Second Quarter 2016 Review

July 27, 2016

NYSE: WES, WGP

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Recent Highlights

- Returned Ramsey III to Full Service
- Ramsey IV Commenced Services in May
- Issued $500 Million of 4.65% Senior Notes due 2026
- Received $16.3 Million Partial Payment for Business Interruption Insurance
  - $2.6MM in 2Q16; $13.7MM in 3Q16

WES Financial Summary – 2Q16 vs. 1Q16

($ in millions)	2Q16	1Q16(1)
Adjusted EBITDA	$250.6	$231.1
Total Capex(2)	$118.9	$139.0
Maintenance Capex(2)	$21.1	$18.9
Maint. Capex as % of Adjusted EBITDA	8%	8%
Distributable Cash Flow	$199.3	$191.9
Coverage Ratio	1.22x(3)	1.21x(3)

(1) *Results reflect the full-quarter impact of the Springfield acquisition*
(2) *Attributable to WES; includes equity investments*
(3) *Would be 1.29x if adjusted for estimated recoverable amounts under the business interruption insurance policy that were attributable to the quarter*

WES Operating Summary – 2Q16 vs. 1Q16

	2Q16	1Q16[(1)]	Key Drivers
Natural Gas Throughput (Bcf/d)	3.87	3.78	Sequential Growth in DJ, Delaware, and Eagleford; Marcellus and Uintah Declines
Crude / NGL Throughput (MBbls/d)	187	184	Growth at Mont Belvieu Fractionators
Adjusted Gross Margin / Mcf for Natural Gas Assets	$0.84	$0.80	Resumption of Service at DBM Complex
Adjusted Gross Margin / Bbl for Crude & NGL Assets	$2.03	$2.07	Change in Throughput Mix

(1) Results reflect the full-quarter impact of the Springfield acquisition

2016 Outlook

	Full-Year 2016 Guidance		
($ in millions)	Previously Announced	Current	Change
WES Adjusted EBITDA[1]	$860 – 950	$930 – 970	$45
WES Total Capex[1]	$450 – 490	$490 – 530	$40
WES Maint. Capex as % of Adj. EBITDA	7 – 10%	7 – 10%	–
WES Distribution Growth	10%	10%	–
WGP Distribution Growth	20%	19 – 21%	–

(1) *Includes the full year effect of the Springfield acquisition*

Reconciliations

WES Non-GAAP Reconciliation

"Adjusted EBITDA"

WES defines Adjusted EBITDA as net income (loss) attributable to Western Gas Partners, LP, plus distributions from equity investees, 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands	**2016**	**2015** [1]	**2016**	**2015** [1]
Reconciliation of Net income (loss) attributable to Western Gas Partners, LP to Adjusted EBITDA attributable to Western Gas Partners, LP				
Net income (loss) attributable to Western Gas Partners, LP	**$ 164,521**	$ 132,343	**$ 280,581**	$ (24,150)
Add:				
Distributions from equity investees	**24,491**	25,902	**49,130**	47,572
Non-cash equity-based compensation expense	**1,246**	1,163	**2,549**	2,275
Interest expense	**12,883**	27,604	**44,919**	50,564
Income tax expense	**326**	12,246	**6,959**	24,516
Depreciation and amortization [2]	**66,650**	67,904	**131,089**	136,231
Impairments	**2,403**	1,620	**8,921**	274,244
Other expense [2]	**56**	—	**56**	—
Less:				
Gain (loss) on divestiture and other, net	**(1,907)**	—	**(2,539)**	(6)
Equity income, net – affiliates	**19,693**	18,941	**36,507**	37,161
Interest income – affiliates	**4,225**	4,225	**8,450**	8,450
Other income [2]	**—**	68	**122**	137
Adjusted EBITDA attributable to Western Gas Partners, LP	**$ 250,565**	$ 245,548	**$ 481,664**	$ 465,510

(1) In March 2016, WES acquired Springfield Pipeline LLC ("Springfield") from Anadarko. Springfield owns a 50.1% interest in an oil gathering system and a gas gathering system, such interest being referred to as the "Springfield interest." Financial information has been recast to include the financial position and results attributable to the Springfield interest.

(2) Includes WES's 75% share of depreciation and amortization; 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 investees, 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands	**2016**	**2015 (1)**	**2016**	**2015 (1)**
Reconciliation of Adjusted EBITDA attributable to Western Gas Partners, LP to Net cash provided by operating activities				
Adjusted EBITDA attributable to Western Gas Partners, LP	**$ 250,565**	$ 245,548	**$ 481,664**	$ 465,510
Adjusted EBITDA attributable to noncontrolling interest	**3,456**	3,463	**7,133**	7,335
Interest income (expense), net	**(8,658)**	(23,379)	**(36,469)**	(42,114)
Uncontributed cash-based compensation awards	**(86)**	(68)	**(158)**	(145)
Accretion and amortization of long-term obligations, net	**(14,522)**	4,958	**(9,055)**	7,070
Current income tax benefit (expense)	**(198)**	(11,673)	**(4,979)**	(18,134)
Other income (expense), net	**(53)**	71	**71**	142
Distributions from equity investments in excess of cumulative earnings – affiliates	**(5,827)**	(5,574)	**(10,611)**	(8,538)
Changes in operating working capital:				
Accounts receivable, net	**(45,800)**	(26,725)	**(33,242)**	(41,358)
Accounts and imbalance payables and accrued liabilities, net	**(20,205)**	(8,389)	**(2,227)**	4,407
Other	**(1,309)**	(744)	**1,739**	(1,854)
Net cash provided by (used in) operating activities	**$ 157,363**	$ 177,488	**$ 393,866**	$ 372,321
Cash flow information of Western Gas Partners, LP				
Net cash provided by (used in) operating activities			**$ 393,866**	$ 372,321
Net cash provided by (used in) investing activities			**(952,824)**	(371,878)
Net cash provided by (used in) financing activities			**618,692**	20,271

(1) Financial information has been recast to include the financial position and results attributable to the Springfield system.

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 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 June 30,		Six Months Ended June 30,	
thousands except Coverage ratio	2016	2015 [1]	2016	2015 [1]
Reconciliation of Net income (loss) attributable to Western Gas Partners, LP to Distributable cash flow and calculation of the Coverage ratio				
Net income (loss) attributable to Western Gas Partners, LP	**$ 164,521**	$ 132,343	**$ 280,581**	$ (24,150)
Add:				
Distributions from equity investees	**24,491**	25,902	**49,130**	47,572
Non-cash equity-based compensation expense	**1,246**	1,163	**2,549**	2,275
Interest expense, net (non-cash settled) [2]	**(15,461)**	4,190	**(10,924)**	5,610
Income tax (benefit) expense	**326**	12,246	**6,959**	24,516
Depreciation and amortization [3]	**66,650**	67,904	**131,089**	136,231
Impairments	**2,403**	1,620	**8,921**	274,244
Above-market component of swap extensions with Anadarko	**9,552**	—	**16,365**	—
Other expense [3]	**56**	—	**56**	—
Less:				
Gain (loss) on divestiture and other, net	**(1,907)**	—	**(2,539)**	(6)
Equity income, net – affiliates	**19,693**	18,941	**36,507**	37,161
Cash paid for maintenance capital expenditures [3]	**21,085**	11,992	**39,982**	26,105
Capitalized interest	**1,482**	2,693	**3,331**	5,787
Cash paid for (reimbursement of) income taxes	**—**	—	**67**	(138)
Series A Preferred unit distributions	**14,082**	—	**15,969**	—
Other income [3]	**—**	68	**122**	137
Distributable cash flow	**$ 199,349**	$ 211,674	**$ 391,287**	$ 397,252
Distributions declared [4]				
Limited partners – common units	**$ 108,458**		**$ 214,951**	
General partner	**54,369**		**106,781**	
Total	**$ 162,827**		**$ 321,732**	
Coverage ratio	**1.22 x**		**1.22 x**	

(1) *Financial information has been recast to include the financial position and results attributable to the Springfield interest.*
(2) *Includes accretion revisions related to the Deferred purchase price obligation – Anadarko associated with the acquisition of DBJV.*
(3) *Includes WES's 75% share of depreciation and amortization; other expense; cash paid for maintenance capital expenditures; and other income attributable to Chipeta.*
(4) *Reflects cash distributions of $0.830 and $1.645 per unit declared for the three and six months ended June 30, 2016, respectively.*

WES Non-GAAP Reconciliation

"Adjusted gross margin"

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

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands	**2016**	**2015** (1)	**2016**	**2015** (1)
Reconciliation of Adjusted gross margin attributable to Western Gas Partners, LP to Operating income (loss)				
Adjusted gross margin attributable to Western Gas Partners, LP for natural gas assets	**$ 294,661**	$ 293,560	**$ 571,190**	$ 564,806
Adjusted gross margin for crude/NGL assets	**34,593**	33,237	**69,288**	64,641
Adjusted gross margin attributable to Western Gas Partners, LP	**329,254**	326,797	**640,478**	629,447
Adjusted gross margin attributable to noncontrolling interest	**4,183**	4,661	**8,604**	9,469
Gain (loss) on divestiture and other, net	**(1,907)**	—	**(2,539)**	(6)
Proceeds from business interruption insurance claims	**2,603**	—	**2,603**	—
Equity income, net – affiliates	**19,693**	18,941	**36,507**	37,161
Reimbursed electricity-related charges recorded as revenues	**14,869**	13,221	**30,537**	25,031
Less:				
Distributions from equity investees	**24,491**	25,902	**49,130**	47,572
Operation and maintenance	**75,173**	77,837	**151,386**	154,022
General and administrative	**10,883**	9,408	**22,160**	20,489
Property and other taxes	**12,078**	9,586	**22,428**	18,866
Depreciation and amortization	**67,305**	68,554	**132,400**	137,529
Impairments	**2,403**	1,620	**8,921**	274,244
Operating income (loss)	**$ 176,362**	$ 170,713	**$ 329,765**	$ 48,380

(1) Financial information has been recast to include the financial position and results attributable to the Springfield interest.


Western Gas Partners, LP
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