NYSE: WMB | www.williams.com

# Williams 4th Quarter and Full-Year 2019 Earnings Call

February 20, 2020

We make energy happen.®

Williams®

# Establishing all-time highs in 2019

| Record Adjusted EBITDA | Record Distributable Cash Flow | Record Gathered Volumes | Record Contracted Transmission Capacity |
|---|---|---|---|
| **$5.02 B** | **$3.30 B** | **12.9 Bcf/d[1]** | **21.5 Bcf/d[2]** |
| Initial '19 Guidance ($4.850 - $5.150) | Initial '19 Guidance ($2.900 - $3.300) | Growth over '18 +5% overall | Growth over '18 +8% overall |
| Growth over '18 +8% | Growth over '18 +15% | +15% Northeast G&P | +11% Transco |

Note: This slide contains non-GAAP measures. A reconciliation of all non-GAAP financial measures used in this presentation to their nearest comparable GAAP financial measures is included at the back of this presentation.

[1] Annual average daily volumes, excluding non-operated equity method investments and including 100% of volumes from operated assets.

[2] Dekatherms converted to cubic feet at 1,000 cubic feet = 1 dekatherm; 100% Annual average daily firm reserved capacity of Transco, Northwest Pipeline and Gulfstream

# Focused on improving key performance metrics

**Return on Capital Employed[1]**
**('17 – '19)**

**13% CAGR**

**Operating Margin %[2]**
**('17 – '19)**

**4% CAGR**

**Adjusted EPS**
**('17 – '19)**

**25% CAGR**

**Total Recordable Incident Rate[3]**
**('17 – '19)**

**50% Improvement**

**Debt-to-Adjusted EBITDA[4]**

**4.39x**
vs. Original '19 Guidance
**4.75x**

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[1] Return on Capital Employed (ROCE) is Adjusted EBITDA, less included depreciation and amortization, divided by the sum of the average balances of Investments, Property, plant, and equipment – net, and Intangible assets – net. [2] Operating margin ratio = operating margin/gross margin; Excludes depreciation, amortization expense, impairment charges, and other expenses not associated with operating the business. [3] Total Recordable Incident Rate (TRIR) = Total number of recordable injuries and/or illnesses x 200,000/number of work hours. [4] Book Debt-to-Adjusted EBITDA ratio does not represent leverage ratios measured for WMB credit agreement compliance or leverage ratios as calculated by the major credit ratings agencies. Consolidated debt is net of cash on hand.

# Strong 4Q and full-year 2019 results

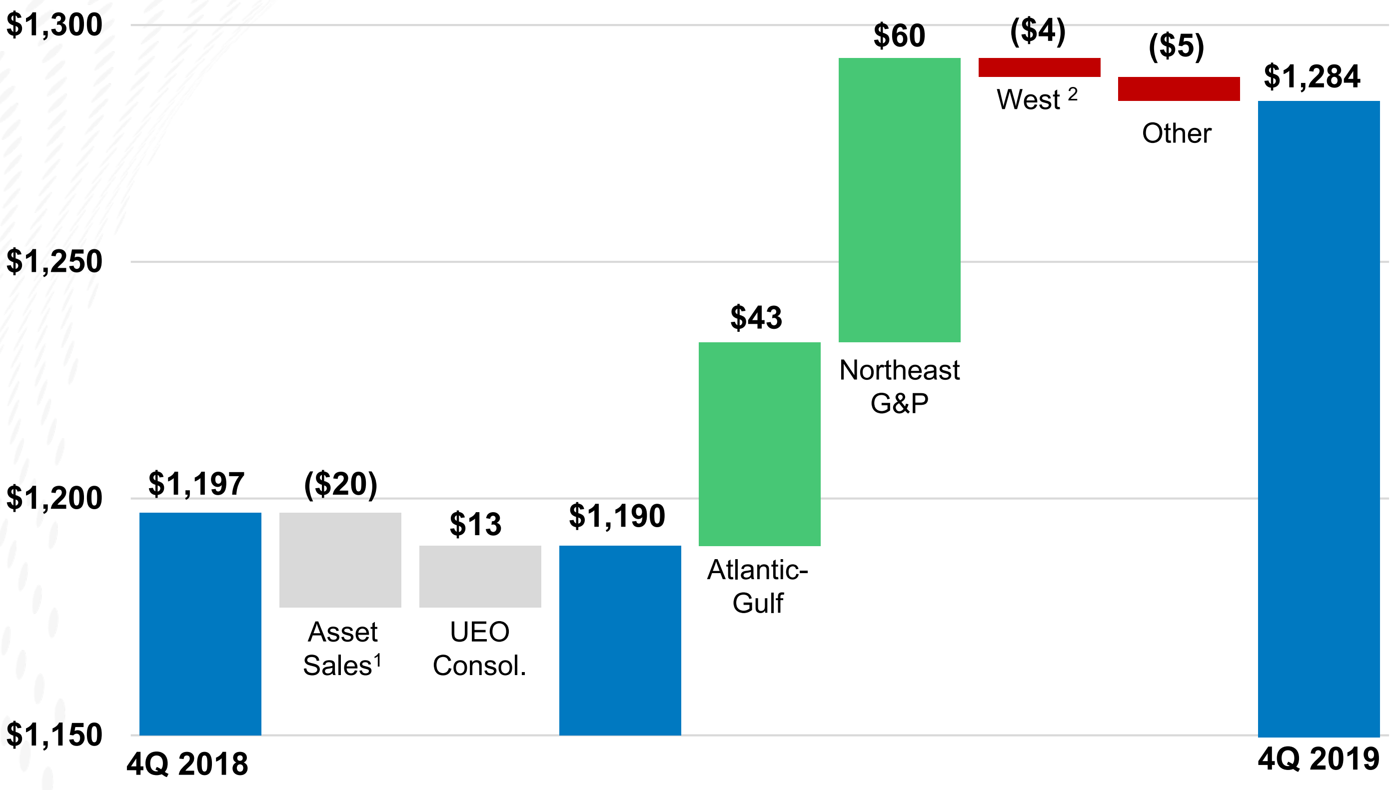
| Significant Financial Performance Improvement Across Key Metrics | 4Q 2019 | 4Q 2018 | % Change | Full-year 2019 | Full-year 2018 | % Change |
|---|---|---|---|---|---|---|
| Cash Flow from Operations | $991 | $962 | 3% | $3,693 | $3,293 | 12% |
| Adjusted EBITDA | $1,284 | $1,197 | 7% | $5,015 | $4,638 | 8% |
| Adjusted Earnings per Share | $0.24 | $0.19 | 26% | $0.99 | $0.79 | 25% |
| Distributable Cash Flow | $828 | $748 | 11% | $3,297 | $2,872 | 15% |
| Distributable Cash Flow per Share [1] | $0.68 | $0.62 | 10% | $2.72 | $2.37 | 14% |
| Dividend Coverage Ratio | 1.80x | 1.82x | | 1.79x | 1.69x | |
| **Substantially Lower Total Capital Expenditures; Generating Free Cash Flow; Lower Leverage** | | | | | | |
| Debt-to-Adjusted EBITDA [2] | 4.39x | 4.80x | | | | |
| Total Capital Expenditures [3] | $408 | $868 | (53%) | $2,476 | $4,153 | (40%) |

[1] 4Q 2018 and full-year 2018 DCF/Share is calculated using the post WPZ/WMB merger outstanding share count. [2] Debt-to-Adjusted EBITDA ratio does not represent leverage ratios measured for WMB credit agreement compliance or leverage ratios as calculated by the major credit ratings agencies. Debt is net of cash on hand, and Adjusted EBITDA reflects the sum of the last four quarters. [3] Includes increases to property, plant and equipment; purchases of businesses net of cash acquired; and purchases of and contributions to equity-method investments. YTD 2019 excludes $728 million (net of cash acquired) for the purchase of the remaining 38% of UEOM as this amount was provided for at the close of the new Northeast JV by our JV partner, CPPIB, in June 2019.

Note: In $ millions except for ratios and per-share amounts. This slide contains non-GAAP financial measures. A reconciliation of all non-GAAP financial measures used in this presentation to their nearest comparable GAAP financial measures is included at the back of this presentation.

# WMB fourth quarter results up 7%

## WMB ADJUSTED EBITDA ($MM): 4Q 2018 VS. 4Q 2019




[1] Includes Adjusted EBITDA effects from assets that were sold during 4Q 2018 - 2Q 2019 including Jackalope assets and certain Gulf Coast area pipelines. The adjustment also includes the contribution of our Permian assets to the Brazos JV in the West Operating Area during 2018. [2] Includes the $31mm impact of Barnett deferred revenue amortization schedule change and Barnett MVC expiration in June 2019. [3] Adjusted for Asset Sales and UEO Consolidation, noted in grey bars in chart.

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## ADJUSTED EBITDA DRIVERS[3]

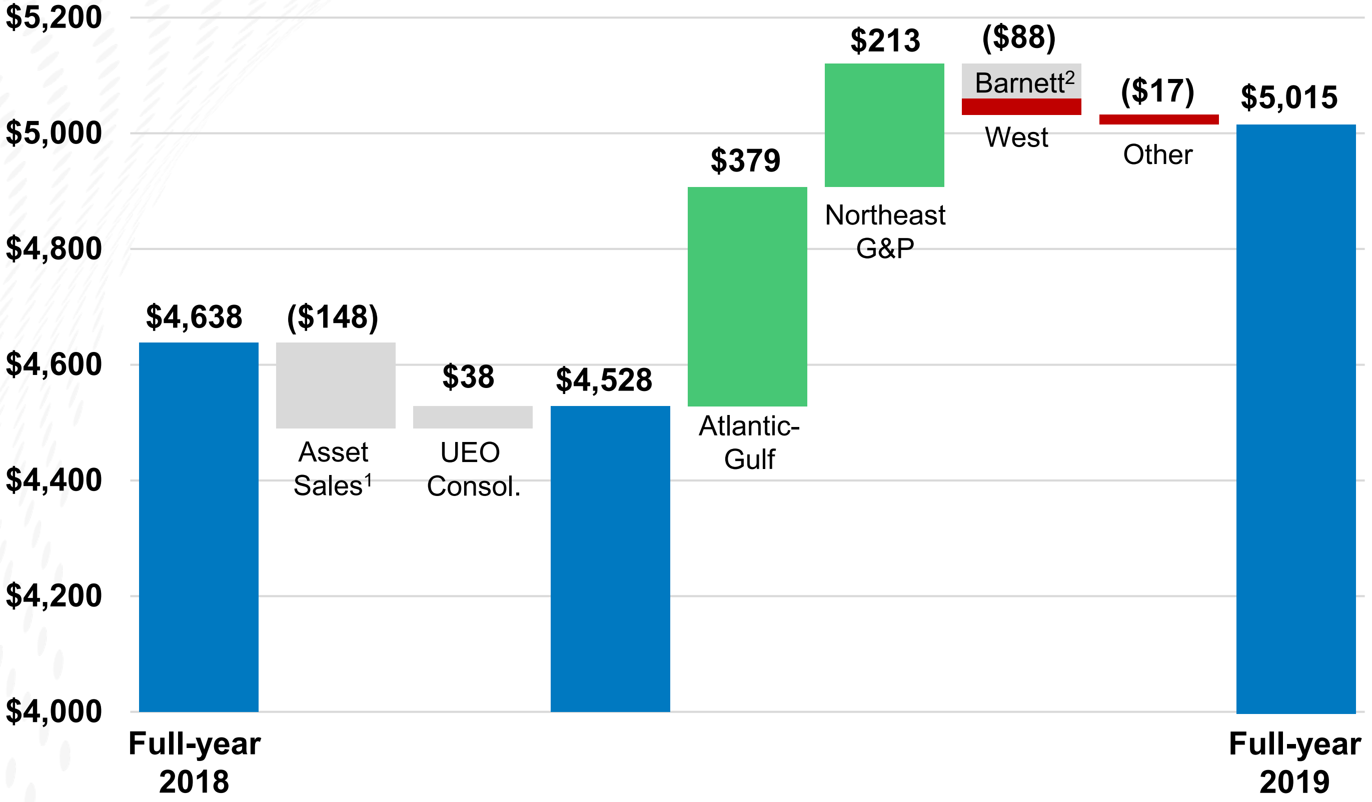
> **ATLANTIC-GULF $570 MM, up 8%:** Increased revenues driven primarily by Gulf Connector and Rivervale South to Market expansion projects and Transco rate case settlement; offset by lower Gulfstar revenue due to producer operational issues

> **NORTHEAST G&P $377 MM, up 19%:** Increased revenues on 12% higher gathering volumes and higher rates

> **WEST $336 MM, Stable:** 10% higher gathering volumes offset by one-time deferred revenue amortization stepdown and MVC expiration in Barnett; and lower commodity prices

# WMB full-year 2019 results up 8%

## WMB Adjusted EBITDA ($MM): Full-year '18 vs. Full-year '19




[1] Includes Adjusted EBITDA effects from assets that were sold during 3Q 2018 - 2Q 2019 including Four Corners assets, Jackalope assets and certain Gulf Coast area pipelines. The adjustment also includes the contribution of our Permian assets to the Brazos JV in the West Operating Area during 2018. The gain on deconsolidation of our Permian assets in 2018 included the accelerated recognition of certain deferred revenue amounts otherwise expected to be recognized in the first half of 2019. [2] Includes the $60mm impact of Barnett deferred revenue amortization schedule change and Barnett MVC expiration in June 2019. [3] Adjusted for Asset Sales and UEO Consolidation, noted in grey bars in chart.

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## ADJUSTED EBITDA DRIVERS[3]

> **ATLANTIC-GULF $2,300 MM, up 20%:** Increased revenues driven primarily by Atlantic Sunrise and Gulf Connector expansion projects and Transco rate case settlement; Offset by lower Gulfstar revenues

> **NORTHEAST G&P $1,341 MM, up 19%:** Increased revenues on 15% higher gathering volumes and higher rates

> **WEST $1,351 MM, down 6%:** Lower NGL prices, one-time deferred revenue amortization stepdown and MVC expiration in Barnett partially offset by growth in the DJ Basin

# Key investor focus areas

## GATHERING & PROCESSING

- Record gathered volumes in 2019
- Near-term volume outlook: Headwinds from supply/demand imbalance
- Long-term volume outlook: Demand will pull supply
- G&P business built to produce sustainable free cash flow
  - Minimal direct commodity margin and basis-spread risk
  - EBITDA highly diversified among customers and supply basins
  - Capital spend responds to market environment

## 2020 FINANCIAL GUIDANCE

- Reaffirming 2020 financial guidance ranges provided at 2019 Analyst Day
- Expecting to fully fund increased dividends and all Capex with internally generated cashflow
- Maintaining healthy balance sheet and long-term Debt-to-Adjusted EBITDA target of 4.2x [1]
- Continue to evaluate opportunistic transactions to further improve leverage metrics

## TRANSMISSION & GULF OF MEXICO

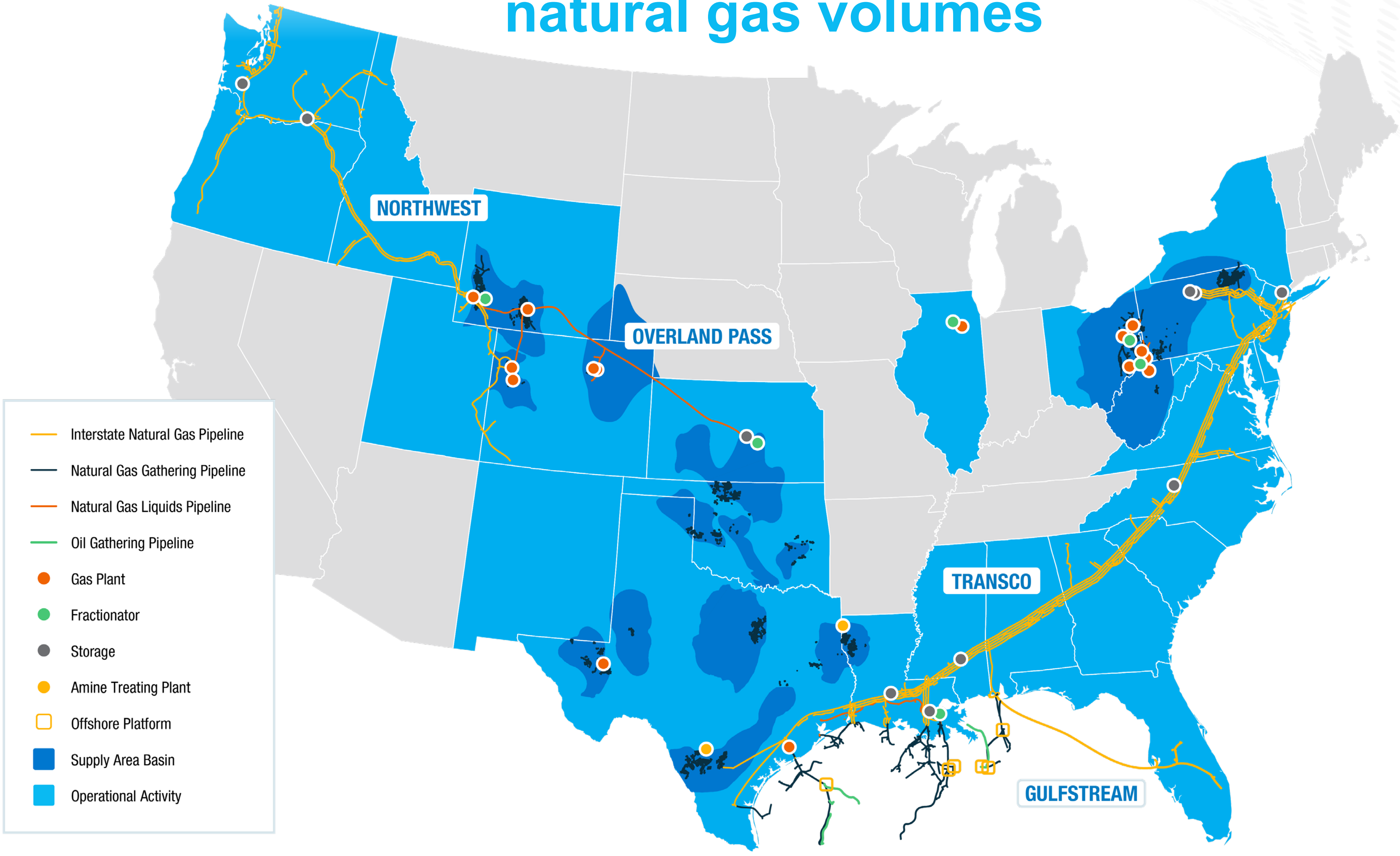
- Transco rate case settled: $76 million favorable impact in 2020 vs. 2018
- Achieving key milestones on $3.2 billion of projects in execution
- Unmatched competitive position in Transmission & Gulf of Mexico
  - Firm transmission contracts with high credit-quality, demand-pull counterparties
  - Future transmission opportunities bolstered by low prices and existing footprint
  - Gulf of Mexico assets well-positioned to win new business in the near-term

**Resilient Business Strategically Aligned To Natural Gas Demand Growth**

[1] Book Debt-to-Adjusted EBITDA ratio does not represent leverage ratios measured for WMB credit agreement compliance or leverage ratios as calculated by the major credit ratings agencies. Consolidated debt is net of cash on hand.

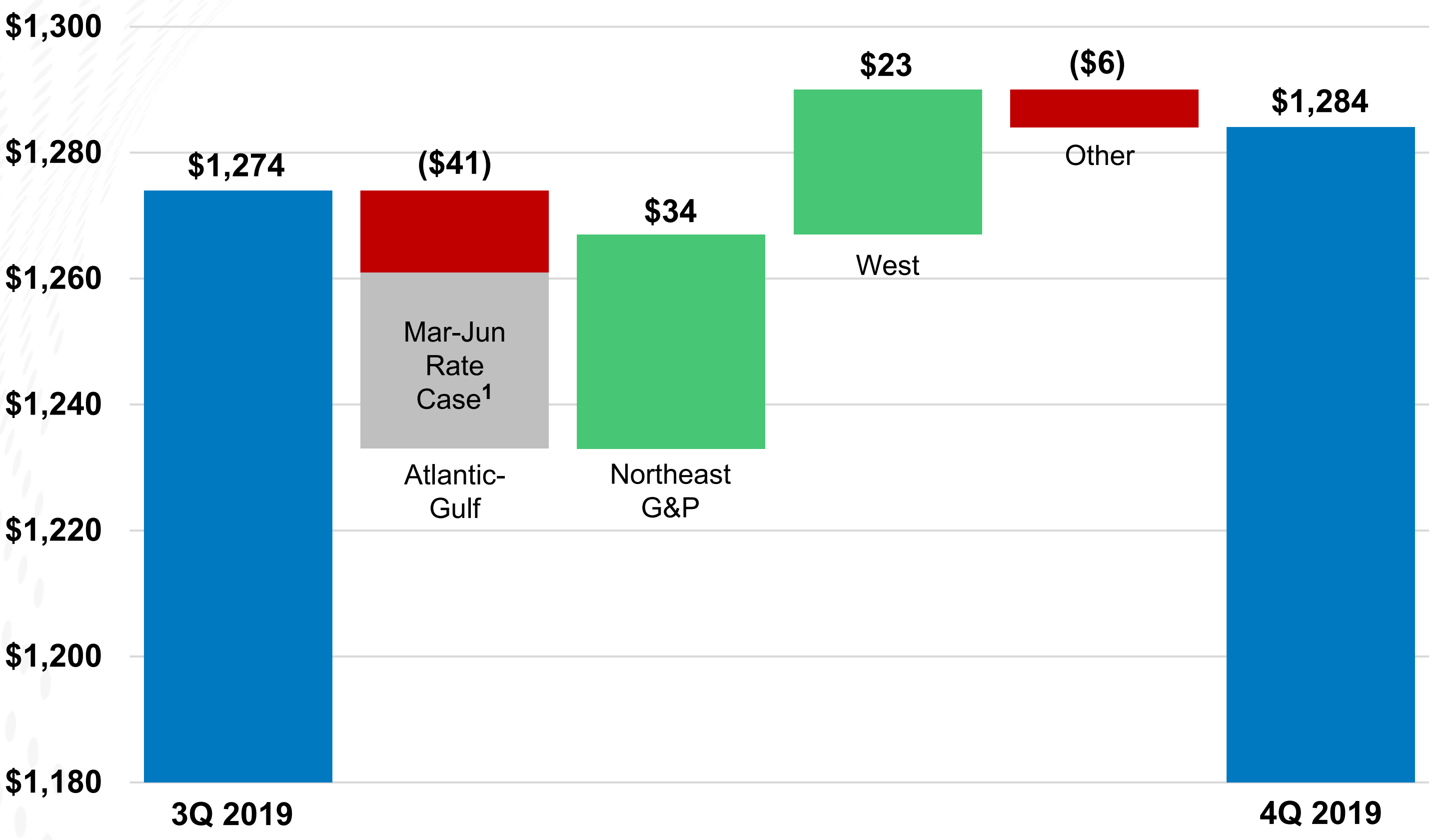
# Appendix

# Williams assets are well-positioned to serve natural gas volumes



# Stable WMB sequential quarter results

## WMB Adjusted EBITDA ($MM): 3Q 2019 vs. 4Q 2019




[1] Absence of $28mm recognized in 3Q, but attributable to Mar. 1- Jun. 30 time period due to Transco rate case settlement

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## ADJUSTED EBITDA DRIVERS

> **ATLANTIC-GULF $570 MM, down 7%:** Decrease due to absence of Transco rate case settlement recognized in 3Q but attributable to prior periods, seasonal increase in O&M costs and lower Gulfstar revenues

> **NORTHEAST G&P $377 MM, up 10%:** Increased revenues on higher gathering and fractionation volumes

> **WEST $336 MM, up 7%:** Lower operating cost and DJ Basin growth

# Recent accomplishments

| | |
|---|---|
| **Record Performance** | Achieved record levels of Adjusted EBITDA, Distributable Cash Flow, gathered natural gas volumes and contracted transmission capacity at close of 2019 |
| **Environmental Partnership** | Joined The Environmental Partnership, a growing coalition of companies committed to improving environmental performance and accelerating emissions reductions |
| **Transco- Rate Case Settlement** | Filed favorable Transco Rate Case settlement with FERC, providing rate certainty for customers while allowing Transco to recover its costs; Anticipating FERC approval in 2Q '20 |
| **Transco- Gateway** | Completed 65 MMcf/d expansion project 11 months ahead of schedule to serve growing power demand for natural gas in northeastern U.S. |
| **NWP- North Seattle Lateral** | Completed North Seattle Lateral Upgrade Project in mid-Nov. '19, adding 159 MMcf/d of delivery capacity to help meet winter peak loads |
| **Transco- Hillabee Ph. 2** | Work completed ahead of schedule on 206 MMcf/d expansion project to meet growing Res/Com gas demand in Florida; In-service expected 2Q '20 |
| **Transco- Southeastern Trail** | Commenced construction in Jan. '20 on 296 MMcf/d expansion to serve growing gas demand in Mid-Atlantic & Southeastern U.S. |
| **Transco- Rivervale South to Market** | Commenced full in-service in Sept. '19 of a 190 MMcf/d expansion to provide additional service to gas consumers in NJ & NY |
| **NE G&P- Susquehanna** | Completed 500 MMcf/d gathering expansion in Susquehanna in Nov. '19 |
| **West G&P- Rocky Mountain Midstream** | Completed startup of the 225 MMcf/d Keenesburg I plant in Sept. '19; Completed 200 MMcf/d East Greeley gathering and compression expansion Nov. '19 |
| **Deepwater GOM- Anchor** | Anchor owners reached FID December '19; Williams finalizing definitive gas agreement with Anchor owners |
| **Deepwater GOM- Whale** | Williams began procuring long-lead items for this dedicated discovery |

# Significant Transmission growth opportunities

## PROJECTS IN EXECUTION $3.2B

| Project | Target In-service | Current Status* | Markets Served |
|---|---|---|---|
| Hillabee Ph. 2 | 2Q '20 | Mechanically Complete | Power demand in Florida |
| Southeastern Trail | 4Q '20 | Under Construction | Res/Com & Power demand in Mid-Atlantic & Southeastern U.S. |
| Northeast Supply Enhancement | Fall '21 | Pending Final Permits | Res/Com demand in Brooklyn & Long Island, NY |
| Leidy South | 4Q '21 | Received EA Feb. '20 | Res/Com & Power demand in Mid-Atlantic & Southeastern U.S. |
| Gulfstream Ph. VI | 4Q '22 | Received EA Jan. '20 | Res/Com demand in Florida |
| Regional Energy Access | 4Q '23 | Customer Commitments | Res/Com & Power demand in Pennsylvania & New Jersey |

**Transmission Project Milestones***: Customer Commitments → FERC Application → Environment Assessment (EA)/ Environmental Impact Statement (EIS) → FERC Certificate → Final Permits Received → Under Construction → Mechanically Complete → Commence Service

# Consistently delivering on our promises

## 2019 RESULTS EXCEED GUIDANCE MIDPOINTS

| *In $Billions except for percentages, ratios and per share amounts* | | 2019 GUIDANCE | | | |
|---|---|---|---|---|---|
| **Diluted EPS[1]** | Reported $0.71 | $0.83 | $0.95 | Adjusted $0.99 | $1.07 |
| **Net Income[1]** | Reported $0.862 | $1.006 | $1.156 | Adjusted $1.200 | $1.306 |
| **Adjusted EBITDA** | | $4.850 | $5.000 | $5.015 | $5.150 |
| **Distributable Cash Flow (DCF)** | | $2.900 | $3.100 | $3.297 | $3.300 |
| **Growth Capex** | | | Guidance $2.3 - $2.5 | Actual $2.0 | |
| **Dividend Growth Rate** | | | Guidance 11.8% annual growth | Actual 11.8% | |
| **Dividend Coverage Ratio** | | | Guidance Midpoint ~1.7x | Actual 1.79x | |
| **Consolidated Debt / EBITDA[2]** | | | Guidance <4.5x | Actual 4.39x | |

[1] From continuing operations attributable to Williams available to common stockholders

[2] Book Debt-to-Adjusted EBITDA ratio does not represent leverage ratios measured for WMB credit agreement compliance or leverage ratios as calculated by the major credit ratings agencies. Consolidated debt is net of cash on hand.

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# Williams reaffirms 2020 Guidance ranges

| FINANCIAL METRIC | 2020 GUIDANCE |
|---|---|
| Adjusted Net Income[1] | $1.160 - $1.460 Bn |
| Adjusted Diluted EPS[1] | $0.95 - $1.20 |
| Adjusted EBITDA | $4.950 - $5.250 Bn |
| Distributable Cash Flow (DCF) | $3.050 - $3.450 Bn |
| DCF per share | $2.50 - $2.83 |
| Growth Capex | $1.100 Bn - $1.300 Bn |
| Dividend Coverage Ratio | ~1.7x (midpoint) |
| Dividend Growth Rate | 5% annual growth |
| Debt-to-Adjusted EBITDA[2] | ~4.4x |

[1] From continuing operations attributable to Williams available to common stockholders

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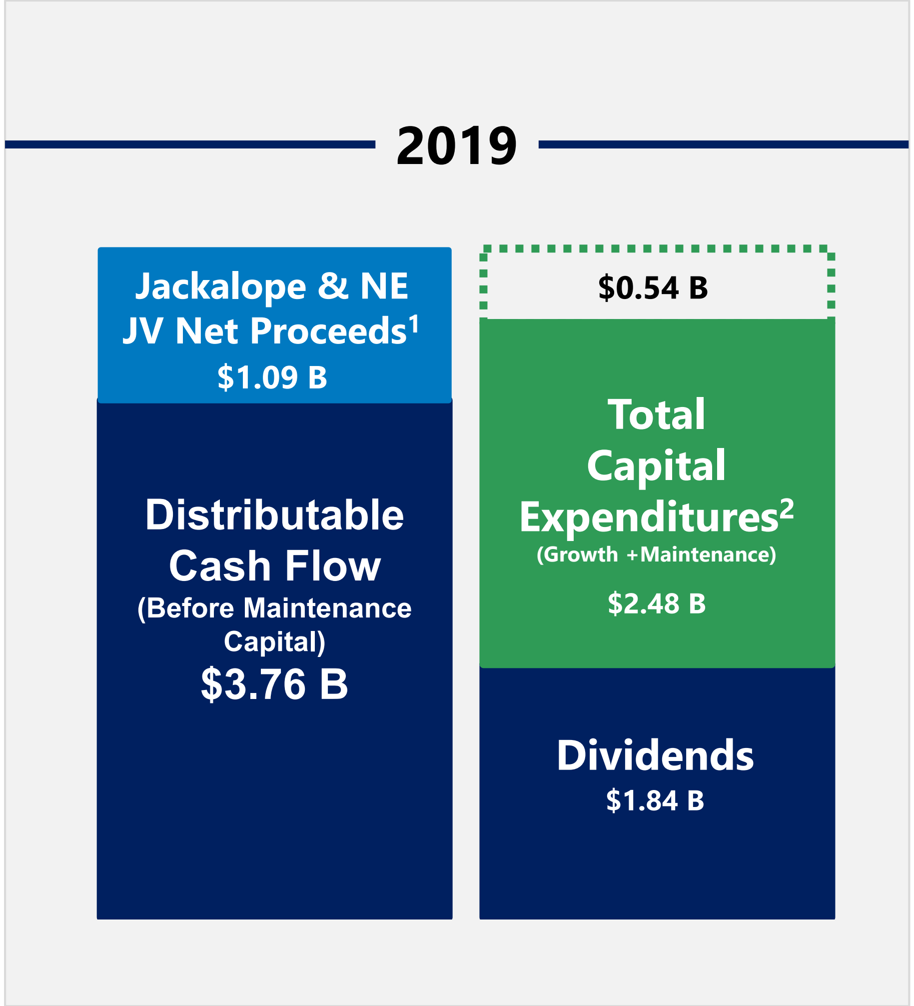
Williams does not expect to be a U.S. Federal cash income taxpayer through at least 2024, excluding taxes on any potential asset monetizations.

# Excess cash generation enhances shareholder value





[1] 2019 asset sales include Jackalope gas gathering system ($485 million) and $600 million net cash from the Northeast JV transaction (see press release dated 06/17/19).
[2] Includes increases to property, plant and equipment; purchases of businesses net of cash acquired; and purchases of and contributions to equity-method investments. YTD 2019 excludes $728 million (net of cash acquired) for the purchase of the remaining 38% of UEOM as this amount was provided for at the close of the new Northeast JV by our JV partner, CPPIB, in June 2019.
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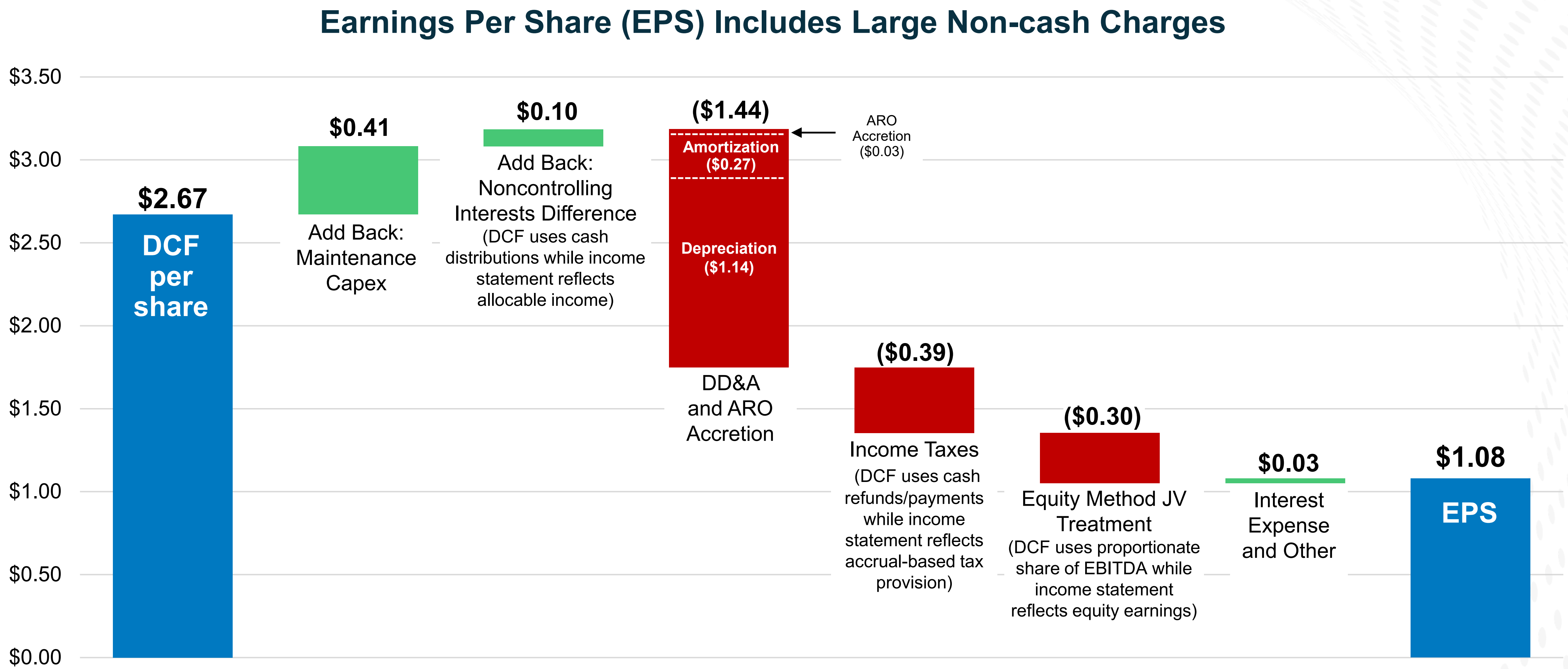
# 2020 DCF per share vs. Adjusted EPS




Note: EPS is Adjusted EPS. This slide contains non-GAAP financial measures. A reconciliation of all non-GAAP financial measures used in this presentation to their nearest comparable GAAP financial measures is included at the back of this presentation.

# Forward Looking Statements

# Forward-looking statements

> **The reports, filings, and other public announcements of Williams may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, and other matters as discussed below. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.**

> **All statements, other than statements of historical facts, included in this report that address activities, events, or developments that we expect, believe or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as "anticipates," "believes," "seeks," "could," "may," "should," "continues," "estimates," "expects," "forecasts," "intends," "might," "goals," "objectives," "targets," "planned," "potential," "projects," "scheduled," "will," "assumes," "guidance," "outlook," "in-service date," or other similar expressions. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:**

- Levels of dividends to Williams stockholders;
- Future credit ratings of Williams and its affiliates;
- Amounts and nature of future capital expenditures;
- Expansion and growth of our business and operations;
- Expected in-service dates for capital projects;
- Financial condition and liquidity;
- Business strategy;
- Cash flow from operations or results of operations;
- Seasonality of certain business components;
- Natural gas and natural gas liquids prices, supply, and demand;
- Demand for our services.

# Forward-looking statements (cont’d)

- **Forward-looking statements are based on numerous assumptions, uncertainties, and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:**
  - Availability of supplies, market demand, and volatility of prices;
  - Development and rate of adoption of alternative energy sources;
  - The impact of existing and future laws and regulations, the regulatory environment, environmental liabilities, and litigation, as well as our ability to obtain necessary permits and approvals, and achieve favorable rate proceeding outcomes;
  - Our exposure to the credit risk of our customers and counterparties;
  - Our ability to acquire new businesses and assets and successfully integrate those operations and assets into existing businesses as well as successfully expand our facilities, and to consummate asset sales on acceptable terms;
  - Whether we are able to successfully identify, evaluate, and timely execute our capital projects and investment opportunities;
  - The strength and financial resources of our competitors and the effects of competition;
  - The amount of cash distributions from and capital requirements of our investments and joint ventures in which we participate;
  - Whether we will be able to effectively execute our financing plan;
  - Increasing scrutiny and changing expectations from stakeholders with respect to our environmental, social and governance practices;
  - The physical and financial risks associated with climate change;
  - The impact of operational and developmental hazards and unforeseen interruptions;
  - Risks associated with weather and natural phenomena, including climate conditions and physical damage to our facilities;
  - Acts of terrorism, cybersecurity incidents, and related disruptions;
  - Our costs and funding obligations for defined benefit pension plans and other postretirement benefit plans;
  - Changes in maintenance and construction costs, as well as our ability to obtain sufficient construction related inputs including skilled labor;
  - Inflation, interest rates, and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on customers and suppliers);

# Forward-looking statements (cont'd)

  - Risks related to financing, including restrictions stemming from debt agreements, future changes in credit ratings as determined by nationally recognized credit rating agencies, and the availability and cost of capital;
  - Changes in the current geopolitical situation;
  - Whether we are able to pay current and expected levels of dividends;
  - Additional risks described in our filings with the Securities and Exchange Commission.
- **Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. We disclaim any obligations to and do not intend to update the above list or announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.**
- **In addition to causing our actual results to differ, the factors listed above may cause our intentions to change from those statements of intention set forth in this report. Such changes in our intentions may also cause our results to differ. We may change our intentions, at any time and without notice, based upon changes in such factors, our assumptions, or otherwise.**
- **Because forward-looking statements involve risks and uncertainties, we caution that there are important factors, in addition to those listed above, that may cause actual results to differ materially from those contained in the forward-looking statements. These factors are described in the following section. For a detailed discussion of those factors, see Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K filed with the SEC.**

# Non-GAAP Reconciliations

# Non-GAAP Disclaimer

- This presentation may include certain financial measures – adjusted EBITDA, adjusted income (“earnings”), adjusted earnings per share, distributable cash flow and dividend coverage ratio – that are non-GAAP financial measures as defined under the rules of the Securities and Exchange Commission.
- Our segment performance measure, modified EBITDA is defined as net income (loss) before income (loss) from discontinued operations, income tax expense, net interest expense, equity earnings from equity-method investments, other net investing income, remeasurement gain on equity-method investment, impairment of equity investments and goodwill, depreciation and amortization expense, and accretion expense associated with asset retirement obligations for nonregulated operations. We also add our proportional ownership share (based on ownership interest) of modified EBITDA of equity-method investments.
- Adjusted EBITDA further excludes items of income or loss that we characterize as unrepresentative of our ongoing operations. Management believes this measure provides investors meaningful insight into results from ongoing operations.
- Distributable cash flow is defined as adjusted EBITDA less maintenance capital expenditures, cash portion of net interest expense, income attributable to or dividends/distributions paid to noncontrolling interests and cash income taxes, and certain other adjustments that management believes affects the comparability of results. Adjustments for maintenance capital expenditures and cash portion of interest expense include our proportionate share of these items of our equity-method investments. We also calculate the ratio of distributable cash flow to the total cash dividends paid (dividend coverage ratio). This measure reflects Williams’ distributable cash flow relative to its actual cash dividends paid.
- This presentation is accompanied by a reconciliation of these non-GAAP financial measures to their nearest GAAP financial measures. Management uses these financial measures because they are accepted financial indicators used by investors to compare company performance. In addition, management believes that these measures provide investors an enhanced perspective of the operating performance of assets and the cash that the business is generating.
- Neither adjusted EBITDA, adjusted income, nor distributable cash flow are intended to represent cash flows for the period, nor are they presented as an alternative to net income or cash flow from operations. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with United States generally accepted accounting principles.

# Reconciliation of Income (Loss) Attributable to The Williams Companies, Inc. to Adjusted Income

| (Dollars in millions, except per-share amounts) | 2018 1st Qtr | 2018 2nd Qtr | 2018 3rd Qtr | 2018 4th Qtr | 2018 Year | 2019 1st Qtr | 2019 2nd Qtr | 2019 3rd Qtr | 2019 4th Qtr | 2019 Year |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income (loss) from continuing operations attributable to The Williams Companies, Inc. available to common stockholders** | $ 152 | $ 135 | $ 129 | $ (572) | $ (156) | $ 194 | $ 310 | $ 220 | $ 138 | $ 862 |
| **Income (loss) from continuing operations - diluted earnings (loss) per common share [1]** | $ .18 | $ .16 | $ .13 | $ (.47) | $ (.16) | $ .16 | $ .26 | $ .18 | $ .11 | $ .71 |
| **Adjustments:** | | | | | | | | | | |
| Atlantic-Gulf | | | | | | | | | | |
| Constitution Pipeline project development costs | $ 2 | $ 1 | $ 1 | $ — | $ 4 | $ — | $ 1 | $ 1 | $ 1 | $ 3 |
| Impairment of certain assets [2] | — | — | — | — | — | — | — | — | 354 | 354 |
| Settlement charge from pension early payout program | — | — | — | 7 | 7 | — | — | — | — | — |
| Regulatory adjustments resulting from Tax Reform | 11 | (20) | — | — | (9) | — | — | — | — | — |
| Benefit of regulatory asset associated with increase in Transco's estimated deferred state income tax rate following WPZ Merger | — | — | (3) | — | (3) | — | — | — | — | — |
| Share of regulatory charges resulting from Tax Reform for equity-method investments | 2 | — | — | — | 2 | — | — | — | — | — |
| Reversal of expenditures capitalized in prior years | — | — | — | — | — | — | 15 | — | 1 | 16 |
| Gain on sale of certain Gulf Coast pipeline assets | — | — | — | (81) | (81) | — | — | — | — | — |
| Gain on asset retirement | — | — | (10) | (2) | (12) | — | — | — | — | — |
| Severance and related costs | — | — | — | — | — | — | 19 | 11 | 2 | 32 |
| *Total Atlantic-Gulf adjustments* | 15 | (19) | (12) | (76) | (92) | — | 35 | 12 | 358 | 405 |
| Northeast G&P | | | | | | | | | | |
| Expenses associated with new venture | — | — | — | — | — | 3 | 6 | 1 | — | 10 |
| Settlement charge from pension early payout program | — | — | — | 4 | 4 | — | — | — | — | — |
| Impairment of certain assets | — | — | — | — | — | — | — | — | 10 | 10 |
| Severance and related costs | — | — | — | — | — | — | 10 | (3) | — | 7 |
| *Total Northeast G&P adjustments* | — | — | — | 4 | 4 | 3 | 16 | (2) | 10 | 27 |
| West | | | | | | | | | | |
| Impairment of certain assets | — | — | — | 1,849 | 1,849 | 12 | 64 | — | 24 | 100 |
| Settlement charge from pension early payout program | — | — | — | 6 | 6 | — | — | — | — | — |
| Regulatory adjustments resulting from Tax Reform | (7) | — | — | — | (7) | — | — | — | — | — |
| Charge for regulatory liability associated with the decrease in Northwest Pipeline's estimated deferred state income tax rates following WPZ Merger | — | — | 12 | — | 12 | — | — | — | — | — |
| Gain on sale of Four Corners assets | — | — | — | (591) | (591) | 2 | — | — | — | 2 |
| Severance and related costs | — | — | — | — | — | — | 14 | 2 | 1 | 17 |
| *Total West adjustments* | (7) | — | 12 | 1,264 | 1,269 | 14 | 78 | 2 | 25 | 119 |

# Reconciliation of Income (Loss) Attributable to The Williams Companies, Inc. to Adjusted Income (con't)

| *(Dollars in millions, except per-share amounts)* | 2018 1st Qtr | 2018 2nd Qtr | 2018 3rd Qtr | 2018 4th Qtr | 2018 Year | 2019 1st Qtr | 2019 2nd Qtr | 2019 3rd Qtr | 2019 4th Qtr | 2019 Year |
|---|---|---|---|---|---|---|---|---|---|---|
| Other | | | | | | | | | | |
| Loss on early retirement of debt | 7 | — | — | — | 7 | — | — | — | — | — |
| Impairment of certain assets | — | 66 | — | — | 66 | — | — | — | — | — |
| Settlement charge from pension early payout program | — | — | — | 5 | 5 | — | — | — | — | — |
| Regulatory adjustments resulting from Tax Reform | — | 1 | — | — | 1 | — | — | — | — | — |
| (Benefit) adjustment of regulatory assets associated with increase in Transco's estimated deferred state income tax rate following WPZ Merger | — | — | (45) | — | (45) | 12 | — | — | — | 12 |
| WPZ Merger costs | — | 4 | 15 | 1 | 20 | — | — | — | — | — |
| Gain on sale of certain Gulf Coast pipeline systems | — | — | — | (20) | (20) | — | — | — | — | — |
| Charitable contribution of preferred stock to Williams Foundation | — | — | 35 | — | 35 | — | — | — | — | — |
| Accrual for loss contingencies associated with former operations | — | — | — | — | — | — | — | 9 | (5) | 4 |
| Severance and related costs | — | — | — | — | — | — | — | — | 1 | 1 |
| *Total Other adjustments* | 7 | 71 | 5 | (14) | 69 | 12 | — | 9 | (4) | 17 |
| Adjustments included in Modified EBITDA | 15 | 52 | 5 | 1,178 | 1,250 | 29 | 129 | 21 | 389 | 568 |
| | | | | | | | | | | |
| Adjustments below Modified EBITDA | | | | | | | | | | |
| *Gain on deconsolidation of Jackalope interest* | — | (62) | — | — | (62) | — | — | — | — | — |
| *Gain on deconsolidation of certain Permian assets* | — | — | — | (141) | (141) | 2 | — | — | — | 2 |
| *Loss on deconsolidation of Constitution* | — | — | — | — | — | — | — | — | 27 | 27 |
| *Impairment of equity-method investments* | — | — | — | 32 | 32 | 74 | (2) | 114 | — | 186 |
| *Gain on sale of equity-method investments* | — | — | — | — | — | — | (122) | — | — | (122) |
| *Allocation of adjustments to noncontrolling interests* | (5) | 21 | — | — | 16 | — | (1) | — | (210) | (211) |
| | (5) | (41) | — | (109) | (155) | 76 | (125) | 114 | (183) | (118) |
| **Total adjustments** | 10 | 11 | 5 | 1,069 | 1,095 | 105 | 4 | 135 | 206 | 450 |
| Less tax effect for above items | (3) | (3) | (1) | (267) | (274) | (26) | (1) | (34) | (51) | (112) |
| Adjustments for tax-related items (3) | — | — | 110 | — | 110 | — | — | — | — | — |
| | | | | | | | | | | |
| **Adjusted income from continuing operations available to common stockholders** | $ 159 | $ 143 | $ 243 | $ 230 | $ 775 | $ 273 | $ 313 | $ 321 | $ 293 | $ 1,200 |
| **Adjusted income from continuing operations - diluted earnings per common share (1)** | $ .19 | $ .17 | $ .24 | $ .19 | $ .79 | $ .22 | $ .26 | $ .26 | $ .24 | $ .99 |
| **Weighted-average shares - diluted (thousands)** | 830,197 | 830,107 | 1,026,504 | 1,212,822 | 976,097 | 1,213,592 | 1,214,065 | 1,214,165 | 1,214,212 | 1,214,011 |

(1) The sum of earnings per share for the quarters may not equal the total earnings per share for the year due to changes in the weighted-average number of common shares outstanding.

(2) Our partners' $209 million share of the fourth-quarter 2019 impairment of the Constitution pipeline project is reflected below in Allocation of adjustments to noncontrolling interests.

(3) The third quarter of 2018 reflects tax adjustments driven by the WPZ Merger, primarily a valuation allowance for foreign tax credits.

# Reconciliation of Net Income to Non-GAAP Modified EBITDA, Adjusted EBITDA and Distributable Cash Flow

| | 2018 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in millions, except coverage ratios)* | *1st Qtr* | *2nd Qtr* | *3rd Qtr* | *4th Qtr* | *Year* | *1st Qtr* | *2nd Qtr* | *3rd Qtr* | *4th Qtr* | *Year* |
| **The Williams Companies, Inc.** | | | | | | | | | | |
| *Reconciliation of GAAP "Net Income (Loss)" to Non-GAAP "Modified EBITDA", "Adjusted EBITDA" and "Distributable cash flow"* | | | | | | | | | | |
| Net income (loss) | $ 270 | $ 269 | $ 200 | $ (546) | $ 193 | $ 214 | $ 324 | $ 242 | $ (66) | $ 714 |
| Provision (benefit) for income taxes | 55 | 52 | 190 | (159) | 138 | 69 | 98 | 77 | 91 | 335 |
| Interest expense | 273 | 275 | 270 | 294 | 1,112 | 296 | 296 | 296 | 298 | 1,186 |
| Equity (earnings) losses | (82) | (92) | (105) | (117) | (396) | (80) | (87) | (93) | (115) | (375) |
| Other investing (income) loss - net | (4) | (68) | (2) | (113) | (187) | 73 | (126) | 107 | 25 | 79 |
| Proportional Modified EBITDA of equity-method investments | 169 | 178 | 205 | 218 | 770 | 190 | 175 | 181 | 200 | 746 |
| Depreciation and amortization expenses | 431 | 434 | 425 | 435 | 1,725 | 416 | 424 | 435 | 439 | 1,714 |
| Accretion for asset retirement obligations associated with nonregulated operations | 8 | 10 | 8 | 7 | 33 | 9 | 8 | 8 | 8 | 33 |
| (Income) loss from discontinued operations, net of tax | — | — | — | — | — | — | — | — | 15 | 15 |
| Modified EBITDA | 1,120 | 1,058 | 1,191 | 19 | 3,388 | 1,187 | 1,112 | 1,253 | 895 | 4,447 |
| EBITDA adjustments | 15 | 52 | 5 | 1,178 | 1,250 | 29 | 129 | 21 | 389 | 568 |
| Adjusted EBITDA | 1,135 | 1,110 | 1,196 | 1,197 | 4,638 | 1,216 | 1,241 | 1,274 | 1,284 | 5,015 |
| Maintenance capital expenditures (1) | (110) | (160) | (138) | (122) | (530) | (93) | (130) | (128) | (113) | (464) |
| Preferred dividends | — | — | — | (1) | (1) | (1) | — | (1) | (1) | (3) |
| Net interest expense - cash portion (2) | (276) | (279) | (274) | (299) | (1,128) | (304) | (302) | (301) | (306) | (1,213) |
| Cash taxes | (1) | (10) | (1) | 1 | (11) | 3 | 85 | (2) | — | 86 |
| Income attributable to noncontrolling interests (3) | (25) | (24) | (19) | (28) | (96) | | | | | |
| Dividends and distributions paid to noncontrolling interests | | | | | | (41) | (27) | (20) | (36) | (124) |
| Distributable cash flow | $ 723 | $ 637 | $ 764 | $ 748 | $ 2,872 | $ 780 | $ 867 | $ 822 | $ 828 | $ 3,297 |
| Total cash distributed (4) | $ 438 | $ 443 | $ 412 | $ 411 | $ 1,704 | $ 460 | $ 461 | $ 461 | $ 460 | $ 1,842 |
| Weighted-average shares – diluted (thousands) (5) | 1,210,000 | 1,210,000 | 1,210,000 | 1,210,000 | 1,210,000 | 1,213,592 | 1,214,065 | 1,214,165 | 1,214,212 | 1,214,011 |
| Distributable cash flow / share | $ 0.60 | $ 0.53 | $ 0.63 | $ 0.62 | $ 2.37 | $ 0.64 | $ 0.71 | $ 0.68 | $ 0.68 | $ 2.72 |
| **Coverage ratios:** | | | | | | | | | | |
| Distributable cash flow divided by Total cash distributed | 1.65 | 1.44 | 1.85 | 1.82 | 1.69 | 1.70 | 1.88 | 1.78 | 1.80 | 1.79 |
| Net income (loss) divided by Total cash distributed | 0.62 | 0.61 | 0.49 | (1.33) | 0.11 | 0.47 | 0.70 | 0.52 | (0.14) | 0.39 |

(1) Includes proportionate share of maintenance capital expenditures of equity-method investments.
(2) Includes proportionate share of interest expense of equity-method investments.
(3) Excludes allocable share of certain EBITDA adjustments.
(4) Includes cash dividends paid on common stock each quarter by WMB, as well as the public unitholders share of distributions declared by WPZ for the first two quarters of 2018.
(5) Shares in the 2018 periods reflects the WMB common shares outstanding per the 9/30/18 Consolidated Balance Sheet following the WPZ Merger.

# Reconciliation of Modified EBITDA to Non-GAAP Adjusted EBITDA

| *(Dollars in millions)* | 2018 *1st Qtr* | 2018 *2nd Qtr* | 2018 *3rd Qtr* | 2018 *4th Qtr* | 2018 *Year* | 2019 *1st Qtr* | 2019 *2nd Qtr* | 2019 *3rd Qtr* | 2019 *4th Qtr* | 2019 *Year* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net income (loss)** | $ 270 | $ 269 | $ 200 | $ (546) | $ 193 | $ 214 | $ 324 | $ 242 | $ (66) | $ 714 |
| Provision (benefit) for income taxes | 55 | 52 | 190 | (159) | 138 | 69 | 98 | 77 | 91 | 335 |
| Interest expense | 273 | 275 | 270 | 294 | 1,112 | 296 | 296 | 296 | 298 | 1,186 |
| Equity (earnings) losses | (82) | (92) | (105) | (117) | (396) | (80) | (87) | (93) | (115) | (375) |
| Other investing (income) loss - net | (4) | (68) | (2) | (113) | (187) | 73 | (126) | 107 | 25 | 79 |
| Proportional Modified EBITDA of equity-method investments | 169 | 178 | 205 | 218 | 770 | 190 | 175 | 181 | 200 | 746 |
| Depreciation and amortization expenses | 431 | 434 | 425 | 435 | 1,725 | 416 | 424 | 435 | 439 | 1,714 |
| Accretion expense associated with asset retirement obligations for nonregulated operations | 8 | 10 | 8 | 7 | 33 | 9 | 8 | 8 | 8 | 33 |
| (Income) loss from discontinued operations, net of tax | — | — | — | — | — | — | — | — | 15 | 15 |
| **Modified EBITDA** | **$ 1,120** | **$ 1,058** | **$ 1,191** | **$ 19** | **$ 3,388** | **$ 1,187** | **$ 1,112** | **$ 1,253** | **$ 895** | **$ 4,447** |
| | | | | | | | | | | |
| Atlantic-Gulf | $ 451 | $ 475 | $ 492 | $ 605 | $ 2,023 | $ 560 | $ 524 | $ 599 | $ 212 | $ 1,895 |
| Northeast G&P | 250 | 255 | 281 | 300 | 1,086 | 299 | 303 | 345 | 367 | 1,314 |
| West | 413 | 389 | 412 | (906) | 308 | 332 | 278 | 311 | 311 | 1,232 |
| Other | 6 | (61) | 6 | 20 | (29) | (4) | 7 | (2) | 5 | 6 |
| **Total Modified EBITDA** | **$ 1,120** | **$ 1,058** | **$ 1,191** | **$ 19** | **$ 3,388** | **$ 1,187** | **$ 1,112** | **$ 1,253** | **$ 895** | **$ 4,447** |
| | | | | | | | | | | |
| **Adjustments included in Modified EBITDA (1):** | | | | | | | | | | |
| | | | | | | | | | | |
| Atlantic-Gulf | $ 15 | $ (19) | $ (12) | $ (76) | $ (92) | $ — | $ 35 | $ 12 | $ 358 | $ 405 |
| Northeast G&P | — | — | — | 4 | 4 | 3 | 16 | (2) | 10 | 27 |
| West | (7) | — | 12 | 1,264 | 1,269 | 14 | 78 | 2 | 25 | 119 |
| Other | 7 | 71 | 5 | (14) | 69 | 12 | — | 9 | (4) | 17 |
| **Total Adjustments included in Modified EBITDA** | **$ 15** | **$ 52** | **$ 5** | **$ 1,178** | **$ 1,250** | **$ 29** | **$ 129** | **$ 21** | **$ 389** | **$ 568** |
| | | | | | | | | | | |
| **Adjusted EBITDA:** | | | | | | | | | | |
| | | | | | | | | | | |
| Atlantic-Gulf | $ 466 | $ 456 | $ 480 | $ 529 | $ 1,931 | $ 560 | $ 559 | $ 611 | $ 570 | $ 2,300 |
| Northeast G&P | 250 | 255 | 281 | 304 | 1,090 | 302 | 319 | 343 | 377 | 1,341 |
| West | 406 | 389 | 424 | 358 | 1,577 | 346 | 356 | 313 | 336 | 1,351 |
| Other | 13 | 10 | 11 | 6 | 40 | 8 | 7 | 7 | 1 | 23 |
| **Total Adjusted EBITDA** | **$ 1,135** | **$ 1,110** | **$ 1,196** | **$ 1,197** | **$ 4,638** | **$ 1,216** | **$ 1,241** | **$ 1,274** | **$ 1,284** | **$ 5,015** |

(1) Adjustments by segment are detailed in the "Reconciliation of Income (Loss) from Continuing Operations Attributable to The Williams Companies, Inc. to Adjusted Income," which is also included in these materials.

# Reconciliation of Net Income to Modified EBITDA, Non-GAAP Adjusted EBITDA and Distributable Cash Flow

| | 2020 Guidance | | |
|---|---|---|---|
| *(Dollars in millions, except per share amounts and coverage ratio)* | Low | Mid | High |
| **Net income (loss)** | $ 1,200 | $ 1,350 | $ 1,500 |
| Provision (benefit) for income taxes | | 450 | |
| Interest expense | | 1,180 | |
| Equity (earnings) losses | | (450) | |
| Proportional Modified EBITDA of equity-method investments | | 820 | |
| Depreciation and amortization expenses and accretion for asset retirement obligations associated with nonregulated operations | | 1,750 | |
| **Modified EBITDA** | **$ 4,950** | **$ 5,100** | **$ 5,250** |
| **EBITDA Adjustments** | | — | |
| **Adjusted EBITDA** | **$ 4,950** | **$ 5,100** | **$ 5,250** |
| | | | |
| Net interest expense - cash portion [1] | | (1,215) | |
| Maintenance capital expenditures [1] | (550) | (500) | (450) |
| Cash taxes | | 30 | |
| Dividends and distributions paid to noncontrolling interests and other | | (165) | |
| **Distributable cash flow (DCF)** | **$ 3,050** | **$ 3,250** | **$ 3,450** |
| --Distributable cash flow per share [2] | $ 2.50 | $ 2.67 | $ 2.83 |
| | | | |
| Dividends paid | | (1,950) | |
| Excess cash available after dividends | $ 1,100 | $ 1,300 | $ 1,500 |
| | | | |
| Dividend per share | | $ 1.60 | |
| | | | |
| **Coverage ratio (Distributable cash flow / Dividends paid)** | **1.56x** | **1.67x** | **1.77x** |

(1) Includes proportionate share of equity-method investments.
(2) Distributable cash flow / diluted weighted-average common shares of 1,218 million in 2020.

# Reconciliation of GAAP Net Income (Loss) to Non-GAAP Adjusted Income Available to Common Stockholders

| *(Dollars in millions, except per-share amounts)* | 2020 Guidance Low | 2020 Guidance Mid | 2020 Guidance High |
|---|---|---|---|
| Net income (loss) | $ 1,200 | $ 1,350 | $ 1,500 |
| Less: Net income (loss) attributable to noncontrolling interests & preferred dividends | | 40 | |
| Net income (loss) attributable to The Williams Companies, Inc. available to common stockholders | 1,160 | 1,310 | 1,460 |
| | | | |
| **Adjustments:** | | | |
| Adjustments included in Modified EBITDA | | — | |
| Adjustments below Modified EBITDA | | — | |
| Total adjustments | | — | |
| Less tax effect for above items | | — | |
| Adjusted income available to common stockholders | $ 1,160 | $ 1,310 | $ 1,460 |
| **Adjusted diluted earnings per common share** | **$ 0.95** | **$ 1.08** | **$ 1.20** |
| Weighted-average shares - diluted (millions) | | 1,218 | |