

INVESTOR RELATIONS

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# THIRD QUARTER 2018 REVIEW

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# Cautionary Language Regarding Forward Looking Statements

This presentation contains forward-looking statements. Western Gas Partners, LP and Western Gas Equity Partners, LP believe that their expectations are based on reasonable assumptions. No assurance, however, can be given that such expectations will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this presentation. These factors include the ability to meet financial guidance or distribution-growth expectations; the ability to safely and efficiently operate WES's assets; the ability to obtain new sources of hydrocarbons and related products; the effect of fluctuations in commodity prices and the demand for hydrocarbons; the ability to meet projected in-service dates for capital growth projects; construction costs or capital expenditures exceeding estimated or budgeted costs or expenditures; and the other factors described in the "Risk Factors" section of WES's and WGP's most recent Forms 10-K and Forms 10-Q filed with the Securities and Exchange Commission and in their other public filings and press releases. Western Gas Partners, LP and Western Gas Equity Partners, LP undertake no obligation to publicly update or revise any forward-looking statements. Please also see the attached Appendix and our earnings release, posted on our website at [www.westerngas.com](http://www.westerngas.com), for reconciliations of the differences between any non-GAAP financial measures used in this presentation and the most directly comparable GAAP financial measures.



# 3Q18 vs 2Q18 Financial Performance

<i>(\$ in Millions)</i>	3Q18	2Q18
Adjusted EBITDA	\$314.5	\$271.7
Total Capital Expenditures	\$328.9	\$483.9 <sup>1</sup>
Maintenance Capital Expenditures	\$23.8	\$20.9
Distributable Cash Flow	\$248.2	\$221.8
Coverage Ratio	1.08x	0.98x

1) Includes equity investments and the acquisition of our interests in Whitethorn (\$150.6 million) and Cactus II (\$11.3 million), which are accounted for as acquisitions on the statement of cash flows.



# 3Q18 vs 2Q18 Operational Performance

	3Q18	2Q18	Key Drivers
Natural Gas Throughput ( <i>Bcf/d</i> )	3.85	3.80	Delaware Basin, DJ Basin, and Marcellus Growth Partially Offset by Springfield and Chipeta
Adjusted Gross Margin for Natural Gas Assets ( <i>\$/Mcf</i> )	\$1.03	\$0.95	Normalized Hilight and DJ Basin Margins
Crude, NGL & Produced Water Throughput ( <i>MBbls/d</i> )	421	343	Full Quarter of Whitethorn, DBM Water Services Growth
Adjusted Gross Margin for Crude, NGL & Produced Water Assets ( <i>\$/Bbl</i> )	\$1.76	\$1.56	Normalized Whitethorn Distribution

# 2018 Outlook

<i>(\$ in Millions)</i>	Previously Announced	Current	Midpoint Variance
WES Adjusted EBITDA <sup>1</sup>	\$1,150 - \$1,250	\$1,175 - \$1,225	-
WES Total Capital Expenditures <sup>2</sup>	\$1,350 - \$1,450	<i>Unchanged</i>	-
WES Maintenance Capital Expenditures	\$90 - \$100	\$85 - \$95	(\$5)
WES 2018 & 2019 Distribution Growth	1.5 cents/quarter	<i>Unchanged</i>	-
WGP 2018 & 2019 Annual Distribution Growth	9 - 12% <sup>3</sup>	~12% in 2018, ~9% in 2019	-

1) A reconciliation of the Adjusted EBITDA range to net cash provided by operating activities and net income is not provided because the items necessary to estimate such amounts are not reasonably accessible or estimable at this time.

2) Includes equity investments and the acquisition of our interests in Whitethorn (\$150.6 million) and Cactus II (\$11.3 million), which are accounted for as acquisitions on the statement of cash flows.

3) Based on the expected 2018 and 2019 WES distribution growth and assuming no WES equity issuances.



# Appendices



# WES Non-GAAP Reconciliation

## “Adjusted EBITDA”

WES defines Adjusted EBITDA as net income (loss) attributable to Western Gas Partners, LP, plus distributions from equity investments, non-cash equity-based compensation expense, interest expense, income tax expense, depreciation and amortization, impairments, and other expense (including lower of cost or market inventory adjustments recorded in cost of product), less gain (loss) on divestiture and other, net, income from equity investments, interest income, income tax benefit, and other income.

<i>thousands</i>	Three Months Ended	
	September 30, 2018	June 30, 2018
<b>Reconciliation of Net income (loss) attributable to Western Gas Partners, LP to Adjusted EBITDA attributable to Western Gas Partners, LP</b>		
Net income (loss) attributable to Western Gas Partners, LP	\$ 154,646	\$ 32,708
Add:		
Distributions from equity investments	51,023	31,947
Non-cash equity-based compensation expense	1,548	1,852
Interest expense	47,991	44,389
Income tax expense	1,517	282
Depreciation and amortization <sup>(1)</sup>	81,826	78,066
Impairments <sup>(1)</sup>	23,930	127,243
Other expense <sup>(1)</sup>	33	8
Less:		
Gain (loss) on divestiture and other, net	65	170
Equity income, net – affiliates	43,110	39,218
Interest income – affiliates	4,225	4,225
Other income <sup>(1)</sup>	592	1,223
<b>Adjusted EBITDA attributable to Western Gas Partners, LP</b>	<b>\$ 314,522</b>	<b>\$ 271,659</b>

1) Includes WES’s 75% share of depreciation and amortization; impairments; other expense; and other income attributable to Chipeta.



# WES Non-GAAP Reconciliation

## “Adjusted EBITDA”

WES defines Adjusted EBITDA as net income (loss) attributable to Western Gas Partners, LP, plus distributions from equity investments, non-cash equity-based compensation expense, interest expense, income tax expense, depreciation and amortization, impairments, and other expense (including lower of cost or market inventory adjustments recorded in cost of product), less gain (loss) on divestiture and other, net, income from equity investments, interest income, income tax benefit, and other income.

<i>thousands</i>	Three Months Ended	
	September 30, 2018	June 30, 2018
<b>Reconciliation of Net cash provided by operating activities to Adjusted EBITDA attributable to Western Gas Partners, LP</b>		
Net cash provided by operating activities	\$ 236,811	\$ 273,315
Interest (income) expense, net	43,766	40,164
Uncontributed cash-based compensation awards	(55)	398
Accretion and amortization of long-term obligations, net	(1,257)	(1,248)
Current income tax (benefit) expense	(14)	90
Other (income) expense, net	(598)	(1,229)
Distributions from equity investments in excess of cumulative earnings – affiliates	5,592	4,492
Changes in assets and liabilities:		
Accounts receivable, net	57,535	(21,639)
Accounts and imbalance payables and accrued liabilities, net	(14,781)	(13,498)
Other items, net	(9,379)	(5,655)
Adjusted EBITDA attributable to noncontrolling interest	(3,098)	(3,531)
Adjusted EBITDA attributable to Western Gas Partners, LP	\$ 314,522	\$ 271,659



# WES Non-GAAP Reconciliation

“Distributable Cash Flow”

WES defines Distributable cash flow as Adjusted EBITDA, plus interest income and the net settlement amounts from the sale and/or purchase of natural gas, condensate and NGLs under WES’s commodity price swap agreements to the extent such amounts are not recognized as Adjusted EBITDA, less Service revenues – fee based recognized in Adjusted EBITDA (less than) in excess of customer billings, net cash paid (or to be paid) for interest expense (including amortization of deferred debt issuance costs originally paid in cash, offset by non-cash capitalized interest), maintenance capital expenditures, Series A Preferred unit distributions and income taxes.

	Three Months Ended	
	September 30, 2018	June 30, 2018
<i>thousands except Coverage ratio</i>		
<b>Reconciliation of Net income (loss) attributable to Western Gas Partners, LP to Distributable cash flow and calculation of the Coverage ratio</b>		
Net income (loss) attributable to Western Gas Partners, LP	\$ 154,646	\$ 32,708
Add:		
Distributions from equity investments	51,023	31,947
Non-cash equity-based compensation expense	1,548	1,852
Income tax (benefit) expense	1,517	282
Depreciation and amortization <sup>(1)</sup>	81,826	78,066
Impairments <sup>(1)</sup>	23,930	127,243
Above-market component of swap agreements with Anadarko	12,601	13,839
Other expense <sup>(1)</sup>	33	8
Less:		
Recognized Service revenues – fee based (less than) in excess of customer billings	4,397	(3,367)
Gain (loss) on divestiture and other, net	65	170
Equity income, net – affiliates	43,110	39,218
Cash paid for maintenance capital expenditures <sup>(1)</sup>	23,837	20,891
Capitalized interest	6,967	6,011
Other income <sup>(1)</sup>	592	1,223
Distributable cash flow	\$ 248,156	\$ 221,799
<b>Distributions declared <sup>(2)</sup></b>		
Limited partners – common units	\$ 147,268	\$ 144,979
General partner	82,971	80,712
Total	\$ 230,239	\$ 225,691
Coverage ratio	1.08 x	0.98 x

1) Includes WES’s 75% share of depreciation and amortization; impairments; other expense; cash paid for maintenance capital expenditures; and other income attributable to Chipeta.

2) Reflects cash distributions of \$0.965 per unit and \$0.950 per unit declared for the three months ended September 30, 2018, and June 30, 2018, respectively.



# WES Non-GAAP Reconciliation

## “Adjusted Gross Margin”

WES defines Adjusted gross margin as total revenues and other (less reimbursements for electricity-related expenses recorded as revenue), less cost of product, plus distributions from equity investments, and excluding the noncontrolling interest owner’s proportionate share of revenue and cost of product.

<i>thousands</i>	Three Months Ended	
	September 30, 2018	June 30, 2018
<b>Reconciliation of Operating income (loss) to Adjusted gross margin attributable to Western Gas Partners, LP</b>		
Operating income (loss)	\$ 200,321	\$ 74,736
Add:		
Distributions from equity investments	51,023	31,947
Operation and maintenance	111,359	100,628
General and administrative	14,467	14,035
Property and other taxes	10,954	11,754
Depreciation and amortization	82,553	78,792
Impairments	25,317	127,243
Less:		
Gain (loss) on divestiture and other, net	65	170
Equity income, net – affiliates	43,110	39,218
Reimbursed electricity-related charges recorded as revenues	17,455	17,231
Adjusted gross margin attributable to noncontrolling interest	3,803	4,223
<b>Adjusted gross margin attributable to Western Gas Partners, LP</b>	<b>\$ 431,561</b>	<b>\$ 378,293</b>
Adjusted gross margin attributable to Western Gas Partners, LP for natural gas assets	\$ 363,536	\$ 329,653
Adjusted gross margin for crude oil, NGL and produced water assets	68,025	48,640