Energy Transfer LP
Reconciliation of Non-GAAP Measures

	Pro Forma for Mergers										
	Full Year	2018					2019				
	2017	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
Net income	$ 2,366	$ 489	$ 633	$ 1,391	$ 852	$ 3,365	$ 1,180	$ 1,208	$ 1,161	$ 1,350	$ 4,899
(Income) loss from discontinued operations	177	237	26	2	-	265	-	-	-	-	-
Interest expense, net	1,922	466	510	535	544	2,055	590	578	579	584	2,331
Impairment losses	1,039	-	-	-	431	431	50	-	12	12	74
Income tax expense (benefit) from continuing operations	(1,833)	(10)	68	(52)	(2)	4	126	34	54	(19)	195
Depreciation, depletion and amortization	2,554	665	694	750	750	2,859	774	785	784	804	3,147
Non-cash compensation expense	99	23	32	27	23	105	29	29	27	28	113
(Gains) losses on interest rate derivatives	37	(52)	(20)	(45)	70	(47)	74	122	175	(130)	241
Unrealized (gains) losses on commodity risk management activities	(59)	87	265	(97)	(244)	11	(49)	23	(64)	95	5
Losses on extinguishments of debt	89	106	-	-	6	112	18	-	-	-	18
Inventory valuation adjustments	(24)	(25)	(32)	7	135	85	(93)	(4)	26	(8)	(79)
Impairment of investment in unconsolidated affiliates	313	-	-	-	-	-	-	-	-	-	-
Equity in (earnings) losses of unconsolidated affiliates	(144)	(79)	(92)	(87)	(86)	(344)	(65)	(77)	(82)	(78)	(302)
Adjusted EBITDA related to unconsolidated affiliates	716	156	168	179	152	655	146	163	161	156	626
Adjusted EBITDA from discontinued operations	223	(20)	(5)	-	-	(25)	-	-	-	-	-
Other, net	(155)	(41)	15	(33)	38	(21)	17	(37)	(47)	13	(54)
Adjusted EBITDA (consolidated)	7,320	2,002	2,262	2,577	2,669	9,510	2,797	2,824	2,786	2,807	11,214
Adjusted EBITDA related to unconsolidated affiliates	(716)	(156)	(168)	(179)	(152)	(655)	(146)	(163)	(161)	(156)	(626)
Distributable Cash Flow from unconsolidated affiliates	431	104	99	109	95	407	93	107	107	108	415
Interest expense, net	(1,958)	(468)	(510)	(535)	(544)	(2,057)	(590)	(578)	(579)	(584)	(2,331)
Subsidiary preferred unitholders' distributions	(12)	(24)	(41)	(51)	(54)	(170)	(53)	(64)	(68)	(68)	(253)
Current income tax (expense) benefit	(39)	(468)	27	(24)	(7)	(472)	(28)	7	(2)	45	22
Transaction-related income taxes	-	480	(10)	-	-	470	-	-	-	(31)	(31)
Maintenance capital expenditures	(479)	(91)	(126)	(156)	(137)	(510)	(92)	(170)	(178)	(215)	(655)
Other, net	67	7	7	16	19	49	18	19	18	30	85
Distributable Cash Flow (consolidated)	4,614	1,386	1,540	1,757	1,889	6,572	1,999	1,982	1,923	1,936	7,840
Distributable Cash Flow attributable to Sunoco LP (100%)	(449)	(84)	(99)	(147)	(115)	(445)	(97)	(101)	(132)	(120)	(450)
Distributions from Sunoco LP	259	41	41	41	43	166	41	41	41	42	165
Distributable Cash Flow attributable to USAC (100%)	-	-	(46)	(47)	(55)	(148)	(55)	(54)	(55)	(58)	(222)
Distributions from USAC	-	-	31	21	21	73	21	21	24	24	90
Distributable Cash Flow attributable to PennTex Midstream Partners, LP (100%)	(19)	-	-	-	-	-	-	-	-	-	-
Distributions from PennTex Midstream Partners, LP	8	-	-	-	-	-	-	-	-	-	-
Distributable Cash Flow attributable to noncontrolling interests in other non-wholly-owned subsidiaries	(350)	(147)	(181)	(253)	(294)	(875)	(251)	(293)	(283)	(286)	(1,113)
Distributable Cash Flow attributable to the partners of ET - pro forma for ETO and Sunoco Logistics mergers	4,063	1,196	1,286	1,372	1,489	5,343	1,658	1,596	1,518	1,538	6,310
Transaction-related adjustments	57	(1)	14	12	27	52	(2)	5	3	8	14
Distributable Cash Flow attributable to the partners of ET, as adjusted - pro forma for ETO and Sunoco Logistics mergers	$ 4,120	$ 1,195	$ 1,300	$ 1,384	$ 1,516	$ 5,395	$ 1,656	$ 1,601	$ 1,521	$ 1,546	$ 6,324

Notes

The closing of the ETO Merger has impacted the Partnership's calculation of Distributable Cash Flow attributable to partners, as well as the number of ET Common Units outstanding and the amount of distributions to be paid to partners. In order to provide information on a comparable basis for pre-ETO Merger and post-ETO Merger periods, the Partnership has included certain pro forma information. Pro forma Distributable Cash Flow attributable to partners reflects the following ETO Merger related impacts:

- ETO is reflected as a wholly-owned subsidiary and pro forma Distributable Cash Flow attributable to partners reflects ETO's consolidated Distributable Cash Flow (less certain other adjustments, as follows).
- Distributions from Sunoco LP and USAC include distributions to both ET and ETO.
- Distributions from PennTex are separately included in Distributable Cash Flow attributable to partners.
- Distributable Cash Flow attributable to noncontrolling interest in our other non-wholly-owned subsidiaries is subtracted from consolidated Distributable Cash Flow to calculate Distributable Cash Flow attributable to partners.

Pro forma distributions to partners include actual distributions to legacy ET partners, as well as pro forma distributions to legacy ETO partners. Pro forma distributions to ETO partners are calculated assuming (i) historical ETO common units converted under the terms of the ETO Merger and (ii) distributions on such converted common units were paid at the historical rate paid on ET Common Units. Pro forma Common Units outstanding include actual Common Units outstanding, in addition to Common Units assumed to be issued in the ETO Merger, which are based on historical ETO common units converted under the terms of the ETO Merger. For the year ended December 31, 2017, the calculation of Distributable Cash Flow and the amounts reflected for distributions to partners and common units outstanding also reflect the pro forma impacts of the Sunoco Logistics Merger as though the merger had occurred on January 1, 2017.

Definitions

Adjusted EBITDA, Distributable Cash Flow and distribution coverage ratio are non-GAAP financial measures used by industry analysts, investors, lenders and rating agencies to assess the financial performance and the operating results of ET's fundamental business activities and should not be considered in isolation or as a substitute for net income, income from operations, cash flows from operating activities, or other GAAP measures. There are material limitations to using measures such as Adjusted EBITDA, Distributable Cash Flow and distribution coverage ratio, including the difficulty associated with using either as the sole measure to compare the results of one company to another, and the inability to analyze certain significant items that directly affect a company's net income or loss or cash flows. In addition, our calculations of Adjusted EBITDA, Distributable Cash Flow and distribution coverage ratio may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP, such as segment margin, operating income, net income and cash flow from operating activities.

We define Adjusted EBITDA as total partnership earnings before interest, taxes, depreciation, depletion, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, inventory valuation adjustments, non-cash impairment charges, losses on extinguishments of debt and other non-operating income or expense items. Adjusted EBITDA reflects amounts for less than wholly-owned subsidiaries based on 100% of the subsidiaries' results of operations. Adjusted EBITDA reflects amounts for unconsolidated affiliates based on the same recognition and measurement methods used to record equity in earnings of unconsolidated affiliates. Adjusted EBITDA related to unconsolidated affiliates excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliates, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliates. We do not control our unconsolidated affiliates; therefore, we do not control the earnings or cash flows of such affiliates.

Distributable Cash Flow is used by management to evaluate our overall performance. Our partnership agreement requires us to distribute all available cash, and Distributable Cash Flow is calculated to evaluate our ability to fund distributions through cash generated by our operations. We define Distributable Cash Flow as net income, adjusted for certain non-cash items, less distributions to preferred unitholders and maintenance capital expenditures. Non-cash items include depreciation, depletion and amortization, non-cash compensation expense, amortization included in interest expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, inventory valuation adjustments, non-cash impairment charges, losses on extinguishments of debt and deferred income taxes. For unconsolidated affiliates, Distributable Cash Flow reflects the Partnership's proportionate share of the investee's distributable cash flow.

On a consolidated basis, Distributable Cash Flow includes 100% of the Distributable Cash Flow of ET's consolidated subsidiaries. However, to the extent that noncontrolling interests exist among the Partnership's subsidiaries, the Distributable Cash Flow generated by our subsidiaries may not be available to be distributed to our partners. In order to reflect the cash flows available for distributions to the partners of ET, the Partnership has reported Distributable Cash Flow attributable to the partners of ET, which is calculated by adjusting Distributable Cash Flow (consolidated), as follows:

- For subsidiaries with publicly traded equity interests, other than ETO, Distributable Cash Flow (consolidated) includes 100% of Distributable Cash Flow attributable to such subsidiary, and Distributable Cash Flow attributable to the our partners includes distributions to be received by the parent company with respect to the periods presented.
- For consolidated joint ventures or similar entities, where the noncontrolling interest is not publicly traded, Distributable Cash Flow (consolidated) includes 100% of Distributable Cash Flow attributable to such subsidiaries, but Distributable Cash Flow attributable to the partners reflects only the amount of Distributable Cash Flow of such subsidiaries that is attributable to our ownership interest.

For Distributable Cash Flow attributable to partners, as adjusted, certain transaction-related and non-recurring expenses that are included in net income are excluded.