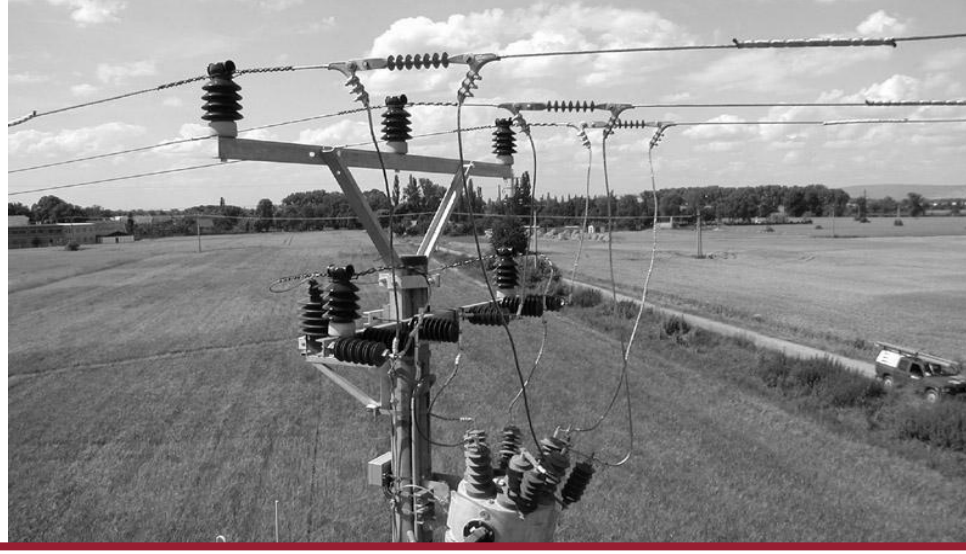
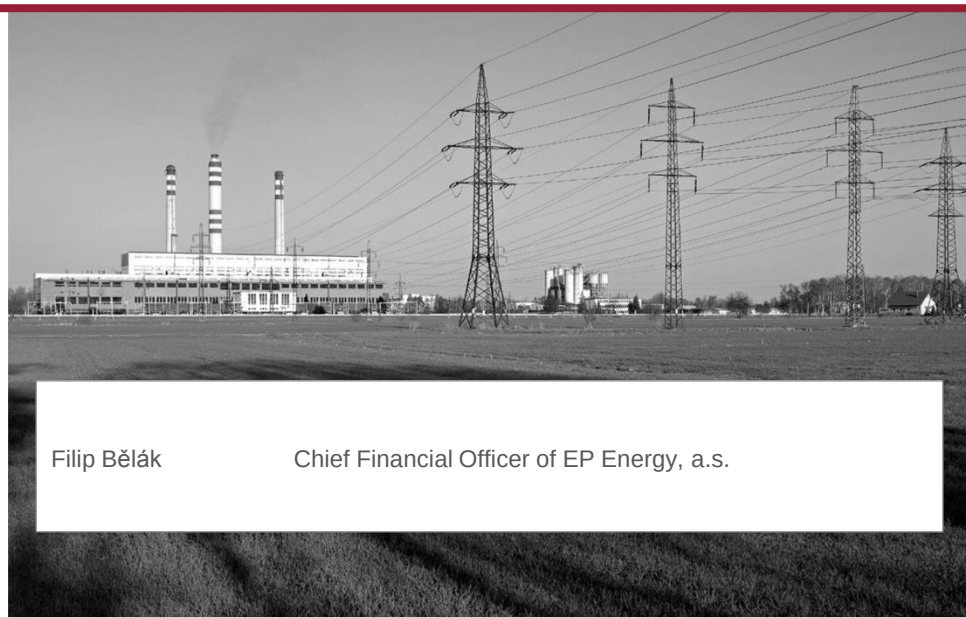


EP ENERGY

1H 2016 EP Energy Results Call

Prague, August 26, 2016



Filip Bělák Chief Financial Officer of EP Energy, a.s.

Disclaimer

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.

Many factors may cause our results of operations, financial condition, liquidity, reserves and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this Report.

These factors include, among others:

• negative or uncertain global and regional economic conditions;

• failure to implement our key strategies;

• in the supply of, or the unexpected increase in the price of, fuel and other raw materials, as well as transportation costs;

• reliance on a small number of suppliers in our power and heat business;

• failure to successfully integrate and manage acquired companies; and

• changes in laws or regulatory schemes.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this Report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this Report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Report. As a result, you should not place undue reliance on these forward-looking statements.

Financial indicators such as EBITDA or Net Debt are not defined terms in IFRS and do not represent the term EBITDA or Net Debt as may be defined by any documentation for any financial liabilities of the group.

This presentation should be read in conjunction with the “Report on the first half of the year 2016 for EP Energy, a.s.” as published on www.epenergy.cz

Summary of key results of EP Energy in 1H 2016

Pro forma consolidated results

- The **pro forma (also „PF“) consolidated sales** reached **EUR 1,928 million** and **PF adjusted EBITDA**[1] amounted to **EUR 322 million** for the Last Twelve Months („LTM“) as at June 30, 2016
- Indicative **PF net consolidated leverage ratio**[2] as of June 30, 2016 stood at **1.8x**

Historical consolidated results

- The **historical consolidated sales** (i.e. without pro forma effect of acquisitions, disposals and other adjustments) reached **EUR 960 million** and **EBITDA** amounted to **EUR 174 million** for the first half of 2016
- The **consolidated net debt** as of June 30, 2016 was **EUR 632 million**[3]

Other information

- Both pro forma and historical consolidated results exclude disposed Mining and Power generation operations in Germany and pro forma excludes results of disposed operations of Pražská teplárenská LPZ, a.s. (“LPZ”)
- EPE is required to treat the net proceeds from the disposal of German assets subject to the notes documentation. So far, the company applied approx. EUR 180 million to the repayment of its existing bank debt. The remaining proceeds can be applied to make acquire other assets or make a capex. EPE can also make an offer to repurchase the notes at par (collateral sale offer)

(1) 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 July 1, 2015 to November 30, 2015), (ii) a deconsolidation of share in LPZ disposed on June 1, 2016 using the full method of EBITDA consolidation (EUR 9 million for 2015, of which EUR 2 million relates to period July 1, 2015 to December 31, 2015, and EUR 7 million for period January 1, 2016 to June 1, 2016), (iii) exclusion of EBITDA of several minor entities that were disposed in 2016 and (iv) revenue relating to accounting for System Operations Tariff (“SOT”) at SSE in 2015. For full details of pro forma adjustments, please refer to slide 14 and to the “Report on the first half of the year 2016 for EP Energy, a.s.”

(2) This presentation includes the calculation as of June 30, 2016 of „Indicative Net Consolidated Leverage Ratio", as defined in the EP Energy Indentures. The calculation of 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 EP Energy.

(3) Please refer to slide 15 for details on calculation of net debt

Main events and effects driving the 1H 2016 results

Structural changes to EP Energy Group

- In December 2015 in relation to intended reorganization of EP Energy's parent company EP Infrastructure, a.s. („EPIF", formerly CE Energy, renamed to EPIF in April 2016), it was decided on an intention to sell-off the German mining and power generation assets, including among others MIBRAG, Saale Energie and Helmstedter Revier GmbH, („German assets") to EPH in order to reorganise the EPIF Group into infrastructure type of assets that will be mostly regulated and/or long-term contracted. As such, neither 1H 2016 EBITDA nor 1H 2015 EBITDA measure includes the EBITDA of discontinued German assets
- Intended sell-off of German assets was completed on April 1, 2016 resulting in proceeds of approximately EUR 493 million (of which EUR 337 million relates to settlement of intragroup loans and EUR 156 million represents equity fair value price for relevant shares)
- EPE disposed non-core entities in 2016 by means of sale for a total equity value of EUR 11 million (for details of transactions please see the Key development section in the Report on the six-month period ended June 30, 2016 for EP Energy, a.s.)
- Following to the completion of reorganization, Fitch affirmed EP Energy's Long-term Issuer Default Rating (IDR) at 'BB+' with outlook stable (BBB- for senior secured bonds)
- On June 1, 2016 PT sold its shareholding in LPZ to a third party for approx. EUR 71 million (CZK 1,920 million) subject to post-closing adjustments, which can increase the final price (post-closing adjustment is to be calculated based on working capital movement and once determined it is expected to be settled in 4Q 2016)

Main drivers behind the performance of the six-month period ended June 30, 2016 (1H 2016)

- Acquisition of Budapesti Erömü Zrt. („BERT") on December 10, 2015, which is a leading heat and power producer in Hungary, operating in the Budapest area, delivering 3.6 PJ of heat, generating 0.6 TWh of electricity and contributing EUR 23 million to EBITDA in 1H 2016
- Negative effect of a timing difference in System Operations Tariff („SOT") deteriorated SSE's EBITDA by EUR 22 million in 1H 2016 as compared to 1H 2015
- Improved performance of SSE in its core activities by EUR 18 million that is considered to partially level-off in H2 2016
- Slightly colder winter than in 1H 2015 (Day-degrees[1] were in 1H 2016 in the areas we operate approximately 3.0% higher compared to 1H 2015, however still lower than long-term average) that resulted in higher heat and power offtake. Declining power prices and simple spread accompanied with decreased free allocation of emission allowances had certain adverse effect on our results

(1) 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 EPE delivers heat

Key financial performance indicators of EP Energy

Overview

Consolidated financial results (m EUR)	1H 2015[1]	1H 2016
Sales	976	960
EBITDA[2]	160	174
Total assets		2,666
Total net debt[3]		632
CAPEX[4]	62[5]	46

Pro Forma adjusted figures (m EUR)	FY 2015 restated [6]	1H 2016
Pro forma adjusted LTM EBITDA	338	322

(1) Restated: Consolidated financial statements of EP Energy a.s. for the six-month period ended June 30, 2015 have been restated as the German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued
(2) EBITDA represents profit from operations plus depreciation and amortization 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 EP Energy
(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). 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. For detailed calculation of Net Debt calculation see appendix (slide 15)
(4) Excluding emission allowances and disregarding actual cash flows
(5) Capital expenditures for the six-month period ended June 30, 2015 totalled EUR 79 million, of which EUR 17 million relates to the German assets that were discontinued, therefore capital expenditures of EUR 62 million are presented only
(6) FY2015 figures have been restated in relation to LPZ disposal. For more detail refer to slide 9

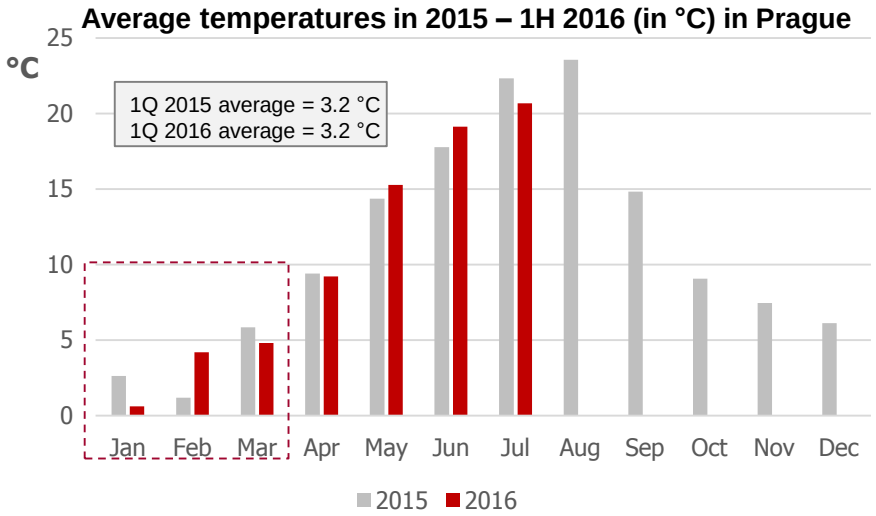
Commentary

- In 1H 2016, we report Pro forma adjusted LTM EBITDA of EUR 322 million
- Our 1H 2016 IFRS EBITDA reached EUR 174 million, which is an improvement of 9% compared to 1H 2015 (please refer to slide 8 for a detailed EBITDA bridge)
- CAPEX decreased by 26% due to CAPEX optimization and the fact that EOP incurred significant one-off capital expenditures in order to comply with the stricter emission targets set forth by the European Industrial Emissions Directive, of which majority was invested in 2015. On the other hand, EP Cargo acquired a new machinery for approx. EUR 4 million in 1H 2016

Key developments in the Heat Infra segment

Overview

	Unit	1H 2015[1]	1H 2016
Heat supplied	TJ	9,440	13,027
Power production	GWh	1,043	1,563
Space heating needs	Day – degrees[3]	1,792	1,838
Sales[2]	m EUR	229	303
EBITDA[2]	m EUR	80	100



Source: Internal analysis based on data from Czech Hydrometeorological Institute, temperatures measured in Prague, Libus

Commentary

- For 2016, Heat Infra segment accounted for approx. 57% of consolidated EBITDA (before intercompany eliminations and holding results)
- Heat supplied increased primarily due to acquisition of BERT on December 10, 2015 that produced 3.6 PJ in 1H 2016
- Power production volume was positively influenced by the acquisition of BERT that produced 579 GWh in 1H 2016. On the other hand, the Czech fleet decreased its power production in condensation mode due to lower power prices in 1H 2016
- EBITDA increased by EUR 20 million in 1H 2016 as compared to 1H 2015:
  - EBITDA was positively affected by (i) the acquisition of BERT that has contributed EUR 23 million to EBITDA and (ii) the slightly colder weather (3% increase in space heating needs measured in terms of day-degrees) which resulted in higher heat and power offtake (power produced in condensation mode)
  - EBITDA was negatively affected by lower power prices, lower power production in the Group's Combined Heat and Power ("CHP") plants, higher fuel costs and continuing decreases in allocated emission allowances in 2016 as compared to 2015

(1) Restated, Saale Energie and the HSR Group were classified as discontinued operation in 2015 and therefore they were excluded from the Heat Infra segment in 2015 and 2016
(2) Based on consolidated financial statements of EPE Group – Segment Heat Infra according to IFRS
(3) 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 EPE delivers heat

Key developments in the Power Distribution & Supply segment
(presented including 100% of SSE)

Overview

	Unit	1H 2015	1H 2016
Sales[1]	m EUR	817	716
EBITDA[1]	m EUR	79	73

Commentary

- In 2016, Power Distribution & Supply segment accounted for approx. 41% of consolidated EBITDA (before intercompany eliminations and holding results)
- The 1H 2016 results were primarily negatively impacted by SOT[2] timing difference of approximately EUR 22 million (see below). On the contrary, SSE's EBITDA was improved by approximately EUR 18 million resulting from improvement of its core business activities (which is considered partly temporary and it is expected to level off during 2H 2016). While the underlying SSE's business performance is stable, due to the temporary effect from SOT, annual 2016 EBITDA is assumed at the level of EUR 110 – 125 million with relevant negative impact on its cash flows
- Furthermore, EPET experienced a drop of EUR 2 million in its EBITDA largely due to lower trading activities. The drop in trading activities is driven mostly by one-off natural gas and power trading transactions in 1H 2015

Overview of SOT mechanism

- SSE-D, a subsidiary of SSE is, in its role of Distribution System Operator ("DSO"), obliged to purchase electricity from renewables at regulated prices, which are higher than market prices. The DSOs are then compensated through SOTs collected from the final electricity consumers. As per current regulation, any negative balance between the DSO's costs and the SOT revenues should be taken into account when assuming new tariffs
- For the period ended June 30, 2016, the SOT income statement impact amounted to negative EUR 38 million which is EUR 22 million worse compared to the period ended June 30, 2015. At the same time, 1H 2016 income statement impact includes EUR 37 million (1Q 2015 – EUR 27 million) of accrued revenue to be collected in 2017 (2015 – collected in 2016)

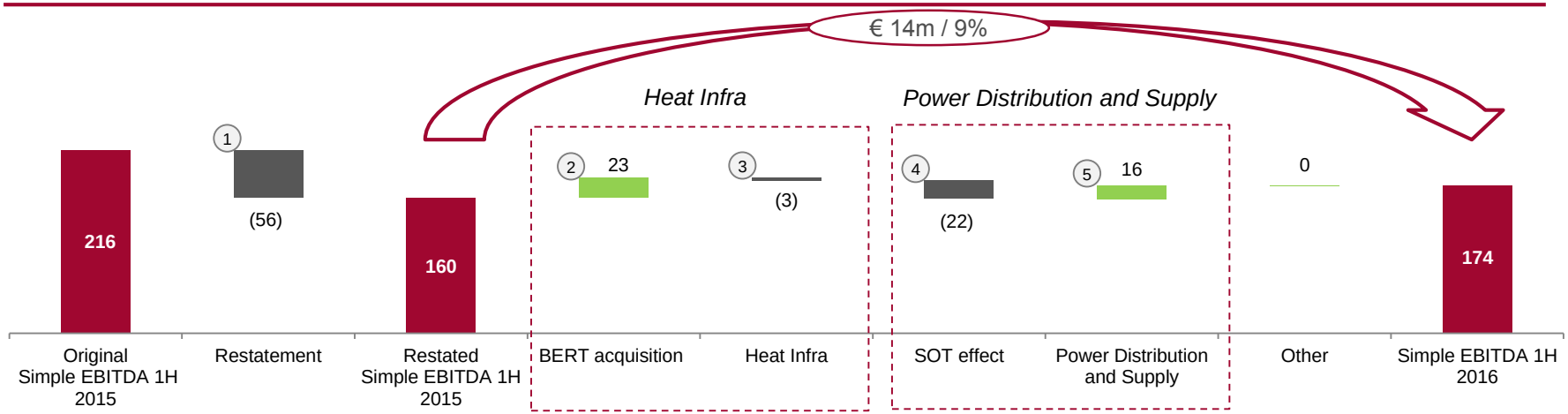
(m EUR)	1H 2015	1H 2016	Difference
SSE Simple EBITDA	69	65	(4)
SSE SOT I/S impact	(16)	(38)	(22)

- SSE continues to negotiate the situation with the Slovak regulator to accelerate cash collection relating to SOT
- SSE-D's distribution margin is relatively stable

(1) Based on consolidated financial statements of EPE Group – Segment Power distribution & Supply according to IFRS
(2) System Operations Tariff („SOT")

EP Energy indicative simple EBITDA bridge 1H 2016 vs. 1H 2015

Indicative EBITDA bridge[1] (m EUR)



(1) Restated: 1H 2015 Figures were restated due to the disposal of the German assets

(2) BERT was acquired on December 10, 2015, which resulted in a contribution to EBITDA of EUR 23 million in 1H 2016 (while EUR 18 million in 1H 2015 which is not included in the figures presented above)

(3) The results of the Heat Infra segment (in addition to effect (2)), was negatively affected by lower power prices, lower power production in the Group's CHP plants primarily in condensation mode, higher fuel costs and continuing decreases in allocated emission allowances in 2016 as compared to 2015, which was partly offset by slight increase in heat and power offtake (power produced in cogeneration mode) caused by colder weather (for more details, please see slide 6) and lower emission allowances consumption stemming from overall lower power production

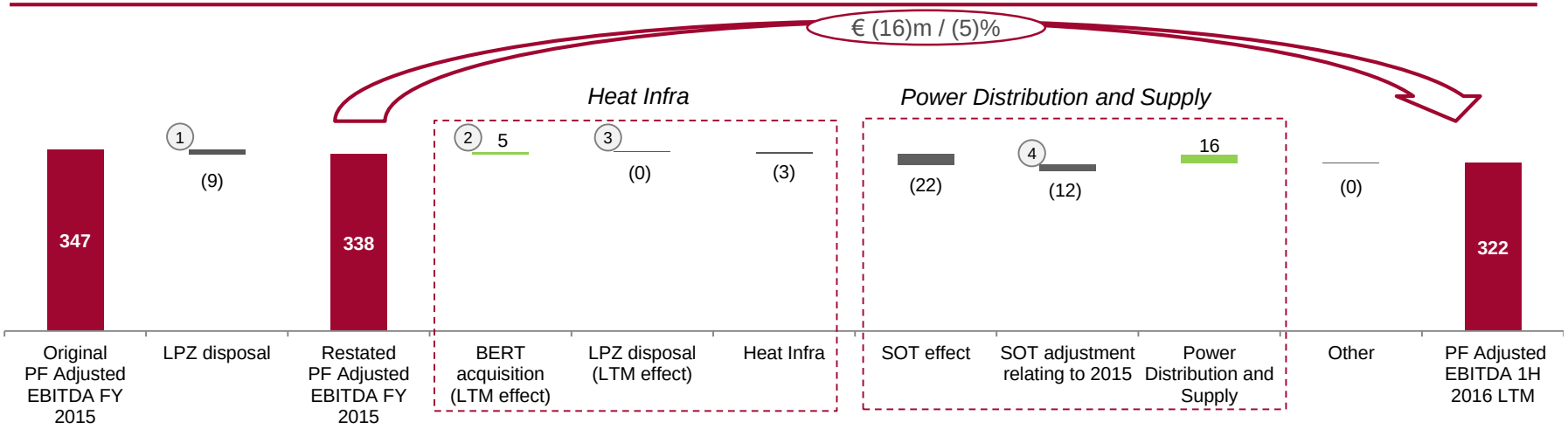
(4) The 1H 2016 results were primarily negatively impacted by SOT timing difference of approximately EUR 22 million (see slide 7)

(5) EBITDA of Power Distribution and Supply (in addition to effect (4)) was improved by EUR 16 million resulting from a partially temporary improvement of SSE's core business activities of EUR 18 million, which was offset by drop of EUR 2 million resulting mostly from lower power and natural gas trading at EPET in 1H 2016

(1) Figures might not add up due to rounding

EP Energy indicative PF adjusted LTM EBITDA bridge vs. FY2015

Indicative EBITDA bridge[1] (m EUR)



1 Restatement relating to LPZ disposal on June 1, 2016 in order to present like to like results

2 BERT was acquired on December 10, 2015, which resulted in a contribution to EBITDA of EUR 23 million in 1H 2016 (while EUR 18 million in 1H 2015), which translates into improvement of EUR 5 million on Pro forma adjusted LTM basis

3 LPZ was disposed on June 1, 2016, which resulted in a contribution to EBITDA of EUR 7 million in 1H 2016 (while EUR 7 million in 1H 2015), which translates into a zero impact on Pro forma adjusted LTM basis EBITDA

4 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. 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 LTM period ended June 30, 2016, historical financial performance of the EPE Group was adjusted downward by two quarters of the incremental revenue recorded in December 2015 (i.e. negative EUR 12 million)

The remaining effects are explained on previous slides

(1) Figures might not add up due to rounding

Subsequent events

- On July 1, 2016 EP Energy, a.s. completed an internal reorganisation process of Pražská teplárenská a.s. (“PT”), where real estate entities were spun-off from PT to a newly established sister company of PT called PT Real Estate, a.s.
- On July 26, 2016 SSE distributed first half of dividends, i.e. EUR 17 million was paid to the Slovak Republic and EUR 16 million to EP Energy. The other half of the dividend is expected to be paid in 4Q 2016

Wrap-up

- IFRS EBITDA of EP Energy reached EUR 174 million, which is EUR 14 million, or 9%, higher compared to the corresponding period of the last year. The Pro forma Adjusted EBITDA for the last twelve-month period ended June 30, 2016, reflecting full consolidation of SSE reached EUR 322 million compared to EUR 338 million for the fiscal year ended December 31, 2015
- The 1H 2016 results are primarily affected by:
  - Acquisition of BERT, a leading heat and power producer in Hungary based in the Budapest area
  - Stable underlying performance of SSE in 1H 2016 was negatively affected by timing difference resulting from System Operations Tariff („SOT“). SSE 2016 annual EBITDA assumed at the level of EUR 110 – 125 million with relevant negative impact on its cash flows
  - Declining power prices and simple spread accompanied with decreased free allocation of emission allowances had certain adverse affect on our results
- Activities and assets held by EP Infrastructure, a.s. („EPIF“), the parent company, were reorganized, which included disposal of German mining and power generation assets („German assets“) and shares in non-core entities for cash consideration
- On June 1, 2016 PT sold its shareholding in LPZ to a third party for approx. EUR 71 million (CZK 1,920 million) subject to post-closing adjustments, which can increase the final price (post-closing adjustment is to be calculated based on working capital movement and once determined it is expected to be settled in 4Q 2016)
- Following to the completion of reorganization, Fitch affirmed EP Energy’s Long-term Issuer Default Rating (IDR) at ‘BB+’ with outlook stable (BBB- for senior secured bonds)
- As previously announced, on May 2, 2016 EPE declared a cash dividend of EUR 40 million which is expected to be settled in September 2016
- EPE is required to treat the net proceeds from the disposal of German assets subject to the notes documentation. So far, the company applied approx. EUR 180 million to the repayment of its existing bank debt. The remaining proceeds can be applied to make acquire other assets or make a capex. EPE can also make an offer to repurchase the notes at par (collateral sale offer)

Q&A

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Appendix – key operating performance indicators

Overview

Operating performance[1] (EPE excluding SSE)	Unit	1H 2015	1H 2016	Change
Installed cogeneration capacity	MW_e	500	904	404
Installed condensation capacity	MW_e	360	360	–
Installed heat capacity[2]	MW_{th}	3,195	3,228	33
Power produced	GWh	1,043	1,563	520
Grid balancing services	GWh	730	1,166	436
Heat supplied	TJ[3]	9,440	13,027	3,587
Power supplied	GWh	903	1,166	263
Natural gas supplied	GWh	770	1,014	244

Operating performance of SSE[1]	Unit	1H 2015	1H 2016	Change
Power supplied	GWh	1,985	1,999	14
Natural gas supplied	GWh	195	170	(25)
Power distributed	GWh	2,959	2,999	40

Commentary

- Installed cogeneration and heat capacities increased by 406 MWe and 558 MWth respectively, due to acquisition of BERT, while the Installed condensation capacity remained at the same level. In addition, disposed shareholding in Pražská teplárenská LPZ, a.s. ("LPZ") operated installed heat capacity of 525 MWth and installed cogeneration capacity of 2 MWe
- Power produced increased by 50%, the increase is primarily attributable to acquisition of BERT in December 2015 that produced 579 GWh, of which 535 GWh in cogeneration mode, in 1H 2016
- Grid balancing services increase of 60% reflects primarily acquisition of BERT, generating 267 GWh in 1H 2016, and partially a higher success rate in winning tenders for these services in the Czech Republic
- Heat supplied increase of 38% is primarily attributable to acquisition of BERT, that supplied 3.6 PJ in 1H 2016.
- Natural gas supplied increased by 32%, which is mainly driven by additional customer base obtained by EPET through its acquisition of Optimum Energy, a.s. in August 2015
- Power supplied and power distributed by SSE remained stable

(1) 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. 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 half 2016 only. Similarly, the six-month period ended June 30, 2016 includes operations of Pražská teplárenská LPZ, a.s. ("LPZ") for five months only as it was disposed on June 1, 2016. Specifically, installed capacity (i) as of June 30, 2016 includes capacity of BERT and does not include capacity of LPZ and (ii) as of June 30, 2015 does not include capacity of BERT and includes capacity of LPZ

(2) Installed heat capacity on heat exchangers

(3) 1 TJ = 0,2778 GWh

Appendix – Pro forma adjusted EBITDA calculation

EP Energy *(SSE on 100% basis)*

- 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
  - 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 FY2015, of which negative EUR 1 million relates to period July 1, 2015 to November 30, 2015)
  - a deconsolidation of share in LPZ disposed on June 1, 2016 using the full method of EBITDA consolidation (EUR 9 million for 2015, of which EUR 2 million relates to period July 1, 2015 to December 31, 2015, and EUR 7 million for period January 1, 2016 to June 1, 2016)
  - exclusion of EBITDA of several minor entities that were disposed in 2016
  - revenue relating to accounting for System Operations Tariff (“SOT”) at SSE in 2015

- Pro Forma Adjusted EBITDA calculation:

Pro Forma Adjusted EBITDA calculation	LTM June 30, 2016 (m EUR)
Actual IFRS EBITDA 1-6 / 2016	174
Actual IFRS EBITDA 1-12 / 2015	331
Actual IFRS EBITDA 1-6 / 2015	(160)[1]
LTM Simple EBITDA	**345**
BERT Pro Forma Adjustment	(1)
LPZ Pro Forma Adjustment	(9)
System Operations Tariff adjustment	(12)
Adjustment for other minor disposals	(1)
LTM Adj. Pro forma EBITDA	**322**

(1) Restated: Consolidated financial statements of EP Energy a.s. as of and for the six-month period ended June 30, 2015 have been restated as the German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued

Appendix – Other

2015 Financial statements restatement

- 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 through restatement of comparatives as discontinued operations as of and for the for the six-month period ended June 30, 2015. Gain on disposal of these operations is presented as Gain (loss) on disposal of subsidiaries, special purpose entities and associates in the statement of comprehensive income for the six-month period ended June 30, 2016 (i.e. does not affect EBITDA)

Net Debt calculation

- 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). 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 as of June 30, 2016		**m EUR**
Loans and borrowings (non-current)	*add*	1,126
Financial instruments and financial liabilities (non-current)	*add*	16
Loans and borrowings (current)	*add*	31
Financial instruments and financial liabilities (current)	*add*	1
Cash and cash equivalents	*less*	542
Net Debt as of June 30, 2016		**632**

- The 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 EP Energy