

CONSOLIDATED FINANCIAL STATEMENTS OF
ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

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DEFINITIONS

The following terms as defined are used in this document:

Defined Term	Definition
<i>/d</i>	Per day.
<i>2014 Plan</i>	ENLC’s 2014 Long-Term Incentive Plan.
<i>Adjusted gross margin</i>	Revenue less cost of sales, exclusive of operating expenses and depreciation and amortization. Adjusted gross margin is a non-GAAP financial measure. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for additional information.
<i>Agua Blanca Pipeline</i>	The Agua Blanca Pipeline is a Delaware Basin intrastate natural gas pipeline servicing portions of Culberson, Loving, Pecos, Reeves, Ward, and Winkler counties and is owned by a joint venture between WhiteWater Midstream, LLC and MPLX LP.
<i>Amarillo Rattler Acquisition</i>	On April 30, 2021, we completed the acquisition of Amarillo Rattler, LLC, the owner of a gathering and processing system located in the Midland Basin.
<i>AR Facility</i>	An accounts receivable securitization facility of up to \$500 million entered into by EnLink Midstream Funding, LLC, a bankruptcy-remote special purpose entity and our indirect subsidiary, with PNC Bank, National Association, as administrative agent and lender, and PNC Capital Markets, LLC, as structuring agent and sustainability agent. The AR Facility is scheduled to terminate on August 1, 2025, unless extended or earlier terminated in accordance with its terms.
<i>ASC</i>	The Financial Accounting Standards Board Accounting Standards Codification.
<i>ASC 718</i>	ASC 718, Compensation—Stock Compensation.
<i>ASC 820</i>	ASC 820, Fair Value Measurements.
<i>Ascension JV</i>	Ascension Pipeline Company, LLC, a joint venture between a subsidiary of ENLK and a subsidiary of Marathon Petroleum Corporation in which ENLK owns a 50% interest and Marathon Petroleum Corporation owns a 50% interest. The Ascension JV, which began operations in April 2017, owns an NGL pipeline that connects ENLK’s Riverside fractionator to Marathon Petroleum Corporation’s Garyville refinery.
<i>Bbl</i>	Barrel.
<i>Bcf</i>	Billion cubic feet.
<i>Beginning TSR Price</i>	The beginning total shareholder return (“TSR”) price, which is the closing unit price of ENLC on the grant date of the performance award agreement or the previous trading day if the grant date was not a trading day, is one of the assumptions used to calculate the grant-date fair value of performance award agreements.
<i>BKV</i>	BKV Corporation.
<i>CCS</i>	Carbon capture, transportation, and sequestration.
<i>Cedar Cove JV</i>	Cedar Cove Midstream LLC, a joint venture between a subsidiary of ENLK and a subsidiary of Kinder Morgan, Inc. in which ENLK owns a 30% interest and Kinder Morgan, Inc. owns a 70% interest. The Cedar Cove JV, which was formed in November 2016, owns gathering and compression assets in Blaine County, Oklahoma, located in the STACK play.
<i>CNOW</i>	Central Northern Oklahoma Woodford Shale.
<i>CO₂</i>	Carbon dioxide.
<i>Commission</i>	U.S. Securities and Exchange Commission.
<i>Delaware Basin</i>	A large sedimentary basin in West Texas and New Mexico.
<i>Delaware Basin JV</i>	Delaware G&P LLC, a joint venture between a subsidiary of ENLK and an affiliate of NGP in which ENLK owns a 50.1% interest and NGP owns a 49.9% interest. The Delaware Basin JV, which was formed in August 2016, owns the Lobo processing facilities and the Tiger processing plant located in the Delaware Basin in Texas.
<i>ENLC</i>	EnLink Midstream, LLC.
<i>ENLC Class C Common Units</i>	A class of non-economic ENLC common units issued immediately prior to the Merger equal to the number of Series B Preferred Units held immediately prior to the effective time of the Merger, in order to provide certain voting rights to holders of the Series B Preferred Units with respect to ENLC.
<i>ENLK</i>	EnLink Midstream Partners, LP or, when applicable, EnLink Midstream Partners, LP together with its consolidated subsidiaries. Also referred to as the “Partnership.”
<i>GAAP</i>	Generally accepted accounting principles in the United States of America.
<i>Gal</i>	Gallon.
<i>GCF</i>	Gulf Coast Fractionators, which owns an NGL fractionator in Mont Belvieu, Texas. ENLK owns 38.75% of GCF. The GCF assets have been temporarily idled to reduce operating expenses. We expect these assets to resume operations when there is a sustained need for additional fractionation capacity in Mont Belvieu.
<i>GIP</i>	Global Infrastructure Management, LLC, an independent infrastructure fund manager, itself, its affiliates, or managed fund vehicles, including GIP III Stetson I, L.P., GIP III Stetson II, L.P., and their affiliates.
<i>ISDAs</i>	International Swaps and Derivatives Association Agreements.
<i>LIBOR</i>	U.S. Dollar London Interbank Offered Rate.

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<i>Merger</i>	On January 25, 2019, NOLA Merger Sub, LLC (previously a wholly-owned subsidiary of ENLC) merged with and into ENLK with ENLK continuing as the surviving entity and a subsidiary of ENLC.
<i>Midland Basin</i>	A large sedimentary basin in West Texas.
<i>MMbbls</i>	Million barrels.
<i>MMbtu</i>	Million British thermal units.
<i>MMcf</i>	Million cubic feet.
<i>MVC</i>	Minimum volume commitment.
<i>NGL</i>	Natural gas liquid.
<i>NGP</i>	NGP Natural Resources XI, LP.
<i>Operating Partnership</i>	EnLink Midstream Operating, LP, a Delaware limited partnership and wholly owned subsidiary of ENLK.
<i>ORV</i>	ENLK's Ohio River Valley crude oil, condensate stabilization, natural gas compression, and brine disposal assets in the Utica and Marcellus shales.
<i>Permian Basin</i>	A large sedimentary basin that includes the Midland and Delaware Basins primarily in West Texas and New Mexico.
<i>POL contracts</i>	Percentage-of-liquids contracts.
<i>POP contracts</i>	Percentage-of-proceeds contracts.
<i>Revolving Credit Facility</i>	A \$1.40 billion unsecured revolving credit facility entered into by ENLC that matures on June 3, 2027, which includes a \$500.0 million letter of credit subfacility. The Revolving Credit Facility is guaranteed by ENLK.
<i>Series B Preferred Unit</i>	ENLK's Series B Cumulative Convertible Preferred Unit.
<i>Series C Preferred Unit</i>	ENLK's Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Unit.
<i>SOFR</i>	Secured overnight financing rate.
<i>STACK</i>	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties in Oklahoma.

PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Consolidated Balance Sheets
(In millions, except unit data)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18.1	\$ 26.2
Accounts receivable:		
Trade, net of allowance for bad debt of \$0.3 and \$0.3, respectively	101.1	94.9
Accrued revenue and other	913.7	693.3
Related party	97.3	42.2
Fair value of derivative assets	95.6	22.4
Other current assets	159.9	83.6
Total current assets	<u>1,385.7</u>	<u>962.6</u>
Property and equipment, net of accumulated depreciation of \$4,570.4 and \$4,332.0, respectively	6,259.0	6,388.3
Intangible assets, net of accumulated amortization of \$859.8 and \$795.1, respectively	985.0	1,049.7
Investment in unconsolidated affiliates	53.0	28.0
Fair value of derivative assets	—	0.2
Other assets, net	92.8	95.6
Total assets	<u>\$ 8,775.5</u>	<u>\$ 8,524.4</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable and drafts payable	\$ 177.9	\$ 139.6
Accrued gas, NGLs, condensate, and crude oil purchases (1)	768.9	521.5
Fair value of derivative liabilities	88.7	34.9
Other current liabilities	168.8	187.5
Total current liabilities	<u>1,204.3</u>	<u>883.5</u>
Long-term debt, net of unamortized issuance cost (2)	4,320.0	4,363.7
Other long-term liabilities	93.3	93.9
Deferred tax liability	4.7	5.4
Fair value of derivative liabilities	1.2	2.2
Partners' equity:		
Common unitholders (144,358,720 units issued and outstanding)	1,321.6	1,298.1
Series B Preferred Unitholders (54,168,359 and 57,501,693 units issued and outstanding, respectively)	799.3	850.8
Series C Preferred Unitholders (400,000 units outstanding)	395.1	395.1
General partner interest (1,594,974 equivalent units outstanding)	218.2	216.9
Accumulated other comprehensive loss	(1.8)	(1.9)
Non-controlling interest	419.6	416.7
Total partners' equity	<u>3,152.0</u>	<u>3,175.7</u>
Commitments and contingencies (Note 13)		
Total liabilities and partners' equity	<u>\$ 8,775.5</u>	<u>\$ 8,524.4</u>

- (1) Includes related party accounts payable balances of \$5.7 million and \$1.6 million at June 30, 2022 and December 31, 2021, respectively.
(2) Includes related party debt, net of unamortized issuance cost, of \$984.6 million and \$1,002.6 million at June 30, 2022 and December 31, 2021, respectively.

See accompanying notes to consolidated financial statements.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Consolidated Statements of Operations
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)			
Revenues:				
Product sales	\$ 2,370.5	\$ 1,235.6	\$ 4,414.4	\$ 2,358.5
Midstream services	225.6	209.3	440.6	418.2
Gain (loss) on derivative activity	4.5	(38.2)	(26.7)	(121.6)
Total revenues	2,600.6	1,406.7	4,828.3	2,655.1
Operating costs and expenses:				
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	2,105.1	1,055.1	3,899.6	1,989.8
Operating expenses	128.9	96.8	249.8	153.1
Depreciation and amortization	159.0	151.9	311.9	302.9
(Gain) loss on disposition of assets	(0.4)	(0.3)	4.7	(0.3)
General and administrative	28.3	25.9	57.3	51.8
Total operating costs and expenses	2,420.9	1,329.4	4,523.3	2,497.3
Operating income	179.7	77.3	305.0	157.8
Other income (expense):				
Interest expense, net of interest income (2)	(55.5)	(56.8)	(110.6)	(113.5)
Loss on extinguishment of debt	(0.5)	—	(0.5)	—
Loss from unconsolidated affiliate investments	(1.2)	(1.3)	(2.3)	(7.6)
Other income	0.2	0.2	0.3	—
Total other expense	(57.0)	(57.9)	(113.1)	(121.1)
Income before non-controlling interest and income taxes	122.7	19.4	191.9	36.7
Income tax benefit	0.4	0.2	0.2	0.1
Net income	123.1	19.6	192.1	36.8
Net income attributable to non-controlling interest	15.3	11.3	22.6	17.2
Net income attributable to ENLK	\$ 107.8	\$ 8.3	\$ 169.5	\$ 19.6

(1) Includes related party cost of sales of \$9.1 million and \$3.6 million for the three months ended June 30, 2022 and 2021, respectively, and \$19.7 million and \$6.8 million for the six months ended June 30, 2022 and 2021, respectively.

(2) Includes related party interest expense, net of related party interest income, of \$15.9 million and \$20.2 million for the three months ended June 30, 2022 and 2021, respectively, and \$31.9 million and \$26.3 million for the six months ended June 30, 2022 and 2021, respectively.

See accompanying notes to consolidated financial statements.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)			
Net income	\$ 123.1	\$ 19.6	\$ 192.1	\$ 36.8
Unrealized gain on designated cash flow hedge	—	4.8	0.1	9.5
Comprehensive income	123.1	24.4	192.2	46.3
Comprehensive income attributable to non-controlling interest	15.3	11.3	22.6	17.2
Comprehensive income attributable to ENLK	<u>\$ 107.8</u>	<u>\$ 13.1</u>	<u>\$ 169.6</u>	<u>\$ 29.1</u>

See accompanying notes to consolidated financial statements.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Consolidated Statements of Changes in Partners' Equity
(In millions)

	Common Units		Series B Preferred Units		Series C Preferred Units		General Partner Interest		Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
	\$	Units	\$	Units	\$	Units	\$	Units			
	(Unaudited)										
Balance, December 31, 2021	\$1,298.1	144.4	\$850.8	57.5	\$395.1	0.4	\$216.9	1.6	\$ (1.9)	\$ 416.7	\$ 3,175.7
Unit-based compensation	—	—	—	—	—	—	8.1	—	—	—	8.1
Distributions	(56.4)	—	(18.6)	—	—	—	—	—	—	(16.0)	(91.0)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	7.3	7.3
Unrealized gain on designated cash flow hedge	—	—	—	—	—	—	—	—	0.1	—	0.1
Redemption of Series B Preferred Units	—	—	(50.5)	(3.3)	—	—	—	—	—	—	(50.5)
Net income (loss)	46.1	—	17.5	—	6.0	—	(7.9)	—	—	7.3	69.0
Balance, March 31, 2022	1,287.8	144.4	799.2	54.2	401.1	0.4	217.1	1.6	(1.8)	415.3	3,118.7
Unit-based compensation	—	—	—	—	—	—	5.7	—	—	—	5.7
Distributions	(55.3)	—	(17.2)	—	(12.0)	—	—	—	—	(13.0)	(97.5)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	2.0	2.0
Net income (loss)	89.1	—	17.3	—	6.0	—	(4.6)	—	—	15.3	123.1
Balance, June 30, 2022	<u>\$1,321.6</u>	<u>144.4</u>	<u>\$799.3</u>	<u>54.2</u>	<u>\$395.1</u>	<u>0.4</u>	<u>\$218.2</u>	<u>1.6</u>	<u>\$ (1.8)</u>	<u>\$ 419.6</u>	<u>\$ 3,152.0</u>

See accompanying notes to consolidated financial statements.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Consolidated Statements of Changes in Partners' Equity (Continued)
(In millions)

	Common Units		Series B Preferred Units		Series C Preferred Units		General Partner Interest		Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total	Redeemable Non-Controlling Interest (Temporary Equity)
	\$	Units	\$	Units	\$	Units	\$	Units				
(Unaudited)												
Balance, December 31, 2020	\$1,418.1	144.4	\$896.7	60.2	\$395.1	0.4	\$216.0	1.6	\$ (20.1)	\$ 625.8	\$ 3,531.6	\$ —
Unit-based compensation	—	—	—	—	—	—	6.5	—	—	—	6.5	—
Distributions	(47.1)	—	(16.9)	0.1	—	—	—	—	—	(13.1)	(77.1)	(0.2)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	0.9	0.9	—
Unrealized gain on designated cash flow hedge	—	—	—	—	—	—	—	—	4.7	—	4.7	—
Fair value adjustment related to redeemable non-controlling interest	(0.2)	—	—	—	—	—	—	—	—	—	(0.2)	0.2
Net income (loss)	(5.8)	—	17.6	—	6.0	—	(6.5)	—	—	5.9	17.2	—
Balance, March 31, 2021	1,365.0	144.4	897.4	60.3	401.1	0.4	216.0	1.6	(15.4)	619.5	3,483.6	—
Unit-based compensation	—	—	—	—	—	—	6.4	—	—	—	6.4	—
Distributions	(46.7)	—	(17.0)	0.2	(12.0)	—	—	—	—	(11.3)	(87.0)	—
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	1.0	1.0	—
Unrealized gain on designated cash flow hedge	—	—	—	—	—	—	—	—	4.8	—	4.8	—
Net income (loss)	(9.2)	—	18.0	—	6.0	—	(6.5)	—	—	11.3	19.6	—
Balance, June 30, 2021	<u>\$1,309.1</u>	<u>144.4</u>	<u>\$898.4</u>	<u>60.5</u>	<u>\$395.1</u>	<u>0.4</u>	<u>\$215.9</u>	<u>1.6</u>	<u>\$ (10.6)</u>	<u>\$ 620.5</u>	<u>\$ 3,428.4</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In millions)

	Six Months Ended June 30,	
	2022	2021
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 192.1	\$ 36.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	311.9	302.9
Utility credits redeemed (earned)	11.6	(43.8)
(Gain) Loss on disposition of assets	4.7	(0.3)
Non-cash unit-based compensation	12.3	12.9
Amortization of designated cash flow hedge	0.1	6.0
Payments to terminate interest rate swaps	—	(1.3)
Non-cash (gain) loss on derivatives recognized in net income	(18.6)	34.2
Loss on extinguishment of debt	0.5	—
Amortization of debt issuance costs and net discount of senior unsecured notes	2.6	2.5
Loss from unconsolidated affiliate investments	2.3	7.6
Other operating activities	(2.7)	(2.7)
Changes in assets and liabilities:		
Accounts receivable, accrued revenue, and other	(281.7)	(49.1)
Natural gas and NGLs inventory, prepaid expenses, and other	(83.5)	(48.2)
Accounts payable, accrued product purchases, and other accrued liabilities	276.0	149.8
Net cash provided by operating activities	<u>427.6</u>	<u>407.3</u>
Cash flows from investing activities:		
Additions to property and equipment	(124.1)	(62.5)
Contributions to unconsolidated affiliate investments	(26.6)	—
Acquisitions, net of cash acquired	—	(55.0)
Distribution from unconsolidated affiliate investments in excess of earnings	0.4	3.7
Other investing activities	1.0	1.6
Net cash used in investing activities	<u>(149.3)</u>	<u>(112.2)</u>
Cash flows from financing activities:		
Proceeds from borrowings	1,135.0	539.5
Repayments on borrowings	(1,177.0)	(679.5)
Distributions to non-controlling interests	(29.0)	(24.6)
Contributions from non-controlling interests	9.3	1.9
Distributions to Series B Preferred Units	(35.8)	(33.9)
Distributions to Series C Preferred Units	(12.0)	(12.0)
Distributions to common unitholders	(111.7)	(93.8)
Payment of installment payable for the Amarillo Rattler Acquisition	(10.0)	—
Redemption of Series B Preferred Units	(50.5)	—
Other financing activities	(4.7)	0.5
Net cash used in financing activities	<u>(286.4)</u>	<u>(301.9)</u>
Net decrease in cash and cash equivalents	(8.1)	(6.8)
Cash and cash equivalents, beginning of period	26.2	39.6
Cash and cash equivalents, end of period	<u>\$ 18.1</u>	<u>\$ 32.8</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 107.8	\$ 97.1
Cash paid for income taxes	\$ 0.8	\$ 0.2
Non-cash investing activities:		
Non-cash accrual of property and equipment	\$ (1.6)	\$ 6.9
Non-cash acquisitions	\$ —	\$ 16.5
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 15.3	\$ 10.7

See accompanying notes to consolidated financial statements.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2022
(Unaudited)

(1) General

In this report, the term “Partnership,” as well as the terms “ENLK,” “our,” “we,” “us,” and “its” are sometimes used as abbreviated references to EnLink Midstream Partners, LP itself or EnLink Midstream Partners, LP together with its consolidated subsidiaries, including the Operating Partnership.

Please read the notes to the consolidated financial statements in conjunction with the Definitions page set forth in this report prior to Part I—Financial Information.

a. Organization of Business

ENLK is a Delaware limited partnership formed in 2002. Our business activities are conducted through the Operating Partnership and the subsidiaries of the Operating Partnership.

EnLink Midstream GP, LLC, a Delaware limited liability company, is our general partner. Our general partner manages our operations and activities. Our general partner is a direct, wholly-owned subsidiary of ENLC. ENLC’s units are traded on the New York Stock Exchange under the symbol “ENLC.” ENLC’s managing member is a wholly-owned subsidiary of GIP.

b. Nature of Business

We primarily focus on providing midstream energy services, including:

- gathering, compressing, treating, processing, transporting, storing, and selling natural gas;
- fractionating, transporting, storing, and selling NGLs; and
- gathering, transporting, stabilizing, storing, trans-loading, and selling crude oil and condensate, in addition to brine disposal services.

As of June 30, 2022, our midstream energy asset network includes approximately 12,100 miles of pipelines, 22 natural gas processing plants with approximately 5.5 Bcf/d of processing capacity, seven fractionators with approximately 320,000 Bbls/d of fractionation capacity, barge and rail terminals, product storage facilities, purchasing and marketing capabilities, brine disposal wells, a crude oil trucking fleet, and equity investments in certain joint ventures. Our operations are based in the United States, and our sales are derived primarily from domestic customers.

Our natural gas business includes connecting the wells of producers in our market areas to our gathering systems. Our gathering systems consist of networks of pipelines that collect natural gas from points at or near producing wells and transport it to our processing plants or to larger pipelines for further transmission. We operate processing plants that remove NGLs from the natural gas stream that is transported to the processing plants by our own gathering systems or by third-party pipelines. In conjunction with our gathering and processing business, we may purchase natural gas and NGLs from producers and other supply sources and sell that natural gas or NGLs to utilities, industrial consumers, marketers, and pipelines. Our transmission pipelines receive natural gas from our gathering systems and from third-party gathering and transmission systems and deliver natural gas to industrial end-users, utilities, and other pipelines.

Our fractionators separate NGLs into separate purity products, including ethane, propane, iso-butane, normal butane, and natural gasoline. Our fractionators receive NGLs primarily through our transmission lines that transport NGLs from East Texas and from our South Louisiana processing plants. Our fractionators also have the capability to receive NGLs by truck or rail terminals. We also have agreements pursuant to which third parties transport NGLs from our West Texas and Central Oklahoma operations to our NGL transmission lines that then transport the NGLs to our fractionators. In addition, we have NGL storage capacity to provide storage for customers.

Our crude oil and condensate business includes the gathering and transmission of crude oil and condensate via pipelines, barges, rail, and trucks, in addition to condensate stabilization and brine disposal. We also purchase crude oil and condensate from producers and other supply sources and sell that crude oil and condensate through our terminal facilities to various markets.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Across our businesses, we primarily earn our fees through various fee-based contractual arrangements, which include stated fee-only contract arrangements or arrangements with fee-based components where we purchase and resell commodities in connection with providing the related service and earn a net margin as our fee. We earn our net margin under our purchase and resell contract arrangements primarily as a result of stated service-related fees that are deducted from the price of the commodities purchased.

(2) Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements are unaudited and do not include all the information and disclosures required by GAAP for complete financial statements. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report for the year ended December 31, 2021. Certain reclassifications were made to the financial statements for the prior period to conform to current period presentation. The effect of these reclassifications had no impact on previously reported partners' equity or net income. All significant intercompany balances and transactions have been eliminated in consolidation.

b. Revenue Recognition

The following table summarizes the contractually committed fees (in millions) that we expect to recognize in our consolidated statements of operations, in either revenue or reductions to cost of sales, from MVC and firm transportation contractual provisions. Under these agreements, our customers or suppliers agree to transport or process a minimum volume of commodities on our system over an agreed period. If a customer or supplier fails to meet the minimum volume specified in such agreement, the customer or supplier is obligated to pay a contractually determined fee based upon the shortfall between actual volumes and the contractually stated volumes. All amounts in the table below are determined using the contractually-stated MVC or firm transportation volumes specified for each period multiplied by the relevant deficiency or reservation fee. Actual amounts could differ due to the timing of revenue recognition or reductions to cost of sales resulting from make-up right provisions included in our agreements, as well as due to nonpayment or nonperformance by our customers. We record revenue under MVC and firm transportation contracts during periods of shortfall when it is known that the customer cannot, or will not, make up the deficiency. These fees do not represent the shortfall amounts we expect to collect under our MVC and firm transportation contracts, as we generally do not expect volume shortfalls to equal the full amount of the contractual MVCs and firm transportation contracts during these periods.

Contractually Committed Fees	Commitments
2022 (remaining)	\$ 69.6
2023	119.7
2024	99.9
2025	67.0
2026	59.9
Thereafter	290.9
Total	<u>\$ 707.0</u>

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

(3) Intangible Assets

Intangible assets associated with customer relationships are amortized on a straight-line basis over the expected period of benefits of the customer relationships, which ranged from 10 to 20 years at the time the intangible assets were originally recorded. The weighted average amortization period for intangible assets is 14.9 years.

The following table represents our change in carrying value of intangible assets (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Six Months Ended June 30, 2022			
Customer relationships, beginning of period	\$ 1,844.8	\$ (795.1)	\$ 1,049.7
Amortization expense	—	(64.7)	(64.7)
Customer relationships, end of period	<u>\$ 1,844.8</u>	<u>\$ (859.8)</u>	<u>\$ 985.0</u>

Amortization expense was \$31.9 million and \$31.6 million for the three months ended June 30, 2022 and 2021, respectively, and \$64.7 million and \$62.5 million for the six months ended June 30, 2022 and 2021, respectively.

The following table summarizes our estimated aggregate amortization expense for the next five years and thereafter (in millions):

2022 (remaining)	\$ 63.7
2023	127.6
2024	127.6
2025	110.2
2026	106.3
Thereafter	449.6
Total	<u>\$ 985.0</u>

(4) Related Party Transactions

(a) Transactions with ENLC

Related Party Debt. Related party debt includes borrowings under the Revolving Credit Facility, \$500.0 million in aggregate principal amount of ENLC’s 5.625% senior unsecured notes due January 15, 2028 (the “2028 Notes”), and \$498.7 million in aggregate principal amount of ENLC’s 5.375% senior unsecured notes due June 1, 2029 (the “2029 Notes”) to fund the operations of ENLK through a related party arrangement with ENLC. See “Note 5—Long-Term Debt” for more information on this arrangement.

Distributions to EORV. For the three and six months ended June 30, 2021, we distributed \$4.3 million and \$8.5 million, respectively, to EORV for its ownership of the Operating Partnership. As a result of ENLC’s redemption of the Operating Partnership’s Preferred B units in December 2021, no additional distributions will be made to EORV. Income was allocated to EORV in an amount equal to the earned distribution for the respective reporting period.

Related Party Accounts Receivable. We had accounts receivable balances related to transactions with ENLC of \$97.3 million and \$42.2 million as of June 30, 2022 and December 31, 2021, respectively.

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Notes to Consolidated Financial Statements (Continued)
(Unaudited)

(b) Transactions with Cedar Cove JV

For the three and six months ended June 30, 2022, we recorded cost of sales of \$9.1 million and \$19.7 million, respectively, and for the three and six months ended June 30, 2021, we recorded cost of sales of \$3.6 million and \$6.8 million, respectively, related to our purchase of residue gas and NGLs from the Cedar Cove JV subsequent to processing at our Central Oklahoma processing facilities. Additionally, we had accounts payable balances related to transactions with the Cedar Cove JV of \$5.7 million and \$1.6 million at June 30, 2022 and December 31, 2021, respectively.

(c) Transactions with GIP

For the three and six months ended June 30, 2021, we recorded general and administrative expenses of \$0.1 million and \$0.2 million, respectively, related to personnel secondment services provided by GIP. We did not record any expenses related to transactions with GIP for the three and six months ended June 30, 2022.

Management believes the foregoing transactions with related parties were executed on terms that are fair and reasonable to us. The amounts related to related party transactions are specified in the accompanying consolidated financial statements.

(5) Long-Term Debt

As of June 30, 2022 and December 31, 2021, long-term debt consisted of the following (in millions):

	June 30, 2022			December 31, 2021		
	Outstanding Principal	Premium (Discount)	Long-Term Debt	Outstanding Principal	Premium (Discount)	Long-Term Debt
Related party debt (1)	\$ 998.7	\$ —	\$ 998.7	\$ 1,013.7	\$ —	\$ 1,013.7
AR Facility due 2025 (2)	325.0	—	325.0	350.0	—	350.0
4.40% Senior unsecured notes due 2024	519.8	0.5	520.3	521.8	0.7	522.5
4.15% Senior unsecured notes due 2025	720.8	(0.3)	720.5	720.8	(0.4)	720.4
4.85% Senior unsecured notes due 2026	491.0	(0.3)	490.7	491.0	(0.3)	490.7
5.60% Senior unsecured notes due 2044	350.0	(0.2)	349.8	350.0	(0.2)	349.8
5.05% Senior unsecured notes due 2045	450.0	(5.3)	444.7	450.0	(5.5)	444.5
5.45% Senior unsecured notes due 2047	500.0	(0.1)	499.9	500.0	(0.1)	499.9
Debt classified as long-term	<u>\$ 4,355.3</u>	<u>\$ (5.7)</u>	4,349.6	<u>\$ 4,397.3</u>	<u>\$ (5.8)</u>	4,391.5
Debt issuance cost (3)(4)			(29.6)			(27.8)
Long-term debt, net of unamortized issuance cost			<u>\$ 4,320.0</u>			<u>\$ 4,363.7</u>

- (1) There were \$15.0 million in outstanding borrowings under the Revolving Credit Facility with an effective interest rate of 3.9% at December 31, 2021. There were no outstanding borrowings under the Revolving Credit Facility at June 30, 2022.
- (2) The effective interest rate was 2.8% and 1.2% at June 30, 2022 and December 31, 2021, respectively.
- (3) Includes related party debt issuance costs, net of accumulated amortization, of \$14.1 million and \$11.1 million at June 30, 2022 and December 31, 2021, respectively.
- (4) Net of accumulated amortization of \$16.9 million and \$18.4 million at June 30, 2022 and December 31, 2021, respectively.

Related Party Debt

Related party debt includes borrowings under the Revolving Credit Facility, the 2028 Notes, and the 2029 Notes. Interest charged to ENLK for borrowings made through the related party arrangement will be the same as interest charged to ENLC on borrowings under the Revolving Credit Facility, the 2028 Notes, and the 2029 Notes, respectively. As of June 30, 2022 and December 31, 2021, \$984.6 million and \$1,002.6 million, respectively, of related party debt is included in “Long-term debt, net of unamortized issuance cost” in the consolidated balance sheets.

The indebtedness under the Revolving Credit Facility, the 2028 Notes, and the 2029 Notes was incurred by ENLC but is guaranteed by ENLK. Therefore, the covenants in the agreements governing such indebtedness described below affect balances owed by ENLK on the related party debt.

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Notes to Consolidated Financial Statements (Continued)
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Revolving Credit Facility

On June 3, 2022, ENLC amended and restated its prior revolving credit facility by entering into the Revolving Credit Facility. As a result, we amended and restated the terms of our related party debt associated with the Revolving Credit Facility with ENLC and recognized a \$0.5 million loss on extinguishment of debt.

The Revolving Credit Facility amended ENLC's prior revolving credit facility by, among other things, (i) decreasing the lenders' commitments under the Revolving Credit Facility from \$1.75 billion to \$1.40 billion, (ii) modifying the leverage ratio financial covenant calculation to net from the funded indebtedness numerator the lesser of (a) consolidated unrestricted cash of ENLC and (b) \$50.0 million, (iii) removing the consolidated interest coverage ratio financial covenant, (iv) extending the maturity date from January 25, 2024 to June 3, 2027, (v) replacing the ability of ENLC to elect that borrowings accrue interest at LIBOR, plus a margin, with the ability of ENLC to elect that borrowings accrue interest at a forward-looking term rate based on SOFR ("Term SOFR"), plus a margin and a Term SOFR spread adjustment, (vi) increasing the size of a permitted receivables financing to \$500.0 million from \$350.0 million, and (vii) permitting, but not requiring, the establishment by ENLC (subject to approval by Bank of America, N.A., as administrative agent, and lenders holding a majority of the revolving commitments) of specified key performance indicators with respect to environmental, social, and/or governance targets that may result in a pricing increase or decrease under the Revolving Credit Facility of up to 0.05% per annum for the margin on borrowings and letters of credit and 0.02% per annum for the commitment fees.

Borrowings under the Revolving Credit Facility bear interest at ENLC's options at the Term SOFR plus a Term SOFR spread adjustment of 0.10% per annum and an applicable margin (ranging from 1.125% to 2.00%) or the Base Rate (the highest of the federal funds rate plus 0.50%, the Term SOFR plus 1.0% or the administrative agent's prime rate) plus an applicable margin (ranging from 0.125% to 1.00%). The applicable margins vary depending on ENLC's debt rating. Upon breach by ENLC of certain covenants governing the Revolving Credit Facility, amounts outstanding under the Revolving Credit Facility, if any, may become due and payable immediately.

There were no outstanding borrowings under the Revolving Credit Facility and \$44.6 million outstanding letters of credit as of June 30, 2022.

At June 30, 2022, ENLC was in compliance with and expects to be in compliance with the financial covenants of the Revolving Credit Facility for at least the next twelve months. Accordingly, we do not expect to make payments related to our guarantee of the Revolving Credit Facility.

AR Facility

On October 21, 2020, EnLink Midstream Funding, LLC, a bankruptcy-remote special purpose entity that is an indirect subsidiary of ENLC (the "SPV") entered into the AR Facility. We are the primary beneficiary of the SPV and we consolidate its assets and liabilities, which consisted primarily of billed and unbilled accounts receivable of \$946.7 million as of June 30, 2022. As of June 30, 2022, the AR Facility had a borrowing base of \$350.0 million and there were \$325.0 million in outstanding borrowings under the AR Facility.

At June 30, 2022, we were in compliance with and expect to be in compliance with the financial covenants of the AR Facility for at least the next twelve months.

On August 1, 2022, we amended certain terms of the AR Facility to, among other things, increase the commitments thereunder from \$350.0 million to \$500.0 million and extend the scheduled termination date from September 24, 2024 to August 1, 2025.

Senior Unsecured Notes Repurchase

For the three and six months ended June 30, 2022, we repurchased \$2.0 million of our outstanding senior unsecured notes due 2024 in open market transactions. We did not repurchase senior unsecured notes during the three and six months ended June 30, 2021.

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(6) Partners' Capital

a. Series B Preferred Units

In January 2022, we redeemed 3,333,334 Series B Preferred Units for total consideration of \$50.5 million plus accrued distributions. In addition, upon such redemption, a corresponding number of ENLC Class C Common Units were automatically cancelled. The redemption price represents 101% of the preferred units' par value. In connection with the Series B Preferred Unit redemption, we have agreed with the holders of the Series B Preferred Units that we will pay cash in lieu of making a quarterly PIK distribution through the distribution declared for the fourth quarter of 2022.

Income is allocated to the Series B Preferred Units in an amount equal to the quarterly distribution with respect to the period earned. A summary of the distribution activity relating to the Series B Preferred Units during the six months ended June 30, 2022 and 2021 is provided below:

Declaration period	Distribution paid as additional Series B Preferred Units	Cash distribution (in millions)	Date paid/payable
2022			
Fourth Quarter of 2021	—	\$ 19.2	February 11, 2022 (1)
First Quarter of 2022	—	\$ 17.5	May 13, 2022 (2)
Second Quarter of 2022	—	\$ 17.3	August 12, 2022
2021			
Fourth Quarter of 2020	150,494	\$ 16.9	February 12, 2021
First Quarter of 2021	150,871	\$ 17.0	May 14, 2021
Second Quarter of 2021	151,248	\$ 17.0	August 13, 2021

- (1) In December 2021 and January 2022, we paid \$0.9 million and \$1.0 million, respectively, of accrued distributions on the Series B Preferred Units redeemed.
- (2) In January 2022, we paid \$0.3 million of accrued distributions on the Series B Preferred Units redeemed. The remaining distribution of \$17.2 million related to the first quarter of 2022 was paid on May 13, 2022.

b. Series C Preferred Units

As of June 30, 2022 and December 31, 2021, there were 400,000 Series C Preferred Units issued and outstanding, respectively. We distributed \$12.0 million to holders of Series C Preferred Units during the three and six months ended June 30, 2022 and 2021, respectively.

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(7) Investment in Unconsolidated Affiliates

On May 16, 2022, we formed a joint venture with WhiteWater Midstream, LLC, Devon Energy Corporation, and MPLX LP (the “Matterhorn JV”) to construct a pipeline designed to transport up to 2.5 Bcf/d of natural gas through approximately 490 miles of 42-inch pipeline from the Waha Hub in West Texas to Katy, Texas (the “Matterhorn Express Pipeline”).

As of June 30, 2022, our unconsolidated investments consisted of a 38.75% ownership in GCF, a 30% ownership in the Cedar Cove JV, and a 15% ownership in the Matterhorn JV. The following table shows the activity related to our investment in unconsolidated affiliates for the periods indicated (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
GCF				
Contributions	\$ 0.5	\$ —	\$ 0.5	\$ —
Distributions	\$ —	\$ —	\$ —	\$ (3.5)
Equity in loss	\$ (0.9)	\$ (0.7)	\$ (1.6)	\$ (6.4)
Cedar Cove JV				
Distributions	\$ (0.2)	\$ (0.1)	\$ (0.4)	\$ (0.2)
Equity in loss	\$ (0.3)	\$ (0.6)	\$ (0.7)	\$ (1.2)
Matterhorn JV				
Contributions	\$ 26.1	\$ —	\$ 26.1	\$ —
Total				
Contributions	\$ 26.6	\$ —	\$ 26.6	\$ —
Distributions	\$ (0.2)	\$ (0.1)	\$ (0.4)	\$ (3.7)
Equity in loss	\$ (1.2)	\$ (1.3)	\$ (2.3)	\$ (7.6)

The following table shows the balances related to our investment in unconsolidated affiliates as of June 30, 2022 and December 31, 2021 (in millions):

	June 30, 2022	December 31, 2021
GCF	\$ 26.9	\$ 28.0
Cedar Cove JV (1)	(2.9)	(1.8)
Matterhorn JV	26.1	—
Total investment in unconsolidated affiliates	<u>\$ 50.1</u>	<u>\$ 26.2</u>

(1) As of June 30, 2022 and December 31, 2021, our investment in the Cedar Cove JV is classified as “Other long-term liabilities” on the consolidated balance sheets.

(8) Employee Incentive Plans

a. Long-Term Incentive Plans

We account for unit-based compensation in accordance with ASC 718, which requires that compensation related to all unit-based awards be recognized in the consolidated financial statements. Unit-based compensation cost is valued at fair value at the date of grant, and that grant date fair value is recognized as expense over each award’s requisite service period with a corresponding increase to equity or liability based on the terms of each award and the appropriate accounting treatment under ASC 718.

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Notes to Consolidated Financial Statements (Continued)
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Amounts recognized on the consolidated financial statements with respect to these plans are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of unit-based compensation charged to operating expense	\$ 1.2	\$ 1.7	\$ 2.8	\$ 3.4
Cost of unit-based compensation charged to general and administrative expense	4.5	4.7	9.5	9.5
Total unit-based compensation expense	\$ 5.7	\$ 6.4	\$ 12.3	\$ 12.9

b. ENLC Restricted Incentive Units

ENLC restricted incentive units were valued at their fair value at the date of grant, which is equal to the market value of ENLC common units on such date. A summary of the restricted incentive unit activity for the six months ended June 30, 2022 is provided below:

ENLC Restricted Incentive Units:	Six Months Ended June 30, 2022	
	Number of Units	Weighted Average Grant- Date Fair Value
Non-vested, beginning of period	7,507,471	\$ 5.46
Granted (1)	2,386,493	8.81
Vested (1)(2)	(1,100,302)	10.22
Forfeited	(131,415)	5.91
Non-vested, end of period	<u>8,662,247</u>	<u>\$ 5.77</u>
Aggregate intrinsic value, end of period (in millions)	<u>\$ 73.6</u>	

- (1) Restricted incentive units typically vest at the end of three years. In March 2022, ENLC granted 193,935 restricted incentive units with a fair value of \$1.7 million. These restricted incentives units vested immediately and are included in the restricted incentive units granted and vested line items.
- (2) Vested units included 296,453 units withheld for payroll taxes paid on behalf of employees.

A summary of the restricted incentive units' aggregate intrinsic value (market value at vesting date) and fair value of units vested (market value at date of grant) for the three and six months ended June 30, 2022 and 2021 is provided below (in millions):

ENLC Restricted Incentive Units:	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Aggregate intrinsic value of units vested	\$ 0.6	\$ 0.9	\$ 8.2	\$ 3.9
Fair value of units vested	\$ 0.5	\$ 2.3	\$ 11.2	\$ 12.5

As of June 30, 2022, there were \$25.7 million of unrecognized compensation costs that related to non-vested ENLC restricted incentive units. These costs are expected to be recognized over a weighted-average period of 2.0 years.

c. ENLC Performance Units

ENLC grants performance awards under the 2014 Plan. The performance award agreements provide that the vesting of performance units (i.e., performance-based restricted incentive units) granted thereunder is dependent on the achievement of certain performance goals over the applicable performance period. At the end of the vesting period, recipients receive distribution equivalents, if any, with respect to the number of performance units vested. The vesting of such units ranges from

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Notes to Consolidated Financial Statements (Continued)
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zero to 200% of the units granted depending on the extent to which the related performance goals are achieved over the relevant performance period.

The following table presents a summary of the performance units:

ENLC Performance Units:	Six Months Ended June 30, 2022	
	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	3,574,827	\$ 6.40
Granted	1,204,882	11.60
Vested (1)	(708,361)	15.57
Non-vested, end of period	4,071,348	\$ 6.34
Aggregate intrinsic value, end of period (in millions)	\$ 34.6	

(1) Vested units included 273,357 units withheld for payroll taxes paid on behalf of employees.

A summary of the performance units' aggregate intrinsic value (market value at vesting date) and fair value of units vested (market value at date of grant) for the six months ended June 30, 2022 and 2021 is provided below (in millions).

ENLC Performance Units:	Six Months Ended June 30,	
	2022	2021
Aggregate intrinsic value of units vested	\$ 5.6	\$ 0.6
Fair value of units vested	\$ 11.0	\$ 4.4

As of June 30, 2022, there were \$20.3 million of unrecognized compensation costs that related to non-vested ENLC performance units. These costs are expected to be recognized over a weighted-average period of 2.0 years.

The following table presents a summary of the grant-date fair value assumptions by performance unit grant date:

ENLC Performance Units:	June 2022	March 2022 (1)	January 2021
Grant-date fair value	\$ 11.71	\$ 11.90	\$ 4.70
Beginning TSR price	\$ 8.54	\$ 8.83	\$ 3.71
Risk-free interest rate	3.35 %	2.15 %	0.17 %
Volatility factor	76.00 %	75.00 %	71.00 %

(1) Excludes certain ENLC performance units awarded March 1, 2022 with vesting conditions based on performance metrics. The 88,863 ENLC performance units have a grant-date fair value of \$8.90 and will vest in February 2023.

(9) Derivatives

Interest Rate Swaps

The components of the unrealized gain on designated cash flow hedge related to changes in the fair value of our interest rate swaps were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Unrealized gain on designated cash flow hedge	\$ —	\$ 4.8	\$ 0.1	\$ 9.5

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Notes to Consolidated Financial Statements (Continued)
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The interest expense, recognized from accumulated other comprehensive loss from the monthly settlement of our interest rate swaps and amortization of the termination payments, included in our consolidated statements of operations were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest expense	\$ —	\$ 4.8	\$ 0.1	\$ 9.6

We expect to recognize an additional \$0.1 million of interest expense out of accumulated other comprehensive loss over the next twelve months.

Commodity Swaps

The components of gain (loss) on derivative activity in the consolidated statements of operations related to commodity swaps are (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Change in fair value of derivatives	\$ 35.3	\$ (23.8)	\$ 20.2	\$ (31.7)
Realized loss on derivatives	(30.8)	(14.4)	(46.9)	(89.9)
Gain (loss) on derivative activity	<u>\$ 4.5</u>	<u>\$ (38.2)</u>	<u>\$ (26.7)</u>	<u>\$ (121.6)</u>

The fair value of derivative assets and liabilities related to commodity swaps are as follows (in millions):

	June 30, 2022	December 31, 2021
Fair value of derivative assets—current	\$ 95.6	\$ 22.4
Fair value of derivative assets—long-term	—	0.2
Fair value of derivative liabilities—current	(88.7)	(34.9)
Fair value of derivative liabilities—long-term	(1.2)	(2.2)
Net fair value of commodity swaps	<u>\$ 5.7</u>	<u>\$ (14.5)</u>

Set forth below are the summarized notional volumes and fair values of all instruments related to commodity swaps that we held for price risk management purposes and the related physical offsets at June 30, 2022 (in millions). The remaining term of the contracts extend no later than July 2023.

Commodity	Instruments	June 30, 2022		
		Unit	Volume	Net Fair Value
NGL (short contracts)	Swaps	Gals	(122.0)	\$ (4.1)
Natural gas (short contracts)	Swaps	MMbtu	(19.7)	26.8
Natural gas (long contracts)	Swaps	MMbtu	11.7	(19.5)
Crude and condensate (short contracts)	Swaps	MMbbls	(3.2)	(55.4)
Crude and condensate (long contracts)	Swaps	MMbbls	2.8	57.9
Total fair value of commodity swaps				<u>\$ 5.7</u>

On all transactions where we are exposed to counterparty risk, we analyze the counterparty's financial condition prior to entering into an agreement, establish limits, and monitor the appropriateness of these limits on an ongoing basis. We primarily deal with financial institutions when entering into financial derivatives on commodities. We have entered into Master ISDAs that allow for netting of swap contract receivables and payables in the event of default by either party. If our counterparties failed to perform under existing commodity swap contracts, the maximum loss on our gross receivable position of \$95.6 million as of June 30, 2022 would be reduced to \$9.6 million due to the offsetting of gross fair value payables against gross fair value receivables as allowed by the ISDAs.

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Notes to Consolidated Financial Statements (Continued)
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(10) Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis are summarized below (in millions):

	Level 2	
	June 30, 2022	December 31, 2021
Commodity swaps (1)	\$ 5.7	\$ (14.5)

(1) The fair values of commodity swaps represent the amount at which the instruments could be exchanged in a current arms-length transaction adjusted for our credit risk and/or the counterparty credit risk as required under ASC 820.

Fair Value of Financial Instruments

The estimated fair value of our financial instruments has been determined using available market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value; thus, the estimates provided below are not necessarily indicative of the amount we could realize upon the sale or refinancing of such financial instruments (in millions):

	June 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt (1)	\$ 4,320.0	\$ 3,750.6	\$ 4,363.7	\$ 4,520.0
Installment payable (2)	\$ —	\$ —	\$ 10.0	\$ 10.0
Contingent consideration (2)	\$ 7.2	\$ 7.2	\$ 6.9	\$ 6.9

(1) The carrying value of long-term debt is reduced by debt issuance cost, net of accumulated amortization, of \$29.6 million and \$27.8 million as of June 30, 2022 and December 31, 2021, respectively. The respective fair values do not factor in debt issuance costs.

(2) Consideration for the Amarillo Rattler Acquisition included a \$10.0 million installment payable, which was paid on April 30, 2022, and a contingent component capped at \$15.0 million and payable, if at all, between 2024 and 2026 based on Diamondback E&P LLC's drilling activity above historical levels. Estimated fair values were calculated using a discounted cash flow analysis that utilized Level 3 inputs.

The carrying amounts of our cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term maturities of these assets and liabilities.

The fair values of all senior unsecured notes as of June 30, 2022 and December 31, 2021 were based on Level 2 inputs from third-party market quotations.

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(11) Segment Information

We evaluate the financial performance of our segments by including realized and unrealized gains and losses resulting from commodity swaps activity in the Permian, Louisiana, Oklahoma, and North Texas segments. Identification of the majority of our operating segments is based principally upon geographic regions served:

- *Permian Segment.* The Permian segment includes our natural gas gathering, processing, and transmission activities and our crude oil operations in the Midland and Delaware Basins in West Texas and Eastern New Mexico;
- *Louisiana Segment.* The Louisiana segment includes our natural gas and NGL pipelines, natural gas processing plants, natural gas and NGL storage facilities, and fractionation facilities located in Louisiana and our crude oil operations in ORV;
- *Oklahoma Segment.* The Oklahoma segment includes our natural gas gathering, processing, and transmission activities, and our crude oil operations in the Cana-Woodford, Arkoma-Woodford, northern Oklahoma Woodford, STACK, and CNOW shale areas;
- *North Texas Segment.* The North Texas segment includes our natural gas gathering, processing, and transmission activities in North Texas; and
- *Corporate Segment.* The Corporate segment includes our unconsolidated affiliate investments in the Cedar Cove JV in Oklahoma, GCF in South Texas, and the Matterhorn JV in West Texas and our corporate assets and expenses.

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We evaluate the performance of our operating segments based on segment profit and adjusted gross margin. Adjusted gross margin is a non-GAAP financial measure. Summarized financial information for our reportable segments is shown in the following tables (in millions):

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
Three Months Ended June 30, 2022						
Natural gas sales	\$ 323.0	\$ 272.9	\$ 87.1	\$ 37.9	\$ —	\$ 720.9
NGL sales	—	1,163.7	3.6	0.1	—	1,167.4
Crude oil and condensate sales	331.6	110.0	40.6	—	—	482.2
Product sales	654.6	1,546.6	131.3	38.0	—	2,370.5
NGL sales—related parties	427.5	43.1	242.6	165.8	(879.0)	—
Crude oil and condensate sales—related parties	—	—	—	4.0	(4.0)	—
Product sales—related parties	427.5	43.1	242.6	169.8	(883.0)	—
Gathering and transportation	19.9	15.7	44.7	40.6	—	120.9
Processing	9.9	0.3	28.6	27.9	—	66.7
NGL services	—	18.4	—	0.1	—	18.5
Crude services	6.0	9.2	3.2	0.2	—	18.6
Other services	0.2	0.4	0.1	0.2	—	0.9
Midstream services	36.0	44.0	76.6	69.0	—	225.6
Crude services—related parties	—	—	0.1	—	(0.1)	—
Midstream services—related parties	—	—	0.1	—	(0.1)	—
Revenue from contracts with customers	1,118.1	1,633.7	450.6	276.8	(883.1)	2,596.1
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(958.0)	(1,519.2)	(321.3)	(189.7)	883.1	(2,105.1)
Realized loss on derivatives	(10.2)	(2.5)	(15.8)	(2.3)	—	(30.8)
Change in fair value of derivatives	12.5	11.8	8.2	2.8	—	35.3
Adjusted gross margin	162.4	123.8	121.7	87.6	—	495.5
Operating expenses	(50.3)	(34.8)	(23.1)	(20.7)	—	(128.9)
Segment profit	112.1	89.0	98.6	66.9	—	366.6
Depreciation and amortization	(37.1)	(39.4)	(52.3)	(28.7)	(1.5)	(159.0)
Gain on disposition of assets	—	—	0.2	0.2	—	0.4
General and administrative	—	—	—	—	(28.3)	(28.3)
Interest expense, net of interest income	—	—	—	—	(55.5)	(55.5)
Loss on extinguishment of debt	—	—	—	—	(0.5)	(0.5)
Loss from unconsolidated affiliate investments	—	—	—	—	(1.2)	(1.2)
Other income	—	—	—	—	0.2	0.2
Income (loss) before non-controlling interest and income taxes	\$ 75.0	\$ 49.6	\$ 46.5	\$ 38.4	\$ (86.8)	\$ 122.7
Capital expenditures	\$ 34.7	\$ 6.3	\$ 11.5	\$ 8.1	\$ 1.9	\$ 62.5

(1) Includes related party cost of sales of \$9.1 million for the three months ended June 30, 2022.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
Three Months Ended June 30, 2021						
Natural gas sales	\$ 97.4	\$ 122.0	\$ 45.6	\$ 26.2	\$ —	\$ 291.2
NGL sales	0.5	706.6	0.4	(0.1)	—	707.4
Crude oil and condensate sales	170.4	50.9	15.7	—	—	237.0
Product sales	268.3	879.5	61.7	26.1	—	1,235.6
NGL sales—related parties	195.5	30.2	137.1	94.3	(457.1)	—
Crude oil and condensate sales—related parties	—	—	0.1	2.1	(2.2)	—
Product sales—related parties	195.5	30.2	137.2	96.4	(459.3)	—
Gathering and transportation	11.8	16.4	45.9	38.2	—	112.3
Processing	6.0	0.5	28.1	27.0	—	61.6
NGL services	—	17.1	—	0.1	—	17.2
Crude services	4.0	9.6	3.4	0.2	—	17.2
Other services	0.2	0.4	0.2	0.2	—	1.0
Midstream services	22.0	44.0	77.6	65.7	—	209.3
Revenue from contracts with customers	485.8	953.7	276.5	188.2	(459.3)	1,444.9
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(402.3)	(838.9)	(164.9)	(108.3)	459.3	(1,055.1)
Realized loss on derivatives	(4.2)	(6.4)	(2.9)	(0.9)	—	(14.4)
Change in fair value of derivatives	(7.9)	(9.4)	(5.3)	(1.2)	—	(23.8)
Adjusted gross margin	71.4	99.0	103.4	77.8	—	351.6
Operating expenses	(27.4)	(31.7)	(17.8)	(19.9)	—	(96.8)
Segment profit	44.0	67.3	85.6	57.9	—	254.8
Depreciation and amortization	(34.6)	(36.1)	(50.6)	(28.8)	(1.8)	(151.9)
Gain on disposition of assets	—	0.2	—	0.1	—	0.3
General and administrative	—	—	—	—	(25.9)	(25.9)
Interest expense, net of interest income	—	—	—	—	(56.8)	(56.8)
Loss from unconsolidated affiliate investments	—	—	—	—	(1.3)	(1.3)
Other income	—	—	—	—	0.2	0.2
Income (loss) before non-controlling interest and income taxes	\$ 9.4	\$ 31.4	\$ 35.0	\$ 29.2	\$ (85.6)	\$ 19.4
Capital expenditures	\$ 39.5	\$ 2.2	\$ 4.9	\$ 1.9	\$ 0.1	\$ 48.6

(1) Includes related party cost of sales of \$3.6 million for the three months ended June 30, 2021.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
Six Months Ended June 30, 2022						
Natural gas sales	\$ 518.6	\$ 484.4	\$ 163.4	\$ 63.3	\$ —	\$ 1,229.7
NGL sales	—	2,315.2	6.7	—	—	2,321.9
Crude oil and condensate sales	603.6	183.9	75.3	—	—	862.8
Product sales	1,122.2	2,983.5	245.4	63.3	—	4,414.4
NGL sales—related parties	827.3	80.0	450.7	312.7	(1,670.7)	—
Crude oil and condensate sales—related parties	—	—	0.3	7.0	(7.3)	—
Product sales—related parties	827.3	80.0	451.0	319.7	(1,678.0)	—
Gathering and transportation	33.5	32.0	87.4	79.4	—	232.3
Processing	17.7	0.8	54.0	55.5	—	128.0
NGL services	—	42.3	—	0.1	—	42.4
Crude services	10.3	18.6	6.9	0.4	—	36.2
Other services	0.4	0.8	0.2	0.3	—	1.7
Midstream services	61.9	94.5	148.5	135.7	—	440.6
Crude services—related parties	—	—	0.1	—	(0.1)	—
Other services—related parties	—	0.1	—	—	(0.1)	—
Midstream services—related parties	—	0.1	0.1	—	(0.2)	—
Revenue from contracts with customers	2,011.4	3,158.1	845.0	518.7	(1,678.2)	4,855.0
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(1,724.7)	(2,907.9)	(598.1)	(347.1)	1,678.2	(3,899.6)
Realized loss on derivatives	(12.6)	(9.1)	(19.5)	(5.7)	—	(46.9)
Change in fair value of derivatives	6.6	6.2	1.1	6.3	—	20.2
Adjusted gross margin	280.7	247.3	228.5	172.2	—	928.7
Operating expenses	(95.6)	(67.8)	(44.1)	(42.3)	—	(249.8)
Segment profit	185.1	179.5	184.4	129.9	—	678.9
Depreciation and amortization	(73.8)	(74.9)	(103.2)	(57.1)	(2.9)	(311.9)
Gain (loss) on disposition of assets	—	0.2	0.4	(5.3)	—	(4.7)
General and administrative	—	—	—	—	(57.3)	(57.3)
Interest expense, net of interest income	—	—	—	—	(110.6)	(110.6)
Loss on extinguishment of debt	—	—	—	—	(0.5)	(0.5)
Loss from unconsolidated affiliate investments	—	—	—	—	(2.3)	(2.3)
Other income	—	—	—	—	0.3	0.3
Income (loss) before non-controlling interest and income taxes	\$ 111.3	\$ 104.8	\$ 81.6	\$ 67.5	\$ (173.3)	\$ 191.9
Capital expenditures	\$ 68.9	\$ 12.0	\$ 26.9	\$ 11.2	\$ 3.5	\$ 122.5

(1) Includes related party cost of sales of \$19.7 million for the six months ended June 30, 2022.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
Six Months Ended June 30, 2021						
Natural gas sales	\$ 222.4	\$ 243.2	\$ 81.5	\$ 77.2	\$ —	\$ 624.3
NGL sales	0.5	1,332.6	1.0	1.1	—	1,335.2
Crude oil and condensate sales	277.7	92.0	29.3	—	—	399.0
Product sales	500.6	1,667.8	111.8	78.3	—	2,358.5
NGL sales—related parties	360.4	53.8	250.2	175.2	(839.6)	—
Crude oil and condensate sales—related parties	—	—	0.1	3.6	(3.7)	—
Product sales—related parties	360.4	53.8	250.3	178.8	(843.3)	—
Gathering and transportation	21.5	32.2	97.2	78.6	—	229.5
Processing	14.2	1.0	44.0	54.1	—	113.3
NGL services	—	39.1	—	0.2	—	39.3
Crude services	7.5	19.5	6.7	0.4	—	34.1
Other services	0.4	0.9	0.4	0.3	—	2.0
Midstream services	43.6	92.7	148.3	133.6	—	418.2
Crude services—related parties	—	—	0.1	—	(0.1)	—
Other services—related parties	—	2.3	—	—	(2.3)	—
Midstream services—related parties	—	2.3	0.1	—	(2.4)	—
Revenue from contracts with customers	904.6	1,816.6	510.5	390.7	(845.7)	2,776.7
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(727.9)	(1,579.3)	(315.9)	(212.4)	845.7	(1,989.8)
Realized loss on derivatives	(61.1)	(17.1)	(8.9)	(2.8)	—	(89.9)
Change in fair value of derivatives	(13.2)	(9.8)	(7.1)	(1.6)	—	(31.7)
Adjusted gross margin	102.4	210.4	178.6	173.9	—	665.3
Operating expenses	(15.6)	(60.9)	(37.5)	(39.1)	—	(153.1)
Segment profit	86.8	149.5	141.1	134.8	—	512.2
Depreciation and amortization	(68.1)	(72.2)	(101.3)	(57.5)	(3.8)	(302.9)
Gain on disposition of assets	0.1	0.1	—	0.1	—	0.3
General and administrative	—	—	—	—	(51.8)	(51.8)
Interest expense, net of interest income	—	—	—	—	(113.5)	(113.5)
Loss from unconsolidated affiliate investments	—	—	—	—	(7.6)	(7.6)
Income (loss) before non-controlling interest and income taxes	\$ 18.8	\$ 77.4	\$ 39.8	\$ 77.4	\$ (176.7)	\$ 36.7
Capital expenditures	\$ 52.8	\$ 5.0	\$ 6.8	\$ 4.3	\$ 0.5	\$ 69.4

(1) Includes related party cost of sales of \$6.8 million for the six months ended June 30, 2021.

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

The table below represents information about segment assets as of June 30, 2022 and December 31, 2021 (in millions):

Segment Identifiable Assets:	June 30, 2022	December 31, 2021
Permian	\$ 2,525.8	\$ 2,358.6
Louisiana	2,574.8	2,428.6
Oklahoma	2,581.1	2,619.5
North Texas	869.3	896.8
Corporate (1)	224.5	220.9
Total identifiable assets	<u>\$ 8,775.5</u>	<u>\$ 8,524.4</u>

(1) Accounts receivable and accrued revenue sold to the SPV for collateral under the AR Facility are included within the Permian, Louisiana, Oklahoma, and North Texas segments.

(12) Other Information

The following tables present additional detail for other current assets and other current liabilities, which consists of the following (in millions):

Other current assets:	June 30, 2022	December 31, 2021
Natural gas and NGLs inventory	\$ 124.9	\$ 49.4
Prepaid expenses and other	35.0	34.2
Other current assets	<u>\$ 159.9</u>	<u>\$ 83.6</u>
Other current liabilities:	June 30, 2022	December 31, 2021
Accrued interest	\$ 32.1	\$ 32.0
Accrued wages and benefits, including taxes	22.2	33.1
Accrued ad valorem taxes	24.3	28.3
Capital expenditure accruals	19.3	23.2
Short-term lease liability	21.2	18.1
Installment payable (1)	—	10.0
Inactive easement commitment (2)	10.0	9.8
Operating expense accruals	14.2	9.6
Other	25.5	23.4
Other current liabilities	<u>\$ 168.8</u>	<u>\$ 187.5</u>

(1) Consideration for the Amarillo Rattler Acquisition included an installment payable, which was paid on April 30, 2022.

(2) Amount related to inactive easements paid as utilized by us with the balance due in August 2022 if not utilized.

(13) Commitments and Contingencies

In February 2021, the areas in which we operate experienced a severe winter storm, with extreme cold, ice, and snow occurring over an unprecedented period of approximately 10 days (“Winter Storm Uri”). As a result of Winter Storm Uri, we have encountered customer billing disputes related to the delivery of gas during the storm, including one that resulted in litigation. The litigation is between one of our subsidiaries, EnLink Gas Marketing, LP (“EnLink Gas”), and Koch Energy Services, LLC (“Koch”) in the 162nd District Court in Dallas County, Texas. The dispute centers on whether EnLink Gas was excused from delivering gas or performing under certain delivery or purchase obligations during Winter Storm Uri, given our declaration of force majeure during the storm. Koch has invoiced us approximately \$53.9 million (after subtracting amounts owed to EnLink Gas) and does not recognize the declaration of force majeure. We believe the declaration of force majeure was valid and appropriate and we intend to vigorously defend against Koch’s claims.

Another of our subsidiaries, EnLink Energy GP, LLC, is also involved in litigation arising out of Winter Storm Uri. This matter is a multi-district litigation currently pending in Harris County, Texas, in which multiple individual plaintiffs assert personal injury and property damage claims arising out of Winter Storm Uri against an aggregate of over 350 power generators,

ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

transmission/distribution utility, retail electric provider, and natural gas defendants across over 150 filed cases. We believe the claims against our subsidiary lack merit and we intend to vigorously defend against such claims.

In addition, we are involved in various litigation and administrative proceedings arising in the normal course of business. In the opinion of management, any liabilities that may result from these claims would not, individually or in the aggregate, have a material adverse effect on our financial position, results of operations, or cash flows. We may also be involved from time to time in the future in various proceedings in the normal course of business, including litigation on disputes related to contracts, property rights, property use or damage (including nuisance claims), personal injury, or the value of pipeline easements or other rights obtained through the exercise of eminent domain or common carrier rights.

(14) Subsequent Event

Acquisition of Barnett Shale Assets from Crestwood Equity Partners LP. On May 19, 2022, we entered into an agreement to acquire the North Texas gathering and processing assets of Crestwood Equity Partners LP located in the Barnett Shale, for an upfront cash purchase price of approximately \$275.0 million, plus an amount equal to the estimated working capital of approximately \$14.5 million, subject to customary adjustments. These assets include approximately 500 miles of lean and rich gas gathering pipeline and three processing plants with 425 MMcf/d of total processing capacity. The acquisition closed on July 1, 2022. The initial accounting for this acquisition is not complete and therefore we cannot provide an estimated purchase price allocation as of the date of this report.

For purposes of issuing these financial statements, management evaluated events and transactions through August 4, 2022, the date the financial statements were available to be issued. Based on these evaluations, there were no additional subsequent events that require recognition or disclosure.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Please read the following discussion of our financial condition and results of operations in conjunction with the financial statements and notes thereto included elsewhere in this report. In addition, please refer to the Definitions page set forth in this report prior to Part I—Financial Information.

In this report, the term “Partnership,” as well as the terms “ENLK,” “our,” “we,” “us,” and “its” are sometimes used as abbreviated references to EnLink Midstream Partners, LP itself or EnLink Midstream Partners, LP together with its consolidated subsidiaries, including the Operating Partnership.

Overview

We are a Delaware limited partnership formed on July 12, 2002. We primarily focus on providing midstream energy services, including:

- gathering, compressing, treating, processing, transporting, storing, and selling natural gas;
- fractionating, transporting, storing, and selling NGLs; and
- gathering, transporting, stabilizing, storing, trans-loading, and selling crude oil and condensate, in addition to brine disposal services.

As of June 30, 2022, our midstream energy asset network includes approximately 12,100 miles of pipelines, 22 natural gas processing plants with approximately 5.5 Bcf/d of processing capacity, seven fractionators with approximately 320,000 Bbls/d of fractionation capacity, barge and rail terminals, product storage facilities, purchasing and marketing capabilities, brine disposal wells, a crude oil trucking fleet, and equity investments in certain joint ventures. We manage and report our activities primarily according to the nature of activity and geography.

We evaluate the financial performance of our segments by including realized and unrealized gains and losses resulting from commodity swaps activity in the Permian, Louisiana, Oklahoma, and North Texas segments. Identification of the majority of our operating segments is based principally upon geographic regions served:

- *Permian Segment.* The Permian segment includes our natural gas gathering, processing, and transmission activities and our crude oil operations in the Midland and Delaware Basins in West Texas and Eastern New Mexico;
- *Louisiana Segment.* The Louisiana segment includes our natural gas and NGL pipelines, natural gas processing plants, natural gas and NGL storage facilities, and fractionation facilities located in Louisiana and our crude oil operations in ORV;
- *Oklahoma Segment.* The Oklahoma segment includes our natural gas gathering, processing, and transmission activities, and our crude oil operations in the Cana-Woodford, Arkoma-Woodford, northern Oklahoma Woodford, STACK, and CNOW shale areas;
- *North Texas Segment.* The North Texas segment includes our natural gas gathering, processing, and transmission activities in North Texas; and
- *Corporate Segment.* The Corporate segment includes our unconsolidated affiliate investments in the Cedar Cove JV in Oklahoma, GCF in South Texas, and the Matterhorn JV in West Texas and our corporate assets and expenses.

We manage our consolidated operations by focusing on adjusted gross margin because our business is generally to gather, process, transport, or market natural gas, NGLs, crude oil, and condensate using our assets for a fee. We earn our fees through various fee-based contractual arrangements, which include stated fee-only contract arrangements or arrangements with fee-based components where we purchase and resell commodities in connection with providing the related service and earn a net margin as our fee. We earn our net margin under our purchase and resell contract arrangements primarily as a result of stated service-related fees that are deducted from the price of the commodity purchase. While our transactions vary in form, the essential element of most of our transactions is the use of our assets to transport a product or provide a processed product to an end-user or marketer at the tailgate of the plant, pipeline, or barge, truck, or rail terminal. Adjusted gross margin is a non-GAAP financial measure and is explained in greater detail under “Non-GAAP Financial Measures” below. Approximately 90% of our adjusted gross margin was derived from fee-based contractual arrangements with minimal direct commodity price exposure for the six months ended June 30, 2022.

Our revenues and adjusted gross margins are generated from eight primary sources:

- gathering and transporting natural gas, NGLs, and crude oil on the pipeline systems we own;
- processing natural gas at our processing plants;
- fractionating and marketing recovered NGLs;
- providing compression services;
- providing crude oil and condensate transportation and terminal services;
- providing condensate stabilization services;
- providing brine disposal services; and
- providing natural gas, crude oil, and NGL storage.

The following customers individually represented greater than 10% of our consolidated revenues for the three and six months ended June 30, 2022 and 2021. The loss of these customers would have a material adverse impact on our results of operations because the revenues and adjusted gross margin received from transactions with these customers is material to us. No other customers represented greater than 10% of our consolidated revenues during the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Dow Hydrocarbons and Resources LLC	14.8 %	15.2 %	14.4 %	14.9 %
Marathon Petroleum Corporation	15.5 %	12.8 %	15.8 %	13.8 %

We gather, transport, or store gas owned by others under fee-only contract arrangements based either on the volume of gas gathered, transported, or stored or, for firm transportation arrangements, a stated monthly fee for a specified monthly quantity with an additional fee based on actual volumes. We also buy natural gas from producers or shippers at a market index less a fee-based deduction subtracted from the purchase price of the natural gas. We then gather or transport the natural gas and sell the natural gas at a market index, thereby earning a margin through the fee-based deduction. We attempt to execute substantially all purchases and sales concurrently, or we enter into a future delivery obligation, thereby establishing the basis for the fee we will receive for each natural gas transaction. We are also party to certain long-term gas sales commitments that we satisfy through supplies purchased under long-term gas purchase agreements. When we enter into those arrangements, our sales obligations generally match our purchase obligations. However, over time, the supplies that we have under contract may decline due to reduced drilling or other causes, and we may be required to satisfy the sales obligations by buying additional gas at prices that may exceed the prices received under the sales commitments. In our purchase/sale transactions, the resale price is generally based on the same index at which the gas was purchased.

We typically buy mixed NGLs from our suppliers to our gas processing plants at a fixed discount to market indices for the component NGLs with a deduction for our fractionation fee. We subsequently sell the fractionated NGL products based on the same index-based prices. To a lesser extent, we transport and fractionate or store NGLs owned by others for a fee based on the volume of NGLs transported and fractionated or stored. The operating results of our NGL fractionation business are largely dependent upon the volume of mixed NGLs fractionated and the level of fractionation fees charged. With our fractionation business, we also have the opportunity for product upgrades for each of the discrete NGL products. We realize higher adjusted gross margins from product upgrades during periods with higher NGL prices.

We gather or transport crude oil and condensate owned by others by rail, truck, pipeline, and barge facilities under fee-only contract arrangements based on volumes gathered or transported. We also buy crude oil and condensate on our own gathering systems, third-party systems, and trucked from producers at a market index less a stated transportation deduction. We then transport and resell the crude oil and condensate through a process of basis and fixed price trades. We execute substantially all purchases and sales concurrently, thereby establishing the net margin we will receive for each crude oil and condensate transaction.

We realize adjusted gross margins from our gathering and processing services primarily through different contractual arrangements: processing margin (“margin”) contracts, POL contracts, POP contracts, fixed-fee based contracts, or a combination of these contractual arrangements. Under any of these gathering and processing arrangements, we may earn a fee for the services performed, or we may buy and resell the gas and/or NGLs as part of the processing arrangement and realize a net margin as our fee. Under margin contract arrangements, our adjusted gross margins are higher during periods of high NGL prices relative to natural gas prices. Adjusted gross margin results under POL contracts are impacted only by the value of the liquids produced with margins higher during periods of higher liquids prices. Adjusted gross margin results under POP contracts are impacted only by the value of the natural gas and liquids produced with margins higher during periods of higher natural gas and liquids prices. Under fixed-fee based contracts, our adjusted gross margins are driven by throughput volume.

Operating expenses are costs directly associated with the operations of a particular asset. Among the most significant of these costs are those associated with direct labor and supervision, property insurance, property taxes, repair and maintenance expenses, contract services, and utilities. These costs are normally fairly stable across broad volume ranges and therefore do not normally increase or decrease significantly in the short term with increases or decreases in the volume of gas, liquids, crude oil, and condensate moved through or by our assets.

CCS Business

We are currently developing an integrated offering to bring CCS services to businesses along the Mississippi River corridor in Louisiana, one of the highest CO₂ emitting regions in the United States. We believe our existing asset footprint, including our extensive network of natural gas pipelines in Louisiana, our operating expertise and our customer relationships, provide EnLink an advantage in building a CCS business.

Recent Developments Affecting Industry Conditions and Our Business

Current Market Environment

The midstream energy business environment and our business are affected by the level of production of natural gas and oil in the areas in which we operate and the various factors that affect this production, including commodity prices, capital markets trends, competition, and regulatory changes. We believe these factors will continue to affect production and therefore the demand for midstream services and our business in the future. To the extent these factors vary from our underlying assumptions, our business and actual results could vary materially from market expectations and from the assumptions discussed in this section.

Production levels by our exploration and production customers are driven in large part by the level of oil and natural gas prices. New drilling activity is necessary to maintain or increase production levels as oil and natural gas wells experience production declines over time. New drilling activity generally moves in the same direction as crude oil and natural gas prices as those prices drive investment returns and cash flow available for reinvestment by exploration and production companies. Accordingly, our operations are affected by the level of crude, natural gas, and NGL prices, the relationship among these prices, and related activity levels from our customers.

There has been, and we believe there will continue to be, volatility in commodity prices and in the relationships among NGL, crude oil, and natural gas prices. Commodity markets have now fully recovered from the reduction in global demand and low market prices experienced in 2020 due to the COVID-19 pandemic. However, oil and natural gas prices continue to remain volatile. Oil and natural gas prices, rose during 2021 and have risen very rapidly in 2022 due to various factors, including a rebound in demand from economic activity after COVID-19 shutdowns, supply issues, and geopolitical events, including Russia's invasion of Ukraine. As of the date of this report, while both oil and natural gas prices have moderated from their peaks earlier in the year, the market price for both oil and natural gas are at higher levels than either has traded in recent years.

Capital markets and the demands of public investors also affect producer behavior, production levels, and our business. Over the last several years, public investors have exerted pressure on oil and natural gas producers to increase capital discipline and focus on higher investment returns even if it means lower growth. In addition, the ability of companies in the oil and gas industry to access the capital markets on favorable terms has been negatively impacted during this same period. This demand by investors for increased capital discipline from energy companies, as well as the difficulties in accessing capital markets, led to more modest capital investment by producers, curtailed drilling and production activity, and, accordingly, slower growth for us and other midstream companies during the past few years. This trend was amplified in 2020 by the COVID-19 pandemic, which reduced demand for commodities. However, in response to the rise of oil and natural gas prices during 2021 and in 2022 to date, capital investments by United States oil and natural gas producers have begun to rise, although global capital investments by oil and natural gas producers remain below historical levels and producers continue to remain cautious.

Producers generally focus their drilling activity on certain producing basins depending on commodity price fundamentals and favorable drilling economics. In the last few years, many producers have increasingly focused their activities in the Permian Basin, because of the availability of higher investment returns. Currently, a large percentage of all drilling rigs operating in the United States are operating in the Permian Basin. We continue to experience a robust increase in volumes in our Permian segment as our operations in that basin are in a favorable position relative to producer activity. As a result of this concentration of drilling activity in the Permian Basin, other basins, including those in which we operate in Oklahoma and North Texas, have experienced reduced investment and declines in volumes produced. However, the rise in commodity prices during 2022 has led to renewed producer interest in both Oklahoma and North Texas and we expect activity to increase in both areas for the remainder of 2022 and during 2023.

Our Louisiana segment, while subject to commodity price trends, is less dependent on gathering and processing activities and more affected by industrial demand for the natural gas and NGLs that we supply. Industrial demand along the Gulf Coast region has remained strong throughout 2021 and through the first half of 2022, supported by regional industrial activity and export markets. Our activities and, in turn, our financial performance in the Louisiana segment is highly dependent on the availability of natural gas and NGLs produced by our upstream gathering and processing business and by other market participants. To date, the supply of natural gas and NGLs has remained at levels sufficient for us to supply our customers, and maintaining such supply is a key business focus.

Regulatory Developments

On January 20, 2021, the Biden Administration came into office and immediately issued a number of executive orders related to climate change and the production of oil and gas that could affect our operations and those of our customers, particularly those who may operate on public lands. While none of these initiatives to date have adversely affected our operations or those of our customers, the Biden Administration could seek, in the future, to put into place executive orders, policy and regulatory reviews, or seek to have Congress pass legislation that could adversely affect the production of oil and natural gas, and our operations and those of our customers.

Only a small percentage of our operations are derived from customers operating on public land, mainly in the Delaware Basin. Our operations in the Delaware Basin are expected to represent only approximately 6% of our total segment profit, net to EnLink, during 2022. In addition, we have a robust program to monitor and prevent methane emissions in our operations and we maintain a comprehensive environmental program that is embedded in our operations. However, our activities that take place on public lands require that we and our producer customers obtain leases, permits, and other approvals from the federal government. While the future rules and rulemaking initiatives under the Biden Administration remain uncertain, the regulations that might result from such initiatives, could lead to increased costs for us or our customers, difficulties in obtaining leases, permits, and other approvals for us and our customers, reduced utilization of our gathering, processing and pipeline systems or reduced rates under renegotiated transportation or storage agreements in affected regions. These impacts could, in turn, adversely affect our business, financial condition, results of operations or cash flows, including our ability to make cash distributions to our unitholders.

Other Recent Developments

Organic Growth and Acquisition

Acquisition of Barnett Shale Assets from Crestwood Equity Partners LP. On May 19, 2022, we entered into an agreement to acquire the North Texas gathering and processing assets of Crestwood Equity Partners LP located in the Barnett Shale, for an upfront cash purchase price of approximately \$275.0 million, plus an amount equal to the estimated working capital of approximately \$14.5 million, subject to customary adjustments. These assets include approximately 500 miles of lean and rich gas gathering pipeline and three processing plants with 425 MMcf/d of total processing capacity. The acquisition closed on July 1, 2022.

Matterhorn Express Pipeline Joint Venture. On May 16, 2022, we entered into an agreement with WhiteWater Midstream, LLC, Devon Energy Corporation, and MPLX LP to construct a pipeline designed to transport up to 2.5 Bcf/d of natural gas through approximately 490 miles of 42-inch pipeline from Waha Hub in West Texas to Katy, Texas. Supply for the Matterhorn JV will be sourced from multiple upstream connections in the Permian Basin, including direct connections to processing facilities in the Midland Basin through an approximately 75-mile lateral, as well as a direct connection to the 3.2 Bcf/d Agua Blanca Pipeline.

Phantom Processing Plant. In November 2021, we began moving equipment and facilities associated with the Thunderbird processing plant in Central Oklahoma to the Midland Basin. This processing plant relocation is expected to increase the processing capacity of our Permian Basin processing facilities by approximately 200 MMcf/d. We expect to complete the relocation in the fourth quarter of 2022.

CCS Business

BKV Agreement. In June 2022, we entered into an agreement with BKV to develop a CCS project in the Barnett Shale. Under this agreement, we will separate CO₂ from lean gas in our North Texas gathering systems and from rich gas delivered to our natural gas processing plant in Bridgeport, Texas. The CO₂ waste stream will then be captured, compressed, transported, and sequestered by BKV.

Debt and Equity

Amended AR Facility Agreement. On August 1, 2022, we amended certain terms of the AR Facility to, among other things, increase the commitments thereunder from \$350.0 million to \$500.0 million and extend the scheduled termination date from September 24, 2024 to August 1, 2025.

Amended and Restated Revolving Credit Agreement. On June 3, 2022, ENLC amended and restated its prior revolving credit facility by entering into the Revolving Credit Facility. As a result, we amended and restated the terms of our related party debt associated with the Revolving Credit Facility with ENLC. See “Item 1. Financial Statements—Note 5” for more information.

Senior Unsecured Notes Repurchase. For the three and six months ended June 30, 2022, we repurchased approximately \$2.0 million of our outstanding senior unsecured notes due 2024 in open market transactions. See “Item 1. Financial Statements—Note 5” for more information regarding the senior unsecured note repurchase.

Redemption of Series B Preferred Units. In January 2022, we redeemed 3,333,334 Series B Preferred Units for total consideration of \$50.5 million plus accrued distributions. In addition, upon such redemption, a corresponding number of ENLC Class C Common Units were automatically cancelled. The redemption price represents 101% of the preferred units’ par value. In connection with the Series B Preferred Unit redemption, we have agreed with the holders of the Series B Preferred Units that we will pay cash in lieu of making a quarterly PIK distribution through the distribution declared for the fourth quarter of 2022. See “Item 1. Financial Statements—Note 6” for more information regarding distributions with respect to the Series B Preferred Units.

Non-GAAP Financial Measures

To assist management in assessing our business, we use the following non-GAAP financial measure: adjusted gross margin.

Adjusted Gross Margin

We define adjusted gross margin as revenues less cost of sales, exclusive of operating expenses and depreciation and amortization. We present adjusted gross margin by segment in “Results of Operations.” We disclose adjusted gross margin in addition to gross margin as defined by GAAP because it is the primary performance measure used by our management to evaluate consolidated operations. We believe adjusted gross margin is an important measure because, in general, our business is to gather, process, transport, or market natural gas, NGLs, condensate, and crude oil for a fee or to purchase and resell natural gas, NGLs, condensate, and crude oil for a margin. Operating expense is a separate measure used by our management to evaluate the operating performance of field operations. Direct labor and supervision, property insurance, property taxes, repair and maintenance, utilities, and contract services comprise the most significant portion of our operating expenses. We exclude all operating expenses and depreciation and amortization from adjusted gross margin because these expenses are largely independent of the volumes we transport or process and fluctuate depending on the activities performed during a specific period. The GAAP measure most directly comparable to adjusted gross margin is gross margin. Adjusted gross margin should not be considered an alternative to, or more meaningful than, gross margin as determined in accordance with GAAP. Adjusted gross margin has important limitations because it excludes all operating expenses and depreciation and amortization that affect gross margin. Our adjusted gross margin may not be comparable to similarly titled measures of other companies because other entities may not calculate these amounts in the same manner.

The following table reconciles total revenues and gross margin to adjusted gross margin (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total revenues	\$ 2,600.6	\$ 1,406.7	\$ 4,828.3	\$ 2,655.1
Cost of sales, exclusive of operating expenses and depreciation and amortization	(2,105.1)	(1,055.1)	(3,899.6)	(1,989.8)
Operating expenses	(128.9)	(96.8)	(249.8)	(153.1)
Depreciation and amortization	(159.0)	(151.9)	(311.9)	(302.9)
Gross margin	207.6	102.9	367.0	209.3
Operating expenses	128.9	96.8	249.8	153.1
Depreciation and amortization	159.0	151.9	311.9	302.9
Adjusted gross margin	\$ 495.5	\$ 351.6	\$ 928.7	\$ 665.3

Results of Operations

The tables below set forth certain financial and operating data for the periods indicated. We evaluate the performance of our consolidated operations by focusing on adjusted gross margin, while we evaluate the performance of our operating segments based on segment profit and adjusted gross margin, as reflected in the tables below (in millions, except volumes):

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
Three Months Ended June 30, 2022						
Gross margin	\$ 75.0	\$ 49.6	\$ 46.3	\$ 38.2	\$ (1.5)	\$ 207.6
Depreciation and amortization	37.1	39.4	52.3	28.7	1.5	159.0
Segment profit	112.1	89.0	98.6	66.9	—	366.6
Operating expenses	50.3	34.8	23.1	20.7	—	128.9
Adjusted gross margin	<u>\$ 162.4</u>	<u>\$ 123.8</u>	<u>\$ 121.7</u>	<u>\$ 87.6</u>	<u>\$ —</u>	<u>\$ 495.5</u>

Three Months Ended June 30, 2021

Gross margin	\$ 9.4	\$ 31.2	\$ 35.0	\$ 29.1	\$ (1.8)	\$ 102.9
Depreciation and amortization	34.6	36.1	50.6	28.8	1.8	151.9
Segment profit	44.0	67.3	85.6	57.9	—	254.8
Operating expenses	27.4	31.7	17.8	19.9	—	96.8
Adjusted gross margin	<u>\$ 71.4</u>	<u>\$ 99.0</u>	<u>\$ 103.4</u>	<u>\$ 77.8</u>	<u>\$ —</u>	<u>\$ 351.6</u>

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
Six Months Ended June 30, 2022						
Gross margin	\$ 111.3	\$ 104.6	\$ 81.2	\$ 72.8	\$ (2.9)	\$ 367.0
Depreciation and amortization	73.8	74.9	103.2	57.1	2.9	311.9
Segment profit	185.1	179.5	184.4	129.9	—	678.9
Operating expenses	95.6	67.8	44.1	42.3	—	249.8
Adjusted gross margin	<u>\$ 280.7</u>	<u>\$ 247.3</u>	<u>\$ 228.5</u>	<u>\$ 172.2</u>	<u>\$ —</u>	<u>\$ 928.7</u>

Six Months Ended June 30, 2021

Gross margin	\$ 18.7	\$ 77.3	\$ 39.8	\$ 77.3	\$ (3.8)	\$ 209.3
Depreciation and amortization	68.1	72.2	101.3	57.5	3.8	302.9
Segment profit	86.8	149.5	141.1	134.8	—	512.2
Operating expenses	15.6	60.9	37.5	39.1	—	153.1
Adjusted gross margin	<u>\$ 102.4</u>	<u>\$ 210.4</u>	<u>\$ 178.6</u>	<u>\$ 173.9</u>	<u>\$ —</u>	<u>\$ 665.3</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Midstream Volumes:				
Permian Segment				
Gathering and Transportation (MMbtu/d)	1,494,400	1,025,900	1,421,200	976,000
Processing (MMbtu/d)	1,432,200	958,400	1,344,700	917,500
Crude Oil Handling (Bbls/d)	175,000	121,900	162,900	115,100
Louisiana Segment				
Gathering and Transportation (MMbtu/d)	2,696,500	2,139,300	2,597,700	2,145,300
Crude Oil Handling (Bbls/d)	17,700	15,200	16,800	15,100
NGL Fractionation (Gals/d)	7,896,900	7,729,300	7,965,000	7,419,500
Brine Disposal (Bbls/d)	3,200	2,900	3,100	2,200
Oklahoma Segment				
Gathering and Transportation (MMbtu/d)	1,016,100	1,016,200	1,008,100	977,000
Processing (MMbtu/d)	1,047,600	1,040,000	1,038,600	997,900
Crude Oil Handling (Bbls/d)	21,400	23,800	22,600	20,700
North Texas Segment				
Gathering and Transportation (MMbtu/d)	1,429,900	1,377,400	1,397,100	1,367,200
Processing (MMbtu/d)	661,900	627,600	638,300	626,100

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Gross Margin. Gross margin was \$207.6 million for the three months ended June 30, 2022 compared to \$102.9 million for the three months ended June 30, 2021, an increase of \$104.7 million. The primary contributors to the increase were as follows:

- *Permian Segment.* Gross margin was \$75.0 million for the three months ended June 30, 2022 compared to \$9.4 million for the three months ended June 30, 2021, an increase of \$65.6 million primarily due to the following:
 - Adjusted gross margin in the Permian segment increased \$91.0 million, which was primarily driven by:
 - A \$95.9 million increase to adjusted gross margin associated with our Permian gas assets. Adjusted gross margin, excluding derivative activity, increased \$75.6 million, which was primarily due to higher volumes from increased producer activity and higher commodity prices. Derivative activity associated with our Permian gas assets increased margin by \$20.3 million, which included \$3.9 million from increased realized losses and \$24.2 million from increased unrealized gains.
 - A \$4.9 million decrease to adjusted gross margin associated with our Permian crude assets. Adjusted gross margin, excluding derivative activity, increased \$1.0 million, which was primarily due to higher volumes from increased producer activity. Derivative activity associated with our Permian crude assets decreased margin by \$5.9 million, which included \$2.1 million from increased realized losses and \$3.8 million from decreased unrealized gains.
 - Operating expenses in the Permian segment increased \$22.9 million. During the three months ended June 30, 2021, our Permian operating expenses were reduced by \$8.1 million due to electricity credits earned during Winter Storm Uri in February 2021 that were not available during the same quarter of 2022. Operating expenses also increased due to higher construction fees and services, labor and benefits costs, materials and supplies expense, and compressor rentals due to an increase in operating activity.
 - Depreciation and amortization in the Permian segment increased \$2.5 million primarily due to new assets placed into service, including gathering and processing assets associated with the Amarillo Rattler Acquisition in April 2021.

- *Louisiana Segment.* Gross margin was \$49.6 million for the three months ended June 30, 2022 compared to \$31.2 million for the three months ended June 30, 2021, an increase of \$18.4 million primarily due to the following:
 - Adjusted gross margin in the Louisiana segment increased \$24.8 million, resulting from:
 - An \$18.2 million increase to adjusted gross margin associated with our Louisiana NGL transmission and fractionation assets. Adjusted gross margin, excluding derivative activity, increased \$1.3 million, which was primarily due to higher volumes from existing customers. Derivative activity associated with our Louisiana NGL transmission and fractionation assets increased margin by \$16.9 million, which included \$5.2 million from increased realized gains and \$11.7 million from increased unrealized gains.
 - A \$7.6 million increase to adjusted gross margin associated with our Louisiana gas assets. Adjusted gross margin, excluding derivative activity, decreased \$2.2 million, which was primarily due to unfavorable imbalance activity on our gas storage assets. Derivative activity associated with our Louisiana gas assets increased margin by \$9.8 million, which included \$0.8 million from increased realized losses and \$10.6 million from increased unrealized gains.
 - A \$1.0 million decrease to adjusted gross margin associated with our ORV crude assets. Adjusted gross margin, excluding derivative activity, increased \$0.6 million, which was primarily due to higher volumes from existing customers. Derivative activity associated with our ORV crude assets decreased margin by \$1.6 million, which included \$0.5 million from increased realized losses and \$1.1 million from decreased unrealized gains.
 - Operating expenses in the Louisiana segment increased \$3.1 million primarily due to increases in materials and supplies expense, utility costs, construction fees and services, and vehicle expenses due to an increase in operating activity.
 - Depreciation and amortization in the Louisiana segment increased \$3.3 million primarily due to changes in estimated useful lives of certain non-core assets.
- *Oklahoma Segment.* Gross margin was \$46.3 million for the three months ended June 30, 2022 compared to \$35.0 million for the three months ended June 30, 2021, an increase of \$11.3 million primarily due to the following:
 - Adjusted gross margin in the Oklahoma segment increased \$18.3 million, resulting from:
 - A \$22.4 million increase to adjusted gross margin associated with our Oklahoma gas assets. Adjusted gross margin, excluding derivative activity, increased \$17.9 million, which was primarily due to higher commodity prices. Derivative activity associated with our Oklahoma gas assets increased margin by \$4.5 million, which included \$11.9 million from increased realized losses and \$16.4 million from increased unrealized gains.
 - A \$4.1 million decrease to adjusted gross margin associated with our Oklahoma crude assets. Adjusted gross margin, excluding derivative activity, decreased \$0.2 million, which was primarily due to lower volumes from existing customers as a result of declining production. Derivative activity associated with our Oklahoma crude assets decreased margin by \$3.9 million, which includes \$1.0 million from increased realized losses and \$2.9 million from decreased unrealized gains.
 - Operating expenses in the Oklahoma segment increased \$5.3 million primarily due to increases in materials and supplies expense, construction fees and services, and ad valorem taxes due to an increase in operating activity. Operating expenses also increased due to the transfer of equipment related to the Phantom processing facility.
 - Depreciation and amortization in the Oklahoma segment increased \$1.7 million due to additional assets placed in service, partially offset by the transfer of equipment to the Phantom and Warhorse processing facilities.
- *North Texas Segment.* Gross margin was \$38.2 million for the three months ended June 30, 2022 compared to \$29.1 million for the three months ended June 30, 2021, an increase of \$9.1 million primarily due to the following:
 - Adjusted gross margin in the North Texas segment increased \$9.8 million. Adjusted gross margin, excluding derivative activity, increased \$7.2 million, which was primarily due to higher volumes from existing

customers. Derivative activity associated with our North Texas segment increased margin by \$2.6 million, which included \$1.4 million from increased realized losses and \$4.0 million from increased unrealized gains.

- Operating expenses in the North Texas segment increased \$0.8 million primarily due to increases in materials and supplies expense and compressor rentals due to an increase in operating activity.
- Depreciation and amortization in the North Texas segment decreased \$0.1 million primarily due to assets reaching the end of their depreciable lives.
- *Corporate Segment.* Gross margin was negative \$1.5 million for the three months ended June 30, 2022 compared to negative \$1.8 million for the three months ended June 30, 2021. Corporate gross margin consists of depreciation and amortization of corporate assets.

General and Administrative Expenses. General and administrative expenses were \$28.3 million for the three months ended June 30, 2022 compared to \$25.9 million for the three months ended June 30, 2021, an increase of \$2.4 million. The increase was primarily due to an increase in labor and benefits costs and consulting fees and services. The increase was partially offset by a reduction in transaction and transition costs related to the Amarillo Rattler Acquisition in April 2021.

Interest Expense. Interest expense was \$55.5 million for the three months ended June 30, 2022 compared to \$56.8 million for the three months ended June 30, 2021, a decrease of \$1.3 million. Interest expense consisted of the following (in millions):

	Three Months Ended June 30,	
	2022	2021
Senior Notes	\$ 36.6	\$ 29.6
Related party debt	15.9	23.4
AR Facility	1.7	0.8
Capitalized interest	—	(0.1)
Amortization of debt issuance costs and net discount of senior unsecured notes	1.3	1.3
Interest rate swaps - realized	—	4.8
Interest income from note receivable from related party	—	(3.2)
Other	—	0.2
Total	\$ 55.5	\$ 56.8

Loss from Unconsolidated Affiliate Investments. Loss from unconsolidated affiliate investments was \$1.2 million for the three months ended June 30, 2022 compared to a loss of \$1.3 million for the three months ended June 30, 2021, a reduction in loss of \$0.1 million. The reduction in loss was primarily attributable to a reduction in loss of \$0.3 million from our Cedar Cove JV and was partially offset by an increase in loss of \$0.2 million from our GCF investment, as a result of the GCF assets being idled beginning in January 2021.

Net Income Attributable to Non-Controlling Interest. Net income attributable to non-controlling interest was \$15.3 million for the three months ended June 30, 2022 compared to net income of \$11.3 million for the three months ended June 30, 2021, an increase of \$4.0 million. ENLK's non-controlling interest is comprised of NGP's 49.9% share of the Delaware Basin JV and Marathon Petroleum Corporation's 50% share of the Ascension JV. Subsequent to the transfer of EORV in December 2020, ENLK's non-controlling interests also related to ENLC's ownership of EORV until ENLC's redemption of the Operating Partnership's Preferred B Units in December 2021. The increase in income was primarily due to a \$8.8 million increase attributable to NGP's 49.9% share of the Delaware Basin JV and was partially offset by a \$0.5 million decrease attributable to Marathon Petroleum Corporation's 50% share of the Ascension JV and a \$4.3 million decrease in income related to ENLC's ownership of EORV.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Gross Margin. Gross margin was \$367.0 million for the six months ended June 30, 2022 compared to \$209.3 million for the six months ended June 30, 2021, an increase of \$157.7 million. The primary contributors to the increase were as follows:

- *Permian Segment.* Gross margin was \$111.3 million for the six months ended June 30, 2022 compared to \$18.7 million for the six months ended June 30, 2021, an increase of \$92.6 million primarily due to the following:
 - Adjusted gross margin in the Permian segment increased \$178.3 million, which was primarily driven by:
 - A \$167.4 million increase to adjusted gross margin associated with our Permian gas assets. Adjusted gross margin, excluding derivative activity, increased \$95.7 million, which was primarily due to higher volumes from increased producer activity and higher commodity prices. Derivative activity associated with our Permian gas assets increased margin by \$71.7 million, which included \$52.8 million from decreased realized losses and \$18.9 million from increased unrealized gains.
 - A \$10.9 million increase to adjusted gross margin associated with our Permian crude assets. Adjusted gross margin, excluding derivative activity, increased \$14.3 million, which was primarily due to higher volumes from increased producer activity. Derivative activity associated with our Permian crude assets decreased margin by \$3.4 million, which included \$4.3 million from increased realized losses and \$0.9 million from increased unrealized gains.
 - Operating expenses in the Permian segment increased \$80.0 million. During the six months ended June 30, 2021, our Permian operating expenses were reduced by \$48.1 million due to electricity credits earned during Winter Storm Uri in February 2021 that were not available during the same quarter of 2022. Operating expenses also increased due to higher construction fees and services, labor and benefits costs, materials and supplies expense, compressor rentals, and ad valorem and sales and use taxes due to an increase in operating activity.
 - Depreciation and amortization in the Permian segment increased \$5.7 million primarily due to new assets placed into service, including gathering and processing assets associated with the Amarillo Rattler Acquisition in April 2021.
- *Louisiana Segment.* Gross margin was \$104.6 million for the six months ended June 30, 2022 compared to \$77.3 million for the six months ended June 30, 2021, an increase of \$27.3 million primarily due to the following:
 - Adjusted gross margin in the Louisiana segment increased \$36.9 million, resulting from:
 - A \$28.5 million increase to adjusted gross margin associated with our Louisiana NGL transmission and fractionation assets. Adjusted gross margin, excluding derivative activity, increased \$8.9 million, which was primarily due to higher volumes from existing customers. Derivative activity associated with our Louisiana NGL transmission and fractionation assets increased margin by \$19.6 million, which included \$12.2 million from decreased realized losses and \$7.4 million from increased unrealized gains.
 - An \$8.5 million increase to adjusted gross margin associated with our Louisiana gas assets. Adjusted gross margin, excluding derivative activity, increased \$2.2 million, which was primarily due to higher volumes from existing customers. Derivative activity associated with our Louisiana gas assets increased margin by \$6.3 million, which included \$3.4 million from increased realized losses and \$9.7 million from increased unrealized gains.
 - A \$0.1 million decrease to adjusted gross margin associated with our ORV crude assets. Adjusted gross margin, excluding derivative activity, increased \$1.8 million, which was primarily due to higher volumes from existing customers. Derivative activity associated with our ORV crude assets decreased margin by \$1.9 million, which included \$0.8 million from increased realized losses and \$1.1 million from decreased unrealized gains.
 - Operating expenses in the Louisiana segment increased \$6.9 million primarily due to increases in utility costs, construction fees and services, and compressor rentals due to an increase in operating activity. These increases were partially offset by decreases in consulting fees and services.
 - Depreciation and amortization in the Louisiana segment increased \$2.7 million primarily due to changes in estimated useful lives of certain non-core assets.

- *Oklahoma Segment.* Gross margin was \$81.2 million for the six months ended June 30, 2022 compared to \$39.8 million for the six months ended June 30, 2021, an increase of \$41.4 million primarily due to the following:
 - Adjusted gross margin in the Oklahoma segment increased \$49.9 million, resulting from:
 - A \$51.9 million increase to adjusted gross margin associated with our Oklahoma gas assets. Adjusted gross margin, excluding derivative activity, increased \$50.8 million, which was primarily due to higher volumes from existing customers and higher commodity prices. Derivative activity associated with our Oklahoma gas assets increased margin by \$1.1 million, which included \$9.6 million from increased realized losses and \$10.7 million from increased unrealized gains.
 - A \$2.0 million decrease to adjusted gross margin associated with our Oklahoma crude assets. Adjusted gross margin, excluding derivative activity, increased \$1.5 million, which was primarily due to higher volumes from existing customers. Derivative activity associated with our Oklahoma crude assets decreased margin by \$3.5 million, which included \$1.0 million from increased realized losses and \$2.5 million from decreased unrealized gains.
 - Operating expenses in the Oklahoma segment increased \$6.6 million primarily due to increases in materials and supplies expense and construction fees and services due to an increase in operating activity. Operating expenses also increased due to the transfer of equipment to the Phantom processing facility.
 - Depreciation and amortization in the Oklahoma segment increased \$1.9 million due to additional assets placed in service, partially offset by the transfer of equipment related to the Phantom and Warhorse processing facilities.
- *North Texas Segment.* Gross margin was \$72.8 million for the six months ended June 30, 2022 compared to \$77.3 million for the six months ended June 30, 2021, a decrease of \$4.5 million primarily due to the following:
 - Adjusted gross margin in the North Texas segment decreased \$1.7 million. Adjusted gross margin, excluding derivative activity, decreased \$6.7 million, which was primarily due to favorable market pricing resulting from Winter Storm Uri in February 2021, and was partially offset by higher volumes from existing customers in 2022. Derivative activity associated with our North Texas segment increased margin by \$5.0 million, which included \$2.9 million from increased realized losses and \$7.9 million from increased unrealized gains.
 - Operating expenses in the North Texas segment increased \$3.2 million primarily due to increases in materials and supplies expense, sales and use taxes, and utility costs due to an increase in operating activity.
 - Depreciation and amortization in the North Texas segment decreased \$0.4 million primarily due to assets reaching the end of their depreciable lives.
- *Corporate Segment.* Gross margin was negative \$2.9 million for the six months ended June 30, 2022 compared to negative \$3.8 million for the six months ended June 30, 2021. Corporate gross margin consists of depreciation and amortization of corporate assets.

General and Administrative Expenses. General and administrative expenses were \$57.3 million for the six months ended June 30, 2022 compared to \$51.8 million for the six months ended June 30, 2021, an increase of \$5.5 million. The increase was primarily due to an increase in labor and benefits costs and consulting fees and services. The increase was partially offset by a reduction in transaction and transition costs related to the Amarillo Rattler Acquisition in April 2021.

Interest Expense. Interest expense was \$110.6 million for the six months ended June 30, 2022 compared to \$113.5 million for the six months ended June 30, 2021, a decrease of \$2.9 million. Interest expense consisted of the following (in millions):

	Six Months Ended June 30,	
	2022	2021
Senior Notes	\$ 73.2	\$ 73.2
Related party debt	31.9	32.8
AR Facility	2.8	2.0
Capitalized interest	—	(0.3)
Amortization of debt issuance costs and net discount of senior unsecured notes	2.6	2.5
Interest rate swaps - realized	0.1	9.6
Interest income from note receivable from related party	—	(6.5)
Other	—	0.2
Total	\$ 110.6	\$ 113.5

Loss from Unconsolidated Affiliate Investments. Loss from unconsolidated affiliate investments was \$2.3 million for the six months ended June 30, 2022 compared to a loss of \$7.6 million for the six months ended June 30, 2021, a reduction in loss of \$5.3 million. The reduction in loss was primarily attributable to a reduction in loss of \$4.8 million from our GCF investment, as a result of the GCF assets being idled beginning in January 2021, and a reduction of loss of \$0.5 million from our Cedar Cove JV.

Net Income Attributable to Non-Controlling Interest. Net income attributable to non-controlling interest was \$22.6 million for the six months ended June 30, 2022 compared to net income of \$17.2 million for the six months ended June 30, 2021, an increase of \$5.4 million. ENLK’s non-controlling interest is comprised of NGP’s 49.9% share of the Delaware Basin JV and Marathon Petroleum Corporation’s 50% share of the Ascension JV. Subsequent to the transfer of EORV in December 2020, ENLK’s non-controlling interests also related to ENLC’s ownership of EORV until ENLC’s redemption of the Operating Partnership’s Preferred B Units in December 2021. The increase in income was primarily due to a \$13.4 million increase attributable to NGP’s 49.9% share of the Delaware Basin JV and a \$0.5 million increase attributable to Marathon Petroleum Corporation’s 50% share of the Ascension JV and was partially offset by a \$8.5 million decrease in income related to ENLC’s ownership of EORV.

Critical Accounting Policies

Information regarding our critical accounting policies is included in “Item 1. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report for the year ended December 31, 2021.

Liquidity and Capital Resources

Cash Flows from Operating Activities. Net cash provided by operating activities was \$427.6 million for the six months ended June 30, 2022 compared to \$407.3 million for the six months ended June 30, 2021. Operating cash flows before working capital and changes in working capital for the comparative periods were as follows (in millions):

	Six Months Ended June 30,	
	2022	2021
Operating cash flows before working capital	\$ 516.8	\$ 354.8
Changes in working capital	(89.2)	52.5

Operating cash flows before changes in working capital increased \$162.0 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The primary contributor to the increase in operating cash flows was as follows:

- Gross margin, excluding depreciation and amortization, non-cash commodity swap activity, utility credits redeemed or earned, and unit-based compensation, increased \$168.7 million. The increase in gross margin is due to a \$210.6 million increase in adjusted gross margin, excluding non-cash commodity swap activity, which was partially offset by a \$41.9 million increase in operating expenses, excluding utility credits redeemed or earned and unit-based compensation. For more information regarding the changes in gross margin for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, see “Results of Operations.”

The changes in working capital for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 were primarily due to fluctuations in trade receivable and payable balances due to timing of collection and payments, changes in inventory balances attributable to normal operating fluctuations, and fluctuations in accrued revenue and accrued cost of sales.

Cash Flows from Investing Activities. Net cash used in investing activities was \$149.3 million for the six months ended June 30, 2022 compared to \$112.2 million for the six months ended June 30, 2021. Our primary investing activities consisted of the following (in millions):

	Six Months Ended June 30,	
	2022	2021
Additions to property and equipment (1)	\$ (124.1)	\$ (62.5)
Contributions to unconsolidated affiliate investments (2)	(26.6)	—
Acquisitions, net of cash acquired (3)	—	(55.0)

- (1) The increase in capital expenditures was due to expansion projects to accommodate increased volumes on our systems.
- (2) Represents contributions to the Matterhorn JV and GCF. See “Item 1. Financial Statements—Note 7” for more information regarding the contributions to unconsolidated affiliate investments.
- (3) Represents cash paid for the Amarillo Rattler Acquisition in April 2021.

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Cash Flows from Financing Activities. Net cash used in financing activities was \$286.4 million for the six months ended June 30, 2022 compared to \$301.9 million for the six months ended June 30, 2021. Our primary financing activities consisted of the following (in millions):

	Six Months Ended June 30,	
	2022	2021
Net repayments on the AR Facility (1)	\$ (25.0)	\$ (40.0)
Net repayments on related party debt (1)	(15.0)	(100.0)
Net repurchases of our senior unsecured notes (1)	(2.0)	—
Contributions from non-controlling interests (2)	9.3	1.9
Distributions to non-controlling interests (3)	(29.0)	(24.6)
Distributions to common units (4)	(111.7)	(93.8)
Redemption of Series B Preferred Units (5)	(50.5)	—
Distributions to Series B Preferred Unitholders (5)	(35.8)	(33.9)
Distributions to Series C Preferred Unitholders (5)	(12.0)	(12.0)
Payment of installment payable for Amarillo Rattler Acquisition (6)	(10.0)	—

- (1) See “Item 1. Financial Statements—Note 5” for more information regarding the AR Facility, related party debt, and repurchases of our senior unsecured notes.
- (2) Represents contributions from NGP to the Delaware Basin JV.
- (3) Represents distributions to NGP for its ownership in the Delaware Basin JV and distributions to Marathon Petroleum Corporation for its ownership in the Ascension JV. Subsequent to the transfer of EORV in December 2020, distributions to non-controlling interests also represents distributions to EORV for its ownership of the Operating Partnership. In December 2021, ENLC redeemed its ownership of EORV. As a result, no additional distributions will be made to EORV.
- (4) ENLC owns all of our outstanding common units and we make quarterly distributions to ENLC related to its ownership of our common units.
- (5) See “Item 1. Financial Statements—Note 6” for information on distributions to holders of the Series B Preferred Units and Series C Preferred Units and information on the partial redemption of the Series B Preferred Units.
- (6) Consideration for the Amarillo Rattler Acquisition included an installment payable, which was paid on April 30, 2022.

Capital Requirements

The following table summarizes our expected remaining capital requirements for 2022 (in millions):

Capital expenditures, net to ENLC (1)	\$ 185
Operating expenses associated with the relocation of processing facilities (2)	23
Contributions to unconsolidated affiliate investments (3)	43
Total	<u>\$ 251</u>

- (1) Excludes capital expenditures that were contributed by other entities and relate to the non-controlling interest share of our consolidated entities.
- (2) Represents cost incurred that are not part of our ongoing operations related to the relocation of equipment and facilities from the Thunderbird processing plant in the Oklahoma segment to the Permian segment. We expect to complete the relocation of equipment and facilities from the Thunderbird processing plant in the fourth quarter of 2022.
- (3) Includes contributions made to GCF and the Matterhorn JV.

Our primary capital projects for 2022 include the relocation of the Phantom processing plant, CCS-related initiatives, contributions to unconsolidated affiliate investments, continued development of our existing systems through well connects, and other low-cost development projects. We expect to fund our remaining 2022 capital requirements from operating cash flows.

It is possible that not all of our planned projects will be commenced or completed. Our ability to pay distributions to our unitholders, to fund planned capital expenditures, and to make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in the industry, financial, business, and other factors, some of which are beyond our control.

Off-Balance Sheet Arrangements. We had no off-balance sheet arrangements as of June 30, 2022.

Total Contractual Cash Obligations. A summary of our total contractual cash obligations as of June 30, 2022 is as follows (in millions):

	Payments Due by Period						
	Total	Remainder 2022	2023	2024	2025	2026	Thereafter
ENLK’s senior unsecured notes	\$ 3,031.6	\$ —	\$ —	\$ 519.8	\$ 720.8	\$ 491.0	\$ 1,300.0
Related party debt (1)	998.7	—	—	—	—	—	998.7
AR Facility (2)	325.0	—	—	—	325.0	—	—
Acquisition contingent consideration (3)	7.2	—	—	0.7	3.3	3.2	—
Interest payable on fixed long-term debt obligations	2,234.2	100.6	201.1	189.7	163.3	148.3	1,431.2
Operating lease obligations	115.0	12.5	21.7	11.6	9.8	8.9	50.5
Purchase obligations	5.9	5.9	—	—	—	—	—
Pipeline and trucking capacity and deficiency agreements (4)	286.2	26.5	55.7	44.2	39.4	30.9	89.5
Inactive easement commitment (5)	10.0	10.0	—	—	—	—	—
Total contractual obligations	<u>\$ 7,013.8</u>	<u>\$ 155.5</u>	<u>\$ 278.5</u>	<u>\$ 766.0</u>	<u>\$ 1,261.6</u>	<u>\$ 682.3</u>	<u>\$ 3,869.9</u>

- (1) Related party debt includes borrowings under the Revolving Credit Facility, the 2028 Notes, and the 2029 Notes. The Revolving Credit Facility will mature on June 3, 2027. As of June 30, 2022, there were no amounts outstanding under the Revolving Credit Facility.
- (2) The AR Facility will terminate on August 1, 2025, unless extended or earlier terminated in accordance with its terms.
- (3) The estimated fair value of the Amarillo Rattler, LLC contingent consideration was calculated in accordance with the fair value guidance contained in ASC 820. There are a number of assumptions and estimates factored into these fair values and actual contingent consideration payments could differ from these estimated fair values. See “Item 1. Financial Statements—Note 10” for additional information.
- (4) Consists of pipeline capacity payments for firm transportation and deficiency agreements.
- (5) Amount related to inactive easements paid as utilized by us with the balance due in August 2022 if not utilized.

The above table does not include any physical or financial contract purchase commitments for natural gas and NGLs due to the nature of both the price and volume components of such purchases, which vary on a daily or monthly basis. Additionally, we do not have contractual commitments for fixed price and/or fixed quantities of any material amount that is not already disclosed in the table above.

The interest payable under the AR Facility and the related party debt associated with the Revolving Credit Facility are not reflected in the above table because such amounts depend on the outstanding balances and interest rates of the AR Facility and the Revolving Credit Facility, which vary from time to time.

Our contractual cash obligations for the remainder of 2022 are expected to be funded from cash flows generated from our operations.

Indebtedness

As of June 30, 2022, the AR Facility had a borrowing base of \$350.0 million and there were \$325.0 million in outstanding borrowings under the AR Facility. On August 1, 2022, we amended certain terms of the AR Facility to, among other things, increase the commitments thereunder from \$350.0 million to \$500.0 million and extend the scheduled termination date from September 24, 2024 to August 1, 2025.

We have a related party debt arrangement with ENLC to fund the operations and growth capital expenditures of ENLK. Interest charged to ENLK for borrowings made through the related party arrangement is substantially the same as interest charged to ENLC on borrowings from third party lenders. The indebtedness under the Revolving Credit Facility, the 2028 Notes, and the 2029 Notes was incurred by ENLC but is guaranteed by us. Therefore, the covenants in the agreements governing such indebtedness described in “Item 1. Financial Statements—Note 5” affect balances owed by us on the related party debt. As of June 30, 2022, we had \$998.7 million in outstanding borrowings under the related party debt arrangement, all of which was related to the 2028 Notes and 2029 Notes. ENLC had no outstanding borrowings under the Revolving Credit Facility as of June 30, 2022.

In addition, as of June 30, 2022, we have \$3.0 billion in aggregate principal amount of outstanding unsecured senior notes maturing from 2024 to 2047.

See “Item 1. Financial Statements—Note 5” for more information on our outstanding debt.

Inflation

The annual U.S. inflation rate has increased significantly in the first half of 2022. The Federal Reserve has already increased its target for the federal funds rate (the benchmark for most interest rates) several times this year. It is widely expected that this trend will continue for the remainder of 2022. Inflation will increase the cost to acquire or replace property and equipment and the cost of labor and supplies. To the extent permitted by competition, regulation, and our existing agreements, we have and will continue to pass along increased costs to our customers in the form of higher fees. Additionally, certain of our revenue generating contracts contain clauses that increase our fees based on changes in inflation metrics.

Recent Accounting Pronouncements

We have reviewed recently issued accounting pronouncements that became effective during the three months ended June 30, 2022 and have determined that none would have a material impact to our consolidated financial statements.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws. Although these statements reflect the current views, assumptions and expectations of our management, the matters addressed herein involve certain assumptions, risks and uncertainties that could cause actual activities, performance, outcomes and results to differ materially from those indicated herein. Therefore, you should not rely on any of these forward-looking statements. All statements, other than statements of historical fact, included in this Quarterly Report constitute forward-looking statements, including, but not limited to, statements identified by the words “forecast,” “may,” “believe,” “will,” “should,” “plan,” “predict,” “anticipate,” “intend,” “estimate,” “expect,” “continue,” and similar expressions. Such forward-looking statements include, but are not limited to, statements about when additional capacity will be operational, timing for completion of construction or expansion projects, results in certain basins, profitability, financial or leverage metrics, future cost savings or operational, environmental and climate change initiatives, our future capital structure and credit ratings, objectives, strategies, expectations, and intentions, the impact of the COVID-19 pandemic, Winter Storm Uri, and other weather related events on us and our financial results and operations, and other statements that are not historical facts. Factors that could result in such differences or otherwise materially affect our financial condition, results of operations, or cash flows, include, without limitation, (a) the impact of the ongoing coronavirus (COVID-19) pandemic (including the impact of any new variants of the virus) on our business, financial condition, and results of operations, (b) potential conflicts of interest of GIP with us and the potential for GIP to favor GIP’s own interests to the detriment of our unitholders, (c) GIP’s ability to compete with us and the fact that it is not required to offer us the opportunity to acquire additional assets or businesses, (d) a default under GIP’s credit facility could result in a change in control of us and a default under ENLC’s Revolving Credit Facility, (e) the dependence on our significant customers for a substantial portion of the natural gas and crude that we gather, process, and transport, (f) developments that materially and adversely affect our significant customers or other customers, (g) adverse developments in the midstream business that may reduce our ability to make distributions, (h) competition for crude oil, condensate, natural gas, and NGL supplies and any decrease in the availability of such commodities, (i) decreases in the volumes that we gather, process, fractionate, or transport, (j) increasing scrutiny and changing expectations from stakeholders with respect to our environment, social, and governance practices, (k) our ability to receive or renew required permits and other approvals, (l) increased federal, state, and local legislation, and regulatory initiatives, as well as government reviews relating to hydraulic fracturing resulting in increased costs and reductions or delays in natural gas production by our customers, (m) climate change legislation and regulatory initiatives resulting in increased operating costs and reduced demand for the natural gas and NGL services we provide, (n) changes in the availability and cost of capital, including as a result of a change in our credit rating, (o) volatile prices and market demand for crude oil, condensate, natural gas, and NGLs that are beyond our control, (p) our debt levels could limit our flexibility and adversely affect our financial health or limit our flexibility to obtain financing and to pursue other business opportunities, (q) operating hazards, natural disasters, weather-related issues or delays, casualty losses, and other matters beyond our control, (r) reductions in demand for NGL products by the petrochemical, refining, or other industries or by the fuel markets, (s) impairments to goodwill, long-lived assets and equity method investments, (t) construction risks in our major development projects, (u) challenges we may face in connection with our strategy to enter into new lines of business related to the energy transition, and (v) the effects of existing and future laws and governmental regulations, including environmental and climate change requirements and other uncertainties. In addition to the specific uncertainties, factors, and risks discussed above and elsewhere in this Quarterly Report, the risk factors set forth in “Item 1A. Risk Factors” in ENLC’s Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Commission on February 16, 2022 may affect our performance and results of operations. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those in the forward-looking statements. We disclaim any intention or obligation to update or review any forward-looking statements or information, whether as a result of new information, future events, or otherwise.