Report on the first quarter of the year 2013 for EP Energy, a.s.

- ✓ In the first quarter 2013, which is strong due to seasonality, the consolidated sales reached EUR 548.3 million, consolidated EBITDA EUR 135.7 million and net consolidated debt amounted to EUR 971.9 million
- ✓ Financial performance remained good in all segments in the first quarter 2013
- ✓ Long term group financing secured through the EUR 600 mln 2018 maturing bond that was issued in April 2013 and fully refinanced senior secured club loan granted to EP Energy.
- ✓ In May 2013, the parent company of EP Energy, Energetický a průmyslový holding, signed share purchase agreement with Életricité de France on the purchase of 49% share associated with management control in Stredoslovenská Energetika, a.s., where is expected contribution of this company to EP Energy

EP Energy, a.s. ("group or Group or EPE“) is vertically integrated energy utility that includes 59 companies. In 2012 the Group was the leading heat supplier in the Czech Republic, the second largest power generator in the Czech Republic and the third largest mining company in Germany. Group benefits from relatively low exposure to market developments, as significant majority of EBITDA is generated by regulated assets or assets with long term off take contracts. The key operations are located in the Czech Republic and Germany, with smaller activities also in the Slovak Republic.

KEY FIGURES AT A GLANCE

Million	Consolidated financial results CZK Not audited 31.3.2012 [2]	Not audited 31.3.2013 [2]	Consolidated financial results in EUR Not audited 31.3.2012 [2]	Not audited 31.3.2013 [2]
Sales	10,936.0	14,019.0	436.0	548.3
EBITDA[1]	3,166.0	3,470.0	126.2	135.7
Profit from operations	2,267.0	1,951.0	90.4	76.3
Profit before tax	2,187.0	1,502.0	87.2	58.7
Net profit attrib. to EPE	1,703.0	1,418.0	67.9	55.5
Total assets		87,676.0		3,406.9
Total net debt		25,012.0[3]		971.9[3]
CAPEX	-179	-219	-7.1	-8.6
Operating cash flow before changes in working capital	3,206.0	4,149.0	127.8	162.3

(1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus revaluation of 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 group.
(2) Difference between consolidation scope for the first quarter in 2012 and the first quarter of the year 2013 is described later in section: "Key factors affecting comparability of the results of operations of the EPE group"
(3) Net debt figure is based on the consolidated financial statement, but the cash used for the purpose of the net debt calculation excludes the cash attributable to PT´s minority shareholders in the amount of CZK 4,390 mln. The amount of loans and borrowings includes accrued interest and reflects deduction of unamortized issuance costs.

	1Q 2012	1Q 2013
Coal production .... Mt	4.6	5.0
Installed *cogeneration* Capacity[4].... MW_e	500	500
Installed *condensation* Capacity[4] .. MW_e	360	360
Installed heat capacity[4] .... MW_{th}	4,105	4,105
Heat supplied[4,5] .... TJ	8,234	8,544
Power produced[4, 6]............................ GWh	1,021.3	912.2
Power traded[4] .... GWh	3,453	4,303
Power supplied[4] .... GWh	476	542
Natural gas supplied[4] .... GWh	449	798
Saale Energie................................. MW_e		400

(4) 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 a.s. group or the ownership share of the EPE group in each entity. Nevertheless, operating data for Energotrans are excluded.
(5) 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. ("PT")
(6) does not include data for the Saale Energie and its subsidiaries.

CONTENT:

The consolidated financial statements for the group are presented in separate files as attachments to this report.

>> We continue to benefit from our low risk profile focusing on regulated and long term contracted activities, which helps us maintain a solid performance. <<

Dear investors, customers and partners,

Benefiting from EP Energy's low risk profile, we report consolidated EBITDA of EUR 135.7 million in the first quarter 2013. In comparison to the first quarter 2012, our EBITDA has grown by approximately 7.5%. This can be attributed mainly to the changes in the consolidation scope and better performance of Heat & Power and Mining segments.

In the first quarter 2013 the colder weather and performance of regulated and/or long term contracted businesses supported the overall solid performance.
There have been no material changes in the group in the first quarter 2013 and we concentrated on efficiency improvement and cost discipline. In the area of financing, in our continued effort to maintain an optimal capital structure for the EP Energy's group and to secure stable long-term financing, we have issued a 5 year senior secured bond in the middle of April 2013, which was used to repay the outstanding EP Energy club loan facilities and EP Energy cancelled unutilized part of its club loan.

As regards the future development, our parent company Energetický a průmyslový holding ("EPH") signed a share purchase agreement with Életricité de France ("EdF") on the purchase of the 49% share associated with management control in Stredoslovenská Energetika, a.s. ("SSE"). This asset perfectly fits into our strategy of vertical integration and focus on regulated assets. After the completion of the acquisition, it is expected that EPH will contribute this asset and related financing to EP Energy, which should happen in the second half of 2013. As the result of such contribution of SSE to EP Energy, EP Energy would further increase the share of the revenues from regulated businesses (distribution of the power). Such situation would further support the overall risk profile of the EP Energy and due to the excess of power supply over generation following such contribution, the potential acquisition of power generating assets, especially those considered to utilize spare mining capacity of MIBRAG, would create additional synergies.

In order to secure the long-term stability of our financial performance in the coming years, we remain focused on maintaining and improving our risk-profile and exploring further synergies across the group. At the same time, we closely follow the market development and, in line with our prudent acquisition strategy, are currently analysing a limited number of opportunities in our core business and markets we operate at with strong potential to further strengthen our vertical integration.

On behalf of the Board of Directors and everyone involved in EP Energy, we would like to thank you for your ongoing support as we continue to deliver on our strategy and commitments to our stakeholders.

Sincerely yours,

Tomáš David
Member of the Board and CEO

Economy and Market development

Economy development:

According to preliminary estimates of the Czech Statistical Office, the Czech gross domestic product adjusted for price, seasonal, and calendar effects decreased in the first quarter 2013 by 1.9%, year-on-year, and by 0.8%, quarter-on-quarter. The key drivers were low level of investments in dwellings and other buildings and structures and the negative development of foreign trade.

According to estimates of Federal Statistical Office (Destatis) the German gross domestic product adjusted for price, seasonal, and calendar effects decreased in the first quarter 2013 by 0.3%, year-on-year, and increased by 0.1%, quarter-on-quarter.

The outlook for the economy development remains quite uncertain. Nevertheless, according to the Czech Central Bank, the Czech GDP should decrease by 0.5% in 2013; the Bundesbank expects German GDP to grow by 1.8% in 2013.

Weather:

The heat segment, the renewables segment and electricity production in cogeneration mode are correlated to weather development. Thus, seasonality may be observed in the group performance, where the heat segment is the strongest in 1Q and also in 4Q accompanied by higher power production in cogeneration mode.

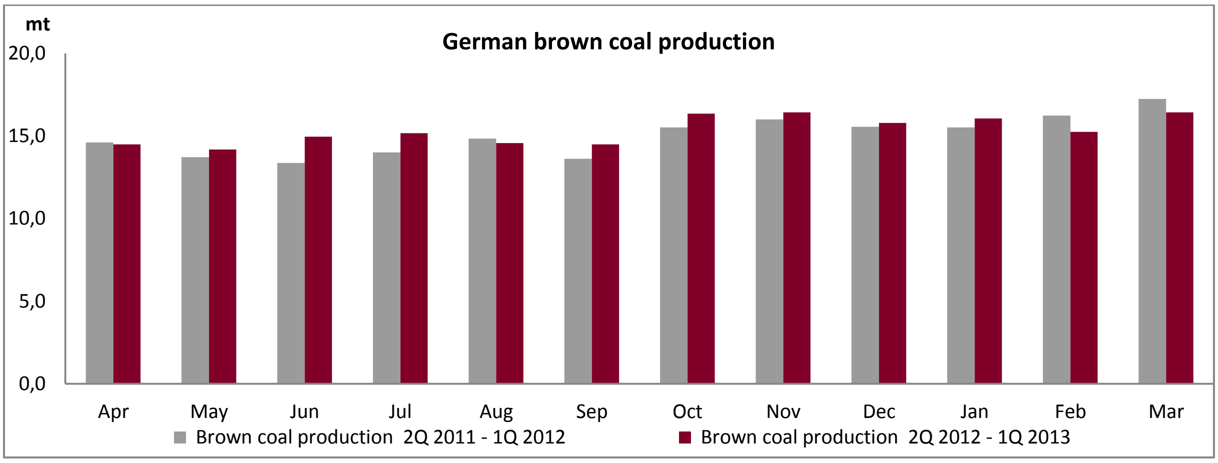
From the heating business perspective, the first quarter 2013 was moderately colder than the first quarter 2012. An approximate metrics representing “coldness” of the weather pattern is so called “day-degrees” (a metric integrating difference between reference indoor temperature and outdoor temperature over the given period of time), which was for the group and in the areas where we deliver the heat Q1-t-Q1 11.3% higher. Thus, weather pattern in the first quarter 2013 had positive impact on the heat and power division performance.

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 relatively 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 favourable merit order position translates to a relatively stable share of brown coal on German power generation of around 26%.

Overall brown coal production in Germany decreased from 49.0 million tons in Q1 2012 to 47.7 million tons in Q1 2013, i.e. by 2.7% according to the statistics of Kohlenwirtschaft e.V.

Through our German subsidiary, Mitteldeutsche Braunkohlen Gesellschaft GmbH (“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 19 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 the stable demand of our customers, which persisted in the first quarter 2013. 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 labour costs increases. Our three major contracts last until 2039, 2020 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 very 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 cogeneration mode and based on brown coal, the most cost efficient source of primary energy), we are able to charge 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 fully 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:

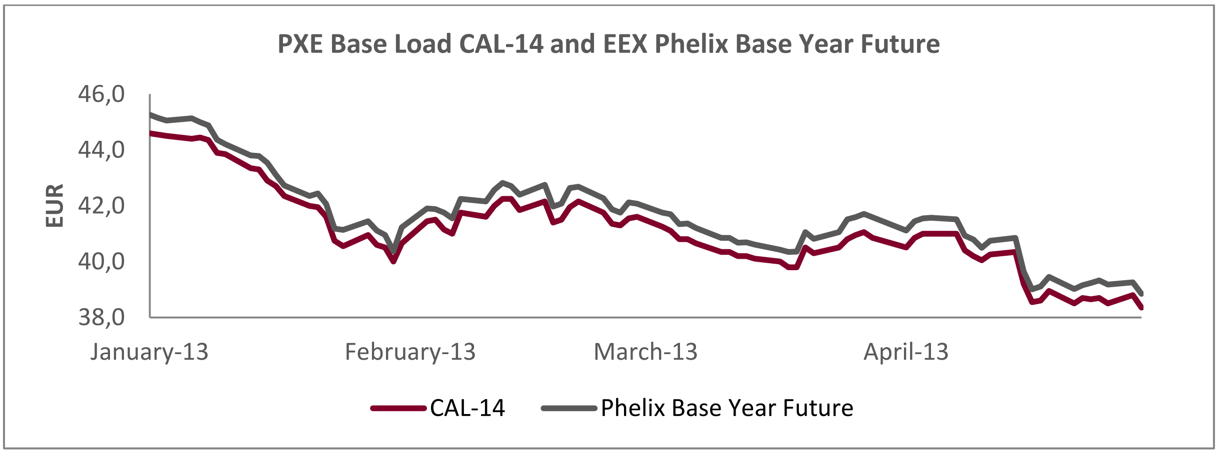
During the first quarter 2013 power and EU Allowance (“EUA”) prices remained under pressure due to lower economic activity in respective markets, low prices of hard coal and renewable energy production. In the first quarter 2013 the 1-year forward electricity prices on the European Energy Exchange (also “EEX”) dropped in base load to EUR 42.2 per MWh (compared to EUR 52.2 per MWh year ago) and peak load dropped to EUR 52.8 MWh (compared to EUR 64.1 per MWh year ago), representing a decrease for the base load and peak load prices of 19.2% and 17.7% respectively.[1]

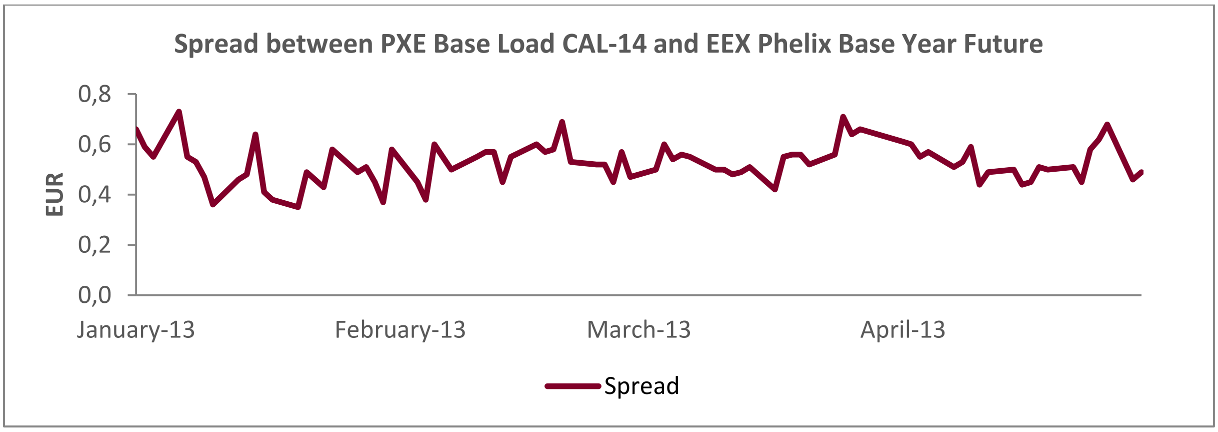
EUA with spot delivery was traded at average around EUR 4.66 per ton in the first quarter 2013[2], which represents substantial drop of the y-t-y prices of 39.1%.

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 has decreased during 2012 and dropped to levels well below 1.0 EUR/MWh. The low spreads encourage cross border trading and, vice versa, the liquidity of the Czech market increases.

[1] Source: EEX, Phelix Base Year Future and Phelix Peak Year Future (simple average of the daily price for 1 year forward prices calculated for period January 1 until March 31 of respective year)

[2]Source: European Energy Exchange: EU Emission Allowances Rights, contract EUSP, simple average

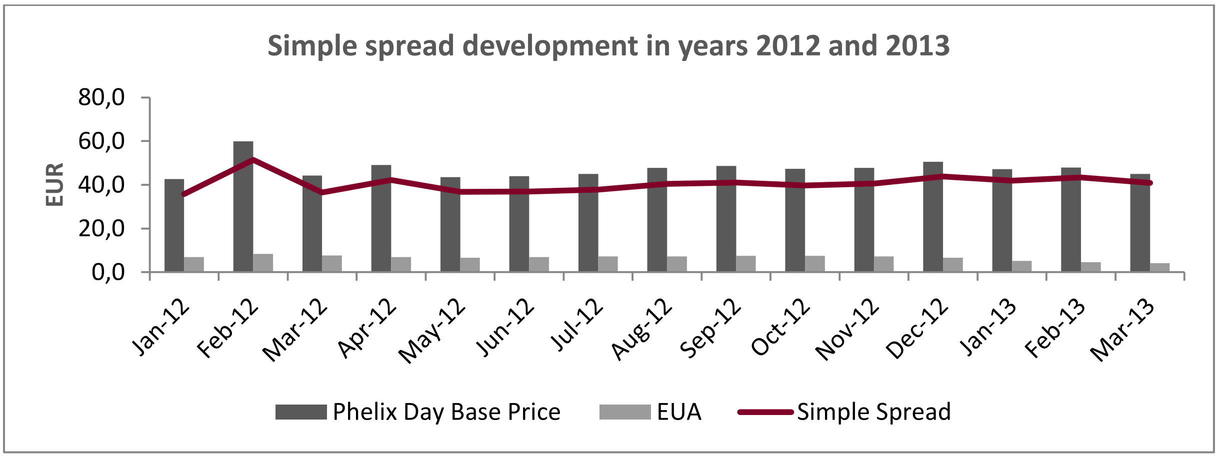




Source: PXE Base Load CAL14; EEX Phelix Base Year Future.

On the Czech market, electricity production from cogenerating units benefits from regulatory support. Currently, CZK 200 is received as subsidy for each MWh produced in cogeneration mode, which represents increase of CZK 155 per MWh provided in 2012.
Additionally, the Czech Energy Regulatory Office has reintroduced a subsidy for producers supplying their power production to distribution grids for 2013. Based on that we benefit from the subsidy of CZK 12 for one MWh delivered directly to the distribution grid, which applies to our entire power production.

Besides relatively low share of power production on EBITDA and cash flow generation of the group, we would like to point out that from the performance perspective, EPE is rather exposed to the spread between the power price and the price of emission allowance than to development of power prices alone. As the decrease of the spread was milder compare to decrease of power prices we can consider such development as an additional mitigating factor to EPE performance.



Source: EEX Simple Spread defined as the difference between Phelix Day Base and EUA price, using trading days 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 2013

Potential acquisitions

We are in ongoing negotiations to acquire a German brown coal-fired plant and its adjacent brown coal mine. The potential transaction is expected to be completed during 2013 and the assets would become part of the consolidated EPE Group. The power plant under consideration is currently self-sufficient in its supply of fuel, however, its mine is expected to be fully extracted in 2017, at which time, if we successfully purchase the plant, we would begin supplying it exclusively with MIBRAG brown coal. We would be also liable for reclamation payments in relation to the plant's exhausted mine which we expect to finance by cash generated from the plant's operations. As the purchaser, we could assume the power plant's obligations under a longterm power supply agreement, and would assume certain personnel-related obligations and the reclamation obligation, which would be reflected in the purchase price. By using our brown coal to generate power at this plant, we believe we would enhance the synergies between our business lines and strengthen the vertical integration of the EPE Group through this acquisition.

We have also submitted a bid in an open tender process to acquire certain operations in the Czech Republic, including two coal-fired cogeneration plants which supply heat to public heating networks. The plants are relatively new. The plants have long-term coal supply contracts.

Other

Effective March 5, 2013, the Board of Directors elected Jan Špringl as Vice-Chairman of the Board of Directors and the sole shareholder of EPE appointed Tomáš David and Jiří Feist as members of the Board of Directors. At the same time, Marek Spurný stepped down as Vice-chairman, but remains a member of the Board of Directors. The Board of Directors appointed Tomáš David as Chief Executive Officer of the Company replacing Jan Špringl who remains Vice-Chairman of the Board of Directors.

Effective January 1, 2013, První Energetická, a.s. merged with and into EP ENERGY TRADING, a.s. and the surviving entity is EP ENERGY TRADING, a.s.

Subsequent events

The EPE issued second Senior Secured Notes due 2018 on 18 April 2013 and these will be listed on the Irish Stock Exchange and comprise EUR 600 million. The 2018 Notes bear interest at 4.375% per annum, payable semi-annually in arrears on 1 May and 1 November of each year. Unless redeemed prematurely, the 2018 Notes will be redeemed by the Group in their principal amount on 1 May 2018. The proceeds from the notes were used to repay the EPE club loan financing and will be used for the partial repayment of the liabilities to EPH and also for general corporate purposes.

EPE has developed the project of an incineration plant at premises of the United Energy up to the level of valid building permit. In March 2013 we have selected consortium of Fisia Babcock Environment - Skanska in public procurement process as the EPC contractor. At the same time, having no visibility on the subsidy for the construction incineration plant from EU and also as there was declined amendment to the regulation for the waste treatment in the Czech Republic, we have put this contract on hold without any matured financial obligations of EPE.

Our parent company, EPH, has signed a share purchase agreement to acquire a 49% interest with associated management control in the Slovak power distribution and supply company SSE on May 24, 2013. The transaction value is approximately EUR 400 million. SSE supplies and distributes electricity to both businesses and households and serves several hundred thousands of customers. The transaction is expected to close during the third quarter of 2013 and is inter alia subject to obtaining anti-trust clearance.

EPH is funding the acquisition by using a combination of cash on hand and indebtedness. Although we have no agreement with EPH, following such acquisition, we expect that EPH would contribute the holding company for the minority interest to EPE in exchange for subordinated shareholder funding and/or equity. As a result of such contribution, EPE would indirectly assume the indebtedness of the holding company and its subsidiaries, including SSE, which could be significant. At the time of the contribution, such debt would not be secured by any assets of the EPE Group. Following such contribution, we expect that we would secure the (contributed) acquisition debt by a security that would rank pari passu with the notes in compliance with both the indentures. There can be no assurance that EPH will successfully close the transaction and acquire the minority interest or that even if it is successful that EPH will contribute such interest to us.
Based on the most recent financial statements available to us, we do not expect that the minority interest would currently represent more than 15% of the EPE Group's total assets or income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of SSE exclusive of amounts attributable to any non-controlling interests or the consideration for the minority interest to exceed 15% of the EPE Group's total assets. This could change based on, for example, changes in results for the EPE Group or SSE.

EP Energy, a.s. (the "Company") Report for the first quarter of 2013

Reporting

This report (the "Report") is the report required under Section 4.03 of the indenture governing the senior secured notes (the "Notes I"), dated as of October 31, 2012 (the "Indenture I") and Section Section 4.03 of the indenture governing the senior secured notes (the "Notes II) dated as of April 18, 2013 (the "Indenture II") (both also the "Notes" and "Indenture" for the quarter ended March 31, 2013.

Presentation of financial information

This Report summarizes consolidated financial and operating data derived from the not audited financial statements of EP Energy, a.s. as of and for the quarter ended March 31, 2013 prepared in accordance with IFRS.

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

EBITDA is defined herein as Profit/(Loss) from operations (i.e., Total sales less Total operating costs) plus Depreciation and amortization less Negative goodwill.

After the listing of the Notes on the Irish Stock Exchange, the EPE Group began to report segment information in accordance with IFRS 8. EPE uses segment reporting in accordance with IFRS, and all figures for the segments reflect segment reporting in accordance with IFRS. Because we did not previously report segment information through IFRS segment reporting, it may be difficult to compare our segment data with our "line of business" data previously reported elsewhere.

EBITDA margin is defined herein as EBITDA divided by Total Sales and Pro Forma Adjusted EBITDA margin is defined herein as Pro Forma Adjusted EBITDA divided by Pro forma Total Sales.

We present EBITDA, EBITDA margin and Pro Forma Adjusted EBITDA margin, 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 to assess our performance. EBITDA is not a measure calculated in accordance with IFRS and our use of the term EBITDA may vary from others in our industry. EBITDA differs from Consolidated EBITDA as defined in the Indenture. 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 and EBITDA margin, 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 Energy Supply and Trading segment due to the implementation of our power optimization strategy in this segment.

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.

The financial information presented in this Report is presented in Czech crowns. For your convenience, we have translated certain Czech crown amounts in this Report into euro. We include a number of convenience euro translations throughout the Report. The exchange rates are the following average exchange rates of the Czech National Bank in Czech crown per euro for the relevant period:

- quarter ended March 31, 2012: CZK 25.083 per €1.00
- quarter ended March 31, 2013: CZK 25.568 per €1.00

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

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;
- failures, breakdowns or other outages, as well as natural disasters, sabotage, or terrorism in our mines or in our generation and distribution facilities;
- the effects of waning political or public support for the brown coal used in our operations;
- the sensitivity of certain of our businesses to variations in weather;
- the effects of volatility in prices for electricity, natural gas, hard coal and CO_2 emission allowances;

- disruptions 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; and
- other factors discussed on “Risk factors.”

These risks and others described under “Risk factors” are not exhaustive. Other sections of this Report describe additional factors that could adversely affect our business, financial condition, results of operation, cash flows, reserves and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. 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.

Business, operational and financial performance

EPE lines of business

EPE has five principal lines of business (in the Report we use also "divisions") Mining, Heat and Cogeneration, Power Generation, Renewables and Energy Supply and Trading. However, because we cannot separate sales of power generated in cogeneration mode (combined production of heat and power) from sales of power generated in condensation mode (power generation only) and because we cannot separate the costs of sales of heat and power (as they are produced in the same facilities), for financial presentation purposes and for purposes of this discussion and analysis, we present the Heat and Cogeneration and Power Generation lines of business as a single line of business "Heat and Power."

For the purpose of the Chapters "Business and operation performance" and "Financial performance", we comment on the lines of business and their performance, based on the segment reporting as presented in the Notes to the consolidated statements of EP Energy, a.s. as of and for the period ended March 31, 2013 prepared according to IFRS. The EBITDA is calculated using the formula that can materially deviate from generally used formula for EBITDA (EBITDA is arrived to as follows: starting with Operating profit adding depreciation and amortization subtracting net gain (or loss) realized upon release of negative goodwill (if applicable). 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.

Business and operation performance

Mining:

In Q1 2013, our brown coal sales slightly grew and reached 4.5Mt as compared to 4.3 Mt in Q1 2012, with total production 5.0Mt as compared to 4.6 Mt in Q1 2012, mainly due to higher demand from one of the supplied power plants.

Heat and power:

In Q1 2013, our heat supplied reached 8,544.0 TJ (2,373.3 GWh), compared to 8,234.0 TJ (2,287.2 GWh) supplied in Q1 2012. This represents an increase of 310.0 TJ y-t-y (+3.8%). This increase is caused primarily by the colder weather in 2013 compared to the previous year.

The power production, excluding the Saale Energie GmbH that we do not include here, decreased in the first quarter 2013 compared to the first quarter 2012 by 10.7% reflecting the low power prices and production optimization activities of the group.

Renewables:

In the first quarter of 2013, the group generated 8.6 GWh from solar, wind and biogas power plans. This represents y-t-y decrease of 3.7%. This was positively influenced by performance of the biogas power plant in Slovakia, which only started to operate in 2012 with low production in 1Q2012, and full consolidation of MIBRAG Neue Energie GmbH in the first quarter 2013 compared to only 50% consolidation in the first quarter 2012. The opposite drivers can be found in worse wind and solar conditions throughout the quarter and temporary technical outage of one wind tower.

Energy Supply and Trading:

In Q1 2013, the division in aggregate traded 4,303.0 GWh of electricity, which represents +24.6% y-t-y change. Additionally, in Q1 2013, the power supply reached 542.0 GWh, i.e. increased by 13.9% and natural gas supplied reached 798.0 GWh, i.e. increased by 77.7%, compared to Q1 2012. The power traded volumes grew due to an increased resale of power purchased on the wholesale market in connection with our power optimization process. The power supply is driven by group´s intention to grow the sales to end customers. Gas and power supply growth corresponds mainly to the increase in the number off-take points and colder winter season.

Financial performance

Millions	Q1 2012 (CZK)	Q1 2013 (CZK)	Q1 2012 (EUR)	Q1 2013 (EUR)
Sales:				
Mining	1,396.0	2,917.0	55.7	114.1
Heat and Power	5,351.0	5.835.0	213.3	228.2
Trading and Supply	5,846.0	6,180.0	233.1	241.7
Renewables	32.0	32.0	1.3	1.3
Other	10.0	18.0	0.4	0.7
EBITDA:				
Mining	491.0	1,239.0	19.6	48.5
Heat and Power	2,563.0	2,182.0	102.2	85.3
Trading and Supply	85.0	55.0	3.4	2.2
Renewables	25.0	21.0	1.0	0.8
Other	-2.0	-24.0	-0.1	-0.9

Sales:
Mining:
Sales of mining division increased to CZK 2,917.0 (EUR 114.1) million in Q1 2013 (before any intercompany eliminations), as compared to CZK 1,396.0 (EUR 55.7) million in Q1 2012 (before any intercompany eliminations). The sales contain mainly sales of coal, but also external sales of power and heat produced by MIBRAG´s own power plants. The increase in sales was caused primarily by the change of the consolidation scope relating to acquisition of remaining 50% in MIBRAG in 2012.
Heat and power:
Sales of heat and electricity increased by 9.0%, to CZK 5,835.0 (EUR 228.2) million in Q1 2013 (before any intercompany eliminations) as compared to CZK 5,351.0 (EUR 213.3) million in Q1 2012 (before any intercompany eliminations). The result is influenced by the change of the consolidation scope including the acquisition of Saale Energie GmbH included to the group from July 17, 2012, increase in volume and prices of heat and decreased by lower power prices.

Renewables:
Sales of electricity produced by renewables division reached CZK 32.0 (EUR 1.3) million in Q1 2013 (before any intercompany eliminations), and was flat compared to the first quarter 2012. This is driven by same factors as described above in section "Business and operation performance – renewables" and supported by higher power prices.

Energy Supply and Trading
The sales of power and gas increased by 5.7% to CZK 6,180.0 (EUR 241.7) million in Q1 2013 (before any intercompany eliminations), as compared to CZK 5,846.0 (EUR 233.1) million in Q1 2012 (before any intercompany eliminations). This increase in sales of electricity corresponds to higher volumes traded and was decreased by power lower prices.

Operating results and consolidated EBITDA:
Mining:
The mining line of business accounted for 35.7%[3] of EBITDA (consolidated EBITDA) in Q1 2013 (before any intercompany eliminations). The EBITDA increased by 152.3%, to CZK 1,239 (EUR 48.5)

[3] The percentages do not add up to 100% because of non-presented „Other" items which account for -0.7% of consolidated EBITDA.

million in Q1 2013 (before any intercompany eliminations), as compared to CZK 491.0 (EUR 19.6) million in Q1 2012 (before any intercompany eliminations), with key driver being the change of the consolidation scope , where in the first quarter 2013 is consolidated 100% of MIBRAG compared to 50% consolidation in the first quarter 2012 and new IFRIC 20 applicable from January 1, 2013 requiring mining companies to capitalize the costs connected to overburden.

Heat and power:
The Heat and Power line of business accounted for 62.8%[3] of EBITDA (consolidated EBITDA) in Q1 2013. The EBITDA decreased by 14,9%, to CZK 2,182.0 (EUR 85.3) million in Q1 2013 (before intercompany eliminations), as compared to CZK 2,563.0 (EUR 102.2) million in Q1 2012 (before intercompany eliminations). This decrease is mainly result of the sale of the Energotrans a.s. consolidation of the Energotrans in the second quarter 2012 that was partly offset by full consolidation of PT (starting June 2012), acquisition of Saale Energie (in July 2012) and colder weather supporting performance of heat segment.

Renewables
The Renewables line of business accounted for 0.6%[3] of (consolidated EBITDA) decreasing to CZK 21.0(EUR 0.8) million in Q1 2013 (before any intercompany eliminations) from CZK 25.0 (EUR 1.0) million in Q1 2012 (before any intercompany eliminations), which was driven by same factors as described above in section of this Report "Sales – Renewables".

Energy supply and trading
The Energy Supply and Trading line of business accounted for 1.6%[3] of EBITDA (consolidated EBITDA) in Q1 2013. EBITDA decreased by 35.3%, to CZK 55.0 (EUR 2.2) million in Q1 2013 as compared to CZK 85.0 (EUR 3.4) million in Q1 2012. Lower EBITDA in the first quarter 2013 is primarily affected by lower margin realized by energy supply and trading segment.

Consolidated financial statements of the group
Revenues:
The group reported consolidated total revenues of CZK 14,019.0 (EUR 548.3) million in Q1 2013, which represents CZK 3,083.0 (EUR 120.6) million y-t-y increase.
The biggest contributor, apart from change of consolidation scope, to the group revenues are trading activities, followed by heat and power division and mining division, where all segments reported y-t-y growth

Operating profit and EBITDA :
The group reported in Q1 2013 EBITDA of CZK 3,470.0 (EUR 135.7) million (with excluded release of negative goodwill) and operating profit of CZK 1,895.0 (EUR 74.1) million with excluded release of negative goodwill), which represent a y-t-y increase of EBITDA of CZK 304.0 (EUR 11.9) million and y-t-y decrease of operating profit of CZK 372.0 (EUR 14.5) million.
The key drivers were changes in the consolidation scope (described in section of this Report "Key factors affecting comparability of the results of operations of the EPE group" and new IFRS rules influencing MIBRAG and increased heat volumes and prices.
The additional one off positive influence on top of the above mentioned operating profit is the release of negative goodwill in Q1 2013. Negative goodwill release increased by CZK 56.0 (EUR 2.2) million in Q1 2013 as compared to CZK 0.0 (EUR 0.0) million in Q1 2012.

Interest costs:
Net interest increased by CZK 12.0 (EUR 0.5) million to CZK 265.0 (EUR 10.4) million in Q1 2013 as compared to CZK 253.0 (EUR 10.1) million in Q1 2012. The major reason was the issue of the bonds in the fourth quarter of 2012 and utilization of the bank financing during the first quarter 2013.

Income tax:
The current income tax cost for the current period reached CZK 140.0 (EUR 5.5) million and deferred tax was positive CZK 243.0 (EUR 9.5) million in Q1 2013 as compared to CZK 487.0 (EUR 19.4) million current income tax and positive CZK 3.0 (EUR 0.1) million deferred tax in Q1 2012.

Net profit attributable to EPE:
Resulting from the solid operating performance the group posted a net profit attributable to EPE of CZK 1,418.0 (EUR 55.5) million in Q1 2013, compared to CZK 1703.0 (EUR 67.9) million in Q1 2012. The net profit was in this period CZK 1,605.0 (EUR 62.8) million in Q1 2013, compared to CZK 1703.0 (EUR 67.9) million in Q1 2012.

Minority interest:
In the period under review the minority interest amounted to CZK 187.0 (EUR 7.3) million. The key entity contributing to the minority interest is Pražská teplárenská a.s., where approx. 26.7% is owned by City of Prague and other minority shareholders. As this entity started to be fully consolidated only from June 29, 2012 for the profit and loss statement, the minority interest is attributed only to this time period.

Cash flow:
Operating activities
The group cash flow from (used in) operating activities (before change in working capital) reached CZK 4,149.0 (EUR 162.3) million in Q1 2013, compared to CZK 3,206.0 (EUR 127.8) million in Q1 2012. The operating cash flow reflects the change in the scope of the consolidation, accounting for the emission allowances and also the improved operating profitability of the group in this period.
The group cash flows from (used in) operating activities (after change in working capital) reached negative CZK 1,072.0 (EUR 41.9) million in Q1 2013 as compared to CZK 633 (EUR 25.2) million in Q1 2012. The principal reason was negative cash flow from the financial instruments at other than fair value represented by the distribution to the parent company of EPE.

Investing Activities
Cash flows from (used in) investing activities decreased by CZK 380.0 (EUR 14.9) million to negative CZK 579.0 (EUR 22.6) million in Q1 2013 as compared to cash outflow CZK 199.0 (EUR 7.9) million in Q1 2012. The change is mainly driven by accounting for the emission allowances and change in the consolidation scope as described elsewhere in the Report.

Financing Activities
Cash flows from (used in) financing activities increased by CZK 1,262.0 (EUR 49.4) million to CZK 1,831.0 (EUR 71.6) million in Q1 2013, as compared to CZK 569.0 (EUR 22.7) million in Q1 2012, resulting from the utilization of the EPE club loan facilities and use of these proceeds for the repayment of the liability to parent of EPE.

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.
Capital expenditures for tangible and intangible fixed assets reached CZK 219.0 (EUR 8.6) million in Q1 2013 as compared to CZK 179.0 (EUR 7.1) million in Q1 2012. The increase in capital expenditures for tangible fixed assets was primarily due to change in consolidation scope described elsewhere in the Report.

Total net debt of the group:

The group net debt as of March 31, 2013 reached CZK 25,012.0 (EUR 971.9) million, where major three key components were the issued bond CZK 12,882.0 (EUR 500.6) million, loans payable to credit institutions that amounted to CZK 11,534.0 (EUR 448.2) million and the liabilities to parent company Energetický a průmyslový holding a.s. that amounted to CZK 3,470 (EUR 135) million. The amount of loans and borrowings includes accrued interest and reflects deduction of unamortized issuance costs. The cash used for the calculation of the net debt excludes the cash attributable to PT´s minority shareholders in the amount of CZK 4,390 (EUR 171) million.

Balance sheet:

Total assets as of March 31, 2013 were CZK 87,676.0 (EUR 3,406.9) million, a CZK 5,283.0 (EUR 205.3) million or 6.4% increase compared to the end of 2012. The increase was driven by changes in consolidation, as described elsewhere in the report.

The group equity increased mainly as there were no dividends paid out and the group reported strong net profit in 2012. Equity including non-controlling interest represented 43.9% of the balance sheet total.

The key movements in the balance sheet compared to year end 2012 were caused by the full consolidation of MIBRAG group, Pražská teplárenská a.s. and the acquisition of Saale Energie GmbH on one side and by the divestment of Energotrans a.s. by Pražská teplárenská a.s. on the other side and change in the levels of the receivables and liabilities of EPE towards its parent company.

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 a beneficial owner of EPH (our 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 such 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 the periods for which the major entities are included in our consolidated financial statements and the basis for the stand-alone financial information, which we used in Chapters "Business and operation performance" and "Financial performance":

Periods presented in the Issuer's consolidated IFRS financial statement		
Subsidiary	Quarter ended March 31, 2012	Quarter ended March 31, 2013
EOP	Fully consolidated	Fully consolidated
UE	Fully consolidated	Fully consolidated
PT	Proportionate consolidated (73.3%)	Fully consolidated
Energotrans, a.s.	Proportionate consolidated (73.3%), together with PT	Not included, as it was sold in 2012
Plzeňská Energetika a.s.	Fully consolidated	Fully consolidated
JTSD/MIBRAG	Proportionate consolidation (50%) from July 1, 2011	Fully consolidated–
Saale Energie GmbH	n.a.	Fully consolidated
PEAS	Fully consolidated	merged with EP Energy Trading, a.s. ("EPET")
EPET	Fully consolidated	Fully consolidated
První mostecká, a.s.	Equity consolidated	Fully consolidated

We have recently added new businesses to the EPE Group and may have made and may make acquisitions in the future. Newly added or acquired businesses may not be integrated or managed successfully, and we may fail to realize the anticipated synergies, growth opportunities and other benefits expected from these additions or acquisitions. Our pro forma and 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 Group has not materially changed since the Bond issue and the risk analysis provided in the Offering Memorandum is still a valid indication of the key risks that the Group faces.

The Group continues to actively keep track of the risks and has dedicated staff to follow different risk areas.

Attachments: these are available at http://www.epenergy.eu/investors/reports/
Not audited Consolidated Financial Statements for the quarter ended March 31, 2013 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Link to SSE website for the more information on this company: www.sse.sk