Report on the first quarter of the year 2015 for EP Energy, a.s.[1]

- ✓ Consolidated sales reached EUR 670 million
- ✓ Consolidated EBITDA totaled EUR 164 million
- ✓ Consolidated pro forma adjusted EBITDA for last twelve months amounted to EUR 469 million
- ✓ Indicative Net Consolidated Leverage Ratio amounted to 2.28x

- ✓ In May 2015, Fitch affirmed EP Energy’s Long-term Issuer Default Rating (IDR) at ‘BB+‘ with outlook stable

EP Energy, a.s. (”group or Group or EPE or EPE Group“) is a vertically integrated energy utility that includes 86 companies. In 2014 the Group was the leading heat supplier to final consumers in the Czech Republic, the second largest power generator in the Czech Republic, the second largest electricity distributor and supplier in the Slovak Republic and the third largest mining company in Germany. 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, the Slovak Republic and Germany.

[1] This report is also intended for bondholders of CE Energy, a.s.

KEY FIGURES AT A GLANCE

Consolidated financial results in EUR millions

	1-3 2014	1-3 2015
Sales	649.7[10]	669.9
EBITDA[1]	150.4[10]	163.9
Pro forma Adjusted EBITDA (last twelve months)[2]		469.2
Total net debt per financial statements[3]		1,091.7
Indicative EP Energy Net Consolidated Leverage Ratio [4]		2.28x
Profit from operations	80.7[10]	96.3
Profit before tax	69.3	77.1
Net profit attrib. to EP Energy equity holders	41.9	41.0
Total assets		3,704.4
CAPEX[5]	16.3	23.8

Physical units (EPE excluding SSE)

	1-3 2014	1-3 2015
Coal production .... Mt	5.6	4.8
Installed *cogeneration* Capacity[6].... MW_e	500	500
Installed *condensation* Capacity[6] .. MW_e	750	750
Installed heat capacity[6,9] .... MW_{th}	3,195	3,195
Heat supplied[6,7] .... TJ[8]	6,647	6,983
Power produced[6]............................ GWh	1,545	1,365
Power traded[6] .... GWh	3,788	5,917
Power supplied[6] .... GWh	517	471
Natural gas supplied[6] .... GWh	1,014	500
Saale Energie – Installed capacity .. MW_e	400	400

Physical units SSE

	1-3 2014	1-3 2015
Power distributed .... GWh	1,605	1,629
Power traded .... GWh	1,559	1,946
Power supplied .... GWh	1,192	1,117
Natural gas supplied .... GWh	79	138
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 2015	163.9
Actual IFRS EBITDA for the period January – December 2014	454.5
Actual IFRS EBITDA for the period January – March 2014	(150.4) [(10)]
Simple EBITDA (last twelve months)	**468.0**
System Operations Tariff adjustment	(10.4)
Pro forma EPC scope adjustment for period April – July 2014	1.3
Saale Energie adjustment for period April 2014 – March 2015	10.3
Pro forma Adjusted EBITDA (last twelve months)	**469.2**

To derive Pro forma Adjusted EBITDA for the period from April 1, 2014 to March 31, 2015, EPE utilized EPE Group IFRS consolidated financial statements as of and for the year ended December 31, 2014 (EBITDA of EUR 454.5 million) and EPE Group condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015 (EBITDA of EUR 163.9 million) with the three-month period ended March 31, 2014 (EBITDA of 150.4 million [(10)]) 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 exclude effect of the items related to Saale Energie, which lead to an EUR 10.3 million decrease to EBITDA in the twelve-month period ended March 31, 2015, which, due to the accounting treatment of the specific contractual arrangement with Schkopau (an associate of Saale Energie), are charged to operating costs of Saale Energie but relate to entries that would otherwise not be included in EBITDA.

The historical financial information of the EPE Group have been further adjusted to reflect a consolidation of a 60% share in EP Cargo a.s. (also “EPC”) using the full method of EBITDA consolidation (EUR 3.7 million for the twelve-month period ended March 31, 2015, of which EUR 1.3 million relates to period April 1, 2014 to July 31, 2014, i.e. pre – acquisition period).

In addition, the historical financial performance of the EPE Group have been adjusted for negative EUR 10.4 million of revenue relating to accounting for System Operations Tariff (“SOT”) at SSE in 2014. SSE is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries (“URSO”) and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by URSO 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 2013 the SOT was not sufficient to cover incurred green energy costs as a result of which SSE incurred overall loss from these transactions. In December 2014 SSE received a statement from URSO confirming the amount of a compensation to be paid in 2015 in relation to 2013 SOT loss. As a result of this statement, in December 2014 SSE recorded revenues and accrued income of EUR 41.5 million representing the confirmed compensation to be collected in 2015. In previous periods no accrued income could have been recorded by SSE because the regulatory system worked differently and the IFRS criteria for revenue recognition were not met. Beginning January 2015 SSE has been accruing revenue for the previous year’s SOT related loss on monthly basis. 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 31 March 2015 historical financial performance of the EPE Group was adjusted downward by one quarter of the 2014 recorded accrued income (i.e. EUR 10.4 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 (EUR 1,323.1 million) plus Total Financial instruments and financial liabilities (EUR 0.7 million) less Cash and cash equivalents (EUR 219.5 million) less liabilities towards Pražská teplárenská Holding a.s. (also "PTH") of EUR 12.6 million). 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)

		1-3 2015
Loans and borrowings (non-current)	*add*	1,266.9
Financial instruments and financial liabilities (non-current)	*add*	0.0
Loans and borrowings (current)	*add*	56.2
Financial instruments and financial liabilities (current)	*add*	0.7
PTH liability	*less*	12.6
Cash and cash equivalents	*less*	219.5
Net Debt		**1,091.7**

(4) We include in this report the calculation as of March 31, 2015 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.

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

(6) 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. Nevertheless, operating data for MIBRAG and Saale Energie are excluded.

(7) Represented by Elektrárny Opatovice, a.s. (also "EOP"), Severočeská teplárenská, a.s. (also "ST"), Plzeňská energetika a.s. (also "PE") and Pražská teplárenská a.s. (also "PT").

(8) 1 TJ = 0,2778 GWh.

(9) Installed heat capacity on heat exchangers.

(10) Restated: Fair value of derivatives where the underlying asset is a commodity (trading derivatives) is presented as part of Total sales instead of being recognised as profit or loss from financial operations as described in the Notes to the unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015. Data for the three-month period ended March 31, 2014 were restated with impact of positive EUR 2.4 million on Total sales, Profit/(loss) from operations, EBITDA and Pro forma adjusted EBITDA.

Difference between consolidation scope for 1Q 2014 and 1Q 2015 is described later in section: "Key factors affecting comparability of the results of operations of the EPE Group".

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Attachments:

EP Energy, a.s. - Unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015 are presented in a separate file as an attachment to this report

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

Dear investors, customers and partners,

Our first quarter 2015 IFRS EBITDA reached EUR 164 million, which is in comparison to the first quarter 2014 higher by approximately 9%. The Pro forma Adjusted EBITDA for the last twelve-month period ended March 31, 2015, reflecting full consolidation of SSE, reached EUR 469 million as compared to EUR 467 million for the fiscal year ended December 31, 2014.

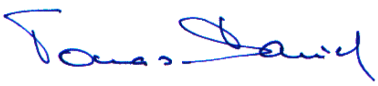
Our business operations, particularly in the Power Distribution and Supply segment, were positively influenced by improved business performance of power distribution and trading activities as well as by positive effect of accounting for compensation of regulatory charges relating to green energy subsidies to renewable energy producers in the central Slovakia region (paid by SSE and later reimbursed by the system operator). In December 2014 Stredoslovenská energetika recorded accrued income of EUR 42 million representing a compensation confirmed by the regulator for 2013, which from the business perspective related to the whole year 2014, whereas the financial effect was captured solely to the last quarter of 2014. At the same time, since January 1, 2015, SSE has been linearly accruing for 2014 compensation as opposed to the first quarter of 2014 where no such compensation was accrued. This timing inconsistency was reflected as an adjustment in the Pro forma Adjusted EBITDA for the twelve-month period ended March 31, 2015, to ensure a comparability of results.

On the other hand, Mining segment results have been influenced by windy weather in Germany during the first quarter of 2015 which reflected in temporarily decreased off-take from Mibrag's two major customers – power plants Lippendorf and Schkopau. Heat and power segment's performance declined as a result of lower power prices, expiration of beneficial power purchase agreement at HSR and lower allocation of free emission allowances. Overall, despite not particularly strong winter, Heat and Power segment reported 7% higher heat sales compared to the previous period.

As previously announced, to react on the pressure from external factors, we continue our operating expenses and capital expenditure cuts program. The first impacts materialized already in 2014 results with expected savings up to EUR 20 million per year ramping up based on particular deployment of specific savings and optimization measures.

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 development

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 3.9%, year-on-year, in the first quarter 2015 and rose by 2.8% in the first quarter 2015 compared to the previous quarter. The considerably positive development of GDP was driven by continuing development of almost all industries of manufacturing, especially manufacture of motor vehicles and other transport equipment as well as production of machinery and equipment.

According to estimates of the Federal Statistical Office (Destatis) the German gross domestic product adjusted for price, seasonal, and calendar effects increased by 1.0%, year-on-year, in the first quarter 2015 and increased by 0.3% in the first quarter 2015 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 2.9%, year-on-year, in the first quarter 2015 and increased by 0.8% in the first quarter 2015 compared to the previous quarter.

The outlook for the economy development remains rather uncertain. Nevertheless, according to the Czech National Bank[2], the Czech GDP should increase by 2.6% in 2015 and the European Commission (also "EC")[3] expects German GDP to grow by 1.9% and the Slovak GDP by 3.0% in 2015.

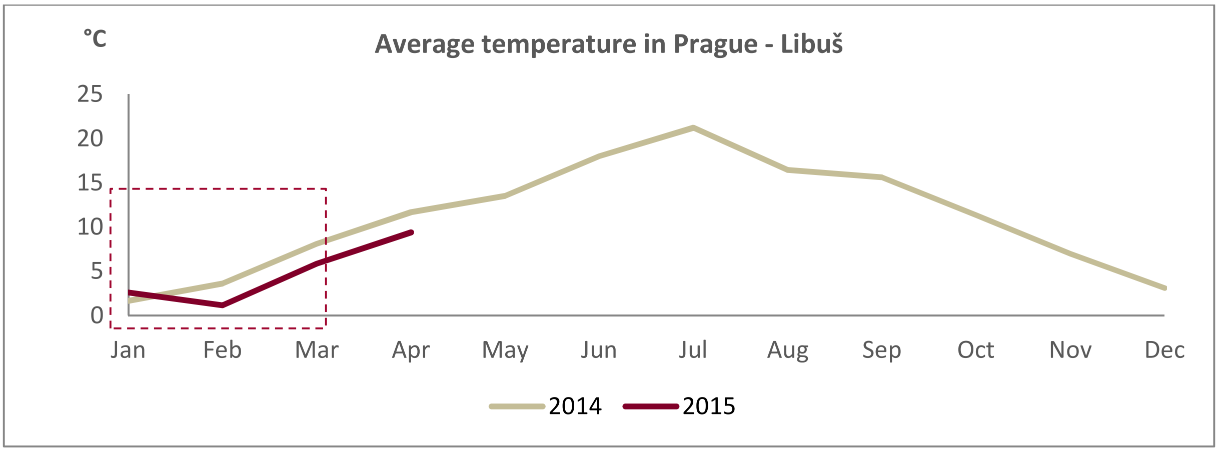
Weather:

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 2015 was slightly colder than the comparative period that was unusually warm. 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 year-to-year 7.6% higher.

For better illustration, the average temperature in Prague was 3.2 °C in the first quarter 2015 as compared to 4.5 °C in the first quarter 2014.

[2] the most recent forecast published on May 5, 2015
[3] the most recent forecast published on May 5, 2015



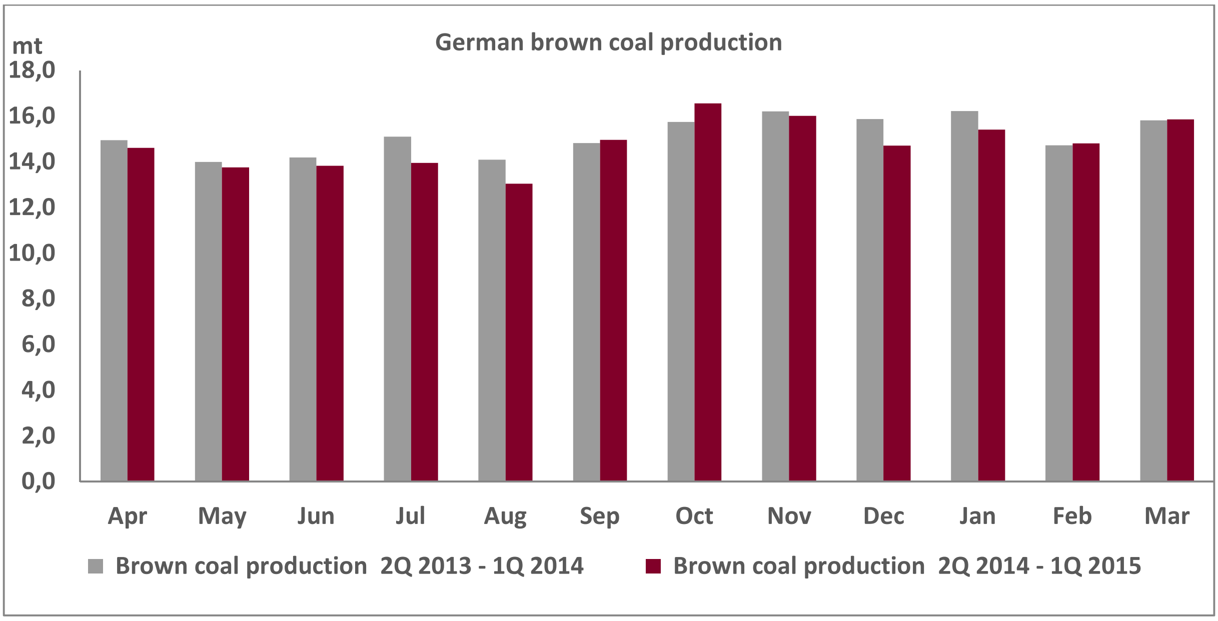
Note: Monthly average calculated from daily averages obtained by ČHMÚ (Czech Hydrometeorological Institute)

German brown coal market:

Unlike hard coal, brown coal is not a commodity traded on international markets and, therefore, brown coal prices and production volumes are less dependent on market developments compared to other fuels. Brown coal production is rather driven by local demand of several power plants, mainly due to relatively high transportation costs and specific design of such power plants to utilize a certain quality of brown coal. Since brown coal is usually sold under long term contracts, the prices of brown coal are typically driven by escalation formulas specified in such contracts. Overall, brown coal is a comparatively cheap fuel, which secures better position of brown coal fuelled power plants in the power generation merit order compared to other fossil fuels such as hard coal, gas or oil. The favorable merit order position translates to a relatively stable share of brown coal on German power generation of around 25%.

Overall brown coal production in Germany slightly decreased from 46.7 million tons in the first quarter 2014 to 46.1 million tons in the first quarter 2015, i.e. by 1.3% according to the statistics of Kohlenwirtschaft e.V.

Through our German subsidiary, MIBRAG, we produce and sell brown coal in Central Germany. MIBRAG is the third largest producer of brown coal in Germany with a total annual production of approximately 20.9 million tons. Our two biggest customers (Lippendorf and Schkopau) are efficient, state-of-the-art power plants operating in base load and both well positioned in the German power merit order. This could be demonstrated by a stable demand of our customers, despite temporary and unexpected partial decline in demand due to unfavorable power prices because of extremely windy weather in the first quarter 2015. Furthermore, we sell our brown coal based on long term contracts with a high degree of price stability, which mainly depends on indexation related to mining costs, such as labor costs increases. Our three major contracts last until 2039, 2021 and 2022 respectively.



Source: Kohlenwirtschaft e.V.

Heat market:

The group heat business is concentrated in the Czech Republic, 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.

Heat prices are based on a "costs plus reasonable profit" mechanism, required by the legislation and regulation by the independent Energy Regulatory Office, 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 Energy Regulatory Office.

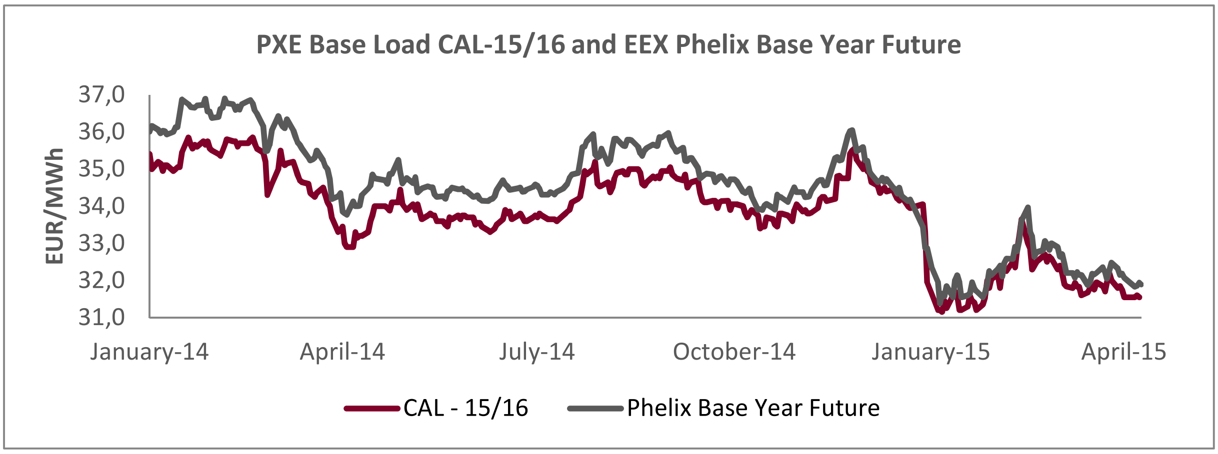
Electricity and CO2 market:

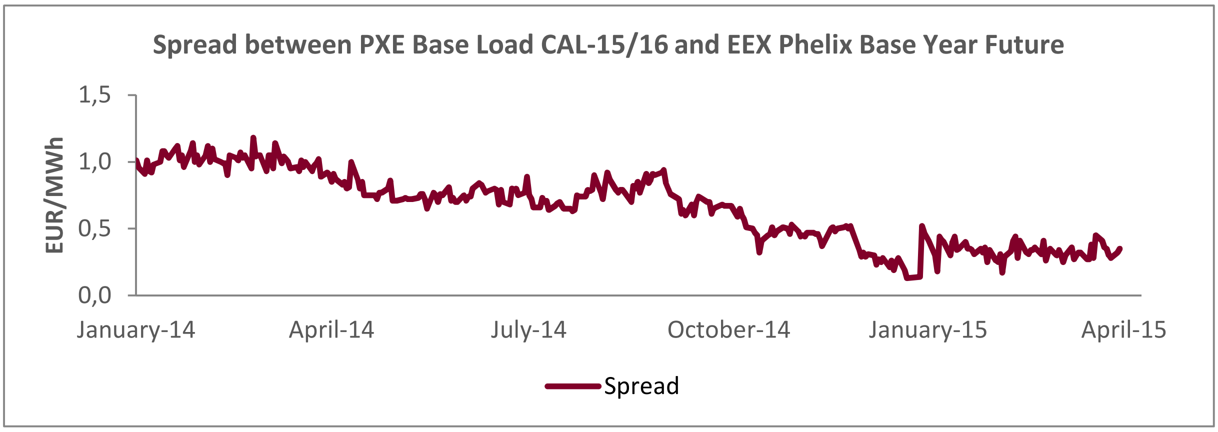
During the entire year 2014 and the first quarter of 2015 power and EU Allowance ("EUA") prices remained under pressure due to low prices of hard coal and renewable energy production. In the first quarter 2015 the 1-year forward electricity prices on the European Energy Exchange (also "EEX") dropped in base load to EUR 32.3 per MWh (compared to EUR 36.1 per MWh year ago) and peak load dropped to EUR 41.1 per MWh (compared to EUR 46.5 per MWh year ago), representing a decrease for the base load and peak load prices of 10.5% and 11.6% respectively.[4]

[4] 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)

EUA with spot delivery was traded at average around EUR 7.0 per ton in the first quarter 2015[5], which represents substantial increase of the y-t-y prices 19.8%.

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 0.2 and 0.5 EUR/MWh during the first quarter 2015. The low spreads encourage cross border trading and, vice versa, the liquidity of the Czech market increases.





Source: PXE Base Load CAL15 and CAL16; EEX Phelix Base Year Future.

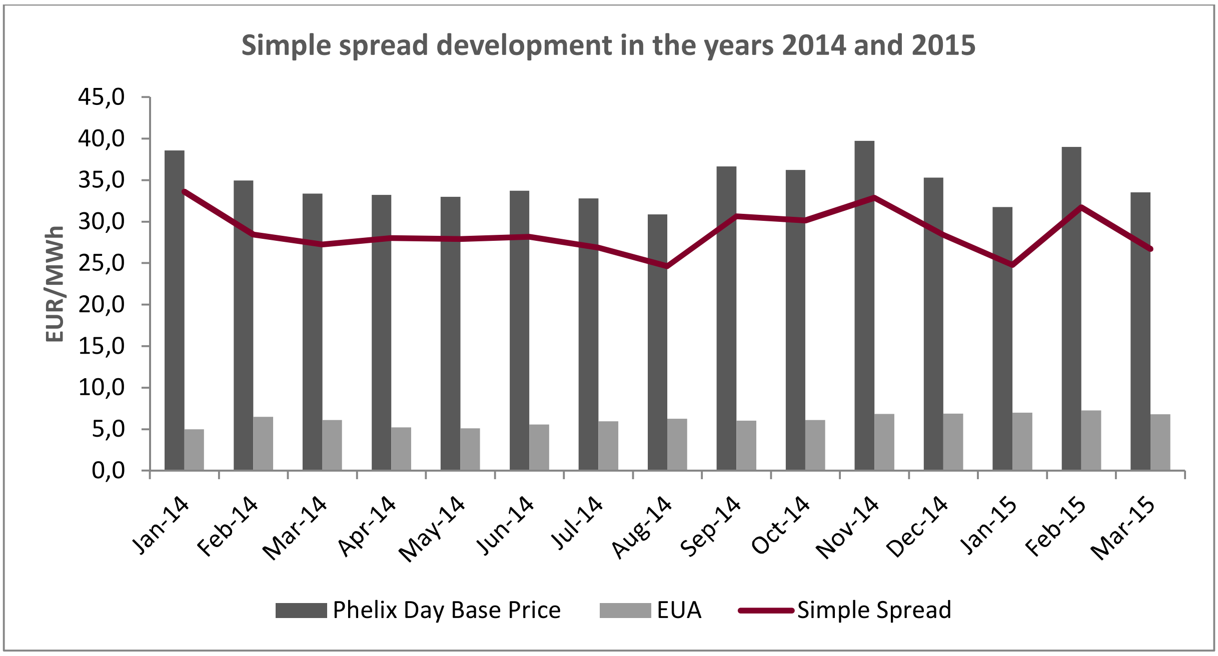
On the Czech market, electricity production from cogenerating units benefits from regulatory support. The CZK 200[6] is received as subsidy for each MWh produced in highly efficient cogeneration mode.

Additionally, producers supplying their power production directly to distribution grids benefit from the subsidy of CZK 9 for one MWh delivered, which applied to our entire power production in the Czech Republic.

These two subsidies accounted for EUR 2.0 million in the first quarter 2015 as compared to EUR 2.0 million in the first quarter 2014.

[5]Source: Thomson Reuters: EEX-EUSP3-SPOT, simple average
[6]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.

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.

Key developments in the first quarter 2015

On 14 August 2014 the sole shareholder of EPE decided on a non-cash decrease of share capital by EUR 243 million to optimise the Company's capital structure. The decrease of share capital was entered into the Commercial register and became effective on 5 February 2015. As at the same date, a principal of a short-term loan granted by EP Energy, a.s. of EUR 60 million was offset with a receivable relating to the decreased registered capital. The remaining portion of the parent company's receivable from the decreased capital of EUR 183 million was ceded by CE Energy, a.s. to Energetický a průmyslový holding, a.s. as at the same date. Subsequently, a payable of EP Energy, a.s. to Energetický a průmyslový holding, a.s. amounting to EUR 183 million was fully offset with a loan previously granted to Energetický a průmyslový holding, a.s.

In January 2015, CEE drew a new bank loan from UniCredit Bank Czech Republic and Slovakia, a.s. ("the Bank") totaling EUR 75 million, which was used to purchase CEE bonds in the same amount. On 11 March 2015, the bonds were cancelled. The Bank's security is at the same level as that of the existing CEE bond holders.

In February 2015 the European Court of Justice issued preliminary ruling on gas emission allowances taxation in the Czech Republic. The Czech Republic levied a gift tax at a rate of 32% on greenhouse gas emission allowances acquired free of charge for electricity production. The European Court of Justice concluded that European law (namely Article 10 of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003) precludes the imposition of such tax if it does not respect the 10% ceiling on the allocation of emission allowances for consideration laid down in cited article. The Supreme Administrative Court of the Czech Republic is now obliged to apply this preliminary ruling and to determine an amount in which the tax shall be refundable. Following the Supreme Administrative Court ruling that is expected to be issued this year, the other public authorities (courts, tax offices) should conclude all disputes regarding the tax payment in such a way that the tax shall be refunded (in the amount set by the Supreme Administrative Court ruling). With respect to the EPE Group the refund might be in the region of up to EUR 18 million.

Subsequent events

On April 1, 2015 EP CARGO POLSKA s.a. was established.

On April 2, 2015 Reatex a.s. was removed from the Commercial register.

On 28 April 2015, CE Energy entered into a loan agreement as a borrower with UniCredit Bank Czech Republic and Slovakia, a.s. ("UNI") as a lender ("CEE UNI Loan Agreement"). The CEE UNI Loan Agreement provides for a loan of up to EUR 100 million for the main purpose of refinancing a EUR 75 million loan between CEE and UNI and for financing of repurchase of the CEE bonds by CE Energy.

As of the date of this report, CEE purchased additional EUR 19.5 million of CEE bonds, which have not yet been cancelled. The purchase was funded by a loan under CEE UNI Loan Agreement.

On May 27, 2015 CEE received EUR 35 million of cash dividends from EP Energy. At the same time, CEE declared a non-cash dividend of app. EUR 16 million to EPH and EP Energy declared a non-cash dividend of app. EUR 12 million to CEE. These non-cash dividend declarations shall be utilized to carry out specific non-cash settlement of intercompany liabilities and receivables between EPH, CEE and EPE.

Except for the matters described above and elsewhere in the Report, the EP Energy a.s.'s management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as at March 31, 2015.

EP Energy, a.s. (the "Company") Report on the first quarter of 2015

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, 2015.

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 first quarter ended March 31, 2015 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.

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In addition, the historical financial performance of the EPE Group have been adjusted for EUR 10.4 million of revenue relating to accounting for System Operations Tariff ("SOT") at SSE in 2014. SSE is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries ("URSO") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by URSO 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 2013 the SOT was not sufficient to cover incurred green energy costs as a result of which SSE incurred overall loss from these transactions. In December 2014 SSE received a statement from URSO confirming the amount of a compensation to be paid in 2015 in relation to 2013 SOT loss. As a result of this statement, in December 2014 SSE recorded revenues and accrued income of EUR 41.5 million representing the confirmed compensation to be collected in 2015. In previous periods no accrued income could have been recorded by SSE because the regulatory system worked differently and the IFRS criteria for revenue recognition were not met. Beginning January 2015 SSE has been accruing revenue for the previous year's SOT related loss on monthly basis. 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 31 March 2015 historical financial performance of the EPE Group was adjusted downward by one quarter of the 2014 recorded accrued income (i.e. EUR 10.4 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.

After the listing of the Notes on the Irish Stock Exchange, the EPE Group has begun to report segment information in accordance with IFRS 8 Segment Reporting (starting with the 2012 annual consolidated financial statements). Since we did not previously report segment information using IFRS 8 rules, it may be difficult to compare our segment data with our "line of business" data previously reported elsewhere.

We present EBITDA, Pro forma Adjusted EBITDA and certain other financial measures and ratios because we believe these financial measures may enhance an investor's understanding of the profitability and cash flow generation of our business that could be used to service or pay down debt, pay income taxes and for other uses, and because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies generally. We use EBITDA and Pro forma Adjusted EBITDA to assess our performance. EBITDA and Pro forma Adjusted EBITDA are not measures calculated in accordance with IFRS and our use of the terms EBITDA and Pro forma Adjusted EBITDA may vary from others in our industry. EBITDA and Pro forma Adjusted EBITDA differ from Consolidated EBITDA and Adjusted EBITDA as may be defined in the Indenture. EBITDA and Pro forma Adjusted EBITDA should not be considered as an alternative to "Sales: energy," "Sales: other," "Gross profit," "Profit/(loss) from operations," "Cash generated from (used in) operating activities" or any other performance measure derived in accordance with IFRS.

Although we believe EBITDA, Pro forma Adjusted EBITDA and other certain financial measures and ratios to be useful performance indicators for our group as a whole and certain of our segments, we believe that such measurements may not accurately reflect our results of operations, and may not serve as accurate performance indicators, of our Power Distribution and Supply segment due to the implementation of our power optimization strategy in this segment.

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, 2014: CZK 27.441 per EUR 1.000
- Three-month period ended March 31, 2015: CZK 27.624 per EUR 1.000

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

- As of December 31, 2014: CZK 27.725 per EUR 1.000
- As of March 31, 2015: CZK 27.530 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 2014**	**1-3 2015**
EOP	Fully consolidated	Fully consolidated
UE	Fully consolidated	Fully consolidated
PT	Fully consolidated	Fully consolidated
PE	Fully consolidated	Fully consolidated
JTSD/MIBRAG	Fully consolidated	Fully consolidated
Saale Energie	Fully consolidated	Fully consolidated
EPET	Fully consolidated	Fully consolidated
SSE	Fully consolidated	Fully consolidated
HSR	Fully consolidated	Fully consolidated
EP Cargo, a.s.	Not included	Fully consolidated (from the balance sheet perspective since July 31, 2014; operations fully consolidated since August 1, 2014).

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, 2014[7] 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.

[7] Published on April 30, 2015

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 with operations across the entire energy value chain, focusing on brown coal production, heat and power generation, and distribution as well as energy supply and trading. Our principal operations are in the Czech Republic, Germany and the Slovak Republic. We are among the ten largest industrial groups in the Czech Republic in terms of EBITDA and the third-largest brown coal mining company in Germany by tonnage mined. For the first quarter 2015, the EPE Group consolidated sales reached EUR 670 million and consolidated EBITDA reached EUR 164 million. A significant part of our business comes from regulated industries (i.e., heat, power distribution and renewable energy) and business contracted through long-term agreements with a stable customer base (i.e., mining and a part of our power generation business), which we believe provides us with stability of cash flows and visibility of future performance.

Principal operating subsidiaries of the EPE Group

The EPE Group’s principal operating subsidiaries are Mitteldeutsche Braunkohlengesellschaft mbH (“MIBRAG”), Elektrárny Opatovice, a.s. (“EOP”), Pražská teplárenská a.s. (“PT”), United Energy, a.s. (“UE”), Saale Energie GmbH (“Saale Energie”), Helmstedter Revier GmbH (“HSR”), EP ENERGY TRADING, a.s. (“EPET”) and Stredoslovenská energetika, a.s. (“SSE”). MIBRAG operates in the Mining segment, while EOP, PT, UE, Saale Energie and HSR operate in the Heat and Power segment and EPET with SSE operate in the Power Distribution and Supply segment. Together these subsidiaries accounted for the vast majority of the EPE Group’s sales and EBITDA in the first quarter 2015.

For a list of EPE’s other subsidiaries and minority interests, see Note 34 to EPE’s unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015.

EPE operating segments

The Group operates in five reportable segments: Mining, Heat and Power, Power Distribution and Supply, Renewables and Other. Mining, Heat and Power and Power Distribution and Supply are the core segments of the Group.

Mining:

The Mining segment, represented mainly by Mitteldeutsche Braunkohlengesellschaft mbH (“MIBRAG”), produces brown coal, which it supplies to power plants under long-term supply agreements. The two biggest customers – the Lippendorf and Schkopau-power plants – are highly efficient, state-of-the-art power plants operating in base load and are well positioned in the German power merit order.

Heat and Power:

The Heat and Power 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 Saale Energie GmbH purchased in 2012, which owns 41.9% of the Schkopau-power plant representing a beneficial use right over 400 MW of the plant´s total capacity of 900 MW. In December 2013, the EPE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant with an installed capacity of 390 MW.

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 and Power 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 Coal Trading, a.s. and EP Cargo a.s. (acquired on July 31, 2014).

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 one wind farm in Germany at MIBRAG, two solar power plants in Slovakia, and a biogas facility in Slovakia.

Other:

The Other segment mainly represents EP Energy, a.s. The segment profit therefore primarily represents dividends declared by its subsidiaries and results from acquisition accounting.

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 EP Energy Group or the ownership share of the EPE Group in each entity (unless stated otherwise). Nevertheless, operating data for Saale Energie GmbH are excluded.

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, 2015 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, 2014	2015
Total sales[(1)]		
Mining	107.7	102.0
Heat and Power	207.7	200.0
Power Distribution and Supply	397.5	442.0
Renewables	1.5	1.7
Other	0.7	0.7
Total segments	715.1	746.4
Intersegment eliminations	(65.4)	(76.5)
Consolidated data	**649.7**	**669.9**
Depreciation and amortization		
Mining	(26.0)	(23.9)
Heat and Power	(28.2)	(25.6)
Power Distribution and Supply	(14.6)	(17.4)
Renewables	(0.9)	(0.7)
Other	(0.0)	(0.0)
Total segments	(69.7)	(67.6)
Intersegment eliminations	(0.0)	(0.0)
Consolidated data	**(69.7)**	**(67.6)**
Profit/(loss) from operations[(1)]		
Mining	15.8	11.8
Heat and Power	44.8	41.6
Power Distribution and Supply	20.7	43.1
Renewables	0.2	0.6
Other	(0.8)	(0.5)
Total segments	80.7	96.6
Intersegment eliminations	0.0	(0.3)
Consolidated data	**80.7**	**96.3**
EBITDA[(1,2)]		
Mining	41.8	35.7
Heat and Power	73.0	67.3
Power Distribution and Supply	35.3	60.5
Renewables	1.0	1.2
Other	(0.8)	(0.5)
Total segments	150.3	164.2
Intersegment eliminations	0.1	(0.3)
Consolidated data	**150.4**	**163.9**

(1) Fair value of derivatives where the underlying asset is a commodity (trading derivatives) is presented as part of Total sales instead of being recognised as profit or loss from financial operations as described in the Notes to the unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015. Data for the three-month period ended March 31, 2014 were restated with impact of positive EUR 2.4 million on Total sales, Profit/(loss) from operations, EBITDA and Pro forma adjusted EBITDA.

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

Mining

Our Mining segment includes JTSD and the MIBRAG Group (excluding MIBRAG Neue Energie and Helmstedter Revier GmbH and its subsidiaries). We acquired a 50% share in the MIBRAG Group in June 2011, which was consolidated proportionately in the EPE Group income statement from July 1, 2011 onwards. We acquired the remaining 50% share of the MIBRAG Group in June 2012. As such, the MIBRAG Group is fully consolidated only from July 1, 2012 onwards. We conduct other mining operations in Germany through our Heat and Power segment, which includes the Schöningen mine in the Helmstedt mining district, which we acquired through our acquisition of the HSR Group on December 31, 2013, and neither the operating data nor the financial data for these mining facilities in our Heat and Power segment is or will be included within our Mining operating data. At the same time, we note that as part of the segmental reporting we reclassified certain gross margin relating to deliveries of MIBRAG´s lignite to Buschhaus, Elektrárny Opatovice and United Energy from Mining segment to Heat and Power segment. This reclassification adjustment aims to retain the effects from internal sourcing at Heat and Power facilities.

Our Mining segment accounted for 27.8% of consolidated EBITDA in the first quarter 2014 and 21.7% of consolidated EBITDA in the first quarter 2015, in each case before intersegment eliminations. The business of our Mining segment is conducted in Germany through our wholly-owned subsidiary MIBRAG.

The table below shows a summary of key operating data for our Mining segment. The operating data are based on the results of 100% of MIBRAG.

		As of and for the three-month period ended March 31,	
		2014	**2015**
Brown coal production	In Mt	5.6	4.8
Brown coal sold	In Mt	5.1	4.4
Reserves[(1)]	In Mt	435.6	415.5

(1) Refers to proved and probable reserves excluding the Buschhaus reserves.

Brown coal production and brown coal sold

For the first quarter 2015, MIBRAG's brown coal sold decreased by 0.7 Mt, or 13.7% to 4.4 Mt as compared to 5.1 Mt for the first quarter 2014 and brown coal production decreased by 0.8 Mt, or 14.3%, to 4.8 Mt as compared to 5.6 Mt for the first quarter 2014. Decline in brown coal volume sold stems mainly from lower offtake from its two largest long-term customers (Lippendorf and Schkopau) of 0.4 Mt due to the power market situation primarily driven by windy weather conditions in Germany in the first quarter 2015. The remaining decline is a temporary effect of shifting deliveries within EPE Group (internal consumption of Heat and Power segment) to the second half of 2015.

Reserves

The evolution of reserves is aligned primarily with our brown coal production in the relevant period.

The table below shows a summary of key financial data for our Mining segment. The financial data are based on EPE's consolidated financial information before eliminations of intersegment transactions.

		For the three-month period ended March 31,	
		2014	**2015**
Total Sales	in EUR millions	107.7	102.0
EBITDA........	in EUR millions	41.8	35.7

EBITDA

EBITDA decreased by EUR 6.1 million, or 14.6%, to EUR 35.7 million for the first quarter 2015 as compared to EUR 41.8 million for the first quarter 2014, with key driver being mainly lower brown coal sales to MIBRAG key long-term customers.

Heat and Power

The Heat and Power segment accounted for 48.6% of consolidated EBITDA for the first quarter 2014 and 41.0% of consolidated EBITDA for the first quarter 2015, in each case before intersegment eliminations. We conduct our Heat and Power operations in the Czech Republic through the following major subsidiaries: Pražská teplárenská, Elektrárny Opatovice, United Energy and Plzeňská energetika and in Germany through Saale Energie and the HSR Group (since the completion of the acquisition as of December 31, 2013). We conduct other heat and power operations in Germany through our Mining segment, which includes several combined heat and power ("CHP") facilities, and neither the operating data nor the financial data for these CHP facilities in our Mining segment is included within our Heat and Power operating data. The table below shows a summary of key operating data for the Heat and Power 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.

		As of and for the three-month period ended March 31,	
		2014	**2015**
Installed heat capacity(1)	MW_{th}	3,195	3,195
Heat supplied	TJ	6,647	6,983
Installed cogeneration capacity	MW_e	500	500
Installed condensation capacity	MW_e	750	750
Certified grid balancing capacity(2)	MW_e	205	205
Cogeneration production	GWh	258	263
Condensation production	GWh	1,287	1,102
Grid balancing services	GWh	272	364
Saale Energie(3) – Installed capacity	MW_e	400	400

(1) Heat capacity installed on heat exchangers.

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

(3) Saale Energie owns a 41.9% interest in the Schkopau CHP plant in Germany (representing a beneficial use and control over 400 MW_e of the plant's total capacity).

Installed heat capacity

Installed heat capacity on heat exchangers remained at 3,195 MW_{th} as of March 31, 2015 and March 31, 2014.

Heat supplied

Heat supplied increased by 336 TJ, or 5.1%, to 6,983 TJ for the first quarter 2015 as compared to 6,647 TJ for the first quarter 2014. The increase in heat supplied was primarily due to colder weather in the first quarter 2015 as compared to the first quarter 2014. 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 7.6% higher which resulted in higher heat offtake at customers. This translated into increase in associated EBITDA period-to-period.

Installed capacity (excluding Saale Energie)

Installed cogeneration capacity remained at 500 MW_e as of March 31, 2015 and March 31, 2014. Installed condensation capacity (excluding Saale Energie) remained at 750 MW_e as of March 31, 2015 and March 31, 2014. Certified grid balancing capacity remained at 205 MW_e as of March 31, 2015 and March 31, 2014.

Cogeneration production

Cogeneration production increased by 5 GWh, or 1.9%, to 263 GWh for the first quarter 2015, as compared to 258 GWh for the first quarter 2014. This increase in cogeneration production was primarily due to the colder weather in the first quarter 2015 as compared to the first quarter 2014 and therefore higher heat offtake connected with increased cogeneration power production.

Condensation production (excluding Saale Energie)

Condensation generation (excluding Saale Energie) decreased by 185 GWh, or 14.4%, to 1,102 GWh for the first quarter 2015, as compared to 1,287 GWh for the first quarter 2014. This decrease in condensation generation was partially due to the ongoing IED related investment at EOP and partially due to deteriorating power prices.

Grid balancing services

Grid balancing services increased by 92 GWh, or 33.8%, to 364 GWh for the first quarter 2015 as compared to 272 GWh for the first quarter 2014. This increase in grid balancing services primarily reflects a higher success rate in winning tenders for grid balancing services organized by the Czech TSO CEPS and increased range of for providing grid balancing services.

The table below shows a summary of key financial performance data for the Heat and Power 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.

		For the three-month period ended March 31,	
		2014	**2015**
Total sales	in EUR millions	207.7	200.0
EBITDA	in EUR millions	73.0	67.3

EBITDA

As our contracts with suppliers for our Heat and Power operations in the Czech Republic are generally priced in Czech crowns (with the exception of the EOP and UE supply contracts for MIBRAG brown coal, which are priced in EUR), 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 decreased by EUR 5.7 million, or 7.8%, to EUR 67.3 million for the first quarter 2015 as compared to EUR 73.0 million for the first quarter 2014. This decrease stems primarily from lower power prices realized and decrease in power production in condensation mode in the first quarter 2015 as compared to the first quarter 2014. On the other hand, the negative EBITDA development was partially offset by above described increased heat sales by 5.1% (in GJ) resulting from better weather conditions. Also, we note that as part of the segmental reporting we reclassified certain gross margin relating to deliveries of MIBRAG´s lignite to Buschhaus, Elektrárny Opatovice and United Energy from the Mining segment and the Power Distribution and Supply segment to the Heat and Power segment. This reclassification adjustment aims to retain the effects from internal sourcing at Heat and Power facilities.

Power Distribution and Supply

The Power Distribution and Supply segment accounted for 23.5% of consolidated EBITDA for the first quarter 2014 and 36.8% of consolidated EBITDA for the first quarter 2015, in each case before intersegment eliminations, and is conducted in the Czech Republic, the Slovak Republic, Germany and Poland mainly through our subsidiary Stredoslovenská energetika, a.s, EP Energy Trading, a.s., EP Coal Trading, a.s., EP COAL TRADING POLSKA S.A. and EP Cargo a.s. (acquired on July 31, 2014).

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,	
		2014	**2015**
Power traded	GWh	3,788	5,917
Power supplied	GWh	517	471
Natural gas traded	GWh	1,438	2,862
Natural gas supplied	GWh	1,014	500

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

		For the three-month period ended March 31,	
		2014	**2015**
Power distributed	GWh	1,605	1,629
Power traded	GWh	1,559	1,946
Power supplied	GWh	1,192	1,117
Natural gas supplied	GWh	79	138
Power produced	GWh	4	4
Installed capacity	MW_e	62	62

Power traded

Power traded (excluding SSE) increased by 2,129 GWh, or 56.2%, to 5,917 GWh for the first quarter 2015 as compared to 3,788 GWh for the first quarter 2014. This increase in power traded was primarily due to increased power trading activity on the German market resulting from the fact that power produced by HSR is traded by EPET.

Power traded realized by SSE reached 1,946 GWh in the first quarter 2015, which is an increase of 24.8%, or 387 GWh, as compared to 1,559 GWh in the first quarter 2014. Main driver for the increase in activity was higher re-sold volume coming from renewable resources on the Slovak market.

Power supplied

Power supplied (excluding SSE) decreased by 46 GWh, or 8.9%, to 471 GWh for the first quarter 2015 as compared to 517 GWh for the first quarter 2014. This decrease in power supplied reflects changes in portfolio of supply customers and generally lower power sales in the Czech Republic due to higher competition on the Czech power market.

Power supply realized by SSE reached 1,117 GWh in the first quarter 2015, which is a slight decrease by 75 GWh, or 6.3%, as compared to 1,192 GWh in the first quarter 2014. Similarly to the Czech market where the incumbents are under pressure from increasing competition, SSE faces higher competition on the Slovak power market and lost customers in the midmarket segment. Furthermore, power supply was slightly negatively influenced by reallocation of a certain customer to power trading activities.

Natural gas traded

Natural gas traded (excluding SSE) increased by 1,424 GWh, or 99.0%, to 2,862 GWh for the first quarter 2015 as compared to 1,428 GWh for the first quarter 2014. This major increase in natural gas traded stems from EPET trading activies on the Slovak market started in 2015.

Natural gas supplied

Natural gas supplied (excluding SSE) decreased by 514 GWh, or 50.7%, to 500 GWh for the first quarter 2015 as compared to 1,014 GWh for the first quarter 2014. This decrease in natural gas supplied stems from an one-off contract with a significant industrial off-taker. The deliveries under this contract took place in 2014 only.

Natural gas supplied by SSE reached 138 GWh in the first quarter 2015, which is an increase of 59 GWh, or 74.7%, in comparison with the first quarter 2014. This increase is due to growth of supply portfolio through new customer acquisitions. Natural gas supply activity was launched by SSE in April 2012.

Power distributed

Power distributed by SSE increased by 24 GWh, or 1.5%, to 1,629 GWh in the first quarter 2015 as compared to 1,605 GWh in the first quarter 2014.

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,	
		2014	**2015**
Total Sales	in EUR millions	397.5	442.0
EBITDA	in EUR millions	35.3	60.5

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 and Power operations in the Czech Republic are generally priced in Czech crowns (with the exception of the EOP and UE supply contracts for MIBRAG brown coal, which are priced in EUR), 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. The effect of exchange rate and power price derivatives has been partially included in EBITDA since January 1, 2013, when hedge accounting was put in place at EPET. Therefore because of revaluation of commodity derivatives to operating profit before the settlement date, EBITDA may not accurately reflect our results of operations and may not serve as an accurate performance indicator of our Power Distribution and Supply segment. The same analysis applies for a portion of the revenues and costs from electricity trading related to financial commodity derivatives. These revenues and costs are reflected in EBITDA in Total sales as Gain (loss) from commodity derivatives for trading with electricity and gas, net already before a settlement date. The effect of financial commodity derivatives has been partially included in EBITDA already since January 1, 2013, when hedge accounting was put in place at EPET.

EBITDA increased by EUR 25.2 million to EUR 60.5 million for the first quarter 2015 as compared to EUR 35.3 million for the first quarter 2014. The considerable improvement stems primarily from better performance of SSE and EPET in the first quarter 2015. EBITDA of SSE rose by EUR 19.6 million primarily due to the SOT that improved approximately by EUR 11 million, followed by rather temporary improvement in core business activities which are expected to level off in H2 2015. EPET increased its trading activity, both power and natural gas trading, that brought EBITDA improvement of EUR 5.4 million.

As of March 31, 2015 the SSE Group reports a contingent asset of EUR 53.0 million (December 31, 2014: EUR 53.1 million), which is represented by the contingent assets related to green energy for the three-month period ended March 31, 2015 and for the year 2014 (December 31, 2014: contingent assets cover year 2014).

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries (“URSO”) and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by URSO and is covered by the System Operations Tariff (“SOT”). For the three-month period ended March 31, 2015 the SSE Group recognised a gain of EUR 0.2 million (March 31, 2014: loss of EUR 11.1 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 SOT in the period from 1 January 2015 to March 31, 2015. The 2015 gain is included in the contingent asset of EUR 53.0 million (December 31, 2014: EUR 53.1 million) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years’ time at the latest, i.e. relevant amounts in 2016 and 2017 through an increase of revenues from SOT (2014: in 2015 and 2016).

Renewables

The Renewables segment accounted for 0.7% of consolidated EBITDA in the first quarter 2014 and for 0.7% of consolidated EBITDA in the first quarter 2015, in each case before intersegment eliminations. Our Renewables business is conducted in the Czech Republic, Germany and the Slovak Republic through EP Renewables, a.s. (and its subsidiaries) and MNE, and includes wind, solar and biogas operations.

The table below shows a summary of key operating data for the Renewables 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.

		As of and for the three-month period ended March 31,	
		2014	2015
Installed Capacity	MW_e	25	25
Power Production........	GWh	10.5	14.3

Installed capacity

Installed capacity remained at 25 MW_e as of March 31, 2015 and March 31, 2014.

Power production

Power production increased by 3.8 GWh, or 36.1%, to 14.3 GWh for the first quarter 2015 as compared to 10.5 GWh for the first quarter 2014. This increase was primarily due to improved operation of a biogas facility and due to better wind conditions throughout the first quarter 2015 as compared to the first quarter 2014.

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,	
		2014	2015
Total Sales	in EUR millions	1.5	1.7
EBITDA........	in EUR millions	1.0	1.2

EBITDA

EBITDA increased by EUR 0.2 million, or 20.0%, to EUR 1.2 million for the first quarter 2015 as compared to EUR 1.0 million for the first quarter 2014. This increase in EBITDA and in Sales stems primarily from 36,1% increased power production.

Other

The Other segment accounted for negative 0.5% of consolidated EBITDA for the first quarter 2014 and negative 0.3% of consolidated EBITDA for the first quarter 2014, in each case before intersegment eliminations. The table below shows a summary of key financial data for the Other segment:

		For the three-month period ended March 31,	
		2014	2015
Total sales	in EUR millions	0.7	0.7
EBITDA	in EUR millions	(0.8)	(0.5)

The main driver of the negative EBITDA in both first quarters 2014 and 2015 was the other operating expenses of EP Energy. 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 of executive and part-time employees (administrative staff) 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.

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 for our Mining segment:

	For the three-month period ended March 31,	
In EUR millions	**2014**	**2015**
Capital expenditures relating to tangible fixed assets	6.9	6.6
Capital expenditures relating to intangible fixed assets excluding emission rights	0.3	0.0

Capital expenditures relating to tangible fixed assets decreased by EUR 0.3 million, or 4.3%, to EUR 6.6 million in the first quarter 2015 from EUR 6.9 million in the first quarter 2014. The majority of these capital expenditures are directly connected to MIBRAG's mining operations, notably the development of mining infrastructure in the mining field Peres within MIBRAG's Vereinigtes Schleenhain mine.

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

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

	For the three-month period ended March 31,	
In EUR millions	**2014**	**2015**
Capital expenditures relating to tangible fixed assets	1.8	9.9
Capital expenditures relating to intangible fixed assets excluding emission rights	0.1	0.1

Capital expenditures relating to tangible fixed assets increased by EUR 8.1 million, or 5,5x, to EUR 9.9 million in the first quarter 2015 as compared to EUR 1.8 million in the first quarter 2014. The main reason are investments performed in EOP so as to be in line with the IED (Industrial Emissions Directive) that will apply in 2016 for large combustion plants.

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	**2014**	**2015**
Capital expenditures relating to tangible fixed assets	6.6	6.8
Capital expenditures relating to intangible fixed assets excluding emission rights	0.3	0.4

Capital expenditures relating to tangible fixed assets increased by EUR 0.2 million, or 3.0%, to EUR 6.8 million in the first quarter 2015 from EUR 6.6 million in the first quarter 2014.

The majority of these capital expenditures are directly connected to SSE's operations, namely technical improvements on existing distribution network of EUR 3.5 million and extension of distribution network of EUR 1.4 million in the first quarter 2015, while EUR 3.0 million and EUR 2.0 million respectively in the first quarter 2014.

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

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

	For the three-month period ended March 31,	
In EUR millions	**2014**	**2015**
Capital expenditures relating to tangible fixed assets	0.3	0.0
Capital expenditures relating to intangible fixed assets excluding emission rights	0.0	0.0

Capital expenditures relating to tangible fixed assets decreased immaterially by EUR 0.3 million in the first quarter 2015 as compared to the first quarter 2014.

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

	For the three-month period ended March 31,	
In EUR millions	**2014**	**2015**
Capital expenditures relating to tangible fixed assets	0.0	0.0
Capital expenditures relating to intangible fixed assets excluding emission rights	0.0	0.0

Capital expenditures in the Other segment are not material due to the nature of operations of this segment.

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 recognised 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, 2015 (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 2015 compared to the first quarter 2014

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, 2015, 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 March 31, 2015

In million of EUR ("mEUR")

	2014 (three months) Restated[8]	2015 (three months)
Sales: Energy	618.4	643.3
of which: Electricity	*359.8*	*366.2*
Heat	*106.8*	*114.2*
Gas	*71.8*	*88.2*
Coal	*80.0*	*74.7*
Sales: Other	28.9	22.0
Gain (loss) from commodity derivatives for trading with electricity and gas, net	2.4	4.6
Total sales	**649.7**	**669.9**
Cost of sales: Energy	(389.6)	(405.5)
Cost of sales: Other	(13.5)	(9.7)
Total cost of sales	**(403.1)**	**(415.2)**
	246.7	**254.7**
Personnel expenses	(59.0)	(61.6)
Depreciation and amortisation	(69.7)	(67.6)
Repairs and maintenance	(2.9)	(2.0)
Emission rights, net	(7.2)	(7.7)
Taxes and charges	(2.9)	(3.2)
Other operating income	12.7	17.1
Other operating expenses	(37.0)	(33.4)
Profit (loss) from operations	**80.7**	**96.3**
Finance income	11.4	4.8
Finance expense	(23.6)	(23.7)
Profit (loss) from financial instruments	0.9	0.3
Net finance income (expense)	**(11.3)**	**(18.6)**
Share of profit (loss) of equity accounted investees, net of tax	-	(0.6)
Profit (loss) before income tax	**69.3**	**77.1**
Income tax expenses	(14.1)	(17.6)
Profit (loss) for the period	**55.2**	**59.5**
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	0.5	(5.6)
Foreign currency translation differences from presentation currency	(0.8)	7.7
Effective portion of changes in fair value of cash flow hedges, net of tax	(2.4)	5.8
Other comprehensive income for the period, net of tax	**(2.7)**	**7.9**
Total comprehensive income for the period	**52.5**	**67.5**

[8] Restated: Fair value of derivatives where the underlying asset is a commodity (trading derivatives) is presented as part of Total sales instead of being recognised as profit or loss from financial operations as described in the Notes to the unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015. Data for the three-month period ended March 31, 2014 were restated with impact of positive EUR 2.4 million on Total sales, Profit/(loss) from operations, EBITDA and Pro forma adjusted EBITDA.

Profit (loss) attributable to:		
Owners of the Company	41.9	41.0
Non-controlling interest	13.3	18.6
Profit (loss) for the period	**55.2**	**59.5**
Total comprehensive income attributable to:		
Owners of the Company	39.0	47.9
Non-controlling interest	13.5	19.6
Total comprehensive income for the period	**52.5**	**67.5**

Key line items

Sales: Energy

Sales: Energy increased by EUR 24.9 million, or 4.0%, to EUR 643.3 million for the first quarter 2015 as compared to EUR 618.4 million for the first quarter 2014.

Sales of electricity

Sales of electricity increased by EUR 6.4 million, or 1.8%, to EUR 366.2 million for the first quarter 2015 as compared to EUR 359.8 million for the first quarter 2014. This increase in sales of electricity reflected mainly the increased electricity trading activity of SSE and EPET and improved SOT balance in SSE.

Sales of heat

Sales of heat increased by EUR 7.4 million, or 6.9%, to EUR 114.2 million for the first quarter 2015 as compared to EUR 106.8 million for the first quarter 2014. This slight increase in sales of heat was primarily due to the higher demand of heat generated by PT, EOP, UE, PE caused by better weather conditions in the first quarter 2015 as compared to the first quarter 2014. 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 7.6% higher, which resulted in higher heat offtake at customers. As a result, heat supplied increased by 336 TJ, or 5.1%, to 6,983 TJ for the first quarter 2015 as compared to 6,647 TJ for the first quarter 2014. Not proportional increase in sales was caused by decoupled capacity and energy pricing that we use in our key operations.

Sales of gas

Sales of gas increased by EUR 16.4 million, or 22.8%, to EUR 88.2 million for the first quarter 2015 as compared to EUR 71.8 million for the first quarter 2014. Majority of this improvement was attributable to EPET that increased its sales of gas by EUR 15.3 million which stems primarily from new natural gas trading activity on the Slovak market since 2015.

Sales of coal

Sales of coal decreased by EUR 5.3 million, or 6.6%, to EUR 74.7 million for the first quarter 2015 as compared to EUR 80.0 million for the first quarter 2014 which was primarily caused by lower sales performed by EPCT and MIBRAG.

Sales: Other

Sales: Other decreased by EUR 6.9 million, or 23.9%, to EUR 22.0 million for first quarter 2015 as compared to EUR 28.9 million for the first quarter 2014. This decrease in Sales: Other was primarily due to the lower trading activity especially at EPCT POLSKA s.a. (“EPCT Polska”).

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

Gain (loss) from commodity derivatives for trading with electricity and gas, net increased by EUR 2.2 million to EUR 4.6 million for first quarter 2015 as compared to EUR 2.4 million for the first quarter 2014. The improvement 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 increased by EUR 15.9 million, or 4.1%, to EUR 405.5 million for the first quarter 2015 as compared to EUR 389.6 million for the first quarter 2014. This increase in Cost of sales: Energy was in line with 4.0% Sales: Energy.

Cost of sales: Other

Cost of sales: Other decreased by EUR 3.8 million, or 28.1%, to EUR 9.7 million for first quarter 2015 as compared to EUR 13.5 million for the first quarter 2014. This increase in Cost of sales: Other stems from lower trading activity especially at EPCT POLSKA s.a. ("EPCT Polska").

Personnel expenses

Personnel expenses increased by EUR 2.6 million, or 4.4%, to EUR 61.6 million for first quarter 2015 as compared to EUR 59.0 million for the first quarter 2014. This increase in personnel expenses was partially attributable to 1.6% increase in average headcount and partially to posting of personnel provisions.

Depreciation and amortization

Depreciation and amortization decreased immaterially by EUR 2.1 million, or 3.0%, to EUR 67.6 million first quarter 2015 as compared to EUR 69.7 million for the first quarter 2014.

Repairs and maintenance

Repairs and maintenance decreased immaterially by EUR 0.9 million, or 31.0%, to EUR 2.0 million for the first quarter 2015 as compared to EUR 2.9 million for the first quarter 2014.

Emission rights, net

Emission rights, net increased immaterially by EUR 0.5 million, or 6.9%, to negative EUR 7.7 million for the first quarter 2015 as compared to negative EUR 7.2 million for first quarter 2014.

Taxes and charges

Taxes and charges increased by EUR 0.3 million, or 10.3%, to EUR 3.2 million for the first quarter 2015 as compared to EUR 2.9 million for the first quarter 2014. This increase in taxes and charges was immaterial.

Other operating income

Other operating income increased by EUR 4.4 million, or 34.6%, to EUR 17.1 million for the first quarter 2015 as compared to EUR 12.7 million for the first quarter 2014. The positive movement was mainly due to profit from disposal of tangible and intangible assets of EUR 2.6 million in the first quarter 2015, whereas the Company suffered a loss of EUR 0.5 million on disposal of tangible and intangible assets in the first quarter 2014. In addition, own work capitalized, primarily resulting from labour costs capitalised in mines, increased by EUR 0.7 million.

Other operating expenses

Other operating expenses decreased by EUR 3.6 million, or 9.7%, to EUR 33.4 million for first quarter 2015 as compared to EUR 37.0 million for the first quarter 2014. This decrease in Other operating expenses was due to various reasons, namely saving on transport, consulting and administrative expenses.

Finance income

Finance income decreased by EUR 6.6 million, or 57.9%, to EUR 4.8 million for the first quarter 2015 as compared to EUR 11.4 million for the first quarter 2014. Finance income is fully represented by interest income, primarily due from loans provided mainly to the parent and ultimate parent companies.

Finance expense

Finance expense immaterially increased by EUR 0.1 million, or 0.0%, to EUR 23.7 million for the first quarter 2015 as compared to EUR 23.6 million for the first quarter 2014.

Profit/(loss) from financial instruments

Profit/(loss) from financial instruments immaterially decreased by EUR 0.6 million, or 66.7%, to a profit of EUR 0.3 million for the first quarter 2015 as compared to a profit of EUR 0.9 million for the first quarter 2014.

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

Share of profit/(loss) of equity accounted investees, net of tax changed by EUR 0.6 million to a loss of EUR 0.6 million for the first quarter 2015 as compared to a loss of EUR 0.0 million for the first quarter 2014. This change in profit/(loss) of equity accounted investees, net of tax is mainly related to a share of the loss of Pražská teplárenská Holding a.s. (also “PTH”).

Income tax expenses

Income tax expenses increased by EUR 3.5 million, or 24.8%, to EUR 17.6 million for the first quarter 2015 as compared to EUR 14.1 million for the first quarter 2014 – while current income taxes expenses decreased by EUR 1.4 million in the first quarter 2015 as compared the first quarter 2014, deferred income taxes revenue decreased by EUR 4.9 million in the first quarter 2015 as compared the first quarter 2014. Change in deferred tax income stems primarily from reversal of temporary differences at property, plant and equipment and provisions.

Other comprehensive income for the period, net of tax

Other comprehensive income for the period, net of tax, changed by EUR 10.6 million to positive EUR 7.9 million for the first quarter 2015 as compared to negative EUR 2.7 million for the first quarter 2014. This positive 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, since EPE's issuance of the Notes, bonds and, since EPE entered into the SSE Acquisition Credit Facility, borrowings thereunder). 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. In 2014, we have entered into four revolving credit facilities. These revolving credit facilities, together with our internal cash generation capacity shall enable us to meet the Group's short-term liquidity needs, including working capital.

Cash flow

The following table summarizes our selected consolidated cash flows for the first quarter 2014 and 2015.

	For the three-month period ended March 31,	
	2014	**2015**
	(in EUR millions)	
Operating profit before changes in working capital	143.7	163.7
Selected changes to working capital		
Change in financial instruments in other than fair value	(48.2)	1.9
Change in trade receivables and other assets	(12.6)	(12.2)
Change in inventories (including proceeds from sale)	2.7	4.0
Change in trade payables and other liabilities	(51.0)	(9.6)
Change in assets held for sale and related liabilities	–	2.4
Cash flows generated from (used in) operating activities	**9.8**	**125.8**
Cash flows from (used in) investing activities	**(25.3)**	**(23.4)**
Cash flows from (used in) financing activities	**(1.4)**	**(84.9)**
Total changes in cash flows	**(16.9)**	**17.5**

Operating Activities

Cash flows generated from (used in) operating activities increased by EUR 116.0 million to EUR 125.8 million for the first quarter 2015, as compared to EUR 9.8 million for the first quarter 2014.

This change in cash flows generated from (used in) operating activities is primarily due to improvement of working capital for the first quarter 2015 as compared to the first quarters 2014. The principal reason for the improvement of working capital was a positive change in the financial instruments in other than fair value which primarily relates to upstream loans provided to CEE of EUR 60.0 million in the first quarter 2014, whereas no such major loan was provided in the first quarter 2015. The remaining part of improvement in cash flows generated from (used in) operating activities is mostly attributable to the positive change in trade payables and also improved operating profit.

Investing Activities

Cash flows from (used in) investing activities changed by EUR 1.9 million to negative EUR 23.4 million for the first quarter 2015, as compared to negative EUR 25.3 million for the first quarter 2014. Major part of cash flow from (used in) investing activities represent acquisition of PPE[9], intangible assets and emission rights totaling EUR 24.3 million for the first quarter 2015 and EUR 23.8 million for the first quarter 2014.

Financing Activities

Cash flows from (used in) financing activities changed by EUR 83.5 million to negative cash flows used in financing activities of EUR 84.9 million for the first quarter 2015, as compared to negative cash flows from financing activities of EUR 1.4 million for the first quarter 2014. This change in cash flows from (used in) financing activities is primarily due to repayments of loans made in the first quarter 2015, particularly repayment of revolving credit facilities of EUR 84.8 million.

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) will apply for large combustion plants, including those that we operate, which we estimate will require 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. In particular, EOP invested EUR 23.2 million into tangible fixed assets relating to the IED in the year 2014. In addition, IED capital expenditures planned in MIBRAG amounts to EUR 2.4 million that relates to DeNOx system in the Deuben plant in the year 2015.

We are also considering the construction of rail infrastructure (a train loading facility) for the transport of MIBRAG brown coal to off-takers EOP, UE and Buschhaus. In addition, we expect to incur a one-off capital expenditure in or around 2016 relating to the brown coal train unloading facilities at Buschhaus. We also expect to accelerate our capital expenditure on certain refurbishments to our heating network operations over the next two years in order to be eligible for approximately EUR 6 million in public subsidies in the Czech Republic. We also expect to incur one-off capital expenditures in relation to our

[9] Property, plant and equipment

two renewable energy projects that are in early development stage with an expected cost of EUR 1.5 million/MW of installed capacity.

During the first quarter 2014 and 2015, capital expenditures, irrespective of actual cash flows, were as follows:

	As of and for the three-month period ended March 31,	
	2014	**2015**
Capital expenditures for tangible fixed assets..	15.6	23.3
Capital expenditures for intangible fixed assets excluding emission rights	0.7	0.5
Capital expenditures for emission rights (incl. free allocations)	19.0	10.1
Total capital expenditures	**35.3**	**33.9**
Property, plant and equipment, at depreciated cost	2,383.1	2,209.2

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

Capital expenditures for tangible fixed assets increased by EUR 7.7 million, or 49.4%, to EUR 23.3 million for the first quarter 2015 as compared to EUR 15.6 million for the first quarter 2014. This increase 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 will apply in 2016 for large combustion plants.

Capital expenditures for intangible fixed assets excluding emission rights decreased immaterially by EUR 0.2 million to EUR 0.5 million for the first quarter 2015 as compared to EUR 0.7 million for the first quarter 2014.

Capital expenditures for emission rights

For the periods presented in this Report out of all entities included in the EPE Group, MIBRAG, EOP, PE, UE, PT and Buschhaus 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, 2014 and March 31, 2015.

In EUR millions	Dec 31, 2014	Mar 31, 2015
Issued debentures at amortised cost	1,094.3	1,108.9
Loans payable to credit institutions	199.3	197.8
Loans payable to other than credit institutions	15.2	15.2
of which owed to the parent company / ultimate parent company	*2.5*	*2.5*
of which owed to other related companies	*12.7*	*12.6*
Bank overdraft	59.1	-
Revolving credit facility	25.0	-
Liabilities from financial leases	0.9	1.2
Total	**1,393.8**	**1,323.1**
Non-current	1,267.3	1,266.9
of which owed to the parent company / ultimate parent company	*0.0*	*0.0*
of which owed to other related companies	*12.5*	*0.0*
Current	126.5	56.2
of which owed to the parent company / ultimate parent company	*2.5*	*2.5*
of which owed to other related companies	*0.2*	*12.6*
Total	**1,393.8**	**1,323.1**

Off-balance sheet arrangements of the EPE Group

The table below sets out EPE's financial commitments and contingencies as of December 31, 2014 and March 31, 2015.

In EUR millions	December 31, 2014	Mar 31, 2015
Granted pledges – securities	1,010.9	1,018.5
Other granted promises	292.6	304.1
Other granted guarantees and warranties	0.9	1.1
Other contingent liabilities	1,940.9	1,923.7
Total	**3,245.3**	**3,247.4**

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

Other contingencies relate to granted loans of EUR 1,404.1[10] million (31 December 2014: EUR 1,394.2 million), pledged cash of EUR 76.3 million (31 December 2014: EUR 102.2 million) and further pledges of EUR 443.2 million (31 December 2014: EUR 444.5 million) that include pledged fixed assets of EUR 323.2 million (31 December 2014: EUR 335.4 million), pledged inventories of EUR 24.6 million (31 December 2014: EUR 21.7 million) and trade receivables of EUR 95.5 million (31 December 2014: EUR 87.4 million); all were used as collateral for external financing.

Other granted promises

Other granted promises comprise EUR 251.1 million (31 December 2014: EUR 239.4 million), which are represented by the contracts for future energy supply, and EUR 53.0 million (31 December 2014: EUR 53.1 million), which are represented by the contingent assets related to green energy for the year 2014

[10] Total balance of pledged granted loans includes intercompany loans of EUR 1,094.8 million (31 December 2014: EUR 846.1 million).

and three-month period ended March 31, 2015 (31 December 2014: contingent assets cover year 2014).

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 ("URSO") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by URSO and is covered by the System Operations Tariff ("SOT"). For the three-month period ended March 31, 2015 the SSE Group recognised a gain of EUR 0.2 million (December 31, 2014: loss of EUR 11.1 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 SOT in the period from January 1, 2015 to March 31, 2015. The 2015 gain is included in the contingent asset of EUR 53.0 million (December 31, 2014: EUR 53.1 million) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time at the latest, i.e. relevant amounts in 2016 and 2017 through an increase of revenues from SOT (2014: in 2015 and 2016).

Other commitments and contingencies

Envisaged transaction

EPE's parent company, Energetický a průmyslový holding, a.s. ("EPH"), and a major energy company (the "Interested Party") are parties to contractual arrangements under of which they have agreed to use their best efforts to agree on the potential sale of certain heating assets currently held by a certain member of EPE Group (the "Transaction"), provided that the specified conditions will be met, inter alia, that the terms and conditions of the transaction will be agreed between the parties and the transaction will be approved by the respective corporate bodies of each relevant entity. If the Transaction is not completed within the agreed period, EPH will use its best efforts to provide the Interested Party with a similar alternative asset ("the Alternative Transaction"). If the transaction is not completed by the extended deadline either, EPH will pay to the Interested Party compensation of approximately EUR 7.3 million. As these transactions are subject to a confidentiality obligation, disclosure of more detailed information herein is prohibited.

However, the parties have not yet finally agreed as at the date hereof whether, or under what terms and conditions, the Transaction or the Alternative Transaction will be entered into and completed. Currently EPH is engaged in negotiations with the Interested Party concerning the terms and conditions of the foregoing transactions; this should provide a basis to conclude with certainty whether or not any of the transactions will be entered into and completed.

For the above reasons, the heating assets in question have not yet been recorded as Assets Held for Sale under IFRS 5 and the above compensation has not yet been recorded by EPH.

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 on 6 May 2015, the appeal was rejected and MIBRAG shall be required to provide detailed data to 50Hertz for the purposes of a calculation of a potential EEG surcharge for the above noted period. MIBRAG is currently analyzing the matter and likely impact, however the potential EEG surcharge can be significant. As the analysis has not yet been completed, no provision was recorded as of 31 March 2015.

Attachments stored on www.epenergy.cz:

Unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2015 prepared in accordance with IAS 34 – Interim Financial Reporting.