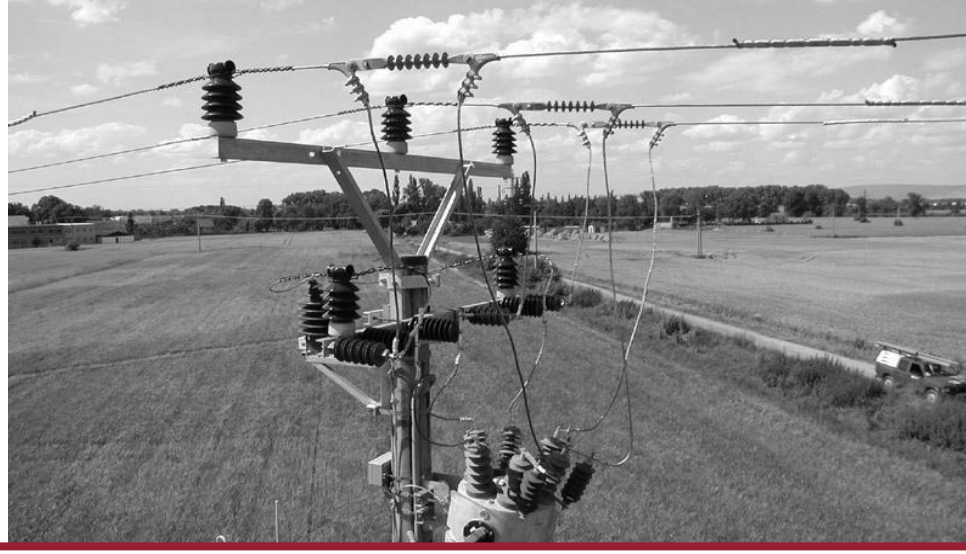
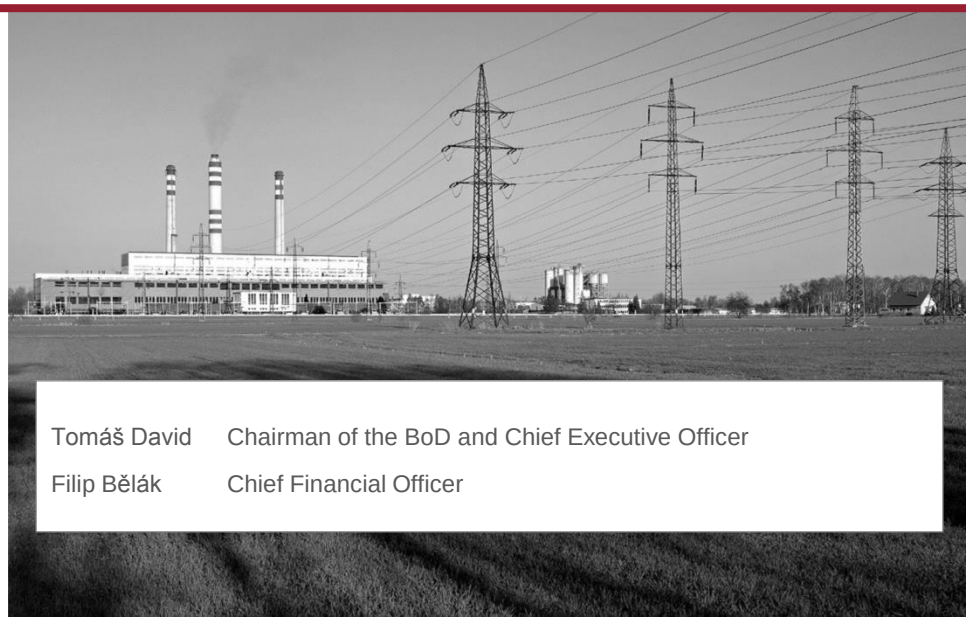


EP ENERGY

EP Energy Q1 2017 Results Call

Prague, May 30, 2017



Tomáš David — Chairman of the BoD and Chief Executive Officer

Filip Bělák — Chief Financial Officer

Disclaimer

Forward-looking statements

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

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

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

These factors include, among others:

• negative or uncertain global and regional economic conditions;

• failure to implement our key strategies;

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

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

• failure to successfully integrate and manage acquired companies; and

• changes in laws or regulatory schemes.

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

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

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

This presentation should be read in conjunction with the “Report on the first quarter of year 2017 for EP Energy, a.s.” as published on www.epenergy.cz

Summary of key results of EP Energy in Q1 2017

Pro forma consolidated results

- The **pro forma (also „PF“) consolidated sales** reached **EUR 1,829 million** and **pro forma adjusted EBITDA**[1] amounted to **EUR 310 million** for the Last Twelve Month („LTM“) as at March 31, 2017
- Indicative **PF net consolidated leverage ratio**[2] as of March 31, 2017 stood at **1.9x**

Historical consolidated results

- The **historical consolidated sales** (i.e. without pro forma effect of acquisitions, disposals and other adjustments) reached **EUR 543 million** and **EBITDA** amounted to **EUR 141 million** for first quarter of 2017
- The **consolidated net debt** as of March 31, 2017 was **EUR 630 million**[3]

Other information

- Both pro forma and historical consolidated results exclude disposed Mining and Power generation operations in Germany and pro forma excludes results of disposed operations of Pražská teplárenská LPZ (“LPZ”)
- In Q3 2016, EPE undertook a collateral sale offer relating to the disposal of the German assets. Following the collateral sale offer completion, EPE is using the proceeds for its general corporate purposes like, but not limited, to repayment of the indebtedness, capital expenditures, etc.

(1) Pro forma Adjusted LTM EBITDA represents pro forma profit from operations plus pro forma depreciation of property, plant and equipment and pro forma amortization of intangible assets minus pro forma negative goodwill (if applicable) further adjusted to reflect a deconsolidation of share in LPZ disposed on June 1, 2016 using the full method of EBITDA consolidation (EUR 2 million for period April 1, 2016 till June 1, 2016). For full details of pro forma adjustments see slide 14

(2) This presentation includes the calculation as of March 31, 2017 of „Indicative Net Consolidated Leverage Ratio", as defined in the EP Energy Indentures. The calculation of Net Consolidated Leverage Ratio differs from any leverage ratio included in the offering memoranda for the senior secured notes or otherwise included herein, and consistent with the definition, is made on the basis of certain good faith judgments made by EP Energy

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

Main events and effects driving the Q1 2017 results

Changes in ultimate shareholders of EP Energy Group

- On February 24, 2017 the transaction with Macquarie Infrastructure and Real Assets (MIRA) was closed. As a result, MIRA gained 31% in EP Infrastructure (EPIF), the parent company of EP Energy. The remaining 69% of EPIF remained with EPH, which also retained management control over EPIF. The MIRA-managed consortium is led by Macquarie European Infrastructure Fund 5 and includes other global institutional investors
- Following the sale of a minority shareholding in EPIF changes also occurred in the shareholder structure of EPH. The current shareholders of EPH concluded a series of transactions, through which Daniel Křetínský (94%) and selected members of the existing management of EPH (6%) became sole owners of EPH

Main drivers behind the performance of the three-month period ended March 31, 2017

- Favourable weather conditions affecting positively the volume of heat supplied and power produced in cogeneration
- Disposal of LPZ in June 1, 2016 that contributed EUR 5 million to EBITDA in first quarter of 2016
- Positive effect of a timing difference in System Operations Tariff („SOT“) improving SSE‘s EBITDA by EUR 24 million in first quarter 2017 as compared to first quarter of 2016
- Deterioration of SSE’s performance by EUR 8 million mainly attributable to losses in supply portfolio management (EUR -7 million) where the losses were caused by limited ability of SSE to convert the pre-hedged position into the exact daily and hourly profiles because of extremely high peak power prices in January and February resulting from strong winter and outage of nuclear power plants in France
- Disposal of non-core real estate asset Nový Veleslavín for proceeds of EUR 9 million and impact on EBITDA of EUR 6 million

Key financial performance indicators of EP Energy

Overview

Consolidated financial results (m EUR)	Q1 2016	Q1 2017
Sales	555	543
EBITDA[1]	122	141
Total assets		2,630
Total net debt[2]		630
CAPEX[3]	14	8

Pro Forma adjusted figures[4] (m EUR)	FY 2016	Q1 2017
Pro forma adjusted LTM EBITDA	286	310

(1) EBITDA represents profit from operations plus depreciation and amortization minus negative goodwill (if applicable). The EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of EP Energy
(2) Total net debt per financial statements balance is based on the consolidated financial statements (Total Loans and borrowings plus Total Financial instruments and financial liabilities less Cash and cash equivalents). The Total net debt included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the EPE Group. For detailed calculation of Net Debt calculation see appendix (slide 15)
(3) Excluding emission allowances and disregarding actual cash flows
(4) Pro forma adjusted EBITDA reflects disposal of LPZ in June 2016. For more detail refer to slide 14

Commentary

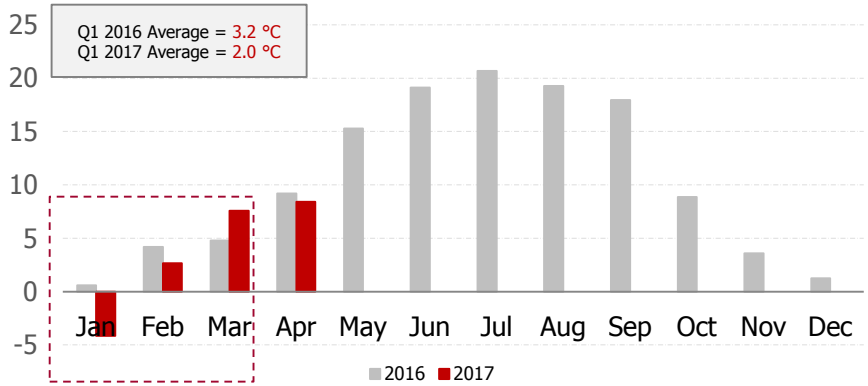
- In Q1 2017, we report Pro forma adjusted LTM EBITDA of EUR 310 million with an increase of 8% against a similar measure for 2016 (please refer to slide 9 for a detailed EBITDA bridge)
- Our Q1 2017 IFRS EBITDA reached EUR 141 million (please refer to slide 8 for a detailed EBITDA bridge)
- CAPEX decreased by 43% due to ongoing CAPEX optimization and different timing of projects
- Net debt improvement stems from cash proceeds from disposed German assets

Key developments in the Heat Infra segment

Overview

	Unit	Q1 2016	Q1 2017
Heat supplied	TJ	9,867	9,837
Power production	GWh	1,032	1,558
Space heating needs	Day – degrees[2]	1,520	1,611
Sales[1]	mEUR	205	211
EBITDA[1]	mEUR	73	76

Average temperatures in 2016 – Q1 2017 (in °C) in Prague



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

Commentary

- For Q1 2017, Heat Infra segment accounted for approx. 53.9% of consolidated EBITDA (before intercompany eliminations and holding results)
- In Q1 2017 the supplied heat decreased slightly by 0.03 PJ where the decrease due to disposal of LPZ in June 2016[3] was almost fully compensated by lower average temperatures (characterised by Day-degrees up by 6%) and thus higher heat delivery
- Power production volume up by 51% partially due to favourable conditions on market (higher power prices). In addition, higher heat production was coupled with higher power cogeneration production (+144 GWh) in Q1 2017
- EBITDA increased by 3 million in Q1 2017 as compared to Q1 2016:
  - Higher power produced and higher heat offtake because of more favourable weather conditions
  - Improvement stems also from sale of unused real estate included in Heat segment with gain of EUR 6 million in Q1 2017
  - Disposal of LPZ (contribution of EUR 5 million in Q1 2016)

(1) Based on consolidated financial statements of EPE Group – Segment Heat Infra according to IFRS
(2) Day-degrees measure integrates the difference between reference indoor temperature and outdoor temperature over the given period of time. A higher value indicates that the temperature in the given period was below the reference temperature for a longer period of time. Day-degrees relate to all areas in the Czech Republic where EPE delivers heat
(3) While LPZ supplied 735 TJ of heat in Q1 2016, none was supplied in Q1 2017

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

Overview

	Unit	Q1 2016	Q1 2017
Sales[1]	mEUR	385	381
EBITDA[1]	mEUR	49	64

Commentary

- In Q1 2017, Power Distribution & Supply segment accounted for approx. 45.4% of consolidated EBITDA (before intercompany eliminations and holding results)
- The Q1 2017 results were primarily positively impacted by SOT[2] timing difference („SOT gap“) of approximately EUR 15 million (see below). On the contrary, SSE‘s core business EBITDA decreased by approximately EUR 8 million, which stems mainly from portfolio supply management losses originating from extremely high peak power prices in January and February 2017

Overview of SOT gap mechanism

- SSE-D, a subsidiary of SSE is, in its role of Distribution System Operator (“DSO”), obliged to purchase electricity from renewables at regulated prices, which are higher than market prices. The DSOs are then compensated through SOT collected from the final electricity consumers. As per current regulation, any negative balance between the DSO’s costs and the SOT revenues should be taken into account when assuming new tariffs and compensated to EPE in next two years at the latest
- For the three-month period ended March 31, 2017, the SOT income statement impact amounted to positive EUR 15 million, which is EUR 24 million better compared to the three-month period ended March 31, 2016

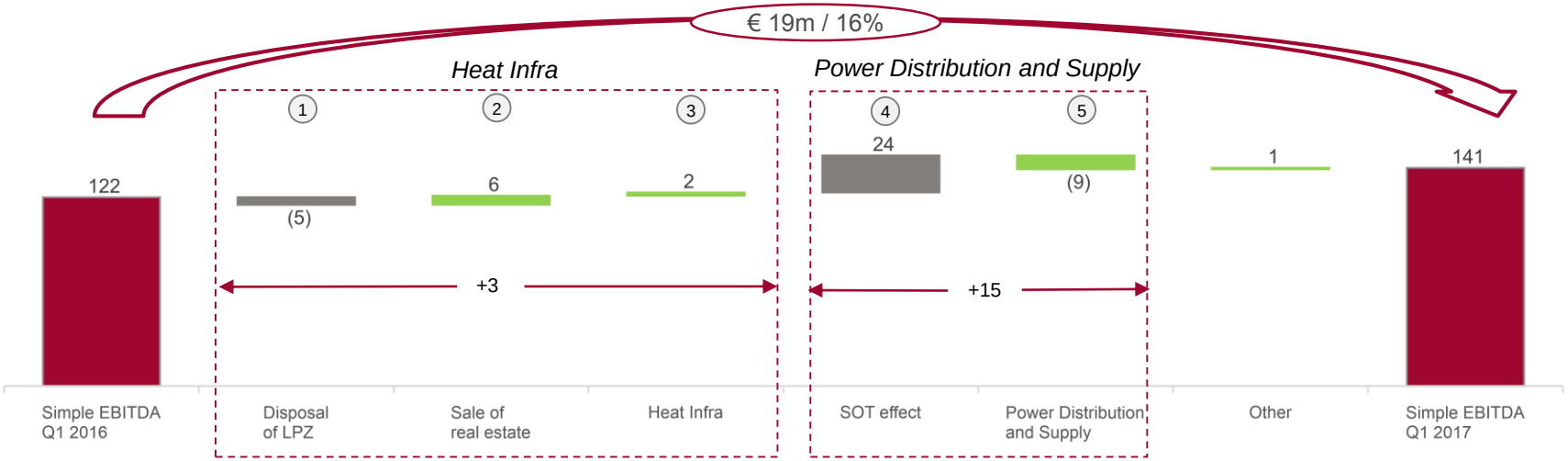
(m EUR)	Q1 2016	Q1 2017	Difference
SSE core business EBITDA[3]	54	46	(8)
SSE SOT I/S impact	(9)	15	24
SSE Simple EBITDA	45	61	16

- SSE continues to negotiate the situation with the Slovak regulator to accelerate cash collection relating to SOT

(1) Based on consolidated financial statements of EPE Group – Segment Power distribution & Supply according to IFRS
(2) System Operations Tariff („SOT“)
(3) i.e. SOT adjusted EBITDA

EP Energy indicative simple EBITDA bridge Q1 2017 vs. Q1 2016

Indicative EBITDA bridge[1] (m EUR)



(1) EPE divested LPZ on June 1, 2016, which resulted in decrease of EPE's EBITDA by EUR 5 million

(2) EPE sold unused real estate with gain of EUR 6 million

(3) The results of the Heat Infra segment (excluding for effect of (1) and (2)) increased by EUR 2 million as compared to Q1 2016 driven by higher heat and power production that was partially off-set by higher emission allowances consumption and continuing decrease in allocated emission allowances

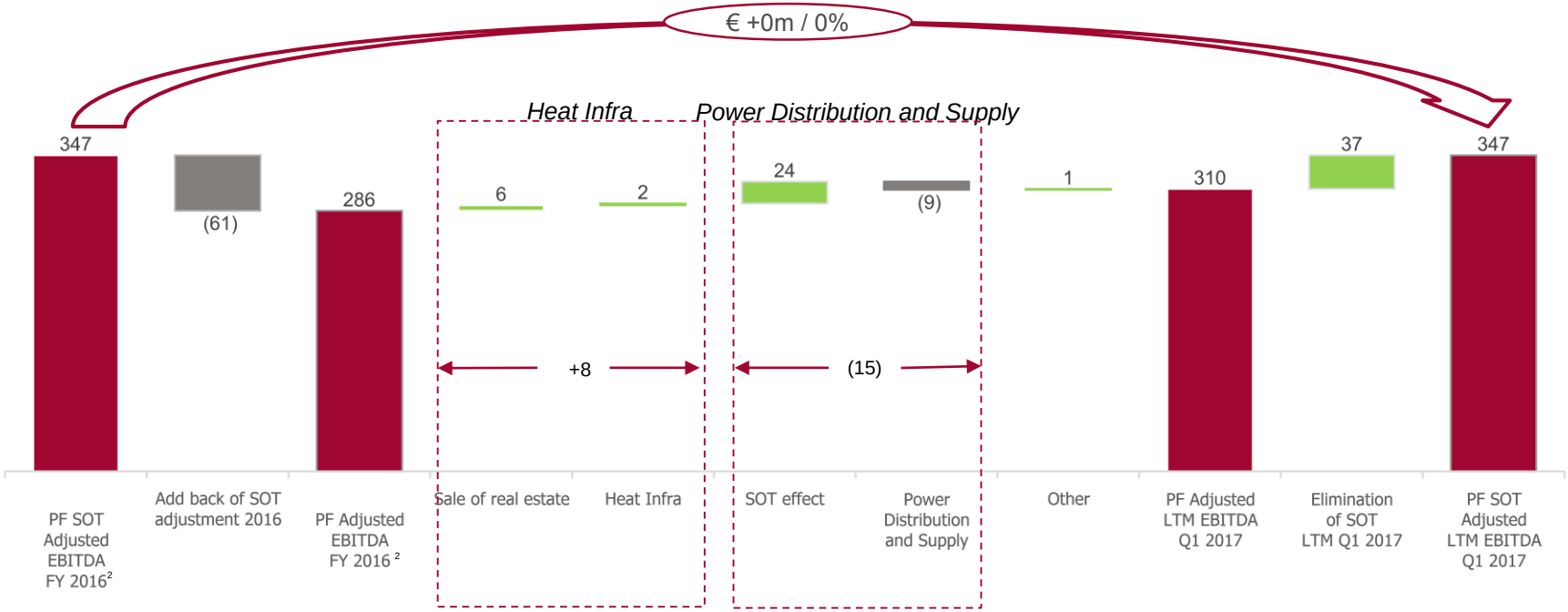
(4) The 2016 results were primarily positively impacted by SOT timing difference of approximately EUR 24 million (see slide 7)

(5) EBITDA of Power Distribution and Supply (excluding effect of (4)) was worse by EUR 9 million resulting primarily from losses on portfolio supply management caused by extremely high peak power prices in January and February 2017 (EUR 7 million)

(1) Figures might not add up due to rounding

EP Energy indicative PF adjusted LTM EBITDA Q1 2017 vs. PF adjusted EBITDA 2016

Indicative LTM EBITDA bridge[1] (m EUR)



(1) Figures might not add up due to rounding
(2) As presented on slide 9 in FY 2016 result presentation published on April 28, 2017

Subsequent events

- In relation to an ongoing legal proceeding of PT versus the Regulator of which we informed previously, PT succeeded at the Regional court with a claim for suspensive effect and received from the Regulator previously deposited penalty of EUR 4 million. Final resolution on the claim has not yet been taken
- On April 6, 2017, the Czech National Bank ceased the foreign exchange intervention. The market now expects that the Czech Crown will be appreciating against Euro in the near future
- On May 16, 2017, the Company provided loan of EUR 50 million to EP Infrastructure, its sole shareholder, which was later offset against a declared dividend of the same amount
- On May 22, 2017, the Company provided a loan of EUR 8 million to EP Infrastructure, its sole shareholder

Wrap-up

- EP Energy's Pro forma LTM EBITDA adjusted for SOT effect reached EUR 347 million in period ended March 31, 2017, which is comparable to the similar FY 2016 measure of EUR 347 million. Simple EBITDA amounted to EUR 141 million in first quarter of 2017 as compared to EUR 122 million
- The first quarter 2017 results are primarily affected by:
  - Slightly higher volume of heat supplied and power produced that was partially off-set by declining heat and power prices in Hungary and with decreased free allocation of emission allowances
  - One-off gain from sale of unused real estate of EUR 6 million
  - Positive effect of timing difference resulting from System Operations Tariff („SOT") of EUR 15 million
- Change in shareholder structure of ultimate shareholders of EP Energy during the first quarter 2017
  - New minority shareholder Macquarie Infrastructure and Real Assets with indirect share of 31%
  - Daniel Křetínský gained 94% in EPH while selected members of EPH management hold remaining 6%

Q&A

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Appendix – key operating performance indicators

Overview

Operating performance[1] (EPE excluding SSE)	Unit	Q1 2016	Q1 2017	Change
Installed heat capacity[2]	MW_{th}	3,856	3,276	(580)
Installed cogeneration capacity	MW_e	896	894	(2)
Installed condensation capacity	MW_e	360	360	–
Heat supplied	TJ[3]	9,867	9,837	(30)
Power produced	GWh	1,032	1,558	526
Grid balancing services	GWh	657	799	142
Power supplied	GWh	599	532	(67)
Natural gas supplied	GWh	696	848	152

Operating performance of SSE[1]	Unit	Q1 2016	Q1 2017	Change
Power distributed	GWh	1,635	1,742	107
Power supplied	GWh	1,108	1,105	(2)
Natural gas supplied	GWh	118	150	32

Commentary

- Heat supplied decreased slightly for 30 TJ primarily attributable to disposal of LPZ (Q1 2016 contribution 735 TJ), compensated by higher supply due to colder weather (+6%)[4]
- Installed cogeneration and heat capacities decreased by 2 MWe and installed heat capacity decreased by 525 MWth as result of LPZ disposal on June 1, 2016
- Power production volume up by 51% partially due to more favourable power prices and EOP in production for full period. In addition higher heat production was coupled with higher power cogeneration production (+144 GWh) in Q1 2017
- Grid balancing services increase of 22% reflects primarily higher deliveries of the service in Hungary. In addition a higher success rate in winning tenders for these services in the Czech Republic increased the Grid balancing services for 50 GWh in Q1 2017
- Natural gas supplied increased by 22%, which is mainly driven by colder winter in Q1 2017
- Power distributed by SSE increased by 7%

(1) The operating data are based on the results of the respective entities on a 100% basis for the full period, regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity. Q1 2016 includes operations of Pražská teplárenská LPZ, a.s. ("LPZ") for three months only as it was disposed on June 1, 2016

(2) Installed heat capacity on heat exchangers

(3) 1 TJ = 0,2778 GWh

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

Appendix – Pro forma adjusted EBITDA calculation

EP Energy *(SSE on 100% basis)*

- Pro forma Adjusted EBITDA represents pro forma profit from operations plus pro forma depreciation of property, plant and equipment and pro forma amortization of intangible assets minus pro forma negative goodwill (if applicable) further adjusted to reflect LPZ disposal in June 2016
- Since SOT gap is temporary in nature and shall be compensated at the latest in two year time, Pro forma Adjusted EBITDA was further adjusted in order to present normalised business operations of the EPE Group

- Pro Forma EBITDA and Pro Forma SOT Adjusted EBITDA calculation:

Pro forma Adjusted EBITDA calculation	**Dec 31, 2016 (m EUR)** *(12 month period)*	**LTM Mar 31, 2016 (m EUR)** *(12 month period)*
Actual IFRS EBITDA 1-3/2017		141
Actual IFRS EBITDA 1-12/2016		293
Actual IFRS EBITDA 1-3/2016		(123)
Simple EBITDA	**293**	**312**
LPZ Pro Forma Adjustment	(7)	(2)
Pro forma Adjusted EBITDA	**286**	**310**
SOT I/S impact	+61	+37
Pro forma SOT Adjusted EBITDA	**347**	**347**

Appendix – Other

Discontinued operations

- As part of the reorganization of EPIF in 2016, the Company sold-off its power generation activities in Germany as well as its mining operations in Germany to its ultimate parent company EPH (effective on April 1, 2016). The decision to sell-off these activities, which comprise an isolated geographical segment (Germany), was reached at the end of 2015. Due to the fact that these operations were predominantly representing the whole German operations, mining operations and condensation power production, the Company presents these activities as discontinued operations as of and for the year 2015. Gain on disposal of the German assets is presented as part of profit (loss) from discontinued operations in the statement of comprehensive income for the year ended December 31, 2016 and LTM as at March 31, 2017 (i.e. does not affect EBITDA)

Net Debt calculation

- Total net debt per financial statements balance is based on the consolidated financial statements (Total Loans and borrowings plus Total Financial instruments and financial liabilities less Cash and cash equivalents). The Total net debt included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the EPE Group

Net Debt calculation as of March 31, 2017		**m EUR**
Loans and borrowings (non-current)	*add*	1,130
Financial instruments and financial liabilities (non-current)	*add*	9
Loans and borrowings (current)	*add*	33
Financial instruments and financial liabilities (current)	*add*	2
PTH liability (prepayment for a dividend)	less	14
Cash and cash equivalents	*less*	530
Net Debt as of March 31, 2017		**630**

- The Net Debt included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the EP Energy