs of investments to the Federal Network Agency.

### **Overall statement on risks**

During the 2019 financial year, there were no identifiable risks that threatened the existence of the company, either individually or in their entirety, or that might significantly impair the assets, financial and earnings position of the company. No such risks are foreseeable in the future based on current knowledge.

# ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The objective of the accounting-related internal control and risk management system is to ensure that the company's accounting activities comply with the legal provisions and the generally accepted accounting principles. Amprion's accounting-related internal control and risk management system defines principles, procedures and measures that ensure the integrity of the accounting process. The system is based on the international "Enterprise Risk Management - Integrated Frameworks" standard of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the COSO model named after it.

The regulations are summarised in a guideline that is supplemented by work instructions. In addition, the guideline presents the specific accounting-related risks in a control matrix with the areas of activity and responsibilities. This is regularly updated. Risk identification and risk assessment take place in compliance with the accounting processes and the risk management system in consultation with all of the operating accounting units.

Each identified risk is assigned to one or more specific manual and/or system-based controls. The quantitative (materiality per balance sheet item) and qualitative (complexity and discretionary powers) assessment of the risks determine the intensity of the controls. Some of these controls are used for subsequent audits, that is to say, to maintain the accuracy of the content and the completeness of the annual financial statements (ex post controls). By contrast, other control activities are of a preventive nature in order to secure risky processes in advance and reduce the system's susceptibility to errors (ex ante controls). The combination of ex post and ex ante controls ensures a more robust overall accounting process.

Important control measures of the accounting-related internal control and risk management system are:

- a continuously applied four-eyes principle,
- separation of functions and assignment of responsibilities,
- tiered release strategies,

- use of standard business software for accounting with a comprehensive authorisation concept to prevent fraud, and
- IT access restrictions set up according to the principle of the separation of functions to prevent unauthorised access to data.

The accounting-related internal control and risk management system includes the central documentation of the control activities and the reporting to the Head of Accounting who is responsible for introducing any necessary additional measures. Moreover, regular discussions are held with the staff operating the internal control system and with the Amprion risk management department.

### **Corporate governance declaration pursuant to Section 289f (4) HGB (German Commercial Code)**

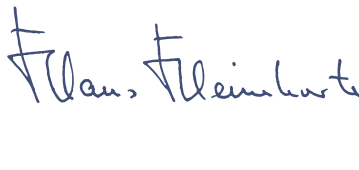
As target figures for the proportion of women to be reached by 30 June 2022, in 2017 a quota of 8.3% was stipulated for the Supervisory Board, 0.0% for the Management Board and 6.7% for the two management levels directly below the Management Board.

Dortmund, 10 March 2020

The Management Board



DR HANS-JÜRGEN BRICK



DR KLAUS KLEINEKORTE





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# BALANCE SHEET

of Amprion GmbH as at 31 December 2019

## ASSETS

in € million	Notes	31 Dec. 2019	31 Dec. 2018
<b>Non-current assets</b>	(1)		
Intangible assets		19.1	16.0
Tangible assets		4,571.0	4,031.2
Financial assets		6.6	5.8
		<b>4,596.7</b>	<b>4,053.0</b>
<b>Current assets</b>			
Inventories	(2)	61.1	62.7
Accounts receivable and other assets	(3)	1,064.6	1,247.5
Cash and cash equivalents	(4)	679.2	1,574.4
		<b>1,804.9</b>	<b>2,884.6</b>
<b>Prepaid expenses</b>		<b>1.0</b>	<b>1.0</b>
		<b>6,402.6</b>	<b>6,938.6</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

in € million	Notes	31 Dec. 2019	31 Dec. 2018
<b>Equity</b>	(5)		
Subscribed capital		10.0	10.0
Jouissance rights capital		16.9	13.8
Additional paid-in capital		1,003.0	1,003.0
Retained earnings		696.2	592.8
Net profit		220.2	203.4
		<b>1,946.3</b>	<b>1,823.0</b>
<b>Special items</b>	(7)	<b>29.5</b>	<b>31.0</b>
<b>Provisions and accruals</b>	(8)	<b>756.8</b>	<b>440.4</b>
<b>Liabilities</b>	(9)	<b>3,244.1</b>	<b>4,262.7</b>
<b>Deferred income</b>	(10)	<b>287.0</b>	<b>233.5</b>
<b>Deferred tax liabilities</b>	(11)	<b>138.9</b>	<b>148.0</b>
		<b>6,402.6</b>	<b>6,938.6</b>

# INCOME STATEMENT

of Amprion GmbH from 1 January to 31 December 2019

in € million	Notes	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Revenues	(13)	14,344.6	13,784.0
Change in inventory of work in progress		3.1	0.3
Other own work capitalised		83.9	72.8
Other operating income	(14)	86.7	35.5
Cost of materials	(15)	-13,656.8	-13,096.2
Personnel expenses	(16)	-182.0	-155.8
Depreciation		-184.6	-163.0
Other operating expenses	(17)	-130.9	-118.6
Financial result	(18)	-51.1	-51.4
<b>Profit before taxes</b>		<b>312.9</b>	<b>307.6</b>
Taxes on income and earnings	(19)	-92.7	-104.2
<b>Profit after taxes/Net profit</b>		<b>220.2</b>	<b>203.4</b>

# NOTES TO THE FINANCIAL STATEMENTS

of Amprion GmbH, Dortmund as at 31 December 2019

## Basis of presentation

The company, based in Dortmund, is entered in the Commercial Register of the District Court of Dortmund under registration number HRB 15940. The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) for a large capital corporation as required by Section 267 (3) HGB and pursuant to the supplementary provisions of the Act Regarding Limited Liability Companies (GmbHG) and the Energy Industry Act ([EnWG](#)). To reflect the specific nature of the company's business activities, certain items of the financial statements have been adjusted pursuant to Section 265 (5) HGB.

To ensure clarity of presentation, individual items have been combined in the balance sheet and in the income statement and are explained separately in the notes. The income statement has been prepared according to the nature of expense method. The amounts disclosed in the annual financial statements are stated in millions of euros (€ million) and thousands of euros (€ thousand), which may lead to rounding differences.

## Accounting policies

### Non-current assets

Separately acquired intangible assets are initially recognised at acquisition costs and are amortised using the straight-line method over their normal useful lives of two to five years; if their value is likely to be permanently impaired, they are written down.

Tangible assets are measured at acquisition or manufacturing costs less accumulated scheduled straight-line depreciation and any unscheduled write-offs. Manufacturing costs include direct costs and any applicable overhead costs. If the reasons for the unscheduled write-offs cease to exist, appropriate reversals are recorded, but not in excess of the amortised cost. Depreciation pro rata temporis begins in the year of the addition. Scheduled write-offs are based on the lower range of useful life pursuant to Annex 1 to Section 6 (5) StromNEV (Electricity Network Fee Regulation Ordinance). Pursuant to Section 6 (2) EStG (German Income Tax Act), low-value assets whose acquisition costs do not exceed €250 are recognised as costs in the year of

their acquisition. If the acquisition costs exceed €250, but do not exceed €800, they are capitalised at the point in time of their addition; at the end of the financial year, they are fully depreciated and recognised as disposals.

Financial assets are recognised at acquisition costs and measured at the lower fair value if there is a presumably permanent loss of value.

### **Current assets**

Raw materials and supplies are recognised at acquisition or manufacturing costs measured by applying moving average prices according to the strict lower of cost or market principle. Inventory risks arising from reduced exploitability are given consideration in the form of appropriate allowances.

Work in progress is measured at manufacturing costs. Direct costs as well as reasonable amounts of overhead costs for material and production are included in these measurements.

The receivables and other assets are recognised at nominal value or acquisition costs. All discernible specific risks and the general credit risk are given consideration in the form of reasonable value allowances.

Securities are measured at costs of acquisition or at the lower fair value.

Cash and cash equivalents are reported at nominal value.

### **Special items**

Special items include advances and contributions in aid of construction and building connection that were received from 1 January 2003 to 31 December 2010, and are reversed in line with the useful lives of the related assets.

**Provisions**

Provisions for pensions and similar obligations are created on the basis of actuarial calculations, taking into account company-specific adjusted Klaus Heubeck 2018 G reference tables and using the projected unit credit method. They are discounted by 2.71% per year, based on the 10-year-average market interest rate as at 31 December 2019 published by the German central bank with an assumed residual term of 15 years. Other calculation assumptions include a 3.50% per year increase in wages and salaries and pension increases of 1.00% and 2.10% per year.

In the assessment of other provisions, all identifiable risks and contingent liabilities have been taken into account. They are recognised at the amount required for settlement based on reasonable commercial judgement. Provisions with a residual term of more than one year are discounted in accordance with their residual term using the average market interest rate for the previous seven financial years published by the German central bank. Interest accretion on these provisions is calculated using the interest rate at the end of the financial year. The effects of the change in the discounting rate or in the estimation of the residual term are shown in the financial result.

Provisions for service anniversaries are accrued on the basis of an actuarial analysis, taking into account company-specific adjusted Klaus Heubeck 2018 G reference tables. They are discounted using the average market interest rate for the previous seven financial years as at 31 December 2019 of 1.97% per year published by the German central bank. Furthermore, depending on the relevant service anniversary regulations, wage and salary increases of 2.75% and 3.50% per year are used as actuarial assumptions.

Provisions for pre-retirement part-time employment are accrued on the basis of actuarial calculations, taking into account company-specific adjusted Klaus Heubeck 2018 G reference tables. They are discounted using the average market interest rate for the previous seven financial years as at 31 December 2019 of 0.72% per year for potential and concluded pre-retirement part-time employment agreements. Furthermore, wage and salary increases of 3.50% per year are used as actuarial assumptions.

Provisions for pensions and similar obligations are covered in full by assets held in trust as part of a contractual trust arrangement. Credits from the block model pre-retirement part-time employment in accordance with Section 8a of the German Partial Retirement Act (Altersteilzeitgesetz – AltTZG) and credits on long-term working time accounts under Section 7e of the German Social Code Vol. IV (Sozialgesetzbuch – SGB IV) are likewise secured by assets held in trust as part of a contractual trust arrangement. These assets held in trust are recognised at fair value and are offset against the respective underlying obligations in accordance with Section 246 (2) sentence 2 HGB. Expenses associated with the interest accretion to provisions are netted against income and expenses from the related assets in the financial result.

**Liabilities**

Liabilities are generally measured at their settlement amount. Exceptions concern the liabilities to the Pensions Security Association and those arising from early retirement obligations which are stated at present value.

**Deferred income**

The advances and contributions in aid of construction and building connection accrued up until 31 December 2002 and after 1 January 2011 reported as deferred items are reversed through profit and loss using the straight-line method over a period of 20 years. The income from congestion management is used for maintenance or expansion of cross-border transmission capacities and is, in the same way as the construction grants, recognised in the balance sheet as deferred income.

**Deferred tax liabilities**

Deferred taxes arise from temporary differences in accounting treatment under commercial and tax law and are calculated using the current applicable tax rate and shown net.

**Currency conversion**

Transactions in foreign currency are valued at the current exchange rate at the time of their initial posting. Assets and liabilities quoted in foreign currency are converted at the mean spot rate of exchange prevailing on the accounting date.

## Notes to the balance sheet

### (1) Non-current assets

The development of non-current assets during the financial year and their composition as at 31 December 2019 are described on pages 64/65.

The following table provides information on the company's stockholdings.

Name and headquarters of the company	Share of capital	Equity in € million	Net profit in € million
Amprion Offshore GmbH, Dortmund*	100 %	1.0	0.0
Holding des Gestionnaires de Réseau de Transport d'électricité SAS, Paris/France**	5.0 %	91.5	10.3
Joint Allocation Office S.A., Luxembourg/ Luxembourg**	4.5 %	5.4	0.3
TSCNET Services GmbH, Munich**	7.7 %	5.9	0.3

\* Equity and profit of financial year 2019

\*\* Equity and profit of financial year 2018

### (2) Inventories

in € million	31 Dec. 2019	31 Dec. 2018
Raw materials and supplies	55.2	59.9
Work in progress	5.9	2.8
	61.1	62.7



**(3) Accounts receivable and other assets**

in € million	31 Dec. 2019	31 Dec. 2018
Trade receivables	1,036.2	1,198.9
Other assets	28.4	48.6
	<b>1,064.6</b>	<b>1,247.5</b>

**(4) Cash and cash equivalents**

Cash and cash equivalents consist largely of bank deposits.

**(5) Equity**

The company's authorised capital has been paid in full; 74.9% is held by M 31 Beteiligungsgesellschaft mbH & Co. Energie KG, Düsseldorf, and 25.1% by RWE AG, Essen.

The jouissance rights, which are not securitised, are held by the company's employees and are not transferable. They can be redeemed after a minimum holding period of five years. The jouissance rights entitle to a limited interest claim on the nominal amount which is prioritised over the shareholders' interests. The amount of the interest yield is dependent on the company's profit. They do not entitle to any participation in returns from liquidation of the company. The yield on the jouissance rights capital in the financial period amounted to €1.0 million. In total, jouissance rights in the following denominations have been issued.

Nominal amount	31 Dec. 2019
€180	88,743
€360	16
€720	286
€1,220	68
€1,720	373
	<b>89,486</b>

The retained earnings are entirely composed of the item “other retained earnings” within the meaning of Section 266 (3) A. III, no. 4 HGB.

By resolution of the Supervisory Board dated 9 April 2019, €100.0 million of the net profit of €203.4 million for the 2018 financial year was distributed to the owners. The remainder of €103.4 million was transferred to other retained earnings.

#### **(6) Payout block**

The total amount of non-distributable profits in accordance with Section 268 (8) HGB of €12.8 million results from the measurement of covering assets at their fair value pursuant to Section 253 (1) sentence 4 HGB. The fair value exceeds the cost of acquisition by €18.7 million. The deferred tax liability due on this amount totals €5.9 million.

The non-distributable amount of €48.7 million (previous year: €48.5 million) in accordance with Section 253 (6) HGB arises from discounting the provisions for pension obligations using the 10-year-average market interest rate instead of the previous 7-year average.

The freely disposable reserves of €1,699.2 million exceed the non-distributable amounts of €61.5 million.

#### **(7) Special items**

Advances and contributions in aid of construction and building connection received from 1 January 2003 to 31 December 2010 are recognised under special items for investment grants associated with fixed assets.

**(8) Provisions and accruals**

<b>in € million</b>	<b>31 Dec. 2019</b>	<b>31 Dec. 2018</b>
Tax provisions	44.8	39.5
Other provisions	712.0	400.9
- thereof for regulatory obligations	553.6	180.5
- thereof for miscellaneous obligations	158.4	220.4
	<b>756.8</b>	<b>440.4</b>

Due to the offsetting rule pursuant to Section 246 (2) sentence 2 HGB, the provisions for pensions and similar obligations reported under other provisions are netted against plan assets.

<b>in € million</b>	<b>Historical cost</b>	<b>Fair value</b>	<b>Settlement amount</b>
<b>Netted assets</b>			
Securities	196.8	215.5	
Other assets	32.5	32.5	
	<b>229.3</b>	<b>248.0</b>	
<b>Netted liabilities</b>			
Provisions for pensions and similar obligations			248.0
			<b>248.0</b>
<b>Difference from offsetting</b>			-

The fair value corresponds to the market value as at 31 December 2019. The corresponding offsetting of expenses and income is disclosed in the notes to the financial result.

Tax provisions relate to tax periods not yet irrevocably closed.

Other provisions include regulatory obligations, which substantially result from the regulatory account. The remaining miscellaneous provisions are accrued essentially for personnel-related obligations as well as obligations for the overhaul of pylons.

In accordance with the consolidation requirement pursuant to Section 246 (2) sentence 2 HGB, the provisions for pre-retirement part-time employment and long-term working hour accounts disclosed under other provisions are offset against the plan assets.

in € million	Historical cost	Fair value	Settlement amount
<b>Netted assets</b>			
Other assets	12.5	12.5	
	12.5	12.5	
<b>Netted liabilities</b>			
Provisions for pre-retirement part-time employment and long-term working time accounts			33.9
			33.9
<b>Difference from offsetting</b>			21.4

The fair value corresponds to the market value as at 31 December 2019. The corresponding off-setting of expenses and income is disclosed in the notes to the financial result.

**(9) Liabilities**

in € million (prior-year figures in brackets)	31 Dec. 2019 (31 Dec. 2018)	Of which, residual term		
		≤ 1 year	> 1 year	> 5 years
Liabilities to credit institutions	962.2 (943.2)	47.2 (128.2)	185.0 (185.0)	730.0 (630.0)
Prepayments received	8.5 (9.2)	4.1 (4.8)	4.4 (4.4)	- (-)
Trade payables	2,121.0 (3,096.6)	2,121.0 (3,096.6)	- (-)	- (-)
Liabilities to companies with participation interest	0.1 (0.1)	0.1 (0.1)	- (-)	- (-)
Other liabilities	152.3 (213.6)	151.3 (96.8)	1.0 (116.8)	- (-)
- of which taxes	4.6 (14.5)	4.6 (14.5)	- (-)	- (-)
- of which for social security	-0.1 (0.3)	-0.2 (0.1)	0.1 (0.2)	- (-)
	<b>3,244.1</b> <b>(4,262.7)</b>	<b>2,323.7</b> <b>(3,326.5)</b>	<b>190.4</b> <b>(306.2)</b>	<b>730.0</b> <b>(630.0)</b>

Liabilities to credit institutions chiefly comprise promissory note loans and registered debentures totalling €715 million and a long-term syndicated loan amounting to €200 million.

Other liabilities primarily comprise liabilities for regulatory obligations.

**(10) Deferred income**

Deferred income includes €19.3 million (previous year: €22.7 million) in advances and contributions in aid of construction and building connection received up to 31 December 2002 and from 1 January 2011; appropriated advances from congestion management according to Article 16 (6) Regulation (EC) No 714/2009 amounting to €246.2 million (previous year: €184.4 million) as well as various other advances for income in subsequent years amounting to €21.5 million (previous year: €26.4 million).

**(11) Deferred tax liabilities**

in € million	31 Dec. 2019	Change	31 Dec. 2018
Deferred tax assets	154.0	46.2	107.8
Deferred tax liabilities	292.9	37.1	255.8
<b>Net deferred tax liability</b>	<b>138.9</b>	<b>-9.1</b>	<b>148.0</b>

The deferred tax liabilities arise essentially from valuation differences with regard to land and buildings as well as technical plant and machinery. These liabilities exceed the deferred tax assets, which stem mainly from differences in the valuation of provisions for pensions and similar obligations, other provisions and deferred income. The calculation was based on a tax rate of 31.62% (previous year: 31.61%).

**(12) Guarantees and other financial obligations**

The guarantees consist exclusively of liabilities from guarantee contracts totalling €192.4 million (previous year: €180.4 million), with €187.2 million of this amount (previous year: €172.6 million) relating to the joint liability for pension obligations stated in the partner RWE AG's accounts. Amprion is responsible for the economic burdens and relief.

Guarantees are provided only after a thorough review of the related risks and are restricted to the company's scope of business activities. Based on all indications available up until the preparation of the annual financial statements, it is assumed that the main debtors will be able to fulfil the obligations underlying the guarantees and that the guarantees will therefore not be called upon.

The aggregate total of other financial liabilities amounts to €315.1 million and relates to the following issues:

Order commitments in the amount of €283.8 million related to submitted investment and maintenance orders and to framework agreements regarding purchase obligations.

Non-discounted financial obligations of €11.3 million (thereof <1 year: €5.3 million) are related primarily to long-term property leases.

A payment obligation in the amount of €20.0 million results from contracts for the purchase of land that will be legally and commercially conveyed after 31 December 2019.

Due to the transfer of certain pension scheme liabilities to RWE Pensionsfonds AG which took place in previous years, the company – in its capacity as employer – has a legally mandated funding obligation in the event of a possible shortfall in the pension fund in the future. There is no shortfall as at the balance sheet date. Although there is no such deficit to be expected, future shortfalls cannot be completely ruled out.

## Notes to the income statement

### (13) Revenues

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Electricity	14,296.2	13,741.1
Other	48.4	42.9
	<b>14,344.6</b>	<b>13,784.0</b>

Electricity revenues essentially include revenues from the passing on of [EEG](#) expenses, network charges and income-neutral allocations. They are generated mainly within Germany.

### (14) Other operating income

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Reversal of provisions	73.1	26.4
Profits from disposal of non-current assets	1.8	3.0
Other	11.8	6.1
	<b>86.7</b>	<b>35.5</b>

Other operating income includes income related to other periods in the amount of €76.8 million (previous year: €33.8 million). Income of €0.3 thousand (previous year: €2.1 thousand) resulted from currency conversion.



**(15) Cost of materials**

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Cost of raw materials, supplies and purchased goods	-13,043.4	-12,448.3
Cost of purchased services	-613.4	-647.9
	<b>-13,656.8</b>	<b>-13,096.2</b>

The cost of materials essentially consist of charges resulting from EEG and expenses for system services as well as other income-neutral allocations.

**(16) Personnel expenses**

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Wages and salaries	-138.3	-119.1
Costs of social security, pensions and other benefits	-43.7	-36.7
<i>- of which relating to pensions</i>	-22.3	-18.5
	<b>-182.0</b>	<b>-155.8</b>

	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Executive employees	32	30
Non-tariff employees	317	274
Employees covered by collective wage agreements	1,234	1,071
	<b>1,583</b>	<b>1,375</b>

The figures stated above are related to the average employee equivalents employed during the financial year. Part-time employees are taken into account proportionally to their regular weekly working hours.

**(17) Other operating expenses**

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Services	-47.7	-49.4
Losses from disposal of non-current assets	-13.9	-7.3
Impairments or losses from disposal of current assets	-3.9	-0.1
Miscellaneous	-65.4	-61.8
	<b>-130.9</b>	<b>-118.6</b>

Expenses related to other periods in the amount of €15.7 million (previous year: €26.3 million) included in the other operating expenses largely result from the disposal of non-current assets. Losses of €1.4 thousand (previous year: €0.0 thousand) resulted from currency conversion.

Expenses for services relate largely to data processing and real estate management.

Miscellaneous other operating expenses essentially include expenses for fees, consulting services, rent as well as other taxes amounting to €2.4 million (previous year: €2.3 million).

**(18) Financial result**

in € million	1 Jan.- 31 Dec. 2019	1 Jan.- 31 Dec. 2018
Income from participations	0.8	0.6
Other interest and similar income	2.3	3.7
Interest and similar expenses	-54.2	-55.7
- of which interest accretion	-35.9	-26.5
- of which remuneration from <i>jouissance rights</i>	-1.0	-0.8
	<b>-51.1</b>	<b>-51.4</b>

Expenses and earnings from plan assets were netted against expenditures from interest accretion in accordance with Section 246 (2) sentence 2 HGB. The resulting net amount is included in the item "Interest and similar expenses".

in € million	
<b>Netted income</b>	
Other operating income	9.1
Other interest and similar income	*
	9.1
<b>Netted expenses</b>	
Interest and similar expenses	-34.0
	-34.0
<b>Difference from offsetting</b>	<b>-24.9</b>

\* Negligible amount

**(19) Taxes on income and earnings**

Expenses arising from taxes on income and earnings relating to the current financial year and not yet irrevocably assessed tax periods amount to €106.5 million (previous year: €95.1 million).

Deferred tax income amounts to €9.2 million (previous year: €-3.8 million). Additionally, tax income related to other periods amounts to €4.6 million (previous year: €-5.3 million).

## Additional information

### Directors and officers

The option pursuant to Section 286 (4) HGB was exercised. Therefore, no disclosure of the total remuneration paid to the Management Board in the financial period pursuant to Section 285 no. 9a HGB was made.

Members of the Supervisory Board received remuneration in the amount of € 279.2 thousand during the financial year.

The members of the Supervisory Board are listed below:

#### — Professor Heinz-Werner Ufer

Former Chairman of the Management Board of RWE Energy AG and Honorary Professor at the Technical University of Dortmund  
Chairman

#### — Christian Mosel

Chief Executive Officer of Ärzteversorgung Westfalen-Lippe – Corporation under public law  
1st Deputy Chairman

#### — Detlef Börger-Reichert\*

Deputy Chairman of the General Works Council of Amprion GmbH and Chairman of the Works Council at Amprion GmbH at the Dortmund site  
2nd Deputy Chairman

#### — Frank Amberg

Head of Private Equity of MEAG MUNICH ERGO AssetManagement GmbH (until 30 April 2019)

#### — Dr Peter-Henrik Blum-Barth

Vice President Capital Investments Liquid Assets at SV SparkassenVersicherung Holding AG

#### — Josef Frankemölle\*

Former Chairman of the General Works Council of Amprion GmbH (until 30 April 2019)

#### — Malte Glasneck\*

Member of the Works Council of Amprion GmbH at the Hoheneck site (until 30 April 2019)

\*Employees' Representative

— **Wolfgang Hölzle\***

Member of the General Works Council at Amprion GmbH and Chairman of the Works Council at Amprion GmbH in Hoheneck (since 1 May 2019)

— **Natalie Kornowski\***

Chairwoman of the General Works Council of Amprion GmbH and Chairwoman of the Works Council at Amprion GmbH at the Brauweiler site

— **Dr Thomas Mann**

Spokesman of the Management of Ampega Gerling Investment GmbH and Chief Executive Officer of Ampega Asset Management GmbH

— **Christoph Manser**

Head of Infrastructure Investments at Swiss Life Asset Management AG

— **Robert Pottmann**

Head of Portfolio Management Illiquid Assets of MEAG MUNICH ERGO AssetManagement GmbH (since 1 May 2019)

— **Fred Riedel**

Corporate Tax Adviser, Director of Finances and Administration at the International School of Düsseldorf e. V.

— **Dr Rolf Martin Schmitz**

Chairman of the Management Board and Chief Executive Officer of RWE AG

— **Nerima Uzeirovic\***

Member of the General Works Council at Amprion GmbH and member of the Works Council at Amprion in Dortmund (since 1 May 2019)

The members of the Management Board are listed below:

— **Dr Hans-Jürgen Brick**

Chief Commercial Officer and Chief Financial Officer

— **Dr Klaus Kleinekorte**

Chief Technical Officer

\* Employees' Representative

## Auditor's fee

The auditor's fee breaks down as follows:

in € thousand		of which for previous years
Auditing services	247.3	22.9
Other assurance services	358.4	7.7
Miscellaneous services	30.0	-
	<b>635.7</b>	<b>30.6</b>

## Appropriation of net profit

The net profit for the financial year amounts to €220.2 million. Pursuant to Section 16 (1) of the company's Articles of Association, the Management Board proposes to the Supervisory Board a distribution of €100.0 million. Furthermore, the Management Board proposes to allocate the surplus amount of €120.2 million to other retained earnings according to Section 266 (3) A. III. no. 4 HGB for the purpose of creating appropriate reserves for future investments.

## Events after the end of the reporting period

No significant events occurred during the period between the end of the reporting period and the preparation of the company's annual financial statements.

## Information pursuant to EnWG

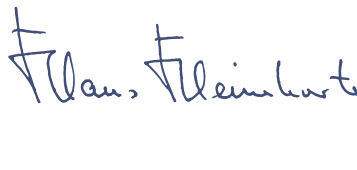
The company's business activities are related exclusively to the area "transport of electricity". Consequently, the activity report required pursuant to Section 6b (3) [EnWG](#) is equivalent to the financial statements.

Dortmund, 10 March 2020

The Management Board



DR HANS-JÜRGEN BRICK



DR KLAUS KLEINEKORTE

# DEVELOPMENT OF FIXED ASSETS (APPENDIX TO THE NOTES)

of Amprion GmbH from 1 January to 31 December 2019

Costs of acquisition or production					
in € million	as of 1 Jan. 2019	Additions	Transfers	Disposals	as of 31 Dec. 2019
<b>Intangible assets</b>					
Purchased concessions, patent rights and similar rights and assets, as well as licences in such rights and assets	41.1	10.2	-	0.3	51.0
Prepayments	0.1	0.9	-	-	1.0
	<b>41.2</b>	<b>11.1</b>	<b>-</b>	<b>0.3</b>	<b>52.0</b>
<b>Tangible assets</b>					
Land, land rights and buildings including buildings on third-party land	566.2	52.1	95.4	11.3	702.4
Technical plant and machinery	7,321.4	470.2	192.6	63.0	7,921.2
Other equipment, factory and office equipment	64.8	9.0	0.4	3.2	71.0
Advance payments and construction in progress	635.9	236.6	-288.4	30.7	553.4
	<b>8,588.3</b>	<b>767.9</b>	<b>-</b>	<b>108.2</b>	<b>9,248.0</b>
<b>Financial assets</b>					
Shares in subsidiaries	-	1.0	-	-	1.0
Other participations	5.2	-	-	-	5.2
Other loans	0.6	-	-	0.2	0.4
	<b>5.8</b>	<b>1.0</b>	<b>-</b>	<b>0.2</b>	<b>6.6</b>
	<b>8,635.3</b>	<b>780.0</b>	<b>-</b>	<b>108.7</b>	<b>9,306.6</b>



Accumulated depreciation			Carrying amounts		
as of 1 Jan. 2019	Depreciation during the reporting period	Disposals	as of 31 Dec. 2019	as of 31 Dec. 2019	as of 31 Dec. 2018
25.2	7.8	0.1	32.9	18.1	15.9
-	-	-	-	1.0	0.1
<b>25.2</b>	<b>7.8</b>	<b>0.1</b>	<b>32.9</b>	<b>19.1</b>	<b>16.0</b>
186.2	10.7	3.6	193.3	509.1	380.0
4,331.0	158.7	50.1	4,439.6	3,481.6	2,990.3
39.9	7.4	3.2	44.1	26.9	25.0
-	-	-	-	553.4	635.9
<b>4,557.1</b>	<b>176.8</b>	<b>56.9</b>	<b>4,677.0</b>	<b>4,571.0</b>	<b>4,031.2</b>
-	-	-	-	1.0	-
-	-	-	-	5.2	5.2
-	-	-	-	0.4	0.6
-	-	-	-	6.6	5.8
<b>4,582.3</b>	<b>184.6</b>	<b>57.0</b>	<b>4,709.9</b>	<b>4,596.7</b>	<b>4,053.0</b>

# INDEPENDENT AUDITOR'S REPORT

To Amprion GmbH, Dortmund

## Report on the audit of the financial statements and the management report

### Audit opinions

We have audited the annual financial statements of Amprion GmbH, Dortmund, which comprise the balance sheet as of 31 December 2019 and the income statement for the financial year from 1 January 2019 to 31 December 2019 as well as the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the Amprion GmbH management report for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration pursuant to Section 289f (4) HGB (German Commercial Code).

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as of 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 in compliance with the German principles of proper accounting and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the contents of the aforementioned corporate governance declaration.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

**Basis for the audit opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the “**Auditor’s responsibilities for the audit of the annual financial statements and the management report**” section of our auditor’s report. We are independent of the company in accordance with the requirements of German commercial and professional law and have fulfilled our other German professional responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

**Other information**

The executive directors are responsible for the other information. The other information comprises the corporate governance declaration pursuant to Section 289f (4) HGB.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and for the fact that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with the German principles of proper accounting. In addition, the executive directors are responsible for such internal controls as they have deemed necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the company's continuation as a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict with this.

Furthermore, the executive directors are responsible for the preparation of the management report which, as a whole, provides an appropriate view of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient, appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

**Auditor's responsibilities for the audit of the annual financial statements and of the management report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and is consistent in all material respects with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits set out by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these company systems.
- evaluate the appropriateness of accounting policies used by executive directors and the reasonableness of estimates made by executive directors and related disclosures.
- conclude on the appropriateness of executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a manner, in compliance with the German principles of proper accounting, that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law and the portrayal of the company's position which it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient, appropriate audit evidence we particularly assess the significant assumptions used by the executive directors as a basis for the

prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information or on the assumptions used as a basis. There is a substantial, unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

## Other legal and regulatory requirements

### Report on the audit of the fulfilment of the accounting duties pursuant to Section 6b (3) EnWG

#### Audit opinions

We have audited whether the company has complied with its obligations pursuant to Section 6b (3) sentences 1 to 5 [EnWG](#) to maintain separate accounts for the financial year from 1 January 2019 to 31 December 2019. In addition, we have audited the activity report for the activity of electricity transmission pursuant to Section 6b (3) sentence 1 EnWG, consisting of the balance sheet as of 31 December 2019 of the annual financial statements, which also represents the balance sheet of the activity report, and the income statement for the financial year from 1 January 2019 to 31 December 2019 of the annual financial statements, which also represents the income statement of the activity report.

- In our opinion, the obligations pursuant to Section 6b (3) sentences 1 to 5 EnWG to maintain separate accounts have been complied with in all material respects.
  
- In our opinion, based on the findings of our audit, the enclosed activity report complies in all material respects with the German regulations of Section 6b (3) sentences 5 to 7 EnWG.

**Basis for the audit opinions**

We conducted our audit of compliance with the obligations to maintain separate accounts and of the activity report in accordance with Section 6b (5) [EnWG](#), taking into account the *draft of a new version of the IDW auditing standard: Audit pursuant to Section 6b (5) of the Energy Industry Act (IDW EPS 610 as amended)*. Our responsibilities under those requirements and principles are further described in the **“Auditor’s responsibilities for the audit of the fulfilment of the accounting duties pursuant to section 6b (3) EnWG”** section. We are independent of the company in accordance with the requirements of German commercial and professional law and have fulfilled our other German professional responsibilities in accordance with these requirements. As an auditing company, we apply the requirements of the *IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion concerning compliance with the accounting requirements pursuant to Section 6b (3) EnWG.

**Responsibilities of the executive directors and the Supervisory Board for the fulfilment of the accounting duties pursuant to Section 6b (3) EnWG**

The executive directors are responsible for compliance with the obligations to maintain separate accounts pursuant to Section 6b (3) sentences 1 to 5 EnWG. The executive directors are also responsible for the preparation of the activity report pursuant to the German regulations of Section 6b (3) sentences 5 to 7 EnWG.

In addition, the executive directors are responsible for the internal controls they have deemed necessary to comply with the obligations to maintain separate accounts.

The responsibility of the executive directors for the activity report corresponds to the responsibility described in the **“Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report”** section with regard to the annual financial statements.

The Supervisory Board is responsible for overseeing compliance with the company’s accounting obligations pursuant to Section 6b (3) EnWG.



**Auditor's responsibilities for the audit of the fulfilment of the accounting duties pursuant to Section 6b (3) EnWG**

Our objectives are to obtain reasonable assurance about

- whether the executive directors have complied in all material regards with their obligations to maintain separate accounts pursuant to Section 6b (3) sentences 1 to 5 EnWG and
- whether the activity report complies in all material regards with the German regulations of Section 6b (3) sentences 5 to 7 EnWG.

In addition, our objectives encompass the inclusion of a note in the auditor's report documenting our audit opinions on compliance with the accounting obligations pursuant to Section 6b (3) EnWG.

The audit of compliance with the obligations to maintain separate accounts pursuant to Section 6b (3) sentences 1 to 5 EnWG includes an assessment of whether the allocation of accounts to activities pursuant to Section 6b (3) sentences 1 to 4 EnWG has been carried out in a proper and comprehensible manner and whether the principle of consistency has been observed.

Our responsibility for auditing the activity report corresponds to the responsibility described in the **"Auditor's responsibilities for the audit of the annual financial statements and the management report"** section.

Düsseldorf, 10 March 2020

BDO AG  
Wirtschaftsprüfungsgesellschaft

Signed Eckmann  
Auditor

Signed Wiening  
Auditor

# GLOSSARY

## **ARegV**

The Ordinance on Incentive Regulation (Anreizregulierung – ARegV) is an official instrument for the regulation of monopolistic markets. As grids are seen as natural monopolies, grid operators theoretically have no incentive to maintain their efficiency and thus keep the costs of their services low. The Federal Network Agency therefore sets a revenue cap for network operators via the Incentive Regulation which is stipulated on the basis of the efficiency ratings of the least expensive grid operator. Within this framework, grid operators are allowed some leeway, for example for investments in the grid. The difference between the revenue cap and actual revenues is placed in a regulatory account by the Federal Network Agency. The revenue cap is implemented through the transmission charges. If revenues exceed the cap by more than 5%, the transmission charges must be adjusted.

## **BBPIG**

The Federal Requirement Plan Act (Bundesbedarfsplangesetz, BBPIG) contains 43 grid expansion projects confirmed as necessary by the Federal Network Agency which must be implemented by the transmission system operators. They are deemed necessary for the energy industry and are urgently required. The Federal Network Agency normally carries out federal planning for these projects.

[www.netzausbau.de](http://www.netzausbau.de)

## **Federal Network Agency (FNA)**

The Federal Network Agency (Bundesnetzagentur, BNetzA) is a regulatory body that supervises, maintains and promotes competition in the grid markets (electricity, gas, railway tracks). Every two years, the Federal Network Agency reviews and approves the Power Grid Development Plan and its basis as produced by transmission system operators and the scenario parameters for the development of electricity generation for the next ten to twenty years.

## **EEG**

The Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) regulates the preferential feed-in of electricity from renewable sources such as wind, sun, water or biomass into the German electricity grid. This is intended to enable the operation of regenerative generation facilities on a financially sustainable basis. According to the EEG, grid operators are obliged to accept electricity from these facilities and market it on the spot market on the electricity exchange. The law also lays down fixed rates of remuneration for electricity from renewable sources. The difference between the remuneration and the price achieved on the spot market is balanced out via the EEG allocation.

## **EEV**

The Renewable Energies Regulation (Erneuerbare-Energien-Verordnung) regulates the marketing of electricity generated from renewable sources. This electricity must be sold at the level of transmission grid operators and no longer has to be purchased from energy utilities which supply end customers. In addition, the EEV contains provisions on calculating the EEG allocation.

## **EnLAG**

The Power Grid Expansion Act (Energieleitungsausbau-gesetz, EnLAG) regulates the expansion of power lines in the extra-high-voltage transmission grid. Attached to the law as an appendix is a project overview which contains the planned construction projects for the expansion of the transmission grids.

## **EnWG**

The Energy Industry Act (Energiewirtschaftsgesetz, EnWG) contains fundamental regulations on the law on power-line-based energies. The objective of EnWG, amongst others, is to ensure a “best possible secure, affordable, consumer-friendly, efficient and environmentally sustainable” energy supply to the general public. This includes safeguarding effective and transparent competition on the energy market. The law also contains regulations on the supervision of grid operations by the regulatory authorities.

### Underground cables

The use of underground cables is widespread amongst lines for supplying towns and in regional electricity grids. On the other hand, in sections with 380 kilovolts, underground cables are unusual. Since 2015, however, the German government has been focusing increasingly on underground cables for grid expansion. In the future, the major direct current connections are to be designed primarily as underground cables. In the field of alternating current, the cable technology is being tested in pilot projects. Cabled sections are essentially more cost-intensive than overhead lines. The additional costs are passed on to the consumer through grid use charges.

### Overhead line

Overhead lines – also known as overhead transmission lines – are electrical lines whose conductor cables – unlike underground cables – are insulated by the surrounding air. For the foreseeable future, overhead lines will continue to be the most economical form of power transmission, particularly over long distances.

### NEP

The Power Grid Development Plan (Netzentwicklungsplan, NEP) sets out the expansion projects in the German transmission grid in the following ten years. The Power Grid Development Plans are developed by the four transmission system operators on the basis of assumptions about the development of electricity generation and consumption, the scenario parameters. The plan was created for the first time in 2012, and is to be further developed in a two-year cycle as of 2017.

### Substation

This is a junction in the electricity grid. Several high-voltage and extra-high-voltage transmission lines converge at a substation. In these facilities, individual electricity circuits can be selectively switched on or off. It is also possible to direct the electricity via the transformers – voltage converters – to be distributed further on grids with lower voltage.

## IMPRINT

### PUBLISHER

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### CONCEPTION AND DESIGN

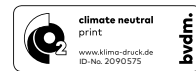
3st kommunikation GmbH, Mainz

### PHOTOS

Hartmut Nägele [pages 4–5]

### PRINTING

Woeste Druck, Essen/Germany



### NOTE

This is a translation of the German version. In cases of uncertainty or conflict, the German version shall prevail.

# CONNECTED TO EUROPE

The Amprion grid is located in the heart of Europe and is connected to the grids in the Netherlands, Luxembourg, France, Austria, Switzerland and, in the future, also Belgium through cross-border interconnecting feeder lines. Amprion is working towards making the European electricity grid even more secure and efficient through numerous cooperations and projects.

## COOPERATION WITH EUROPEAN PARTNERS

Amprion works intensively in many areas with other European transmission system operators. Our focus here is on the issues of system security, market integration and grid planning as well as the continued development of transmission technologies.

## SECURITY SERVICE CENTRE (SSC)

In the SSC in Rommerskirchen near Cologne, a joint team of experts from Amprion, TenneT Netherlands and Germany supports the security management of the extra-high-voltage grids in Germany and the Netherlands.





### JAO

Together with 22 European transmission system operators, Amprion has a holding in JAO (Joint Allocation Office). The company acts as a central auction platform and contact point for the long-term provision of transmission capacities for electricity trading in the European Union.

### ENTSO-E

As part of the “European Network of Transmission System Operators for Electricity” (ENTSO-E), Amprion is continuing to develop the European electricity grid together with 41 members from 35 countries. Central tasks include the promotion of the EU internal market for electricity, grid expansion and the development of rules for grid operation.

### TSO SECURITY COOPERATION (TSC)

Together with 13 stakeholders, Amprion is involved in the security cooperation TSCNET Services. Amongst other aspects, TSC supports the transmission system operators in coordinating and planning grid operations, forecasting grid bottlenecks and calculating available transmission capacities.

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June 2020