Report on the first quarter of the year 2016 for EP Energy, a.s.

- ✓ Consolidated sales reached EUR 555 million
- ✓ Consolidated EBITDA totaled EUR 122 million
- ✓ Consolidated pro forma adjusted EBITDA for last twelve months amounted to EUR 323 million
- ✓ Indicative Net Consolidated Leverage Ratio amounted to 2.1x

- ✓ In April 2016, Fitch affirmed EP Energy's Long-term Issuer Default Rating (IDR) at 'BB+' with outlook stable and BBB- for senior secured bonds

EP ENERGY

EP Energy, a.s. ("group or Group or EPE or EPE Group") is a vertically integrated energy utility that includes 59[1] companies. In 2015 the Group was the leading heat supplier in the Czech Republic, the second largest power generator in the Czech Republic and the second largest electricity distributor in Slovakia. The Group benefits from relatively low exposure to market developments, as a significant majority of EBITDA is generated by regulated assets or assets with long term off take contracts. The Group's key operations are located in the Czech Republic, Slovak Republic and Hungary.

[1] Number as at date of the report

KEY FIGURES AT A GLANCE

Consolidated financial results in EUR millions

	1-3 2015 Restated	1-3 2016
Sales	553[5]	555
EBITDA[1]	122[5]	122
Pro forma Adjusted EBITDA (last twelve months)[2]		323
Total net debt per financial statements[3]		1,166
Indicative EP Energy Net Consolidated Leverage Ratio[4]		2.1x
Profit from operations	83[5]	82
Profit before tax	73[5]	71
Net profit /(loss) attrib. to EP Energy owners	41[5]	27
Total assets		3,734
CAPEX[6]	18[12]	14

Operating highlights (EPE excluding SSE)[7]

	1-3 2015	1-3 2016
Installed *cogeneration* Capacity[8].... MW_e	500	906
Installed *condensation* Capacity .... MW_e	360	360
Installed heat capacity[9] .... MW_{th}	3,195	4,039
Heat supplied .... TJ[10]	6,962	9,867
Power produced.............................. GWh	674	1,032
Power traded[11] .... GWh	5,917	4,337
Power supplied[11] .... GWh	471	599
Natural gas supplied[11] .... GWh	500	696

Operating highlights SSE [7,11]

	1-3 2015	1-3 2016
Power distributed .... GWh	1,629	1,635
Power traded .... GWh	1,946	1,949
Power supplied .... GWh	1,117	1,108
Natural gas supplied .... GWh	138	118
Power produced .... GWh	4	4
Installed capacity .... MW_e	62	62

(1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable). The EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the EP Energy Group (also "EPE Group"). For further discussion over the EPE Group performance refer to the following pages.

(2) Pro forma Adjusted EBITDA (last twelve months) calculation in EUR millions:

Actual IFRS EBITDA for the period January – March 2016	122
Actual IFRS EBITDA for the period January – December 2015	331
Actual IFRS EBITDA for the period January – March 2015	(122) [(5)]
Simple EBITDA (last twelve months)	**331**
BERT Pro Forma Adjustment	(1)
System Operations Tariff adjustment	(6)
Adjustment for other minor disposals	(1)
Pro forma Adjusted EBITDA (last twelve months)	**323**

To derive Pro forma Adjusted EBITDA for the period from April 1, 2015 to March 31, 2016, EPE utilized EPE Group IFRS consolidated financial statements as of and for the year ended December 31, 2015 (EBITDA of EUR 331 million) and EPE Group condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2016 (EBITDA of EUR 122 million) with the three-month period ended March 31, 2015 (EBITDA of 122 million[(5)]) as comparatives.

Pro forma Adjusted EBITDA represents pro forma profit from operations plus pro forma depreciation of property, plant and equipment and pro forma amortization of intangible assets minus pro forma negative goodwill (if applicable) further adjusted to reflect (i) a consolidation of a 95.62% share in Budapesti Erömü Zrt („BERT“) acquired on December 10, 2015 using the full method of EBITDA consolidation (EUR 22 million for 2015, of which negative EUR 1 million relates to period April 1, 2015 to November 30, 2015), (ii) exclusion of EBITDA of several minor entities that were disposed in 2016 before the Reporting release date and (iii) revenue relating to accounting for System Operations Tariff (“SOT”) at SSE in 2015.

SSE is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries (“RONI”) and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the SOT which should be sufficient to cover costs relating to the purchases of produced green energy in the particular year. However, in 2014 the SOT was not sufficient to cover incurred green energy costs as a result of which SSE incurred overall loss from these transactions. Beginning January 2015 SSE was accruing revenue for the previous year’s SOT deficit on monthly basis for expected annual amount of EUR 53 million. However, in December 2015 SSE received a statement from RONI confirming EUR 77 million as a compensation for the 2014 SOT loss, which is to be paid in 2016. In order to reflect linear origination of the SOT related losses, for the purposes of the Pro forma Adjusted EBITDA for the twelve-month period ended March 31, 2016, historical financial performance of the EPE Group was adjusted downward by one quarter of the incremental revenue recorded in December 2015 (i.e. negative EUR 6 million).

The Pro forma Adjusted EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the EP Energy Group. For further discussion over the EPE Group performance refer to the following pages.

(3) Total net debt per financial statements balance is based on the consolidated financial statements (Total Loans and borrowings plus Total Financial instruments and financial liabilities less Cash and cash equivalents less liabilities towards Pražská teplárenská Holding a.s. (also “PTH”) that is expected to be offset with dividends assumed to be declared by PTH in 2016). The Total net debt included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the EPE Group.

Net Debt calculation (in million EUR)

		31.3.2016
Loans and borrowings (non-current)	*add*	1,318
Financial instruments and financial liabilities (non-current)	*add*	11
Loans and borrowings (current)	*add*	42
Financial instruments and financial liabilities (current)	*add*	3
PTH liability	*less*	7
Cash and cash equivalents	*less*	201
Net Debt		**1,166**

(4) We include in this report the calculation as of March 31, 2016 of our "Net Consolidated Leverage Ratio", as defined in the EP Energy Indentures. The calculation of our Net Consolidated Leverage Ratio differs from any leverage ratio included in the offering memoranda for the senior secured notes or otherwise included herein, and consistent with the definition, is made on the basis of certain good faith judgments made by us. Specifically, for example we have used in the calculation a net debt position as of April 5, 2016, which already includes cash proceeds from sale of JTSD ("German assets") and other minor entities disposed in 2016 before the Reporting release date.

(5) Restated: Consolidated financial statements of EP Energy a.s. as at and for the three-month period ended 31 March 2015 have been restated as the German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued. For further details on German assets please refer to the section Key developments.

(6) Excluding emission allowances and disregarding actual cash flows.

(7) The operating data is based on the results of the respective entities on a 100% basis for the full period, regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity, however the data excludes SSE which is presented separately. Furthermore, the operating data do not include results of the German assets that are presented within discontinued operations. Similarly, the three-month period ended March 31, 2015 does not contain BERT's operating data as it was acquired in December 2015.

(8) Installed cogeneration capacity in 2016 and 2015 includes 500 MW_e for EOP, PE, PT and United Energy and in 2016 also 406 MW_e related to BERT.

(9) 1 TJ = 0.2778 GWh.

(10) Installed heat capacity on heat exchangers.

(11) Figure relates to the Power Distribution and Supply segment only.

(12) Capital expenditures for the three-month period ended March 31, 2015 totalled EUR 25 million, of which EUR 7 million relates to the German assets that were discontinued, therefore we show capital expenditures of EUR 18 million only. For further details on German assets please refer to the section Key developments.

Difference between consolidation scope for 1Q 2015 and 1Q 2016 is described later in section: "Key factors affecting comparability of the results of operations of the EPE Group".

CONTENT:

Attachments:

EP Energy, a.s. - Unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2016 are presented in a separate file as an attachment to this report

>> We remain focused on solid business performance, exploiting group synergies, financial performance and deleveraging of the group <<

Dear investors, customers and partners,

Our first quarter 2016 IFRS EBITDA reached EUR 122 million, the same level as in the corresponding period of the last year. The Pro forma Adjusted EBITDA for the last twelve-month period ended March 31, 2016, reflecting full consolidation of SSE reached EUR 323 million compared to EUR 347 million for the fiscal year ended December 31, 2015.

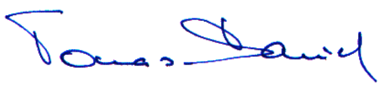
The Heat Infra segment's results reflect continued adverse development of price of electricity in the market and a fewer number of emission rights granted free of charge. At the same time the segment shows by 29% higher revenues from the sale of heat period-on-period, predominantly driven by expansion of our heat industry activities to Hungary - in December 2015 we acquired more than 95% of the shares of a company operating three cogeneration (heat and electricity production) CCGT plants: Kelenföld (with the installed output of 188 MWe and 219 MWth), Újpest (105 MWe and 347 MWth) and Kispest (113 MWe and 282 MWth). These heating plants cover ca. 60% of the heat consumption of Budapest and hold a 3% share in overall electricity generation in Hungary.

The results achieved by the Power Distribution and Supply segment were affected by the timing difference in compensation of losses reported by the SSE Group as a result of subsidies paid to green energy producers based on a regulated tariff, which are compensated to the SSE Group with a delay. Further, an improvement in SSE's core activities was offset by lower natural gas and power trading activity of the segment.

We have completed intended sell-off of our German mining and power generating assets to our ultimate parent EPH in order to refocus on regulated and/or long-term contracted infrastructure-type assets. This transaction included MIBRAG, Saale Energie and Helmstedter Revier GmbH. Hence, EBITDA presented in this Report does not include the results of these assets in the first quarter 2016 and also in the first quarter 2015 (for comparative purposes).

On behalf of the Board of Directors and everyone at EP Energy, I would like to thank you for your ongoing support as we strive to continue creating the shareholder value while keeping our low risk-profile.

Yours faithfully,



Tomáš David
Member of the Board and CEO

Economy and Market developments

Economy development:

According to the preliminary estimates of the Czech Statistical Office, the Czech gross domestic product adjusted for price, seasonal, and calendar effects increased by 3.1%, year-on-year, in the first quarter 2016 and rose by 0.5% in the first quarter 2016 compared to the previous quarter. The ongoing positive development of GDP was well balanced through all economic activities and was pulled by all components of demand.

According to estimates of the Federal Statistical Office (Destatis) the German gross domestic product adjusted for price, seasonal, and calendar effects increased by 1.6%, year-on-year, in the first quarter 2016 and increased by 0.7% in the first quarter 2016 compared to the previous quarter.

According to preliminary estimates of the Slovak Statistical Office, the Slovak gross domestic product adjusted for price, seasonal, and calendar effects rose by 3.6%, year-on-year, in the first quarter 2016 and increased by 0.7% in the first quarter 2016 compared to the previous quarter.

According to preliminary estimates of the Hungarian Central Statistical Office, the Hungarian gross domestic product adjusted for price, seasonal, and calendar effects rose by 0.9%, year-on-year, in the first quarter 2016 and increased by 0.8% in the first quarter 2016 compared to the previous quarter.

The outlook for the economy development remains rather positive. Nevertheless, according to the Czech National Bank[2], the Czech GDP should increase by 2.3% in 2016 and the European Commission (also "EC") expects[3] German GDP to grow by 1.6%, the Slovak GDP by 3.2% and Hungarian GDP should increase by 4.2% in 2016.

Weather:

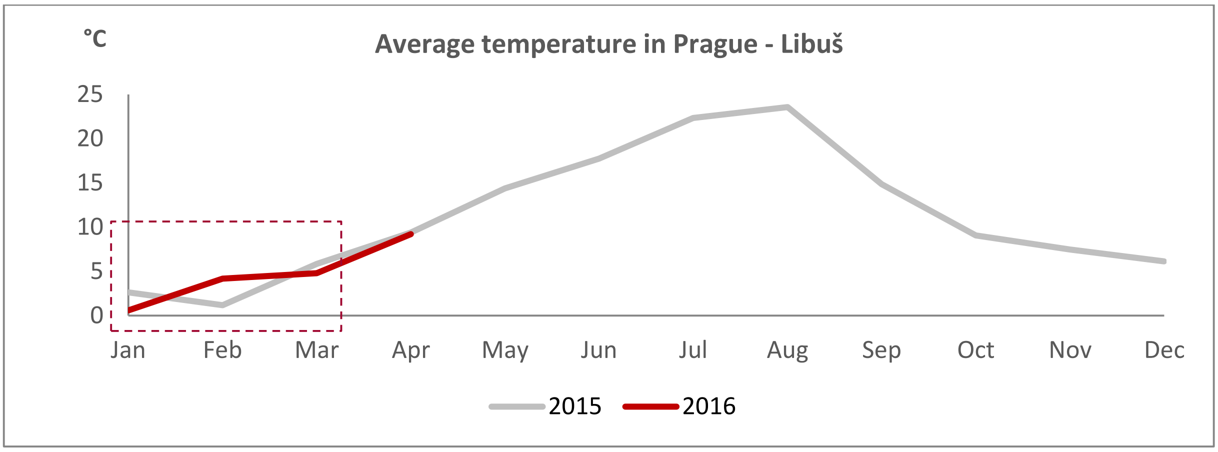
Heat and renewable segment performance and electricity production in cogeneration mode are correlated to weather development. Seasonality is natural in the group performance (e.g. heat sales are strongest in 1Q and 4Q, accompanied by higher power production in cogeneration mode).

From the heating business perspective, the first quarter of the year 2016 was slightly colder than the comparative period that was still unusually warm. Day-degrees, the metrics representing space heating needs during the given period[4], were in the areas where we deliver the heat year-to-year 1.8% higher, which translated into higher heat consumption. Only exception was Prague, where we deliver heat through our subsidiary PT, where average temperature was at 3.2 °C in the first quarter 2016, which is the same as in the first quarter 2015.

[2] the most recent forecast published on May 5, 2016

[3] the most recent forecast published on May 3, 2016

[4] Day-degrees measure integrates the difference between reference indoor temperature and outdoor temperature over the given period of time. A higher value indicates that the temperature in the given period was below the reference temperature for a longer period of time. Day-degrees relate to all areas where we deliver heat



Source: ČHMU Prague (Czech Hydrometeorological Institute) - monthly average temperature calculated from daily averages

Heat market:

Our heat business is concentrated in the Czech Republic and since December 2015 also in Hungary, where the market remains solid and stable. The market is regionally diversified with local natural "monopolies", as the infrastructure for heat transportation creates substantial barriers to entry. The fuel basis varies, although the most commonly used ones in the Czech Republic are brown coal, hard coal and natural gas.

Due to our favourable cost structure (given predominantly by the fact that we produce heat in an efficient cogeneration mode and based on brown coal, the most cost efficient source of primary energy), we are able to offer our customers highly competitive prices.

In the Czech Republic heat prices are based on a "costs plus reasonable profit" mechanism, required by the legislation and regulation by the independent Energy Regulatory Office ("ERO"), which we comply with. This mechanism supports the stability of the heat segment for market participants and allows us to benefit from our favourable cost position. Given the low price levels we charge compared to market average, we are allowed to set prices (i.e. there is no tariff imposed to us) and we are only monitored by the ERO. Hungarian operations are regulated using the standard Regulated Asset Base ("RAB") multiplied by WACC plus eligible operating expenditures and allowed depreciation formula.

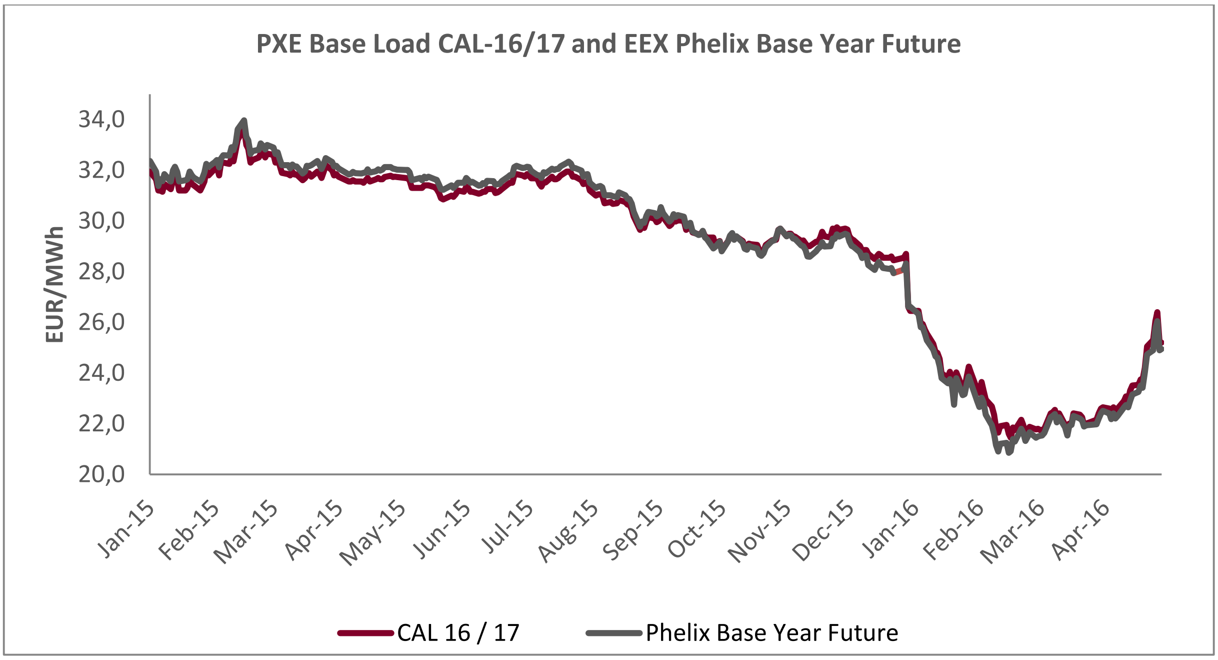
Electricity and CO2 market:

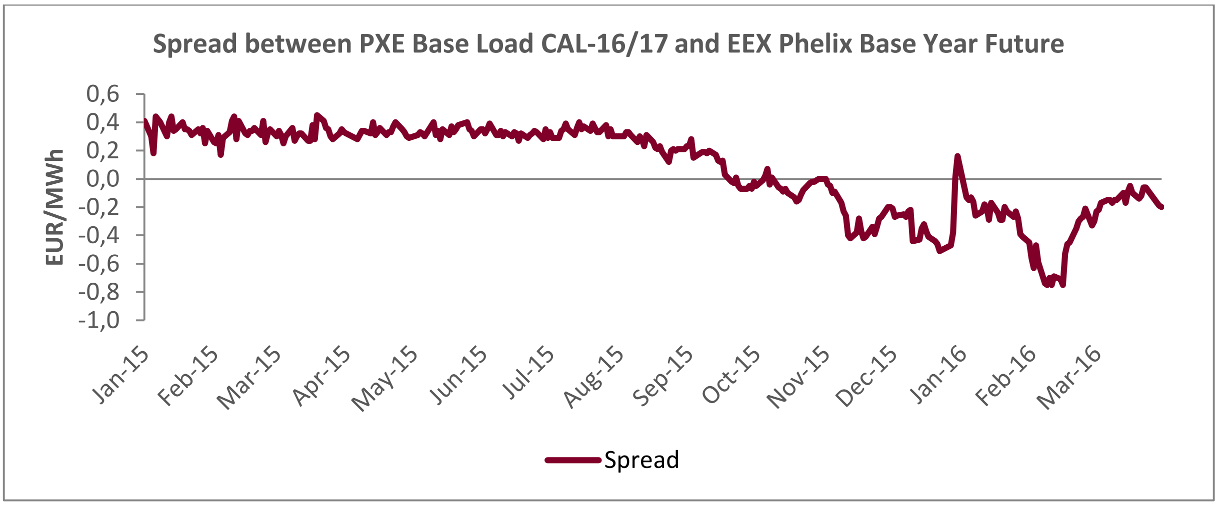
During the entire year 2015 and the first quarter of 2016 power and EU Allowance ("EUA") prices remained under pressure due to low prices of hard coal and renewable energy production. In the first quarter 2016 the 1-year forward electricity prices on the European Energy Exchange (also "EEX") dropped in base load to EUR 22.6 per MWh (compared to EUR 32.3 per MWh year ago) and peak load dropped to EUR 28.9 per MWh (compared to EUR 41.1 per MWh year ago), representing a decrease for the base load and peak load prices of 30.0% and 29.6% respectively.[5]

EUA with spot delivery was traded at average around EUR 5.6 per ton in the first quarter 2016[6], which represents substantial decrease of the y-t-y prices by 19.6%.

[5] Source: Thomson Reuters: EEX Base Year Future and Peak Year Future (simple average of the daily price for 1 year forward prices calculated for the respective year)
[6]Source: Thomson Reuters: EEX-EUSP3-SPOT, simple average

As for the Czech market, the power prices follow the German market, as the two markets are physically well interconnected. The spread between German and Czech power prices was oscillating between negative 0.8 and positive 0.5 EUR/MWh during 2015 and the first quarter 2016 reaching negative values at the end of the period. Recent relative drop in German power prices compared to Czech power price stems from intensified production in German offshore wind farms. The low spreads encourage cross border trading and, vice versa, the liquidity of the Czech market increases.

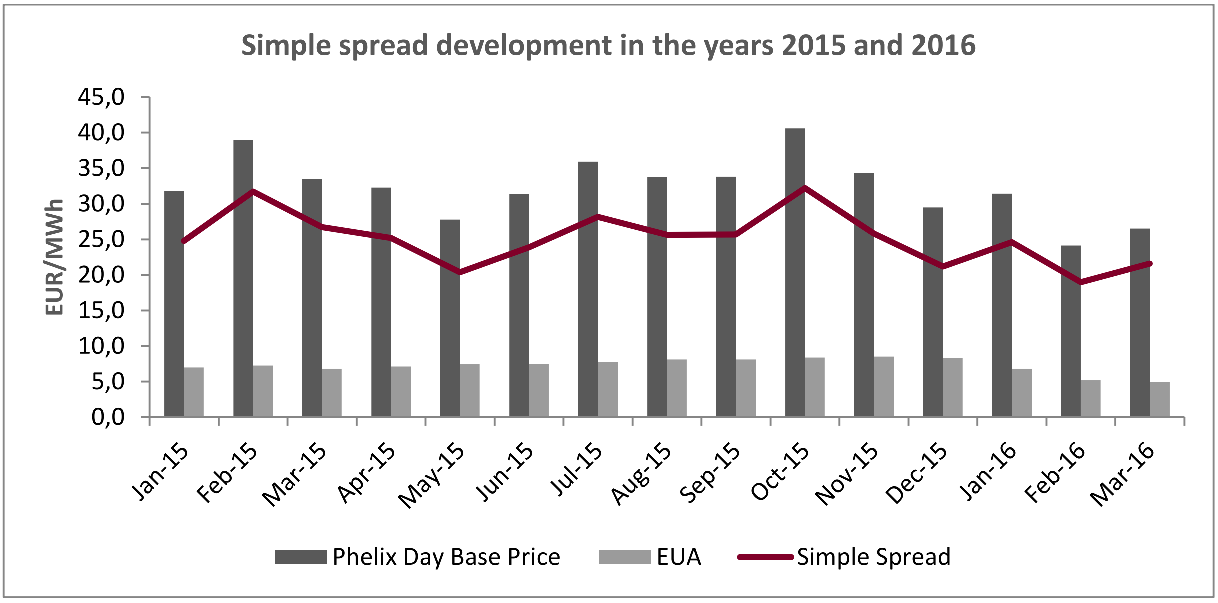




Source: PXE Base Load CAL16 and CAL17; EEX Phelix Base Year Future.

On the Czech market, electricity production from cogenerating units benefits from regulatory support. The CZK 200[7] is received as subsidy for each MWh produced in highly efficient cogeneration mode. This subsidy accounted for EUR 2 million in the first quarter 2016 and in the first quarter 2015[8].

Besides relatively low share of power production on EBITDA and cash flow generation of the EPE Group, let us note that from the performance perspective, EPE is exposed to the spread between the power price and the price of emission allowance rather than to development of power prices alone.



Source: Thomson Reuters, EEX Simple Spread defined as the difference between Phelix Day Base and EUA price, using trading day data when both power and EUA are traded and simple monthly averages.

Note: simple spread represents the price difference between power price and EUA price.

[7]Beginning on January 1, 2014 the subsidy was divided into four levels (CZK 200/MWh, CZK 140/MWh, CZK 60/MWh and CZK 45/MWh), depending on the efficiency of the cogeneration production of the plant. The majority of our power produced in cogeneration mode continues to receive the CZK 200/MWh level of subsidy.

[8] Subsidy for 2015 also included an additional subsidy of CZK 9 for one MWh delivered, which applied to our entire power production in the Czech Republic. This additional subsidy is not available from 2016.

Key developments in 2016

During 2016 activities and assets held by CEE (in April 2016 renamed to EP Infrastructure, a.s.) were reorganized in view of assumed option of a sale of a minority share of EPIF to third parties. The reorganization also included the following matters relating to the EPE Group:

German assets sale

German assets include, among others, MIBRAG and Saale Energie ("German assets"). MIBRAG is a wholly-owned subsidiary of JTSD, Saale Energie is a wholly-owned subsidiary of EP Germany; both EP Germany and JTSD were wholly-owned subsidiaries of EPE (where EP Germany has been since 31 December 2015 directly owned by JTSD as a result of the sale of all EP Germany shares by EPE to JTSD for EUR 4.3 million, corresponding to fair value of equity of EP Germany).

The German assets were disposed of by means of sale of 100% shares in JTSD by EPE to EPH for EUR 156.0 million (corresponding to fair value of equity of JTSD); the disposal was completed on 1 April 2016 and the purchase price was fully settled in cash.

Further, as a part of the restructuring, on 23 February 2016:

- JTSD set-off (a part of) its receivables towards EPE in the amount of EUR 81.9 million arising from (i) a loan of EUR 16.9 million provided by JTSD to EPE, and (ii) a loan of EUR 65.0 million provided by MIBRAG to EPE (assumed by JTSD from EPE for the nominal value thereof); following the set off, the total liabilities of JTSD towards EPE amounted to EUR 314.4 million; and

- (i) JTSD assumed a liability of EP Germany towards EPE in the amount of EUR 61.8 million (out of the original total amount of EUR 91.8 million outstanding under the loan provided by EPE to EP Germany) for the nominal value thereof, and (ii) EPE contributed EUR 71.2 million to the capital funds of JTSD.

Immediately after the capitalization, the total liabilities of JTSD towards EPE amounted to EUR 305.0 million. These were settled by JTSD making a payment to EPE in the amount of EUR 305.0 million (out of the funds drawn under a bank loan contracted by JTSD in the total amount of EUR 309.0 million for this purpose) and the outstanding receivable of EPE towards JTSD was acquired by EPH for its nominal value as of the date of the JTSD acquisition by EPH; the consideration was fully settled in cash (EUR 1.7 million).

The outstanding amount of the original loan provided by EPE to EP Germany immediately after JTSD assumed part of this liability of EP Germany to EPE was EUR 30.0 million. This was settled by EP Germany making a payment in the amount of EUR 30.0 million (out of the funds drawn under a bank loan contracted by EP Germany in the total amount of EUR 31.0 million for this purpose) and the outstanding receivable of EPE towards EP Germany was acquired by EPH for its nominal value as of the date of the JTSD acquisition by EPH; the consideration was fully settled in cash (EUR 0.2 million).

Other disposals of shares

The restructuring further includes a number of other (smaller in terms of the acquisition price) transfers of assets. These include sale of:

a. 60% of shares in PGP Terminal, a.s. by EPE (as the seller) to EPH (as the buyer) for the purchase price of EUR 0.3 million (CZK 9,189 thousand) in cash (completed on 29 February 2016),

b. 99.78% ownership interest in EOP & HOKA s.r.o. by EP Sourcing, a.s. (as the seller) to EP Coal Trading, a.s. (as the buyer) for the purchase price of EUR 4.7 million (CZK 127,614 thousand) in cash (completed on 29 February 2016),

c. 100% of shares in EP COAL TRADING Spółka akcyjna by EP Sourcing, a.s. (as the seller) to EP Coal Trading, a.s. (as the buyer) for the purchase price of EUR 0.4 million (PLN 1,769 thousand) in cash (completed on 29 February 2016),

d. 65% ownership interest in LOKOTRAIN, s.r.o. by EP Cargo a.s. (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of EUR 1.6 million (CZK 43,371 thousand) in cash (completed on 4 April 2016),

e. 100% ownership interest in EP Cargo Deutschland GmbH by EP Energy, a.s. (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of EUR 0.4 million (CZK 9,523 thousand) in cash (completed on 4 April 2016),

f. 100% of shares in EP CARGO POLSKA s.a. by EP Energy, a.s. (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of EUR 0.5 million (CZK 13,176 thousand) in cash (completed on 4 April 2016); and,

g. 100% of shares in Adconcretum real estate Ltd., which owns investment property in Serbia, were sold by EP Energy Trading ("EPET") to EPH (as the buyer) for approximately EUR 3.5 million.

The shareholder of EPE decided to sell these non-core business activities in April 2016, therefore the relevant assets and liabilities were not presented as Assets and liabilities held for sale as of March 31, 2016.

Furthermore, the following material events occurred in 2016:

Pražská teplárenská ("PT") spin-off

In May 2015, **PT spun off certain assets** consisting of small local heat sources and related distribution networks located predominantly on the left bank of Vltava river into Pražská teplárenská LPZ, a.s. ("PT LPZ").

On 29 February 2016, PT as seller **entered into a share purchase agreement** with Veolia Energie ČR, a.s. as buyer relating to the sale of 85% of shares in PT LPZ for EUR 60.3 million (CZK 1,632 million) subject to usual post-closing adjustments based on working capital level against the benchmarked value. PT and Veolia Energie ČR, a.s. also entered into an option agreement in relation to the remaining 15% of shares in PT LPZ exercisable between 1 July 2016 and 30 September 2017. If exercised, the total purchase price for 100% of the shares in PT LPZ will amount to CZK 1,920 million (subject to the above post-closing adjustments, which can significantly increase the final price). The relevant assets and liabilities were presented as Assets and liabilities held for sale as of 31 March 2016.

SSE - Solar s.r.o.

SSE – Solar was reported as Asset held for sale as of 31 December 2015. As of the date of compilation of these financial statements it was no longer the case.

Repayment of EP Energy’s term loans, other financing matters and dividends

On 17 March 2016 50% minus one share of the capital stock of EP Energy was **pledged** as part of the refinancing of the EP Infrastructure, a.s.

On 4 April 2016 EPE **fully repaid the term loans** totalling EUR 175 million previously provided by ČSOB, HSBC and Commerzbank using the proceeds from the sale of JTSD.

On 4 April 2016 EPE **unwound an existing FX forward** with EPH and as a result, EPE had a receivable of EUR 4 million towards EPH corresponding to the FX forward fair value. This receivable was acquired by EP Infrastructure, a.s. for the nominal value thereof, i.e., EPE had a receivable of EUR 4 million towards EP Infrastructure, a.s.

On 4 April 2016 EP Infrastructure, a.s. **assumed** from EPH **all debts** of EPH owed to EPE at their nominal values. The debts of EPH towards EPE of EUR 309 million consisted of unpaid principal loan of EUR 273 million and unpaid accrued interest of EUR 36 million.

On 2 May 2016, EP infrastructure as a sole shareholder of EP Energy decided on **a dividend declaration** of EUR 328 million (equivalent of CZK 8,868 million), of which (a) EUR 40 million (equivalent of CZK 1,090 million) shall be paid in cash within two months from the dividend declaration date and (b) EUR 288 (equivalent of CZK 7,778 million) was, on the same day, offset with loans previously provided by EP Energy to EP Infrastructure. Remaining balance of the loans provided to EP Infrastructure after the offset was EUR 22 million (equivalent of CZK 594 million).

Other matters

Pražská teplárenská a.s. intends to carry out another step of an internal restructuring, where its real estate subsidiaries are being spun-off to a newly established sister company PT Real Estate, a.s. which has the same shareholders’ structure as Pražská teplárenská a.s. The project is expected to be finalized in 2016.

On 6 April 2016 the parent company CE Energy, a.s. was renamed to EP Infrastructure, a.s. (“EPIF”). The change was entered to Commercial register on 11 April 2016.

As of 28 April 2016 the voting rights of the shareholders of Energetický a průmyslový holding, a.s., the ultimate parent of EP Energy, a.s., changed, and the structure of their resulting voting rights was as follows:

- BIQUES LIMITED 25.67%
- EP Investment S.à r.l. 37.16%
- MILEES LIMITED 37.16%

Except for the matters described above and elsewhere in the Report on the first quarter of the year 2016 for EP Energy, a.s. or in the condensed consolidated interim financial statements as of 31 March 2016, the Company’s management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as of 31 March 2016.

EP Energy, a.s. (the "Company") Report on the first quarter of 2016

Reporting

This report (the "Report") is the report required under Section 4.03 of the indenture governing the senior secured notes (the "Notes I" or "2019 Notes"), dated as of October 31, 2012 (the "Indenture I" or "2019 Indenture") and Section 4.03 of the indenture governing the senior secured notes (the "Notes II" or "2018 Notes") dated as of April 18, 2013 (the "Indenture II" or "2018 Indenture") for the three-month period ended March 31, 2016.

Presentation of financial information

This Report summarizes consolidated financial and operating data derived from the unaudited condensed consolidated interim financial statements of EP Energy, a.s. as of and for the three-month period ended March 31, 2016 prepared in accordance with IFRS as adopted by the European Union ("IFRS").

Non-IFRS measures

In addition, we have included certain non-IFRS financial measures in this Report, such as EBITDA, Pro forma Adjusted EBITDA and certain other financial measures and ratios. Non-IFRS financial measures are derived on the basis of methodologies other than IFRS.

Definitions of EBITDA, Pro forma Adjusted EBITDA

(1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable). The EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the EP Energy Group (also "EPE Group"). For further discussion over the EPE Group performance refer to the following pages.

(2) Pro forma Adjusted EBITDA (last twelve months) calculation in EUR millions:

Actual IFRS EBITDA for the period January – March 2016	122
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Adjustment for other minor disposals	(1)
Pro forma Adjusted EBITDA (last twelve months)	**323**

To derive Pro forma Adjusted EBITDA for the period from April 1, 2015 to March 31, 2016, EPE utilized EPE Group IFRS consolidated financial statements as of and for the year ended December 31, 2015 (EBITDA of EUR 331 million) and EPE Group condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2016 (EBITDA of EUR 122 million) with the three-month period ended March 31, 2015 (EBITDA of 122 million) as comparatives.

Pro forma Adjusted EBITDA represents pro forma profit from operations plus pro forma depreciation of property, plant and equipment and pro forma amortization of intangible assets minus pro forma negative goodwill (if applicable) further adjusted to reflect (i) a consolidation of a 95.62% share in Budapesti Erömü Zrt („BERT“) acquired on December 10, 2015 using the full method of EBITDA consolidation (EUR 22 million for 2015, of which negative EUR 1 million relates to period April 1, 2015 to November 30, 2015), (ii) exclusion of EBITDA of several minor entities that were disposed in 2016 before the Reporting release date and (iii) revenue relating to accounting for System Operations Tariff ("SOT") at SSE in 2015.

SSE is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries ("RONI") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the SOT which should be sufficient to cover costs relating to the purchases of produced green energy in the particular year. However, in 2014 the SOT was not sufficient to cover incurred green energy costs as a result of which SSE incurred overall loss from these transactions. Beginning January 2015 SSE was accruing revenue for the previous year's SOT deficit on monthly basis for expected annual amount of EUR 53 million. However, in December 2015 SSE received a statement from RONI confirming EUR 77 million as a compensation for the 2014 SOT loss, which is to be paid in 2016. In order to reflect linear origination of the SOT related losses, for the purposes of the Pro forma Adjusted EBITDA for the twelve-month period ended March 31, 2016, historical financial performance of the EPE Group was adjusted downward by one quarter of the incremental revenue recorded in December 2015 (i.e. negative EUR 6 million).

The Pro forma Adjusted EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the EP Energy Group. For further discussion over the EPE Group performance refer to the following pages.

EBITDA, Pro forma Adjusted EBITDA and all the other non-IFRS measures presented herein have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. We also note that differences in the consolidation scope as described in part of this Report "Key factors affecting comparability of the results of operations of the EPE group" are impacting the comparability of the financial data.

Exchange rates

For your convenience, we have translated Czech crown amounts in this Report into euro. The exchange rates for the income statement and cash flow statement items are the following average exchange rates of the Czech National Bank in Czech crown per euro for the relevant period.

- Three-month period ended March 31, 2015: CZK 27.624 per EUR 1.000
- Three-month period ended March 31, 2016: CZK 27.039 per EUR 1.000

The exchange rates for balance sheet items are the rates as of period end.

- As of December 31, 2015: CZK 27.025 per EUR 1.000
- As of March 31, 2016: CZK 27.055 per EUR 1.000

You should not view such translations as a representation that such Czech crown amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.

Forward-looking statements

This Report contains "forward-looking statements" within the meaning of the securities laws of certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "assume," "believe," "could," "estimate," "anticipate," "expect," "intend," "may," "will," "plan," "continue," "ongoing," "potential," "predict," "project," "risk," "target," "seek," "should" or "would" and similar expressions or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth and strategies, our reserves and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements.

Key factors affecting comparability of the results of operations of the EPE Group

The EPE Group was formed through a series of strategic acquisitions and business combinations. The current EPE Group was originally formed with acquisitions of ownership interests in Pražská energetika ("PRE") in 2004 and in UE in 2005 by J&T Group, which is one of beneficial owners of EPH (our ultimate parent company). EPH was formed in 2009 and the ownership interests in PE, EOP, UE, EPET and PEAS were transferred to it by J&T Group. We were formed on December 16, 2010, but we have restated financial statements from August 2009, based on the results of our subsidiaries that were owned by EPH during that period. Before our formation, many of our current subsidiaries were subsidiaries of EPH, but because the EPE Group has grown steadily through acquisitions, these entities have been under common control for only a short period of time. The acquisition of various subsidiaries or additional interests in such subsidiaries and the disposition of certain subsidiaries mean that our results of operations necessarily differ before and after these acquisitions and dispositions and do not reflect a change in organic operating results but rather the impact of an acquisition or disposition.

The following table sets out how the main subsidiaries are included in the respective periods in our condensed consolidated interim financial statements:

Periods presented in the EPE Group's consolidated IFRS financial statement		
Subsidiary	**1-3 2015**	**1-3 2016**
EOP	Fully consolidated	Fully consolidated
UE	Fully consolidated	Fully consolidated
PT	Fully consolidated	Fully consolidated
Plzeňská energetika a.s.	Fully consolidated	Fully consolidated
JTSD/MIBRAG (including its subsidiary, among others, MNE)	Classified as discontinued operation and not included in operations	Classified as discontinued operation and not included in operations
Helmstedter Revier GmbH	Classified as discontinued operation and not included in operations	Classified as discontinued operation and not included in operations
Saale Energie GmbH	Classified as discontinued operation and not included in operations	Classified as discontinued operation and not included in operations
EPET	Fully consolidated	Fully consolidated
Stredoslovenská energetika, a.s.	Fully consolidated	Fully consolidated
EP Cargo, a.s.	Fully consolidated	Fully consolidated
Budapesti Erömü Zrt	Not included	Fully consolidated

We have recently added new businesses to the EPE Group and may have made and may make acquisitions in the future. Newly added or acquired businesses may not be integrated or managed successfully, and we may fail to realize the anticipated synergies, growth opportunities and other benefits expected from these additions or acquisitions. Our consolidated financial statements included in this Report may not be representative of our historical or future results of operations and may not be comparable across periods, which may make it difficult to evaluate our results of operations and future prospects.

Development of the key risks for the group

The risk profile of the EPE Group has not materially changed since the last reporting date and the risk analysis provided in the Report for the year ended December 31, 2015[9] is still a valid indication of the key risks that the EPE Group faces. The Group continues to actively keep track of the risks and has dedicated staff to follow different risk areas.

[9] Published on April 29, 2016

Management's discussion and analysis of financial condition and results of operations

Overview of the EPE Group

We are a leading vertically integrated energy utility focusing on heat and power generation and distribution, as well as energy supply and trading. We generate a substantial percentage of our EBITDA in the Czech Republic, the Slovak Republic, where our principal operations are located. In addition, through the acquisition of BERT in December 2015 we entered the Hungarian market. For the first quarter 2016, the EPE Group had consolidated sales and EBITDA of EUR 555 million and EUR 122 million, respectively. A significant part of our business comes from regulated activities (*i.e.*, heat and power distribution and renewable energy), and business contracted through long-term agreements with a stable customer base (*i.e.,* grid balancing services as part of our power generation activities), which we believe provides us with resiliency of cash flows and future performance.

Principal operating subsidiaries of the EPE Group

The EPE Group's principal operating subsidiaries are Elektrárny Opatovice, a.s. ("EOP"), Pražská teplárenská a.s. ("PT"), United Energy, a.s. ("UE"), Stredoslovenská energetika, a.s. ("SSE"), EP ENERGY TRADING, a.s. ("EPET"), and Budapesti Erömü Zrt ("BERT"). EOP, PT, UE and BERT operate in the Heat Infra segment and SSE with EPET operate in the Power Distribution and Supply segment. Together these subsidiaries accounted for the vast majority of the EPE Group's sales and EBITDA for the first quarter 2016.

For a list of EPE's other subsidiaries and minority interests, see Note 33 to EPE's unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2016.

EPE operating segments

We operate in the following reportable segments: Heat Infra, Power Distribution and Supply, Renewables, Holding, Other and Mining. Heat Infra and Power Distribution and Supply are the core segments of the Group. Mining segment was classified as discontinued operation in 2015 (for details please see section Reorganization) and therefore does not affect the EBITDA of 2016 and 2015 anymore (2015 figures were restated for comparative purposes).

Heat Infra:

The Heat Infra segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic operated in highly efficient cogeneration mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská energetika a.s. and Pražská teplárenská a.s., which is operating the largest district heating system in the Czech Republic, supplying heat to the City of Prague. The heat generated in its cogeneration power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the EPE Group owns in most of the cases. The segment also includes Budapesti Erömü Zrt. acquired in December 2015, which is a leading heat and power producer in Hungary, operating three Combined Cycle Gas Turbine ("CCGT") plants in the Budapest area.

The segment also includes Saale Energie GmbH purchased in 2012, which owns 41.9% of the Schkopau-power plant representing a beneficial use right over 400MW of the plant´s total capacity of 900MW. In December 2013, the EPE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant in Lippendorf with an installed capacity of 390MW. These entities were classified as discontinued operations in 2015 and therefore do not affect the EBITDA of 2015 and 2016 anymore.

Power Distribution and Supply:

The Power Distribution and Supply segment consists of a Power Distribution division and a Supply division. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. The Power Distribution division purchases and sells in the wholesale market power generated by the Heat Infra segment and purchases from external sources and purchases electricity and natural gas to supply customers through the Supply division. In addition, this segment reports distribution of electricity in the central Slovakia region. This segment is mainly represented by Stredoslovenská energetika, a.s., EP ENERGY TRADING, a.s., EP Sourcing, a.s. and EP Cargo a.s.

Renewables:

The Renewables segment owns and operates three solar power plants and holds a minority interest in an additional solar power plant and a majority interest in one wind farm in the Czech Republic. The Group also owns two solar power plants in Slovakia, and a biogas facility in Slovakia.

Holding

The Holding segment represents EP Energy, a.s. as a holding company. The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting.

Other

The segment Other consists of minor operations not fitting to our key segments.

Mining

Our Mining segment, which was discontinued as part of the reorganization of EP Infrastructure, a.s. (“EPIF”) in 2016 (see the section Key developments - German assets sale), is undertaken through our German subsidiary Mitteldeutsche Braunkohlengesellschaft GmbH (MIBRAG) producing brown coal at relatively low cost, which it supplies to power plants under long-term supply agreements. MIBRAG owns a brown coal mine south of Leipzig, Germany, and operates two open-pit brown coal mines Profen (Saxony-Anhalt) and Vereinigtes Schleenhain (Saxony). Reorganization of EPIF was carried out in order to focus the Group on regulated and/or long-term contracted infrastructure activities.

Reorganization

As part of the reorganization of EPIF in 2016, the Company sold-off its power generation activities in Germany as well as its mining operations in Germany to its ultimate parent company EPH (effective on April 1, 2016). The decision to sell-off these activities, which comprise an isolated geographical segment (Germany), was reached at the end of 2015. Due to the fact that these operations were predominantly representing the whole German operations, mining operations and condensation power production, the Company presents these activities as discontinued operations as of and for the for the three-month period ended 31 March 2016 (including restatement of comparatives).

The operating data are based on the results of the respective entities on a 100% basis for the full period, regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity (unless stated otherwise). Furthermore, the operating data do not include results of the German assets that are presented within discontinued operations.

For the purpose of this chapter, we comment on the segments and their performance, based on the segment reporting as presented in the the Notes to the unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2016 prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The

EBITDA and any other EBITDA included in this report does not represent EBITDA, as may be defined by any documentation for any financial liabilities of the group.

The table below shows summary financial information for the EPE segments:

In million EUR	For the three-month period ended March 31, 2015 Restated[(1)]	For the three-month period ended March 31, 2016
Total sales		
Heat Infra	148	205
Renewables	1	1
Power Distribution and Supply	443	385
Other	1	1
Total segments	**593**	**592**
Holding	0	0
Intersegment eliminations	(40)	(37)
Consolidated data	**553**	**555**
Depreciation and amortization		
Heat Infra	(21)	(21)
Renewables	(1)	(1)
Power Distribution and Supply	(17)	(18)
Other	0	0
Total segments	**(39)**	**(40)**
Holding	0	0
Intersegment eliminations	0	0
Consolidated data	**(39)**	**(40)**
Negative goodwill		
Heat Infra	0	0
Renewables	0	0
Power Distribution and Supply	0	0
Other	0	0
Total segments	**0**	**0**
Holding	0	0
Intersegment eliminations	0	0
Consolidated data	**0**	**0**
Profit/(loss) from operations		
Heat Infra	40	52
Renewables	0	0
Power Distribution and Supply	45	31
Other	0	1
Total segments	**85**	**84**
Holding	(1)	(1)
Intersegment eliminations	(1)	(1)
Consolidated data	**83**	**82**
EBITDA[(2)]		
Heat Infra	61	73
Renewables	1	1
Power Distribution and Supply	62	49
Other	0	1
Total segments	**124**	**124**
Holding	(1)	(1)
Intersegment eliminations	(1)	(1)
Consolidated data	**122**	**122**

(1) Restated: Consolidated financial statements of EP Energy a.s. as at and for the three-month period ended 31 March 2015 have been restated as the German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued. For further details please refer to the section Key developments.

(2) Represents Profit/(loss) from operations plus Depreciation and amortization less Negative goodwill (if applicable).

Heat Infra

The Heat Infra segment accounted for 49.2% of consolidated EBITDA for the year 2015 and 58.9% of consolidated EBITDA for the year 2016, in each case before intersegment eliminations and holding results. We conduct our Heat Infra operations in the Czech Republic through the following major subsidiaries: Pražská teplárenská, Elektrárny Opatovice, United Energy and Plzeňská energetika and in Hungary through Budapesti Erömü Zrt. (since the completion of the acquisition as of December 10, 2015). We note that Saale Energie and the HSR Group were classified as discontinued operation in the year ended December 31, 2015 and therefore they were excluded from the segment Heat Infra in the years 2015 and 2016 (for further information please see section Key developments - German assets sale). The table below shows a summary of key operating data for the Heat Infra segment. The operating data are based on the results of the whole entity regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity. The EPE's majority interest in BERT was only acquired on 10 December 2015 and therefore the below data include results of BERT for the first quarter 2016 only. Results of all other subsidiaries of the Group which belong to the Heat Infra Business are for the entire period.

		As of and for the three-month period ended March 31,	
		2015	**2016**
Installed heat capacity[1]	MW_{th}	3,195	4,039
Heat supplied	TJ	6,962	9,867
Installed cogeneration capacity[2]	MW_e	500	906
Installed condensation capacity[2]	MW_e	360	360
Certified grid balancing capacity[3]	MW_e	446	758
Cogeneration production	GWh	263	736
Condensation production	GWh	411	296
Grid balancing services	GWh	364	660

(1) Heat capacity installed on heat exchangers.

(2) Installed cogeneration capacity represents the electrical capacity of generators that can deliver heat in cogeneration mode. Installed condensation capacity represents the electrical capacity of generators that can produce power in condensation mode only. Part of cogeneration may be used for condensation as under certain conditions. Total installed electrical capacity is determined by adding installed cogeneration capacity and installed condensation capacity together.

(3) Grid balancing capacity is included in Installed condensation capacity and Installed cogeneration capacity.

Installed heat capacity

Installed heat capacity increased by 844 MW_{th}, or 26.4%, to 4,039 MW_{th} as of March 31, 2016, as compared to 3,195 MW_{th} as of March 31, 2015. This increase was due to the acquisition of BERT in December 2015 that operates total installed heat capacity of 847 MW_{th}. Further, PT decreased its capacity by 3 MW_{th} since March 31, 2015.

Heat supplied

Heat supplied increased by 2,905 TJ, or 41.7%, to 9,867 TJ for the first quarter 2016 as compared to 6,962 TJ for the first quarter 2015. The increase in heat supplied was primarily due to the acquisition of BERT, which supplied 2,867 TJ of heat in the first quarter 2016. In addition, slightly colder weather in the first quarter 2016 as compared to the first quarter 2015 caused marginally higher heat supply realized by the Czech CHP fleet in the first quarter 2016. As outlined previously in the Report, day-degrees, the metrics representing "coldness" of the weather pattern (difference between reference indoor temperature and actual outdoor temperature integrated over the given period of time) were in the areas where we deliver the heat period-to-period by 1.8% higher which resulted in higher heat offtake at our customers. This translated into increase in associated EBITDA period-to-period.

Installed capacity

Installed cogeneration capacity increased by 406 MW_e, or 81.2% to 906 MW_e as of March 31, 2016, as compared to 500 MW_e as of March 31, 2015. This increase was due to the acquisition of BERT in December 2015 that operates total installed cogeneration capacity of 406 MW_e.

Installed condensation capacity remained at 360 MW_e as of March 31, 2016 and March 31, 2015.

Certified grid balancing capacity increased by 312 MW_e, or 70.0%, to 758 MW_e as of March 31, 2016 as compared to 446 MW_e as of March 31, 2015. This increase was primarily due to the acquisition of BERT that operates certified grid balancing capacity of 312 MW_e.

Cogeneration production

Cogeneration production increased by 473 GWh, or 179.8%, to 736 GWh for the first quarter 2016, as compared to 263 GWh for the first quarter 2015. This increase was primarily due to the acquisition of BERT that produced 470 GWh in cogeneration in the first quarter 2016.

Condensation production

Condensation generation decreased by 115 GWh, or 28.0%, to 296 GWh for the first quarter 2016, as compared to 411 GWh for the first quarter 2015. This decrease in condensation generation stems from deteriorating power prices.

Grid balancing services

Grid balancing services increased by 296 GWh, or 81.3%, to 660 GWh for the first quarter 2016 as compared to 364 GWh for the first quarter 2015. This increase in grid balancing services primarily reflects the acquisition of BERT that provided 214 GWh of grid balancing services for the first quarter 2016. Further drivers of the increase are a higher success rate in winning tenders for grid balancing services organized by the Czech TSO CEPS and increased range of capabilities for providing grid balancing services.

The table below shows a summary of key financial performance data for the Heat Infra segment. The financial data is based on EPE consolidated financial information before eliminations of intersegment transactions and take into account the ownership share of the EPE Group in each entity and its acquisition date. The EPE's majority interest in BERT was only acquired on 10 December 2015 and therefore the below data include results of BERT for the first quarter 2016 only. Results of all other subsidiaries of the Group which belong to the Heat Infra Business are for the entire period.

		For the three-month period ended March 31,	
		2015 (restated)	2016
Total sales	in EUR millions	148	205
EBITDA	in EUR millions	61	73

EBITDA

As our contracts with suppliers for our Heat Infra operations in the Czech Republic are generally priced in Czech crowns, but our contracts for sales of electricity are primarily priced in EUR, EBITDA from our power generation operations presented in CZK as a functional currency may increase or decrease (and even be negative) depending on currency exchange rate fluctuations (our heat operations are not affected by currency fluctuations as all sales transactions are priced in Czech crowns, however the

EBITDA is affected by translation of CZK to EUR for reporting presentation purposes as the EPE Group´s presentation currency is EUR). We generally lock in the exchange rate at the time a contract is entered through the use of derivatives, the amounts due or paid under these derivative contracts, which offset the exchange rate fluctuation effects discussed above, are included in EBITDA in Total sales as Gain (loss) from commodity derivatives for trading with electricity and gas, net.

EBITDA increased by EUR 12 million, or 19.7%, to EUR 73 million for the first quarter 2016 as compared to EUR 61 million for the first quarter 2015. This increase was mainly driven by BERT contribution of EUR 19 million in first quarter 2016, while EUR 0 million in the first quarter 2015 as BERT was acquired in December 2015. Positive contribution of BERT was partially offset by lower volume of power production in the condensation mode, together with lower power prices, higher fuel costs and continuing decrease in allocated emission allowances.

Power Distribution and Supply

The Power Distribution and Supply segment accounted for 50.0% of consolidated EBITDA for the first quarter 2015 and 39.5% of consolidated EBITDA for the first quarter 2016, in each case before intersegment eliminations and holding results. We conduct our Power Distribution and Supply operations in the Czech Republic, the Slovak Republic, Germany and Poland mainly through our subsidiary Stredoslovenská energetika, a.s, EP Energy Trading, a.s., EP Sourcing, a.s. and EP Cargo a.s.

The table below shows a summary of key operating data for the Power Distribution and Supply segment. The operating data are based on the results of the whole entity regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity, however the data excludes SSE which is presented separately.

		For the three-month period ended March 31,	
		2015	**2016**
Power traded	GWh	5,917	4,337
Power supplied	GWh	471	599
Natural gas traded	GWh	2,862	856
Natural gas supplied	GWh	500	696

The table below shows a summary of key operating data for the SSE Group:

		For the three-month period ended March 31,	
		2015	**2016**
Power distributed	GWh	1,629	1,635
Power traded	GWh	1,946	1,949
Power supplied	GWh	1,117	1,108
Natural gas supplied	GWh	138	118
Power produced	GWh	4	4
Installed capacity	MW_e	62	62

Power traded

Power traded (excluding SSE) decreased by 1,580 GWh, or 26.7%, to 4,337 GWh for the first quarter 2016 as compared to 5,917 GWh for the first quarter 2015. This decrease in power traded was caused by lower trading activity of EPET and by the fact that EPET benefited from a significant one-off power trading opportunity in 2015.

Power traded realized by SSE reached 1,949 GWh in the first quarter 2016, which is an increase of 0.2%, or 3 GWh, as compared to 1,946 GWh in the first quarter 2015.

Power supplied

Power supplied (excluding SSE) increased by 128 GWh, or 27.2%, to 599 GWh for the first quarter 2016 as compared to 471 GWh for the first quarter 2015. This increase in power supplied stems from higher customer base resulting from an acquisition of Optimum Energy, a.s., primarily acting as power and gas supplier, by EPET in August 2015.

Power supply realized by SSE reached 1,108 GWh for the first quarter of the year 2016, which is a decrease by 9 GWh, or 0.8%, as compared to 1,117 GWh for the first quarter of the year 2015.

Natural gas traded

Natural gas traded (excluding SSE) decreased by 2,006 GWh, or 70.1%, to 856 GWh for the first quarter 2016 as compared to 2,862 GWh for the first quarter 2015. This considerable decrease stems from the fact that EPET benefited from significant one-off natural gas trading transactions in 2015.

Natural gas supplied

Natural gas supplied (excluding SSE) increased by 196 GWh, or 39.2%, to 696 GWh for the first quarter 2016 as compared to 500 GWh for the first quarter 2015. This increase in natural gas supplied stems from higher customer base resulting from an acquisition of Optimum Energy, a.s., primarily acting as power and gas supplier, by EPET in August 2015.

Natural gas supplied by SSE reached 118 GWh in the first quarter 2016, which is a decrease by 20 GWh, or 14.5%, as compared to 138 GWh for the first quarter 2015.

Power distributed

Power distributed by SSE reached 1,635 GWh in the first quarter 2016, which represents an increase by 6 GWh as compared to the first quarter 2015. Distributed volume was kept stable in both period as slight decrease on high voltage distribution was offset by higher volume on medium and low voltage distribution.

The table below shows a summary of key financial data for the Power Distribution and Supply segment. The financial data are based on EPE consolidated financial information before eliminations of intersegment transactions and take into account the ownership share of the EPE Group in the entity and acquisition date.

		For the three-month period ended March 31,	
		2015 (restated)	**2016**
Total Sales	in EUR millions	443	385
EBITDA	in EUR millions	62	49

EBITDA

As part of our power trading activities, EPET engages in sales of power generated by EPE Group companies, as well as resales of power purchased on the wholesale market in connection with our energy production optimization process, which leads to an overall increase in the volume of sales of power. However, with an increasing number of resales, total costs as a percentage of total sales increase as the margins realized on each subsequent optimization transaction tend to decline as the frequency of optimization transactions increases. Moreover, because our contracts with suppliers for our Heat Infra operations in the Czech Republic are generally priced in Czech crowns (with the exception of supplies under certain contracts for brown coal to the EOP and UE, which are priced in EUR and were significantly reduced starting in 2016), but we may purchase power in EUR, EBITDA from our supply operations may increase or decrease (and even be negative) depending on currency exchange rate fluctuations (the EBITDA is affected by translation of CZK to EUR for reporting presentation purposes as the EPE Group´s presentation currency is EUR). We generally lock in the exchange rate and power prices at the time a contract is entered into through the use of derivative contracts, the amounts due or paid under these derivative contracts, which offset the exchange rate and power price fluctuation effects discussed above, are included in EBITDA and the effect of fair valuation of financial commodity derivatives is included in Total sales as Gain (loss) from commodity derivatives for trading with electricity and gas, net, unless they qualify for hedge accounting under IFRS, in which case they are reflected in the Cost of sales: Other and Sales: Other lines for currency derivatives and in the Sales: Energy and Cost of sales: Energy for derivatives hedging the price of power.

EBITDA decreased by EUR 13 million, or 21.0%, to EUR 49 million for the first quarter 2016 as compared to EUR 62 million for the first quarter 2015. EBITDA realized by SSE decreased by EUR 8 million primarily due to the System Operations Tariff ("SOT") that decreased approximately by EUR 10 million, followed by rather temporary improvement in SSE's core business activities which are expected to mostly level off in H2 2016. Furthermore, EPET's sales and EBITDA experienced a drop by EUR 68 million and EUR 3 million, respectively, which was driven by decreased natural gas and power trading activity in the first quarter 2016 as EPET benefited from significant one-off trading transactions in the first quarter 2015.

As of March 31, 2016 the SSE Group reports a contingent asset of EUR 82 million (December 31, 2015: EUR 73 million), which is represented by the contingent assets related to green energy for the three-month period ended March 31, 2016 and for the year 2015 (December 31, 2015: contingent assets cover year 2015).

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries ("RONI") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the Tariff for system operation ("TPS"). For the three-month period ended 31 March 2016 SSE recognised a loss of EUR 9 million (31 March 2015: EUR 0 million) as the difference between the costs of purchased green energy and costs related to the subvention of electricity produced from coal and revenues from TPS in the period from 1 January 2016 to 31 March 2016. The 2016 loss is included in the contingent asset of EUR 82 million (31 December 2015: EUR 73 million) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time, i.e. relevant amounts in 2017 and 2018 through an increase of revenues from TPS (2015: in 2016 and 2017).

Renewables

The Renewables segment accounted for 0.8% of consolidated EBITDA in the first quarter 2015 and also for 0.8% of consolidated EBITDA in the first quarter 2016, in each case before intersegment eliminations and holding results. Our Renewables business is conducted in the Czech Republic and the Slovak Republic, and operations include wind, solar and biogas power generating facilities. We note that Mibrag Neue Energie was classified as discontinued operation in the year ended December 31, 2015 and therefore it was excluded from the segment Renewables in the years 2016 and 2015 (for further information please see section German assets sale).

		As of and for the three-month period ended March 31,	
		2015	2016
Installed Capacity	MW_e	18	18
Power Production..	GWh	9.0	7.3

Installed capacity

Installed capacity remained at 18 MW_e as of March 31, 2016 and March 31, 2015.

Power production

Power production decreased by 1.7 GWh, or 18.9%, to 7.3 GWh for the first quarter 2016 as compared to 9.0 GWh for the first quarter 2015. This decrease was primarily due to fewer sunny days during the first quarter 2016, as compared to first quarter 2015.

The table below shows a summary of key financial data for the Renewables segment. The financial data are based on EPE consolidated financial information before eliminations of intersegment transactions and take into account the ownership share of the EPE Group in each entity and its acquisition date.

		For the three-month period ended March 31,	
		2015 (restated)	2016
Total Sales	in EUR millions	1	1
EBITDA..	in EUR millions	1	1

EBITDA

EBITDA remained at EUR 1 million in the first quarter in both periods 2016 and 2015. The changes were not material.

Other

The Other segment accounted for 0.0% of consolidated EBITDA for the first quarter 2015 and 0.8% of consolidated EBITDA for the first quarter 2016, in each case before intersegment eliminations and holding results. The table below shows a summary of key financial data for the Other segment:

		For the three-month period ended March 31,	
		2015 (restated)	2016
Total sales	in EUR millions	1	1
EBITDA	in EUR millions	0	1

The main driver of the positive EBITDA development in the first quarter 2016 was namely decrease in other operating expenses in AISE, s.r.o., while its sales were kept at same level.

Holding

The table below shows a summary of key financial data for the Holding entities segment:

		For the three-month period ended March 31,	
		2015 (restated)	2016
Total sales	in EUR millions	0	0
EBITDA	in EUR millions	(1)	(1)

The main driver of the negative EBITDA in both 2015 and 2016 was the other operating expenses of EP Energy, as the only entity presented within Holding. The costs were primarily associated with costs relating to outsourcing of various functions and costs for professional services at EP Energy.

Other revenues and expenses

Our repeating expenses are generally related to wages and salaries and associated social and health insurance, administrative costs for repairs and maintenance, other taxes and fees, costs for audit and accounting services, costs for legal consultancy, operating leases, rent of premises, communication expenses, travel expenses, costs for translation, non-tax deductible fees, rental income and other administrative costs.

German assets sale

As part of the reorganization of EPIF in 2016, EPE sold-off its power generation activities in Germany as well as its mining operations in Germany to its ultimate parent company EPH (effective on April 1, 2016). The decision to sell-off these activities, which comprise an isolated geographical segment (Germany), was reached at the end of 2015. Due to the fact that these operations were predominantly representing the whole German operations, mining operations and condensation power production, EPE presents these activities as discontinued operations as of and for the three-month period ended March 31, 2016 (including restatement of comparatives).

The scope of disposed entities is as follows:

	Country of incorporation	Ownership (%)
JTSD Braunkohlebergbau GmbH	Germany	100
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100
MIBRAG Consulting International GmbH	Germany	100
GALA-MIBRAG-Service GmbH	Germany	100
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96
Ingenieurbüro für Grundwasser GmbH	Germany	25
Bohr & Brunnenbau GmbH	Germany	100
Helmstedter Revier GmbH	Germany	100
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51
Terrakomp GmbH	Germany	100
MIBRAG Neue Energie GmbH	Germany	100
EP Germany GmbH	Germany	100
Saale Energie GmbH	Germany	100
Kraftwerk Schkopau GbR	Germany	41.90
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40

Note: percentage of ownership same as at March 31, 2015, March 31, 2016 and date of disposals.

German assets include, among others, MIBRAG and Saale Energie. MIBRAG is a wholly-owned subsidiary of JTSD, Saale Energie is a wholly-owned subsidiary of EP Germany; both EP Germany and JTSD were wholly-owned subsidiaries of EPE (where EP Germany has been since 31 December 2015 directly owned by JTSD as a result of the sale of all EP Germany shares by EPE to JTSD for EUR 4.3 million, corresponding to fair value of equity of EP Germany).

The German assets were disposed of by means of sale of 100% shares in JTSD by EPE to EPH for EUR 156.0 million (corresponding to fair value of equity of JTSD); the disposal was completed on April 1, 2016 and the purchase price was fully settled in cash.

Discontinued operations in the three-month period March 31, 2016 (including restatement of comparatives) relate to segments Mining, Heat infra and Renewables.

The Mining segment, represented by Mitteldeutsche Braunkohlengesellschaft GmbH (MIBRAG), produces brown coal, which it supplies to power plants under long-term supply agreements. The Mining segment includes JTSD and the MIBRAG Group (excluding MIBRAG Neue Energie and Helmstedter Revier GmbH and its subsidiaries). The EPE Group conducted other mining operations in Germany through the Heat Infra segment, which included the Schöningen mine in the Helmstedt mining district, which the EPE Group acquired through the acquisition of the HSR Group on December 31, 2013, and neither the operating data nor the financial data for these mining facilities in the Heat Infra segment were included within the Mining operating data.

The Heat Infra segment included Saale Energie GmbH purchased in 2012, which owned 41.9% of the Schkopau-power plant representing a beneficial use right over 400MW of the plant´s total capacity of 900MW. In December 2013, the EPE Group acquired a 100% share in Helmstedter Revier GmbH which operated a condensation mode power plant Buschhaus with an installed capacity of 390MW. These entities were classified as discontinued operations in 2015.

The Renewables segment included a wind farm in Germany at MIBRAG (Mibrag Neue Energie), which was classified as discontinued operation in 2015.

Key operating data for the Heat Infra segment and Renewables segment were adjusted and operating data of discontinued operations (e.g. data for Saale Energy GmbH and Helmstedter Revier GmbH in the Heat Infra segment and for Mibrag Neue Energie in the Renewables segment) were excluded from the relevant segments in the three-month period 2016 and for 2015 for comparative purposes.

Profit (loss) from discontinued operations is presented at the bottom of EP Energy Consolidated statement of comprehensive income for the three-month period March 31, 2016. The operations were classified as discontinued operation for years 2016 and 2015 for comparative purposes.

From the loss from discontinued operation in the three-month period March 31, 2016 of EUR 12 million (in the three-month period March 31, 2015: profit of EUR 4 million), a loss of EUR 12 million (2015: profit of EUR 4 million) is attributable to the owners of the Company and no profit or loss is attributable to the non-controlling interest.

Capital expenditures

Capital expenditures are necessary to maintain and improve the operations of our facilities and meet operating standards dictated by governmental regulations. Construction and maintenance costs have increased throughout the power industry over the past several years, and future costs will be highly dependent on the cost of components and availability of contractors that can perform the work necessary to maintain and improve other facilities.

The table below summarizes our capital expenditures (disregarding actual cash flows) for the **Heat Infra segment:**

	For the three-month period ended March 31,	
In EUR millions	**2015**	**2016**
Capital expenditures relating to tangible fixed assets	10	2
Capital expenditures relating to intangible fixed assets excluding emission rights	0	0

Capital expenditures relating to tangible fixed assets decreased by EUR 8 million, or 80.0%, to EUR 2 million in the first quarter 2016 as compared to EUR 10 million in the first quarter 2015. The main reasons for relatively high capital expenditures in the first quarter 2015 are capital expenditures at EOP incurred predominantly in order to comply with the stricter emission targets set forth by the European Industrial Emissions Directive ("IED") that applies for large combustion plants since 2016.

Capital expenditures relating to intangible fixed assets (excluding emission rights) were not material.

The table below summarizes our capital expenditures (disregarding actual cash flows) for the **Power Distribution and Supply segment**:

	For the three-month period ended March 31,	
In EUR millions	**2015**	**2016**
Capital expenditures relating to tangible fixed assets	7	11
Capital expenditures relating to intangible fixed assets excluding emission rights	1	1

Capital expenditures relating to tangible fixed assets increased by EUR 4 million, or 57.1%, to EUR 11 million in the first quarter 2016 from EUR 7 million in the first quarter 2015.

The majority of these capital expenditures are directly connected to SSE's operations, namely technical improvements on existing distribution network of EUR 4 million and extension of distribution network of EUR 3 million in the first quarter 2016, while EUR 4 million and EUR 2 million respectively in the first quarter 2015. In addition, EP Cargo incurred EUR 4 million in the first quarter 2016 in relation to acquisition of a new machinery.

Capital expenditures relating to intangible fixed assets (excluding emissions rights) were not material.

Capital expenditures in the **Renewables, Other and Holding segment** are not material which stems from the nature of operations within these segments.

The EPE Group

Description of key income statement line items and key performance indicators of the EPE Group

Key income statement line items

Sales: Energy. EPE presents Sales: Energy in five component parts: sales of electricity (incl. distribution), sales of heat, sales of gas, sales of coal and sales of other energy products across all of our segments. EPE recognizes revenue when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the sale of own products and goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Discounts are recognized as a reduction of revenue as the sales are recognized, if it is probable that discounts will be granted and the amount can be measured reliably. Revenues from services rendered are recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

Sales: Other. Sales: Other represent revenues from non-core activities, including sales of brown coal dust and energy by-products (such as ash and gypsum).

Gain (loss) from commodity derivatives for trading with electricity and gas, net. At the date of the financial statements, trading derivatives are measured at fair value. As the trading in commodity derivatives forms a significant part of the Group's total trading activities, the measurement effect is recognized in "Gain (loss) from commodity derivatives for trading with electricity and gas, net", a separate line item under "Total sales".

Cost of sales: Energy. Cost of sales: Energy is divided into five component parts, namely cost of sold energy, cost of sold gas and other energy products, consumption of coal and other material, consumption of energy and other cost of sales. Cost of sales: Energy does not include directly attributable overhead costs (particularly personnel expenses, depreciation and amortization, repairs and maintenance, emission rights, taxes and charges). Cost of sales: Energy also includes losses incurred in energy trading transactions.

Cost of sales: Other. Cost of sales: Other is divided into five component parts, namely cost of goods sold, consumption of material, consumption of energy, changes in work-in-progress, semi-finished products and finished goods and other cost of sales. Cost of sales: Other does not include directly attributable overhead costs (particularly personnel expenses, depreciation and amortization, repairs and maintenance, emission rights, taxes and charges).

Personnel expenses. Personnel expenses represent expenses related to employees and board members, including wages and salaries of employees, benefits, remuneration of board members, social and health insurance, provisions related to employees (e.g., provisions for untaken holidays, accruals for bonuses and rewards), revenues/expenses related to employee benefits recorded in accordance with IAS 19 and other costs related to employees during the reporting period.

Depreciation and amortization. Depreciation represents non-cash expenses of tangible assets over time. Amortization represents non-cash expenses of intangible assets over time.

Repairs and maintenance. Repairs and maintenance represent externally incurred costs to bring an asset back to an earlier condition or to keep the asset operating in its present condition.

Emission rights, **net**. Emission rights, net comprise the profit from sale of emission allowances and the consumption of emission allowances on a continuous basis based on the actual production of emissions, with a corresponding decrease in the carrying value of deferred income on a systematic basis over the period for which the rights were issued.

Negative goodwill. Negative goodwill (gain on bargain purchase) represents a gain occurring when the price paid for an acquisition is less than the fair value of net assets of the acquired company.

Taxes and charges. Taxes and charges comprise electricity taxes, property taxes and other taxes and charges (excluding income tax).

Other operating income and expenses. Other operating income and expenses represent items that are of secondary importance compared to the EPE Group's principal activities. These items include, for example, rental income, contractual penalties received from suppliers or paid to customers, consulting fees and commissions expense, transport services, insurance services, consumption of material, gains/losses on sale of intangible assets/property (excluding the sale of emissions allowances), plant and equipment or inventories, creation and reversal of various provisions, outsourcing and administrative fees and professional and advertising services.

Finance income. Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains (only if total foreign currency gains and losses result in net income; receivables in foreign currency are recalculated mark-to-market at the end of the accounting period to Czech crowns) that do not qualify for hedge accounting, gains on sale of investments in securities and gains on hedging instruments that are recognized in profit or loss.

Finance expense. Finance cost comprises interest expense on borrowings, unwinding of the discount on provisions (e.g., on provisions for decommissioning), foreign currency losses (only if total foreign currency gains and losses result in a net expense; payables in foreign currency are recalculated mark-to-market at the end of the accounting period to Czech crowns); realized profit from currency derivative contracts that do not qualify for hedge accounting, changes in the fair value of financial assets at fair value through profit or loss, fees and commissions expense for payment transactions and guarantees and impairment losses recognized on financial assets.

Profit/(loss) from financial instruments. Profit/(loss) from financial instruments represents profit or loss from commodity derivatives that are not presented as a part of Gain (loss) from commodity derivatives for trading with electricity and gas, net, currency derivatives (including both realized and mark-to-market valuations at the end of the accounting period), hedging activities and interest rate derivatives that do not qualify for hedge accounting.

Share of profit/(loss) of equity accounted investees. Share of profit/loss of equity accounted investees represents a share of profit of equity accounted associates.

Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates. Gain/Loss on disposal of subsidiaries, special purpose entities, joint ventures and associates comprises gain or loss from selling an ownership interest in a company.

Income tax expenses. Income tax expenses represent the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Deferred tax is accounted for using the balance sheet method and is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases.

Other comprehensive income for the year, net of tax. Other comprehensive income represents the difference between net income in the income statement and comprehensive income (which is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources; it includes all changes in equity during a period except those resulting from investments by owners and distributions to owners).

Total comprehensive income for the year. Total comprehensive income for the year represents the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income comprises all components of "profit or loss" and of Other comprehensive income, net of tax, and represents the certain gains and losses of the enterprise not recognized in the income statement.

Results of operations of the EPE Group

The following sections provide a period-by-period comparison of the EPE Group's historical income statement data. The financial data has been prepared in accordance with IFRS, and has been derived from the EPE's condensed consolidated interim financial statements for the three-month period ended March 31, 2016 (which include financial information for the three-month period ended March 31, 2015 as a comparison) and should be read in conjunction with and is qualified in its entirety by reference to these financial statements, including the notes thereto.

Results of operations of the EPE Group: the first quarter 2016 compared to the first quarter 2015

The following table sets forth our historical income statement data derived from the EPE's condensed consolidated interim financial statements for the three-month period ended March 31, 2016, prepared in accordance with IFRS as adopted by the EU, as well as other financial data. For a description of the changes in the reporting perimeter, see "Key factors affecting comparability of the results of operations of the EPE Group".

Condensed consolidated interim statement of comprehensive income

For the three-month period ended 31 March 2016
In million EUR

	2015 (three months) Restated[10]	**2016 (three months)**
Sales: Energy	541	545
of which: Electricity	*334*	*351*
Heat	*113*	*146*
Gas	*88*	*42*
Coal	*6*	*6*
Sales: Other	7	11
Gain (loss) from commodity derivatives for trading with electricity and gas, net	5	(1)
Total sales	**553**	**555**
Cost of sales: Energy	(397)	(387)
Cost of sales: Other	(6)	(10)
Total cost of sales	**(403)**	**(397)**
Subtotal	**150**	**158**
Personnel expenses	(19)	(22)
Depreciation and amortization	(39)	(40)
Repairs and maintenance	(2)	(2)
Emission rights, net	(2)	(5)
Taxes and charges	(1)	(1)
Other operating income	10	9
Other operating expenses	(14)	(15)
Profit (loss) from operations	**83**	**82**

[10] Restated: Consolidated financial statements of EP Energy a.s. as at and for the three-month period ended 31 March 2015 have been restated as the German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued. For further details please refer to the section Key developments.

Finance income	11	9
Finance expense	(21)	(20)
Profit (loss) from financial instruments	-	(1)
Net finance income (expense)	**(10)**	**(12)**
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	1
Profit (loss) before income tax	**73**	**71**
Income tax expenses	(17)	(17)
Profit (loss) from continuing operations	**56**	**54**
Profit (loss) from discontinued operations, net of tax	4	(12)
Profit (loss) for the period	**60**	**42**
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(6)	1
Foreign currency translation differences from presentation currency	31	-
Effective portion of changes in fair value of cash flow hedges, net of tax	6	(13)
Fair value reserve included in other comprehensive income	-	-
Other comprehensive income for the period, net of tax	**31**	**(12)**
Total comprehensive income for the period	**91**	**30**
Profit (loss) attributable to:		
Owners of the Company		
Profit for the year from continuing operations	37	39
Profit for the year from discontinued operations	4	(12)
Profit for the year attributable to owners of the company	**41**	**27**
Non-controlling interest		
Profit for the year from continuing operations	19	15
Profit for the year from discontinued operations	-	-
Profit for the year attributable to owners of the company	19	19
Profit (loss) for the period	**60**	**42**
Total comprehensive income attributable to:		
Owners of the Company	71	15
Non-controlling interest	20	15
Total comprehensive income for the period	**91**	**30**

Key line items

Sales: Energy

Sales: Energy increased by EUR 4 million, or 0.7%, to EUR 545 million for the first quarter 2016 as compared to EUR 541 million for the first quarter 2015.

Sales of electricity

Sales of electricity increased by EUR 17 million, or 5.1%, to EUR 351 million for the first quarter 2016 as compared to EUR 334 million for the first quarter 2015. The increase in sales of electricity was primarily due to the acquisition of BERT, which had electricity sales of EUR 34 million from power generation primarily in cogeneration mode in the first quarter 2016, while EUR 0 million in the first quarter 2015 as it was acquired in December 2015. This positive effect was partially offset by a decrease in sales of electricity stemming from (i) lower power trading activity of EPET, (ii) lower volume of power generated in condensation mode by the Czech CHP fleet and (iii) lower power prices in the first quarter 2016 as compared to the first quarter 2015.

Sales of heat

Sales of heat increased by EUR 33 million, or 29.2%, to EUR 146 million for the first quarter 2016 as compared to EUR 113 million for the first quarter 2015. The increase in sales of heat was primarily due to the acquisition of BERT, which had heat sales of EUR 30 million in the first quarter 2016, while EUR 0 million in the first quarter 2015 as it was acquired in December 2015. An additional increase in sales of heat was due to higher heat sales by the Czech CHP fleet resulting from slightly better weather conditions in the first quarter 2016 as compared to the first quarter 2015. As a result, heat supplied increased by 2,905 TJ, or 41.7%, to 9,867 TJ for the first quarter 2016 as compared to 6,962 TJ for the first quarter 2015.

Sales of gas

Sales of gas decreased by EUR 46 million, or 52.3%, to EUR 42 million for the first quarter 2016 as compared to EUR 88 million for the first quarter 2015. This decrease in natural gas was primarily due to significant one-off natural gas trading transactions performed by EPET in the first quarter 2015.

Sales of coal

Sales of coal remained stable at EUR 6 million in the first quarter of 2016 and 2015.

Sales: Other

Sales: Other increased by EUR 4 million, or 57.1%, to EUR 11 million for first quarter 2016 as compared to EUR 7 million for the first quarter 2015. The increase results mainly from the fact that EP COAL TRADING Spółka akcyjna increased its logistics operations in Poland in 2016.

Gain (loss) from commodity derivatives for trading with electricity and gas, net

Gain (loss) from commodity derivatives for trading with electricity and gas, net decreased by EUR 6 million to loss of EUR 1 million for first quarters 2016 as compared to profit of EUR 5 million for the first quarter 2015. This resulted from fair value re-measurement of trading derivatives at the date of financial statements and corresponded to contracted trading margin during the period.

Cost of sales: Energy

Cost of sales: Energy decreased by EUR 10 million, or 2.5%, to EUR 387 million for the first quarter 2016 as compared to EUR 397 million for the first quarter 2015. This decrease in Cost of sales: Energy was primarily due lower natural gas and power trading activities undertaken by EPET, which resulted in lower natural gas and power purchases.

Cost of sales: Other

Cost of sales: Other increased by EUR 4 million, or 66.7%, to EUR 10 million for first quarter 2016 as compared to EUR 6 million for the first quarter 2015. The increase is in line with Sales: Other.

Personnel expenses

Personnel expenses rose by EUR 3 million, or 15.8%, to EUR 22 million for first quarter 2016 as compared to EUR 19 million for the first quarter 2015. This increase in personnel expenses was mainly attributable to 6.6% increase in average headcount to 3,883 in the first quarter 2016 as compared to 3,676 in the first quarter 2015, which was influenced also by the acquisition of BERT in December 2015.

Depreciation and amortization

Depreciation and amortization increased by EUR 1 million, or 2.6%, to EUR 40 million in the first quarter 2016 as compared to EUR 39 million for the first quarter 2015. The increased is mainly caused by the acquisition of BERT in December 2015, which was partially offset by end of lifetime of selected assets in the first quarter 2015 as well as by the introduction of operating leasing of the company cars at SSE in January 2015.

Repairs and maintenance

Repairs and maintenance remained stable at EUR 2 million in the first quarter of 2016 and 2015.

Emission rights, net

Emission rights, net deteriorated by EUR 3 million, or 150.0%, to negative EUR 5 million for the first quarter 2016 as compared to negative EUR 2 million for first quarter 2015, which primarily results from continuing decrease of emission allowances free allocation despite to slightly lower consumption of emission allowances (stemming from lower power production) in the first quarter 2016 as compared to the first quarter 2015.

Taxes and charges

Taxes and charges remained stable at EUR 1 million in the first quarter of 2016 and 2015.

Other operating income

Other operating income decreased by EUR 1 million, or 10.0%, to EUR 9 million for the first quarter 2016 as compared to EUR 10 million for the first quarter 2015. The negative movement was mainly due to lower profit from disposal of tangible and intangible assets at SSE in the first quarter 2016, as compared to the first quarter 2015.

Other operating expenses

Other operating expenses increased by EUR 1 million, or 7.1%, to EUR 15 million for first quarter 2016 as compared to EUR 14 million for the first quarter 2015. This slight increase in Other operating expenses was driven by more minor effects.

Finance income

Finance income decreased by EUR 2 million, or 18.2%, to EUR 9 million for the first quarter 2016 as compared to EUR 11 million for the first quarter 2015. Finance income is mostly represented by interest income, primarily due from loans provided to the parent and ultimate parent companies. Decrease in interest income stems mainly from offset of balances between EP Energy, a.s. and Energetický a průmyslový holding, a.s. as of February 5, 2015.

Finance expense

Finance expense decreased by EUR 1 million, or 4.8%, to EUR 20 million for the first quarter 2016 as compared to EUR 21 million for the first quarter 2015. Primary reasons for decrease of interest expense are unwind of provisions discounting, interest expense, which was partly balanced by increased FX loss.

Profit/(loss) from financial instruments

Profit/(loss) from financial instruments decreased by EUR 1 million to a loss of EUR 1 million for the first quarter 2016 as compared to profit of EUR 0 million for the first quarter 2015.

Share of gain/(loss) of equity accounted investees, net of tax

Share of gain/(loss) of equity accounted investees, net of tax remained immaterial in the first quarter of 2016 and 2015.

Income tax expenses

Income tax expenses remained stable at EUR 17 million in the first quarter of 2016 and 2015.

Other comprehensive income for the period, net of tax

Other comprehensive income for the period, net of tax, changed by EUR 43 million to loss of EUR 12 million for the first quarter 2016 as compared to profit of EUR 31 million for the first quarter 2015. This negative development in Other comprehensive income for the period, net of tax, was primarily due to foreign currency translation differences from presentation currency and from changes in fair value of cash flow hedges predominantly relating to a cash flow hedge recognized on the EPE Group level.

Liquidity and capital resources of the EPE Group

Capital resources

EPE's financial condition and liquidity are and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness, and the interest EPE is obligated to pay on such indebtedness, which affects our financing costs;
- prevailing interest rates, which affect our debt service requirements;
- our ability to continue to borrow funds from banks and international debt capital markets;
- our level of acquisitions activity; and
- our capital expenditure requirements and development projects.

EPE's historical liquidity requirements have arisen primarily from the need for us to meet EPE's debt service requirements, to fund capital expenditures for the general maintenance and expansion of EPE's production and heat distribution facilities and for new facilities, to fund growth in our working capital and to support our acquisition strategy.

EPE's primary sources of liquidity historically have been cash flows from operations of subsidiaries, cash on EPE's balance sheet and external financings (including shareholder loans and bonds since EPE's issuance of the Notes). EPE's ability to generate cash from our operations depends on future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control.

EPE believes that its operating cash flows, together with the cash reserves and future borrowings permitted under EPE's debt facilities, will be sufficient to fund EPE's working capital requirements, anticipated capital expenditures and debt service requirements as they become due. EPE intends to maintain cash balances at EPE to meet the Group's short-term liquidity needs, including working capital (which we intend to replenish periodically with cash from operations).

EP Energy and its subsidiaries may from time to time use available liquidity (from any sources) to reduce the indebtedness of the Group. In particular, subject to compliance with applicable law and the terms and conditions of the bonds, the Company and its subsidiaries may from time to time repurchase outstanding bonds issued by them in the open market or otherwise at any time and at any price, as they may determine in their absolute discretion depending on prevailing market conditions.

Cash flow

The following table summarizes our selected consolidated cash flows for the first quarters 2015 and 2016.

	For the three-month period ended March 31,	
	2015 (restated)	2016
	In million EUR	
Operating profit before changes in working capital	**149**	**108**
Selected changes to working capital		
Change in trade receivables and other assets	(12)	9
Change in trade payables and other liabilities	(8)	(43)
Change in inventories (including proceeds from sale)	(5)	1
Change in assets held for sale and related liabilities	17	31
Cash flows generated from (used in) operating activities	**123**	**93**
Cash flows from (used in) investing activities	**(20)**	**(3)**
Cash flows from (used in) financing activities	**(85)**	**(21)**
Total changes in cash flows	**18**	**69**

Operating Activities

Cash flows generated from (used in) operating activities decreased by EUR 30 million, or 24.4%, to EUR 93 million for the first quarter 2016, as compared to EUR 123 million for the first quarter 2015.

This change in cash flows generated from (used in) operating activities is primarily due to lower operating profit before changes in working capital for the first quarter 2016 as compared to the first quarter 2015. The decrease stems primarily from the fact that the position Operating profit before changes in working capital for the first quarter 2015 included also cash profit of EUR 33 million from discontinued operations, which originates from the fact that the EPE Group's cash balance as of March 31, 2015 included also cash of disposed German assets. For further details please refer to the section Key developments.

In addition, a positive change in (i) trade receivables and other assets and (ii) change in assets held for sale and related liabilities was mitigated by a negative development in trade payables and other liabilities.

Investing Activities

Cash flows from (used in) investing activities improved by EUR 17 million to negative EUR 3 million for the first quarter 2016, as compared to negative EUR 20 million for the first quarter 2015. This change in cash flows from (used in) investing activities is primarily due to a decrease in capital expenditures by EUR 10 million, or 41.7%, which reflects higher investing activity in 2015 mainly in order to comply with the stricter emission targets set forth by the European Industrial Emissions Directive. Further, EP Energy received EUR 10 million of interests mostly from German assets (for further detail on German assets see section Key developments) in the first quarter 2016, while EUR 0 million in first quarter 2015.

Financing Activities

Cash flows from (used in) financing activities improved by EUR 64 million to negative cash flows used in financing activities of EUR 21 million for the first quarter 2016, as compared to negative cash flows from financing activities of EUR 85 million for the first quarter 2015. Cash flow from financing activities is driven fully by borrowing repayments in respective periods.

Capital expenditures

Our strategy is to focus capital investments on projects that maintain our technical equipment and increase operational efficiency. We have managed to keep capital expenditures at reasonably low levels by means of controlled business planning, engineering, procurement and project management at our operating subsidiaries. We have made, and expect to continue to make, expenditures to maintain compliance with environmental laws. For example, starting in 2016, the stricter emission targets set forth by the European Industrial Emissions Directive (IED) applies for large combustion plants, including those that we operate, which required capital expenditures in excess of EUR 80 million for our power plants in the Czech Republic (predominantly at EOP and minor technology improvements at UE and PE) in period 2014 – 2016. Non-compliance with the stricter emission targets set forth by the European Industrial Emissions Directive, the Air Protection Act or the operation permit in the designated time periods might have led to the imposition of penalties or even resulted in operations being shut down.

We also expect to accelerate our capital expenditures on certain refurbishments to our heating network operations over the next two years in order to be eligible for public subsidies currently available in the Czech Republic.

During the first quarter 2015 and 2016, capital expenditures, irrespective of actual cash flows, were as follows:

	As of and for the three-month period ended March 31,	
	2015 (restated)	**2016**
Capital expenditures for tangible fixed assets...	17	13
Capital expenditures for intangible fixed assets excluding emission rights	1	1
Capital expenditures for emission rights (incl. free allocations)	10	8
Capital expenditures relating to discontinued operations	7	0
Total capital expenditures	**35**	**22**
Property, plant and equipment, at depreciated cost	1,606	1,579

Capital expenditures for tangible fixed assets and intangible fixed assets excluding emission rights

Capital expenditures for tangible fixed assets decreased by EUR 4 million, or 23.5%, to EUR 13 million for the first quarter 2016 as compared to EUR 17 million for the first quarter 2015. This decrease in capital expenditures for tangible fixed assets was primarily due to investments performed in EOP in the first quarter 2015 so as to be in line with the IED (Industrial Emissions Directive) that applies for large combustion plants since 2016. On the contrary, EP Cargo incurred EUR 4 million in relation to a new machinery acquisition in the first quarter 2016.

Capital expenditures for intangible fixed assets remained at EUR 1 million in the first quarter of 2016 and 2015.

Capital expenditures for emission rights

For the periods presented in this Report out of all entities included in the EPE Group, EOP, PE, UE and BERT were required to purchase emission allowances for their own respective consumption due to an insufficient allocation of emission allowances. The share that our Czech operating subsidiaries will need to purchase will increase over time as the result of the allocation system under which fewer emissions allowances are now allocated free of charge. We are exposed to changes in the way emissions allowances are allocated, including the conditions attaching to free allocations and the allocation of emissions allowances, as well as volatility in the market prices of emissions allowances that we need to acquire.

Contractual and other material financial obligations of the EPE Group

The table sets out our loans and borrowings as of December 31, 2015 and March 31, 2016.

In EUR millions	**Dec 31, 2015**	**Mar 31, 2016**
Issued debentures at amortised cost	1,097	1,116
Loans payable to credit institutions	223	234
Loans payable to other than credit institutions	10	10
of which owed to the parent company / ultimate parent company	*3*	*3*
of which owed to other related companies	*7*	*7*
Bank overdraft	20	-
Total	**1,350**	**1,360**
Non-current	1,304	1,318
of which owed to the parent company / ultimate parent company	-	-
of which owed to other related companies	*7*	*7*
Current	46	42
of which owed to the parent company / ultimate parent company	*3*	*3*
of which owed to other related companies	-	-
Total	**1,350**	**1,360**

Off-balance sheet arrangements of the EPE Group

The table below sets out EPE's financial commitments and contingencies as of December 31, 2015 and March 31, 2016.

In EUR millions	**Dec 31, 2015**	**Mar 31, 2016**
Granted pledges – securities	1,013	983
Guarantees given	180	194
Other granted pledges	1,676	1,459
Total	**2,869**	**2,636**

Granted pledges represent securities of individual EPE Group companies used as collateral for external financing.

Guarantees given mainly include contracts for the future supply of energy for EUR 194 million (31 December 2015: EUR 163 million).

Other contingent liabilities:

In EUR millions	Dec 31, 2015	Mar 31, 2016
Loans granted[(1)]	1,157	938
Property, plant and equipment	374	361
Cash and cash equivalents	45	72
Trade receivables	71	61
Inventories	28	26
Investment property	1	1
Total	**1,676**	**1,459**

All other contingencies were used as collateral for external financing.

(1) *Total balance of pledged granted loans includes intercompany loans of EUR 597 million (31 December 2015: EUR 925 million).*

Off balance sheet assets

In EUR millions	Dec 31, 2015	Mar 31, 2016
Received promises	263	234
Other received guarantees and warranties	4	4
Total	**267**	**238**

Received promises

Received promises mainly comprise the contracts for the future purchase of energy in amount of EUR 124 million (31 December 2015: EUR 120 million) and regulatory contingent assets related to green energy of EUR 82 million (31 December 2015: EUR 73 million) recognised by SSE, which are represented by the contingent assets related to green energy for the years 2016 and 2015 (31 December 2015: contingent assets cover year 2015).

Regulatory contingent assets related to green energy

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries ("RONI") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the Tariff for system operation ("TPS"). For the three-month period ended 31 March 2016 SSE recognised a loss of EUR 9 million (31 March 2015: EUR 0 million) as the difference between the costs of purchased green energy and costs related to the subvention of electricity produced from coal and revenues from TPS in the period from 1 January 2016 to 31 March 2016. The 2016 loss is included in the contingent asset of EUR 82 million (31 December 2015: EUR 73 million) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time, i.e. relevant amounts in 2017 and 2018 through an increase of revenues from TPS (2015: in 2016 and 2017).

Litigations and claims

Elektrárny Opatovice, a.s.

Elektrárny Opatovice, a.s. is involved in a dispute with its former minority shareholders who claim that compensation received for their shares through a compulsory sell-out procedure ("squeeze-out") was inadequate, and who are challenging the underlying expert valuation. As the compensation was not paid by Elektrárny Opatovice, a.s. but instead by its former majority shareholder (International Holdings, B.V.), any resulting liability is thus expected to be the responsibility of the former shareholder.

United Energy, a.s.

United Energy, a.s. is involved in several disputes with its former shareholders, who claim that compensation received for their shares subject to a compulsory buy-out procedure ("squeeze-out") was inadequate, and who are challenging the validity of the underlying resolution of the general shareholders meeting. The outcome of this matter is unforeseeable and United Energy, a.s. intends to defend itself.

In May 2014, Court of appeal came to the conclusion that one claim challenging the validity of the underlying resolution of the general shareholders meeting is not relevant and UE believes that this conclusion may serve as a precedent for the other claims. Next court hearing is planned to be held in first half of 2016.

The parallel dispute regarding inadequate compensation is still ongoing with no clear outcome. Next court hearing is expected to be held in Q3 2016.

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. (PE) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. EPE Group's management believes that the claim is unfounded and should be dismissed by the court. For this reason Plzeňská energetika a.s. did not create a provision for this litigation as of 31 March 2016.

In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice.

Mitteldeutsche Braunkohlengesellschaft mbH

MIBRAG is involved in an ongoing dispute filed by 50Hertz Transmission GmbH ("50Hertz") in Germany since 2011. 50Hertz operates an upstream transmission grid and seeks retroactive payment from MIBRAG for costs under the burden-sharing mechanism related to the promotion of renewable energies (the so-called EEG surcharge) between August 2004 and December 2008 under the German Renewable Energies Act (Erneuerbare Energien Gesetz). Transmission grid operators generally charge energy supply companies with the EEG surcharge depending on the quantity of electricity delivered by them to end customers. Energy supply companies are in turn entitled to pass the EEG surcharge on to end customers as a part of the electricity price. In March 2013, the District Court of Halle (Landgericht Halle) rendered a partial judgement in favour of 50Hertz ordering MIBRAG to provide detailed data on its deliveries of electricity to end customers from August 2004 to December 2008 to allow for a calculation of EEG surcharge payments potentially owed by MIBRAG. MIBRAG filed an appeal against the partial judgement.

On 6 February 2014, MIBRAG´s appeal was turned down by the Higher Regional Court, however, a further appeal of the partial judgement has been filed with the Federal Supreme Court (Bundesgerichtshof). A final decision was made in the second quarter of 2015, the appeal was rejected and MIBRAG was required to provide detailed data to 50Hertz for the purposes of a calculation of a potential EEG surcharge for the above noted period. Based on MIBRAG's analysis a provision of EUR 8 million was recorded as of 31 March 2016 (31 December 2015: EUR 8 million), which should reflect the expected payments with respect to EEG surcharge. MIBRAG continues to analyse the situation and its potential financial impact.

Stredoslovenská energetika, a.s. Group ("SSE Group")

The SSE Group is a party to various legal proceedings. As of 31 March 2016 no legal provisions were recorded (31 December 2015: EUR 0 million). The EPE Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

Based on a reasonable estimate the SSE Group´s management does not expect a significant material impact on the SSE Group due to on-going legal proceedings.

The SSE Group further faces a claim for EUR 43 million plus lawsuit costs. Based on the legal analysis of the case the SSE Group´s management does not expect an impact on the SSE Group and considers the risk of failure in these proceedings to be unlikely. The SSE Group did not record any provision related to this lawsuit.

Attachments stored on www.epenergy.cz:

Unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2016 prepared in accordance with IAS 34 – Interim Financial Reporting.