

Energy Transfer LP
Reconciliation of Non-GAAP Measures

	2018 ^(a)	2019	2020					2021
	Full Year	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1
Net income	\$ 3,420	\$ 4,825	\$ (964)	\$ 672	\$ (401)	\$ 833	\$ 140	\$ 3,641
Interest expense, net	2,055	2,331	602	579	569	577	2,327	589
Impairment losses	431	74	1,325	4	1,474	77	2,880	3
Income tax expense (benefit) from continuing operations	4	195	28	99	41	69	237	75
Depreciation, depletion and amortization	2,859	3,147	867	936	912	963	3,678	954
Non-cash compensation expense	105	113	22	41	30	28	121	28
(Gains) losses on interest rate derivatives	(47)	241	329	3	(55)	(74)	203	(194)
Unrealized (gains) losses on commodity risk management activities	11	5	(51)	48	30	44	71	(46)
Losses on extinguishments of debt	112	18	62	-	-	13	75	7
Inventory valuation adjustments (Sunoco LP)	85	(79)	227	(90)	(11)	(44)	82	(100)
Impairment of investment in unconsolidated affiliates	-	-	-	-	129	-	129	-
Equity in (earnings) losses of unconsolidated affiliates	(344)	(302)	7	(85)	32	(73)	(119)	(55)
Adjusted EBITDA related to unconsolidated affiliates	655	626	154	157	169	148	628	123
Other, net (including amounts related to discontinued operations in 2018)	219	(54)	27	74	(53)	31	79	15
Adjusted EBITDA (consolidated)	9,565	11,140	2,635	2,438	2,866	2,592	10,531	5,040
Adjusted EBITDA related to unconsolidated affiliates	(655)	(626)	(154)	(157)	(169)	(148)	(628)	(123)
Distributable Cash Flow from unconsolidated affiliates	407	415	113	112	128	99	452	76
Interest expense, net	(2,057)	(2,331)	(602)	(579)	(569)	(577)	(2,327)	(589)
Preferred unitholders' distributions	(170)	(253)	(89)	(96)	(97)	(96)	(378)	(96)
Current income tax (expense) benefit	(472)	22	14	(15)	(7)	(19)	(27)	(9)
Transaction-related income taxes	470	(31)	-	-	-	-	-	-
Maintenance capital expenditures	(510)	(655)	(103)	(136)	(129)	(152)	(520)	(76)
Other, net	49	85	22	18	17	17	74	19
Distributable Cash Flow (consolidated)	6,627	7,766	1,836	1,585	2,040	1,716	7,177	4,242
Distributable Cash Flow attributable to Sunoco LP (100%)	(445)	(450)	(159)	(121)	(139)	(97)	(516)	(108)
Distributions from Sunoco LP	166	165	41	41	41	42	165	41
Distributable Cash Flow attributable to USAC (100%)	(148)	(222)	(55)	(58)	(57)	(51)	(221)	(53)
Distributions from USAC	73	90	24	24	24	25	97	24
Distributable Cash Flow attributable to noncontrolling interests in other non-wholly-owned subsidiaries	(875)	(1,113)	(290)	(209)	(234)	(282)	(1,015)	(251)
Distributable Cash Flow attributable to the partners of ET	5,398	6,236	1,397	1,262	1,675	1,353	5,687	3,895
Transaction-related adjustments	52	14	20	10	16	9	55	19
Distributable Cash Flow attributable to the partners of ET, as adjusted	\$ 5,450	\$ 6,250	\$ 1,417	\$ 1,272	\$ 1,691	\$ 1,362	\$ 5,742	\$ 3,914

Notes

(a) The closing of the ETO Merger in October 2018 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. For 2018, Distributable Cash Flow attributable to partners presented above reflects the following ETO Merger related impacts:

- ETO is reflected as a wholly-owned subsidiary and 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.
- 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.

Definitions

Adjusted EBITDA and Distributable Cash Flow 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 and Distributable Cash Flow, 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 and Distributable Cash Flow 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, 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.