EP Energy Q1 2019 Results Call

May 30, 2019

EP ENERGY

Tomáš David, Chairman of the Board, CEO
Filip Bělák, CFO

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, Adjusted EBITDA, Net Debt or net consolidated leverage ratio are not defined terms in IFRS and do not represent the term EBITDA, Adjusted EBITDA, Net Debt or net consolidated leverage ratio 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 the year 2019 for EP Energy, a.s.” as published on www.epenergy.cz

Summary of key results of EP Energy for Q1 2019

LTM Q1 2019 consolidated results

- For the last twelve months (LTM) the **consolidated pro forma sales** reached **EUR 1,930 million** and **Adjusted EBITDA**[1] amounted to **EUR 315 million** compared to EUR 321 million[1] in 2018
- Indicative **net consolidated leverage ratio**[2] as of March 31, 2019 stood at **1.7x**

Q1 2019 historical consolidated results

- The **historical consolidated sales** reached **EUR 614 million, Adjusted EBITDA**[1] (i.e. considering the effect of disposal as described in the notes below) was **EUR 119 million** for the first quarter of 2019 compared to EUR 125 million in the first quarter of 2018
- The **consolidated net debt** as of March 31, 2019 was **EUR 611 million**[3]

1. Adjusted EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) further adjusted to (i) exclude one-off items related to impairment of PPE and Goodwill at Plzeňská energetika a.s. recorded in the first quarter 2018 totalling EUR 10 million related to impairment charged at Plzeňská energetika a.s. ("PE") as a result of commercial negotiations between the Group and the City of Pilsen in relation to a merger of PE and Plzeňská teplárenská, a.s. ("PLTEP"), (ii) exclude one-off gain from sale of non-core non-operational real estate assets of EUR 20 million realised in Q4 2018, (iii) add back (if negative) or deduct (if positive) the timing difference between (a) compensation for the expenses for mandatory purchase and off-take of energy from renewable sources pursuant to the Slovak RES Promotion Act and the Decree recognised in revenues in the relevant period and (b) net expenses accounted for the mandatory purchase of energy from renewable resources in accordance with the Slovak RES Promotion Act, in each case inclusive of accruals and (iv) FY 2018 and Q1 2018 exclude result of Plzeňská energetika (EUR 6 million) as the entity was disposed on May 9, 2018. For full details of adjustments see slide 14
2. This presentation includes the calculation of "Indicative Net Consolidated Leverage Ratio" as of March 31, 2019, as defined in the EP Energy Indenture. The calculation of our Net Consolidated Leverage Ratio differs from any leverage ratio included in the offering memoranda for the senior secured notes or otherwise included herein, and consistent with the definition, is made on the basis of certain good faith judgments made by us
3. Please refer to slide 15 for details on calculation of net debt

Main events and effects driving the Q1 2019 results

- Group business was slightly influenced by one of the warmest winter in history affecting volume of supplied heat
- Further, results as compared to 2018 are influenced by several one-off factors:
  - **Disposal of Plzeňská energetika** on May 9, 2018, which contributed to Q1 2018 EBITDA by EUR 6 million
  - Effect of a **timing difference** in System Operations Tariff („SOT“) temporarily improving SSE‘s EBITDA by EUR 23 million in the first quarter 2019 as compared to the same period of 2018. Also, we are happy to announce that the SOT clearing duty shall be taken over by a state owned company OKTE a.s. beginning January 1, 2020. The SOT deficit is no longer expected to be incurred by the Slovak electricity distribution companies from then on
- On April 11, 2019, the Company purchased and cancelled Notes in nominal value of EUR 2.75 million as part of "Collateral Sale Offer" related to net proceeds of EUR 41.5 million from sale of 100% of the shares in Plzeňská energetika to its parent company, EP Infrastructure, a.s. Following the collateral sale offer completion, EP Energy shall be using the proceeds for its general corporate purposes like, but not limited to, repayment of the indebtedness, capital expenditures, etc.
- On April 30, 2018, Fitch **affirmed** EP Energy’s rating **BBB-**, and rating **BBB** of our Notes (both with **stable outlook**)
- On May 21, 2019, EP Infrastructure, parent company of EP Energy, signed new EUR 265 million term facility agreement. Together with previously issued privately placed EUR 70 million notes and EUR 183 million issue of Schuldschein, EP Infrastructure **secured sufficient funding for repayment of 2019 Notes** due in November 2019

1. Property, Plant and Equipment

Key financial performance indicators of EP Energy

Overview

Consolidated financial results (m EUR)	Q1 2018	Q1 2019
Sales	520	614
Adjusted EBITDA[1]	125	119
Total net debt[2]		611
CAPEX[3]	10	13

LTM[4] figures (m EUR)	FY 2018	March 31, 2019
Adjusted LTM EBITDA[1]	321	315
Indicative net consolidated leverage ratio[5]	2.0x	1.7x

(1) Adjusted EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) further adjusted to (i) exclude one-off items related to impairment of PPE and Goodwill at Plzeňská energetika a.s. recorded in the first quarter 2018 totalling EUR 10 million related to impairment charged at Plzeňská energetika a.s. ("PE") as a result of commercial negotiations between the Group and the City of Pilsen in relation to a merger of PE and Plzeňská teplárenská, a.s. ("PLTEP"), (ii) exclude one-off gain from sale of non-core non-operational real estate assets of EUR 20 million realised in Q4 2018, (iii) add back (if negative) or deduct (if positive) the timing difference between (a) compensation for the expenses for mandatory purchase and off-take of energy from renewable sources pursuant to the Slovak RES Promotion Act and the Decree recognised in revenues in the relevant period and (b) net expenses accounted for the mandatory purchase of energy from renewable resources in accordance with the Slovak RES Promotion Act, in each case inclusive of accruals and (iv) FY 2018 and Q1 2018 exclude result of Plzeňská energetika (EUR 6 million) as the entity was disposed on May 9, 2018. For full details of adjustments see slide 14

(2) Total net debt per financial statements 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 slide 15

(3) Excluding emission allowances and disregarding actual cash flows

(4) Last twelve months

(5) This presentation includes the calculation 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 judgements made by EP Energy

Commentary

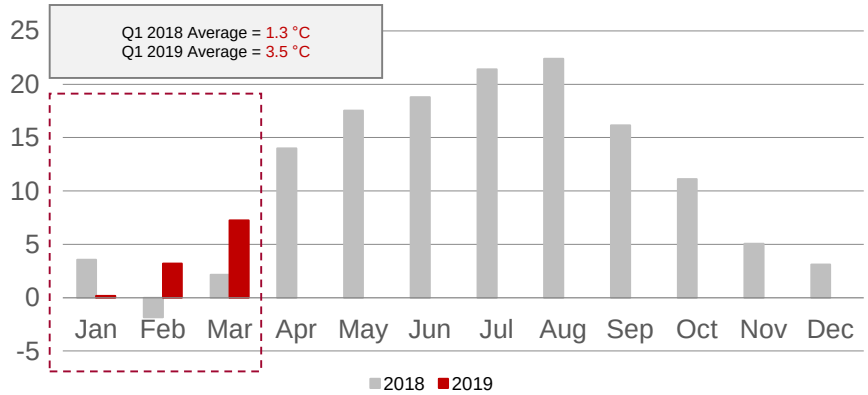
- We report Q1 2019 Adjusted LTM EBITDA[1] of EUR 315 million which is slighty below the same measure for FY2018 primarily being a result of very warm winter
- Our Q1 2019 Adjusted EBITDA[1] reached EUR 119 million which is lower by EUR 6 million than the same measure for Q1 2018 (please refer to slide 8 for a detailed EBITDA and Adjusted EBITDA bridge)
- CAPEX[3] higher due to a different timing of projects
- Indicative net consolidated leverage ratio[5] decreased period to period

Key developments in the Heat Infra segment

Overview

	Unit	Q1 2018	Q1 2019
Heat supplied[3]	TJ	9,933	8,559
Power production	GWh	1,460	1,159
Space heating needs	Day– degrees[2]	1,655	1,457
Sales[1]	mEUR	221	211
EBITDA[1]	mEUR	67	64

Average temperatures in 2018 – 3/2019 (in °C) in Prague



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

Commentary

- For Q1 2019, Heat Infra segment accounted for approx. 46% of consolidated EBITDA (before intersegment eliminations)
- In Q1 2019 the supplied heat decreased by app. 1.4 PJ (-14%) due to (a) less favourable weather conditions in Q1 2019 (day-degrees down by 12%) and (b) as well as PE being deconsolidated from May 9, 2018 (decrease by 0.4 PJ)
- Power production volume down by 21% predominantly due to sale of PE and less favourable conditions on market (higher emission allowances prices)

1. Based on consolidated financial statements of EP Energy 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

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

Overview

	Unit	Q1 2018	Q1 2019
Sales[1]	mEUR	348	451
EBITDA[1]	mEUR	49	74
Power distributed	GWh	1,758	1,750
Power supplied[4]	GWh	1,744	1,938

Commentary

- In Q1 2019, Power Distribution & Supply segment accounted for approx. 53% of consolidated EBITDA (before intersegment eliminations)
- The Q1 2019 results were primarily positively impacted by SOT[2] timing difference („SOT gap“) of approximately EUR 23 million (see below) recorded by SSD. Apart from the SOT impact which is currently expected to be positively impacting the results in the following years, Segment EBITDA slightly increased by EUR 2 million caused mainly by SSE and EPET higher margin on power supply and SSE higher volume on power and gas resales

Overview of SOT gap mechanism

- SSD, 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 SSD in next two years at the latest
- For the three-month period ended March 31, 2019, the SOT income statement impact amounted to positive EUR 19 million, which is EUR 23 million better compared to the three-month period ended March 31, 2018

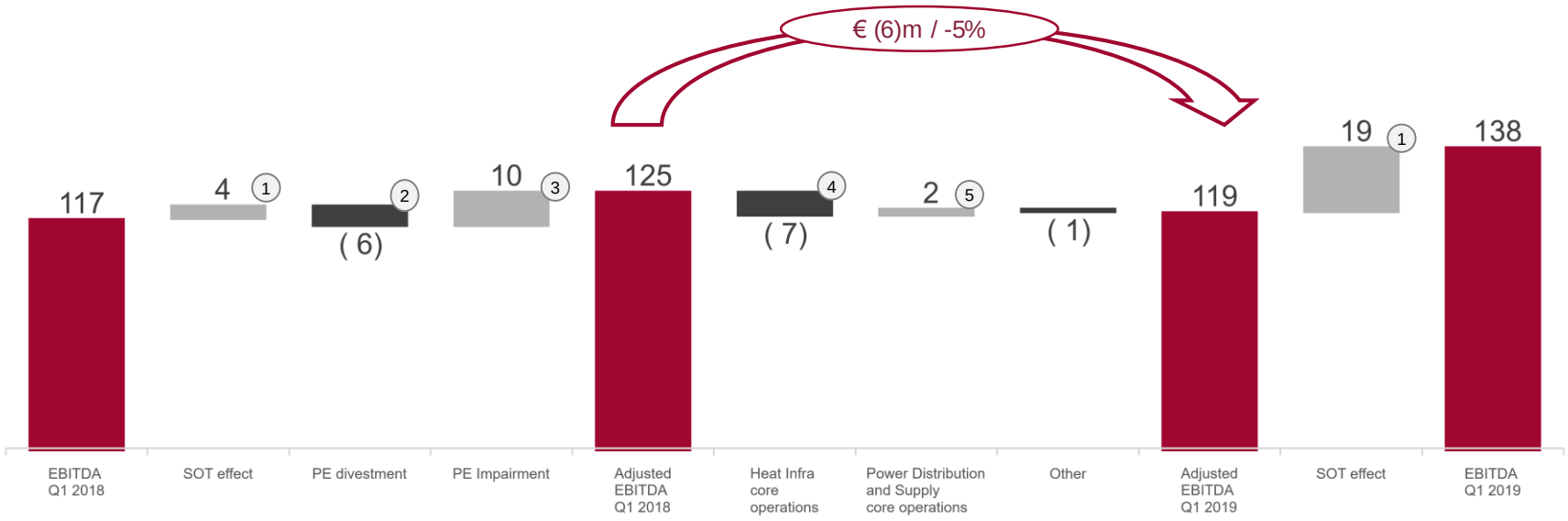
(m EUR)	Q1 2018	Q1 2019	Difference
SSE core business EBITDA[3]	50	51	1
SSE SOT I/S impact	(4)	19	23
SSE Simple EBITDA	46	70	24

- SSE continues to negotiate the situation with the Slovak regulator to accelerate cash collection relating to SOT. In November the final version of the legal act relating to SOT was published. As a result, SOT clearing duty is going to be transferred from distribution companies to a state owned company OKTE from 1 January 2020. Per the current legislation, settlement of receivable from current system is to occur during 2020-2021 at the latest

1. Based on consolidated financial statements of the EP Energy Group – Segment Power distribution & Supply according to IFRS
2. System Operations Tariff („SOT“)
3. i.e. EBITDA adjusted for SOT impact
4. Including SSE and EPET on 100% basis

EP Energy indicative EBITDA and Adjusted EBITDA bridge (Q1 2019 vs. Q1 2018)

Indicative EBITDA bridge[1] (m EUR)



1. SOT timing difference of EUR 19 million surplus in Q1 2019 while realising EUR 4 million deficit in Q1 2018 (i.e. positive effect p/p of EUR 23 million)

2. Effect of disposal of PE to EP Infrastructure on May 9, 2018

3. EP Energy recorded one-off impairment to long term assets of EUR 10 million, related to impairment charged at PE as a result of commercial negotiations between the Group and the City of Pilsen in relation to a merger of PE and Plzeňská teplárenská ("PLTEP")

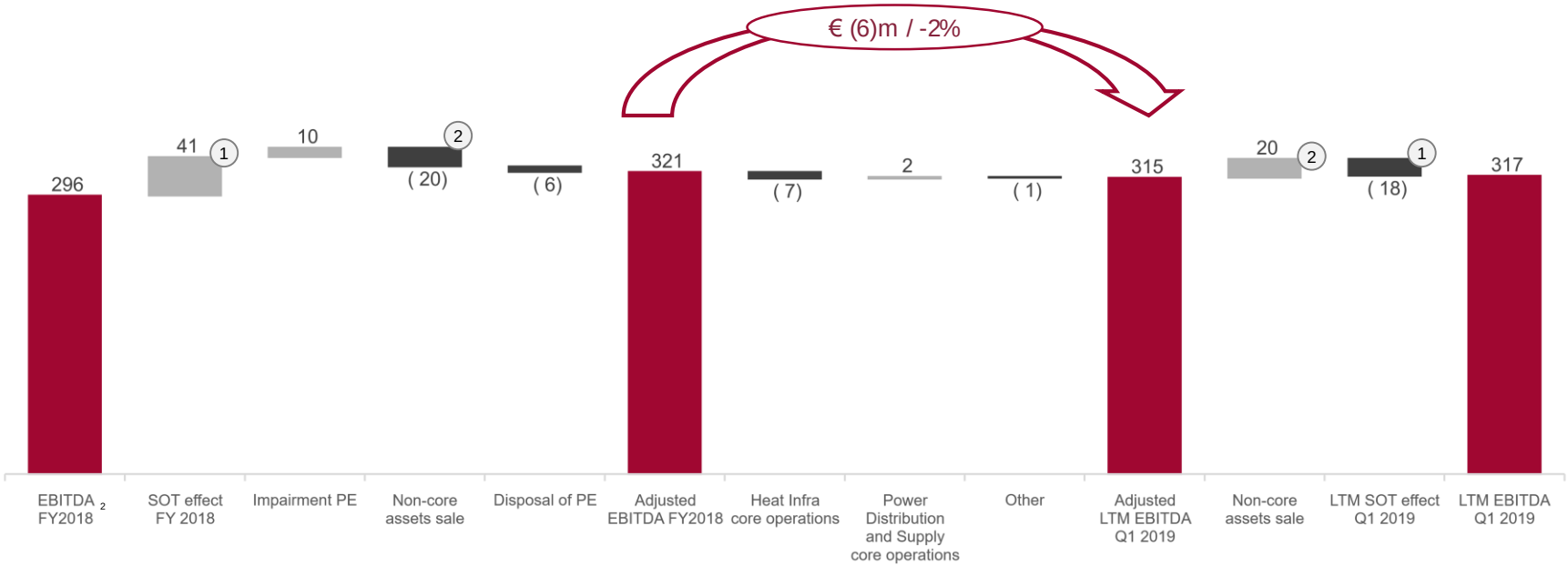
4. The results of the Heat Infra segment (excluding the effects of 2 and 3 decreased by EUR 7 million as compared to Q1 2018 primarily driven by lower volume of supplied heat as result of unusually warm weather and lower volume of power produced in cogeneration

5. EBITDA of Power Distribution and Supply (excluding effect of 1) was higher mainly as a result of higher margin realised by SSE and EPET on power supply

[1] Figures might not add up due to rounding

EP Energy indicative LTM EBITDA and LTM Adjusted EBITDA bridge (LTM Q1 2019 vs. FY2018)

Indicative EBITDA bridge[1] (m EUR)



1. SOT timing difference of EUR 19 million surplus in Q1 2019 while realising EUR 41 million deficit in FY2018 and deficit of EUR 4 million in Q1 2018 (i.e. LTM deficit p/p of EUR 18 million)

2. One-off gain from sale of non-core unused real estate assets realised in the last quarter of 2018 of EUR 20 million

- For other effects description see previous slide

1. Figures might not add up due to rounding
2. As presented on slide 9 in FY 2018 results presentation published on April 9, 2019

Subsequent events

- On March 11, 2019, EP Energy offered to purchase up to EUR 41,503,059 aggregate principal amount of its €498,650,000 5.875% Senior Secured Notes due 2019 (the “Notes”) to comply with its obligation to make “Collateral Sale Offers” under the indenture governing the Notes. The Collateral Sale Offer related to net proceeds from the sale of 100% of the shares in Plzeňská energetika to its parent company, EP Infrastructure. As a result of collateral sale offer, EP Energy purchased Notes in nominal value of EUR 2.75 million, which was settled on April 11, 2019. Following the collateral sale offer completion, EP Energy shall be using the proceeds for its general corporate purposes like, but not limited to, repayment of the indebtedness, capital expenditures, etc.

- On April 30, 2019, **Fitch affirmed EP Energy´s credit rating of BBB-**, with 2019 Notes affirmed at **BBB** (both with outlook stable)

- On May 21, 2019, EP Infrastructure, parent company of EP Energy, signed new EUR 265 million term facility agreement. Together with previously issued privately placed EUR 70 million notes and EUR 183 million issue of Schuldschein, EP Infrastructure secured sufficient funding for repayment of 2019 Notes due in November 2019

Wrap-up

- EP Energy's **Adjusted LTM EBITDA reached EUR 315 million** for Q1 2019, which is slightly worse (-2%) than the same FY2018 measure
- Simple EBITDA amounted to **EUR 138 million** in Q1 2019 as compared to **EUR 117 million** in Q1 2018, where the Q1 2019 results were primarily affected by:
  - Positive effect of **timing difference resulting from System Operations Tariff („SOT") of EUR 23 million**
  - **Disposal of PE** in 2018 resulting in decrease in EBITDA of **EUR 6 million**
  - Negative impact from very warm winter which resulted in EBITDA lower by **EUR 7 million**
  - Positive result of **Power supply business activities** which turned into better result of **EUR 2 million**
  - Comparability of results was further influenced by one-off non-cash impairment of EUR 10 million recognized in Q1 2018 as a result of commercial negotiations between the Group and the City of Pilsen in relation to a merger of PE and Plzeňská teplárenská ("PLTEP")
- On April 11, 2019, **EP Energy repurchased and cancelled EUR 3 million of bonds** as part of Collateral Sale Offer
- On April 30, 2019, **Fitch affirmed EP Energy´s credit rating of BBB-**, with 2019 Notes affirmed at **BBB** (both with outlook stable)
- On May 21, 2019, EP Infrastructure signed **new term facility agreement,** which together with privately placed bonds and Schuldschein financing **secures sufficient funding** for repayment of EP Energy Notes at EP Infrastructure level

Q&A

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Appendix – key operating performance indicators

Overview

Operating performance[1] (EPE excluding SSE)	Unit	1-3/2018	1-3/2019	Change
Installed heat capacity[2]	MW_{th}	3,323	3,126	(197)
Installed cogeneration capacity	MW_e	894	804	(90)
Installed condensation capacity	MW_e	360	339	(21)
Heat supplied	TJ[3]	9,933	8,559	(1,374)
Power produced	GWh	1,460	1,159	(301)
Grid balancing services	GWh	767	502	(265)
Power supplied	GWh	614	758	144
Natural gas supplied	GWh	832	773	59

Operating performance of SSE[1]	Unit	1-3/2018	1-3/2019	Change
Power distributed	GWh	1,758	1,750	(8)
Power supplied	GWh	1,130	1,180	50
Natural gas supplied	GWh	180	217	37

Commentary

- Heat supplied decreased by 1.4 PJ. Mainly affected by warmer weather in February and March and disposal of PE in May 2018 (decrease by 0.4 PJ)
- Installed heat capacity decreased by 197 MWth because of disposal of PE in May 2018
- Power production volume down by 20% partially due to less favourable emission allowance prices and less production because of PE´s disposal in May 2018 (decrease by 62 GWh)
- Grid balancing services decrease of 35% reflects primarily disposal of PE in May 2018

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, PE is included in the figures for 1-3/2018 and balances as of March 31, 2018
2. Installed heat capacity on heat exchangers
3. 1 TJ = 0,2778 GWh

Appendix – Adjusted EBITDA calculation

EP Energy *(SSE on 100% basis)*

- Adjusted EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) further adjusted to (i) exclude one-off items related to impairment of PPE and Goodwill at Plzeňská energetika a.s. ("PE") recorded in the first quarter 2018 totalling EUR 10 million as a result of commercial negotiations between the Group and the City of Plsen in relation to a merger of PE and Plzeňská teplárenská, a.s. ("PL TEP"), (ii) exclude one-off gain from sale of non-core non-operational real estate assets of EUR 20 million in Q4 2018, (iii) add back (if negative) or deduct (if positive) the timing difference between (a) compensation for the expenses for mandatory purchase and off-take of energy from renewable sources pursuant to the Slovak RES Promotion Act and the Decree recognised in revenues in the relevant period and (b) net expenses accounted for the mandatory purchase of energy from renewable resources in accordance with the Slovak RES Promotion Act, in each case inclusive of accruals and (iv) FY 2018 and Q1 2018 exclude result of Plzeňská energetika (EUR 6 million) as the entity was disposed on May 9, 2018

- The EBITDA and Adjusted EBITDA included in this presentation do not represent the term EBITDA or Adjusted EBITDA as may be defined by any documentation for any financial liabilities of the EP Energy Group

- EBITDA and Adjusted EBITDA calculation:

Adjusted EBITDA calculation	**Dec 31, 2018 (m EUR)**	**LTM March 31, 2019 (m EUR)**
EBITDA 1-3/2018 (per IFRS FS, Segment reporting)		117
EBITDA 1-12/2018 (per IFRS FS, Segment reporting)		296
EBITDA 1-3/2019 (per IFRS FS, Segment reporting)		138
LTM EBITDA	**296**	**317**
Impairment of PE assets (1-3/2018)	10	-
Disposal of non-core real estate assets (1-12/2018)	(20)	(20)
EBITDA of disposed PE (LTM: 6 (FY2018); 6 (1-3/2018); 0 (1-3/2019)	(6)	-
SOT impact (LTM: 41 (FY2018; loss) 4 (1-3/2018; loss) 19 (1-3/2019; gain))	41	18
Adjusted LTM EBITDA	**321**	**315**

Appendix – Net debt calculation

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 Mar 31, 2019		**m EUR**
Loans and borrowings (non-current)	*add*	278
Financial instruments and financial liabilities (non-current)	*add*	14
Loans and borrowings (current)	*add*	522
Financial instruments and financial liabilities (current)	*add*	25
Cash and cash equivalents	*less*	228
Net Debt as of Mar 31, 2019		**611**

- 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