



**TARGA**

**Targa Resources Partners LP  
NAPTP  
2009 MLP Investor Conference  
September 16, 2009**

# Forward Looking Statements

Certain statements in this presentation are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that the Targa Resources Partners LP ("NGLS" or the "Partnership") expects, believes or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties, factors and risks, many of which are outside the Partnership's control, which could cause results to differ materially from those expected by management of Targa Resources Partners. Such risks and uncertainties include, but are not limited to, weather, political, economic and market conditions, including declines in the production of natural gas or in the price and market demand for natural gas and natural gas liquids, the timing and success of business development efforts, the credit risk of customers and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2008 and other reports filed with the Securities and Exchange Commission. The Partnership undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Overview of Targa Resources Partners LP (NASDAQ: NGLS)

## ◆ Overall

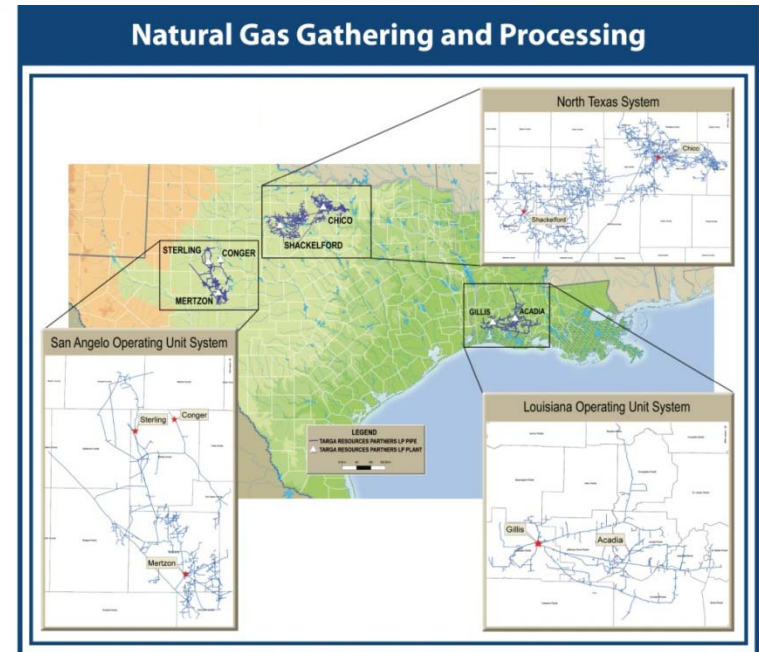
- ❖ \$2.2 billion of assets<sup>1</sup>
- ❖ Leading natural gas gatherer and processor
- ❖ Leading NGL logistics and marketing business with closing of the Downstream Transaction

## ◆ Natural Gas Gathering and Processing

- ❖ \$92 million in adjusted EBITDA through first half 2009
- ❖ Approximately 6,300 miles of natural gas pipelines
- ❖ Gathering systems encompassing 13,500 square miles
- ❖ Own and operate 7 natural gas processing plants and 2 operating fractionators integrated with plants
- ❖ Gross processing capacity of approximately 670 MMcf/d
- ❖ Contracts predominantly percent-of-proceeds with some wellhead purchase/keep whole

## ◆ NGL Logistics and Marketing (the “Downstream Business”)<sup>2</sup>

- ❖ \$41 million in adjusted EBITDA through first half 2009
- ❖ Gross capacity to fractionate approximately 380 MBbl/d of NGLs through interests in 3 fractionators, with above ground storage of approximately 900 MBbl and 65 MMBbl of below ground storage
- ❖ Approximately 15 terminals, 21 pressurized NGL barges, 70 transport tractors, 100 tank trailers and 770 managed railcars
- ❖ Predominantly fee-based business



1. As of June 30, 2009 pro forma for closing of the Downstream transaction  
 2. Pro forma for closing of the Downstream transaction

# NGLS Investment Highlights

## Strategically Located Assets

### *Gathering & Processing*

- ◆ Located in active and attractive basins
- ◆ Drilling and production activity diversified across geographic basins and across crude oil and natural gas

### *Downstream Business*

- ◆ Logistics Assets well positioned to benefit from industry capacity constraints

## Positioned to Weather Market Volatility

### *Low leverage*

- ◆ Debt/LTM Adjusted EBITDA ~3.1x as of June 30, 2009

### *Strong liquidity*

- ◆ \$416 million as of June 30, 2009.
- ◆ \$410 million pro forma for the Downstream transaction, 11 ¼ % unsecured notes, 6.9 million common units and revolver commitment increase

### *Solid distribution coverage*

- ◆ 1.35 times for Q2 2009
- ◆ Distribution support starting Q4 2009 continuing through Q4 2011

### *Well-hedged*

- ◆ ~75-85% of natural gas and NGL equity volumes hedged in 2009; ~60% in 2010

### *Low capital requirements*

- ◆ Total 2009 capex ~\$40 million (excluding the Downstream Business)

### *No near term debt maturities*

- ◆ Earliest maturity is February 2012

## Focused on Execution

- ◆ Focused on operating cost control and reduction
- ◆ Continue to evaluate organic and acquisition-based growth opportunities
- ◆ Disciplined hedging program
- ◆ Proven management team with history of successful execution

# TRI Remaining Assets

## Versado Processing Assets

System	Inlet Volumes (MMcf/d)		Processing Capacity (MMcf/d)
	2007	2008	
Saunders	58	55	70
Monument	71	71	90
Eunice	87	85	120
<b>Total</b>	<b>216</b>	<b>211</b>	<b>280</b>

Note: Volumes represent 100% interest.

## West Texas Assets

System	Inlet Volumes (MMcf/d)		Processing Capacity (MMcf/d)
	2007	2008	
Sandhills	94	106	150

## Coastal Straddle Plants

Processing Facility	Ownership Interest <sup>(1)</sup>	Operator	Processing Capacity (MMcf/d)	2008 Gross Inlet Throughput (MMcf/d)
Yscloskey	29.3%	Targa	1,850	276.7
VESCO (Venice)	76.8%	Targa	750	395.6
Calumet	35.0%	Enterprise	1,650	107.1
Stingray	100.0%	Targa	300	175.8
Barracuda	100.0%	Targa	200	109.2
Lowry	100.0%	Targa	265	158.8
Bluewater	21.8%	Crosstex	425	18.7
Sea Robin	0.8%	Amerada Hess	700	24.8
Toca	10.4%	Enterprise	1000	53.1
Terrebonne	5.8%	Enterprise	950	25.9
Iowa	100.0%	Targa	500	---

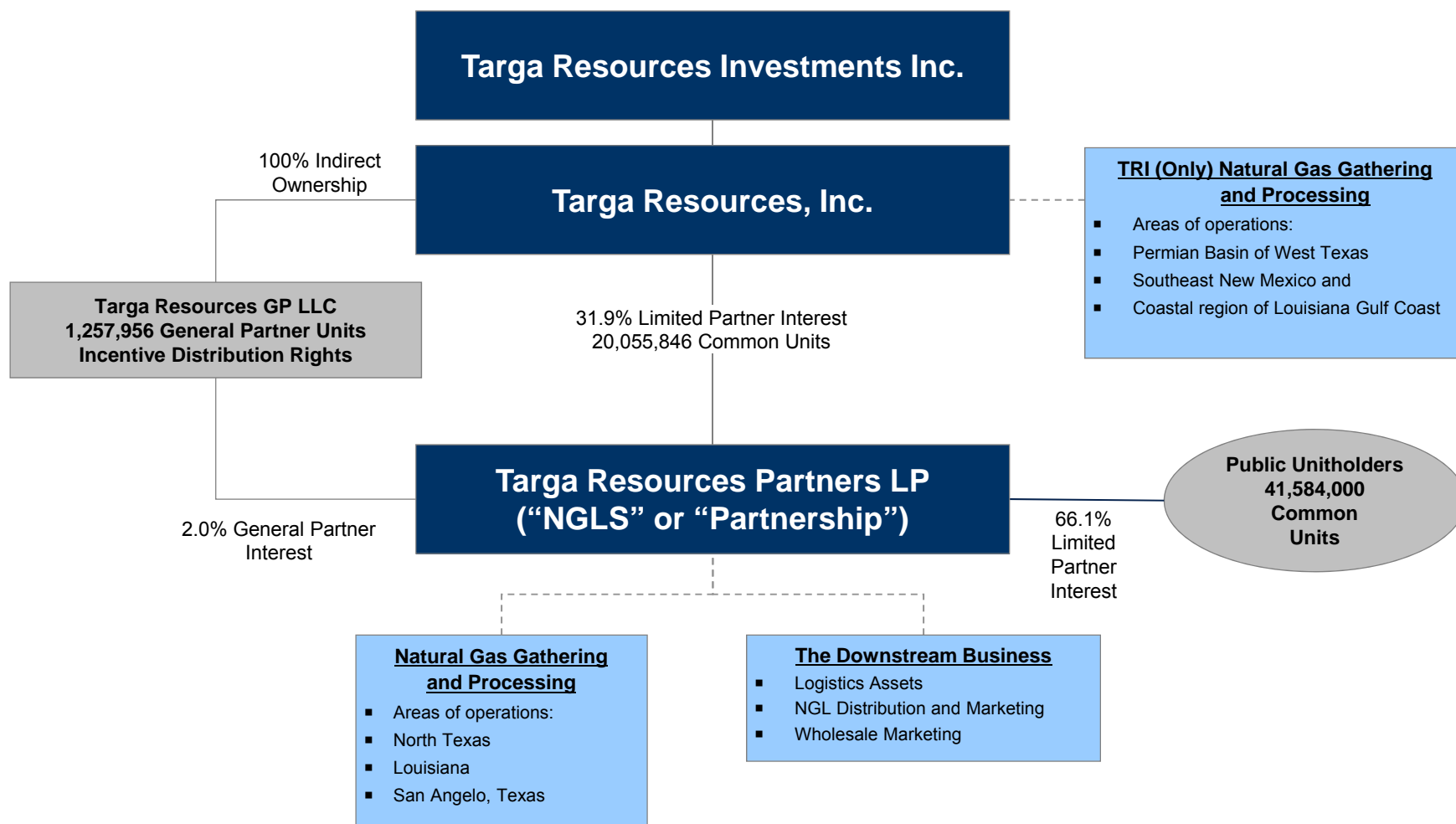
- ◆ **Following the dropdown transaction TRI continues to have substantial, high quality strategic assets**
- ◆ **Combined Permian Assets**
  - ❖ Four processing plants and approximately 5,200 miles of combined gathering pipelines covering approximately 4,200 square miles
  - ❖ Versado joint venture 63% Targa, 37% CVX
  - ❖ West Texas 100% owned
  - ❖ Plants and systems generally on par or advantaged relative to competition
  - ❖ Essentially all contracts are percent-of-proceeds
  - ❖ Active drilling areas with commodity prices and new technology enhancing drilling and completions in a variety of formations including the Morrow, Wolfcamp/Spraberry, and Bone Springs
- ◆ **Coastal Straddle Assets**
  - ❖ Plants capture volumes from all corridors of the Gulf of Mexico shelf and deepwater
  - ❖ Attractive market access
  - ❖ Recent Gulf of Mexico lease and drilling activity encouraging for both shelf and deepwater prospects
  - ❖ Life-of-field dedications from Chevron (and successor) committed areas
  - ❖ Hybrid contracts provide fee floor; often settling as percent-of-liquids



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# Acquisition of the Downstream Business

# Corporate Structure Pro Forma for the Downstream Transaction



Note: Unit counts are pro forma for closing of the Downstream transaction including the issuance of 8,527,615 new common units to Targa and 174,033 new general partner units; and for the secondary offering of 6,900,000 new common units and 140,816 new general partner units.

# Dropdown Transaction - Rationale and Key Terms

## ◆ Rationale for Transaction

- ❖ The transaction is immediately accretive on a DCF basis
- ❖ Increases scale and differentiates the Partnership from G&P peers on business mix
- ❖ Adds primarily stable fee-based revenue generated by unique and hard-to-replicate assets
- ❖ Improves contract mix and reduces commodity price exposure
- ❖ Provides growth tied to strategic asset positions in tightly supplied NGL logistics market

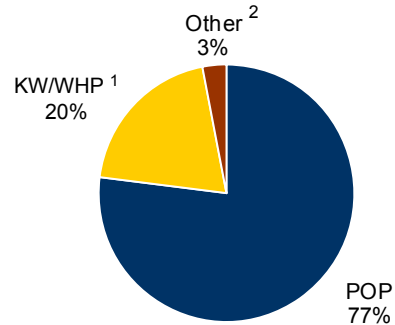
## ◆ Key Terms

- ❖ \$530 million purchase price (subject to certain adjustments) or ~6.4x 2009E Adjusted EBITDA\*
- ❖ \$397.5 million debt (75%) / \$132.5 million equity (25%) issued to Targa
- ❖ Transaction close likely in the third quarter of 2009
- ❖ Targa agreed to provide distribution support to the Partnership
  - ✦ Reduced reimbursement of G&A expense if necessary for a 1.0x distribution coverage ratio
  - ✦ Q4 2009 through Q4 2011
  - ✦ Based on current distribution rate of \$0.5175 per unit
  - ✦ Maximum support of \$8 million in any quarter

\* Multiple assumes \$82.5 million Adjusted EBITDA - midpoint of \$80 to \$85 million transaction announcement guidance for 2009.

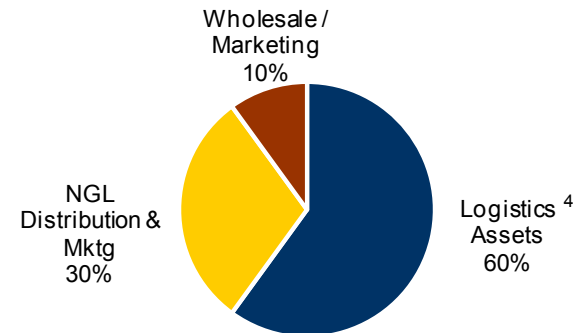
# Partnership Gains Substantial Fee Based Revenue With Drop Down

## Gathering and Processing – Contract Mix Throughput Volumes 2008A



## Downstream Contract Mix Operating Margin 2009E<sup>3</sup>

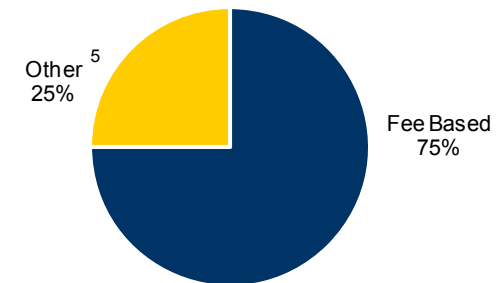
### Segment Mix



## Contract Discussion Points

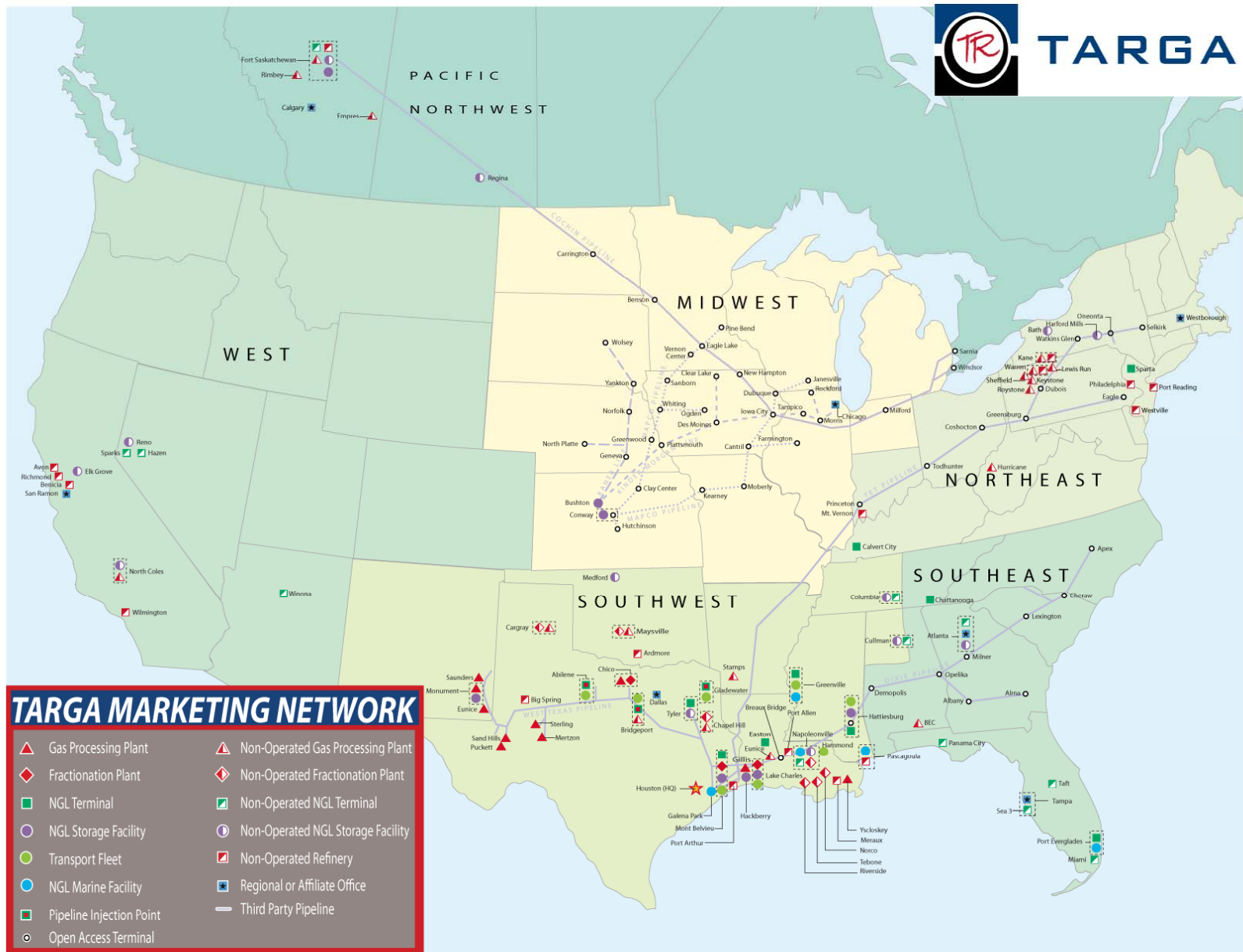
- ❖ Downstream Business is largely fee-based
- ❖ POP contracts well hedged - approximately 75% to 85% of natural gas and NGL equity volumes are hedged in 2009
- ❖ Keep-whole risk mitigated – LOU System provides operational and commercial flexibility

## Contract Mix



1. KW/WHP = Keep-whole / wellhead purchase contract.  
 2. Other contract includes fee-based and hybrid.  
 3. Based on midpoint of 2009 operating margin guidance for the Downstream Business of \$124.4 million  
 4. Includes equity earnings in GCF (Gulf Coast Fractionators) and other minority interest  
 5. Other includes margin-based contracts and hybrid contracts with fee floor.

# The Downstream Business - A Nationwide Network



# The Downstream Business

## Targa's Downstream Business includes three segments:

### Logistics Assets

- Fractionation
  - ◆ Majority under fee-based arrangements
  - ◆ 3 facilities with ~380 MBbl/d maximum gross capacity
- Storage and Terminalling
  - ◆ Long-and short-term storage and terminalling services and throughput capability to affiliates and third party customers for a fee
  - ◆ Storage wells with ~65 MMBbl of capacity and 15 terminal facilities; 800 miles of pipeline support fractionation, storage and terminalling
- Transportation And Distribution
  - ◆ Fee-based transportation services to refineries and petrochemical companies throughout the U.S.
  - ◆ Approximately 770 railcars leased and managed, 70 owned and leased transport tractors, 100 tank trailers, and 21 pressurized NGL barges

### NGL Distribution and Marketing

- ◆ Primarily a physical settlement business which earns a margin from purchasing and selling NGL products from producers under contract
- ◆ Also earn margins by purchasing and reselling NGL products in the spot and forward physical markets
- ◆ 2008 sales of 245 MBbl/d

### Wholesale Marketing

- ◆ Refinery Services
  - ❖ Generally retain a portion of the resale price of NGL sales or receive a fixed minimum fee per gallon
  - ❖ Earn fees for locating and supplying NGL feedstocks to the refineries based on a percentage of the cost or a minimum fee per gallon
- ◆ Wholesale propane marketing
  - ❖ Sell propane on a fixed or posted price at delivery and, in some circumstances, earn a margin on a net-back basis

# Logistics Assets Add Substantial Scale to NGLS

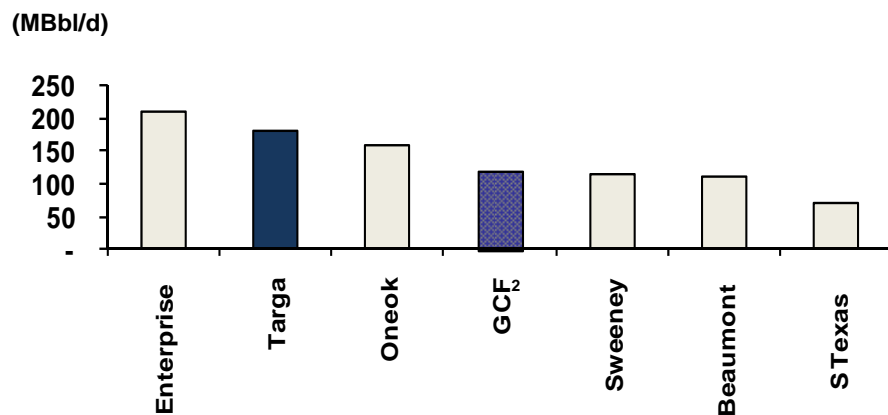
## ◆ One of the largest players in raw mix fractionation

- ❖ Capacity utilization rates increasing, for example Upper Texas Gulf Coast <sup>1</sup>
  - ✦ 80-85% during 2000-2006
  - ✦ 93% in 2007
  - ✦ “Full” during the 1st & 2nd quarter 2008
- ❖ CBF capacity fully subscribed in first half of 2009
- ❖ Well positioned to benefit from positive fundamental environment
- ❖ Capacity utilization expected to remain high and expansion under study

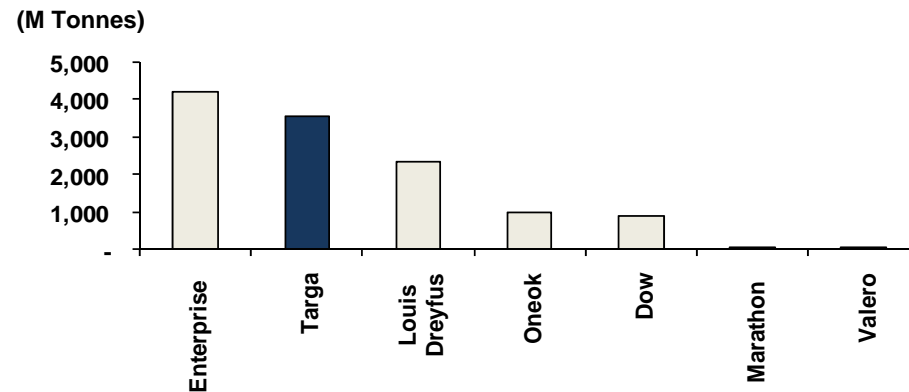
## ◆ Targa has the second largest LPG import / export facility on the Gulf Coast

- ❖ Well positioned to benefit from expected future increases in import activity

Raw Mix Fractionation Capacity <sup>1</sup>



Gulf Coast LPG Marine Terminal Capacity <sup>3</sup>



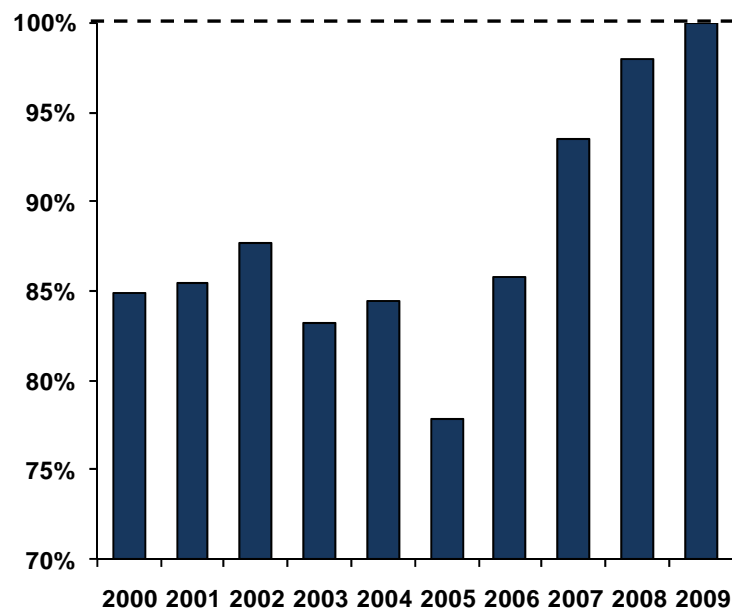
1. Petral Worldwide, Inc. Combined capacity of raw mix fractionators is for the Upper TX Coast.  
 2. Targa owns a 38.8% interest in GCF (Gulf Coast Fractionators).  
 3. Purvin and Gertz, Inc.

# Attractive Fractionation Economics

## *Industry's high capacity utilization supports economics for fractionation expansion*

### TX Gulf Coast Raw Mix Fractionation Capacity Utilization <sup>(1)</sup>

(% of Name Plate Capacity)



- ◆ Tightness in capacity results in higher margin for short-term / spot business
- ◆ Majority of fractionation business is under long-term contracts
- ◆ Successfully re-contracting for terms longer than existing contract terms
- ◆ Replacement costs economics require higher fees for a sustained period of time
- ◆ Imports and liquids from shale plays will play an important part in future capacity requirements

1. 2000 – 2008 data per Petral Worldwide, Inc. Combined capacity of raw mix fractionators is for the Upper TX Coast. 2009 is an internal Targa estimate.

# Downstream Acquisition Summary

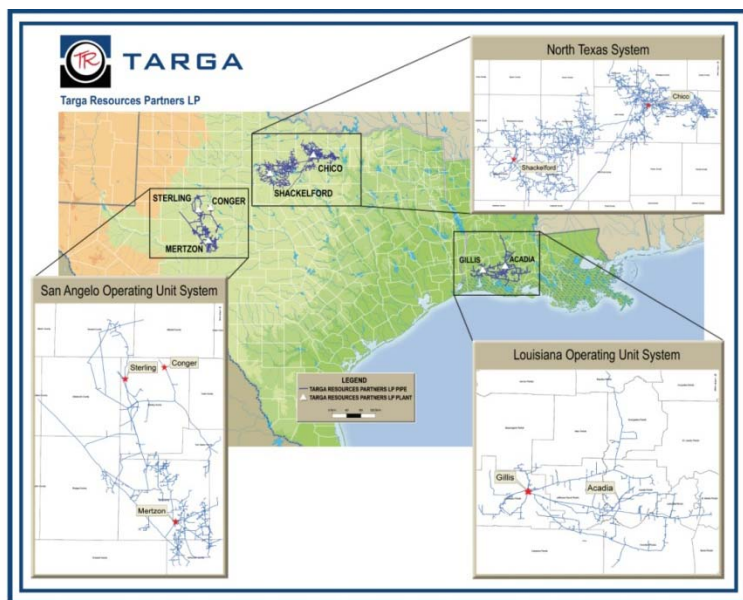
- ◆ **The transaction is immediately accretive on a DCF basis**
- ◆ **Increases scale and differentiates the Partnership from G&P peers on business mix**
- ◆ **Adds primarily stable fee-based revenue generated by unique and hard-to-replicate assets**
- ◆ **Improves contract mix and reduces commodity price exposure**
- ◆ **Provides growth tied to strategic asset positions in tightly supplied NGL logistics market**



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# **NGLS Business Overview**

# Natural Gas Gathering and Processing



- ◆ The Partnership's three G&P systems
  - ❖ Operate in geographically diverse and strategic producing regions including the Permian Basin and Barnett Shale
  - ❖ Demonstrated volume stability
  - ❖ Continue to have a favorable volume outlook for 2009

## North Texas System

MMcf/d System	Inlet Volumes				Processing Capacity
	2006	2007	2008	1H09	
Chico	151	152	152		265
Shackelford	11	10	11		13
Total	162	162	163	178	278

- ◆ Current producer activity combined with recent growth projects indicate 2009 wellhead volumes should meet or exceed 2008 volumes
- ◆ Volume outlook could be impacted by weakness in commodity prices and economic environment

## San Angelo – SAOU System

MMcf/d System	Inlet Volumes				Processing Capacity
	2006	2007	2008	1H09	
Mertzton	30	40	46		48
Sterling	53	49	44		62
Conger		<i>Standby</i>	<i>Standby</i>	<i>Standby</i>	25
Total	83	89	90	92	135

- ◆ Current producer activity indicates 2009 wellhead volumes should approximate 2008 volumes
- ◆ Volume outlook could be impacted by weakness in commodity prices and economic environment

## Louisiana – LOU System

MMcf/d System	Inlet Volumes				Processing Capacity
	2006	2007	2008	1H09	
Gillis	129	149	140		180
Acadia	40	29	28		80
Total	169	178	168	161	260

- ◆ Discretionary volumes purchased from other pipeline systems are attractive when processing economics are favorable
  - ❖ These volumes contribute lower margin to NGLS
- ◆ Well connection activity has slowed, but incremental discretionary pipeline volumes have recently been added

# NGLS Key Financial Ratios Versus Peers

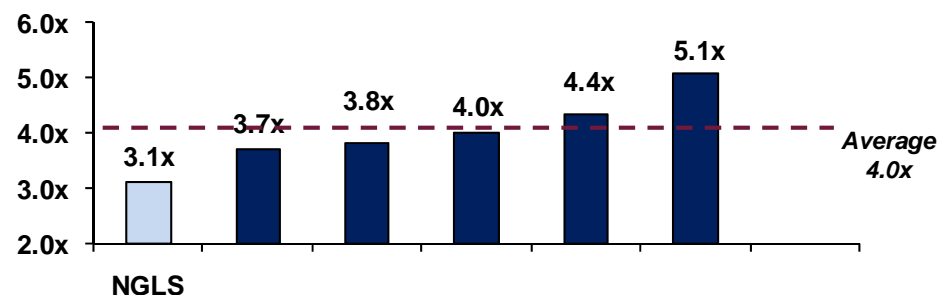
## Leverage Ratio Below Peer Average

- ◆ NGLS Q209 actual leverage ratio of 3.1x is well below G&P peer average of 4.0x
- ◆ Q209 leverage ratio well below 5.5x covenant

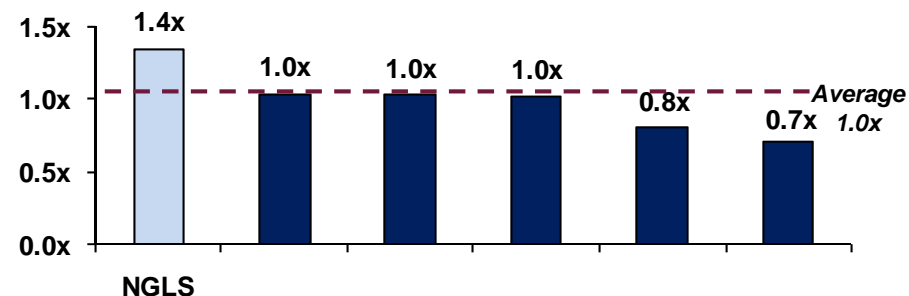
## Distribution Coverage Exceeds Peer Average

- ◆ NGLS Q209 actual distribution coverage of 1.35x exceeds G&P peer average of 1.0x for the same period
- ◆ Distribution support mechanism in place through Q4 2011 provides additional security regarding distribution

### Q209 Leverage Ratio <sup>1</sup>



### Q2 2009 Coverage Ratio <sup>2</sup>



*NGLS has delivered superior total return since formation while demonstrating conservative financial management*

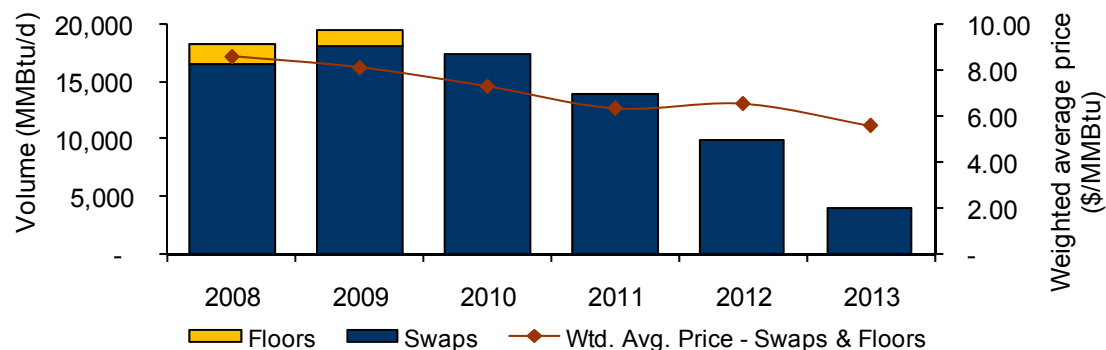
1. Leverage ratio defined as total long-term debt divided by trailing twelve months EBITDA as of June 30, 2009. Sourced from analyst reports and company filings.

2. Q2 2009 Coverage ratio calculated as second quarter distributable cash flow divided by distributions to both the general and limited partners. Adjusted for one time items such as early hedge monetization, gains on debt repurchases and other distributable cash flow support mechanisms. Sourced from company filings and internal estimates.

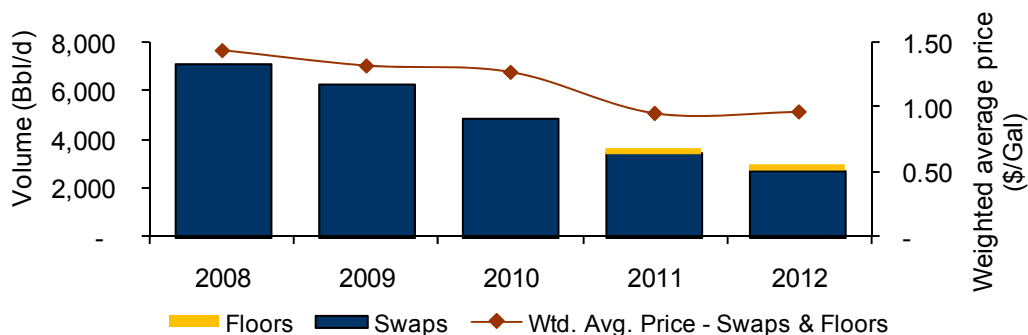
Note: Total return defined as unit price change plus distributions received for NGLS and 5 G&P peers calculated using closing prices and distributions received as of 2-8-07 through 9-9-09.

# Disciplined Hedging Program

## Natural Gas Hedges\*



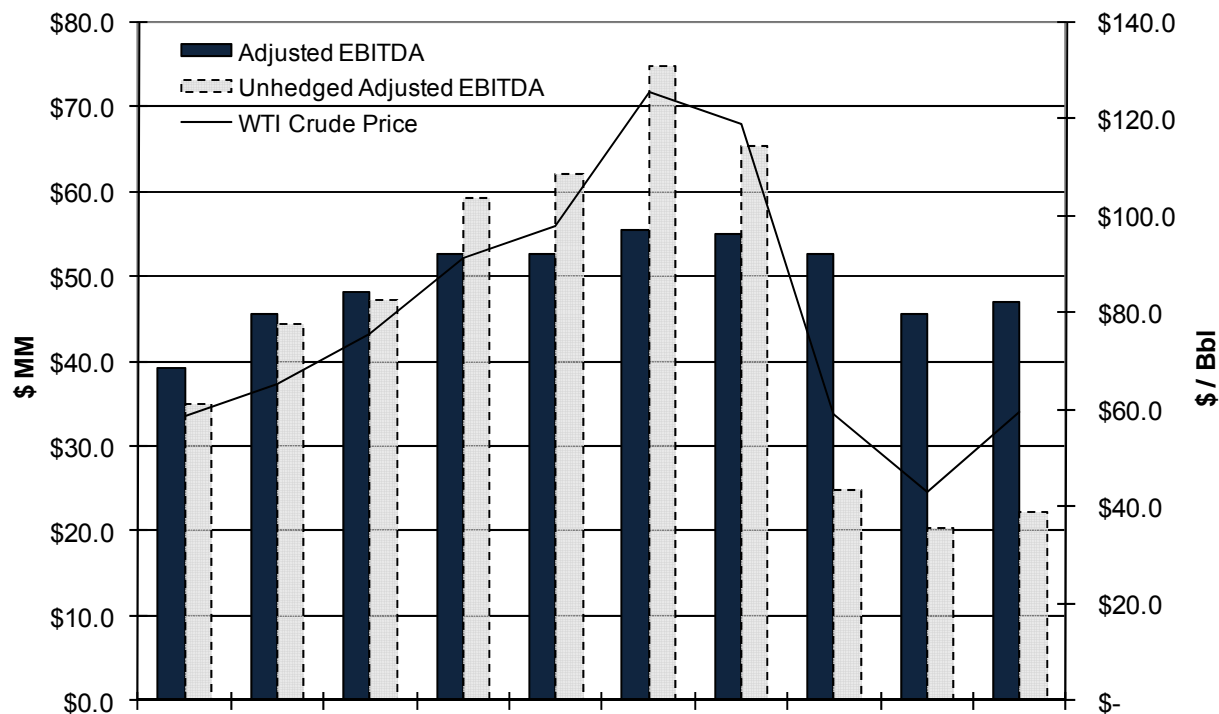
## NGL Hedges\*



- ◆ Highly correlated hedges including specific NGL components (ethane, propane, butane, etc.) and basis differentials for natural gas
- ◆ No margin or collateral posting requirements

\* As of 6-30-09

# Historical Partnership EBITDA and Commodity Prices



<b>Adjusted EBITDA Data (\$ MM)</b>	<b>1Q07</b>	<b>2Q07</b>	<b>3Q07</b>	<b>4Q07</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>1Q09</b>	<b>2Q09</b>
Adjusted EBITDA	39.1	45.5	48.2	53.0	52.6	55.5	55.0	52.7 *	45.5	46.9
Cash Hedge Settle – Loss (Gain)	<u>(4.1)</u>	<u>(1.1)</u>	<u>(1.0)</u>	<u>6.6</u>	<u>9.5</u>	<u>19.2</u>	<u>10.4</u>	<u>(27.8)</u>	<u>(25.1)</u>	<u>(24.6)</u>
Unhedged Adjusted EBITDA	35.0	44.4	47.2	59.6	62.1	74.7	65.4	24.9	20.4	22.3
<b>Market Prices</b>										
HH Natural Gas - \$/MMbtu	7.14	7.46	6.12	6.86	8.60	11.33	9.00	6.42	4.55	3.71
Mt. Belvieu NGL - \$/gal	0.87	1.04	1.12	1.40	1.38	1.56	1.56	0.68	0.59	0.69
WTI Crude - \$/bbl	58.59	65.32	75.73	91.42	97.87	125.27	118.79	59.06	43.18	59.69

\* Excludes \$13.1 million gain on debt extinguishment

# Partnership Capitalization

Capitalization (\$ in millions)	Reported 6-30-09	Adjustments			Pro Forma 6-30-09
		11.25% Notes Offering	6.9 MM Unit Offering	Dropdown Close	
<b>Debt</b>					
Sr secured revolving credit facility, variable rate, due February 2012	447.8	(231.4)	(103.5)	397.5	510.4
Sr notes, 8.25% fixed rate, due 2016	209.1				209.1
Sr notes, 11.25% fixed rate, due 2017	-	237.4			237.4
<b>Total Debt</b>	<b>656.8</b>				<b>956.8</b>
Total Partners' Capital	683.0		105.3	120.6	908.9
<b>Total Capitalization</b>	<b>1,339.9</b>				<b>1,865.7</b>
<b>Cash</b>					
<b>Total Cash</b>	<b>37.9</b>			<b>9.5</b>	<b>47.4</b>
Total Debt / Capitalization	49%				51%

## Liquidity (\$ in millions)

Credit facility total commitment	850.0	127.5*			977.5
Net unfunded Lehman commitment	(10.0)			(6.3)	(16.3)
Drawn commitment	447.8	(231.4)	(103.5)	397.5	510.4
Letters of credit outstanding	(13.4)			(74.5)	(87.9)
Cash	37.9			9.5	47.4
<b>Total Liquidity</b>	<b>416.7</b>				<b>410.4</b>

\* Commitment increase closed July 29, 2009

# 2009 Business Outlook

- ◆ Mixed pace of drilling in areas of operations
  - ❖ Because of recent growth projects, wellhead volumes should meet or exceed 2008 volumes in North Texas
  - ❖ SAOU inlet volumes should approximate 2008 volumes
  
- ◆ Petrochem industry fundamentals have picked up
  - ❖ U.S. steam cracker operating rates have improved vs. Q408 lows with heavy use of lighter, natural gas-based feedstocks like ethane and propane
  - ❖ Some operators may convert crackers to handle natural gas-based versus crude-based feedstocks
  - ❖ Low feedstock costs have created a domestic export window
  - ❖ NGL and WTI crude prices have increased while natural gas prices have decreased YTD resulting in favorable processing economics
  
- ◆ Continue to evaluate accretive acquisition, organic and new development opportunities
  - ❖ Downstream Business contains large portfolio of potential growth projects
  - ❖ Development of fee-based, shale-play gathering opportunities is ongoing
  - ❖ Must reflect sound economics
  - ❖ Although conditions have improved somewhat, given ongoing economic and capital markets weakness, management reviews opportunities with increased scrutiny and higher hurdle rates

# NGLS Investment Highlights

- ◆ Proven, experienced and successful management team
- ◆ Strategically located Assets
  - ❖ Diverse G&P asset base with operations in active drilling areas
  - ❖ Logistics Assets well positioned to meet growing demands of the domestic and international natural gas liquids market
- ◆ Favorable contract mix
  - ❖ G&P business run with a prudent and disciplined hedging strategy
  - ❖ Downstream Business is a majority fee-based business
- ◆ Conservative capital structure and strong liquidity support future investment opportunities
- ◆ The Downstream transaction increases the scale and diversifies the business mix of the Partnership



# Appendix

# Partnership Operating Results

(\$ in millions)	<u>Q2 2009</u>	<u>YE 2008</u>	<u>YE 2007</u>
LTM Revenue	1,411.2	2,074.1	1,661.5
LTM Income from Operations	72.6	119.0	113.4
LTM Adjusted EBITDA	213.3	228.9	185.8
Partnership Debt	656.8	696.8	626.3
Equity	683.0	762.4	614.2
Total Capitalization	1,339.8	1,459.2	1,240.5
Debt / Total Capitalization	49.0%	47.8%	50.5%
Net Debt <sup>1</sup> / LTM Adjusted EBITDA	2.9x	2.7x	3.1x
Debt / LTM Adjusted EBITDA	3.1x	3.0x	3.4x
LTM Adjusted EBITDA / LTM Interest	5.2x	6.0x	4.5x

1. Net debt equals total debt less cash

# Partnership Balance Sheet

(\$ in millions)

	<u>Q2 2009</u>	<u>YE 2008</u>	<u>YE 2007</u>
<b><u>ASSETS</u></b>			
Current Assets	181.4	255.5	208.5
PP&E, net	1,222.3	1,244.3	1,259.6
Other Assets	47.1	81.1	11.9
	<u>1,450.8</u>	<u>1,580.9</u>	<u>1,480.0</u>
<b><u>LIABILITIES &amp; PARTNERS' CAPITAL</u></b>			
Current Liabilities	93.1	106.5	192.5
Long Term Debt	656.8	696.8	626.3
Other Liabilities	17.8	15.2	46.9
	<u>767.7</u>	<u>818.5</u>	<u>865.8</u>
Partners' Capital	<u>683.0</u>	<u>762.4</u>	<u>614.2</u>
TOTAL LIABILITIES & PARTNERS' CAPITAL	<u>1,450.8</u>	<u>1,580.9</u>	<u>1,480.0</u>

# TRI Operating Results and Balance Sheet

(\$ in millions)	<u>Q2 2009</u>	<u>YE 2008</u>	<u>YE 2007</u>
LTM Revenue	5,510.1	7,970.2	7,269.7
LTM Income from Operations	127.2	234.9	280.6
LTM Adjusted EBITDA	318.6	364.9	375.8
	<u>Q2 2009</u>	<u>YE 2008</u>	<u>YE 2007</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	217.8	362.8	177.9
Current Assets	468.0	494.4	1,084.4
PP&E, net	2,589.3	2,617.4	2,430.1
Other Assets	152.8	174.1	97.5
<b>TOTAL ASSETS</b>	<b><u>3,427.9</u></b>	<b><u>3,648.6</u></b>	<b><u>3,790.0</u></b>
<b><u>LIABILITIES &amp; STOCKHOLDERS' EQUITY</u></b>			
Current Liabilities (excl. ST debt)	406.3	455.0	925.7
Total Debt	1,422.8	1,564.9	1,411.0
Other Liabilities	132.9	99.3	145.8
<b>TOTAL LIABILITIES</b>	<b><u>1,962.0</u></b>	<b><u>2,119.3</u></b>	<b><u>2,482.4</u></b>
Non-controlling Interest	883.7	949.6	815.1
Stockholder's Equity	582.2	579.6	492.4
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b><u>3,427.9</u></b>	<b><u>3,648.6</u></b>	<b><u>3,790.0</u></b>

# Non-GAAP Measures Reconciliation

This presentation includes non-GAAP financial measures of Adjusted EBITDA, operating margin and distributable cash flow. The presentation provides reconciliations of these non-GAAP financial measures to their most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Our non-GAAP financial measures should not be considered as alternatives to GAAP measures such as net income, operating income, net cash flows provided by operating activities or any other GAAP measure of liquidity or financial performance.

# Non-GAAP Measures Reconciliation

The following table presents a reconciliation of Adjusted EBITDA and operating margin to net income (loss) for the periods shown for NGLS:

## Targa Resources Partners LP (\$ in millions)

	Year Ended			Quarter Ended 2007				Quarter Ended 2008				Quarter Ended 2009	
	Dec 31	Dec 31	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30
	2006	2007	2008										
<b>Reconciliation of net income to Adjusted EBITDA:</b>													
Net income	11.6	40.3	91.5	(10.6)	13.8	14.4	22.7	24.9	28.2	14.7	23.7	(2.1)	6.6
Add:													
Allocated interest expense, net	88.0	19.4	-	13.4	2.7	2.8	0.5	-	-	-	-	-	-
Interest expense, net	-	22.0	38.3	2.7	5.2	5.1	9.0	8.7	8.0	10.7	10.9	9.9	9.8
Deferred income tax expense	2.9	1.5	1.4	0.4	0.3	0.3	0.5	0.3	0.3	0.4	0.4	0.3	0.3
Depreciation and amortization expense	69.9	71.8	74.3	18.0	17.6	18.0	18.2	18.2	18.4	18.6	19.1	18.9	19.0
Non-cash (gain) loss related to derivative instruments	(18.3)	30.8	23.4	15.2	5.9	7.6	2.1	0.5	0.5	10.6	11.8	18.5	11.2
Adjusted EBITDA	<u>\$ 154.1</u>	<u>\$ 185.8</u>	<u>\$ 228.9</u>	<u>\$ 39.1</u>	<u>\$ 45.5</u>	<u>\$ 48.2</u>	<u>\$ 53.0</u>	<u>\$ 52.6</u>	<u>\$ 55.4</u>	<u>\$ 55.0</u>	<u>\$ 65.9</u>	<u>\$ 45.5</u>	<u>\$ 46.9</u>
<b>Reconciliation of net income to operating margin:</b>													
Net income	11.6	40.3	91.5	(10.6)	13.8	14.4	22.7	24.9	28.2	14.7	23.7	(2.1)	6.6
Add:													
Depreciation and amortization expense	69.9	71.8	74.3	18.0	17.6	18.0	18.2	18.2	18.4	18.6	19.1	18.9	19.0
Deferred income tax expense	2.9	1.5	1.4	0.4	0.3	0.3	0.5	0.3	0.3	0.4	0.4	0.3	0.3
Allocated interest expense, net	88.0	19.4	-	13.4	2.7	2.8	0.5	-	-	-	-	-	-
Interest expense, net	-	22.0	38.3	2.7	5.2	5.1	9.0	8.7	8.0	10.7	10.9	9.9	9.8
Gain on debt extinguishment	-	-	(13.1)	-	-	-	-	-	-	-	(13.1)	-	-
Loss (gain) related to derivatives	(16.8)	30.2	1.0	14.9	6.1	7.4	1.8	-	-	1.0	-	(0.7)	-
General and administrative and other expense	16.1	18.6	22.4	3.3	4.4	6.5	4.4	5.2	5.7	5.5	6.0	5.3	7.5
Operating margin	<u>\$ 171.7</u>	<u>\$ 203.8</u>	<u>\$ 215.8</u>	<u>\$ 42.1</u>	<u>\$ 50.1</u>	<u>\$ 54.5</u>	<u>\$ 57.1</u>	<u>\$ 57.3</u>	<u>\$ 60.6</u>	<u>\$ 50.9</u>	<u>\$ 47.0</u>	<u>\$ 31.6</u>	<u>\$ 43.2</u>

Note: See section of this presentation starting on page 33 for a discussion of Adjusted EBITDA, operating margin and distributable cash flow

# Non-GAAP Measures Reconciliation

The following table presents a reconciliation of distributable cash flow to net income (loss) for the periods shown for NGLS:

Targa Resources Partners LP (\$ in millions)	Year Ended			Quarter Ended 2007				Quarter Ended 2008				Quarter Ended 2009	
	Dec 31	Dec 31	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30
	2006	2007	2008										
<b>Reconciliation of net income to distributable cash flow:</b>													
Net income	11.6	40.3	91.5	(10.6)	13.8	14.4	22.7	24.9	28.2	14.7	23.7	(2.1)	6.6
Depreciation and amortization expense	69.9	71.8	74.3	18.0	17.6	18.0	18.2	18.2	18.4	18.6	19.1	18.9	19.0
Deferred income tax expense	2.9	1.5	1.4	0.4	0.3	0.3	0.5	0.3	0.3	0.4	0.4	0.3	0.3
Amortization in interest expense	6.2	1.8	2.1	0.7	0.3	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Gain on debt extinguishment	-	-	(13.1)	-	-	-	-	-	-	-	(13.1)	-	-
Non-cash (gain) loss related to derivatives	(16.8)	30.2	23.4	14.9	6.1	7.6	1.6	0.5	0.5	10.6	11.8	18.5	11.2
Maintenance capital expenditures	(16.3)	(21.5)	(26.7)	(4.9)	(5.1)	(4.9)	(6.6)	(4.4)	(7.4)	(7.2)	(7.7)	(2.6)	(2.1)
Distributable cash flow	<u>\$ 57.5</u>	<u>\$ 124.1</u>	<u>\$ 152.9</u>	<u>\$ 18.5</u>	<u>\$ 33.0</u>	<u>\$ 35.8</u>	<u>\$ 36.8</u>	<u>\$ 39.9</u>	<u>\$ 40.5</u>	<u>\$ 37.7</u>	<u>\$ 34.8</u>	<u>\$ 33.6</u>	<u>\$ 35.6</u>

Note: See section of this presentation starting on page 33 for a discussion of Adjusted EBITDA, operating margin and distributable cash flow

# Non-GAAP Measures Reconciliation

The following table presents a reconciliation of adjusted EBITDA and operating margin to net income (loss) for the period shown for the Downstream Business:

The Downstream Business only	Six Months Ended	Three Months Ended	The Downstream Business only		Twelve Months Ended	
	June 30,	March 31,			December 31,	
	2009	2009			2009	2009
	(In millions)				(In millions)	
	Low Range	High Range			Low Range	High Range
<b><u>Reconciliation of net loss attributable to partners to Adjusted EBITDA</u></b>			<b><u>Reconciliation of net loss to operating margin</u></b>			
Net loss attributable to partners	\$ (0.8)	\$ (3.2)	Net loss	\$ (5.6)	\$ (0.6)	
Add:			Add:			
Depreciation and amortization	12.0	6.0	Depreciation and amortization	25.4	25.4	
Interest expense	29.3	14.5	General and administrative expense	41.9	41.9	
Income tax expense	0.4	0.2	Interest expense	59.4	59.4	
Other	(0.4)	(0.2)	Income tax expense	0.8	0.8	
Adjusted EBITDA	<u>\$ 40.5</u>	<u>\$ 17.3</u>	Operating margin	<u>\$ 121.9</u>	<u>\$ 126.9</u>	
			<b><u>Reconciliation of operating margin to Adjusted EBITDA</u></b>			
				<u>Low Range</u>	<u>High Range</u>	
			Operating margin	\$ 121.9	\$ 126.9	
			Add:			
			General and administrative expense	(41.9)	(41.9)	
			Adjusted EBITDA	<u>\$ 80.0</u>	<u>\$ 85.0</u>	

Note: See section of this presentation starting on page 33 for a discussion of Adjusted EBITDA, operating margin and distributable cash flow

# Targa Resources, Inc. Standalone Adjusted EBITDA

The following table presents a reconciliation of Standalone Adjusted EBITDA to net income (loss) for the periods shown for Targa Resources, Inc.:

	<u>FY07</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q408</u>	<u>FY08</u>	<u>Q109</u>	<u>Q209</u>
<b>Reconciliation of TRI net income to reported Adjusted EBITDA:</b>								
Net income	\$ 68.6	\$ 18.4	\$ 46.2	\$ (20.9)	\$ 9.2	\$ 52.9	\$ 2.6	\$ 13.5
Plus:								
Interest expense, net	142.6	25.6	23.7	24.6	28.1	102.0	25.7	22.1
Income tax expense (benefit)	31.3	11.9	27.9	(10.2)	(3.3)	26.3	(0.1)	5.9
Depreciation and amortization	148.1	38.2	38.8	41.1	42.8	160.9	41.6	42.1
Non-cash loss (gain) related to derivative instruments	(14.8)	(2.2)	1.0	11.8	12.2	22.8	17.3	12.3
Adjusted EBITDA	\$ 375.8	\$ 91.9	\$ 137.6	\$ 46.4	\$ 89.0	\$ 364.9	\$ 87.1	\$ 95.9
<b>Reconciliation of Adjusted EBITDA to - Standalone Adjusted EBITDA:</b>								
Adjusted EBITDA	\$ 375.8	\$ 91.9	\$ 137.6	\$ 46.4	\$ 89.0	\$ 364.9	\$ 87.1	\$ 95.9
Plus:								
Non controlling interest in NGLS	19.4	17.0	18.6	11.6	17.7	64.9	(3.0)	3.4
NGLS distributions received	10.4	5.0	5.4	8.1	8.4	27.0	8.4	8.4
Less:								
NGLS Adjusted EBITDA	(185.8)	(52.6)	(55.5)	(55.0)	(65.8)	(228.9)	(45.5)	(46.9)
Standalone Adjusted EBITDA	\$ 219.8	\$ 61.3	\$ 106.1	\$ 11.1	\$ 49.3	\$ 227.9	\$ 47.0	\$ 60.8

Note: See section of this presentation starting on page 33 for a discussion of Adjusted EBITDA, operating margin and distributable cash flow

# Non-GAAP Measures Reconciliation

Adjusted EBITDA - We define Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization and non-cash income or loss related to derivative instruments. Adjusted EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements such as investors, commercial banks and others, to assess: (1) the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; (2) our operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and (3) the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities. The economic substance behind management's use of Adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our investors. The GAAP measure most directly comparable to Adjusted EBITDA is net income (loss). Our non-GAAP financial measure of Adjusted EBITDA should not be considered as an alternative to GAAP net income (loss). Adjusted EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into management's decision-making processes.

Operating Margin - We define operating margin as total operating revenues (which consist of natural gas, NGL and condensate sales plus service fee revenues) less product purchases (which consist primarily of producer payments and other natural gas purchases) and operating expense. Management reviews operating margin monthly for consistency and trend analysis. Based on this monthly analysis, management takes appropriate action to maintain positive trends or to reverse negative trends. Management uses operating margin as an important performance measure of the core profitability of our operations. The GAAP measure most directly comparable to operating margin is net income. Our non-GAAP financial measure of operating margin should not be considered as an alternative to GAAP net income. Operating margin is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider operating margin in isolation or as a substitute for analysis of our results as reported under GAAP. Because operating margin excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of operating margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. Management compensates for the limitations of operating margin as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into management's decision-making processes.

# Non-GAAP Measures Reconciliation

Distributable Cash Flow – Distributable cash flow is a significant performance metric used by us and by external users of our financial statements, such as investors, commercial banks, research analysts and others to compare basic cash flows generated by us (prior to the establishment of any retained cash reserves by our general partner) to the cash distributions we expect to pay our unitholders. Using this metric, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. Distributable cash flow is also an important non-GAAP financial measure for our unitholders because it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the value of a unit of such an entity is generally determined by the unit's yield (which in turn is based on the amount of cash distributions the entity pays to a unitholder). The economic substance behind our use of distributable cash flow is to measure the ability of our assets to generate cash flows sufficient to make distributions to our investors.

The GAAP measure most directly comparable to distributable cash flow is net income (loss). Our non-GAAP measure of distributable cash flow should not be considered as an alternative to GAAP net income (loss). Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some but not all, items that affect net income (loss) and is defined differently by different companies in our industry, our definition of distributable cash flow may not be compatible to similarly titled measures of other companies, thereby diminishing its utility.

We compensate for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into our decision-making processes.