

## EP Energy FY2015 Results Call

Prague, April 29, 2016



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# 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;
- customer concentration in our mining 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 year ended December 31, 2015 for EP Energy, a.s.” as published on [www.epenergy.cz](http://www.epenergy.cz)

# Summary of key results of EP Energy in 2015

## Pro forma consolidated results

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- ❑ The **pro forma (also „PF“) consolidated sales** reached **EUR 2,109 million** and **PF adjusted EBITDA<sup>1</sup>** amounted to **EUR 347 million** for the year ended December 31, 2015
- ❑ Indicative **PF net consolidated leverage ratio<sup>2</sup>** as of December 31, 2015 stood at **2.1x**

## Historical consolidated results

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- ❑ The **historical consolidated sales** (i.e. without pro forma effect of acquisitions and other adjustments) reached **EUR 1,971 million** and **EBITDA** amounted **EUR 331 million** for the year ended December 31, 2015
  - ❑ The **consolidated net debt** (i.e. without pro forma effect of subsequent events) as of December 31, 2015 was **EUR 1,217 million<sup>3</sup>**
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- ❑ Both pro forma and historical consolidated results exclude disposed Mining and Power generation operations in Germany

(1) Pro forma adjusted EBITDA reflects a full consolidation of our 95.62% share in Budapesti Erőmű Zrt („BERT“) for the year ending December 31, 2015 (pro forma adjustment of EUR 17.3 million) and exclusion of EBITDA of several minor entities that were disposed in 2016 before the Reporting release date. For full details of pro forma adjustments, please refer to slide 15 and to the appendix and to the “Report on the year ended December 31, 2015 for EP Energy, a.s.”

(2) This presentation includes the calculation as of December 31, 2014 of “Net Consolidated Leverage Ratio”, as defined in the EP Energy Indenture. 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. Specifically, for example we have included to our net debt calculation as of December 31, 2015 proceeds received from Energetický a průmyslový holding („EPH“) from the sale of JTSD and other minor entities disposed in 2016 before the Reporting release date adjusted for certain effects from 2016 (total positive net debt adjustment of EUR 476.5 million)

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

# Main events and effects driving the 2015 results

## Structural changes to EP Energy Group

- ❑ In December 2015 in relation to intended reorganization of EP Energy's parent company CE Energy („CEE“, renamed to EP Infrastructure, a.s. in 2016), it was decided on an intention to sell-off the German mining and power generation assets („German assets“) to EPH in order to restructure the CEE Group into infrastructure type of assets that will be mostly regulated and/or long-term contracted. As such, 2015 EBITDA measure does not include the results of discontinued German assets of EUR 135 million (2014 – EUR 173 million)
- ❑ Intended sell-off of German assets was completed on April 1, 2016 resulting in proceeds of approximately EUR 493 million (of which EUR 337 million relates to settlement of intragroup loans and EUR 156 million represents equity fair value price for relevant shares)
- ❑ Following to the completion of reorganization, Fitch affirmed EP Energy's Long-term Issuer Default Rating (IDR) at 'BB+' with outlook stable (BBB- for senior secured bonds)

## Main drivers behind the performance of the year ended December 31, 2015

- ❑ Improved performance of our Power Distribution and Supply segment by EUR 24 million driven primarily by lower System Operations Tariff („SOT“) deficit
- ❑ Improved performance of SSE by further EUR 7 million resulting from higher sales, supported by strong results in process, cost and work efficiency improvements (e.g. maintenance and procurement), and of EPET by EUR 9 million driven by higher margin achieved on specific gas supply contracts
- ❑ The Czech Heat and Power entities obtained a refund of free emission allowances gift tax of EUR 13 million (including relevant interest) backed up by the ruling of the European Court of Justice and the judgment of the Supreme Administrative Court of the Czech Republic
- ❑ Acquisition of Budapesti Erőmű Zrt („BERT“) on December 10, 2015, which is a leading heat and power producer in Hungary, operating in the Budapest area, delivering 6.3 PJ of heat, generating 0.9 TWh of electricity in 2015 and contributing EUR 5 million to EBITDA
- ❑ Slightly colder winter than in 2014 (Day-degrees<sup>1</sup> were in 2015 in the areas we operate approximately 5% higher compared to 2014, however still lower than long-term average) that resulted in higher heat and power offtake. Declining power prices and simple spread accompanied with decreased free allocation of emission allowances and a planned major outage at EOP had certain adverse effect on our results

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

# Key financial performance indicators of EP Energy

## Overview

Consolidated financial results (m EUR)	FY 2014 <sup>1</sup>	FY 2015
Sales	1,855	1,971
EBITDA <sup>2</sup>	282	331
<b>Pro forma adjusted EBITDA</b>	<b>284</b>	<b>347<sup>3</sup></b>
Total assets	3,968	3,734
Total net debt <sup>4</sup>	1,182	1,217
CAPEX <sup>5</sup>	79	168

(1) Restated: Consolidated financial statements of EP Energy, a.s. for the year 2014 have been restated as the German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued as described in the Appendix (slide 15)

(2) EBITDA represents profit from operations plus depreciation of PP&E 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 EP Energy

(3) Pro forma adjusted EBITDA reflects adjustments (to the reported IFRS EBITDA) totaling EUR 16 million further described in the appendix (slide 14) and in the "Report on the year ended December 31, 2015 for EP Energy, a.s."

(4) Total net debt balance is based on the consolidated financial statements (Total Loans and borrowings plus Total Financial instruments and financial liabilities less Cash and cash equivalents less liabilities towards Pražská teplotárenská Holding a.s. (also "PTH")). 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)

(5) Excluding emission allowances and adjusted for capital expenditures relating to discontinued operations (2015: EUR 76.1 million; 2014: EUR 54.9 million)

(6) Industrial Emissions Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control)

## Commentary

□ The comparability of our financial statements between 2014 and 2015 is affected by the inclusion of:

- Acquisition of BERT in December 2015 that contributed EBITDA of EUR 5 million

□ Our IFRS EBITDA reached EUR 331 million, which is approximately 17% higher in comparison to 2014 (please refer to slide 8 for a detailed EBITDA bridge). The improvement is primarily a result of improved performance in Power Distribution and Supply segment and favourable one-off effects in Heat and Power segment

□ CAPEX increased due largely to one-off capital expenditures at EOP incurred mainly in order to comply with the stricter emission targets set forth by the European Industrial Emissions Directive<sup>6</sup> (in 2015 one-off CAPEX of EUR 41 million) and starting in 2016. At the same time, EOP received a subsidy of EUR 13 million for this specific refurbishment which is not included in the 2015 CAPEX figure of EUR 168 million

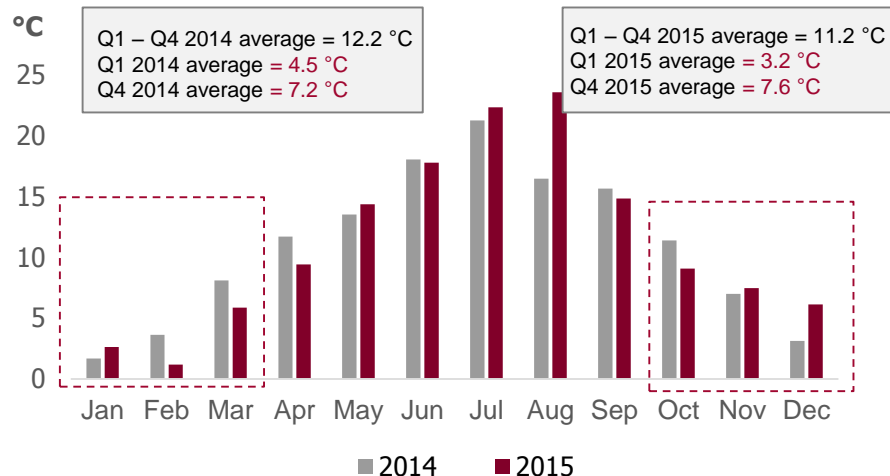


# Key developments in the Heat & Power segment

## Overview

	Unit	FY 2014	FY 2015
Heat supplied	TJ	15,594	22,202 <sup>3</sup>
Power production	GWh	2,547	2,988 <sup>3</sup>
Space heating needs	Day – degrees <sup>2</sup>	2,910	3,064
Sales <sup>1</sup>	m EUR	426	429
EBITDA <sup>1</sup>	m EUR	129	134

Average temperatures in 2014 and 2015 (in °C)



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

## Commentary

- ❑ For 2015, Heat & Power segment accounted for approx. 40% of consolidated EBITDA (before intercompany eliminations)
- ❑ Heat supplied increased primarily due to acquisition of BERT on December 10, 2015 that produced 6.3 PJ in 2015, of which 0.9 PJ in December 2015
- ❑ Power production volume was influenced by the acquisition of BERT that produced 1,038 GWh in 2015, of which 203 GWh in December 2015
- ❑ EBITDA increased by EUR 5 million in 2015 as compared to 2014:
  - EBITDA was positively affected by (i) the refund of the free emission allowances gift tax of EUR 13 million recognised in 2015, (ii) the acquisition of BERT that has contributed EUR 5 million to EBITDA in December and (iii) the slightly colder weather which resulted in higher heat and power offtake
  - EBITDA was negatively affected by lower power prices, lower power production in the Group's CHP power plants, higher fuel costs, a planned outage related to retrofitting of boilers at EOP in connection with the Industrial Emissions Directive and continuing decreases in allocated emission allowances in 2015 as compared to 2014

(1) Based on consolidated financial statements of EPE Group – Segment Heat and Power 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 where EPE delivers heat

(3) Includes BERT operation figures for the whole 2015, i.e. disregarding the actual date of acquisition

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

## Overview

	Unit	FY 2014 <sup>3</sup>	FY 2015
Sales <sup>1</sup>	m EUR	1,605	1,687
EBITDA <sup>1</sup>	m EUR	152	197

## Commentary

- In 2015, Power Distribution & Supply segment accounted for approx. 60% of consolidated EBITDA (before intercompany eliminations)
- The 2015 results were primarily impacted by SOT<sup>2</sup> improvement of approximately EUR 24 million (see below). In addition, SSE's EBITDA was improved by approximately EUR 7 million resulting from higher sales, supported by strong results in process, cost and work efficiency improvements (e.g. maintenance and procurement), which was partially offset by an increase in personnel expenses
- Furthermore, EPET improved its EBITDA by EUR 9 million namely due to improved margin delivered on specific gas supply contracts

## Overview of SOT mechanism

- SSE-D, a subsidiary of SSE is, in its role of Distribution System Operator ("DSO"), obliged to purchase electricity from renewables at regulated prices, which are higher than market prices. The DSOs are then compensated through SOTs collected from the final electricity consumers. As per current regulation, any negative balance between the DSO's costs and the SOT revenues should be taken into account when assuming new tariffs
- For the year ended December 31, 2015, the SOT income statement impact amounted to EUR 8 million which is EUR 24 million better compared to 2014. At the same time, 2015 income statement impact includes EUR 77 million (2014 – EUR 42 million) of accrued revenue to be collected in 2016 (2014 – collected in 2015)



(m EUR)	FY 2014	FY 2015	Difference
SSE Simple EBITDA	145	175	+30
SSE SOT I/S impact	(16)	8	+24

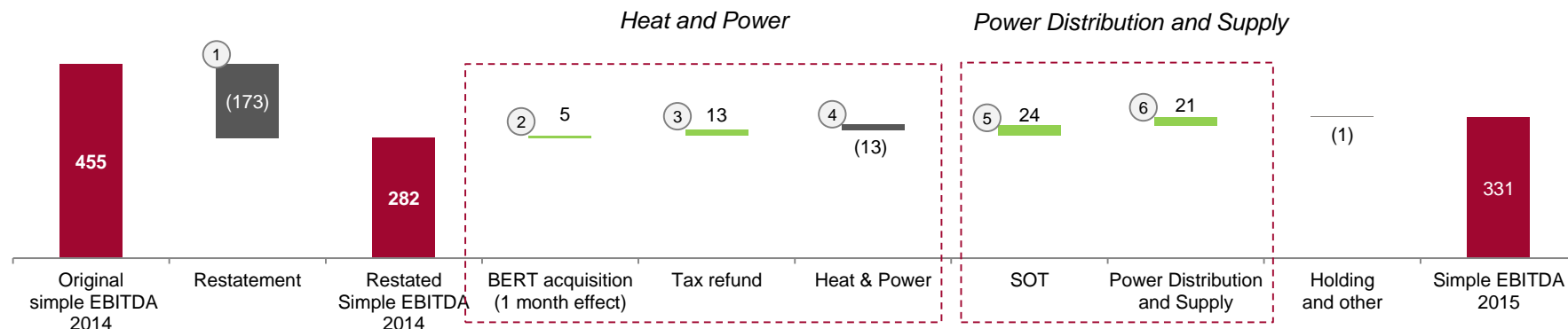
- SSE continues to negotiate the situation with the Slovak regulator to accelerate cash collection relating to SOT
- SSE-D's distribution margin is relatively stable

(1) Based on consolidated financial statements of EPE Group – Segment Power distribution & Supply according to IFRS

(2) System Operations Tariff („SOT“)

# EP Energy indicative simple EBITDA bridge 2015 vs. 2014

## Indicative EBITDA bridge<sup>1</sup> (m EUR)



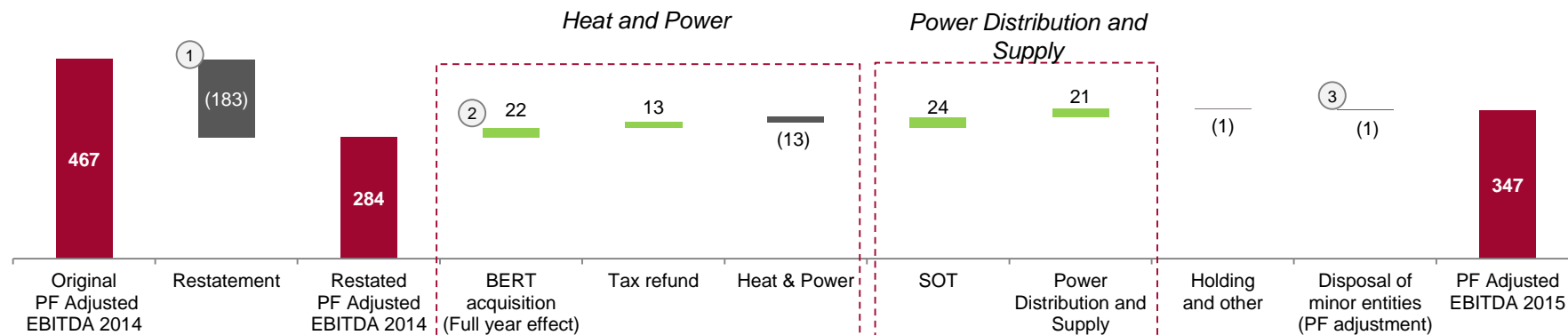
- ① Restated: 2014 Figures were restated due to the disposal of our German assets
- ② We have acquired BERT on December 10, 2015, which resulted in a contribution to EBITDA of EUR 5 million (one month effect only)
- ③ The Czech Heat and Power entities obtained a refund (including relevant interest) of EUR 13 million of free emission allowances gift tax backed up by the ruling of the European Court of Justice and the judgment of the Supreme Administrative Court of the Czech Republic
- ④ The results of the Heat & Power segment, except for effects of ② and ③, was negatively affected by lower power prices, lower power production in the Group's CHP power plants, higher fuel costs, a planned outage related to retrofitting of boilers at EOP in connection with the Industrial Emissions Directive and continuing decreases in allocated emission allowances in 2015 as compared to 2014, which was partly offset by slight increase in heat and power offtake caused by colder weather (for more details, please see slide 6)
- ⑤ SOT improvement due to lower SOT deficit in the year ended 31 December 2015 as compared to the year ended 31 December 2014 and also due to the fact that SSE accrued in the year ended 31 December 2015 a higher receivable relating to SOT deficit for the year 2014 as compared to the receivable accrued in the year ended 31 December 2014 in relation to the SOT deficit for the year 2013, which resulted in overall SOT improvement of EUR 24 million (for more details, please see slide 7).
- ⑥ EBITDA of Power Distribution and Supply increased namely due to increased sales, supported by strong results in process, cost and work efficiency improvements (e.g. maintenance and procurement)

(1) Figures might not add up due to rounding



# EP Energy indicative pro forma EBITDA bridge 2015 vs. 2014

## Indicative EBITDA bridge<sup>1</sup> (m EUR)



- ① Restated: 2014 Figures were restated due to the disposal of our German assets comprising 2014 simple EBITDA of EUR 173 million and 2014 Pro forma adjustment of EUR 10 million relating to financial items in Saale Energie, 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
- ② We have acquired BERT on December 10, 2015, which resulted in a contribution to EBITDA of EUR 5 million in consolidated statements and pro forma adjustment for period 1-11/2015 of EUR 17 million
- ③ Pro forma adjustment of negative EUR 1 million representing exclusion of EBITDA of several minor entities that were disposed in 2016 before the Reporting release date

The remaining effects are explained on previous slides

(1) Figures might not add up due to rounding

# Subsequent events

- ❑ During 2016 activities and assets held by CE Energy, a.s. („CEE“) (in 2016 renamed to EP Infrastructure, a.s.) were reorganized. The reorganization included the following transactions impacting EPE:
  - EPE disposed of the of the German mining and power generation assets („German assets“), including among others MIBRAG, Saale Energie and Helmstedter Revier GmbH, by means of sale for a fair value of equity of EUR 156 million to EPH, the disposal was completed on April 1, 2016
  - EPE disposed minor entities in 2016 by means of sale for a total value of EUR 8 million (for details of transactions please see the Subsequent events section in the Report on the year ended December 31, 2015 for EP Energy, a.s.)
  
- ❑ Pražská teplárenská („PT“) spun-off certain assets consisting of small local heat sources and related distribution networks located predominantly on the left bank of Vltava river into a separate entity and sold a 85% share in the entity to Veolia Energie ČR, a.s. for EUR 60 million<sup>1</sup> on February 29, 2016 with an option to sell the remaining 15% in H2 2016 (total expected proceeds on 100% share are CZK 1,920 million<sup>1</sup>, or over EUR 70 million)
  
- ❑ On 4 April 2016 EPE fully repaid the term loans totaling EUR 175 million previously provided by ČSOB, HSBC and Commerzbank using the proceeds from the sale of JTSD

(1) subject to usual post-closing adjustments based on working capital level against the benchmarked value

# Wrap-up

- ❑ IFRS EBITDA of EP Energy increased by EUR 49 million, or 17%, to EUR 331 million for the year 2015 as compared to EUR 282 million for the year 2014
- ❑ The 2015 results are affected by:
  - Improved performance of our Power Distribution and Supply segment driven by increase in sales and lower System Operations Tariff („SOT“) deficit
  - Slightly colder weather than in 2014 resulting in higher heat and power sales
  - Acquisition of BERT, a leading heat and power producer in Hungary based in the Budapest area
  - The Czech Heat and Power entities obtained a refund of free emission allowances gift tax backed up by the preliminary ruling of the European Court of Justice and the judgment of the Supreme Administrative Court of the Czech Republic
  - Declining power prices and simple spread accompanied with decreased free allocation of emission allowances had certain adverse affect on our results
- ❑ Activities and assets held by CE Energy, a.s. („CEE“) (in 2016 renamed to EP Infrastructure, a.s.) were reorganized, which included disposal of German mining and power generation assets („German assets“) and shares in non-core entities for cash consideration with subsequent improvement of net leverage ratio
- ❑ Pražská teplárenská („PT“) disposed certain assets consisting of small local heat sources and related distribution networks located predominantly on the left bank of Vltava river for CZK 1,920 million<sup>1</sup>. The transaction is pending closing
- ❑ Following to the completion of reorganization, Fitch affirmed EP Energy's Long-term Issuer Default Rating (IDR) at 'BB+' with outlook stable (BBB- for senior secured bonds)
- ❑ Going forward, EPE focuses on infrastructure assets that are regulated and/or long-term contracted

(1) subject to usual post-closing adjustments based on working capital level against the benchmarked value

# Q&A

## Contact for Institutional Investors & Analysts:

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# Appendix – key operating performance indicators

## Overview

Operating performance <sup>1</sup> (EPE excluding SSE)	Unit	2014	2015	Change
Installed cogeneration capacity	MW <sub>e</sub>	500	906	406
Installed condensation capacity	MW <sub>e</sub>	360	360	–
Installed heat capacity <sup>2</sup>	MW <sub>th</sub>	3,195	4,040	845
Power produced	GWh	2,547	2,988	441
Grid balancing services	GWh	1,715	1,462	253
Heat supplied	TJ <sup>3</sup>	15,594	22,202	6,608
Power supplied	GWh	2,012	1,820	(192)
Natural gas supplied	GWh	3,203	1,392	(1,811)

Operating performance of SSE <sup>1</sup>	Unit	2014	2015	Change
Power supplied	GWh	4,321	3,921	(400)
Natural gas supplied	GWh	223	359	136
Power distributed	GWh	5,839	5,872	33

## Commentary

- ❑ Installed cogeneration and heat capacities increased by 406 MWe and 847 MWth due to acquisition of BERT, while the installed condensation capacity remained at the same level
- ❑ Electricity produced increase is attributable to acquisition of BERT that produced 949 GWh in 2015, of which 196 GWh in December 2015
- ❑ Grid balancing services increase of 39% reflects primarily acquisition of BERT and partially a higher success rate in winning tenders for these services in the Czech Republic
- ❑ Heat supplied increase of 42% is primarily attributable to acquisition of BERT, that supplied 6.3 PJ in 2015 (of which 0.9 PJ in December 2015), and slightly colder weather
- ❑ The 56% decrease in natural gas supplied stems from the expiration of a one-off contract with a significant off-taker. The deliveries under this contract took place in 2014 only
- ❑ Electricity supplied by SSE declined due to pressure from increasing competition
- ❑ Supply of natural gas increased thanks to new customer acquisitions
- ❑ Power distributed by SSE remained stable

(1) The operating data are based on the results of the respective entities on a 100% basis for the full period, regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity  
(2) Installed heat capacity on heat exchangers  
(3) 1 TJ = 0,2778 GWh



# Appendix – Pro forma adjusted EBITDA calculation

## EP Energy (SSE on 100% basis)

- ❑ Pro forma Adjusted EBITDA represents pro forma profit from operations plus pro forma depreciation of property, plant and equipment and pro forma amortization of intangible assets minus pro forma negative goodwill (if applicable) further adjusted to reflect
  - a consolidation of a 95.6% share in BERT using the full method of EBITDA consolidation (EUR 22.2 million for 2015, of which EUR 17.3 million relates to period January 1, 2015 to November 30, 2015)
  - exclusion of EBITDA of several minor entities that were disposed in 2016 before the Reporting release date
- ❑ Negative goodwill occurred in a value of EUR 33.1 million for the year 2015 due to fact that the EP Energy realized gain on the acquisition of BERT in December 2015
- ❑ Pro Forma Adjusted EBITDA calculation (in million EUR):

Pro Forma Adjusted EBITDA calculation	FY 2015
Profit from operations	205.7
Depreciation and amortization	158.1
Negative goodwill	(33.1)
<b>Simple EBITDA per FS</b>	<b>330.7</b>
BERT Pro Forma Adjustment	17.3
Adjustment for other minor disposals	(1.4)
<b>Adj. Pro forma EBITDA</b>	<b>346.6</b>

# Appendix – Other

## 2014 Financial statements restatement

- ❑ 2014 Figures were restated by EUR 173 million due to the disposal of our German Mining and Power generation operations, which include, among others, the MIBRAG Group, Saale Energie and Helmstedter Revier GmbH. The German assets have been reclassified to assets and liabilities held for sale and operations were classified as discontinued. For detail of the disposal please refer to section 'German assets sale' in the "Report on the year ended December 31, 2015 for EP Energy, a.s.". The disposal was completed on April 1, 2016

## Net Debt calculation

- ❑ Total net debt balance is based on the consolidated financial statements (Total Loans and borrowings plus Total Financial instruments and financial liabilities less Cash and cash equivalents), but excludes the liabilities towards Pražská teplárenská Holding a.s. (also "PTH") of EUR 6.7 million

Net Debt calculation as of December 31, 2015 (m EUR)		EPE full basis
Loans and borrowings (non-current)	add	1,304.3
Financial instruments and financial liabilities (non-current)	add	0.5
Loans and borrowings (current)	add	45.6
Financial instruments and financial liabilities (current)	add	5.1
PTH liability	less	6.7
Cash and cash equivalents	less	131.6
<b>Net Debt as of December 31, 2015</b>		<b>1,217.2</b>

- ❑ 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