Energy Transfer LP
Reconciliation of Non-GAAP Measures

	Pro Forma for Mergers										
	Full Year	2017					2018				
	2016	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
Net income	$ -	$ 319	$ 121	$ 758	$ 1,168	$ 2,366	$ 489	$ 633	$ 1,391	$ 852	$ 3,365
(Income) loss from discontinued operations	462	11	193	(17)	(10)	177	237	26	2	-	265
Interest expense, net	1,804	473	477	490	482	1,922	466	510	535	544	2,055
Gains on acquisitions	(83)	-	-	-	-	-	-	-	-	-	-
Impairment losses	1,040	-	89	10	940	1,039	-	-	-	431	431
Income tax expense (benefit) from continuing operations	(258)	38	33	(157)	(1,747)	(1,833)	(10)	68	(52)	(2)	4
Depreciation, depletion and amortization	2,216	628	607	642	677	2,554	665	694	750	750	2,859
Non-cash compensation expense	70	27	20	29	23	99	23	32	27	23	105
(Gains) losses on interest rate derivatives	12	(5)	25	8	9	37	(52)	(20)	(45)	70	(47)
Unrealized (gains) losses on commodity risk management activities	136	(69)	(29)	76	(37)	(59)	87	265	(97)	(244)	11
Losses on extinguishments of debt	-	25	-	-	64	89	106	-	-	6	112
Inventory valuation adjustments	(97)	13	29	(50)	(16)	(24)	(25)	(32)	7	135	85
Impairment of investment in unconsolidated affiliates	308	-	-	-	313	313	-	-	-	-	-
Equity in (earnings) losses of unconsolidated affiliates	(270)	(87)	(49)	(92)	84	(144)	(79)	(92)	(87)	(86)	(344)
Adjusted EBITDA related to unconsolidated affiliates	675	185	164	205	162	716	156	168	179	152	655
Adjusted EBITDA from discontinued operations	199	31	72	76	44	223	(20)	(5)	-	-	(25)
Other, net	(79)	(12)	(35)	(29)	(79)	(155)	(41)	15	(33)	38	(21)
Adjusted EBITDA (consolidated)	6,135	1,577	1,717	1,949	2,077	7,320	2,002	2,262	2,577	2,669	9,510
Adjusted EBITDA related to unconsolidated affiliates	(675)	(185)	(164)	(205)	(162)	(716)	(156)	(168)	(179)	(152)	(655)
Distributable Cash Flow from unconsolidated affiliates	375	108	88	133	102	431	104	99	109	95	407
Interest expense, net	(1,832)	(477)	(481)	(503)	(497)	(1,958)	(468)	(510)	(535)	(544)	(2,057)
Preferred unitholders' distributions	-	-	-	-	(12)	(12)	(24)	(41)	(51)	(54)	(170)
Current income tax (expense) benefit	17	-	(14)	(15)	(10)	(39)	(469)	28	(24)	(7)	(472)
Transaction-related income taxes	-	-	-	-	-	-	480	(10)	-	-	470
Maintenance capital expenditures	(474)	(78)	(114)	(130)	(157)	(479)	(91)	(126)	(156)	(137)	(510)
Other, net	19	19	20	23	5	67	9	5	16	19	49
Distributable Cash Flow (consolidated)	3,565	964	1,052	1,252	1,346	4,614	1,387	1,539	1,757	1,889	6,572
Distributable Cash Flow attributable to Sunoco LP (100%)	(381)	(77)	(158)	(125)	(89)	(449)	(85)	(99)	(147)	(115)	(446)
Distributions from Sunoco LP	231	58	67	66	68	259	41	41	41	43	166
Distributable Cash Flow attributable to USAC (100%)	-	-	-	-	-	-	-	(46)	(47)	(55)	(148)
Distributions from USAC	-	-	-	-	-	-	-	31	21	21	73
Distributable Cash Flow attributable to PennTex Midstream Partners, LP (100%)	(11)	(19)	-	-	-	(19)	-	-	-	-	-
Distributions from PennTex Midstream Partners, LP	16	8	-	-	-	8	-	-	-	-	-
Distributable Cash Flow attributable to noncontrolling interest in other non-wholly-owned subsidiaries	(40)	(23)	(57)	(119)	(151)	(350)	(147)	(180)	(253)	(294)	(874)
Distributable Cash Flow attributable to the partners of ET - pro forma for mergers	3,380	911	904	1,074	1,174	4,063	1,196	1,286	1,372	1,489	5,343
Transaction-related expenses	75	10	29	14	4	57	(1)	14	12	27	52
Distributable Cash Flow attributable to the partners of ET, as adjusted - pro forma for mergers	$ 3,455	$ 921	$ 933	$ 1,088	$ 1,178	$ 4,120	$ 1,195	$ 1,300	$ 1,384	$ 1,516	$ 5,395

Notes

The closing of the Merger (as discussed above) 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-Merger and post-Merger periods, the Partnership has included certain pro forma information. Pro forma Distributable Cash Flow attributable to partners reflects the following 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 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 Merger, which are based on historical ETO common units converted under the terms of the 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, non-cash impairment charges, losses on extinguishments of debt and other non-operating income or expense items. Unrealized gains and losses on commodity risk management activities include unrealized gains and losses on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments). Adjusted EBITDA reflects amounts for less than wholly-owned subsidiaries based on 100% of the subsidiaries' results of operations and for unconsolidated affiliates based on the Partnership's proportionate ownership.

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, non-cash impairment charges, losses on extinguishments of debt and deferred income taxes. Unrealized gains and losses on commodity risk management activities includes unrealized gains and losses on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments). 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.