

Southcross Energy Partners, L.P.

First Quarter 2016 Adjusted EBITDA Guidance



First Quarter 2016 Guidance Reconciliation of Non-GAAP Measures:

(In thousands)

First Quarter 2016	Low	High
Net Loss	\$ (11,080)	\$ (9,080)
Add:		
Depreciation and amortization	18,500	18,500
Interest expense	8,200	8,200
Income tax expense	-	-
Unit-based compensation	980	980
Equity in losses of joint venture investments	3,400	3,400
Adjusted EBITDA	\$ 20,000	\$ 22,000

Use of Non-GAAP Financial Measures

We define Adjusted EBITDA as net income/loss, plus interest expense, income tax expense, depreciation and amortization expense, equity in losses of joint venture investments, certain non-cash charges (such as non-cash unit-based compensation, impairments, loss on extinguishment of debt and unrealized losses on derivative contracts), major litigation costs net of recoveries, transaction-related costs, revenue deferral adjustment, loss on sale of assets and selected charges that are unusual or non-recurring; less interest income, income tax benefit, unrealized gains on derivative contracts, equity in earnings of joint venture investments and selected gains that are unusual or non-recurring. Adjusted EBITDA should not be considered an alternative to net income, operating cash flow or any other measure of financial performance presented in accordance with GAAP.

Adjusted EBITDA is used as a supplemental measure by our management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate cash sufficient to support our indebtedness and make future cash distributions; operating performance and return on capital as compared to those of other companies in the midstream energy sector, without regard to financing or capital structure; and the attractiveness of capital projects and acquisitions and the overall rates of return on investment opportunities.